

REDKNEE

REDKNEE SOLUTIONS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED MARCH 31, 2009

DATED: May 12, 2009

The following provides management's discussion and analysis ("MD&A") of Redknee Solutions Inc.'s (the "Company") consolidated results of operations and financial condition. This discussion should be read in conjunction with the Company's consolidated quarterly financial statements and accompanying notes for the second quarter of fiscal 2009 which ended on March 31, 2009. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are reported in Canadian dollars. The information contained herein is dated as of March 31, 2009 and is current to that date, unless otherwise stated.

The Company's fiscal year commences October 1st of each year and ends on September 30th of the following year. The Company's current fiscal year, which ends on September 30, 2009, is referred to as the "current fiscal year," "fiscal 2009", "2009", or using similar words. The previous fiscal year, which ended on September 30, 2008, is referred to as "previous fiscal year," "fiscal 2008," "2008", or using similar words.

In this document, "we", "us", "our", "Company" and "Redknee" all refer to Redknee Solutions Inc. collectively with its subsidiaries. The content of this MD&A has been approved by the Board of Directors, on the recommendation of its Audit Committee.

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 website at www.redknee.com.

FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A which are not historical facts may constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Any statements related to Redknee's projected revenues, earnings, growth rates, revenue mix, staffing and resources, and product plans are forward looking statements as are any statements relating to future events, conditions or circumstances. The use of terms such as "believes", "anticipated", "expected", "projected", "targeting", "estimate", "intend" and similar terms are intended to assist in identification of these forward-looking statements. Readers are cautioned not to place undue reliance upon any such forward-looking statements. Such forward-looking statements are not promises or guarantees of future performance and involve both known and unknown risks and uncertainties that may cause the actual results, performance, achievements or developments of Redknee to differ materially from the results, performance, achievements or developments expressed or implied by such forward-looking statements.

Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions. Except as required by law, Redknee does not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change.

The Company undertakes no obligation, except as required by law, to update publicly or otherwise any forward-looking information, whether as a result of new information, future events or otherwise, or the above list of factors affecting this information.

Many factors could cause the actual results of Redknee to differ materially from the results, performance, achievements or developments expressed or implied by such forward-looking statements, including, without limitation, each of the following factors, which are further discussed in the section of the Company's AIF entitled Risk Factors. These factors include but are not limited to:

- The Company's revenues may fluctuate from quarter to quarter and year to year depending upon sales cycles, customer demand and the timing of customer order purchase decisions;
- The Company's gross margins may fluctuate from period to period depending upon a variety of factors including product mix in the quarter, competitive pricing pressures and the level of sales generated through indirect channels;
- The Company faces intense competition in markets where there are typically several different competing technologies and rapid technological changes;
- The Company's growth is dependent on the development of the market for communications billing software and the decisions of the Company's target customers to deploy and further invest in those technologies which decisions may be impacted by changing economic and industry conditions;
- The majority of the Company's expenses are denominated in Canadian dollars while its sales are generally denominated in U.S. dollars or Euros. The Company's earnings are impacted by fluctuations in the exchange rates between these and other currencies in which the Company trades;
- The introduction and sale of new products by the Company may impact the timing of revenue recognition which could raise greater revenue fluctuations from quarter to quarter than has been experienced historically;
- 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. A prolonged deterioration in economic conditions could increase and exacerbate the foregoing risk and could materially adversely affect the Company and
- The current economic conditions and the availability of credit may negatively impact the Company's customers and/or suppliers.

EXECUTIVE OVERVIEW

Redknee develops markets and licenses infrastructure software solutions and related professional services to some of the largest network operators throughout the world, including wireless, wireline, broadband and satellite to over 70 network operators in over 50 countries. Redknee delivers solutions in the area of telecommunications' operational and billing support services (OSS/BSS). Its product portfolio includes converged billing; interconnect billing; customer care; mobile money and real-time

rating, charging and policy for voice, messaging and next generation data services. Established in 1999, Redknee's solutions enable operators to monetize the value of each transaction while personalizing the subscriber experience to meet mainstream and individual market segmentation requirements.

The Company classifies its operations in three main geographic areas:

- APAC – Asia Pacific
- Americas – North America, South America and Caribbean
- EMEA – Europe, the Middle East and Africa.

Redknee solutions help to create a better, more personal user experience for telecommunications subscribers all around the globe. Redknee is delivering software solutions that enable network operators to charge, price, deliver, and bill for all of the newest, cutting-edge communications services. Redknee software products are packaged into following solutions:

Turnkey Converged Billing	An end-to-end billing & revenue management platform. It is designed to manage the entire billing process—from account activation, prepaid top-ups, and pricing, to customer care, billing, and invoicing.
Next Generation Rating and Charging	A powerful, real-time rating and charging engine. NGRC enables a number of valuable telecom services, including the ability for wireless or broadband providers to creatively price, bundle and charge for new services.
Redknee Policy Manager	A solution that helps operators to reduce CAPEX and better control their network resources, while personalizing the subscriber experience.
One Call Resolution	A customer care solution that provides an intuitive view of subscriber status and context – enabling customer care representatives to resolve problems quickly and efficiently.
InBill	A wholesale billing and content management solution.
Mobile Money Solutions	A comprehensive modular suite of real-time value transfer capabilities that focus on serving the financial and commerce requirements of mobile subscribers

Redknee's commitment to Research and Development ("R&D") to maintain its position as a key industry innovator in the real-time OSS/BSS software space has been demonstrated by 16 issued patents, 51 pending applications and one further patent application which is at the grant/issuance process.

The Company established a credit facility with EDC for up to an aggregate amount of US\$10,000,000, to assist in financing one or more foreign acquisitions or related working capital. As at March 31, 2009, there were no allocations or amounts drawn under the facility.

To improve liquidity and create a retail shareholder base, on October 21, 2008, Redknee's common shares were approved for listing on the Toronto Stock Exchange ("TSX") and, on October 22, 2008, the shares began trading under the symbol "RKN". As part of this process, the Company removed its mutual fund company status and subsequently cancelled its listing on the AIM (London Stock Exchange) effective March 13, 2009.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table displays selected consolidated financial information for the three-month and six-month periods ended March 31, 2009 and March 31, 2008 respectively, which has been derived from the unaudited consolidated interim financial statements and accompanying notes. Each investor should read the following information in conjunction with those statements and related notes. The financial information for the periods ended March 31, 2009 and March 31, 2008 has been prepared by management in accordance with Canadian GAAP in a manner consistent with its annual financial statements.

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Consolidated Statement of Operations (\$Cdn Thousands, Unaudited)	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2009	2008	2009	2008
Revenue				
Software and services	\$ 7,935	\$9,128	\$ 17,334	\$17,347
Support	5,815	3,483	10,633	6,741
	13,750	12,610	27,967	24,088
Cost of revenue	2,922	3,644	6,292	7,386
Gross profit	10,828	8,966	21,675	16,702
Operating expenses				
Selling and marketing	3,895	4,334	8,275	8,111
General and administrative	2,611	2,225	4,981	4,840
Research and development	3,317	3,240	6,660	6,521
Amortization of property, equipment and intangible	120	64	312	127
Foreign exchange loss (gain)	417	(1,818)	(2,221)	(1,709)
	10,360	8,046	18,008	17,890
Income (Loss) from operations	468	921	3,667	(1,188)
Interest income	16	133	41	334
Interest expense	(2)	(11)	(4)	(10)
Income (Loss) before income taxes	481	1,044	3,704	(863)
Income taxes	275	301	637	592
Income (Loss) for the period	\$ 206	\$ 743	\$ 3,067	\$ (1,456)
Income (Loss) per Common Share				
Basic	\$ 0.00	\$ 0.01	\$ 0.05	\$ (0.03)
Diluted	\$ 0.00	\$ 0.01	\$ 0.05	\$ (0.03)
Weighted average number of common shares				
Basic (thousands)	56,881	56,319	56,809	56,319
Diluted (thousands)	57,211	57,203	57,211	57,204

Balance Sheet Data	As at March 31,	As at September 30,		
\$Cdn Thousands (unaudited)	2009	2008	\$ Change	% Change
Cash and Cash Equivalents	11,075	15,243	(4,168)	-27%
Short-Term Investments	9,094	56	9,038	n/m
Total Assets	40,404	37,451	2,953	8%
Accounts Payable and Accrued Liabilities	9,003	10,851	(1,848)	-17%
Long-Term Debt and Other obligations	-	-	-	0%
Shareholders' Equity	22,864	19,414	3,450	18%

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:

\$Cdn Thousands (unaudited)	Three Months Ended		Six Months Ended	
	March 31, 2009	2008	March 31, 2009	2008
Software & Services	7,647	7,893	16,680	15,752
Third Party Software & Hardware	288	1,234	653	1,595
Support and Subscription	5,815	3,483	10,633	6,741
Total	13,750	12,610	27,967	24,088

Percentage of Total Revenue	Three Months Ended		Six Months Ended	
	March 31, 2009	2008	March 31, 2009	2008
Software & Services	56%	62%	60%	65%
Third Party Software & Hardware	2%	10%	2%	7%
Support and Subscription	42%	28%	38%	28%
Total	100%	100%	100%	100%

The Company recognizes revenue from the sale of software licenses including initial licenses, capacity increases and upgrades; professional services; third party hardware and software components; and customer support contracts. The majority of the Company's revenue is denominated in U.S. dollars and thus revenues may be impacted by exchange rate fluctuations. For the three-month period ended March 31, 2009, the Company's revenue grew by 9% from \$12.6 million for the same period in fiscal 2008 to \$13.8 million in fiscal 2009. For the six-month period ended March 31, 2009 revenue grew by 16% from \$24.1 million in fiscal 2008 to \$28.0 million in fiscal 2009.

The increases in revenue for the periods noted above relate primarily to

- Completion of a large project with a Tier 1 operator in the US;
- Addition of two new customers: one in North America and a new group operator from the Middle East; and
- Contribution of InBill product fully reflected for the first half of 2009.

Software and Services Revenue

Software and services revenue consists of fees earned from the licensing and integration 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 second quarter of 2009 decreased by 3% to \$7.6 million, or 56% of total revenue, compared to \$7.9 million, or 62% of total revenue, for the same period last year.

For the six-month period ended March 31, 2009, software and service revenue grew by 6% to \$16.7 million, or 60% of total revenue, compared to \$15.8 million, or 65% of total revenue, last year.

The increase in the software and service revenue in the first half of 2009 relates to an increase in the amount of revenue earned from new product sales, upgrades and professional services as compared to the same period of fiscal 2008.

Third Party Revenue

Third party 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 second quarter of 2009 decreased by 77% to \$0.3 million, or 2% of total revenue, compared to \$1.2 million, or 10% of total revenue, for the same period last year.

For the six-month period ended March 31, 2009, third party software and hardware revenue decreased by 59% to \$0.7 million, or 2% of total revenue, compared to \$1.6 million, or 7% of total revenue, last year.

Third party revenue may vary from period to period, reflecting the changing requirements from Redknee's customers to obtain third party hardware and software as part of a turnkey solution supplied by Redknee.

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 the second quarter of 2009 grew by 67% to \$5.8 million, or 42% of total revenue, compared to \$3.5 million, or 28% of total revenue, for the same period last year.

For the six-month period ended March 31, 2009, support revenue grew by 58% to \$10.6 million, or 38% of total revenue, compared to \$6.7 million, or 28% of total revenue, last year.

Support revenue growth reflects an increase in our installed base as well as maintenance contract renewals from existing customers and InBill support since the acquisition of those operations in February of 2008.

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:

\$Cdn Thousands (unaudited)	Three Months Ended March 31,		Six Months Ended March 31,	
	2009	2008	2009	2008
Asia and Pacific Rim	3,441	3,207	5,643	5,173
North America, South America and Caribbean	5,949	4,788	13,729	9,616
Europe, the Middle East and Africa	4,360	4,615	8,596	9,299
Total	13,750	12,610	27,967	24,088

Percentage of Total Revenue	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2009	2008	2009	2008
Asia and Pacific Rim	25%	25%	20%	21%
North America, South America and Caribbean	43%	38%	49%	40%
Europe, the Middle East and Africa	32%	37%	31%	39%
Total	100%	100%	100%	100%

For the first half of fiscal 2009, revenue from the North America, South America and Caribbean market increased due primarily to the completion of projects with a Tier 1 operator in the US.

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. It also includes an allocation of certain direct and indirect costs attributable to these activities.

For the second quarter of 2009, cost of sales decreased by \$0.7 million compared to the same period in 2008, driven by lower expenses associated with personnel providing services and support, as well as lower third party costs. Overall, the gross margin for the quarter was 79% as compared to 71% for the second quarter of 2008.

For the six-month period ended March 31, 2009, cost of sales decreased by \$1.1 million to \$6.3 million, which represents a 15% decrease from the \$7.4 million incurred in the same period last year. The gross margin increased to 78% in the first half of fiscal 2009 as compared to 69% for the first half of 2008.

The increase in gross margin between the periods relates to the mix of higher margin Redknee products in 2009 contrasted with greater third party expenses that occurred in the first half of fiscal 2008. Expenses associated with personnel providing professional services and support were lower in the first half of fiscal 2009. Third party costs in the first half of 2008 consisted of increased support costs and commissions paid to a reseller.

Operating Expenses

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

\$Cdn Thousands (unaudited)	Three Months Ended		Six Months Ended	
	March 31, 2009	2008	March 31, 2009	2008
Sales and Marketing	3,895	4,335	8,275	8,111
General and Administrative	2,611	2,225	4,982	4,840
Research and Development	3,317	3,240	6,660	6,521
Amortization	120	64	312	127
Foreign Exchange loss (gain)	417	(1,818)	(2,221)	(1,709)
Total Operating Expenses	10,360	8,046	18,008	17,890

Percentage of Total Revenue	Three Months Ended		Six Months Ended	
	March 31, 2009	2008	March 31, 2009	2008
Sales and Marketing	28%	34%	30%	34%
General and Administrative	19%	18%	18%	20%
Research and Development	24%	26%	24%	27%
Amortization	1%	1%	1%	1%
Foreign Exchange loss (gain)	3%	-14%	-8%	-7%
Total Operating Expenses	75%	64%	64%	74%

Total operating expenses in the second quarter of fiscal 2009 increased to \$10.4 million from \$8.0 million in the second quarter of fiscal 2008 due to one-time costs associated with severances and external accounting and legal fees in the second quarter of fiscal 2009 as well as the foreign exchange loss, when compared with the foreign exchange gain experienced in the second quarter of fiscal 2008.

Excluding Amortization and Foreign Exchange loss (gain), operating expenses remained at \$9.8 million during the two periods. As a percentage of revenue, operating expenses declined to 71% of revenue in the second quarter of 2009 as compared to 78% of revenue in the second quarter of fiscal 2008.

For the first half of 2009, operating expenses excluding Amortization and Foreign Exchange loss (gain) declined to 71% as compared to 81% of revenue in the first half of 2008. This low level of expense growth, relative to the increase in revenue, reflects management's ongoing and disciplined efforts to manage expenses.

In light of the current economic uncertainty, management initiated various cost reduction activities in the latter part of fiscal 2008 to reduce its operating costs. These actions included, among other

measures, realigning some roles to increase proximity to customers, especially in high growth markets. The Company also continues to evaluate its office facilities and has taken steps to reduce facility expenses in certain markets where it has reduced staff while looking to increase facilities in other jurisdictions.

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 second quarter of 2009, S&M expenditures decreased by \$0.4 million to \$3.9 million, which represents a 10% decrease from \$4.3 million incurred for the same period last year. As a percentage of total revenue, S&M expenses decreased from 34% of revenue to 28% of revenue between the two periods.

For the six-month period ended March 31, 2009, S&M expenditures increased by \$0.2 million to \$8.3 million, which represents a 2% increase from the \$8.1 million incurred for the same period in 2008. As a percentage of total revenue, S&M expenses decreased from 34% to 30%, as revenue growth exceeded the growth of expenses for the period.

The Company has also been mindful of constraining growth to sustainable levels in response to deteriorating global economic conditions which are reflected in the decrease S&M expense for the current quarter and overall as a percentage of sales.

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 second quarter of 2009, general and administrative expenditures increased from \$2.2 million to \$2.6 million. The increase in the period is due primarily to one-time costs associated with headcount reductions as the Company continues to improve efficiencies.

For the six-month period ended March 31, 2009, G&A expenditures increased by \$0.1 million to \$5.0 million, which represents a 3% increase from the \$4.8 million incurred for the same period in 2008. As a percentage of total revenue, G&A expenses decreased from 20% to 18% between the two periods.

The G&A costs for the period reflect the Company’s efforts to reduce these costs and achieve increased operating leverage.

Research and Development Expenses

R&D 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 second quarter ended March 31, 2009, R&D expenditures increased by \$0.1 million to \$3.3 million. As a percentage of total revenue, the R&D expenditures decreased from 26% to 24% between the two periods.

For the six-month period ended March 31, 2009, R&D expenditures increased by \$0.1 million to \$6.7 million, which represents a 2% increase from the \$6.5 million incurred for the same period in 2008. As a percentage of total revenue, R&D expenses decreased from 27% to 24%, as revenue growth exceeded the growth of expenses for the period.

Management has made concerted efforts to constrain costs in all areas of the business to drive operating leverage and profitability.

Amortization

Amortization for the second quarter ended March 31, 2009 totaled \$0.12 million as compared to \$0.06 million in 2008. The increase is primarily related to the amortization of intangibles as a result of the acquisition of Argent Networks operations in fiscal 2008.

Redknee purchased certain intangible assets through the acquisition of Argent Networks. They are stated at fair market value as of the acquisition date and are amortized on a straight-line basis over their estimated useful lives.

Foreign Exchange Gain / Loss

The Company's currency of measure is the Canadian dollar and the 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 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 to match Canadian dollar obligations. The Company conducts a significant portion of its business activities in foreign countries. The monetary assets and liabilities that are denominated in foreign currencies are affected by changes in the exchange rate between the Canadian dollar and these foreign currencies. For example, if the Company holds a foreign currency denominated monetary asset and the Canadian dollar depreciates in a given quarter, the value of that asset will increase in the Company's financial statements.

For the six month period ended March 31, 2009, the Company experienced a foreign exchange gain of \$2.2 million, due largely to significant fluctuation in the exchange rates between our principal currencies – US dollar and Euro with Canadian dollar in the first quarter. For the quarter ended March 31, 2009, the Company recognized a foreign currency exchange loss of \$0.4 million, as compared to a foreign currency exchange gain of \$1.8 million in the same period of fiscal 2008. The loss in the second quarter of 2009 was primarily due to Euro depreciating against the Canadian dollar contrasted with the appreciation in US dollar.

Interest Income and Interest Expense

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

Due to the current economic uncertainty all of the Company's excess cash has been invested in short term provincial or federal Canadian guaranteed investments. The interest rates offered on these products are at historic lows, which accounts for the substantial decrease in interest income for the Company.

Stock-Based Compensation

During the quarter ended March 31, 2009, 2,516,000 (2008 – 874,500) stock options with a weighted fair value of \$0.27 at the date of grant were issued to employees. The fair value of the stock options was determined using a Black-Scholes option pricing model. Stock-based compensation expense during this period was \$0.1 million relating to the Company's stock options and restricted shares under the restricted share plan.

Income Taxes

The current income tax provision predominantly relates to current taxes owing by the Company's foreign subsidiaries.

SUMMARY OF RESULTS

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

	2Q 09	1Q 09	4Q 08	3Q 08	2Q 08	1Q 08	2H 07
Revenue	\$13,750	\$14,217	\$14,673	\$11,939	\$12,610	\$ 11,478	\$ 17,932
Net Income (Loss)	\$ 206	\$ 2,861	\$ 899	\$(3,854)	\$ 743	\$(2,198)	\$(7,243)
Basic Income (Loss) per Share	\$ 0.00	\$ 0.05	\$ 0.02	\$(0.07)	\$ 0.01	\$(0.04)	\$(0.14)
Diluted Income (Loss) per Share	\$ 0.00	\$ 0.05	\$ 0.02	\$(0.07)	\$ 0.01	\$(0.04)	\$(0.14)
Weighted average shares outstanding – Basic	56,881	56,644	56,329	58,351	56,319	56,329	51,898
Weighted average shares outstanding - Diluted	57,211	57,111	56,329	58,351	57,204	56,329	51,898

In the past, the Company's basic and fully diluted shares outstanding have been equivalent because options are anti-dilutive during loss periods. As the Company is profitable this quarter, there is a difference between the basic and fully diluted weighted average shares outstanding.

LIQUIDITY AND CAPITAL RESOURCES

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its organic growth strategy, to fund Sales & Marketing and Research & Development, 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, increases in non-cash working capital and capital expenditures from internally generated cash flows and cash raised through past share issuances.

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

Statement of Cash Flows Summary	Three Months ended		Six Months ended	
(\$ Cdn Thousands)	March 31,		March 31,	
(Unaudited)	2009	2008	2009	2008
Cash inflows and (outflows) by activity:				
Operating activities	(3,347)	(443)	4,209	(6,246)
Investing activities	(4,936)	2,422	(9,635)	5,401
Financing activities	41	(10)	58	(25)
Effect of foreign currency exchange rate changes on cash and cash equivalents	17	571	1,199	621
Net cash inflows (outflows)	(8,224)	2,541	(4,168)	(249)
Cash and cash equivalents, beginning of period	19,299	6,138	15,243	8,928
Cash and cash equivalents, end of period	11,075	8,678	11,075	8,678
Key Ratios				
	March 31,	September 30,		
	2009	2008		
Working Capital	\$19,671	\$16,507		
Days Sales Outstanding	78	81		

*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 provided by operating activities was \$4.2 million in the six months ended March 31, 2009, as compared to \$6.2 million of cash used for the same period last year. In the second quarter of fiscal 2009, accounts receivable increased by a total of \$2.2 million from December 31, 2008. The Company's days sales outstanding in accounts receivable ("DSO") decreased to 78 days, from 81

days at September 30, 2008. Redknee calculates DSO based on the recent six months annualized revenue and the ending accounts receivable balance for the period. The decrease in DSO is due primarily to collection efforts.

Cash used in the quarter ended March 31, 2009 was \$3.3 million. The Company paid out the annual incentive from fiscal 2008 in January and incurred one-time costs resulting from headcount reductions as Redknee continues to streamline operations. Accounts receivable for the second quarter of 2009 increased from \$11.2 million at September 30, 2008 to \$12.0 million at March 31, 2009. The increase is due primarily to projects billed in the second quarter of 2009.

Working capital represents the Company's current assets less its current liabilities. The Company's working capital balance increased to \$19.7 million at March 31, 2009 from \$16.5 million for the same period in the prior year. This increase in Redknee's working capital level relates mainly to the increase in cash and short term investments, driven by improved collections of accounts receivable balances. This is further supported by the decrease in the Company's DSO calculation.

The continued adverse economic environment may impact the Company's exposure to credit risk. 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 debt through fiscal 2009.

Financial Instruments

The fair value of accounts receivable, other receivables, accounts payable and accrued liabilities approximates their carrying value due to the immediate or short-term maturity of these financial instruments. At March 31, 2009, the Company had a significant concentration of credit risk with two customers representing 32.1% (22.2% and 9.9% respectively) of the Company's accounts receivable.

Cash from Investing Activities

Cash used in investing activities during the quarter ended March 31, 2009, was \$4.9 million. It consisted primarily of the purchase of Canadian and provincial government backed short-term investments.

Cash from Financing Activities

In the second quarter of fiscal 2009, cash provided by financing activities was minimal, relating to repayment of employee shareholder loans.

Long Term Debt and Credit Facilities

As at March 31, 2009, the Company had no long-term debt outstanding. The Company established a credit facility with Export Development Canada ("EDC") for up to an aggregate amount of US\$10,000,000, to assist in financing one or more foreign acquisitions or related working capital. This facility has a ten year term. As at March 31, 2009, there were no allocations or amounts drawn under the facility

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 March 31, 2009, the Company had no off-balance sheet arrangements.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's CEO and CFO are responsible for establishing and maintaining disclosure controls and procedures for the Company. As such, the Company maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in filings is recorded, processed, summarized and reported within the time periods specified in the Canadian Securities Administrators rules and forms.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND PROCEDURES

The CEO and CFO are responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The CEO and CFO have evaluated whether there were changes to the Company's internal control over financial reporting during the interim period ended March 31, 2009 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. No such changes were identified through their evaluation.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Canadian Accounting Standards Board (AcSB) has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, including Redknee Solutions Inc., effective for fiscal years beginning on or after January 1, 2011. Accordingly, Redknee Solutions Inc. will report interim and annual financial statements in accordance with IFRS beginning with the quarter ended December 31, 2011.

The Company has commenced the development of an IFRS implementation strategy to prepare for this transition, and is currently in the process of identifying the key accounting policy changes that may be required. Once the potential accounting policy changes have been identified, other elements of the plan will be addressed including the implication on information technology, internal controls, contractual arrangements and employee training.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Revenue Recognition

Revenue from product sales is recognized upon shipment and when all significant contractual obligations have been satisfied and collection is reasonably assured. Service and installation revenue is recognized as the services are performed. Revenue from maintenance and extended warranty contracts is recognized on a straight-line basis over the terms of the contracts.

For contracts involving multiple elements, the Company allocates revenue to each element based on relative fair values. Revenue attributable to undelivered elements is deferred and recognized upon performance. Redknee uses the percentage-of-completion method of accounting for these contracts. The units-of-delivery or units-of-work performed method is used to measure progress on each contract. Revenue and cost estimates on long-term contracts are revised periodically based on changes in circumstances and any losses on contracts are recognized in the period that such losses become known. The Company uses historical experience, project plans and an assessment of the risks and uncertainties inherent in the arrangement to establish these estimates.

The Company also makes sales through distributors, certified solution providers and other value added resellers. For products sold through these distribution channels, revenue is recognized at the time of shipment to the distributor provided that all significant contractual obligations have been satisfied and collection is reasonably assured. The Company does not accept purchase orders or contracts with return clauses although it may, at its sole discretion, choose to accept customer returns. Accruals for potential warranty claims and estimated sales returns are made at the time of shipment and are based on contract terms and prior claims experience.

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 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 whenever events 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 will 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, 2008 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. In addition, judgment is also required in estimating the amount of stock-based awards that are expected to be forfeited. 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. The Company determined at March 31, 2009 that a full valuation allowance against future tax assets is appropriate. Note 10 of the September 30, 2008 financial statements describe the nature of the assets and valuation allowance.

As at September 30, 2008, the Company has approximately \$36,200,000 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 \$8,600,000 of non-capital losses with an indefinite life from foreign subsidiaries. The Company also has \$8,100,000 (2007 - \$6,500,000) 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 are deemed to be uncollectible. For the quarter ended March 31 2009, the company did not record a reserve for doubtful accounts.

RECENT ACCOUNTING PRONOUNCEMENTS

Financial statement presentation

In April 2007, the CICA Accounting Standards Board amended CICA Handbook Section 1400, General Standards of Financial Statement Presentation. These amendments require management to disclose any uncertainties that cast significant doubt on the entity's ability to continue as a going concern. In assessing whether the going concern assumption is appropriate, management must take into account all available information about the future, which is at least, but is not limited to, 12 months from the balance sheet date. The standard is effective for years beginning on or after January 1, 2008. The Company adopted this new standard effective October 1, 2008.

Goodwill and other intangible assets

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Other Intangible Assets, which replaces Handbook Sections 3062, Goodwill and Other Intangible Assets, and 3450, Research and Development Costs. This standard establishes the standards for the recognition, measurement and disclosure of goodwill and intangible assets. The standard becomes effective for years beginning on or after October 1, 2008. The Company adopted this new standard effective October 1, 2008.

FUTURE CHANGES IN ACCOUNTING STANDARDS

The Company reviews all changes to the CICA Handbook when issued. The following is a discussion of relevant items that were released, revised or became effective after September 30, 2008.

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations," 1601 "Consolidated Financial Statements" and 1602 "Non-controlling interests." These sections replace the former Handbook Section 1581, "Business Combinations" and Handbook Section 1600, "Consolidated Financial Statements" and establish a new section for accounting for a non-controlling interest in a subsidiary. Handbook Section 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Handbook Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. The Corporation is currently assessing the effect these standards may have on the Corporation's results of operations and consolidated financial position.

OUTSTANDING SHARE DATA

As of March 31, 2009, there were 59,210,171 common shares outstanding. In addition, there were 8,060,701, stock options outstanding with exercise prices ranging from US \$0.14 to US \$1.70 per share.