

REDKNEE

REDKNEE SOLUTIONS INC.

**ANNUAL INFORMATION FORM
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

December 21, 2012

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PRESENTATION OF INFORMATION AND FORWARD LOOKING STATEMENTS

Except where the context otherwise requires, all references in this Annual Information Form (“AIF”) to the “Company”, “Redknee”, “we”, “us”, “our” or similar are to Redknee Solutions Inc. and its subsidiaries, taken together.

Effective October 1, 2011, the functional currencies of the Company and certain of its subsidiaries were changed from the Canadian dollar to the U.S. dollar. The changes in functional currencies were 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.

Certain statements included in this AIF constitute “forward looking” statements, including those identified by the expressions “will”, “continue”, “predict”, “may”, “would”, “could”, “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend” and similar expressions. The forward looking statements are not historical facts but reflect management’s current expectations regarding future results or events. These forward looking statements are subject to a number of assumptions, risks, uncertainties and other factors that could cause actual results, performance, achievements, industry results or events to differ materially from current expectations, including the matters discussed under “Risk Factors” and in other sections of this AIF. These forward looking statements are made as of the date of this AIF and Redknee Solutions Inc. does not intend, and does not assume any obligation, unless otherwise required by law, to update or revise them to reflect new events or circumstances. Readers are cautioned not to place undue reliance on forward looking statements.

CORPORATE STRUCTURE

Redknee.com Inc. was incorporated under the *Business Corporations Act* (Ontario) on March 29, 1999. Through a series of corporate reorganizations, Redknee.com Inc. was renamed Redknee Inc. (“Redknee Inc.”). Since 1999, Redknee Inc. has been the operating entity of Redknee Solutions Inc. which was incorporated on November 1, 2006 under the *Canada Business Corporations Act*. On February 14, 2007 the Articles of Incorporation of the Company were amended to authorize RSI as a Mutual Fund Corporation in Canada. At the June 11, 2008 Annual General Meeting, the shareholders approved a further amendment of the Articles of the Company to eliminate the Mutual Fund Corporation status effective October 22, 2008, being the date that the Company’s Common Shares were listed on the Toronto Stock Exchange (“TSX”).

Redknee’s head and registered office address is 2560 Matheson Boulevard East, Mississauga, Ontario, Canada L4W 4Y9. The Company’s telephone number is (905) 625 2622. The Company’s web site address is www.redknee.com. The information on that web site is not incorporated by reference in this AIF.

Inter-corporate Relationships

The following table illustrates the inter-corporate relationships between the Company and its material and other subsidiaries (as determined by Item 3.2 of Form 51-102F2) and sets out the respective jurisdictions of incorporation of such subsidiaries and the percentage of their voting securities owned, controlled or directed, directly or indirectly, by the Company as at September 30, 2012.

Name of Subsidiary⁽¹⁾	Percentage of Votes Attaching to Voting Securities Beneficially Owned, Controlled or Directed by the Company	Jurisdiction of Incorporation
Redknee Inc.	100%	Ontario
Redknee (Ireland) Limited	100%	Ireland
Redknee Solutions (UK) Limited	100%	United Kingdom
Redknee (UK) Limited	100%	United Kingdom
Redknee (US) Limited	100%	Delaware
Redknee (Australia) PTY Limited	100%	Australia
Redknee (India) Technologies Pvt. Limited	100%	India
Redknee (Germany) GmbH	100%	Germany
Redknee Singapore PTE. Limited	100%	Singapore
Redknee MEA SAL (Offshore)	100%	Lebanon
Argent Networks Pty Limited ⁽²⁾	100%	Australia
Redknee Spain, S.L. ⁽³⁾	100%	Spain
Alien Software S.L. ⁽⁴⁾	100%	Spain
Joao Goncalves Holding S.L. ⁽⁵⁾	100%	Spain
Nimbus Systems, S.L. ⁽⁶⁾	100%	Spain

NMB Lda. ⁽⁸⁾	100%	Portugal
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⁽¹⁾ The Company previously had a wholly owned subsidiary, Redknee (ME) FZ-LLC, in Dubai. Redknee (ME) FZ-LLC was de-registered effective July 15, 2011.

⁽²⁾ Wholly owned subsidiary of Redknee (Australia) PTY Limited

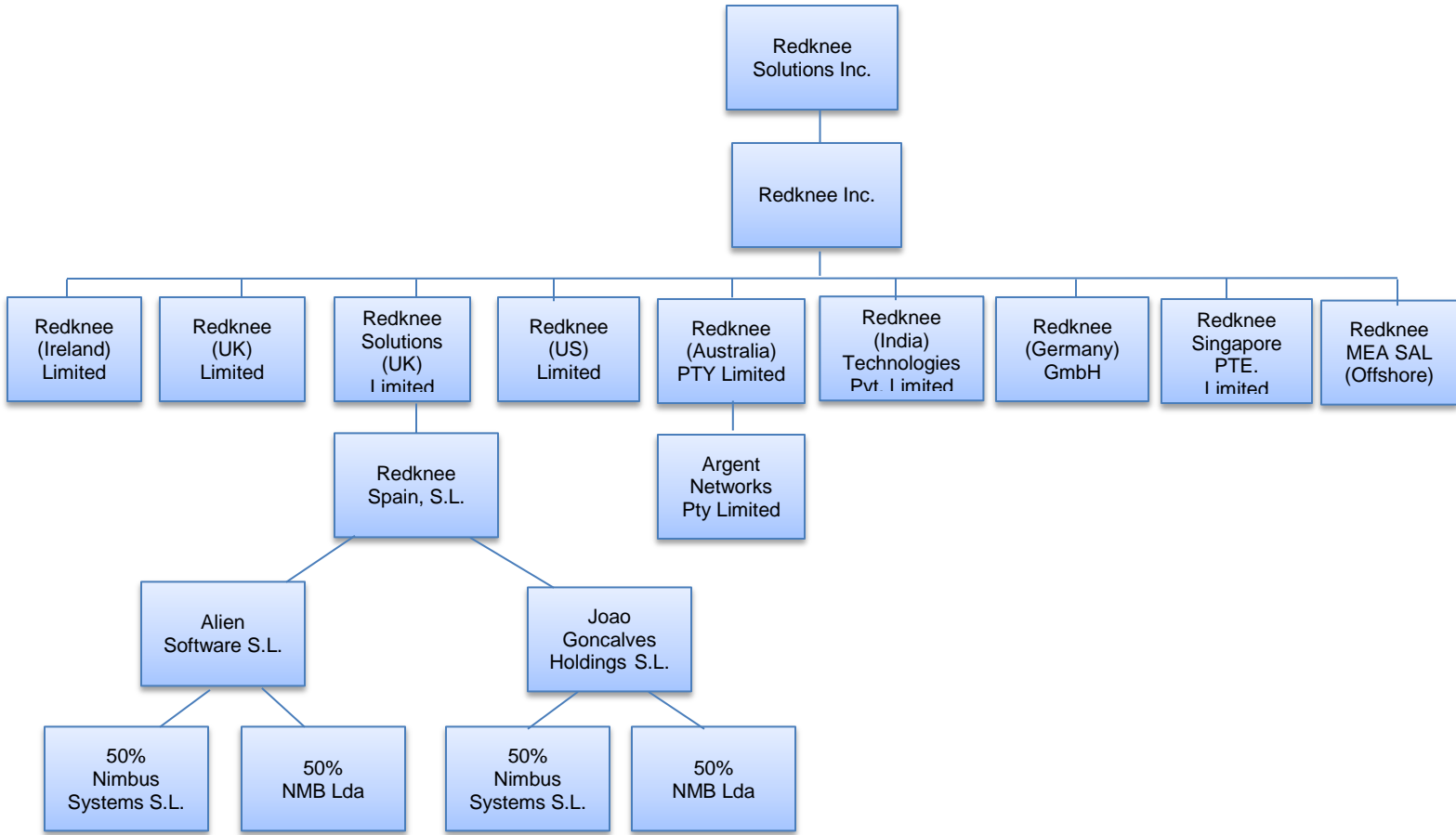
⁽³⁾ Wholly-owned subsidiary of Redknee Solutions (UK) Limited, established to acquire shares of Alien Software S.L. and Joao Goncalves Holding S.L.

⁽⁴⁾ Wholly-owned subsidiary of Redknee Spain, S.L. holds 50% ownership in NMB Lda and 50% ownership in Nimbus Systems S.L.

⁽⁵⁾ Wholly-owned subsidiary of Redknee Spain, S.L. holds 50% ownership in NMB Lda and 50% ownership in Nimbus Systems S.L.

⁽⁶⁾ Sales, Marketing and Operating entity in Spain.

⁽⁷⁾ Established to support operations in Portugal.



GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Redknee commenced operations in July 1999 and is currently a leading provider of monetization software products, solutions, and services to some of the largest communication service providers (“CSPs”) throughout the world, including mobile, landline, broadband and satellite. We deliver integrated real-time converged billing, wholesale settlement, customer care, and policy management solutions for voice, messaging and next generation data services to more than 90 communication service providers in over 50 countries. Headquartered in Toronto, Canada, Redknee has a regional presence in Australia, India, Indonesia, Japan, Lebanon, Malaysia, Singapore, Spain, the United Kingdom and the United States of America.

Our business has been driven predominantly by the adoption of mobile voice and data services globally, and the requirement of service providers to monetize those services with more sophisticated real-time converged billing solutions.

The world continues to experience growth in telecoms services. It has been projected by industry analyst firm, Gartner, that mobile data traffic is expected to grow 14 times over the coming five years with mobile applications and media consumption as the main driver for growth. We expect continued growth based on the growth of both mobile subscribers and this projected increase in data and content usage. Redknee’s portfolio of converged billing and customer care, wholesale settlement, and integrated data charging and policy solutions is enabling some of the world’s most innovative service providers to capture their share of this growth by providing the agility to support their growth strategies, deploy new business models and advance the customer experience.

Significant product and business developments over the last three fiscal years are listed below. Readers are also encouraged to review the annual Management’s Discussion & Analysis for the past three fiscal years, which is available at www.sedar.com.

Fiscal 2010

- In December 2009, Redknee introduced InBill 6.0 and secured a new contract with an APAC Operator;
- In December 2009, Redknee announced its adoption of a Shareholder Rights Plan;
- In February 2010, Redknee was again named a Platinum winner as one of Canada’s 50 Best Managed Companies. This recognition also marked Redknee’s eighth consecutive year as recipient of the award;
- In April 2010, Redknee was named in the list of Top 10 Canadian Wireless Solutions Companies;
- In June 2010, Redknee’s real-time data rating, charging and policy solution was awarded the Best Service Enablement Tool at the Billing & OSS World Excellence Awards;
- In August 2010, Redknee announced its acquisition of Nimbus Systems, a privately-held company that specializes in next generation billing, content settlement and customer care;

- In August 2010, Redknee signed two multi-year service agreements in the EMEA and the Americas regions;
- In September 2010, the company signed a multi-million dollar transformation project for its TCB solution with an APAC operator.

Fiscal 2011

During Fiscal 2011, Redknee secured six new customers in the Americas, APAC and EMEA regions. Redknee also announced its successful entry into the Latin American and Eastern European markets. Redknee continued to grow its footprint with existing customers by signing solution upgrades, license expansions, and services contracts.

Redknee has made significant progress with its growing partnership with Microsoft. In cooperation with Microsoft, Redknee is delivering a superior customer care software platform leveraging the Microsoft Dynamics CRM framework. As a result, together Redknee and Microsoft have signed multiple converged billing customers in 2011.

- In October 2010, Redknee signed an agreement with Freedom Wireless, the owner of a portfolio of patents relating to prepaid wireless communications;
- In October 2010, Redknee was awarded the 2010 Internet Telephony award for its converged billing solution;
- In November 2010, Redknee announced that it had signed multiple Tier-1 MVNO converged billing contracts;
- In February 2011, Redknee announced the signing of new converged billing customers in the UK and Eastern Europe;
- In March 2011, Redknee announced that it had appointed Gregory Jacobsen and Terry Nickerson to the Board of Directors;
- In April 2011, Redknee was named in the Top 10 wireless companies in the Branham Group's Top 300 ICT companies in Canada;
- In April 2011, Redknee signed a billing transformation contract with DST Group, the leading wireless provider in Brunei;
- In April 2011, Redknee signed a multi-million dollar upgrade and expansion deal with an APAC customer;
- In May 2011, Redknee launched its state-of-the-art converged billing platform with i-wireless LLC, a Sprint wholesale partner in the US;

- In July 2011, Redknee signed a global partnership deal with TechMahindra, a global systems integrator and business transformation consulting organization focused on the communications industry;
- In August 2011, Redknee announced a significant expansion with an existing Western European Tier-1 operator as well as a new converged billing customer in the US;
- In August 2011, Redknee announced the upgrade of Redknee's flagship solution, TCB 9.0 including the Microsoft Dynamics CRM platform, and the successful implementation at an APAC operator;
- In October 2011, Redknee announced that it had entered the Latin American market with the signing of a new multi-million dollar MVNO deployment of its TCB solution;
- In November 2011, Redknee announced it had entered the Japanese market with the signing of a multi-year, multi-million dollar term license agreement for its converged billing solution.

Fiscal 2012

- In January 2012, Redknee announced that it signed a significant capacity expansion deal with a Tier 1 South East Asian operator;
- In February 2012, Redknee announced that Smart Telecom had increased its investment in Redknee's converged billing and customer care solution following a 25 percent growth in revenues since working with Redknee;
- In February 2012, Redknee and Tech Mahindra announced the launch of a joint solution 'Telco in a Box' to provide MVNO/Es with a low-risk, flexible approach that can be launched to the market in weeks;
- In March 2012, Redknee announced that it had signed a new multi-million dollar wholesale billing deployment in APAC;
- In April 2012, Redknee announced that it had maintained its elite status with the annual Branham Group Top 300 ICT companies in Canada program;
- In May 2012, Redknee announced that it had signed multiple new LTE-related upgrades with its North American customers;
- In May 2012, Redknee announced with Microsoft, NEC, Intel and X-IO that it had [set a new standard](#) in telecoms converged billing by surpassing the largest benchmark test results in the telecom industry to 250 million subscribers;
- In July 2012, Redknee announced that it had launched the world's largest interconnect system at Indosat in Asia Pacific;

- In August 2012, Redknee announced that a leading Tier-1 North American communication service provider had selected Redknee's cloud-based converged billing and customer care platform in a multi-million dollar, multi-year term license deal;
- In September 2012, Redknee announced that it had signed a multi-million dollar, multi-year contract that will see Redknee provide its fully managed, software-as-a-service (SaaS) offering to Step Up Mobile, a US-based mobile virtual network operator (MVNO);
- In October 2012, Redknee completed an offering of 13,000,000 common shares for aggregate gross proceeds of \$17,500,000 and in November 2012 Redknee issued an additional 1,950,000 common shares for aggregate gross proceeds of \$2,632,500 pursuant to the exercise of the underwriters' over-allotment option which was part of the offering.
- In December 2012, Redknee announced that it had signed a definitive agreement to acquire Nokia Siemens Networks' Business Support Systems, which is expected to close in the first half of calendar year 2013.

DESCRIPTION OF BUSINESS

OVERVIEW

The Company 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 and improve customer satisfaction through the introduction of innovative tariffs and loyalty programs, data services, and advanced customer care and subscriber self-care. This is provided by the Company's software products which manage and analyze, in real time, complex and critical network operations, such as service provisioning, network management and customer care, and provide real-time rating, charging and billing.

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 and customer care solution provides wireless, multi-play and alternate service providers with the agility to drive a unique user experience, increase profitability and support any new products or business models. 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 and customer care 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 Brand Challenger – Redknee's Brand Challenger solution provides a cloud-based end-to-end converged billing solution for Mobile Network Operators ("MNOs"), Mobile Virtual Network Enablers ("MVNEs") and Mobile Virtual Network Operators ("MVNOs") to launch quickly to the market. Redknee's out-of-the-box solution offers a low risk business model that enables MNOs to launch a second brand, MVNEs to accelerate their growth strategies and MVNOs to improve their differentiation in the market.

Redknee'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.

Revenues

Redknee generates revenue from licensing software products and providing related hardware and services, including maintenance, support and professional services. For the year ended September 30, 2012 revenue decreased from \$58.3 million in fiscal 2011 to \$56.9 million in fiscal 2012. For the year ended September 30, 2012, software and service revenue relatively remained flat at \$32.3 million, or 57% of total revenue, compared to \$32.6 million, or 56% of total revenue for fiscal 2011. Support revenue increased by 7% to \$23.0 million, or 40% of total revenue, compared to \$21.6 million, or 37% of total revenue for 2011. For Fiscal 2012, support revenue increased in APAC and Americas region. Third party software and hardware revenue decreased by \$2.6 million to \$1.6 million, or 3% of total revenue, compared to \$4.2 million, or 7% of total revenue for fiscal 2011. This decrease in third party software and hardware revenue was due to reduced initial deployment sales of real-time converged billing solutions that contain third party components as part of the overall turnkey solution in 2012 compared to 2011.

Redknee continues its focus on growing recurring revenue by moving to term-licenses with new customers and securing an increasing proportion of multi-year contracts. Recurring revenue for the fiscal year increased to 50% of total revenue compared to 42% in fiscal year 2011.

\$US Thousands (unaudited)	Three Months Ended		Twelve Months Ended	
	September 30		September 30	
	2012	2011	2012	2011
Software & Services	8,606	7,718	32,309	32,567
Support	5,701	5,739	23,004	21,552
Third Party Software & Hardware	230	1,060	1,551	4,190
Total	14,536	14,517	56,864	58,310

Percentage of Total Revenue (unaudited)	Three Months Ended		Twelve Months Ended	
	September 30		September 30	
	2012	2011	2012	2011
Software & Services	59%	53%	57%	56%
Support	39%	40%	40%	37%
Third Party Software & Hardware	2%	7%	3%	7%
Total	100%	100%	100%	100%

As at September 30, 2012, the Company's two largest customers accounted for 19% (2011 - 15%) of sales. In order to minimize the risk of loss for trade receivables, the Company's extension of credit to customers involves review and approval by senior management, as well as progress payments as contracts are executed.

The Market

Redknee is a leading global provider of communication software infrastructure to price and charge all subscribers for data, content and voice across wireless, cable, fixed and alternate companies around the world. As such, Redknee markets its solutions and services globally to service providers from greenfield operators to established operators that are launching 4G services. Redknee's solutions support communication service providers who are targeting rapid subscriber growth through to mature operators that require data monetization solutions to help them launch premium messaging, location services, mobile broadband and data-rich services such as mobile TV. Today, Redknee processes more than 22 billion transactions per month for service providers that are looking to Redknee to drive profitability, increase revenue and improve the customer experience.

Sales and Marketing

Redknee's sales approach is to use both direct sales teams and resellers that market and distribute its software solutions. The direct sales force sells its software solutions in EMEA, the Americas and APAC. The direct sales force increases visibility and market penetration, ensures long-term customer contact and facilitates sales of additional products. Redknee supports its sales channels primarily through marketing programs including public relations, advertising, targeted interactive marketing, web-based programs, speaking engagements and participation in trade shows and

customer user forums. Redknee's strategy recognizes the value of a partner ecosystem. Following the strategic alliance that was signed with Microsoft in 2010, Redknee announced a partnership with systems integrator, Tech Mahindra, in 2011 to increase its global presence. Redknee has partnered with Tier 1 System Integrators to create a larger sales channel and to leverage their Professional Services capabilities to jointly deliver Tier 1 customer projects.

Competitive Environment

The market for the Company's products is intensely competitive, rapidly evolving and subject to technological change. There are a number of companies worldwide that have emerged as competitors in the network communications OSS/BSS software market, which include:

- ***Service infrastructure providers*** – these are entities that provide products that enable communication service providers to offer a variety of wholesale and retail billing, real-time rating/charging and other revenue generating solutions. The Company's direct and indirect competitors in this category include, but are not limited to: Amdocs, CBOSS, Comverse, CSG International (previously Intec), Netcracker (previously Convergys), Oracle, Orga Systems and Technotree.
- ***Network infrastructure providers*** – these are large, vertically integrated telecommunications equipment suppliers, including Alcatel-Lucent, Ericsson, Huawei, and Nokia Siemens Networks, which offer a broad portfolio of network infrastructure products and are positioned to bundle services software with their offerings in order to differentiate their products. Redknee is seeking to develop relationships with certain of these suppliers in order to supply the Company's software products to them for resale to telecommunications service providers as part of larger turnkey network solutions.
- ***Software suppliers, services suppliers and integrators*** – these include generic and specialized software integration organizations that provide complex project management, software integration services and custom software development. Included in this category are divisions of companies such as Accenture, HP, IBM, Tech Mahindra and Tata Consulting Services and smaller, regional software vendors. The larger of these competitors generally provide complete turnkey solutions derived from products developed in-house or by customizing products that are developed externally. Redknee sees these competitors, in the long term, as potential channel and integration partners.

Growth Strategy

Redknee’s growth strategy is focused on expanding its products and services to its customers, growing its customer base and developing its distribution channels, while maintaining profitability. Redknee has been successful with this strategy, and will continue to leverage its current investment in product development and sales and marketing to drive incremental profitability. The growth strategy is focused on the following dimensions:

	Real-time Converged Billing	Wholesale Settlement
Target Revenue	~90%	~10%
Market segment focus	<ul style="list-style-type: none"> • Wireless subscriber growth • Wireless data growth • Mobile Virtual Network Operators • Mobile Virtual Network Enablers • Advanced multi-service operators • Tier 1 operators launching new brands into the market 	<ul style="list-style-type: none"> • Wireless data and content growth • Subscriber experience • Churn prevention
Approach	<ul style="list-style-type: none"> • End-to-end and segment monetization • Cloud-based solution with recurring service contract • Long-term services contract • Licenses driven primarily by subscribers growth 	<ul style="list-style-type: none"> • Points systems to enter and then grow Redknee’s footprint • Cloud-based solution with recurring service contract • Licenses driven by transactional capacity and subscribers/users
Strategic acquisitions	Disciplined acquisitions <ul style="list-style-type: none"> • Capture market share and access to customers • Adjacent software products • Build recurring revenues (SaaS) 	

Research and Development

Research and development has historically been, and will continue to be, a significant portion of Redknee’s overall operating cost model as it continues to invest in new products, feature development, and support of network equipment and OSS/BSS. Redknee believes in investing in the long term success of its product lines for the benefit of its customers, shareholders, and the Company as a whole. The product planning efforts are led by Redknee’s product management team, who work closely with research and development, sales and product operations in order to define the product roadmap requirements based on feedback from customers, the direction and requirements of industry standards, competitive offerings, as well as the overall trends of the telecommunications and information technology industries.

Redknee uses a structured software delivery lifecycle process that leverages commercially available, as well as proprietary, tools and systems.

Intellectual Property

In accordance with industry practice, Redknee protects its proprietary product rights through a combination of patent, copyright, trade-mark and trade secret laws and contractual provisions.

Patent law offers some protection for Redknee's current and future products. The Company maintains an active program regarding patent protection for novel elements of its products to improve the Company's competitive position. Redknee primarily files patent applications globally with a focus on the United States and Europe. As of September 30, 2012, Redknee has a portfolio of over 100 filed and over 35 granted. Notwithstanding any deliberate abandonment of intellectual property assets or court decisions invalidating such assets, Redknee's current patent portfolio will begin expiring starting in 2023.

The source code for Redknee's software products and proprietary software embedded in its hardware products is protected under trade secret law and as unpublished copyrighted works. Redknee recognizes, however, that effective copyright protection may not be available in some countries in which it distributes its products.

It is Redknee's general practice to enter into confidentiality and non-disclosure agreements with its employees, consultants, manufacturers, end-users, channel partners and others to attempt to limit access to and distribution of its proprietary information. In addition, it is the Company's practice to enter into agreements with employees that include an assignment to the Company of all intellectual property developed in the course of employment.

Redknee relies on its patent portfolio as a defensive measure to help ensure that the processes used for monetizing subscriber transactions are protected from potential infringement.

Human Resources

Redknee's highly skilled work force and the customer-focused, team-oriented culture instilled by the Company's Chief Executive Officer ("CEO") and reinforced by its management team is a key element of the Company's competitive strength. The Company actively recruits highly qualified individuals in the areas of operations, product management, research and development, sales, marketing and services that it believes will support the Company's long term growth strategy.

Currently Redknee has approximately 405 employees, 139 of whom were engaged in research and development, 228 of whom were engaged in operations, sales, marketing and customer support, and 38 of whom were involved in finance and general administration. No employees are unionized.

Operations and Facilities

The Company's headquarters are located in Mississauga, Canada pursuant to a lease entered into between the Company and Morguard Investments Limited. The Company's research and development, services and support, and administration departments operate from the Company's headquarters. The premises consist of approximately 35,000 square feet and the lease term expires June 30, 2017.

Redknee also has leased premises in Pune, India, pursuant to a lease entered into by Redknee (India) with Kumar Housing Corporation Limited, which expires November 19, 2013.

Following the Company's acquisition of Nimbus, the Company assumed leases in Madrid Spain, one of which will expire on December 31, 2012 and one of which will expire on April 23, 2013.

In addition, Redknee has leased premises for regional sales offices in Reading (England) and Beirut.

Changes to Contracts

As of the date of this AIF, Redknee does not anticipate any changes to existing contracts as a result of renegotiation or termination of contracts or sub-contracts that would have a material effect on the Company's financial results for the year ending September 30, 2012 or in the current fiscal year. Contracts may be renegotiated or terminated based on circumstances of which the Company is not currently aware, including those discussed below under "Risk Factors".

RISK FACTORS

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

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

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

Market Development

The market in which the Company operates is still developing and the market demand, price sensitivity and preferred business model to deliver innovative mobile communications infrastructure software and value-added services for mobile communication service providers ("CSPs") remains highly uncertain. The Company's growth is therefore dependent on, among other things, the size and

pace at which the markets for its software products and services develop. If the markets for the Company's software products and services decline, remain constant, or grow more slowly than anticipated, the Company's growth plans, business and financial results may suffer. Furthermore, the timing of revenue from sales of the Company's products and services in any financial year may change as a result of the specific requirements of the Company's customers and their available financial resources and, as such, may result in fluctuations in the Company's operating performance.

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

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

Many of the Company's competitors and potential competitors have significantly greater financial, technical, marketing or service resources than the Company. Many of these companies also have a larger installed base of products, have longer operating histories or have greater name recognition than the Company. End-users of the Company's products are particularly concerned that their suppliers will continue to operate and provide upgrades and maintenance over a long-term period. The Company's relatively small size and short operating history may be considered negatively by prospective end-users. In addition, the Company's competitors may be able to respond more quickly than the Company to changes in end-user requirements and devote greater resources to the enhancement, promotion and sale of their products.

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

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

Currency fluctuations may adversely affect the Company.

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

Sales and Product Implementation Cycles

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

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

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

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

Customer Credit Risk

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

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

Maintaining Business Relationships

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

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

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

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

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

Product Liability

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

System Failures and Breaches of Security

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

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

Transfer Pricing

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

Taxation authorities, including the Canada Revenue Agency could challenge the validity of the Company's arm's length related party transfer pricing policies. International transfer pricing is a subjective area of taxation and generally involves a significant degree of judgment. If any of these taxation authorities are successful in challenging the Company's transfer pricing policies, income

tax expenses may be adversely affected and the Company could also be subjected to interest and penalty charges. Any such increase in income tax expenses and related interest and penalties could have a significant impact on the Company's future earnings and future cash flows.

Government Taxation Programs

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

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

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

Taxation

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

Financial Resources

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

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

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

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

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

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

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

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

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

- build a network of channel partners to create an expanding presence in the evolving marketplace for the Company's products and services;
- build a sales team to keep end-users and channel partners informed regarding the technical features, issues and key selling points of its products and services;
- attract and retain qualified technical personnel in order to continue to develop reliable and flexible products and provide services that respond to evolving customer needs;

- develop support capacity for end-users as sales increase, so that the Company can provide post-sales support without diverting resources from product development efforts; and
- expand the Company's internal management and financial controls significantly, so that the Company can maintain control over its operations and provide support to other functional areas as the number of personnel and size increases.

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

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

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

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

“The Company has been dependent, and expects that during Fiscal 2012 it will continue to be dependent, on a relatively small number of customers for a large percentage of its revenue. As at September 30, 2012, the Company's two largest customers accounted for 19% of sales (2011 – 15%). If one or more of the Company's end-users discontinues its relationship with the Company for any reason, or reduces or postpones current or expected purchases of the Company's products or services, the Company's business, results of operations and financial condition could be materially adversely affected.”

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

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

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

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

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

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

Future acquisitions could disrupt business, cause dilution to shareholders and harm the Company's financial condition and operating results.

The Company had signed a definitive agreement to acquire Nokia Siemens Networks' Business Support Systems ("BSS") and may pursue other acquisitions of assets, products or businesses that it believes are complementary to its existing business and/or to enhance its market position or expand its product portfolio. There is a risk that the Company will not be able to identify suitable acquisition candidates available for sale at reasonable prices. The Company may not be able to complete the BSS or any other acquisition, or successfully integrate BSS or any acquired product or business into its operations. The Company is likely to face competition for acquisition candidates from other parties including those that have substantially greater available resources. Acquisitions may involve a number of other risks, including:

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

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

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

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

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

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

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

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

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

Operating internationally exposes the Company to additional and unpredictable risks.

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

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

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

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

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

Key shareholders maintain de facto control of the Company

Insiders or management could have the ability to control all matters submitted to the Company's shareholders for approval, including the election and removal of directors, amendments to the Company's articles of incorporation and bylaws and the approval of any business combination, amalgamation or sale of assets. This may delay or prevent an acquisition or cause the market price of the Company's common shares to decline. Principal shareholders may have interests that differ from other shareholders.

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

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

Use of Open Source Software

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

Dependence Upon Relationships With Sales Channel Partners

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

Dependence Upon Suppliers

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

Economic and geopolitical uncertainty may negatively affect the Company.

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

DIVIDENDS

The Company currently does not, nor has the Company paid dividends on its shares in the last three financial years. Any future determination to pay dividends will be at the discretion of the Company's Board of Directors and will depend upon the Company's results of operations, capital requirements and other relevant factors.

DESCRIPTION OF SHARE CAPITAL

Common Shares

The Company's authorized share capital consists of an unlimited number of common shares, of which 64,493,404 were issued and outstanding as at September 30, 2012. On October 23, 2012 the Company completed an offering of 13,000,000 common shares for aggregate gross proceeds of \$17,500,000 and in November 2012 Redknee issued an additional 1,950,000 common shares for aggregate gross proceeds of \$2,632,500 pursuant to the exercise of the underwriters' over-allotment option which was part of the offering. As of December 17, 2012 there were 79,605,304 of common shares issued and outstanding.

Each common share entitles its holder to notice of and to one vote at all meetings of the Company's shareholders. Each common share is also entitled to receive dividends if, as and when declared by the Company's Board of Directors. Holders of common shares are entitled to participate in any distribution of the Company's net assets upon liquidation, dissolution or winding-up on an equal basis per share. The approval of holders of two-thirds of the common shares present in person or by

proxy at a meeting of the shareholders called for the purpose is required to vary any of the rights attaching to the common shares. The shareholders of the Company are not, as shareholders, generally liable for any liability, act or default of the Company. The holders of the common shares have no pre-emptive, redemption or conversion rights.

Options

As at September 30, 2012, options to purchase 6,354,778 common shares are outstanding under the Company's Employee Stock Option Plan.

MARKET FOR SECURITIES

Redknee's common shares are publicly traded on the Toronto Stock Exchange (the "TSX") under the symbol "[RKN](#)". Trading of Redknee's common shares on the TSX commenced on October 22, 2008. The following table sets forth the high and low sale prices and volumes traded on the TSX as reported by such exchange for the fiscal year ended September 30, 2012.

COMMON SHARES - TSX

Month	High	Low	Volume
October, 2011	1.18	0.98	254,314
November, 2011	1.15	0.95	1,945,961
December, 2011	1.10	0.85	1,523,219
January, 2012	1.06	0.84	885,120
February, 2012	1.15	1.01	605,652
March, 2012	1.27	1.07	333,305
April, 2012	1.35	1.15	213,702
May, 2012	1.35	1.15	797,046
June, 2012	1.22	1.14	409,956
July 2012	1.22	1.14	1,050,758
August, 2012	1.37	1.08	3,604,151
September, 2012	1.48	1.16	2,789,268

ESCROWED SECURITIES

The following table sets out, to the knowledge of the Corporation, the number of each class of securities of the Corporation that were held in escrow as of September 30, 2012 and the percentage that number represents of the outstanding securities of that class as of such date.

Designation of Class	Number of Securities Held in Escrow	Percentage of Class
Common Shares ⁽¹⁾	1,484,981	1.73%

Notes:

⁽¹⁾Held pursuant to the escrow agreement dated August 12, 2010 between the Corporation, Jose Fernando Martull Martinez and Joao Migel Mendes Goncalves (collectively the “Sellers”) and Equity Transfer and Trust Company, as escrow agent, entered into pursuant to the Nimbus transaction. The escrowed shares will be released by the escrow agent upon direction of the Corporation and the Sellers and, pursuant to the escrow agreement, after the resolution of any outstanding claims.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

Our directors as at September 30, 2012 were as follows:

Name and Municipality of Residence	Principal Occupation	Director Since	Holdings of Outstanding Common Shares
STEPHEN DAVIES ^{(1), (3)} Hemel Hempstead Herts, England, United Kingdom	Chairman The Practice Plc	January 9, 2007	183,730 common shares
ALAN MICHELS ^{(1) (2)} Scottsdale, Arizona, United States	Consultant	December 10, 2008	125,000 common shares
LUCAS SKOCZKOWSKI Oakville, Ontario, Canada	Chief Executive Officer, Redknee Solutions Inc.	November 1, 2006	9,230,840 common shares
KENT THEXTON ^{(1), (2), (3)} Vancouver, British Columbia, Canada	Chairman Redknee Solutions Inc.	November 1, 2006	1,267,285 common shares
TERRY NICKERSON ⁽²⁾⁽³⁾ Mississauga, Ontario, Canada	Director ViXS Systems Inc.	October 5, 2010	50,000 common shares

GREG JACOBSEN Littleton, Colorado, United States	Chief Executive Officer, Jacobsen Management Group	May 4, 2011	Nil
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- (1) Member of Nomination and Governance Committee.
(2) Member of Audit Committee.
(3) Member of Compensation Committee.

Our directors as at the date of this AIF are set forth above. Each of our directors hold office until the next annual meeting of shareholders or until his successor is duly elected or appointed, unless his office becomes vacant by resignation, death, removal or other cause.

Kent Thexton, Non-executive Chairman of the Board

Mr. Thexton joined Redknee’s Board as a non-executive director in 2006, having served on the Board of Redknee Inc. since 2004. Mr. Thexton is also on the boards of Mobidia, a private Canadian company, Quickplay, a private Canadian company and Sierra Wireless, a Canadian public company. Previously, Mr. Thexton was the Chairman of i-wireless, chief data and marketing officer for O2 Group plc and a member of the O2 Company plc board of directors. Mr. Thexton holds a Master Business Administration and a Bachelor's Degree in Electrical Engineering from the University of Western Ontario.

Lucas Skoczowski, Chief Executive Officer

Mr. Skoczowski joined Redknee’s Board in 2006, having served on the Board of Redknee Inc. since it was established in 1999. Mr. Skoczowski is one of the Corporation’s founders and is currently Redknee’s Chief Executive Officer. Previously, Mr. Skoczowski worked at Nortel Networks Limited and Clearnet Communications Inc. (now TELUS Mobility, the wireless business unit of TELUS Corporation) in various areas of product management. Mr. Skoczowski previously served as a non-executive director on the Board of 20-20 Technologies Inc., a Canadian public company. Mr. Skoczowski has a Bachelor of Science in Electrical Engineering from the University of Waterloo, where he was a Loran Scholar.

Stephen Davies, Non-executive Director

Mr. Davies joined Redknee’s Board as a non-executive director in January 2007. Prior to joining Redknee, Mr. Davies served as the Chairman of United Clearing, the Director of Business Markets at O2 UK and the Chief Operating Officer at Genie Internet. Prior to this he was Chief Executive Officer of Cibernet Plc, the first financial clearing specialist for the GSM industry and Managing Director of Inter\$Link, the UK's first online banking business for import and export companies. Mr. Davies is currently the Chairman of The Practice Plc, a UK primary healthcare company and is Chairman of Creativity Software a provider of end to end location solutions for mobile operators. Mr. Davies holds a Bachelors of Science degree from University of Hertfordshire and is a Chartered Engineer, MIEE.

Alan Michels, Non-executive Director

Mr. Michels joined Redknee's Board as a non-executive Director in December 2008. He brings over 30 years of experience in information technology and telecommunications industries, previously serving as President of Kenan Systems Inc. and President and CEO of Telewest Communications, Plc., and as Chief Financial Officer in the telecommunications and software industries. Mr. Michels holds a Master of Business Administration in Finance, and a Bachelor of History degree from Rutgers, the State University of New Jersey-New Brunswick.

Terry Nickerson

Mr. Nickerson joined Redknee's Board as a non-executive Director in October 2010. Prior to joining Redknee's Board, Mr. Nickerson held several senior financial positions at ATI Technologies, Inc., the Molson Companies Ltd., Northern Telecom Ltd. and IBM Corporation. Mr. Nickerson is currently a director of ViXS Systems Inc. Mr. Nickerson holds a Bachelors of Science degree in Metallurgical Engineering from Queens University and a Master Business Administration from Harvard University.

Greg Jacobsen

Mr. Jacobsen joined Redknee's Board as a non-executive director in May 2011. He is a senior technology executive with over 30 years of diverse experience in telecommunications, information technology and software. Mr. Jacobsen most recently led Capgemini's global TME practice of over 8,000 business and technology consultants. A three-time CEO, he is an entrepreneur, having founded two successful firms, and has worked within large corporations such as EDS and MCI. Mr. Jacobsen's career spans consulting, outsourcing, systems integration, sales, marketing and executive management. Mr. Jacobsen is currently CEO of Jacobsen Management Group. Mr. Jacobsen holds a Bachelor of Science in Journalism and a Master of Science in Telecommunications from the University of Colorado in Boulder.

Executive Officers

Our executive officers as of the date of this AIF were as follows:

Name and Municipality of Residence	Offices with the Company	Holdings of Outstanding Common Shares
LUCAS SKOCZKOWSKI Oakville, Ontario, Canada	Chief Executive Officer	9,230,840 common shares
DAVID CHARRON Brampton, Ontario, Canada	Chief Financial Officer	124,042 common shares
VISHAL KOTHARI Mississauga, Ontario, Canada	Vice President, Global Services	4,345,785 common shares
CHRIS NEWTON-SMITH Munich, Germany	Vice President, Marketing	23,735 common shares
MO JAMAL Coral Springs, Florida, United States	Vice President, Global Sales	NIL common shares
NITIN SINGHAL Oakville, Ontario, Canada	Vice President, Research & Development	183,317 common shares

Lucas Skoczkowski, Chief Executive Officer

Mr. Skoczkowski is the Chief Executive Officer and founder of the Company. Mr. Skoczkowski is responsible for the execution of Redknee's corporate strategy. Prior to joining Redknee in 1999, Mr. Skoczkowski held positions in sales, operations and product development with a variety of international companies including Nortel Networks (USA, UK, and Canada) and Clearnet Communications Inc. Mr. Skoczkowski has a Bachelor of Science in Electrical Engineering from the University of Waterloo, where he was a Loran Scholar.

David Charron, Chief Financial Officer

Mr. Charron is the Chief Financial Officer of the Company. Mr. Charron is responsible for all financial matters of the company, including financial and management reporting, financial planning and analysis and investor relations. Prior to joining Redknee in July, 2007 as VP, Financial Planning & Analysis, Mr. Charron held senior finance positions with Nortel Networks Corporation and The Descartes Systems Group. Mr. Charron is a Certified Management Accountant (CMA), has a Bachelor of Engineering as well as a Masters of Business Administration. He is also a member of Professional Engineers Ontario.

Vishal Kothari, Vice President, Global Services

Vishal Kothari is the Vice President of Global Services at Redknee. Mr. Kothari is responsible for the delivery and support of Redknee's solutions across the globe. He leads a diverse and experienced team of technical professionals responsible for all aspects of the company's operations and delivery services including professional services and customer support. Previously, Mr. Kothari worked at Nortel Networks in various positions including engineering and at Microsoft in the WinCE group within product management. Mr. Kothari has a B.A. of Science Degree in Electrical Engineering from the University of Waterloo and a Masters of Engineering from the University of Toronto.

Chris Newton-Smith, Vice President, Marketing

Chris Newton-Smith is the Vice President of Marketing at Redknee. Mr. Newton-Smith is responsible for developing Redknee's market strategy and enabling our global partnerships. In his most recent role at Redknee, Chris was the General Manager of Redknee's EMEA sales and operations organization. Prior to joining Redknee, he was responsible for business development and product marketing for the Application & Content Services business unit of LogicaCMG Telecoms (now Acision). Mr. Newton-Smith has a Bachelor of Engineering and Management degree from McMaster University in Canada. He is also a member of the IEEE.

Mo Jamal, Vice President, Global Sales

Mo Jamal is the Vice President of Sales. Mr. Jamal is responsible for developing Redknee's growth and expansion strategy, including the direction and management of all sales and business development operations. Mo leads an experienced team of sales professionals, cultivating customer acquisitions, developing market competitiveness and delivering on revenue goals across the world. Mr. Jamal has over 20 years of global telecom software and hardware experience across OSS/BSS. During his career, Mr. Jamal developed and held executive positions in multiple areas to drive revenue within start-ups and in creating growth within large corporations. Prior to Redknee, Mo held leadership positions at IMImobile, Nortel Network and Loral Information Display Systems. Mr. Jamal has a Bachelor of Science degree in Electrical Engineering from Georgia Institute of Technology in Atlanta, GA. He is founder of MSJI Investments and serves on the board for Evolved Mobile.

Nitin Singhal, Vice President, Research & Development

Nitin Singhal is the Vice President of Research & Development. Mr. Singhal leads a diverse and talented team of technical professionals responsible for all aspects of the company's software development lifecycle, including design, development and quality assurance. Previously, Mr. Singhal has held several leadership positions at Redknee, including Research & Development, Customer Support and Product Management. Mr. Singhal has a B.Math degree in Computer Science from the University of Waterloo.

Board and Executive Officer Aggregate Ownership of Common Shares

Our directors and executive officers, as a group, beneficially own, or control or direct, directly or indirectly, a total of 15,511,234 common shares, representing 24% of the total outstanding common shares as of September 30, 2012.

Board Committees

The Board of Directors of the Company has established an audit committee, a compensation committee and a nomination and governance committee. Each of the committees has adopted a written charter establishing its role and responsibilities.

The chart below sets out Redknee's current Board and committee structure as of September 30, 2012:

<u>Board</u>	<u>Audit</u>	<u>Compensation</u>	<u>Nomination and Governance</u>
Kent Thexton (Chair)	X	X	X
Stephen Davies		Chair	X
Alan Michels	X		Chair
Terry Nickerson	Chair	X	

Audit Committee

The audit committee assists the Board of Directors in fulfilling its responsibilities for oversight and supervision of financial and accounting matters. These responsibilities include oversight of the quality and integrity of the Company's internal controls and procedures, reviewing annual and quarterly financial statements and related management discussion and analysis, engaging the external auditor and approving independent audit fees and considering the recommendations of the independent auditor, monitoring the Company's compliance with legal and regulatory requirements related to financial reporting and examining improprieties or suspected improprieties with respect to accounting and other matters that impact financial results. The committee is composed of three independent directors, Terry Nickerson (Chair), Alan Michels and Kent Thexton. Each audit committee member, as at both September 30, 2012 and the date of this AIF, is "independent" and "financially literate" within the meaning of National Instrument 52-110 — Audit Committees ("NI 52-110").

Relevant Education and Experience of Members of the Audit Committee

Alan Michels

Mr. Michels has over 30 years of experience in IT and telecommunications, previously serving as President of Kenan Systems Inc. and President and CEO of Telewest Communications, Plc. as well as various CFO positions in these industries. Mr. Michels holds a Master of Business Administration in Finance, and a Bachelor of History degree from Rutgers, the State University of New Jersey-New Brunswick.

Kent Thexton

Mr. Thexton has over 17 years international wireless experience and executive positions at major wireless carriers. Mr. Thexton is now engaged in building and growing a range of wireless companies. Mr. Thexton co-founded and chaired i-wireless LLC. Previously, Mr. Thexton was Chairman and CEO of SEVEN, a leading global white label provider of push email service for wireless. Mr. Thexton joined SEVEN from leading UK operator O2, where he served as chief data and marketing officer, president of O2 Online and a member of the board of directors. Prior to joining O2, Mr. Thexton spent eight years in the Canadian mobile industry, holding the position of Chief Operating Officer and Executive Vice President of Rogers Cantel (now Rogers Wireless). Prior to this he held management positions at Northern Telecom and Bell Canada. Mr. Thexton holds an M.B.A. and B.S. in electrical engineering from University of Western Ontario.

Terry Nickerson

Mr. Nickerson has served as the Chief Financial Officer of ATI Technologies, Inc. and of Northern Telecom Limited. While with IBM and Northern Telecom, he served on international assignments covering Asia, Europe and Latin America. Mr. Nickerson is currently a director of ViXS Systems Inc. Mr. Nickerson has also served as Audit Committee Chairman of Silicon Storage Technology, Tundra Semiconductor and Miranda Technologies Inc. He holds a Bachelors of Science degree in Metallurgical Engineering from Queens University and an M.B.A. from Harvard University.

Audit Fees

As set out in the audit committee’s charter (attached as Schedule A to this AIF), the audit committee is responsible for pre-approving all non-audit services to be provided to the Company by its external auditor and has pre-approved the non-audit services as set out below.

The current auditors of the Company are KPMG LLP, effective December 30, 2011. PricewaterhouseCoopers (“PWC”) served as auditors of the Company from the period September 11, 2007 to December 30, 2011. The following table sets out the approximate fees the Company incurred in using the services of PWC and KPMG for the fiscal years ended September 30, 2011 and 2012 respectively.

Category	Year Ended September 30	
	2012	2011
	(\$)	(\$)
Audit and Audit-Related Fees	483,706	\$415,264
Tax Fees	171,181	\$184,506
All Other Fees	22,538	\$ 65,000
Total	677,425	\$664,770

Compensation Committee

The compensation committee assists the Board of Directors in discharging its duties with respect to the compensation of the Company's CEO and other executive officers. The committee considers and recommends to the Board of Directors the framework or broad policy for the compensation of executives. It considers and recommends to the Board of Directors for approval the compensation of the Company's CEO and, upon recommendation of the Company's CEO, considers and approves compensation for the executives, including salary, bonus, long term incentives and material benefits. The committee also provides oversight to the appointment and termination of executives, the approval of all management incentive plans, and the review and approval of disclosure relating to executive compensation disclosure. The committee also periodically reviews the adequacy and the form of the compensation of non-management directors. The compensation committee is currently composed of three independent directors, Stephen Davies (Chair), Terry Nickerson and Kent Thexton.

Nomination and Governance Committee

The Nomination and Governance Committee assists the Board of Directors in identifying candidates for the Board of Directors. The Nomination and Governance Committee also evaluates the effectiveness of the Board of Directors as a whole, each committee of the Board of Directors, and the contribution of individual directors. The Nomination and Governance Committee is currently composed of Alan Michels (Chair), Kent Thexton and Stephen Davies .

LEGAL PROCEEDINGS

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.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director or executive officer or, to the knowledge of the Company, any person or company that beneficially owns or controls or directs, directly or indirectly, more than 10% of the common shares of the Company had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Company's common shares in Canada is Computershare Investor Services Inc. at its principal offices at 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1.

MATERIAL CONTRACTS

On December 5, 2012, Redknee entered into a global frame agreement with Nokia Siemens Networks (“NSN”) to acquire NSN’s BSS for aggregate consideration of approximately 15 million euros in cash at closing, plus a maximum of 25 million euros for certain performance-based cash earn-outs expected to be paid over 12 to 36 months post-closing (the “Acquisition”). BSS will transfer to Redknee customer and supplier contracts, intellectual property rights, fixed assets and associated liabilities, and approximately 1,200 BSS employees. The Acquisition is anticipated to close in the first half of calendar year 2013. The Acquisition is subject to applicable regulatory, exchange and third party approvals, a consultation process with trade union representatives, and other customary terms and conditions.

The Corporation has no other material contracts.

INTERESTS OF EXPERTS

Our consolidated financial statements for the year ended September 30, 2012 (the “*Financial Statements*”) filed under National Instrument 51-102—*Continuous Disclosure Obligations* have been audited by KPMG. The Financial Statements can be found on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at www.sedar.com.

Our auditors, KPMG, report that they are independent of the Company in accordance with the rules of professional conduct of the Institute of Chartered Accountants of Ontario.

ADDITIONAL INFORMATION

Please see Schedule A of this AIF for additional information required as set out in Form 52-110F1 “Audit Committee Information Required in an AIF”.

Copies of this AIF and such other information and documentation relating to the Company that we make available via SEDAR can be found at www.sedar.com. Additional financial information is available in the Company’s audited consolidated financial statements for the fiscal year ended September 30, 2012.

Additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under our equity compensation plans is contained in our Management Proxy Circular distributed to shareholders in connection with our annual general meeting held on March 28, 2012.

The information referred to in this AIF may also be obtained from www.redknee.com or as follows:

Redknee Solutions Inc.	Telephone:	1 905 625 2622
Investor Relations	Toll-Free:	1 866 625 2622
2560 Matheson Blvd. East	Fax:	1 905 625 2773
Mississauga, ON L4W 4Y9	E-Mail:	investors@redknee.com



SCHEDULE A

REDKNEE SOLUTIONS INC. (the "Company")

CHARTER FOR THE AUDIT COMMITTEE

1. Constitution and Purpose

The Committee shall be established by resolution of the Board of Directors of the Company and shall be known as the Audit Committee (the "Committee"). The Committee is established for the purpose of overseeing the accounting and financial reporting processes of the Company and audits of its financial statements.

2. Membership

- 2.1 The members of the Committee shall be appointed by the Board from amongst the directors of the Company (the "Directors") and shall be comprised of not less than three members. All of the members of the Committee shall be independent Directors, as that term is defined under applicable law.
- 2.2 All members of the Committee must be financially literate, as that term is defined under applicable law.
- 2.3 The Chairman of the Committee, who shall be an independent non-executive Director, shall be appointed by the Board, which shall determine the period for which he/she shall hold office.
- 2.4 Any member may be removed and replaced at any time by the Board. The Board shall fill vacancies in the Committee by appointment from among the members of the Board. If a vacancy exists on the Committee, the remaining members shall exercise all its powers so long as a quorum remains in office.
- 2.5 A quorum for decisions of the Committee shall be two members.

3. Attendance at meetings

- 3.1 The Chairman of the Board, the Chief Executive Officer and Chief Financial Officer of the Company and a representative of the external auditors of the Company (the "Company's Auditors") may, if invited by the Chairman of the Committee, attend and speak at meetings of the Committee. Other Board members shall also, if invited by the Chairman of the Committee, have the right of attendance.
- 3.2 The Committee may also invite other members of management to attend meetings and give presentations with respect to their area of responsibility, as considered necessary by the Committee.

- 3.3 At least once each year, representatives of the Company's Auditors shall meet the Committee without any executive Directors being present, except by invitation of the Committee.
- 3.4 The Committee may at each meeting appoint one of their number or any other attendee to be the Secretary of the Committee.

4. **Frequency of meetings**

- 4.1 The Committee shall meet at least quarterly and at such other times as the Chairman of the Committee shall require. The Company's Auditors, the Board or any member of the Committee may request a meeting if they consider that one is necessary.
- 4.2 At least seven days' notice of any meeting of the Committee shall be given, although such notice may be waived or shortened with the consent of all the members of the Committee for the time being.

5. **Authority**

- 5.1 The Committee is authorised by the Board to investigate any matter within its Terms of Reference. The Committee is authorized to have direct communication with the Company's Auditors. The Committee is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- 5.2 The Committee is authorized by the Board to obtain, at the cost of the Company, outside professional advice if it considers this appropriate. In obtaining outside advice, the Committee will act in consultation with the Chairman of the Company.

6. **Duties**

- 6.1 The duties of the Committee shall be:
- (a) to consider and make recommendations to the Board, for it to put to the shareholders for their approval in a general meeting, in relation to the appointment, re-appointment and removal of the Company's Auditors and to approve the remuneration and terms of engagement of the Company's Auditors;
 - (b) to require the Company's Auditors to report directly to the Committee;
 - (c) to discuss with the Company's Auditors, before an audit commences, the nature and scope of the audit, and other relevant matters and ensure co-ordination where more than one audit firm is involved;
 - (d) to review and monitor:
 - (i) the independence and objectivity of the Company's Auditors; and
 - (ii) the effectiveness of the audit process;taking into consideration relevant professional and regulatory requirements;
 - (e) to review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former Auditor of the Company;

- (f) to monitor in discussion with the Company's Auditors the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them and in particular to review the interim and annual financial statements, including any related management statements, before submission to the Board, focusing particularly on:
 - (i) significant accounting policies and practices and any changes in such accounting policies and practices;
 - (ii) major judgmental areas including significant estimates and key assumptions;
 - (iii) significant adjustments resulting from the audit;
 - (iv) the going concern assumption;
 - (v) compliance with accounting standards;
 - (vi) compliance with stock exchange and legal requirements;
 - (vii) significant litigation and investigations of regulatory agencies;
 - (viii) the extent to which the financial statements are affected by any unusual transaction; and
 - (ix) significant off-balance sheet and contingent asset and liabilities and the related disclosures;
- (g) to review the Company's financial statements, Management's Discussion & Analysis, Annual Information Form and earnings press releases prior to their public disclosure and to ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements;
- (h) to discuss problems and reservations arising from an audit, and any matters the Company's Auditors may wish to discuss (in the absence of management where necessary);
- (i) to review the Company's Auditors' management letter and management's response;
- (j) to oversee the design, implementation and assessment of an effective system of disclosure controls and procedures, and internal control over financial reporting;
- (k) to monitor and review the Company's Policy on Confidentiality and Disclosure on an annual basis;
- (l) to review and approve the mandate of the Company's Disclosure Committee and on a quarterly basis, receive the report of the Disclosure Committee with respect to the Disclosure Committee's activities during the quarter, which is the subject of the report;
- (m) on an annual basis, to receive the report of the Disclosure Committee with respect to the results of the self-assessment of the Company's Disclosure Controls and Procedures including any control deficiencies identified and to review, consider and make recommendations on related corrective actions to be taken;

- (n) to review management's assessment of the effectiveness of the Company's internal control over financial reporting as of the end of the most recent fiscal year;
- (o) to review any significant deficiencies or material weaknesses identified by management with respect to the Company's internal control over financial reporting and to monitor management's plans for remediation of such control deficiencies or weaknesses;
- (p) to review and discuss any fraud or alleged fraud involving management or other employees who have a role in the Company's system of internal control over financial reporting and the related corrective and disciplinary actions to be taken;
- (q) to discuss with management any significant changes in the system of internal control over financial reporting that are disclosed, or considered for disclosure, in the Management's Discussion & Analysis, on a quarterly basis;
- (r) to review and discuss with the Chief Executive Officer and the Chief Financial Officer the procedures undertaken in connection with the Chief Executive Officer and Chief Financial Officer certifications for the annual and interim filings with the securities commissions;
- (s) to review the Company's risk management program established to effectively identify, assess and treat the Company's key risks including the risk of fraud and to receive an annual report thereon;
- (t) to monitor and review the effectiveness of any internal audit function, ensure co-ordination between the internal and external auditors and ensure that it is adequately resourced and has appropriate standing within the Company (and where there is no internal audit function, consider annually whether there is a need for an internal audit function and make a recommendation to the Board);
- (u) to develop and implement a pre-approval policy on the engagement of the Company's Auditors to supply non-audit services to the Company and its subsidiaries, taking into account relevant ethical guidance regarding the provision of non-audit services by the Company's Auditors; and to report to the Board, identifying any matters in respect of which the Committee considers that action or improvement is needed and to make recommendations as to the steps to be taken;
- (v) to establish procedures for:
 - (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters;
 - (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; and
 - (iii) the proportionate and independent investigation of such matters with appropriate follow-up action
- (w) to consider the major findings of the Company's Auditors, or any internal investigations and management's response, including the resolution of

disagreements between management and the Company's Auditors regarding financial reporting;

- (x) to review management's roles, responsibilities and performance with respect to financial reporting and system of internal control; and
- (y) to consider other matters referred to the Committee by the Board.

7. **Procedures**

- 7.1 The Secretary of the Committee shall circulate the minutes of meetings of the Committee to all members of the Board and to the Company's Auditors. All decisions and recommendations of the Committee shall be reported to the Board after each Committee meeting.
- 7.2 The Chairman of the Committee shall be available at the Annual General Meeting of the Company to respond to any shareholder questions on the activities and responsibilities of the Committee.
- 7.3 In setting the agenda for a meeting, the Chairman of the Committee shall encourage the Committee members, management, the Company's Auditors and other members of the Board to provide input in order to address emerging issues.
- 7.4 Prior to the beginning of a fiscal year, the Committee shall submit an agenda for the upcoming fiscal year for review and approval by the Board to ensure compliance with the requirements of the Committee's Terms of Reference.
- 7.5 Any written material provided to the Committee shall be appropriately balanced (i.e. relevant and concise) and shall be distributed in advance of the respective meeting to allow Committee members sufficient time to review and understand the information.
- 7.6 The Committee shall conduct an annual self-assessment of its performance and this Charter and shall make recommendations to the Board with respect thereto.
- 7.7 Members of the Committee shall be provided with appropriate and timely training to enhance their understanding of auditing, accounting, regulatory and industry issues applicable to the Company.
- 7.8 New Committee members shall be provided with an orientation program to educate them on the Company, their responsibilities and the Company's financial reporting and accounting practices.