REDKNEE SOLUTIONS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FIRST QUARTER ENDED DECEMBER 31, 2011

DATED: March 7, 2012

SCOPE OF ANALYSIS

The following discussion and analysis (MD&A) should be read in conjunction with the Unaudited Interim Condensed Consolidated financial Statements for the three month period ended December 31, 2011, which we prepared in accordance with International Financial Reporting Standards ("IFRS") and with our Annual Consolidated Financial Statements for the year ended September 30, 2011, which we prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The unaudited IFRS-related disclosures in and values in this MD&A have been prepared using the standards and interpretations currently issued and expected to be effective at the end of our first annual IFRS reporting period, which will be September 30, 2012. The transition to IFRS required a restatement of the Corporation's fiscal 2011 financial information from its original Canadian GAAP basis such that the fiscal 2011 comparative information presented in the financial statements and the MD&A reflect accounting policies consistent with IFRS.

Financial information for periods prior to October 1, 2010 have not been restated for the changes in accounting policies resulting from the adoption of IFRS. For the purposes of this MD&A, the term "Canadian GAAP" refers to Canadian generally accepted accounting principles for the Company before the adoption of IFRS.

Readers of the MD&A should refer to "Changes in Accounting Policies" below, and Note 12 of the accompanying interim condensed consolidated financial statements, for a discussion of IFRS and its impact on the Corporation's financial statements. 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.

Effective October 1, 2011, the functional currency of the Company and certain subsidiaries was changed from the Canadian dollar to the U.S. dollar. The change in functional currency was a result of the increased influence of the U.S. dollar on the economic environment in which the companies operate and the increased reliance on U.S. dollar financing.

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.

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 Solutions Inc. was incorporated on March 29, 1999 and commenced operations in July, 1999. 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 more than 90 network operators in over 50 countries. The Company’s software products allow its wireless, multi-play and alternate service providers to extend and enhance their capabilities and service offerings, enabling them to introduce new revenue through the introduction of network-based services, including call and subscriber management, multimedia messaging information services and location aware services. In addition, the Company’s software products also manage and analyze, in real time, complex and critical network operations, such as service provisioning, network management and customer care, as well as provide real-time rating, charging and billing.

Redknee 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 segments its operations in three main geographic areas namely:

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

Redknee’s end-to-end real-time converged billing solution provides wireless, multi-play and alternate service providers with the agility to drive a unique user experience, increase profitability and support any new product or business model. Redknee’s converged billing platform supports the following solutions:

Redknee's Real-time Converged Billing – Redknee's award-winning cloud-enabled real-time converged billing platform provides the marketing agility to support service providers achieve their business objectives. Redknee delivers the benefits of a highly scalable converged billing and customer care platform, including real-time unified billing, rating and charging for the operator's data, voice, and messaging services; advanced customer 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.

Redknee's Mobile Virtual Network Solution – Redknee's Mobile Virtual Network 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's 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

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 selected financial information for the three months ended December 31, 2011 and 2010 have been prepared in accordance with IFRS. 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	**Three Months Ended**	
(all amounts in thousands of US$, except per share amounts)	**December 31**	
(unaudited)	**2011**	**2010**
Revenue		
Software, services and other	$ 8,190	$ 8,239
Support	5,774	5,361
	13,964	**13,600**
Cost of revenue	4,585	4,999
Gross profit	**9,379**	**8,601**
Operating expenses		
Selling and marketing	3,394	3,412
General and administrative	1,884	2,370
Research and development	2,419	2,966
	7,697	**8,748**
(Loss) Income from operations	**1,682**	**(147)**
Foreign exchange loss (gain)	(561)	(525)
Other Income	-	169
Interest income	18	37
Interest expense	(117)	(139)
(Loss) Income before income taxes	**1,022**	**(605)**
Income taxes	73	63
(Loss) Income for the period	**$ 949**	**$ (668)**
(Loss) Income per Common Share		
Basic	$ 0.01	(0.01)
Diluted	$ 0.01	(0.01)
Weighted average number of common shares		
Basic (thousands)	64,222	63,941
Diluted (thousands)	65,640	63,941

Balance Sheet Data $US Thousands (unaudited)	**As at December 31, 2011**	**As at September 30, 2011**
Cash, Restricted Cash, ST Investments and Cash Equivalents	16,511	15,665
Goodwill and Intangible Assets	11,466	11,615
Total Assets	56,800	54,903
Accounts Payable and Accrued Liabilities	6,597	7,733
Long-Term Debt and Other LT liabilities	5,309	5,329
Shareholders' Equity	29,060	27,874

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 (unaudited)	**Three Months Ended December 31 2011**	**2010**
Software & Services	7,493	6,522
Support	5,774	5,361
Third Party Software & Hardware	697	1,717
Total	**13,964**	**13,600**

Percentage of Total Revenue (unaudited)	**Three Months Ended December 31 2011**	**2010**
Software & Services	54%	48%
Support	41%	39%
Third Party Software & Hardware	5%	13%
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-month period ended December 31, 2011, the Company's revenue increased by 3% from $13.6 million for the same period in fiscal 2011 to $14.0 million in fiscal 2012. The increase in revenue is primarily due to the increase in both software and services revenue, and support 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 Q1 2012 increased by 15% to $7.5 million, or 54% of total revenue, compared to $6.5 million, or 48% of total revenue for the same period last year. This is primarily due to the implementation of initial deployment contracts won during fiscal 2011.

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 Q1 2012 grew by 8% to $5.8 million, or 41% of total revenue, compared to $5.4 million, or 39% of total revenue, for the same period last year. The increase is primarily due to the addition of support revenue from contract renewals as well as additional support revenue from capacity increases and completed projects.

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 Q1 2012 decreased by 59% to $0.7 million, or 5% of total revenue, compared to $1.7 million, or 13% of total revenue, for the same period last year. This decrease was primarily due to large initial deployment contracts won in the fourth quarter of fiscal 2010 and implemented in the first quarter of 2011.

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 December 31	
	2011	2010
Asia and Pacific Rim	2,746	2,745
North America, South America and Caribbean	6,585	4,864
Europe, the Middle East and Africa	4,633	5,991
Total	**13,964**	**13,600**

Percentage of Total Revenue (unaudited)	Three Months Ended December 31	
	2011	2010
Asia and Pacific Rim	20%	20%
North America, South America and Caribbean	47%	36%
Europe, the Middle East and Africa	33%	44%
Total	**100%**	**100%**

For Q1 2012, revenue from the APAC region remained flat at $2.7 million, or 20% of total revenue, compared to last year.

For Q1 2012, revenue from the Americas region increased by 35% to $6.6 million, or 47% of total revenue, compared to $4.9 million or 36% of total revenue last year. This increase was mostly due to software upgrades and increased initial deployment sales of real-time converged billing solutions to new customers.

For Q1 2012, revenue from the EMEA region decreased by 23% to $4.6 million, or 33% of total revenue, compared to $6.0 million, or 44% of total revenue last year. This decrease is primarily due to a decrease in capacity expansions and software upgrades.

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 fiscal 2012, cost of sales decreased 8% to $4.6 million from $5.0 million incurred for the same period in 2011. The decrease is driven by the decreased purchases of third-party hardware and software components sold as part of Redknee's solution.

The gross margin for the first quarter of fiscal 2012 was 67% compared to 63% for the first quarter of 2011. The increase in gross margin relates to the change in mix of the revenues recorded, with a higher percentage of sales of software and services and a lower percentage of sales of third-party components recorded throughout the year, which generally carry the lowest gross margins.

Operating Expenses

Excluding amortization expenses, total operating expenses in the first quarter of fiscal 2012 decreased 10% to $7.5 million from $8.3 million in the first quarter of fiscal 2011. For the three-month period ended December 31, 2011, operating expenses excluding amortization decreased to 53% of revenue compared to 61% of revenue in fiscal 2011. The decrease is mostly due to reduced compensation expenses and other costs associated with reduced headcount year over year.

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 December 31 2011	2010
Sales and Marketing	3,394	3,412
General and Administrative	1,884	2,370
Research and Development	2,419	2,966
Total Operating Expenses	**7,697**	**8,748**
Excluding Amortization	*7,463*	*8,288*

Percentage of Total Revenue (unaudited)	Three Months Ended December 31 2011	2010
Sales and Marketing	24%	25%
General and Administrative	13%	17%
Research and Development	17%	22%
Total Operating Expenses	**55%**	**64%**
Excluding Amortization	*53%*	*61%*

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 fiscal 2012, S&M expenditures remained flat compared to the same period last year. As a percentage of total revenue, S&M expenses decreased slightly to 24% compared to 25% for the same period last year.

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 2012, general and administrative expenditures decreased 21% to $1.9 million from $2.4 million. As a percentage of total revenue, G&A expenses decreased to 13% as compared to 17% for the same period last year. The decrease is mostly due to reduced compensation expenses and other costs associated with reduced headcount year over year.

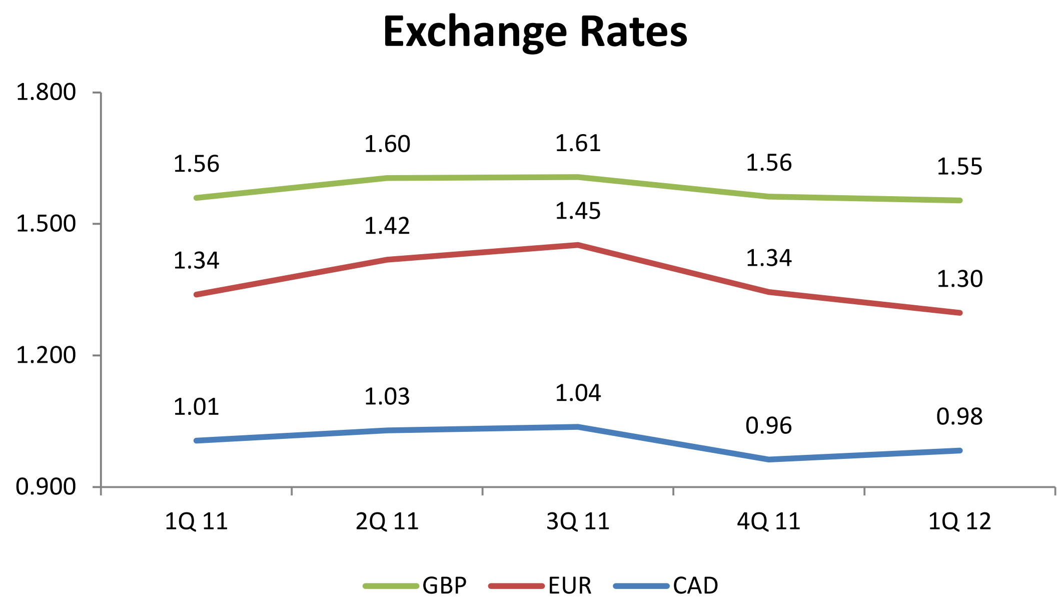
Research and Development Expenses

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. Research and development expenses are reduced by investment tax credits (ITCs) recognized during the year.

For the first quarter of fiscal 2012, R&D expenditures decreased by 18% to $2.4 million compared to $3.0 million for the same period last year. As a percentage of total revenue, R&D expenditures decreased to 17% for Q1 2012 from 22% in Q1 2011. The decrease is mostly due to reduced compensation expenses and other costs associated with reduced headcount year over year.

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. We cannot predict the effect of foreign exchange losses in the future; however, if significant foreign exchange losses are experienced, they could have a material adverse effect on our business, results of operations, and financial condition. The graph below displays the change in rates relative to the U.S. dollar.



Source: Bank of Canada

For the quarter ended December 31, 2011, the Company recognized a foreign currency exchange loss of $0.6 million, compared to a foreign currency exchange loss of $0.5 million in the same period of fiscal 2011. The first quarter loss in 2012 was primarily due to the U.S. dollar strengthening against the Euro and British Pound.

Finance Costs

The interest expense of $0.1 million recorded in Q1 2012 was mainly due to the Company's use of a credit facility available from Export Development Corporation ("EDC") for up to an aggregate principal amount of US$10.0 million. During the fourth quarter of fiscal 2010, the Company borrowed against this credit facility to complete the acquisition of Nimbus. As at December 31, 2011, the amounts drawn totaled $6.5 million.

Stock-Based Compensation

Stock options granted during the first quarter ended December 31, 2011 totaled nil (2010 – 648,125). 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 first quarter of fiscal 2012 and 2011 was $0.1 million.

Income Taxes

The current income tax provision is management's estimate of 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 per share amounts. The table below provides summarized information for our eight most recently completed quarters:

	IFRS (1)	*IFRS (1)*	*IFRS (1)*	*IFRS (1)*	*IFRS (1)*	*(1) (2)*	*(1) (2)*	*(1) (2)*
$ Thousands (unaudited)	**1Q 12**	**4Q 11**	**3Q 11**	**2Q 11**	**1Q 11**	**4Q 10**	**3Q 10**	**2Q 10**
Revenue	$13,964	$14,034	$14,180	$16,013	$13,600	$12,507	$10,234	$12,963
Net Income (Loss)	$ 949	$ 88	$(1,943)	$ 492	$(667)	$ 345	$(221)	$386
Basic Income (Loss) per Share	$ 0.01	$0.00	$(0.03)	$ 0.01	$(0.01)	$ 0.01	$0.00	$ 0.01
Diluted Income (Loss) per Share	$ 0.01	$0.00	$(0.03)	$ 0.01	$(0.01)	$ 0.01	$0.00	$ 0.01
Weighted average shares outstanding – Basic	64,222	64,198	64,195	64,158	63,941	62,309	60,078	59,604
Weighted average shares outstanding - Diluted	65,640	65,420	64,195	65,800	63,941	64,608	60,078	61,739

1) Effective October 1, 2011, the Company's functional and presentation currency changed from Canadian dollars to the U.S. dollar. Comparative financial information for periods prior to October 1, 2011 has been translated from the Canadian dollar to the U.S. dollar at the October 1, 2011 spot rate.

2) Prepared using accounting policies consistent with Canadian GAAP. Financial information in this MD&A for periods prior to October 1, 2010 have not been restated for changes in accounting policies on adoption of IFRS. Refer to Changes in Accounting Policies below, and to Note 12 of the accompanying interim consolidated financial statements, for a discussion of IFRS and its impact on the Company's financial statements

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

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 December 31, 2011	2010
Cash inflows and (outflows) by activity:		
Operating activities	1,499	(227)
Investing activities	(276)	(1,169)
Financing activities	(260)	(318)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(43)	(320)
Net cash inflows (outflows)	920	(2,034)
Cash and cash equivalents, beginning of period	14,880	18,038
Cash and cash equivalents, end of period	15,800	16,004

Key Ratios	December, 31 2011	September, 30 2011
Working Capital	$19,943	$18,087
Day Sales Outstanding	89	90

*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 IFRS 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 $1.5 million in the three months ended December 31, 2011, compared to a $0.2M use of cash for the same period last year. This is mostly attributed to an increase in operating profit in the period.

The Company's Days Sales Outstanding in Accounts Receivable ("DSO") was 89 days as at December 31, 2011 compared to 90 days as of September 30, 2011. Redknee calculates DSO based on the annualized revenue and the trailing four quarterly average accounts receivable balance.

Working capital represents the Company's current assets less its current liabilities. The Company's working capital balance increased to $19.9 million as at December 31, 2011 from $18.1 million as at September 30, 2011. This increase is mainly attributed to increase in cash and cash equivalents of $0.9 million, the increase in trade accounts and other receivables of $1.4 million, and a decrease in accounts accrued liabilities of $1.1 million partially offset by decrease in unbilled revenue of $0.5M, increase in income taxes payable of $0.5M and deferred revenue of $0.7M.

Cash from Financing Activities

In the first quarter of fiscal 2012, cash used for financing activities was $0.3 million which was same in 2011. The use of cash represented repayment of loans.

Cash from Investing Activities

Cash used for investing activities during the quarter ended December 31, 2011 was $0.3 compared to $1.2 million in 2010. This is mainly due to decrease in restricted cash by $1.0 million from 2010.

GOODWILL

Goodwill is derived as the difference between the purchase price of Nimbus on August 12, 2010 and the sum of the fair value of the net assets.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Long Term Debt and Credit Facilities

As at December 31, 2011, the Company has a credit facility with Export Development Canada for up to an aggregate principal amount of $10.0 million to assist in financing (i) one or more acquisitions and/or (ii) working capital requirements.

The Company borrowed against this credit facility for the Nimbus acquisition. As at December 31, 2011, $6.5 million remains outstanding and is repayable semi-annually over the next four years. Interest on this credit facility is LIBOR plus 4% and is payable semi-annually after the first specified repayment date. Accounts receivable, chattel paper, documents of title, equipment, intangible assets, inventory and securities are pledged as security for the credit facility.

Certain financial and non-financial covenants exist under the agreement, which, if interpreted to be violated by the lender, could result in the amounts borrowed being due and payable to the lender on demand. The Company is in compliance with its debt covenants as at December 31, 2011.

As a result of the acquisition of Nimbus, the Company currently holds bank loans through its wholly owned subsidiary, Redknee Spain SAL, S.L.U. These loans are secured by shareholder guarantees.

Contingent Consideration

On August 12, 2010, the Company acquired 100% of the common shares of Nimbus. The purchase consideration for the acquisition of Nimbus included amounts contingent on certain future criteria being met. The contingent consideration is due January 1, 2012, and the maximum amount to be paid is €1,050,000. As at December 31, 2011, the Company estimated that €647,500 ($839,937) would be payable (September 30, 2011 - €647,500 ($870,789), October 1, 2010 - €861,000 ($1,160,816). Subsequent to December 31, 2011, the amount of contingent consideration was finalized at €658,000. Changes in the estimated amount of contingent consideration are recognized as other income in the statement of operations.

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 considered likely to result in a loss and, when the amount of the loss is quantifiable, provisions for loss are made, based on management's assessment of the most likely outcome. Management does not provide claims for which the outcome is not determinable or claims where the amount of the loss cannot be reasonably estimated. Any settlements or awards under such claims are provided for when reasonably determinable. The Company is not currently a party to, or has any of its property as the subject of, legal proceedings, which would be material to the Company's financial condition or results of operations.

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

Our management, under the supervision and with the participation of our CEO and CFO, has designed and evaluated the effectiveness of the Company's internal controls over financial reporting ("ICFR") as at September 30, 2011 to provide reasonable assurance that our financial reporting is reliable and that our consolidated financial statements were prepared in accordance with GAAP. Management has concluded that ICFR, as defined in NI 52-109 and using the Committee of Sponsoring Organization of the Treadway Commission ("COSO") Framework are effective as at September 30, 2011.

ACCOUNTING CHANGES AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In February 2008, the Canadian Accounting Standards Board announced the mandatory adoption of IFRS for publicly accountable entities in Canada for fiscal periods beginning on or after January 1, 2011. Accordingly, this is the first quarter in which we have provided unaudited consolidated quarterly financial information in accordance with IFRS, including comparative figures for 2011.

The Company has adopted IFRS effective October 1, 2011 ("the transition date") and has prepared its opening IFRS statement of financial position as of that date. Prior to the adoption of IFRS, the Company prepared its financial statements in accordance with Canadian GAAP. The Company's consolidated financial statements for the year ending September 30, 2012 will be the first annual financial statements of the Company that comply with IFRS.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 14 of the Unaudited Condensed Consolidated Interim Financial Statements for the three month period ended December 31, 2011. This note includes reconciliations from Canadian GAAP to IFRS of equity and comprehensive income of the comparative periods and of equity at the date of transition.

In October 2010, the IASB issued IFRS 9, Financial Instruments ("IFRS 9"). IFRS 9 which replaces IAS 39, Financial Instruments: Recognition and Measurement, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful info to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2013. The Company is assessing the impact of this new standard on it's consolidated financial statements.

Change in Functional and Presentation Currency

Until September 30, 2011, the Company's functional currency was the Canadian dollar and was the U.S. dollar for certain subsidiaries. Effective October 1, 2011, the functional currency of the Company and certain subsidiaries was changed from the Canadian dollar to the U.S. dollar. Effective October 1, 2011, the parent company and all subsidiaries have a functional currency of U.S. dollars. The change in functional currency was a result of the increased influence of the U.S. dollar on the economic environment in which the companies operate and the increased reliance on U.S. dollar financing.

Unless otherwise stated, all comparative information in these consolidated financial statements for periods prior to October 1, 2011 have been translated from Canadian dollars to U.S. dollars at the October 1, 2011 spot rate.

The effect of the change in functional and presentation currency is explained in Note 12 to the accompanying interim condensed consolidated financial statements.

CHANGES IN ACCOUNTING STANDARDS

Transition to International Financial Reporting Standards

Overview

IFRS replaced the existing Canadian GAAP for the Company, effective for its fiscal 2012 interim and annual financial statements. Accordingly, the Company is applying accounting policies consistent with IFRS beginning with its interim financial statements for this quarter ended December 31, 2011.

The adoption of IFRS resulted in changes to the Corporation's accounting policies. The accounting policies described in note 2 to the accompanying interim consolidated financial statements have been applied consistently to all periods presented in the financial statements and in the preparation of an opening IFRS statement of financial position as at October 1, 2010, except for the application of certain first-time adoption exemptions. The changes in accounting policy have not been applied to any information within this MD&A for periods prior to October 1, 2010.

The impact of the transition from Canadian GAAP to IFRS is explained in detail in note 12 to the accompanying interim consolidated financial statements.

First-time adoption of IFRS

The first-time adoption of IFRS generally requires retrospective application of the resulting changes in accounting policies. Subject to certain optional exemptions and mandatory exceptions, the Company has applied the changes in accounting policies resulting from the adoption of IFRS retrospectively in the preparation of its opening IFRS statement of financial position as at October 1, 2010, the Company's transition date.

The impact of first-time adoption of IFRS on the Company's opening IFRS statement of financial position is described in detail in note 12 to the accompanying interim consolidated financial statements.

Impact of Adopting IFRS on Redknee's Financial Statements

The adoption of IFRS resulted in changes to the Corporation's accounting policies, and has resulted in changes to the recognition and measurement of transactions and balances. The impact of adopting IFRS on the Corporation's financial statements is described in detail in note 12 to the accompanying interim consolidated financial statements.

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS, and the effect on the Company's opening IFRS statement of financial position at October 1, 2010:

a) Business Combinations and Goodwill

(i) Acquisitions on or after October 1, 2010:

Acquisitions of businesses are accounted for using the acquisition method. The acquiree's identifiable assets and liabilities are recognized at their fair values at the date of acquisition. Acquisition related transaction costs are expensed as incurred. The fair value of contingent consideration considered part of consideration transferred is included in the total purchase price on the acquisition date. Contingent consideration classified as equity is not re-measured subsequent to acquisition date (other than for measurement period adjustments) and its subsequent settlement is accounted for within equity. Contingent consideration that is liability classified and falls within the scope of IAS 39 is re-measured to fair value at each reporting date until the contingency is resolved, with changes in fair value recorded in other income.

Goodwill is recognized as the excess of purchase price over fair value of the net identifiable assets of acquired businesses. Goodwill is not subject to amortization and is measured at cost less accumulated impairment losses.

(ii) Acquisitions prior to October 1, 2010:

As part of the transition to IFRS, the Company elected to restate only those business combinations that occurred on or after October 1, 2010. In respect of acquisitions prior to October 1, 2010, goodwill represents the amount recognized under Canadian GAAP.

The allocation of the purchase price to the net assets acquired may be adjusted to reflect new information obtained about facts and circumstances that existed at the acquisition date, up to a maximum of twelve months following the date of acquisition. Changes to the allocation of the purchase price during this measurement period are recognized retrospectively.

As a result of applying this change in accounting policy prospectively from the transition date, the Company recognized a liability at October 1, 2010 for contingent consideration related to the acquisition of Nimbus.

b) Share-based compensation

The Company issues stock options, restricted share units ("RSUs") and performance share units ("PSUs") pursuant to several share-based compensation plans. Stock options, RSUs and PSUs are settled with common shares of the Company. Compensation cost is measured based on the grant date fair value of the award and recognized net of estimated forfeitures over the vesting period with a corresponding credit to contributed surplus. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. At the end of each reporting period, the Company re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the period.

The Company has a deferred share unit ("DSUs") plan. The plan allows for settlement of DSUs by cash or other assets. The fair value of the Company's DSUs is recognized using the graded vesting method. Since the DSUs will be settled in cash or other assets, the fair value of the vested DSUs is revalued each quarter until the settlement date. The Company has recognized a liability in the consolidated statements of financial position for the total fair value of the vested DSUs included in other long-term liabilities.

These changes in accounting policy resulted in a change in the measurement of contributed surplus at October 1, 2010.

c) Impairment

At each reporting date the Company's non-financial assets, other than goods in transit and deferred tax assets, are reviewed at each reporting date to determine whether there is an indication that those assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of operations. For the purposes of assessing for indications of impairment and impairment testing, assets that do not have largely independent cash inflows are grouped into cash-generating units. Cash-generating units are the smallest identifiable groups of assets having independent cash inflows. The recoverable amount of goodwill is estimated and compared to the carrying value on an annual basis at September 30 whether or not there is an indication the goodwill is impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted at a rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount, with the exception of impairment losses on goodwill, which are not reversed. When an impairment loss is reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed what the carrying amount would have been had no impairment losses been recognized for the asset in prior years.

These changes in accounting policy did not have an impact on the Company's financial statements at October 1, 2010.

d) Financial statement presentation

IFRS requires that expenses on the statement of operations be presented either by nature or by function. Under Canadian GAAP, the Company's statement of operations was presented with a combination of expenses by nature and by function. This change in presentation resulted in amortization and depreciation being allocated to the functional line items within the statement of operations under IFRS. This change had no impact on consolidated statement of financial position or on total comprehensive income.

Reconciliation of Canadian GAAP to IFRS

Note 12 to the accompanying interim financial statements provides reconciliations of comparative information from the previously reported Canadian GAAP to IFRS, and the impact of the change in functional and presentation currency. Also included are reconciliations of comparative consolidated statements of financial position and statement of operations from Canadian GAAP to IFRS and the translation to USD

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 for 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 expenses that are contractually reimbursable from customers are recorded as gross revenue and expenses.

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. 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 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. 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 the expected cost of delivery plus an estimated profit margin.

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 completion method based on labour input measures.

PCS

PCS revenue is recognized rateably over the term of the PCS 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 period end.

Business Combinations and goodwill

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The allocation of the purchase price to the net assets acquired may be adjusted to reflect new information obtained about facts and circumstances that existed at the acquisition date, up to a maximum of twelve months following the date of acquisition. Changes to the allocation of the purchase price during this measurement period are recognized retrospectively.

Share-Based Compensation

Management is required to make certain estimates when determining the fair value of share-based compensation awards and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in the statement of operations.

Investment Tax Credits

The Company is entitled to certain Canadian investment tax credits for qualifying research and development activities performed in Canada. The Company accrues 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 accrued 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 the consolidated statements of operations 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 financial reporting 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 income tax assets and liabilities are offset when they are from the same jurisdiction.

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. There was no allowance recorded this quarter. For the year ended September 30, 2011, the Company recorded an allowance for doubtful accounts of $1.2 million.

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 OSS/BSS software space, the Company currently has a portfolio of over 100 filed and over 30 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 December 31, 2011 is 64,410,404. In addition, there were 5,127,012 stock options outstanding with exercise prices ranging from $0.23 to $2.16 per share.

RISK FACTORS

As previously discussed, 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.

Factors such as:

- Currency fluctuations may adversely affect the Company
- Software Defects
- Customer Credit Risk
- 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 lengthy and variable sales cycle makes it difficult for it to predict its operating results
- The Company relies on a small number of customers for a large percentage of its revenue
- Technological Change
- Economic and geopolitical uncertainty may negatively affect the Company
- Maintaining Business Relationships
- Product Liability
- System Failures and Breaches of Security

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.

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.