REDKNEE

Looking Beyond

REDKNEE SOLUTIONS INC

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

DATED: December 11, 2013

SCOPE OF ANALYSIS

This Management's Discussion and Analysis (MD&A) covers the results of operations, financial condition and cash flows of Redknee Solutions Inc. (the "Company" or "Redknee") for the fourth quarter and year-ended September 30, 2013. This document is intended to assist the reader in better understanding operations and key financial results as they are, in our opinion, at the date of this report.

The MD&A should be read in conjunction with the audited Consolidated Financial Statements for the fiscal year-ended September 30, 2013, which we prepared in accordance with International Financial Reporting Standards ("IFRS").

Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Forward-Looking Statements" and "Risks and Uncertainties". The consolidated financial statements and the MD&A have been reviewed by Redknee's Audit Committee and approved by its Board of Directors.

Unless otherwise indicated, all dollar amounts are expressed in U.S. dollars. In this document, "we," "us," "our," "Company" and "Redknee" all refer to Redknee Solutions Inc. collectively with its subsidiaries.

FORWARD-LOOKING STATEMENTS

Certain statements in this document may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this document, such statements use such words as "may", "will", "expect", "continue", "believe", "plan", "intend", "would", "could", "should", "anticipate" and other similar terminology. These statements reflect current assumptions and expectations regarding future events and operating performance and speak only as of the date of this document. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under the "Risk Factors" section of the Company's the most recently filed AIF. Although the forward-looking statements contained in this document are based upon what we believe are reasonable assumptions, we cannot assure investors that our actual results will be consistent with these forward-looking statements. We assume no obligation to update or revise these forward-looking statements to reflect new events or circumstances, except as required by securities law.

OVERVIEW

Redknee is a leading global provider of innovative real-time monetization software products, solutions and services. Redknee's award-winning solutions enable Telecommunications service providers to monetize new services, business models and content and to deliver a comprehensive customer experience. Redknee's revenue and subscriber management platform provides innovative converged billing, charging, policy and customer care solutions for voice, messaging and data service to over 200 service providers in over 90 countries. The Company's software products allow mobile, multi-play and other service providers to extend and enhance their capabilities and service offerings, enabling them to introduce new revenue streams and improve customer satisfaction through the introduction of innovative tariffs and loyalty programs, data services, and advanced customer care and subscriber self-care. This is provided by the Company's software products which manage and analyze, in real time, complex and critical network operations, such as service provisioning, network management and customer care, and provide real-time rating, charging and billing. In addition to its deep technical expertise and customer footprint in the telecommunications space, Redknee's highly scalable solutions are also being leveraged in additional verticals, including railways. Established in 1999, Redknee Solutions Inc. (TSX: RKN) is the parent of the wholly-owned operating subsidiary Redknee Inc. and its various subsidiaries.

Redknee provides innovative converged billing, charging, policy and customer care solutions for voice, messaging and data services. The Company derives its revenue from three main geographic areas namely:

1. APAC – Asia and Pacific Rim
2. Americas – North America, South America and Caribbean
3. EMEA – Europe, the Middle East and Africa

Redknee's award-winning solutions enable service providers to monetize new services, business models and content and to deliver a comprehensive customer experience. Available on-premise, via the cloud or as a Software-as-a-Service offering, Redknee's highly scalable and agile, end-to-end platform supports the following market solutions:

Converged Billing and Customer Care – Redknee's award-winning cloud-enabled real-time converged billing and customer care platform delivers the benefits of a flexible, end-to-end platform, including real-time converged billing, rating and charging for the operator's data, voice, and messaging services. Today, Redknee's highly scalable solution is supporting more than 80 million subscribers at a single customer and is enabling operators to launch and monetize their 3G and LTE networks and deliver advanced services, including Voice over LTE, cloud-services and Over the Top offerings. In addition, the fully integrated solution provides advanced customer care and self-care capabilities with the Microsoft Dynamics CRM framework; real-time subscriber promotions and loyalty programs; and transparent and flexible self-care options for prepaid, postpaid and hybrid subscribers.

Policy Management – Redknee's Policy Management solution provides a single solution that enables service providers to take control of network resource usage, assure quality of experience for key users, and offer personalized services and differentiated, service-specific charging. Serving more than 55 operators with a combined customer base of 1.2 billion subscribers, Redknee's Policy Management solution is key to supporting operator data monetization strategies for real-time applications such as

video streaming, interactive gaming and voice-over-LTE (VoLTE). Highlighted by analyst firm Infonetics Research for its pre-integration with Redknee's real-time charging engine and its Tier 1 customer base, Redknee's Policy Management solution is regarded as one of the industry's leading solutions in the market.

Brand Challenger – Redknee's Brand Challenger solution provides a cloud-based end-to-end converged billing solution for Mobile Network Operators ("MNOs"), Mobile Virtual Network Enablers ("MVNEs") and Mobile Virtual Network Operators ("MVNOs") to launch quickly to the market. Redknee's out-of-the-box solution offers a low risk business model that enables MNOs to launch a second brand, MVNEs to accelerate their growth strategies and MVNOs to improve their differentiation in the market. Redknee launched the Redknee Cloud in the US as part of its strategy to offer Software-as-a-Service and a fully managed service to Tier 1 operators, MVNOs and service providers that want to launch to the market quickly.

Wholesale Settlement – Redknee's Wholesale Settlement is a cloud-based solution that provides operators with greater visibility into network transactions in order to achieve converged settlement and accurate interconnect billing. Redknee's solution helps service providers maximize the value of their network with a comprehensive and cost-effective interconnect, wholesale, roaming, MVNO, franchise management and content settlement software solution.

GSM-R Intelligent Network Solution – Redknee's Intelligent Network solution for GSM-Railway (GSM-R) networks enables Railway Network Operators ("RNOs") to deliver better operational support, increased reliability and higher quality railway communications system for their GSM-R networks. Redknee is the core provider of optimized communication services supporting more than 50 percent of the world's GSM-railway networks, providing advanced functionality to progress their infrastructure, enhance their operational requirements and improve the customer experience they deliver.

BUSINESS ACQUISITION

On March 29, 2013, the Company acquired the Nokia Siemens Networks' Business Support Systems ("BSS") business unit (the "BSS acquisition"). The BSS business unit provided real-time charging, rating, policy and customer care solutions to more than 130 communication service providers. The completion of this acquisition marks a significant milestone in Redknee's long-term growth strategy by adding strong long-standing relationships with multiple Tier-1 operators from across the globe.

The acquisition involved an asset purchase, which included the BSS customer and supplier contracts, intellectual property rights, tangible assets and associated liabilities, along with the transfer of BSS employees. The acquisition was accounted for by the purchase method and the results of operations of the BSS business since the date of acquisition have been consolidated.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets out selected consolidated financial information of Redknee for the periods indicated. Each investor should read the following information in conjunction with those financial statements and related notes. The operating results for any past period are not necessarily indicative of results for any future period. The selected financial information set out below has been derived from the consolidated financial statements.

Consolidated Statement of Operations (all amounts in thousands of US$, except per share amounts) **(unaudited)**	**Three Months Ended September 30 2013**	**Three Months Ended September 30 2012**	**Twelve Months Ended September 30 2013**	**Twelve Months Ended September 30 2012**
Revenue				
Software, services and other	25,981	8,836	68,066	33,860
Support	31,456	5,700	73,981	23,004
	57,437	**14,536**	**142,047**	**56,864**
Cost of revenue	26,593	4,440	63,114	17,865
Gross profit	**30,844**	**10,096**	**78,933**	**38,999**
Operating expenses				
Sales and marketing	9,523	3,535	25,133	14,704
General and administrative	9,811	2,756	20,654	9,247
Research and development	15,415	2,239	34,422	9,383
Acquisition and related costs	1,769	-	12,964	-
	36,518	**8,530**	**93,172**	**33,334**
Income (loss) from operations	**(5,674)**	**1,566**	**(14,239)**	**5,665**
Foreign exchange gain (loss)	564	178	(676)	(39)
Other income (expense)	4,018	-	15,815	(14)
Finance income	9	28	31	100
Finance costs	(569)	(153)	(1,011)	(450)
Income before income taxes	**(1,652)**	**1,619**	**(80)**	**5,262**
Income taxes	(683)	(254)	183	(40)
Net Income for the period	**(969)**	**1,873**	**(263)**	**5,302**
Net Income per Common Share				
Basic	$ (0.01)	$ 0.03	$ (0.00)	$ 0.08
Diluted	$ (0.01)	$ 0.03	$ (0.00)	$ 0.08
Weighted average number of common shares				
Basic (thousands)	95,030	64,790	82,808	64,178
Diluted (thousands)	95,030	65,949	82,808	65,129

Statement of Financial Position Data $US Thousands (unaudited)	As at September 30, 2013	As at September 30, 2012
Cash, Cash Equivalents and Restricted Cash	80,066	17,792
Trade Accounts, Other Receivables and Unbilled Revenue	105,815	22,520
Goodwill and Intangible Assets	46,371	11,310
Total Assets	258,046	58,757
Accounts Payable and Accrued Liabilities	75,240	8,914
Deferred Revenue	19,085	7,337
Long-Term Debt and Other LT liabilities	60,497	5,901
Shareholders' Equity	97,557	34,161

CURRENT PERIOD OPERATING RESULTS

Revenue

The following tables set forth the Company's revenues by type and as a percentage of total revenue for the periods indicated:

$US Thousands	Three Months Ended September 30		Twelve Months Ended September 30	
(unaudited)	2013	2012	2013	2012
Asia and Pacific Rim	14,942	3,392	40,055	11,864
North America, South America and Caribbean	7,415	5,483	24,230	22,887
Europe, the Middle East and Africa	35,080	5,660	77,763	22,113
Total	**57,437**	**14,535**	**142,048**	**56,864**

Percentage of Total Revenue (unaudited)	Three Months Ended September 30		Twelve Months Ended September 30	
	2013	2012	2013	2012
Asia and Pacific Rim	26%	23%	28%	21%
North America, South America and Caribbean	13%	38%	17%	40%
Europe, the Middle East and Africa	61%	39%	55%	39%
Total	**100%**	**100%**	**100%**	**100%**

The Company recognizes revenue from the sale of software licenses, including initial licenses, capacity increases and/or upgrades; professional services ("Software and Services"); third party hardware and software components ("Third Party Software & Hardware") and customer support contracts ("Support"). For the three-month period ended September 30, 2013, with the addition of over 120 new service providers from the BSS acquisition, the Company's revenues have grown by 295% to $57.4 million from $14.5 million compared to the same period in fiscal 2012. The increase by revenue type for the quarter

ended September 30, 2013 is mainly due to a $25.8 million increase in support revenue and a $13.5 million increase in software and services revenue. For the year ended September 30, 2013, the Company's revenue increased by 150% from $56.9 million for the same period in fiscal 2012 to $142.1 million in fiscal 2013 due to the contribution of the increased sales to acquired customers from the BSS acquisition. The increase by revenue type for the year ended September 30, 2013 is mainly due to a $51.0 million increase in support revenue and a $28.9 million increase in software & services revenue.

Software and Services Revenue

Software and services revenue consists of fees earned from the licensing and deployment of software products to our customers, as well as the revenues resulting from consulting and training services contracts related to the software products.

Software and services revenue for Q4 2013 increased by 157% to $22.1 million, or 38% of total revenue, compared to $8.6 million, or 59% of total revenue for the same period last year. For the year ended September 30, 2013, software and service revenue increased by 89% to $61.2 million, or 43% of total revenue, compared to $32.3 million, or 57% of total revenue for fiscal 2012. The increase in software and services revenue relates to the impact from additional sales to acquired customers from the BSS acquisition.

Support Revenue

Support revenue consists of revenue from our customer support, subscription and maintenance contracts. These recurring revenue agreements allow customers to receive technical support and upgrades in the case of subscription agreements. Support revenue is generated from such agreements relative to current year sales and the renewal of existing agreements for software licenses sold in prior periods. Typically, support contracts commence for a period of one or more years upon completion of acceptance testing and then renew annually thereafter.

Support revenue for Q4 2013 increased by 452% to $31.5 million, or 55% of total revenue, compared to $5.7 million, or 39% of total revenue, for the same period last year. For the year ended September 30, 2013, support revenue increased by 222% to $74.0 million, or 52% of total revenue, compared to $23.0 million, or 40% of total revenue for 2012. The increase in support revenue relates to the impact of sales to acquired customers from the BSS acquisition.

Third Party Software and Hardware Revenue

Third-party software and hardware revenue consists of revenue from the sale of other vendor's hardware and software components as part of Redknee's solutions, including server platforms, database software and other ancillary components.

Third-party software and hardware revenue for Q4 2013 increased to $3.9 million, or 7% of total revenue, compared to $0.2 million, or 2% of total revenue, for the same period last year. For the year ended September 30, 2013, third party software and hardware revenue increased by 343% to $6.9 million, or 5% of total revenue, compared to $1.6 million, or 3% of total revenue for fiscal 2012. The increase in support revenue relates to the impact of sales to acquired customers from the BSS acquisition.

Revenue by Geography

Revenue is attributed to geographic locations based on the location of the customer. The following tables set forth revenues by main geographic area and as a percentage of total revenue for the periods indicated:

$US Thousands (unaudited)	Three Months Ended September 30		Twelve Months Ended September 30	
	2013	**2012**	**2013**	**2012**
Asia and Pacific Rim	14,942	3,392	40,055	11,864
North America, South America and Caribbean	7,416	5,485	24,230	22,888
Europe, the Middle East and Africa	35,080	5,660	77,763	22,113
Total	**57,437**	**14,536**	**142,047**	**56,864**

Percentage of Total Revenue (unaudited)	Three Months Ended September 30		Twelve Months Ended September 30	
	2013	**2012**	**2013**	**2012**
Asia and Pacific Rim	26%	23%	28%	21%
North America, South America and Caribbean	13%	38%	17%	40%
Europe, the Middle East and Africa	61%	39%	55%	39%
Total	**100%**	**100%**	**100%**	**100%**

For Q4 2013, revenue from the APAC region increased by 341% to $14.9 million, or 26% of total revenue, compared to $3.4 million, or 23% of total revenue for Q4 2012. For the year ended September 30, 2013, revenue from the APAC region increased by 238% to $40.1 million, or 28% of total revenue, compared to $11.9 million, or 21% of total revenue for fiscal 2012. The increase relates mainly to the increase of revenue from the BSS acquisition.

For Q4 2013, revenue from the Americas region increased by 35% to $7.4 million or 13% of total revenue, compared to $5.5 million or 38% of total revenue for Q4 2012. For the year ended September 30, 2013, revenue from the Americas region increased by 6% to $24.2 million, or 17% of total revenue, compared to $22.9 million, or 40% of total revenue for fiscal 2012. The increase relates mainly to the increase of revenue from the BSS acquisition.

For Q4 2013, revenue from the EMEA region increased by 520% to $35.1 million, or 61% of total revenue, compared to $5.7 million, or 39% of total revenue for Q4 2012. For the year ended September 30, 2013, revenue from the EMEA region increased by 252% to $77.8 million, or 55% of total revenue, compared to $22.1 million, or 39% of total revenue for fiscal 2012. The increase relates mainly to the increase of revenue from the BSS acquisition.

Cost of Revenue and Gross Margin

Cost of revenue consists of the expense of personnel providing professional services to implement and provide post sales technical support for our solutions, and the costs of third party hardware and software components sold as part of Redknee's solution. In addition, it includes an allocation of certain direct and indirect costs attributable to these activities.

For Q4 2013, cost of sales increased 499% to $26.6 million from $4.4 million incurred for the same period in 2012. For the year ended September 30, 2013, cost of revenue increased 253% to $63.1 million from the $17.9 million incurred in the same period last year. The increase in cost of revenue reflects the increase in the Company's revenue.

The gross margin for Q4 2013 was 54% compared to 69% for the fourth quarter of 2012. For the year ended September 30, 2013, the gross margin decreased to 56% in fiscal 2013 compared to 69% for 2012. The expected decrease in gross margin for the periods presented is driven by two primary factors; a change in revenue mix resulting in higher third party hardware and software revenue which has lower margins, and lower margins on support contracts of the acquired BSS business

Operating Expenses

Total operating expenses, excluding amortization, in Q4 2013 increased by 299% to $33.0 million compared to $8.3 million for the same period last year. As a percentage of total revenue, operating expenses, excluding amortization, was 57% compared to 57% for the same period last year. Excluding acquisition and amortization costs, total operating costs were $31.3 million or 54% of Q4 2013 revenue compared to $8.3 million or 57% of revenue for the same period last year. Acquisition and related costs totaled $1.8 million for Q4 2013.

Total operating expenses, excluding amortization, for the year ended September 30, 2013 increased by 168% to $86.7 million (61% of revenue) from $32.4 million (57% of revenue) for the same period last year. Operating costs, excluding acquisition and amortization costs, totaled $73.7 million or 52% of fiscal 2013 revenue compared to $32.4 million or 57% of revenue for fiscal 2012.

The following tables set forth total operating expenses by function and as a percentage of total revenue for the periods indicated:

$US Thousands (unaudited)	Three Months Ended September 30		Twelve Months Ended September 30	
	2013	2012	2013	2012
Sales and Marketing	9,523	3,535	25,133	14,704
General and Administrative	9,811	2,756	20,654	9,247
Research and Development	15,415	2,239	34,422	9,383
Acquisition and related Costs	1,769	-	12,964	-
Total Operating Expenses	**36,518**	**8,530**	**93,172**	**33,334**
Excluding Amortization	*33,016*	*8,276*	*86,698*	*32,380*

Percentage of Total Revenue (unaudited)	Three Months Ended September 30		Twelve Months Ended September 30	
	2013	2012	2013	2012
Sales and Marketing	17%	24%	18%	26%
General and Administrative	17%	19%	15%	16%
Research and Development	27%	15%	24%	17%
Acquisition and related Costs	3%	0%	9%	0%
Total Operating Expenses	**64%**	**59%**	**66%**	**59%**
Excluding Amortization	*57%*	*57%*	*61%*	*57%*

Sales and Marketing Expenses

Sales and Marketing ("S&M") expenses consist primarily of salaries, variable compensation costs and other personnel costs, travel, advertising, marketing and conference costs plus the allocation of certain overhead costs to support the Company's sales and marketing activities.

For Q4 2013, S&M expenses increased by 169% to $9.5 million, which represented a $6.0 million increase from the $3.5 million incurred for the same period last year. As a percentage of total revenue, S&M expenses decreased to 17% compared to 24% for the same period last year. For the year ended September 30, 2013, S&M expenses increased to $25.1 million or 18% of revenue compared to $14.7 million or 26% for the same period last year. The increase in costs for the fourth quarter 2013 and for fiscal 2013 is due to the increase in headcount related costs as a result of the BSS acquisition.

General and Administrative Expenses

General and administrative ("G&A") expenses consist of the Company's corporate and support activities such as finance, human resources, information technology, and professional costs associated with tax, accounting, and legal expenditures. Certain overhead costs such as facilities, communications and computer costs are allocated to G&A and the other departments on a per headcount basis.

For Q4 2013, general and administrative expenditures increased 256% to $9.8 million or 17% of revenue from $2.8 million or 19% of revenue compared to same period last year. For the year ended September

30, 2013, G&A expenditures increased by 123% to $20.7 million or 15% of revenue from the $9.3 million or 16% of revenue incurred for the same period in 2012. The increase in costs for Q4 2013 and for fiscal 2013 is due to the increase in headcount related costs as a result of the BSS acquisition and an increase in amortization costs from acquired intangible assets.

Research and Development Expenses

Research and development expenses consist primarily of personnel costs associated with product management and the development and testing of new products plus the allocation of certain overhead costs.

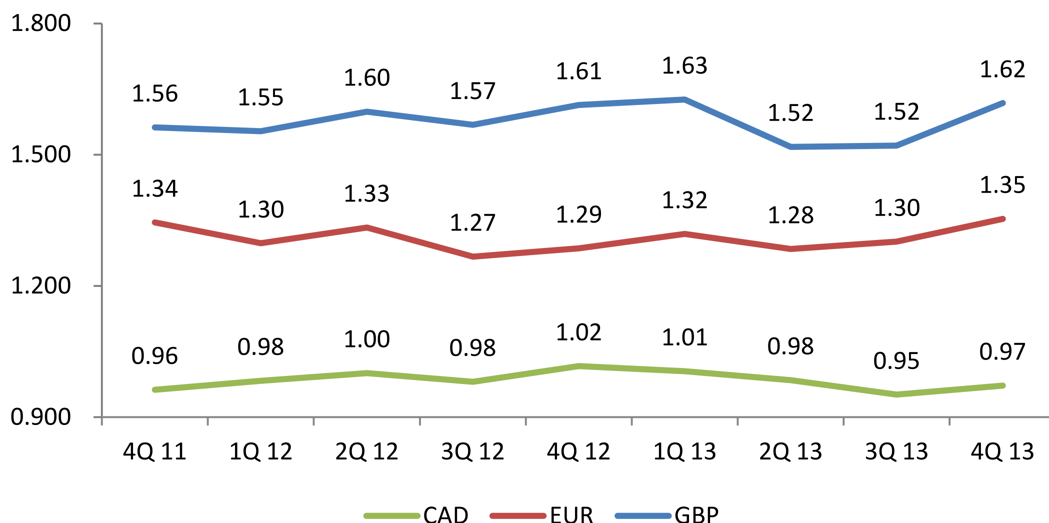
For the fourth quarter of fiscal 2013, R&D expenditures increased by 589% to $15.4 million compared to $2.2 million for the same period last year. As a percentage of total revenue, R&D expenditures increased to 27% for Q4 2013 from 15% in Q4 2012. For the year ended September 30, 2013, R&D expenditures increased by 267% to $34.4 million in 2013 from the $9.4 million incurred for the same period in 2012. As a percentage of total revenue, R&D expenses increased to 24% for fiscal 2013 from 17% for the same period last year. The increase in costs for Q4 2013 and for fiscal 2013 is due to the increase in headcount and its related costs as a result of the BSS acquisition.

Acquisition and Related Costs

During the three months and year ended September 30, 2013, the Company incurred acquisition-related costs for legal services and professional fees directly associated with the BSS acquisition of $1.8 million and $13.0 million, respectively.

Foreign Exchange Gain/Loss

We operate internationally and have foreign currency risks related to our revenue, operating expenses, assets and liabilities denominated in currencies other than the U.S. dollar. Consequently, we believe movements in the foreign currencies in which we transact could significantly affect future net earnings. Currently, we do not use hedging techniques to mitigate such currency risks. The graph below displays the change in rates relative to the U.S. dollar.



Source: Bank of Canada

For the quarter ended September 30, 2013, the Company recognized a foreign currency exchange gain of $0.6 million, compared to a foreign currency exchange gain of $0.2 million in the same period of fiscal 2012. The fourth quarter gain in fiscal 2013 was primarily due to the U.S. dollar weakening against the British Pound, Canadian dollar and the Euro, compared to last year.

For the year ended September 30, 2013, the Company recognized a foreign currency exchange loss of $0.7 million, compared to a foreign currency exchange loss of $0.04 million in the same period of fiscal 2012. The loss for the fiscal year 2013 was primarily due to the strengthening of U.S. dollar against other currencies during the year.

Other Income

As a result of the acquisition of the BSS business unit, the Company completed the purchase price allocation as at September 30, 2013. A bargain purchase gain of $15.8 million was recognized in this business combination, due to the acquisition price being less than the estimated fair market value of the net assets acquired.

Finance Costs

On April 1, 2013, the Company entered into an amended and restated credit agreement with Wells Fargo to add to its existing senior secured credit facility with two new term loan facilities in the amount of $15 million each, for a total credit facility of $50 million. As at September 30, 2013, $35.9 million is outstanding and interest is payable monthly over the term of five years. The Company has incurred $1.5 million of transaction costs and has recorded these costs as deferred costs that are being amortized over the expected five-year term of the loan using the effective interest rate method. During the year ended September 30, 2013, $0.3 million was amortized (2012 - $0.0). For the three and twelve months ended September 30, 2013, finance costs of $0.6 million and $1.0 million respectively have been recorded.

The Company uses the credit facilities for working capital, general corporate purposes, capital expenditures and acquisitions. The credit facilities are secured by the assets of Redknee Inc., Redknee Solutions (UK) Limited ("Redknee UK") and Redknee Germany GmbH ("Redknee Germany"). The Company, Redknee UK, and Redknee Germany have guaranteed the obligations of Redknee Inc. The Company's guarantee is secured by a pledge of all of its shares in Redknee Inc.

Stock-Based Compensation

Stock options granted during the year ended September 30, 2013 totaled 325,000 (2012 – 1,625,000). The stock-based compensation relating to the Company's stock options, deferred share unit plan and restricted shares under the restricted share plan during Q4 2013 was $4.9 million compared to $0.1 million in the same period last year due to performance units vested during Q4 2012. The stock-based compensation relating to the Company's stock options, deferred share unit plan and restricted shares under the restricted share plan during the year ended September 30, 2013 and 2012 was $6.1 million and $0.6 million respectively.

Income Taxes

The current income tax provision is management's estimate of current taxes owing by the Company's foreign subsidiaries. The income tax expense has increased as a result of the expansion of the business in foreign subsidiaries.

SUMMARY OF RESULTS

All financial results are in thousands, unless otherwise stated, with the exception of per share amounts. The table below provides summarized information for our eight most recently completed quarters:

$ Thousands (unaudited)	4Q 13	3Q 13	2Q 13	1Q 13	4Q 12	3Q 12	2Q 12	1Q 12
Revenue	$57,437	$58,620	$11,753	$14,237	$14,536	$14,847	$14,108	$13,373
Net Income	$(969)	$ 80	$ 2,365	$(1,739)	$ 1,873	$ 1,739	$ 1,332	$ 358
Basic Income (Loss) per Share	$ (0.01)	$ -	$ 0.03	$(0.02)	$ 0.03	$ 0.03	$ 0.02	$ 0.01
Diluted Income (Loss) per Share	$ (0.01)	$ -	$ 0.03	$(0.02)	$ 0.03	$ 0.03	$ 0.02	$ 0.01
Weighted average shares outstanding – Basic	95,030	80,728	79,841	75,446	64,790	64,142	64,410	64,222
Weighted average shares outstanding - Diluted (2)	95,030	84,548	83,505	75,446	65,949	65,104	65,304	65,098

(1) In prior periods where net income was negative, options were considered to be anti-dilutive for the calculation of Fully Diluted Earnings per Share.

TRADE ACCOUNTS AND OTHER RECEIVABLES

The Company's Days Sales Outstanding in Accounts Receivable ("DSO") is normalized at 100 days as at September 30, 2013 compared to 78 days as of September 30 2012. Redknee calculates its DSO based on the annualized revenue and the trailing four quarterly average accounts receivable balances. In order to minimize the risk of loss for trade receivables, the Company's extension of credit to customers involves review and approval by senior management, as well as progress payments as contracts are performed. Credit reviews take into account the counterparty's financial position, past experience and other factors. Management regularly monitors customer credit limits. The Company believes that the concentration of credit risk from trade receivables is limited, as they are widely distributed among customers in various countries.

While the Company's credit controls and processes have been effective in mitigating credit risk, these controls cannot eliminate credit risk and there can be no assurance that these controls will continue to be effective. Most billings are invoiced with payment terms in the range of 30 to 60 days. The Company reviews its trade receivable accounts regularly and reduces amounts to their expected realizable values by making an allowance for doubtful accounts, as soon as the account is perceived not to be fully collectible.

The Company's trade receivables had a carrying value of $66.4 million as at September 30, 2013 representing the maximum exposure to credit risk of those financial assets, exclusive of the allowance for doubtful accounts. Normal credit terms for amounts due from customers call for payment within 30 to 60 days.

The allowance for doubtful accounts as at September 30, 2013 was at $2.1 million, a $0.6 million increase from the $1.5 million as at September 30, 2012. Bad debt is charged to general and administrative expenses. Estimates for allowance for doubtful accounts are determined by a customer-by-customer evaluation of collectability at each consolidated statements of financial position reporting date, taking into account the amounts that are past due and any available relevant information on the customers' liquidity and ability to pay.

UNBILLED REVENUE

Unbilled revenue represents revenue that has been earned but not billed. Redknee operates in an industry where contract prices are fixed and payments are often based on billing milestones. All services provided from inception are due and payable under the contract terms. Differences between the timing of billings, based upon billing milestones or other contractual terms, and the recognition of revenue are recognized as either unbilled revenue or deferred revenue. Revenue recognized in advance of contractual billings is recorded as unbilled revenue.

A typical implementation project recognizes revenue on a percentage of completion basis. This revenue results in unbilled revenue until the customer is invoiced. Based on Redknee's contracts, the customer is invoiced upon the completion of defined milestones, and/or required customer acceptance. Delays in the completion of a billing milestone does not indicate that the contract is on hold or that the customer is unwilling to pay its contracted fee. Historically, Redknee has not written-off any unbilled revenue balances, and its bad debt write-offs on accounts receivable remain minimal.

Unbilled revenue increased to $39.4 million at September 30, 2013 as compared to $12.1 million as at September 30, 2012. The increase in unbilled revenue is primarily attributable to the impact of the acquisition of BSS business and an increase in the size and complexity of projects Redknee is taking on as it targets larger Tier 1 customers.

PENSION AND NON-PENSION POST-EMPLOYMENT BENEFIT PLANS

As a result of the acquisition of the BSS business, the Company acquired a number of employees and assumed the corresponding liabilities relating to pension and non-pension post employment benefit plans in Germany as well as other countries.

In Germany, there are a number of pensions and post-employment benefit plans including a cash balance plan that provides benefits on retirement, disability and death, a salary sacrifice plan, as well as other post-employment benefit schemes. The liabilities relating to the German pension and post-employment benefit plans were fully funded by Nokia Siemens Networks as at the acquisition date of March 29, 2013. The plan assets are held in a separate Contractual Trust Arrangement with Deutsche Pensions Treuhand GmbH. The German pension plans operate under the legal framework of the German Company Pension Law ("Betreibsrentengesetz") and under the German Labour Law.

The other post-employment employee benefit plans relate to a number of other countries including Austria, Bulgaria, France, Greece, Indonesia, Kuwait, Philippines, Saudi Arabia and Tanzania. The obligations relating to these post-employment benefit plans are partially covered by plan assets. These plans are unfunded, with the exception of the retirement indemnity plan in Indonesia, which is partly funded.

The Company's pensions and post-employment benefit plans are subject to risks from changes in the market discount rate, the rate of salary and pension increases and longevity. A lower discount rate results in a higher defined benefit obligation and/or higher benefit costs.

The Company has assessed the valuation for pension and non-pension post-employment benefits. Pension fund assets are invested primarily in fixed income and equity securities. The Company's pension funds do not invest directly in the Company's shares, but may invest indirectly as a result of the inclusion of the Company's shares in certain market investment funds. These plan assets are maintained in segregated accounts by a custodian that is independent from the fund managers. The Company's believe that the counterparty credit risk is low. The Company disclosed the net of the present value of obligations and the fair value of plan assets in the balance sheet as a total employee benefit liability of $0.8 million.

INTANGIBLE ASSETS

The Company allocated an amount of $38.3 million (€29.8 million) to intangible assets acquired in the BSS acquisition, including customer relationships and developed technology, based on their fair values at the date of purchase. These intangible assets will be amortized over their estimated useful lives which is in the range of five to ten years. The useful lives of the intangible assets are determined as the period of time over which the assets are anticipated to contribute to the Company's future cash flows. It is expected that the intangible assets will be deductible for tax purposes.

OTHER ASSETS

Other assets remained consistent at $3.2 million for both September 30, 2013 and September 30, 2012. The Company recognized upfront direct costs related to future activity on three customer contracts as an asset as it is probable that these amounts will be recovered through future minimum contractual payment terms. The costs are being amortized over the pattern of recognition of the related contract revenues. During the three months and year ended September 30, 2013, $0.2 million and $0.4 million was amortized, respectively (2012 – $0.0 and $0.0).

DEFERRED REVENUE

Deferred revenue represents revenue that has been billed in accordance with the terms of the contract but where the criteria for revenue recognition has not been bet. Redknee operates in an industry where contract prices are fixed and payments are based on billing milestones. All services provided from inception are due and payable under the contract terms. Differences between the timing of billings, based upon billing milestones or other contractual terms, and the recognition of revenue are recognized as either unbilled revenue or deferred revenue.

Deferred revenue increased to $14.9 million at September 30, 2013 compared to approximately $7.3 million at September 30, 2012. The increase in deferred revenue is primarily attributable to the increase in the volume of support service contracts arising from the acquisition of the BSS business.

CONTINGENT CONSIDERATION

In addition to the purchase price of the BSS business, the Company has agreed to pay additional consideration of up to a maximum of €25.0 million for certain performance-based cash earn-outs over the next 12 to 36 months post-closing. For purposes of the purchase accounting, the Company has estimated the fair value of the contingent consideration to be €18.3 million ($23.6 million) as at March 29, 2013. The fair value of the contingent consideration was calculated using probability-based outcomes. Any changes in the estimated fair value will be recorded in the statement of comprehensive income. For the year ended September 30, 2013, the contingent consideration was valued at $24.8 million as a result of a change in certain probability-based assumptions and revaluations due to foreign exchange.

LIQUIDITY AND CAPITAL RESOURCES

The Company's objective in managing capital is to ensure sufficient liquidity to drive its organic growth, fund operations and undertake selective acquisitions, while at the same time taking a conservative approach toward financial leverage and management of financial risk. The Company currently funds its operations, changes in non-cash working capital and capital expenditures from internally generated cash flows and cash on hand.

The table below outlines a summary of cash inflows and outflows by activity.

Statement of Cash Flows Summary ($ US Thousands) (Unaudited)	Three months ended September 30, 2013	2012	Twelve months ended September 30, 2013	2012
Cash inflows and (outflows) by activity:				
Operating activities	(4,477)	(2,174)	(11,005)	6,975
Investing activities	(10,513)	(209)	(16,608)	(1,624)
Financing activities	15,922	(374)	90,011	(3,446)
Effect of foreign currency exchange rate changes on cash and cash equivalents	1,217	9	(223)	94
Net cash inflows (outflows)	2,149	(2,748)	62,175	1,999
Cash and cash equivalents, beginning of period	76,905	19,627	16,879	14,880
Cash and cash equivalents, end of period	79,055	16,879	79,054	16,879

The Company uses Working Capital and Days Sales Outstanding in Accounts Receivable as measures to enhance comparisons between periods. These terms do not have a standardized meaning under GAAP and are not necessarily comparable to similar measures presented by other companies. The calculation of each of these items is more fully described below.

Cash from Operating Activities

Cash used by operating activities was $4.5 million in the three months ended September 30, 2013, compared to the cash used by operating activities of $2.2 million for the same period last year. Cash used by operating activities was $11.0 million in the year ended September 30, 2012, compared to cash provided of $7.0 million for the prior year. This is mostly attributed to an increase in unbilled and accounts receivables, partially offset by increase in accrued liabilities and accounts payable.

Working capital represents the Company's current assets less its current liabilities. The Company's working capital balance increased to $100.1 million as at September 30, 2013 from $23.2 million as at September 30, 2012. This increase is mainly attributed to increase in cash and cash equivalents, an increase in unbilled revenue and trade receivables, partially offset by an increase in accounts payable, accrued liabilities and deferred revenue.

The company's net cash position at September 30, 2013 increased by $32.3 million to $44.8 million from $11.9 million at September 30, 2012.

Cash from Investing Activities

Cash used for investing activities during the quarter ended September 30, 2013 was $10.5 million compared to $0.2 million in 2012. For the twelve months ended September 30, 2013, cash used was $16.6 million compared to $1.6 million in 2012. The use of cash is mainly due to the purchase consideration for the BSS acquisition and the purchase of property and equipment.

Cash from Financing Activities

In the fourth quarter of fiscal 2013, cash provided by financing activities was $15.9 million compared to a use of cash of $0.4 million in 2012. The source of cash in the current quarter relates to the proceeds of the term loan under the Wells Fargo credit facility. The use of cash in the fourth quarter of 2012 represented the repayment of loans.

For the year ended September 30, 2013, cash provided by financing activities was $90.0 million compared to a use of cash of $3.5 million in the same period in 2012. The source of cash relates to bought deal financing in the first quarter of 2013, private placement financing and the proceeds of the term loans in the third and fourth quarter of 2013. The use of cash for the year ended September 30, 2012 represented the purchase of treasury stock and repayment of the loans.

BUSINESS ACQUISITION

The acquisition of the Nokia Siemens Networks BSS business on March 29, 2013 involved the purchase of certain assets and obligations, which include Nokia Siemens Networks' BSS customer and supplier contracts, intellectual property rights, tangible assets and associated liabilities, along with the transfer of BSS employees. The acquisition has been accounted for as a business combination under the purchase method.

(a) Consideration transferred:

Redknee financed the transaction through a combination of cash and debt facilities. The consideration for the BSS business was €15.0 million base amount; plus the net working capital balance, as defined; less an adjustment for non-German pension liabilities.

In addition to the purchase price, the Company agreed to pay additional consideration of up to a maximum of €25.0 million for certain performance-based cash earn-outs over the next 12 to 36 months post-closing.

Consideration paid on closing by the Company was €10.6 million ($13.6 million). For purposes of the purchase accounting, the Company has estimated the fair value of the contingent consideration to be €18.3 million ($23.6 million) relating to the performed-based cash earn-outs as at March 29, 2013. The fair value of the contingent consideration was calculated by using probability-based outcomes. Any changes in the estimated fair value will be recorded in the statement of comprehensive income. For the year ended September 30, 2013, the contingent consideration was valued at $24.8 million as a result of change in certain probability-based assumptions and revaluations due to foreign exchange.

The Company completed the purchase price allocation as at September 30, 2013. The fair values of the assets acquired and liabilities assumed upon acquisition are as follows:

	Purchase Price allocation	
	(Euros)	(U.S. dollars)
Net assets acquired:		
Other receivables	€14,939,798	$ 19,184,423
Property and equipment	8,207,944	10,539,947
Inventory	3,057,678	3,926,411
Accrued liabilities	(7,031,770)	(9,029,603)
Deferred revenue	(7,708,189)	(9,898,204)
Customer relationships	11,300,000	14,510,503
Acquired technology	18,500,000	23,756,133
	41,265,461	52,989,610
Bargain purchase gain	(12,315,715)	(15,814,798)
	€28,949,746	$ 37,174,812
Cash consideration	10,600,746	13,612,580
Contingent consideration	18,349,000	23,562,232
Total purchase consideration	€ 28,949,746	$ 37,174,812

The Company applied significant estimates and assumptions in accounting for the acquisition of Nokia Siemens Networks' BSS business relating to the allocation of the purchase price, valuation of intangible assets, valuation of contingent consideration and other valuations used in the business acquisition, such as deferred revenue.

The Company allocated €29.8 million ($38.3 million) to intangible assets, including customer relationships and developed technology based on their fair values at the date of purchase. These intangible assets will be amortized over their estimated useful lives which are ten years for customer relationships and five years for technology. The useful lives of the intangible assets are determined as the period of time over which the assets are anticipated to contribute to the Company's future cash flows. It is expected that the intangible assets will be deductible for tax purposes.

(b) Bargain purchase gain:

A bargain purchase gain of €12.3 million ($15.8 million) was recognized as other income in this business combination, due to the purchase consideration being less than the estimated fair market value of the net assets acquired.

(c) Other items:

During the year ended September 30, 2013, the Company incurred acquisition and related costs of $13.0 million which included legal and professional expenses and other costs of $11.8 million and a

restructuring provision of $1.2 million. These costs have been presented separately in the consolidated statements of comprehensive income.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Long Term Debt and Credit Facilities

On September 25, 2012, the Company had entered into a senior secured credit facility with Wells Fargo Capital Finance, part of Wells Fargo & Company ("Wells Fargo") which provided for a revolving line of credit for up to $20.0 million.

On April 1, 2013, the Company entered into an amended and restated credit agreement with Wells Fargo to add to its existing senior secured credit facility with two new term loan facilities in the amount of $15.0 million each, for a total credit facility of $50.0 million.

The Company uses the credit facilities for working capital, general corporate purposes, capital expenditures and acquisitions. The credit facilities are secured by the assets of Redknee Inc., Redknee Solutions (UK) Limited ("Redknee UK") and Redknee Germany GmbH ("Redknee Germany"). The Company, Redknee UK, and Redknee Germany have guaranteed the obligations of Redknee Inc. The Company's guarantee is secured by a pledge of all of its shares in Redknee Inc.

As at September 30, 2013, $35.9 million (September 30, 2012 - $5.9 million) is outstanding and interest is payable monthly over the term of five years. The outstanding credit facility is payable as follows: $0.4 million in 2014, $0.8 million in 2015, $1.1 million in 2016 and 2017 and the remaining in 2018. For the year ended September 30, 2013, the Company incurred $1.5 million of transaction costs (2012 - $0.5 million) and has netted these costs against the loan amount and they are being amortized over the expected term of the loan, which management has estimated to be five years (2012 - estimated to be two years) using the effective interest rate method. During the year ended September 30, 2013, $0.3 million was amortized (2012 - $0.0).

Interest is at LIBOR plus an applicable margin which was 4.5% at September 30, 2013 and 3.5% at September 30, 2012.

LIBOR is defined to have a floor of no less than 1.25% which has been determined to be an embedded derivative. The fair value of the embedded derivative liability is estimated at $0.9 million at September 30, 2013 (September 30, 2012 - nil), using the assumption that the expected repayment of revolver will be at maturity and repayment of the term loan is per the repayment terms. The change in the fair value of the embedded derivative liability is recorded in the finance costs in the consolidated statements of comprehensive income.

The Company is required to comply with certain financial and non-financial covenants under the agreement, which, if violated, could result in the amounts borrowed being due and payable to the lender on demand. The Company has assessed its debt covenants as at September 30, 2013 and determined it is in compliance.

For the year ended September 30, 2013, interest expense of $0.7 million (2012 - $0.3 million), in connection with loans payable has been recognized in the consolidated statements of comprehensive income.

Lease Commitments

Future minimum lease payments under non-cancellable operating leases as at September 30, 2013 for the year-ended September 30 are as follows:

	$ (thousands)
2014	2,997
2015	2,286
2016	1,576
2017	1,273
2018 and thereafter	763
	8,895

MANAGEMENT OF CAPITAL

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its growth strategy, fund research and development and undertake selective acquisitions, while at the same time taking a conservative approach toward financial leverage and management of financial risk. The Company's capital is composed of share capital and credit used plus credit available under certain credit facilities, which assist in financing (i) acquisitions and/or (ii) working capital requirements. The Company's primary uses of capital are financing its operations, increases in non-cash working capital, capital expenditures, debt repayments and acquisitions. The Company currently funds these requirements from cash flows from operations, cash raised through past share issuances, and lines available under certain credit facilities. The Company's objectives when managing capital are to ensure that the Company will continue to have enough liquidity so it can provide services to its customers and increase shareholder value. Management monitors its compliance with financial and non-financial covenants imposed by loan agreements on a quarterly basis. The Company has complied with all externally imposed capital requirements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures within the Company have been designed to provide reasonable assurance that all relevant information is identified and passed to its Disclosure Committee to ensure appropriate and timely decisions are made regarding public disclosure.

Internal controls over financial reporting have been designed by management, with the participation of the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), to provide reasonable assurance regarding the reliability of the Company's financial reporting and its preparation of financial statements for external purposes in accordance with IFRS.

Management's Report on Disclosure Controls and Procedures

Management, with the participation of the Company's CEO and CFO, assessed the effectiveness of the design and operation of the Company's disclosure controls and procedures and concluded, as of September 30, 2013, that such disclosure controls and procedures was effective.

Management's Report on Internal Controls over Financial Reporting

Management, with the participation of the Company's CEO and CFO, assessed the design and effectiveness of the Company's internal controls over financial reporting. Based on that assessment, management and the CEO and CFO have concluded that, as of September 30, 2013, the Company's internal controls over financial reporting was effective.

Changes in Internal Controls over Financial Reporting

The Company is currently integrating the operations of the acquired BSS business, which involves, amongst other things, transitioning of employees in various countries to Redknee subsidiaries, finalization of customer contract delivery arrangements and assumption of key facilities and infrastructure. Consequently, management is in the process of designing and implementing internal controls over financial reporting that have been impacted by this acquisition. It is expected that such internal controls will be designed and implemented by the second quarter of fiscal 2014. The impact of the acquisition on our consolidated financial statements has been previously discussed under the section "Business Acquisition". Other than the foregoing, there have been no changes to the Company's internal controls over financial reporting during the year ended September 30, 2013 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

ACCOUNTING CHANGES AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The following accounting pronouncements have been released but have not yet been adopted by the Company.

(a) IFRS 10, Consolidated Financial Statements ("IFRS 10"), and Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) (the "Amendments"):

In May 2011 the IASB issued IFRS 10, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. In June 2012, the IASB issued the Amendments which are effective with the adoption of the applicable standard to which the Amendments relate to, i.e., IFRS 10, IFRS 11 and IFRS 12.

The Company will adopt IFRS 10, including the Amendments issued in June 2012, in its consolidated financial statements for the annual period beginning on October 1, 2013. The Company has not yet determined the potential impact the adoption of IFRS 10 will have on the Company's consolidated financial statements.

(b) IFRS 11, Joint Arrangements ("IFRS 11"), and the Amendments:

In May 2011, the IASB issued IFRS 11 which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. In June 2012, the IASB issued Amendments which are effective with the adoption of the applicable standard to which the Amendments relate to, i.e., IFRS 10, IFRS 11 and IFRS 12.

The Company will adopt IFRS 11, including the Amendments issued in June 2012, in its consolidated financial statements for the annual period beginning on October 1, 2013. The Company does not expect IFRS 11 to have a material impact on the consolidated financial statements.

(c) IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"), and the Amendments:

In May 2011, the IASB issued IFRS 12 which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. In June 2012, the IASB issued the Amendments which are effective with the adoption of the applicable standard to which the Amendments relate to, i.e., IFRS 10, IFRS 11 and IFRS 12.

The Company will adopt IFRS 12, including the Amendments issued in June 2012, in its consolidated financial statements for the annual period beginning on October 1, 2013. The Company has not yet determined the potential impact the adoption of IFRS 12 will have on the Company's consolidated financial statements.

(d) IFRS 13, Fair Value Measurement ("IFRS 13"):

In May 2011, the IASB issued IFRS 13. IFRS 13, which is to be applied prospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted.

IFRS 13 defines fair value, provides a framework for measuring fair value and includes disclosure requirements for fair value measurements. IFRS 13 will be applied in most cases when another IFRS requires (or permits) fair value measurement. The Company will adopt IFRS 13 in its consolidated financial statements for the annual period beginning on October 1, 2013. The Company has not yet determined the potential impact that the adoption of IFRS 13 will have on the Company's consolidated financial statements.

(e) Amendments to IAS 28, Investments in Associates and Joint Ventures ("IAS 28"):

In May 2011, the IASB issued amendments to IAS 28 which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company will adopt the amendments in its consolidated financial statements for the annual period beginning on October 1, 2013. The Company does not expect the amendments to IAS 28 to have a material impact on the consolidated financial statements.

(f) Amendments to International Accounting Standard 1, Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income ("IAS 1"):

In June 2011, the IASB published amendments to IAS 1 which are effective for annual periods beginning on or after July 1, 2012 and are to be applied retrospectively. Early adoption is permitted.

The Company will adopt the amendments in its consolidated financial statements for the annual period beginning on October 1, 2013. The Company does not believe the changes resulting from these amendments will have a significant impact on its consolidated financial statements.

(g) Amendments to IAS 19, Employee Benefits ("IAS 19"):

In June 2011, the IASB published an amended version of IAS 19. Adoption of the amendment is required for annual periods beginning on or after January 1, 2013, with early adoption permitted.

The Company will adopt the amendments in its consolidated financial statements for the annual period beginning on October 1, 2013. The extent of the impact of adoption of the amendments has not yet been determined.

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

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is currently proposed to be effective for annual periods beginning on or after January 1, 2015, with earlier adoption permitted.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules 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 new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities. The Company intends to adopt IFRS 9 in its financial statements for the annual period beginning on October 1, 2015. The Company has not yet determined the potential impact the adoption of IFRS 9 will have on the Company's consolidated financial statements.

(i) Amendments to IAS 32, Financial Instruments: Disclosures ("IAS 32"), and IFRS 7, Offsetting Financial Assets and Liabilities ("IFRS 7"):

In December 2011, the IASB published IFRS 7 and issued new disclosure requirements in IAS 32. The effective date for the amendments to IAS 32 is annual periods beginning on or after January 1, 2014. The effective date for the amendments to IFRS 7 is annual periods beginning on or after January 1, 2013. These amendments are to be applied retrospectively.

The Company will adopt the amendments to IFRS 7 in its consolidated financial statements for the annual period beginning on October 1, 2013, and the amendments to IAS 32 in its consolidated financial statements for the annual period beginning October 1, 2014. The Company does not expect the amendments to have a material impact on the financial statements.

(k) IFRIC 21, Levies:

In May 2013, the IASB issued IFRIC 21, Levies. This IFRIC is effective for annual periods commencing on or after January 1, 2014 and is to be applied retrospectively. The IFRIC provides guidance on accounting for levies in accordance with the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

The Company will adopt IFRIC 21 in its financial statements for the annual period beginning October 1, 2014. The Company does not expect the amendments to have a material impact on the financial statements.

(l) Amendment to IAS 39, Novation of Derivatives and Continuation of Hedge Accounting:

In June 2013, the IASB issued Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39). The amendments are effective for annual periods beginning on or after January 1, 2014.

The Company will adopt the amendments in its financial statements for the annual period beginning October 1, 2014. The Company does not expect the amendments to have a material impact on the financial statements.

(m) Amendment to IAS 36, Recoverable Amount Disclosures for Non-Financial Assets:

In May 2013, the IASB issued Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36). The amendments apply retrospectively for annual periods beginning on or after January 1, 2014.

The Company intends to adopt the amendments in its financial statements for the annual period beginning on October 1, 2014. As the amendments impact certain disclosure requirements only, the Company does not expect the amendments to have a material impact on the financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Revenue Recognition

General

The Company's revenue is derived primarily from licensing of software products under non-cancellable licence agreements, the provision of related professional services (including installation,

integration and training) and post-contract customer support ("PCS"). In certain cases, the Company also provides customers with hardware in conjunction with its software offerings.

Revenue comprises the fair value of consideration received or receivable from the sale or license of products or the provision of services in the ordinary course of business, net of discounts and sales taxes. Out-of-pocket expenditures that are contractually reimbursable from customers are recorded as gross revenue and expenditures.

Arrangements with multiple components

The Company enters into arrangements that contain separately identifiable components, which may include any combination of software, services, PCS and/or hardware.

Where multiple transactions or contracts are linked, such that the individual transactions have no commercial effect on their own, the transactions are evaluated as a combined customer arrangement for purposes of revenue recognition. When two or more revenue-generating activities or deliverables are sold under an arrangement, each deliverable that is considered a separate component is accounted for separately. A deliverable is separately accounted for when a delivered item has standalone value from undelivered items based on the substance of the arrangement. When services are essential to the functionality of the software, the software does not have standalone value and is combined with the essential services as a single component.

Where an arrangement includes multiple components, revenue is allocated to the different components based on their relative fair values or the residual method, as applicable. The Company generally uses optional stated renewal rates to evidence fair value of undelivered term-license/PCS services when the renewal fees and term are substantive. When stated renewal rates do not exist for an arrangement, the Company considers fees charged on standalone PCS renewals in other similar arrangements to establish fair value. The Company typically evidences fair value for other products and services based on the pricing when those deliverables are sold separately. Where reasonable vendor-specific or third party inputs do not exist to reliably establish fair value, the Company allocates revenue based on its best estimate of selling price that the Company would transact at if the deliverable were sold on a standalone basis. For services, this includes the expected cost of delivery plus an estimated profit margin. Under the residual method, revenue is allocated to undelivered components of the arrangement based on their fair values and the residual amount of the arrangement revenue is allocated to delivered components.

The revenue policies below are applied to each separately identifiable component. Revenue associated with each component is deferred until the criteria required to recognize revenue have been met.

The Company recognizes revenue once persuasive evidence exists, generally in the form of an executed agreement, it is probable the economic benefits of the transaction will flow to the Company and revenue and costs can be measured reliably. If collection is not considered probable, revenue is recognized only once fees are collected.

Software licenses

Revenues for combined licensed software and essential services are recognized using contract accounting, following the percentage-of-completion method. The Company uses either the ratio of hours to estimated total hours or the completion of applicable milestones, as appropriate, as the measure of its progress to completion on each contract. If a loss on a contract is considered probable, the loss is recognized at the date determinable.

Perpetual software licenses, when not combined with services for accounting purposes, are recognized upon delivery and commencement of the license term. Term licenses and software subscriptions are generally recognized rateably over the term of the subscription license.

Other services

Revenue for installation, implementation, training and other services, where not essential to the functionality of the software is recognized as the services are delivered to the customer. Fixed fee services arrangements are recognized using the percentage-of-completion method based on labour input measures.

PCS

Post contract support revenue is recognized rateably over the term of the agreement.

Hardware

Hardware revenue is recognized when delivery has occurred and risks and rewards have transferred to the customer.

Unbilled and deferred revenue

Amounts are generally billable on reaching certain performance milestones, as defined by individual contracts. Revenue in excess of contract billings is recorded as unbilled revenue. Cash proceeds received in advance of performance under contracts are recorded as deferred revenue. Deferred revenue is classified as long term if it relates to performance obligations that are expected to be fulfilled after 12 months from year end.

Deferred contract costs

Upfront direct costs that relate to future activity on a customer contract are recognized as an asset within Other Assets when it is probable that they will be recovered through future minimum payments specified in contractual agreements. The deferred contract costs are amortized over the period of the related contract revenue.

Investment Tax Credits

The Company is entitled to certain Canadian investment tax credits for qualifying research and development activities performed in Canada. The Company records investment tax credits when

qualifying expenditures have been made, provided there is reasonable assurance that the credits will be realized. The amount of investment tax credits recorded can vary, based on estimates of future taxable income. These credits can be applied against income tax liabilities and are subject to a 20-year carry-forward period or, in some cases, are refundable. Accrued investment tax credits are accounted for as a reduction of the related expenditures for items expensed in profit or loss or a reduction of the related asset's cost for items capitalized in the consolidated statements of financial position.

Income Tax Expense

Income taxes comprise current and deferred tax. Current tax represents the expected tax payable on taxable income for the year using enacted or substantively enacted tax rates at the end of the reporting period, and any adjustments to tax payable related to prior years. Deferred tax assets and liabilities are determined based on differences between the carrying amounts of assets and liabilities for financial reporting purposes and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred income tax assets are recognized to the extent that realization is considered probable. The ultimate realization of deferred income tax assets is dependent on the generation of future taxable income during the years in which those temporary differences become deductible. Management considers projected future taxable income, uncertainties related to the industry in which the Company operates and income tax planning strategies in making this assessment. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same authority on the same taxable entity, or on different tax entities where these entities intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Allowance for doubtful accounts

The allowance for doubtful accounts represents the Company's best estimate of probable losses that may result from the inability of its customers to make required payments. The Company regularly reviews accounts receivable and uses judgment such as the customer’s financial position, past experience with the customer and other factors to assess its ability to collect specific accounts and, based on this assessment, an allowance is maintained for those accounts that are deemed to be uncollectible. During Q4 2013, $0.6 million was recorded as an allowance for doubtful accounts and $0.9 million recorded for the year ended September 30, 2013.

Accounting for business combinations

The Company completed the BSS acquisition during the year ended September 30, 2013. The determination and measurement of fair value of the net assets and liabilities acquired are based on management's best estimates and assumptions and utilizes established methodologies.

Contingent consideration

The contingent consideration liability, arising from the acquisition of BSS is measured at fair value each period. Management estimates are required to assess the amount of estimated contingent consideration to be made in future periods, along with the estimated timing of when such payments will be made. As

additional information becomes available, the Company will reassess the estimated payments and timing at each reporting date.

Fair value estimates of share based compensation

Fair value is determined using the Black-Scholes option pricing model. Inputs to the model are subject to various estimates related to volatility, interest rates, dividend yields and expected life of the stock options issued. Fair value inputs are subject to market factors as well as internal estimates. In addition to the fair value calculation, the Company estimates the expected forfeiture rate with respect to equity-settled share-based payments based on historical experience.

Pension and non-pension post-employment benefit plans

The actuarial valuation of defined benefit obligation and plan assets require estimates, including the rate of return on pension assets, discount rates applied to the Company's pension plan and non-pension post-employment benefit liabilities.

PATENT PORTFOLIO

As part of Redknee's commitment to Research and Development ("R&D") to maintain its position as a key industry innovator in the real-time BSS software space, the Company currently has a portfolio of over 70 filed and over 125 granted. To date we have not initiated any action with respect to assertions and/or claims of patent infringement.

OUTSTANDING SHARE DATA

The current number of common shares outstanding as at September 30, 2013 is 95,510,022. In addition, there were 4,762,459 stock options outstanding with exercise prices ranging from $0.23 CDN to $2.16 CDN per share.

CAPITAL STOCK

(a) Bought Deal Financing

On October 23, 2012, the Company completed an offering of 13,000,000 common shares (the "Common Shares") of the Company at a price of Cdn. $1.35 per Common Share (the "Offering Price") for aggregate gross proceeds of $17.6 million (Cdn. $17.6 million) (the "Offering").

The Offering was completed on a bought deal basis and was underwritten by a syndicate of underwriters led by GMP Securities L.P., and including Canaccord Genuity Corp. and TD Securities Inc. (collectively, the "Underwriters").

The Common Shares were offered by way of a short form prospectus filed in all provinces of Canada (except Québec).

On November 14, 2012, the Underwriters exercised an over-allotment option to purchase an additional 1,950,000 Common Shares at the Offering Price. With this option now exercised in full, an additional $2.7 million (Cdn. $2.6 million) was raised pursuant to the Offering and the aggregate gross proceeds of the Offering is $20.2 million (Cdn. $20.2 million).

Transaction costs directly associated with this issuance of shares of $1.5 million (Cdn. $1.5 million) have been recognized as a reduction of the proceeds, resulting in net total proceeds of $18.7 million.

(b) Treasury Stock

During the year ended September 30, 2012, the Company paid $0.7 million to a trustee to purchase 568,906 of the Company's common shares in the open market to satisfy the delivery of common shares under its equity-based compensation plans. No additional purchases were made in 2013. The Company classifies these shares as treasury stock until they are delivered pursuant to the terms of the awards.

During the year ended September 30, 2013, 105,512 shares with a cost of $0.1 million have been issued (2012 - 358,268 shares with a cost of $0.5 million). The remaining number of treasury stock held by the Company as at September 30, 2013 is 105,126 with a cost of $0.1 million (2012 - 210,638 shares with a cost of $0.3 million).

(c) Private Placement Financing

On April 18, 2013, the Company completed its offering of 14,538,500 special warrants (the "Special Warrants") of the Company at price of Cdn. $3.10 per Special Warrant for aggregate gross proceeds of $44.2 million (Cdn. $45.1 million), which includes 18,500 Special Warrants issued pursuant to the underwriters exercising their over-allotment option (the "Private Placement").

The Private Placement was completed on a private placement basis and was underwritten by a syndicate of underwriters co-led by GMP Securities L.P. and TD Securities Inc. and including Canaccord Genuity Corp. and M. Partners Inc.

The Company plans to use the net proceeds from the Private Placement for working capital.

The Special Warrants were converted into 14,538,500 common shares without any additional consideration on June 26, 2013 after the filing of the final short form prospectus dated June 25, 2013. Transaction costs directly associated with this issuance of shares of $3.2 million (Cdn. $3.2 million) have been recognized as a reduction of the proceeds, resulting in net total proceeds of $41.1 million.

RELATED PARTY TRANSACTIONS

Consulting agreement:

In August 2011, the Company entered into a consulting agreement with a member of the board of directors. For the year ended September 30, 2013, the Company has incurred $0.05 million (2012 - $0.06 million) in consulting expenditure. Compensation of key management personnel:

Key management personnel are comprised of the Company's directors and executive officers.

The remuneration of directors and other members identified as key management personnel during the years ended September 30, 2013 and 2012 were as follows:

US$ Thousands		2013		2012
Salaries and employee benefits	$	2,896	$	2,610
Share-based payments		4,779		155
	$	7,675	$	2,765

FINANCIAL RISK MANAGEMENT

The Board of Directors has the overall responsibility and oversight of the Company's risk management practices. The Company does not follow a specific risk model, but rather includes risk management analysis in all levels of strategic and operational planning. The Company's management, specifically the Senior Leadership Team, is responsible for developing and monitoring the Company's risk strategy. The Company's management reports regularly to the Board of Directors and the Audit Committee on its activities.

The Company's management identifies and analyzes the risks faced by the Company. Risk management strategy and risk limits are reviewed regularly to reflect changes in the market conditions and Company's activities. The Company's management aims to develop and implement a risk strategy that is consistent with Company's corporate objectives.

The Company has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

Credit risk:

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Company is exposed to credit risk from banks and customers.

The Company has credit risk relating to cash and cash equivalents and restricted cash, which it manages by dealing with large chartered Canadian and international banks and investing in highly liquid investments of a rating of no less than R1, the credit rating assigned to those who pay on time.

The Company's exposure to credit risk geographically for cash and cash equivalents and restricted cash as at September 30 was as follows:

	September 30, 2013	September 30, 2012
Europe, Middle East and Africa	36%	72%
North America, Latin America and Caribbean	58%	25%
Asia and Pacific Rim	6%	3%
	100%	100%

As at September 30, 2013, the Company's three largest customers accounted for 16% (2012 - 25%) of revenue. In order to minimize the risk of loss for trade receivables, the Company's extension of credit to customers involves review and approval by senior management, as well as progress payments as contracts are performed.

Credit reviews take into account the counterparty's financial position, past experience and other factors. Management regularly monitors customer credit limits. The Company believes that the concentration of credit risk from trade receivables is limited, as they are widely distributed among customers in various countries.

While the Company's credit controls and processes have been effective in mitigating credit risk, these controls cannot eliminate credit risk and there can be no assurance that these controls will continue to be effective or that the Company's low credit loss experience will continue. Most sales are invoiced with payment terms in the range of 30 to 60 days.

The Company reviews its trade receivable accounts regularly and reduces amounts to their expected realizable values by making an allowance for doubtful accounts, as soon as the account is perceived not to be fully collectible.

The Company's trade receivables had a carrying value of $53.0 million as at September 30, 2013 (2012 - $11.2 million), representing the maximum exposure to credit risk of those financial assets, exclusive of the allowance for doubtful accounts. Normal credit terms for amounts due from customers call for payment within 30 to 60 days. At September 30, 2013, approximately 8% of trade receivables, or $4.6 million was outstanding for more than 120 days (2012 - 21% in the amount of $2.3 million).

The activity of the allowance for doubtful accounts for the year ended September 30 is as follows:

$US Thousands	September 30, 2013	September 30, 2012
Allowance for doubtful accounts, beginning of year	$ 1,459	$ 1,150
Allowance for doubtful accounts made during the year	942	362
Allowance utilized for bad debts	(338)	(53)
	$ 2,063	$ 1,459

The allowance for doubtful accounts is charged to the profit or loss. Shortfalls in collections are applied against this provision. Estimates for allowance for doubtful accounts are determined by a customer-by-customer evaluation of collectability at each consolidated balance sheet reporting date, taking into account the amounts that are past due and any available relevant information on the customers' liquidity and going concern problems.

The Company's exposure to credit risk for trade receivables by geographic area as at September 30 was as follows:

	September 30, 2013	September 30, 2012
Europe, Middle East and Africa	62%	43%
North America, Latin America and Caribbean	10%	41%
Asia and Pacific Rim	28%	16%
	100%	100%

Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's financial liabilities as at September 30, 2013 will mature as follows:

US$ Thousands	Less than 1 year	1 to 2 years	2 years and thereafter
Trade payables	$ 15,707	$ –	$ –
Accrued liabilities	59,533	–	–
Loans and borrowings	375	750	32,206
Contingent consideration	–	22,127	2,706
Provisions	1,201	–	–
Other liabilities	–	–	1,893
	$ 76,816	$ 22,877	$ 36,805

The Company also has contractual obligations in the form of operating leases, as disclosed in section "Commitments and Contractual Obligations".

Management believes the Company's existing cash and cash equivalents, restricted cash, availability of credit under its credit facilities and cash from operations will be adequate to support all of its financial liabilities and contractual commitments.

Market risk:

Market risk is the risk that the value of the Company's financial instruments will fluctuate due to changes in the market risk factors. The market risk factors which affect the Company are foreign currency and interest rates.

(a) Foreign currency risk:

The Company conducts a significant portion of its business activities in foreign countries. Foreign currency risk arises because of fluctuations in foreign currency exchange rates. The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows by converting foreign-denominated cash balances into US dollars to the extent practical to match US dollar obligations. The monetary assets and liabilities that are denominated in foreign currencies are affected by changes in the exchange rate between the US dollar and these foreign currencies. The Company recognized a foreign currency exchange loss in 2013 of $0.7 million compared to a foreign currency exchange loss in 2012 of $0.04 million.

If a shift in foreign currency exchange rates of 10% were to occur, the foreign currency exchange gain or loss on the Company's net monetary assets could change by approximately $0.5 million (2012 - $1.1 million) due to the fluctuation and this would be recorded in the consolidated statements of income (loss).

(b) Interest rate risk:

Interest rate risk arises because of the fluctuation in interest rates. The Company is subject to interest rate risk on its cash and cash equivalents, restricted cash and certain loans and borrowings. If a shift in interest rates of 10% were to occur, the impact on cash and cash equivalents and restricted cash and the related income for the year would not be material. On the loans payable, an incremental increase or decrease in the LIBOR rate by 10% will not have a material impact on finance costs.

RISK FACTORS

In addition to all of the other information set out in this MD&A, potential investors and readers should carefully consider the risk factors set out below that the Company considers being the most significant to the business of the Company.

The risks and uncertainties below are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair its business operations and cause the price of its common shares to decline. If any of the following risks actually occur, the Company's business may be harmed and its financial condition and results of operations may suffer significantly. In that event, the trading price of its common shares could decline, and an investor may lose all or part of his, her or its investment.

An investment in the Company may not be suitable for all recipients of this document. Potential investors are therefore strongly recommended to consult an independent financial adviser who specialises in advising upon the acquisition of shares and other securities before making a decision to invest.

Market Development

The market in which the Company operates is still developing and the market demand, price sensitivity and preferred business model to deliver innovative mobile communications infrastructure software and value-added services for mobile communication service providers ("CSPs") remains highly uncertain. The Company's growth is therefore dependent on, among other things, the size and pace at which the markets for its software products and services develop. If the markets for the Company's software products and services decline, remain constant, or grow more slowly than anticipated, the Company's growth plans, business and financial results may suffer. Furthermore, the timing of revenue from sales of the Company's products and services in any financial year may change as a result of the specific requirements of the Company's customers and their available financial resources and, as such, may result in fluctuations in the Company's operating performance.

The Company faces intense competition from several competitors and if it does not compete effectively with these competitors, its revenue may not grow and could decline.

The Company has experienced, and expects to continue to experience, intense competition from a number of companies. The Company competes principally with multi-national vendors including Amdocs, Ericsson, Comverse, Oracle, SAP, and Huawei. The Company's competitors may announce new products, services or enhancements that better meet the needs of end-users or changing industry standards. Further, new competitors or alliances among competitors could emerge. Increased competition may cause price reductions, reduced gross margins and loss of market share, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

Many of the Company's competitors and potential competitors have significantly greater financial, technical, marketing or service resources than the Company. Many of these companies also have a larger installed base of products, have longer operating histories or have greater name recognition than the

Company. End-users of the Company's products are particularly concerned that their suppliers will continue to operate and provide upgrades and maintenance over a long-term period. The Company's relatively small size and short operating history may be considered negatively by prospective end-users. In addition, the Company's competitors may be able to respond more quickly than the Company to changes in end-user requirements and devote greater resources to the enhancement, promotion and sale of their products.

The Company's ability to recruit and retain personnel is crucial to its ability to develop market, sell and support its products and services.

The Company depends on the services of its key technical, sales, marketing and management personnel. The loss of any of these key persons could have a material adverse effect on the Company's business, results of operations and financial condition. The Company's success is also highly dependent on its continuing ability to identify, hire, train, motivate and retain highly qualified technical, sales, marketing and management personnel. Competition for such personnel can be intense, and the Company cannot provide assurance that it will be able to attract or retain highly qualified technical, sales, marketing and management personnel in the future. The Company's inability to attract and retain the necessary technical, sales, marketing and management personnel may have a material adverse effect on its future growth and profitability. It may be necessary for the Company to increase the level of compensation paid to existing or new employees to a degree that its operating expenses could be materially increased.

Currency fluctuations may adversely affect the Company.

A substantial portion of the Company's revenue is earned in US dollars and in Euros, but a substantial portion of the Company's operating expenses is incurred in Canadian dollars. Fluctuations in the exchange rate between the U.S. dollar and Euros and other currencies, such as the Canadian dollar, may have a material adverse effect on the Company's business, financial condition and operating results.

Sales and Product Implementation Cycles

The Company's customers typically invest substantial time, money and other resources researching their needs and available competitive alternatives before deciding to licence the Company's software. Typically, the larger the potential sale, the more time, money and other resources will be invested. As a result, it may take many months after the first contact with a customer before a sale can actually be completed. The Company may invest significant sales and other resources in a potential customer that may not generate revenue for a substantial period of time, if at all. The time required for implementation of the Company's software varies among customers and may last several months, depending on customer needs and the products deployed.

During these long sales and implementation cycles, events may occur that affect the size or timing of the order or even cause it to be cancelled. For example:

- purchasing decisions may be postponed, or large purchases reduced, during periods of economic uncertainty;
- the Company, or its competitors, may announce or introduce new products; or
- the customer's budget and purchasing priorities may change.

If these events were to occur, sales of the Company's software or services may be cancelled or delayed, which could reduce revenue.

Customer Credit Risk

The Company is exposed to credit risk related to accounts receivable from customers and amounts owing from channel partners and other third parties that the Company engages in business with. Third parties may default on their obligations to the Company due to bankruptcy, lack of liquidity, operational failure or other reasons. Credit risk may be dependent on general economic conditions, and regional and political risks. If a material number of third parties fail to make payment in respect of amounts owing to the Company to an extent that is in excess of the Company's estimated default rates, the Company's business, financial condition and results of operation could be materially adversely affected.

In accordance with industry practice, payment by customers under the Company's commercial contracts generally is based on achieving specified milestones, which may occur over extended periods of time. Therefore the Company is exposed to credit and bad-debt risks and such risks may vary with economic conditions.

Maintaining Business Relationships

The Company has relationships with third parties that facilitate its ability to sell and implement its products. These business relationships are important to extend the geographic reach and customer penetration of the Company's sales force and ensure that the Company's products are compatible with customer network infrastructures and with third party products. However, the Company does not have formal agreements governing ongoing relationships with certain of these third parties, and the agreements that the Company does have, generally do not include obligations with respect to co-operating on future business. Should any of these third parties go out of business or choose not to work with the Company, it may be forced to increase the development of those capabilities internally, incurring significant expense and adversely affecting operating margins. Any of these third parties may develop relationships with other companies, including those that develop and sell products that compete with the Company's software. The Company could lose sales opportunities if it fails to work effectively with these parties or they choose not to work with the Company.

The Company's quarterly revenue and operating results can be difficult to predict and can fluctuate substantially, which may harm its results of operations.

The Company is deriving a material portion of its license revenues from relatively large sales. Accordingly, the Company believes that period-to-period comparisons are not necessarily meaningful and should not be relied upon as indications of future performance. The factors affecting the Company's revenue and results of operations include, but are not limited to:

- the size and timing of individual transactions;
- competitive conditions in the industry, including strategic initiatives by the Company or its competitors, new products or services, product or service announcements and changes in pricing policy by the Company or its competitors;
- market acceptance of the Company's products and services;
- the Company's ability to maintain existing relationships and to create new relationships with channel partners;
- varying size, timing and contractual terms of orders for the Company's products, which may delay the recognition of revenue;
- the discretionary nature of purchase and budget cycles of the Company's end-users and changes in their budgets for, and timing of, telecommunications infrastructure related purchases;
- the length and variability of the sales cycles for the Company's products;
- strategic decisions by the Company or its competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- general weakening of the economy resulting in a decrease in the overall demand for telecommunications infrastructure products and services or otherwise affecting the capital investment levels of businesses with respect to telecommunications industry; and
- timing of product development and new product initiatives.

Because the Company's quarterly revenue is dependent upon a relatively small number of transactions, even minor variations in the rate and timing of conversion of its sales prospects into revenue could cause it to plan or budget inaccurately, and those variations could adversely affect its financial results. Delays, reductions in the amount or cancellations of end-users' purchases would adversely affect the Company's business, results of operations and financial condition.

Product Liability

The Company's agreements with its customers typically contain provisions designed to limit its exposure to potential product liability claims. Despite this, it is possible that these limitations of liability provisions may not be effective as a result of existing or future laws or unfavourable judicial decisions. The Company has not experienced any product liability claims to date. However, the sale and support of the Company's products may entail the risk of those claims, which are likely to be substantial in light of the use of its products in critical applications. A successful product liability claim could result in significant monetary liability and could seriously harm the Company's business.

System Failures and Breaches of Security

The successful operation of the Company's business depends upon maintaining the integrity of the Company's computer, communication and information technology systems. These systems and operations are vulnerable to damage, breakdown or interruption from events which are beyond the Company's control, such as (i) fire, flood and other natural disasters; (ii) power loss or telecommunications or data network failures; (iii) improper or negligent operation of the Company's system by employees, or unauthorized physical or electronic access; and (iv) interruptions to Internet system integrity generally as a result of attacks by computer hackers or viruses or other types of security breaches. Any such damage or interruption could cause significant disruption to the operations of the Company. This could be harmful to the Company's business, financial condition and reputation and could deter current or potential customers from using its services.

There can be no guarantee that the Company's security measures in relation to its computer, communication and information systems will protect it from all potential breaches of security, and any such breach of security could have an adverse effect on the Company's business, results of operations or financial condition.

Transfer Pricing

The Company conducts business operations in various jurisdictions and provides products and services to, and may from time to time undertake certain significant transactions with, other subsidiaries in different jurisdictions. The tax laws of these jurisdictions have detailed transfer pricing rules which require that all transactions with non-resident related parties be priced using arm's length pricing principles and that contemporaneous documentation exists to support such pricing.

Taxation authorities, including the Canada Revenue Agency could challenge the validity of the Company's arm's length related party transfer pricing policies. International transfer pricing is a subjective area of taxation and generally involves a significant degree of judgment. If any of these taxation authorities are successful in challenging the Company's transfer pricing policies, income tax expenses may be adversely affected and the Company could also be subjected to interest and penalty charges. Any such increase in income tax expenses and related interest and penalties could have a significant impact on the Company's future earnings and future cash flows.

Government Taxation Programs

The Company has benefited, currently benefits, or anticipates benefiting from a variety of government programs and tax benefits, primarily in Canada. Generally, these programs contain conditions that must be met in order to be eligible to obtain any benefit. Additionally, some of these programs and the related tax benefits are available for a limited number of years and such benefits expire from time to time.

Any of the following could have a material effect on the overall effective tax rate:

- some programs may be discontinued;
- the Company may be unable to meet the requirements for continuing to qualify for some programs;
- these programs and tax benefits may be unavailable at their current levels; or
- upon expiration of a particular benefit, the Company may not be eligible to participate in a new program or qualify for a new tax benefit that would offset the loss of the expiring tax benefit.

Taxation

Any change in the Company's tax status or in taxation legislation in any jurisdiction in which the Company operates could affect the Company's financial condition and results and its ability (if any) to provide returns to shareholders of the Company. The taxation of an investment in the Company depends on the individual circumstances of investors.

Financial Resources

The Company's future capital requirements will depend on many factors, including its ability to maintain and expand its customer base and potential acquisitions. In the future, the Company may require additional funds and may attempt to raise additional funds through equity or debt financings or from other sources. Any additional equity financing may be dilutive to holders of common shares of the Company and any debt financing, if available, may require restrictions to be placed on the Company's future financing and operating activities. The Company may be unable to obtain additional financing on acceptable terms if market and economic conditions, the financial condition or operating performance of the Company or investor sentiment are unfavourable. The Company's inability to raise further funds may hinder its ability to grow in the future.

The market price of the Company's common shares may be volatile.

The market price of the Company's common shares may be volatile and could be subject to wide fluctuations due to a number of factors, including:

- actual or anticipated fluctuations in the Company's results of operations;
- changes in estimates of the Company's future results of operations by it or securities analysts;
- announcements of technological innovations or new products or services by the Company or its competitors;
- general industry changes in the market for telecommunications software or related markets; or
- other events or factors.

In addition, the financial markets have experienced significant price and value fluctuations that have particularly affected the market prices of equity securities of many technology companies and that sometimes have been unrelated to the operating performance of these companies. Broad market fluctuations, as well as economic conditions generally and in the telecommunications industry specifically, may adversely affect the market price of the Company's common shares.

The industry in which the Company operates is characterized by rapid technological changes, and the Company's continued success will depend upon its ability to react to such changes.

The markets for the Company's products are characterized by rapidly changing technology, evolving industry standards and increasingly sophisticated customer requirements. The introduction of products embodying new technology and the emergence of new industry standards can render the Company's existing products obsolete and unmarketable and can exert price pressures on existing products. It is critical to the success of the Company that the Company is able to anticipate and react quickly to changes in technology or in industry standards and to successfully develop and introduce new, enhanced and competitive products on a timely basis. There can be no assurance that the Company will successfully develop new products or enhance and improve its existing products, that new products and enhanced and improved existing products will achieve market acceptance or that the introduction of new products or enhanced existing products by others will not render the Company's products obsolete. The Company's inability to develop products that are competitive in technology and price and that meet end-user needs could have a material adverse effect on the Company's business, financial condition or results of operations.

Failure to manage the Company's growth successfully may adversely impact its operating results.

The growth of the Company's operations places a strain on managerial, financial and human resources. The Company's ability to manage future growth will depend in large part upon a number of factors, including the ability of the Company to rapidly:

- build a network of channel partners to create an expanding presence in the evolving marketplace for the Company's products and services;
- build a sales team to keep end-users and channel partners informed regarding the technical features, issues and key selling points of its products and services;
- attract and retain qualified technical personnel in order to continue to develop reliable and flexible products and provide services that respond to evolving customer needs;
- develop support capacity for end-users as sales increase, so that the Company can provide post-sales support without diverting resources from product development efforts; and
- expand the Company's internal management and financial controls significantly, so that the Company can maintain control over its operations and provide support to other functional areas as the number of personnel and size increases.

The Company's inability to achieve any of these objectives could harm the Company's business, financial condition and results of operations.

Defects in components or design of the Company's solutions could result in significant costs to the Company and could impair its ability to sell its solutions.

The Company's solutions are complex, although the Company employs a vigorous testing and quality assurance program, its solutions may contain defects or errors, particularly when first introduced or as new versions are released. The Company may not discover such defects or errors until after a solution has been released to a customer and used by the customer and end-users. Defects and errors in the Company's solutions could materially and adversely affect the Company's reputation, result in significant costs to it, delay planned release dates and impair its ability to sell its solutions in the future. The costs incurred in correcting any solution defects or errors may be substantial and could adversely affect the Company's operating margins. While the Company plans to continually test its solutions for defects and errors and work with end-users through the Company's post-sales support services to identify and correct defects and errors, defects or errors in the Company's solutions may be found in the future.

The Company relies on a small number of customers for a large percentage of its revenue.

"The Company has been dependent, and expects that during Fiscal 2012 it will continue to be dependent, on a relatively small number of customers for a large percentage of its revenue. As at September 30, 2013, the Company's three largest customers accounted for 16% of sales (2011 – 25%). If one or more of the Company's end-users discontinues its relationship with the Company for any reason, or reduces or postpones current or expected purchases of the Company's products or services, the Company's business, results of operations and financial condition could be materially adversely affected."

The Company may infringe on the intellectual property rights of others.

The Company's commercial success depends, in part, upon the Company not infringing intellectual property rights owned by others. A number of the Company's competitors and other third parties have been issued patents and may have filed patent applications or may obtain additional patents and proprietary rights for technologies similar to those used by the Company in its products. Some of these patents may grant very broad protection to the owners of the patents. The Company cannot determine with certainty whether any existing third party patents or the issuance of any third party patents would require it to alter its technology, obtain licenses or cease certain activities. The Company may become subject to claims by third parties that its technology infringes their intellectual property rights due to the growth of products in the Company's target markets, the overlap in functionality of these products and the prevalence of products. The Company may become subject to these claims either directly or through indemnities against these claims that it routinely provides to its end-users and channel partners.

The Company has received, and may receive in the future, claims from third parties asserting infringement, claims based on indemnities provided by the Company, and other related claims. Litigation may be necessary to determine the scope, enforceability and validity of third party proprietary or other rights, or to establish the Company's proprietary or other rights. Some of the Company's competitors have, or are affiliated with companies having, substantially greater resources than the Company and these competitors may be able to sustain the costs of complex intellectual property

litigation to a greater degree and for a longer period of time than the Company. Regardless of their merit, any such claims could:

- be time consuming to evaluate and defend;
- result in costly litigation;
- cause product shipment delays or stoppages;
- divert management's attention and focus away from the business;
- subject the Company to significant liabilities;
- require the Company to enter into costly royalty or licensing agreements; and
- require the Company to modify or stop using the infringing technology.

Any such claim may therefore result in costs or other consequences that have a material adverse effect on the Company's business, results of operations and financial condition.

The Company may be prohibited from developing or commercializing certain technologies and products unless the Company obtains a license from a third party. There can be no assurance that the Company will be able to obtain any such license on commercially favourable terms, or at all. If the Company does not obtain such a license, its business, results of operations and financial condition could be materially adversely affected and the Company could be required to cease related business operations in some markets and to restructure its business to focus on operations in other markets.

The Company may engage in future acquisitions that could disrupt its business, cause dilution to its shareholders and harm its financial condition and operating results.

In the future, the Company may pursue acquisitions of assets, products or businesses that it believes are complementary to its existing business and/or to enhance its market position or expand its product portfolio. There is a risk that the Company will not be able to identify suitable acquisition candidates available for sale at reasonable prices, complete any acquisition, or successfully integrate any acquired product or business into its operations. The Company is likely to face competition for acquisition candidates from other parties including those that have substantially greater available resources.

Acquisitions may involve a number of other risks, including:

- diversion of management's attention;
- disruption to the Company's ongoing business;
- failure to retain key acquired personnel;
- difficulties in integrating acquired operations, technologies, products or personnel;
- unanticipated expenses, events or circumstances;
- assumption of disclosed and undisclosed liabilities; and
- inappropriate valuation of the acquired in-process research and development, or the entire acquired business.

If the Company does not successfully address these risks or any other problems encountered in connection with an acquisition, the acquisition could have a material adverse effect on the Company's business, results of operations and financial condition. Problems with an acquired business could have a material adverse effect on the Company's performance or its business as a whole. In addition, if the Company proceeds with an acquisition, the Company's available cash may be used to complete the transaction, diminishing its liquidity and capital resources, or shares may be issued which could cause significant dilution to existing shareholders.

If the Company is required to change its pricing models to compete successfully, its margins and operating results may be adversely affected.

The intensely competitive market in which the Company conducts its business may require it to reduce its prices. If the Company's competitors offer deep discounts on certain products or services in an effort to recapture or gain market share or to sell other products and services, the Company may be required to lower prices or offer other favourable terms to compete successfully. Any such changes would reduce the Company's margins and could adversely affect the Company's operating results.

If the Company's intellectual property is not adequately protected, the Company may lose its competitive advantage.

The Company's success depends in part on its ability to protect its rights in its intellectual property. The Company relies on various intellectual property protections, including patents, copyright, trade-mark and trade secret laws and contractual provisions, to preserve its intellectual property rights. Despite these precautions, it may be possible for third parties to obtain and use the Company's intellectual property without its authorization. Policing unauthorized use of intellectual property is difficult, and some foreign laws do not protect proprietary rights to the same extent as the laws of Canada, the United States or the United Kingdom.

To protect the Company's intellectual property, the Company may become involved in litigation, which could result in substantial expenses, divert the attention of its management, because significant delays, materially disrupt the conduct of the Company's business or materially adversely affect its revenue, financial condition and results of operations.

Future sales of common shares by the Company's existing shareholders could cause the Company's share price to fall.

If the Company's shareholders sell substantial amounts of the Company's common shares in the public market, the market price of the Company's common shares could fall. The perception among investors that these sales will occur could also produce this effect.

Operating internationally exposes the Company to additional and unpredictable risks.

The Company sells its products throughout the world and intends to continue to increase its penetration of international markets. A number of risks are inherent in international transactions. Future results could be materially adversely affected by a variety of factors including, many of which are beyond the Company's control, including risks associated with: (i) foreign currency fluctuations; (ii) political, security and economic instability in foreign countries; (iii) changes in and compliance with local laws and regulations, including export control laws, tax laws, labour laws, employee benefits, currency restrictions and other requirements; (iv) differences in tax regimes and potentially adverse tax consequences of operating in foreign countries; (v) customizing products for foreign countries; (vi) legal uncertainties regarding liability, export and import restrictions, tariffs and other trade barriers; (vii) hiring qualified foreign employees; and (viii) difficulty in accounts receivable collection and longer collection periods. Any or all of these factors could materially adversely affect the Company's business or results of operations.

Many of the Company's sales are made by competitive bid, which makes forecasting difficult and often requires us to expend significant resources with no guaranty of recoupment.

Many of the Company's sales, particularly in larger installations, are made by competitive bid. Successfully competing in competitive bidding situations subjects us to risks associated with: (i) the frequent need to bid on programs in advance of the completion of their design, which may result in unforeseen technological difficulties and cost overruns; (ii) research and development to improve or refine the Company's product in advance of winning the sale; and (iii) the substantial time, money, and effort, including design, development, and marketing activities, required to prepare bids and proposals for contracts that may not be awarded to us. If the Company does not ultimately win a bid, the Company may obtain little or no benefit from those expenditures and may not be able to recoup them on future projects.

The Company's business is sensitive to changes in spending for network operator technology infrastructure.

The market for the Company's solutions has been adversely affected in the past by declines in mobile network technology infrastructure spending and continues to be affected by fluctuations in mobile network operator technology spending. If sales do not increase as anticipated or if expenses increase at a greater pace than revenues, the Company may not be able to attain or sustain or increase profitability on a quarterly or annual basis.

Key shareholders maintain de facto control of the Company

Insiders or management could have the ability to control all matters submitted to the Company's shareholders for approval, including the election and removal of directors, amendments to the Company's articles of incorporation and bylaws and the approval of any business combination,

amalgamation or sale of assets. This may delay or prevent an acquisition or cause the market price of the Company's common shares to decline. Principal shareholders may have interests that differ from other shareholders.

The Company's engagements with its customers involve complex arrangements which may require interpretation of GAAP and may result in deferral of revenue recognition.

Redknee may be required to defer recognizing revenue from the sale of products until all the conditions necessary for revenue recognition have been satisfied. Conditions that can cause delays in revenue recognition include (i) arrangements that have undelivered elements for which objective evidence of fair value has not been established; (ii) requirements to deliver services for significant enhancements or modifications to customize Redknee's software for a particular customer; or (iii) material customer acceptance criteria. Redknee may be required to defer revenue recognition for a period of time after its products are delivered and billed to a customer, and such deferral may extend over one or more fiscal quarters. The period of deferral, if any, depends on the specific terms and conditions of each customer contract, and therefore it is difficult for the Company to predict with accuracy at the beginning of any fiscal period the amount of revenues that it will be able to recognize from anticipated customer shipments in that period. Moreover, any changes in accounting principles or interpretations and guidance including changes in accounting principles resulting from the conversion to International Financial Reporting Standards in fiscal 2011 could have a significant effect on the Company's reported financial results.

Use of Open Source Software

The Company uses certain "open-source" or "free-ware" software tools in the development of its software products which are not maintained or supported by the original developers thereof. The Company has conducted no independent investigation to determine whether the sources of these tools have the rights necessary to permit the Company to use these tools free of claims of infringement by third parties. The Company could be required to replace these components with internally developed or commercially licensed equivalents which could delay the Company's product development plans, interfere with the ability of the Company to support its customers and require the Company to pay licensing fees.

Dependence Upon Relationships With Sales Channel Partners

As the Company expects to sell an increasing number of its products and services through sales channel partners, rather than directly to the customer, it is increasingly dependent upon its ability to establish and develop new relationships and to build on existing relationships with sales channel partners. The Company cannot guarantee that it will be successful in developing, maintaining or advancing its relationships with sales channel partners or that such sales channel partners will act in a manner that will promote the success of the Company's products and services. Failure by the sales channel partners to promote and support the Company's products and services could adversely affect its business, financial condition or results of operations.

Dependence Upon Suppliers

The Company licences certain technologies used in its products from third parties, generally on a non-exclusive basis. The termination of any of these licences, or the failure of the licensors to adequately maintain or update their products, could delay the Company's ability to ship its products while the Company seeks to implement alternative technology offered by other sources which may require significant unplanned investments on its part. In addition, alternative technology may not be available on commercially reasonable terms or may not be available at all. In the future, it may be necessary or desirable to obtain other third party technology licences relating to one or more of the Company's products or relating to current or future technologies to enhance the Company's product offerings. There is a risk that the Company will not be able to obtain licensing rights to the required technology on commercially reasonable terms, if at all.

Economic and geopolitical uncertainty may negatively affect the Company.

The market for the Company's products depends on economic and geopolitical conditions affecting the broader market. Economic conditions globally are beyond the Company's control. In addition, acts of terrorism and the outbreak of hostilities and armed conflicts between countries can create geopolitical uncertainties that may affect the global economy. Downturns in the economy or geopolitical uncertainties may cause end-users to delay or cancel projects, reduce their overall security or IT budgets or reduce or cancel orders for the Company's products, which could have a material adverse effect on its business, results of operations and financial condition.

We caution that period-to-period comparison of results of operations is not necessarily meaningful and should not be relied upon as any indication of future performance.

The Acquisition

The business acquired by Redknee pursuant to the Acquisition is subject to the risk factors to which the current business or Redknee is subject, as set out above, In addition to such risk factors, Redknee and the acquired business will be subject to the risk factors set forth below. If any of the risks set forth in this AIF actually occur, Redknee's business, including the acquired business may be harmed and its financial conditions and results of operations may suffer significantly. In that event, the trading price of the common shares may decline and an investor could lose all or part of his, her or its investment.

The extent of operations of the acquired business conducted in foreign countries may expose Redknee to significant risks.

The business acquired by Redknee is conducted in approximately 90 countries, and significantly increases the extent to which Redknee's aggregate business is exposed to the risks of operating in foreign countries and which could materially adversely affect Redknee's business or operating results.

Post-closing events contemplated by the Agreement may not happen in a timely manner, or at all.

It is contemplated that the remaining assets and employee contracts are to be transferred to Redknee by NSN by March 2015. While Redknee expects such transfers to occur within this timeframe, there can be no guarantee that such transfers will occur by March 2015, or at all. If such transfers do not occur, Redknee may not achieve the expected financial and other benefits of the Acquisition and may be required to hire other qualified personnel, who may not be available or available on employment terms commensurate with the employee contracts that were to have been transferred. In addition, pursuant to the terms of the Agreement, NSN is entitled to terminate any contract that has not been transferred, or in the case of Shared Contracts, replaced with a new contract between the customer or supplier and Redknee by March 2015. If NSN were to terminate any of these contracts, there is no guarantee that Redknee would be able to enter into an agreement with any of these customers or suppliers, which could have a material adverse effect on Redknee's revenues, and consequently Redknee's business, operating results and financial condition.

Redknee may have difficulties maintaining or growing the acquired business.

The acquired business may sell products or provide services that Redknee has limited experience operating or managing. Redknee may experience unanticipated challenges or difficulties maintaining the acquired businesses at their current levels or growing the acquired business. Factors that may impair Redknee's ability to maintain or grow the acquired business, its customers and personnel may include, but are not limited to:

- Challenges in integrating the acquired business with Redknee's business;
- Risks relating to any default by NSN of its obligations under the Agreement and agreements entered into pursuant to the Agreement, and the Shared Contracts, whether pursuant to financial difficulty, unforeseen external events or otherwise;
- Loss of customers of, and/or suppliers to, the acquired business;
- Risk relating to infringement of third party intellectual property rights by software of the acquired business;
- Non-compatible business cultures;
- Difficulties in gaining necessary approvals in international markets to expand the acquired business as contemplated;
- Additional demands on resources, systems, procedures and controls; and
- Dealing with unfamiliar laws, customs and practices in foreign jurisdictions.

In addition, Redknee may not have identified all risks or have fully assessed risks identified with the Acquisition. There is also a risk that the expected benefits of the Acquisition may not be achieved in the expected timeframe or to the extent expected. The individual or combined effect of these risks could have a material adverse effect on Redknee's business, operating results and financial condition.

Issues relating to employees of the acquired business may adversely affect Redknee.

Certain of the employees of the acquired business whose employment agreements are contemplated by the Agreement to be assumed by Redknee may refuse to accept employment by Redknee or its subsidiary in the jurisdiction in which the employee provides services to the acquired business, and otherwise may be entitled under applicable laws governing the transfer of employment relationships to object to such transfer. If an employee does not accept employment by Redknee or its applicable subsidiary, or objects to the transfer of their employment, Redknee and its subsidiaries may not receive the benefit of such employee's services. To the extent that Redknee does not receive the benefit of the services of a significant number of employees in any one jurisdiction, or the services of certain personnel from the acquired business such as former executive officers or key technical personnel, the expected benefits of the Acquisition may not be achieved by Redknee and such event could have a material adverse effect on Redknee's business, operating results and financial condition.

Certain of the employees of the acquired business are represented by trade unions, works councils and other employee representative bodies. To the extent that Redknee is not able to develop and maintain an effective working relationship with such representative bodies and negotiate appropriate employment arrangements in accordance with applicable laws governing employees represented by such bodies, Redknee may experience work stoppages or slowdowns or other labour disputes, which could materially adversely affect its reputation, business, operating results and financial condition.

Changes to earnings resulting from the Acquisition may adversely affect Redknee.

Under IFRS 3, Business Combinations, the accounting standard for business combinations, the total purchase price of the acquired business assets and intangible assets acquire d and liabilities assumed are allocated based on their values as of the date of the acquisition (including certain assets and liabilities that are recorded at fair value) and record the excess of these values over the purchase price as bargain purchase gain. Management's estimates of fair value are based upon assumptions believed to be reasonable but which are inherently uncertain.

Subsequent to the completion of the Acquisition, the following factors, among others, may result in material changes that would materially adversely affect Redknee's operating results, cash flows and financial condition:

- Impairment of goodwill or intangible assets;
- A reduction in the useful lives of intangible assets acquired;
- Identification of assumed contingent consideration and contingent liabilities after Redknee finalizes the purchase price allocation period; or
- Charges to Redknee's operating results resulting from revised estimates relating to the allocation of the purchase price, valuation of intangible assets, valuation of contingent consideration and other valuations used in the Acquisition, such as deferred revenue.

Routine charges to Redknee's operating results associated with the Acquisition include amortization of intangible assets, as well as other Acquisition related charges. Charges to Redknee's operating results in any given period could differ substantially from other periods based on the timing and size of Redknee's future acquisitions and the extent of integration activities.

Redknee expects to continue to incur additional costs associated with combining the operations of the acquired business, which may be substantial. Additional costs may include costs of employee redeployment, relocation and retention, including salary increases or bonuses, severance payments, taxes, and termination of contracts that provide redundant or conflicting services. These costs would be accounted for as expenses and would decrease Redknee's net income and earnings per share for the periods in which those adjustments are made.

Redknee has acquired contingent liabilities through the Acquisition that could adversely affect Redknee.

Redknee has acquired contingent liabilities in connection with the Acquisition. Although Redknee's management uses its best efforts to estimate the risks associated with these contingent liabilities and the likelihood that they will materialize, their estimates could differ materially from the liabilities actually incurred. For example, Redknee acquired certain long-term contracts that contain contingent liabilities associated with the acquired business. The contingent liabilities represent the difference between the maximum financial liabilities potentially due to customers less the estimated liability amounts recorded in connection with the contracts assumed on acquisition. Such maximum financial liabilities potentially due to customers under these acquired contracts may significantly exceed the maximum financial liabilities potentially due to customers pursuant to customer contracts entered into by Redknee in the course of its business prior to the acquisition of the acquired business. Among the acquired business' contingent liabilities are liquidated damages contractually available to customers for breaches of contracts by NSN/Redknee and for estimated damages available to customers for breaches of such contracts by NSN/Redknee where such contracts did not contain specified penalties. In addition, as the acquirer of the acquired business, Redknee may acquire contingent liabilities in addition to liabilities assumed pursuant to the Agreement, such as statutory liabilities imposed on the acquirer of a business pursuant to applicable laws such as bulk sales and other creditor protection legislation related to the sale of assets other than in the ordinary course of business, legislation relating to the protection of personal information, and anti-bribery legislation. Any of the contingent liabilities referred to above may be material and could materially adversely affect Redknee's operating results, cash flows and financial condition.

Risks associated with the Credit Agreement.

Redknee is exposed to interest rate risk from fluctuations in interest rates on advances under the Credit Agreement that bear interest at an annual rate of interest determined in accordance with the Credit Agreement. Redknee manages its interest rate risk by monitoring its respective mix of fixed and floating rate debt net of cash and cash equivalents and short term investments. Despite these steps, changes in interest rates could negatively affect the Company's financial performance.

ADDITIONAL INFORMATION

Additional information, including the quarterly and annual consolidated financial statements, annual information form, management proxy circular and other disclosure documents may be examined by accessing the SEDAR website at www.sedar.com.