REDKNEE SOLUTIONS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE QUARTER ENDED DECEMBER 31, 2009

DATED: February 10, 2010

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 first quarter ended December 31, 2009. 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 has been prepared in accordance with National Instrument 51-102, Continuous Disclosure Requirements, and should be read in conjunction with the audited consolidated financial statements and accompanying notes for the quarter ended December 31, 2009. The consolidated financial statements are presented in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). The consolidated financial statements and the MD&A have been reviewed by Redknee's Audit Committee and approved by its Board of Directors. This MD&A should be read in conjunction with the audited consolidated financial statements of the Company for fiscal 2010, fiscal 2009 and the related notes.

In this document, "we", "us", "our", "Company" and "Redknee" all refer to Redknee Solutions Inc. collectively with its subsidiaries.

ADDITIONAL INFORMATION

Additional information relating to the Company including our most recently completed Annual Information Form ("AIF") is available on SEDAR at ***www.sedar.com*** and on the Company's web-site at ***www.redknee.com***.

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 provider of revenue generating software products, solutions and services to some of the largest network operators throughout the world, including wireless, wireline, broadband and satellite. Redknee delivers solutions in the areas of converged billing, interconnect billing, customer care, real-time rating, charging and policy management for voice, messaging and next generation data services to over 70 network operators in over 50 countries. Established in 1999, Redknee's award-winning solutions enable operators to monetize the value of each transaction while personalizing the subscriber experience to meet mainstream and individual market segmentation requirements

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table displays selected consolidated financial information for the three-month period ended December 31, 2009 and December 31, 2008 respectively. Each investor should read the following information in conjunction with those statements and related notes.

Consolidated Statement of Earnings	**Three Months Ended**			
Thousands except per share	**December 31,**			
	2009	**2008**	**$ Change**	**% Change**
Revenue				
Software and services and other	$ 7,004	$ 9,398	$ (2,394)	-25%
Support and Subscription	4,776	4,819	(43)	-1%
	11,780	**14,217**	**(2,437)**	**-17%**
Cost of revenue	2,719	3,370	(651)	-19%
Gross profit	**9,061**	**10,847**	**(1,786)**	**-16%**
Operating expenses				
Selling and marketing	3,157	4,380	(1,223)	-28%
General and administrative	1,661	2,370	(709)	-30%
Research and development	2,743	3,344	(601)	-18%
Amortization of property, equipment and intangible assets	159	192	(33)	-17%
Foreign exchange loss (gain)	493	(2,638)	3,131	-119%
	8,213	**7,648**	**565**	**7%**
Income (Loss) from operations	**848**	**3,199**	**(2,351)**	**-74%**
Interest income	2	25	(23)	-92%
Interest expense	(13)	(2)	(11)	550%
Net income (Loss) before income taxes	**837**	**3,222**	**(2,385)**	**-74%**
Income taxes	273	361	(88)	-24%

Net income (Loss) for the period	**$564**	**$2,861**	**$(2,297)**	**-80%**
Income (Loss) per common share				
Basic	0.01	0.05	(0.04)	-80%
Diluted	0.01	0.05	(0.04)	-80%
Weighted average number of common shares				
Basic (thousands)	58,800	56,644	2,156	4%
Diluted (thousands)	60,923	57,111	3,812	7%

Balance Sheet Data **Thousands**	**As at December 31, 2009**	**As at September 30, 2009**	**$ Change**	**% Change**
Cash and Cash Equivalents	23,234	25,663	(2,429)	-9%
Short-Term Investments	278	107	171	160%
Total Assets	40,557	41,355	(798)	-2%
Accounts Payable and Accrued Liabilities	5,506	6,808	(1,302)	-19%
Long-Term Debt and Other obligations	-	-	-	-
Shareholders' Equity	25,176	24,023	1,153	5%

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:

Thousands	**Three Months Ended December 31,**			
	2009	**2008**	**$ Change**	**% Change**
Software and Services	6,743	9,033	(2,290)	-25%
Support and Subscription	4,776	4,819	(43)	-1%
Third Party Software and Hardware	261	365	(104)	-28%
Total	**11,780**	**14,217**	**(2,437)**	**-17%**

Percentage of Total Revenue	Three Months Ended December 31, 2009	2008
Software and Services	57%	63%
Support and Subscription	41%	34%
Third Party Software and Hardware	2%	3%
Total	**100%**	**100%**

The Company recognizes revenue from the sale of software licenses including initial licenses, capacity increases and/or upgrades; professional services; third party hardware and software components and customer support contracts. For the three-months ended December 31, 2009, the Company's revenue decreased by 17% to $11.8 million compared to $14.2 million in the first quarter of fiscal 2009.

The decrease in revenue for the quarter noted above relates primarily to the decline in revenue from initial deployments and upgrades. This can be attributed to general economic uncertainties, during which operators deferred project implementations and reduced license expansions in response to declining average revenue per subscriber, slower subscriber additions and foreign exchange fluctuations in their respective operating regions.

The majority of the Company's revenue is denominated in U.S. dollars and, as a result, revenues are impacted by exchange rate fluctuations.

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 the first quarter of 2010 decreased by 25% to $6.7 million, or 57% of total revenue, compared to $9.0 million, or 63% of total revenue, for the same period last year. The decline is primarily due to a decrease in revenue from initial deployments and upgrades in the Americas.

This can be attributed to general economic uncertainties, during which operators deferred project implementations and reduced license expansions in response to declining average revenue per subscriber, slower subscriber additions and foreign exchange fluctuations in their respective operating regions.

Support and Subscription Revenue

Support and subscription 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 and subscription revenue for the first quarter of 2010 remain unchanged at $4.8 million compared to the same period in fiscal 2009. Due to the overall decline in revenue, support and subscription revenue increased from 34% to 41% of total revenue.

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 the first quarter of 2010 decreased by 28% to $0.3 million, or 2% of total revenue, compared to $0.4 million, or 3% of total revenue, for the same period last year. This decline is primarily due to a decrease in initial deployments that require a higher percentage of 3rd party software and hardware.

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:

Thousands	**Three Months Ended December 31,**			
	2009	**2008**	**$ Change**	**% Change**
APAC	2,588	2,202	386	18%
Americas	3,957	7,779	(3,822)	-49%
EMEA	5,235	4,236	999	24%
Total	**11,780**	**14,217**	**(2,437)**	**-17%**

Percentage of Total Revenue	Three Months Ended December 31, 2009	2008
APAC	22%	15%
Americas	34%	55%
EMEA	44%	30%
Total	**100%**	**100%**

Revenue from the APAC region increased by $0.4 million to $2.6 million, which represents a 18% increase from $2.2 million last year. The increase relates to growth in Turnkey Converged Billing and Inbill product and license expansions.

For the three month period, revenue from the Americas region decreased by $3.8 million to $4.0 million, which represents a 49% decrease from last year. The decline is due primarily to fewer initial deployments, upgrades and license expansions as compared to the first quarter in fiscal 2009.

Revenue from the EMEA region in the quarter increased by $1.0 million to $5.2 million, which represents a 24% increase from the same period last year. The increase relates to the increase of Turnkey Converged Billing customers during fiscal 2009 in the high growth markets of EMEA.

Cost of Sales and Gross Margin

Cost of sales 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 the first quarter of 2010, cost of sales decreased by $0.7 million to $2.7 million, which represents a 19% decrease from $3.4 million incurred for the same period in 2009, driven by lower expenses associated with personnel providing services and support.

The gross margin for the first quarter of fiscal 2010 was 77% as compared to 76% for the first quarter of fiscal 2009. The increase in gross margin is related to a reduction of expenses associated with personnel providing services and support, by the product mix in sales for the period to products with lower gross margin, and by the lower proportion of third party software and hardware.

Operating Expenses

Total operating expenses in the first quarter of fiscal 2010 increased by 8% to $8.3 million from $7.6 million in the first quarter of fiscal 2009. Excluding amortization and foreign exchange loss (gain), total operating expenses decreased by 24% to $7.7 million from $10.1 million in the first quarter of fiscal 2009. Management has made concerted efforts to manage costs in all areas of the business, while increasing operating leverage and efficiencies.

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

Thousands	Three Months Ended December 31, 2009	2008	$ Change	% Change
Sales and Marketing	3,157	4,380	(1,223)	-28%
General and Administrative	1,661	2,370	(709)	-30%
Research and Development	2,743	3,344	(601)	-18%
Amortization	159	192	(33)	-17%
Foreign Exchange loss (gain)	493	(2,638)	3,131	-119%
Total Operating Expenses	**8,213**	**7,648**	**565**	**7%**

Percentage of Total Revenue	Three Months Ended December 31, 2009	2008
Sales and Marketing	27%	31%
General and Administrative	14%	17%
Research and Development	23%	24%
Amortization	1%	1%
Foreign Exchange loss (gain)	4%	-19%
Total Operating Expenses	**69%**	**54%**

For the three-month period, operating expenses excluding Amortization and Foreign Exchange loss (gain) declined to 64% of revenue as compared to 72% of revenue in fiscal 2009. This lower percentage of expense reflects management's ongoing and disciplined efforts to manage expenses.

Since fiscal 2008, management has initiated various cost reduction activities to bring Redknee's operating costs in line with revenue. These actions included aligning client facing roles to increase proximity to customers, especially in high growth markets. The Company continues to evaluate its office facilities and has taken steps to rationalize facility costs in certain markets.

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 the first quarter of 2010, S&M expenditures decreased by $1.2 million to $3.2 million, which represents a 28% decrease from $4.4 million incurred for the same period last year. As a percentage of total revenue, S&M expenses decreased from 31% of revenue to 27% of revenue between the two periods. The reduction in sales and marketing costs reflects lower sales compensation due to reduced sales in the period, and reflects the Company's ongoing efforts to match spending on various sales and marketing activities in line with revenue and market opportunities.

General and Administrative Expenses

General and Administrative ("G&A") expenses consist of the Company's 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 the first quarter of fiscal 2010, general and administrative expenditures decreased from $2.4 million to $1.7 million. The reduction in G&A includes a one- time credit of $0.5 million for a liability that expired under the statute of limitations offset by a one time charge to allowance for doubtful accounts of $0.1 million relating to an APAC receivable. Ignoring these adjustments, the Company expects the average G&A expense to continue to trend downwards in the near future.

The G&A costs for the period reflect the Company's ongoing efforts to continue to reduce these costs and achieve increased operating leverage from its global infrastructure.

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 three month period ended December 31, 2009, R&D expenditures decreased by $0.6 million to $2.7 million, which represents an 18% decrease from the $3.3 million incurred in the same period last year. The decline in R&D expenditures is a result of lower salary expenses and the Company's ability to leverage its R&D global distributed operations.

The Company's R&D capacity and effectiveness has increased through the use of lower cost resources and through disciplined use of a product roadmap process.

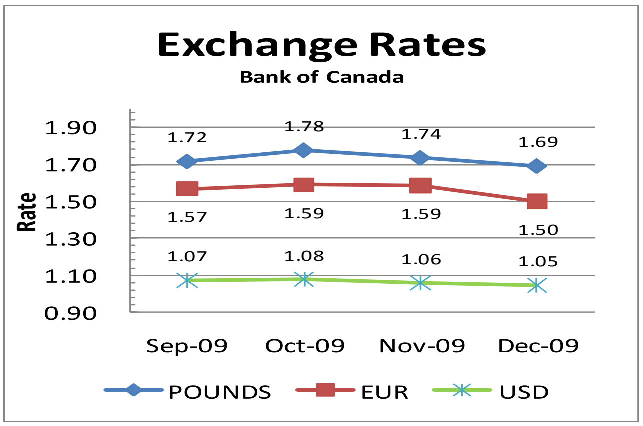
Amortization Expense

Amortization for the first quarter ended December 31, 2009 remained constant at $0.2 million compared to December 31, 2008. There were no significant changes in our asset base.

Foreign Exchange Gain/Loss

The Company's financial statements are presented in Canadian dollars. With respect to other currencies such as the US dollar, the Euro and the British Pound, the Company is exposed to fluctuations in exchange rates. The majority of the Company's revenue is denominated in U.S. dollars and, as a result, revenues are impacted by exchange rate fluctuations.

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 Canadian dollars to the extent practical. The Company conducts a significant portion of its business activities in foreign countries. The amount and direction of any reported gain or loss will depend upon the direction of currency movement and on whether one of Redknee's subsidiary's financial position is one of net monetary assets or net monetary liabilities. In the case of a strengthening foreign currency relative to the Canadian dollar, a gain will be reported when there are net monetary assets and a loss when there are net monetary liabilities. For a weakening foreign currency relative to the Canadian dollar, there will be a loss on a net monetary asset position and a gain on a net monetary liability position. The graph below displays the change in rates relative to the Canadian dollar.



For the quarter ended December 31, 2009, the Company recognized a foreign currency exchange loss of $0.5 million, as compared to a foreign currency exchange gain of $2.6 million in the same period ending December 31, 2008. The loss in the first quarter of 2010 was primarily due to net monetary asset positions with US, Euro, and British Pound currencies that depreciated against the Canadian dollar. Exchange rates as at December 31, 2008 were as follows: Pounds 1.79, Euro 1.70 and USD 1.22.

Interest Income and Interest Expense

Interest income (net of related expenses) is earned on the Company's cash, cash equivalents and marketable securities.

The Company's excess cash has been invested in short term provincial or federal Canadian guaranteed investments. These investment vehicles offer very low to insignificant yields, which is in line with prior year's interest income.

Stock-Based Compensation

For the three months ended December 31, 2009, no stock options were issued. For the three months ended December 31, 2008, 75,000 stock options were granted and issued to employees with a weighted fair value of $0.17 and strike price of $0.23 per common share. The fair value of the stock options was determined using a Black-Scholes option pricing model. Stock-based compensation expense during the three month period was $0.2 (2008 - $0.2) million relating to the Company’s stock options and restricted share units under the restricted share plan.

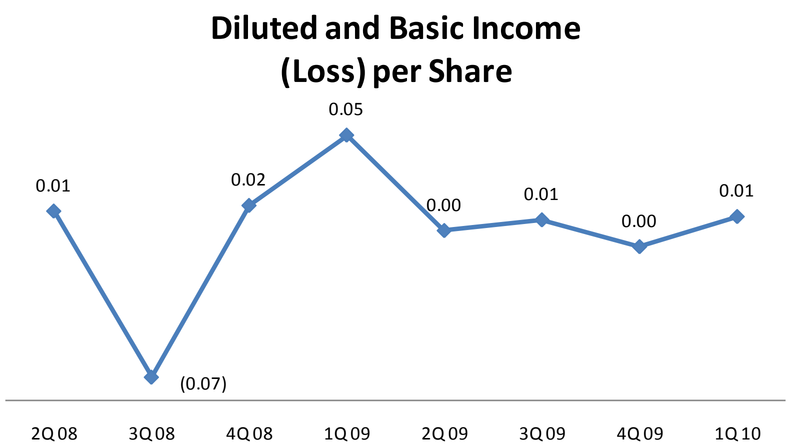
Income Taxes

The current income tax provision is management’s estimate of current taxes expense owing by the Company’s foreign subsidiaries. Net future tax assets are offset by a valuation allowance since these assets are not “more likely than not” to be realized at present. These results in no future tax expense except for the utilization of loss carry forwards from an acquisition that reduces the intangible assets acquired.

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)	**Q1 10**	**Q4 09**	**Q3 09**	**Q2 09**	**Q1 09**	**Q4 08**	**Q3 08**	**Q2 08**
Revenue	$ 11,780	$ 10,803	$ 14,480	$13,750	$14,217	$14,674	$11,939	$12,610
Net Income (Loss)	$564	$(248)	$508	$ 206	$ 2,861	$ 897	$(3,854)	$ 743
Basic Income (Loss) per Share	$0.01	$0.00	$0.01	$ 0.00	$ 0.05	$ 0.02	$ (0.07)	$ 0.01
Diluted Income (Loss) per Share	$0.01	$0.00	$0.01	$ 0.00	$ 0.05	$ 0.02	$ (0.07)	$ 0.01
Weighted average shares outstanding – Basic	58,800	57,761	57,108	56,881	56,644	56,329	58,351	56,319
Weighted average shares outstanding - Diluted	60,923	59,122	57,211	57,111	57,214	58,351	57,204	56,329



LIQUIDITY AND CAPITAL RESOURCES

The Company's objective in managing capital is to ensure sufficient liquidity to pursue 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.

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

Key Ratios (unaudited)	**December 31, 2009**	**September 30, 2009**
Working Capital in thousands *	$23,294	$22,144
Days Sales Outstanding	77	75

Statement of Cash Flows Summary **Thousands** **(unaudited)**	**Three Months ended December 31, 2009**	**2008**
Cash inflows and (outflows) by activity:		
Operating activities	(2,498)	7,556
Investing activities	(32)	(4,699)
Financing activities	434	17
Effect of foreign currency exchange rate changes on cash and cash equivalents	(333)	1,182
Net cash inflows (outflows)	(2,429)	4,056
Cash and cash equivalents, beginning of period	25,663	15,243
Cash and cash equivalents, end of period	23,234	19,299

*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 for operating activities was $2.5 million in the quarter ended December 31, 2009, as compared to $7.6 million of cash provided in the same period last year. In the first quarter of fiscal 2010, accounts receivable increased by a total of $1.5 million from September 30, 2009. The Company's Days Sales Outstanding in Accounts Receivable ("DSO") increased to 77 days, from 75 days at September 30, 2009. Redknee calculates DSO based on the annualized revenue and the average accounts receivable balances for twelve months.

Accounts receivable for the first quarter of 2010 increased from $8.2 million at September 30, 2009 to $9.7 million at December 31, 2009.

Working capital represents the Company's current assets less its current liabilities. The Company's working capital balance increased to $23.2 million at December 31, 2009 from $22.1 million at September 30, 2009. This increase in Redknee's working capital level relates mainly to the decrease in accrued liabilities, driven by lower accrued bonus and accrued commission.

Redknee monitors the capital and operating expense practices of its customers to identify credit and collection risks in a timely manner and reviews its revenue forecasts based on developing information. Management will continue to monitor and focus on collections and reducing credit risk and bad debts through fiscal 2010.

Cash from Investing Activities

For the quarter ended December 31, 2009, investment activities changed by $0.1 million.

Cash from Financing Activities

In the first quarter of fiscal 2010, cash provided by financing activities was $0.4 million, relating to repayment of employee shareholder loans.

Long Term Debt and Credit Facilities

As at December 31, 2009, the Company had no long-term debt outstanding, and has not drawn any amount on its existing US$10.0 million credit facility with Export Development Canada ("EDC").

Litigation

The Company is involved in certain claims and litigation arising out of the ordinary course and conduct of business. Management assesses such claims and, if it considers any claim likely to result in a loss and is able to quantify the amount of the loss, management makes a suitable provision for such loss. Management does not provide for losses on claims for which the outcome is not determinable or where the amount of the loss cannot be reasonably estimated. Any settlements or awards under such claims are provided for when reasonably determinable.

OFF BALANCE SHEET ARRANGEMENTS

As of December 31, 2009, the Company had no off-balance sheet arrangements.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining effective disclosure controls and procedures for the Company as defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*. The Company's Chief Executive Officer and the Chief Financial Officer have evaluated the Company's disclosure controls and procedures and have determined that such disclosure controls and procedures were effective as at September 30, 2009. This evaluation took into consideration the Company's disclosure policy, a sub-certification process and the functioning of its Disclosure and Compliance Committee.

Internal Control over Financial Reporting

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining effective internal control over financial reporting as defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim* Filings. Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As at September 30, 2009 the Company's management evaluated the effectiveness of the design and operation of its disclosure controls. Based on their evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Internal Controls over Financial Reporting are effective.

There have not been any changes in the issuer's internal control over financial reporting that occurred during the period ending December 31, 2009 that has materially affected, or is reasonably likely to affect, the issuer's internal control over financial reporting.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

We are currently implementing our IFRS transition plan to achieve adoption of IFRS by October 1, 2011 which consists of three phases: diagnostic, analysis and implementation.

The diagnostic phase includes the identification of Canadian GAAP and IFRS differences relevant to the Company and the alternatives available upon adoption. The Company has completed the diagnostic phase and the key differences between Canadian GAAP and IFRS have been identified as revenue recognition, income taxes and financial statement presentation and disclosure requirements. Additional differences may be identified in the future as a result of changes to the Company’s business or as IFRS standards are further developed.

The analysis phase includes an evaluation and selection of accounting policies and alternatives available at initial adoption of IFRS. The analysis phase will also include evaluation and assessment of our information systems, internal controls over financial reporting, financing agreements or compensation arrangements that may be affected by the adoption of IFRS. The Company engaged external advisors to provide support in completing this phase.

During 2010 and 2011, the Company will complete its analysis, finalize the selection of accounting policies under IFRS and determine any impacts on financial reporting, systems and controls. The implementation phase includes completion of all necessary changes to systems, process and controls and development of the financial statement presentation and disclosures required to convert to IFRS.

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.

The Company recognizes revenue in accordance with Canadian GAAP. Revenue is not recognized unless persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collectability is reasonably assured.

Multiple Element Arrangements

The Company enters into multiple element revenue arrangements, which may include any combination of software, service, support and/or hardware.

A multiple element arrangement is separated into more than one unit of accounting if all of the following criteria are met:

i. reliable and objective evidence of fair value exists for all undelivered elements (for software related deliverables, fair value is established through vendor-specific objective evidence (VSOE));

ii. undelivered elements are not considered essential to the functionality of delivered elements;

iii. the delivered elements have stand-alone value to the customers;

iv. delivery or performance of the undelivered elements is considered probable and substantially in the control of the Company; and

v. fees related to delivered elements are not subject to refund, forfeiture or other concession if undelivered elements are not delivered.

If these criteria are not met, the arrangement is accounted for as one unit of accounting, which would result in revenue being deferred until the earlier of when such criteria are met or when the last undelivered element is delivered.

If these criteria are met for each element and there is objective and reliable evidence of fair value for all units of accounting in an arrangement, the arrangement consideration is allocated to the separate units of accounting, based on each unit's relative fair value. There may be cases, however, in which there is objective and reliable evidence of fair value of the undelivered elements but no such evidence for the delivered elements. In those cases, the residual method is used to allocate the arrangement consideration. Under the residual method, the amount of consideration allocated to the delivered elements equals the total arrangement consideration, less the aggregate fair value of the undelivered elements. The revenue policies below are then applied to each unit of accounting, as applicable.

Software

If services are not deemed essential to the functionality of the licensed software, revenue from licensed software is recognized at the later of delivery or the inception of the licence term. When the fair value of a delivered element has not been established, the Company uses the residual method to recognize revenue if the fair value of the undelivered elements is determinable.

If services are deemed essential to the functionality of the licensed software (which is the frequent arrangement), the licensed software and service revenues are recognized using contract accounting, following the percentage-of-completion method. The Company uses either the ratio of incurred costs to estimated total costs 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.

Services

If services are deemed essential to the functionality of the licensed software, the licence and service revenues are recognized under contract accounting, as described above.

If services are not deemed essential to the functionality of the software, the service revenue is recognized as the services are delivered to the customer. The Company has established VSOE for service elements (consulting and training), based on the normal pricing and discounting practices for those elements when they are sold separately.

Support

PCS revenue is recognized rateably over the term of the support agreement, which is typically one year. The Company has established VSOE of PCS, based on the PCS rates (percentage of licence fees) contractually agreed with customers. Absent a stated PCS rate or when there is a low contracted PCS rate, the Company uses a rate which represents the price when PCS is sold separately based on PCS renewals.

Hardware

Hardware revenue is recognized as hardware is delivered to customers, when the risks and rewards of ownership have been transferred. The fair value of hardware is established based on the prices charged when hardware is sold separately.

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.

Business Combinations

The Company allocates the purchase price of a business acquisition to tangible assets, intangible assets and liabilities based on their estimated fair values at the date of acquisition with the excess of purchase price amount over these fair values being allocated to goodwill. The allocation of the purchase price to acquisitions involves considerable judgment in determining the fair value assigned to tangible and intangible assets acquired and the liabilities assumed on acquisition. Among other things, the determination of these fair values involves the use of discounted cash flow analyses, estimated future revenues and margins. In estimating future revenues and margins, the Company considers information published by third parties describing the size of the market and its growth rate, the planned margins for the acquired business and current costs to produce the solution offered by the acquired enterprise.

Long-Lived Assets

Intangible assets are stated at cost less accumulated amortization and are comprised of acquired non-patented software technology and customer relationships purchased through the Company’s business acquisitions. Acquired non-patented technology assets are amortized on a straight line basis over five years. Acquired customer relationship assets are amortized on a straight line basis over nine years. The Company reviews long-lived assets for impairment annually or whenever events and/or changes in circumstances indicate that the carrying amount may not be recoverable If the total of the expected undiscounted future cash flows is less than the carrying amount of the asset, a loss is recognized for the excess of the carrying amount over the fair value of the asset. The Company’s impairment analysis contain estimates due to the inherently speculative nature of forecasting long term estimated cash flows and determining the ultimate useful lives of assets. Actual results will differ, which could materially impact our impairment assessment.

Stock Based Compensation

The Company has adopted a stock option plan as further described in notes 1, 7 and 8 of its September 30, 2009 audited consolidated financial statements.

In accordance with CICA Handbook Section 3870, awards granted on or after December 1, 2003 are accounted for using the fair value method of accounting, whereby the Company recognizes compensation expense equal to the fair value of the award over its vesting period. Determining the fair value of stock-based awards at the grant date requires judgment, including estimating the expected term of stock options, the expected volatility of the Company’s stock and expected dividends. If actual results differ significantly from these estimates, stock-based compensation expense and the Company’s results of operations could be materially impacted. The fair value of the awards is determined using the Black-Scholes option pricing model.

Income Tax Expense

The current (recovery) provision for income taxes predominantly relates to the Company’s foreign subsidiaries.

The ultimate realization of future tax assets is dependent upon future taxable income during the years in which these assets are deductible. Management considers the likelihood of future profitability, the character of the tax assets and applicable tax planning strategies of the Company to make this assessment. To the extent that management believes that the realization of future tax assets does not meet the more likely than not realization criterion, a valuation allowance is provided against its future tax assets. Note 10 of the September 30, 2009 financial statements describe the nature of the assets and related valuation allowance. Tax reserves are established for uncertain income tax positions based on management’s best estimates.

As at September 30, 2009, the Company has approximately $35.7M of federal non-capital losses and scientific research and experimental development (SRED) pools for income tax purposes that will begin to expire in 2014, which are available to reduce future years’ income for income tax purposes. In addition, the Company has approximately $8.6M of non-capital losses with an indefinite life from foreign subsidiaries. The Company also has $8.4M (2008 - $8.1M) of unrecorded income tax credits, which can be also used to reduce future federal income taxes. These credits have a life of ten to 20 years and will not begin to expire until 2014.

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 to assess its ability to collect specific accounts and, based on this assessment, an allowance is maintained for those accounts that may become uncollectible. For the quarter ended December 31, 2009, the Company recorded a reserve for doubtful accounts of $0.1M.

PATENT PORTFOLIO

As part of Redknee’s commitment to Research and Development (“R&D”) to maintain its position as a key industry innovator. The Company currently has a portfolio of 17 issued patents, and 53 patent applications pending. To date we have not initiated any action with respect to assertions and/or claims of patent infringement.

OUTSTANDING SHARE DATA

Redknee's authorized share capital as at December 31, 2009 is 59,241,521 common shares outstanding. In addition, there were 8,354,245 stock options outstanding with exercise prices ranging from CAD $0.15 to CAD $2.16 per share.

				Number Outstanding
CAD	0.23	CAD	0.23	70,000
CAD	0.36	CAD	0.36	2,486,500
CAD	0.91	CAD	0.91	82,250
CAD	1.21	CAD	1.21	4,037,370
CAD	1.24	CAD	1.24	15,000
CAD	1.25	CAD	1.25	450,750
CAD	2.16	CAD	2.16	21,875
GBP	0.41	CAD	0.69	280,000
GBP	0.44	CAD	0.74	674,000
GBP	0.59	CAD	0.99	90,000
GBP	0.93	CAD	1.56	79,000
USD	0.14	CAD	0.15	42,500
USD	1.31	CAD	1.37	25,000
Total Outstanding				**8,354,245**

The share price of the Company at December 31, 2009 was $1.00 per share (TSX).

RISK FACTORS

As previously discussed, many factors could cause the actual results of Redknee to differ materially. Factors such as:

- Market Development
- Customer Credit Risk
- Maintaining Business Relationships
- Product Liability
- System Failures and Breaches of Security
-

A complete listing of each factor is discussed further in the section of the Company's AIF entitled Risk Factors.

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.

SUBSEQUENT EVENT

On February 10, 2010, the Company announced changes to its senior management team as part of a change to its organizational structure in support of its strategic plan. The Company anticipates that these changes will result in a charge against the second quarter 2010 results of approximately $0.6M.