REDKNEE

REDKNEE SOLUTIONS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SECOND QUARTER ENDED MARCH 31, 2013

DATED: May 13, 2013

SCOPE OF ANALYSIS

This Management's Discussion and Analysis (MD&A) covers the results of operations, financial condition and cash flows of Redknee Solutions Inc. (the “Company” or “Redknee”) for the three and six months ended March 31, 2013. This document is intended to assist the reader in better understanding operations and key financial results as they are, in our opinion, at the date of this report.

The MD&A should be read in conjunction with the Unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended March 31, 2013, which were prepared in accordance with International Financial Reporting Standards (“IFRS”).

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

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

FORWARD-LOOKING STATEMENTS

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

OVERVIEW

Redknee is a leading global provider of innovative communication software products, solutions and services. Redknee's award-winning solutions enable service providers to monetize new services, business models and content and to deliver a comprehensive customer experience. Redknee's revenue and subscriber management platform provides innovative converged billing, charging, customer care, and payments solutions for voice, messaging and data services to over 200 service providers in over 90 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. Established in 1999, Redknee Solutions Inc. (TSX: RKN) is the parent of the wholly-owned operating subsidiary Redknee Inc. and its various subsidiaries.

Redknee provides innovative converged billing, charging, customer care, and payments solutions for voice, messaging and data services to over 200 mobile network operators, MVNE/Os, and service providers in over 90 countries. The Company segments its operations in three main geographic areas namely:

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

Redknee's award-winning solutions enable service providers to monetize new services, business models and content and to deliver a comprehensive customer experience. Available on-premise, via the cloud or as a Software-as-a-Service offering, Redknee's highly scalable and agile, end-to-end platform supports the market 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 converged 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 Convergent Charging and Policy Management – Redknee's Convergent Charging and subscriber-based Policy Management solution provides a single solution that enables service providers to monetize their advanced data services, segment markets, and deliver highly targeted promotions and relevant incentives to their subscribers. With Redknee, the largest Tier-1 service providers can easily scale and support new requirements, such as LTE, M2M and Over-the-Top (OTT) content charging; with the right tools to deliver, launch and support new services and promotions with ease.

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.

SECOND QUARTER HIGHLIGHTS

Acquisition

On March 29, 2013, the Company acquired the Nokia Siemens Networks' Business Support Systems ("BSS") business. The BSS business provides real-time charging, rating, policy and customer care solutions to more than 130 communication service providers. The completion of this acquisition marks a significant milestone in Redknee's long-term growth strategy by adding strong long-standing relationships with multiple Tier-1 operators from across the globe. Redknee will now deliver a comprehensive portfolio of highly scalable and agile converged billing, charging, customer care, and payments solutions for mobile network operators, mobile virtual network operators/enablers and other communications service providers.

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

(a) Consideration transferred:

Redknee expects to finance the transaction through a combination of cash on its condensed consolidated interim statements of financial position and debt facilities. The consideration for the BSS business is €15.0 million base amount; plus the net working capital balance; less the non-German pension liabilities adjustment. The parties agreed that if the amount so calculated is negative, BSS shall owe and pay an amount equal to the shortfall to the Company.

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

Consideration paid on closing by the Company was €3.5 million ($4.6 million). The Company has included €18.3 million ($26.5 million) as the estimated fair value of the contingent consideration relating to the performed-based cash earn-outs as at March 29, 2013. The fair value of the contingent consideration was calculated by using probabilities-based outcomes. Any changes in the estimated fair values will be recorded in the statement of income on a quarterly basis.

(b) Identifiable assets acquired and liabilities assumed:

The preliminary estimate of the fair values of the assets acquired and liabilities assumed in the acquisition are as follows:

	Preliminary allocation (euros)	(U.S. dollars)
Net assets acquired:		
Unbilled revenue	$ 6,462,542	$ 8,312,774
Property and equipment	8,790,000	11,287,374
Inventory	3,525,894	4,527,655
Contingent consideration	(18,349,000)	(23,562,232)
Accrued liabilities	(10,037,703)	(12,889,568)
Deferred revenue	(7,256,000)	(9,317,541)
	(16,864,267)	(21,641,538)
Customer relationships	13,000,000	16,693,500
Technology	16,600,000	21,316,314
Bargain purchase gain	(9,186,733)	(11,796,825)
	20,413,267	26,212,989
Total purchase consideration	$ 3,549,000	$ 4,571,451

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

The following fair values have been determined on a provisional basis and are not yet final:

- The fair value of the intangible assets and bargain purchase gain has been determined provisionally pending completion of an independent valuation.

- The fair value of the amounts noted above are provisional and not yet final.

The Company allocated €29.6 million ($38.0 million) to intangible assets, including customer relationships and developed technology based on their fair values at the date of purchase. These intangible assets will be amortized over their estimated useful lives, which is expected to be in the range of 5 to 10 years. Management will complete the assessment upon finalization of the purchase price. The useful lives of the intangible assets are to be determined as the period of time over which the assets are anticipated to contribute to the Company's future cash flows. It is expected that the intangible assets will be deductible for tax purposes.

(c) Bargain purchase gain:

A preliminary bargain purchase gain of €9.2 million ($11.8 million) was recognized in this business combination, due to the acquisition price being less than the estimated fair market value of the net assets acquired.

(d) Other items:

During the three-months ended March 31, 2013, the Company incurred acquisition and related costs of $5.9 million which included transaction costs of $4.7 million and restructuring provision of $1.2 million. During the six months ended March 31, 2013, the Company incurred acquisition and related costs of $8.2 million which included transaction costs of $7.0 million and restructuring provision of $1.2 million. These costs have been presented separately in the condensed consolidated interim statements of comprehensive income.

The revenue and profit of the BSS business from the acquisition date of March 29, 2013 to March 31, 2013 was recorded in the condensed consolidated interim statement of comprehensive income and the amounts were deemed immaterial for the three-month period ended March 31, 2013. The Company is unable to provide the pro forma estimated consolidated revenue and consolidated profit for the period October 1, 2012 to March 29, 2013 as such information is not currently determinable.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

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

Consolidated Statement of Operations (all amounts in thousands of US$, except per share amounts) **(unaudited)**	**Three Months Ended March 31** **2013**	 **2012**	**Six Months Ended March 31** **2013**	 **2012**
Revenue				
Software, services and other	5,753	8,425	14,028	16,049
Support	6,000	5,683	11,962	11,432
	11,753	**14,108**	**25,990**	**27,481**
Cost of revenue	4,533	4,594	9,852	9,180
Gross profit	**7,220**	**9,513**	**16,138**	**18,301**
Operating expenses				
Sales and marketing	3,693	3,706	6,647	7,100
General and administrative	2,422	2,138	4,819	4,022
Research and development	3,407	2,728	6,606	5,146
Acquisition costs	5,903	-	8,182	-
	15,425	**8,572**	**26,254**	**16,268**
Income (loss) from operations	**(8,205)**	**942**	**(10,116)**	**2,033**
Foreign exchange gain (loss)	(1,013)	555	(652)	(7)
Other income (expense)	11,797	(14)	11,797	(14)
Finance income	7	22	19	40
Finance costs	(119)	(101)	(233)	(218)
Income (loss) before income taxes	**2,467**	**1,404**	**815**	**1,834**
Income taxes	102	72	189	144
Net Income (loss) for the period	**2,365**	**1,332**	**626**	**1,690**
Income (loss) per Common Share				
Basic	$ 0.03	$ 0.02	$ 0.01	$ 0.03
Diluted	$ 0.03	$ 0.02	$ 0.01	$ 0.03
Weighted average number of common shares				
Basic (thousands)	79,841	64,410	77,661	64,316
Diluted (thousands)	83,505	65,304	80,686	65,202

Statement of Financial Position Data $US Thousands (unaudited)	As at March 31, 2013	As at September 30, 2012	$ Change	% Change
Cash, Cash Equivalents and Restricted Cash	21,842	17,792	4,050	23%
Goodwill and Intangible Assets	49,130	11,310	37,820	334%
Total Assets	129,530	58,757	70,773	120%
Accounts Payable and Accrued Liabilities	25,580	8,913	16,667	187%
Long-Term Debt and Other LT liabilities	29,982	5,901	24,081	408%
Shareholders' Equity	54,671	34,161	20,510	60%

CURRENT PERIOD OPERATING RESULTS

Revenue

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

$US Thousands (unaudited)	Three Months Ended March 31 2013	2012	Six Months Ended March 31 2013	2012
Software & Services	5,646	7,914	13,103	14,950
Support	6,000	5,683	11,962	11,432
Third Party Software & Hardware	107	511	925	1,099
Total	**11,753**	**14,108**	**25,990**	**27,481**

Percentage of Total Revenue (unaudited)	Three Months Ended March 31 2013	2012	Six Months Ended March 31 2013	2012
Software & Services	48%	56%	50%	54%
Support	51%	40%	46%	42%
Third Party Software & Hardware	1%	4%	4%	4%
Total	**100%**	**100%**	**100%**	**100%**

The Company recognizes revenue from the sale of software licenses, including initial licenses, capacity increases and/or upgrades; professional services; third party hardware and software components and customer support contracts. For the three-month period ended March 31, 2013, the Company's revenue decreased by 17% to $11.8 million from $14.1 million compared to the same period in fiscal 2012. For the six-month period ended March 31, 2013, the Company's revenue decreased by 5% from $27.5 million for the same period in fiscal 2012 to $26.0 million in fiscal 2013. The decrease in revenue is primarily due to reduced software & services and third party revenues, partially offset by increased support revenues.

Software and Services Revenue

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

Software and services revenue for Q2 2013 decreased by 29% to $5.6 million, or 48% of total revenue, compared to $7.9 million, or 56% of total revenue for the same period last year. For the six-month period ended March 31, 2013, the Company's software and services revenue decreased by 12% to $13.1 million or 50% of total revenue in fiscal 2013 compared to $14.9 million or 54% of total revenue in fiscal 2013. The decrease mainly relates to the timing of orders received from the existing customers as well as existing customer project delays.

Support Revenue

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

Support revenue for Q2 2013 increased by 6% to $6.0 million, or 51% of total revenue, compared to $5.7 million, or 40% of total revenue, for the same period last year. For the six-month period ended March 31, 2013, the Company's support and subscription revenue increased by 5% to $12.0 million, or 46% of total revenue in fiscal 2013 compared to $11.4 million or 42% of total revenue in fiscal 2012. The increase is primarily due to the addition of support revenue from contract renewals as well as additional support revenue from license expansion increases and completed projects in the APAC, Americas and the EMEA regions.

Third Party Software and Hardware Revenue

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

Third-party software and hardware revenue for Q2 2013 decreased by 79% to $0.1 million, or 1% of total revenue, compared to $0.5 million, or 4% of total revenue, for the same period last year. For the six-month period ended March 31, 2013, the Company's third-party software and hardware revenue decreased by 16% to $0.9 million, or 4% of total revenue for the same period in fiscal 2013 compared to $1.1 million, or 4% of total revenue in fiscal 2012. This decrease in revenue was due to decreased sales of real-time converged billing solutions that contain third party components as part of the overall turnkey solution, mainly in the EMEA region.

Revenue by Geography

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

$US Thousands (unaudited)	**Three Months Ended March 31 2013**	**2012**	**Six Months Ended March 31 2013**	**2012**
Asia and Pacific Rim	3,127	2,152	7,084	4,790
North America, South America and Caribbean	5,207	5,267	10,587	11,369
Europe, the Middle East and Africa	3,419	6,689	8,319	11,322
Total	**11,753**	**14,108**	**25,990**	**27,481**

Percentage of Total Revenue (unaudited)	**Three Months Ended March 31 2013**	**2012**	**Six Months Ended March 31 2013**	**2012**
Asia and Pacific Rim	27%	15%	27%	17%
North America, South America and Caribbean	44%	37%	41%	42%
Europe, the Middle East and Africa	29%	48%	32%	41%
Total	**100%**	**100%**	**100%**	**100%**

For Q2 2013, revenue from the APAC region increased by 45% to $3.1 million, or 27% of total revenue, compared to $2.2 million, or 15% of total revenue for Q2 2012. For the six-month period ended March 31, 2013, the revenue from the APAC region increased by 48% to $7.1 million, or 27% of total revenue, compared to $4.8 million, or 17% of total revenue for the same period last year. The increase is mainly due to the increase in software upgrades, license expansions and increase in third party software & hardware sales.

For Q2 2013, revenue from the Americas region decreased by 1% to $5.2 million or 44% of total revenue, compared to $5.3 million or 37% of total revenue for Q2 2012. For the six-month period ended March 31, 2013, the revenue from the Americas region decreased by 7% from $11.4 million, or 42% of total revenue, compared for the same period in fiscal 2012 to $10.6 million, or 41% of total revenue in fiscal 2013. The decrease was mostly due to a decrease in initial deployment revenue slightly offset by higher revenue from software upgrades and support revenue.

For Q2 2013, revenue from the EMEA region decreased by 49% to $3.4 million, or 29% of total revenue, compared to $6.7 million, or 48% of total revenue for Q2 2012. For the six-month period ended March 31, 2013, the revenue from the EMEA region decreased by 27% from $11.3 million, or 41% of total revenue for the same period in fiscal 2012 to $8.3 million, or 32% of total revenue in fiscal 2013 The decrease is primarily due to decrease in software upgrades, decrease in professional services and lower third party software & hardware sales.

Cost of Revenue and Gross Margin

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

For the second quarter of fiscal 2013, cost of sales remained at $4.5 million compared to same period in 2012. For the six-month period ended March 31, 2013, cost of sales increased 7% to $9.9 million from $9.2 million incurred for the same period in 2012. The increase in cost of sales is mainly attributed to increase in the headcount and software license royalty fees.

The gross margin for the second quarter of fiscal 2013 was 61% compared to 67% for the second quarter of 2012. For the six-month period ended March 31, 2013, the gross margin was 62% compared to 67% for the same period in 2012. The decrease in gross margin for the three months and six months ended March 31, 2013 relates to the change in mix of the revenue recorded with a lower percentage of license revenue which generally carry the highest gross margins.

Operating Expenses

Total operating expenses (excluding amortization) in the second quarter of fiscal 2013 increased by 82% to $15.1 million compared to $8.3 million for the same period last year. As a percentage of total revenue, operating expenses (excluding amortization) was 129% compared to 59% for the same period last year. Total operating expenses, excluding amortization, for the six-month period ended March 31, 2013 increased 63% to $25.7 million (99% of revenue) from $15.8 million (57% of revenue) for the same period in 2012. The increase is mostly due to the legal costs and professional fees directly associated with the BSS acquisition of $5.9 million for the second quarter and $8.2 million for the six-month period ended March 31 2013. As well, there was an increase in marketing activities, and an overall increase in headcount and consulting fees incurred for research and development activities.

Excluding the acquisition related costs and amortization, total operating costs in the second quarter of fiscal 2013 were $9.2 million compared to $8.3 million for the same period last year and would represent 79% and 59% of revenue respectively. On a year to date basis, excluding acquisition related costs and amortization, operating costs as a percentage of revenue would be 68% for fiscal 2013 compared to 57% for fiscal 2012.

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

$US Thousands (unaudited)	Three Months Ended March 31 2013	2012	Six Months Ended March 31 2013	2012
Sales and Marketing	3,693	3,706	6,647	7,100
General and Administrative	2,422	2,138	4,819	4,022
Research and Development	3,407	2,728	6,606	5,146
Acquisition Costs	5,903	-	8,182	-
Total Operating Expenses	**15,425**	**8,572**	**26,254**	**16,268**
Excluding Amortization	*15,154*	*8,338*	*25,746*	*15,799*

Percentage of Total Revenue (unaudited)	Three Months Ended March 31 2013	2012	Six Months Ended March 31 2013	2012
Sales and Marketing	31%	27%	26%	25%
General and Administrative	21%	15%	19%	15%
Research and Development	29%	19%	25%	19%
Acquisition Costs	50%	0%	31%	0%
Total Operating Expenses	**131%**	**61%**	**101%**	**59%**
Excluding Amortization	*129%*	*59%*	*99%*	*57%*

Sales and Marketing Expenses

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

For the second quarter of fiscal 2013, S&M expenditures stayed flat at $3.7 million to the same period last year. As a percentage of total revenue, S&M expenses increased to 32% compared to 27% for the same period last year. For the six-month period ended March 31, 2013, S&M expenditures decreased to $6.6M compared from $7.1 million for the same period last year and as a percentage of total revenue, S&M expenses relatively flat at 26% compared to 25% for the same period last year. The decrease in absolute terms is mostly due to reduced compensation and other costs associated with reduced headcount year over year and lower commissions due to lower revenue, slightly offset by higher marketing and travel costs.

General and Administrative Expenses

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

For the second quarter of fiscal 2013, general and administrative expenditures increased 13% to $2.4 million from $2.1 million in 2012. As a percentage of total revenue, G&A expenses increased to 21%

from 15% compared to same period last year. The increase is mainly due to an allowance for doubtful account booked in the quarter. For the six-month period ended March 31, 2013, general and administrative expenditures increased to $4.8 million compared to $4.0 million in 2012 and as a percentage of total revenue, G&A expenses increased to 19% compared to 15% for the same period last year. The increase is mostly due to an increase in stock-based compensation from the long-term incentive plan implemented during end of 2012, an allowance for doubtful accounts booked in the quarter and other corporate related expenditures related to the bought deal financing in the previous quarter.

Research and Development Expenses

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

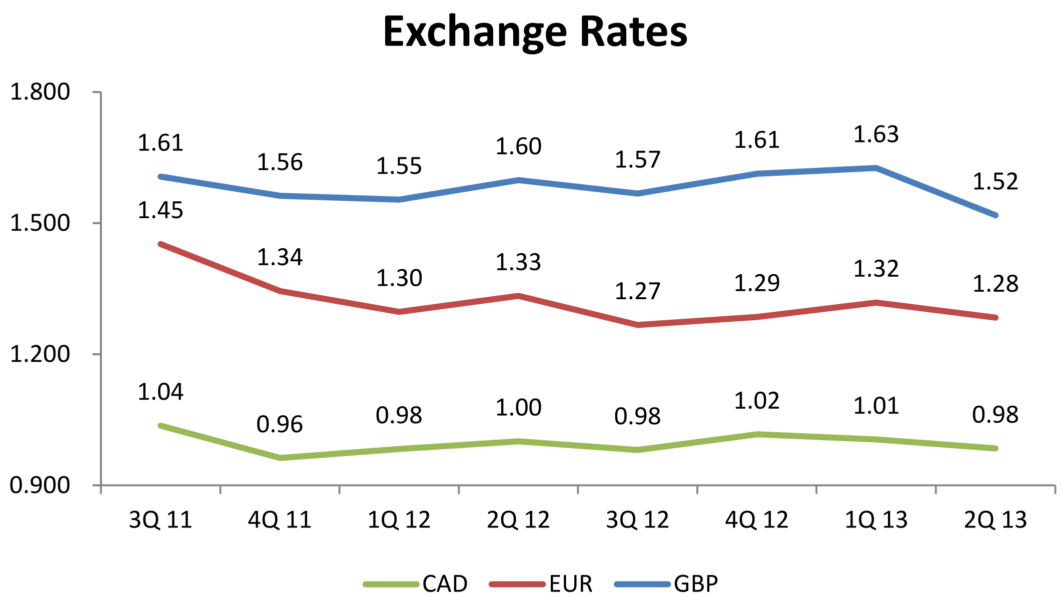
For the second quarter of fiscal 2013, R&D expenditures increased by 25% to $3.4 million compared to $2.7 million for the same period last year. As a percentage of total revenue, R&D expenditures increased to 29% for Q2 2013 from 19% in Q2 2012. For the six-month period ended March 31, 2013, R&D expenditures increased by 28% to $6.6 million compared to $5.1 million for the same period last year and as a percentage of total revenue, R&D expenditures increased to 25% compared to 19% for the same period last year. The increase is mainly due to increase in compensation and associated costs with increased headcount year over year and higher professional fees.

Acquisition Costs

During the three months and six months ended March 31, 2013, the Company incurred acquisition-related costs for legal services and professional fees directly associated with the BSS acquisition of $5.9 million and $8.2 million respectively.

Foreign Exchange Gain/Loss

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



Source: Bank of Canada

For the quarter ended March 31, 2013, the Company recognized a foreign currency exchange loss of $1.0 million, compared to a foreign currency exchange gain of $0.6 million in the same period of fiscal 2012. The second quarter loss in fiscal 2013 was primarily due to the U.S. dollar strengthening against the Euro, Canadian dollar and British Pound.

For the six-month period ended March 31, 2013, the Company recognized a foreign currency exchange loss of $0.6 million, compared to no recognition of foreign currency exchange loss or gain in the same period of fiscal 2012. The loss for the six-month period ended March 31, 2013 was primarily due to the strengthening of U.S. dollar against other currencies in the first and second quarter.

Finance Costs

Finance costs of $0.1 million recorded in Q2 2013 was mainly associated with the Company’s use of a credit facility available from Wells Fargo Capital Finance (“Wells Fargo”) for up to $20.0 million.

The Company uses the credit facility for working capital, general corporate purposes and potential acquisitions. A portion of the credit facility with Wells Fargo & Company was used in the year ended September 30, 2012 to repay the full outstanding credit facility the Company had with Export Development Canada. The credit facility is secured by Redknee Inc. and Redknee Solutions (UK) Limited's assets ("Redknee UK"). The Company and Redknee UK have guaranteed the obligations of Redknee Inc. The Company's guarantee is secured by a pledge of all of its shares in Redknee Inc.

Stock-Based Compensation

Stock options granted during the second quarter ended March 31, 2013 totaled nil (2012 – nil). Stock options granted during six months ended March 31, 2013 totaled 325,000 (2012 – nil). The stock-based compensation relating to the Company’s stock options, deferred share unit plan and restricted shares under the restricted share plan during the second quarter of fiscal 2013 was $0.5 million compared to

$0.4 million in the same period last year. The stock-based compensation relating to the Company's stock options, deferred share unit plan and restricted shares under the restricted share plan during the six months ended March 31, 2013 was $0.9 million compared to $0.5 million in the same period last year.

Income Taxes

The current income tax provision is management's estimate of current taxes owing by the Company's foreign subsidiaries.

SUMMARY OF RESULTS

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

$ Thousands (unaudited)	2Q 13	1Q 13	4Q 12	3Q 12	2Q 12	1Q 12 (1)	4Q 11 (1)	3Q 11
Revenue	$11,753	$14,237	$14,536	$14,847	$14,108	$13,373	$14,517	$14,180
Net Income (Loss)	$ 2,365	$(1,739)	$ 1,873	$ 1,739	$ 1,332	$ 358	$ 663	$(1,903)
Basic Income (Loss) per Share	$ 0.03	$(0.02)	$ 0.03	$ 0.03	$ 0.02	$ 0.01	$0.01	$(0.03)
Diluted Income (Loss) per Share	$ 0.03	$(0.02)	$ 0.03	$ 0.03	$ 0.02	$ 0.01	$0.01	$(0.03)
Weighted average shares outstanding – Basic	79,841	75,446	64,790	64,142	64,410	64,222	64,198	64,195
Weighted average shares outstanding - Diluted (2)	83,505	75,446	65,949	65,104	65,304	65,098	65,420	64,195

1) As part of its Fiscal 2012 revenue cut-off procedure, the Company determined that the revenues and income before income tax in the fourth quarter of 2011 were understated by $0.5 million and overstated in the first quarter of 2012 by an equivalent amount. The results in the above table have been recast to adjust for the correction of this immaterial error.

2) In periods where there is a net loss, all options are considered to be anti-dilutive and are excluded from the calculation of Fully Diluted Earnings per Share ("FDEPS").

LIQUIDITY AND CAPITAL RESOURCES

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

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

Statement of Cash Flows Summary ($ US Thousands) (Unaudited)	**Three months ended March 31, 2013**	**2012**	**Six months ended March 31, 2013**	**2012**
Cash inflows and (outflows) by activity:				
Operating activities	(5,602)	5,418	(9,492)	6,709
Investing activities	(4,896)	(395)	(5,308)	(464)
Financing activities	545	(1,656)	19,459	(1,915)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(489)	13	(555)	(30)
Net cash inflows (outflows)	(10,442)	3,380	4,103	4,300
Cash and cash equivalents, beginning of period	31,424	15,800	16,879	14,880
Cash and cash equivalents, end of period	20,982	19,180	20,982	19,180

Key Ratios	**March, 31 2013**	**September, 30 2012**
Working Capital	$18,099	$23,219
Day Sales Outstanding	77	78

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

Cash from Operating Activities

Cash used by operating activities was $5.6 million in the three months ended March 31, 2013, compared to the cash provided by operating activities of $5.4 million for the same period last year. The use of cash is mostly attributed to acquisition related costs of $5.9 million and lower profitability. Cash used by operating activities was $9.5 million in the six months ended March 31, 2013, compared to the cash provided by operating activities of $6.7 million for the same period last year. The use of cash is mostly attributed to acquisition related costs of $8.2 million, an increase in accounts receivable, unbilled revenue and other assets slightly offset by increased accrued liabilities.

The Company's Days Sales Outstanding in Accounts Receivable ("DSO") was at 77 days as at March 31, 2013 compared to 78 days as of September 30 2012. Redknee calculates its DSO based on the annualized revenue and the trailing four quarterly average accounts receivable balance.

Working capital represents the Company's current assets less its current liabilities. The Company's working capital balance decreased to $18.1~~20.1~~ million as at March 31, 2013 from $23.2 million as at September 30, 2013. This decrease is mainly attributed to negative working capital acquired as part of the BSS business from NSN mostly offset by increased cash from the bought deal financing in the first quarter where CAD$20.2 million was received through the offering of 14,950,000 shares and increased accounts receivable.

Cash from Financing Activities

In the second quarter of fiscal 2013, cash provided by financing activities was $0.5 million compared to a use of cash of $1.7 million in 2012. The source of cash in the current quarter relates to exercise of stock options. The use of cash in the second quarter of 2012 represented the repayment of loans. For the six months ended March 31, 2013, cash provided by financing activities was $19.5 million compared to a use of cash of $1.9 million. The source of cash relates to bought deal financing in the first quarter of 2013.

Cash from Investing Activities

Cash used for investing activities during the quarter ended March 31, 2013 was $4.9 million compared to $0.4 million in 2012. For the six months ended March 31, 2013, cash used for financing activities was $5.3 million compared to $0.5 million in 2012. The use of cash is attributed to €3.5 million ($4.6 million) paid for the acquisition of the BSS business from NSN and from the purchase of property and equipment.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Long Term Debt and Credit Facilities

(a) Wells Fargo Credit Facility:

The Company has a senior secured credit facility with Wells Fargo Capital Finance, part of Wells Fargo & Company, for a revolving line of credit for up to $20.0 million.

The Company uses the credit facility for working capital, general corporate purposes and potential acquisitions. A portion of the credit facility with Wells Fargo & Company was used in the year ended September 30, 2012 to repay the full outstanding credit facility the Company had with Export Development Canada. The credit facility is secured by Redknee Inc. and Redknee Solutions (UK) Limited's assets ("Redknee UK"). The Company and Redknee UK have guaranteed the obligations of Redknee Inc. The Company's guarantee is secured by a pledge of all of its shares in Redknee Inc.

As at March 31, 2013, $5.9 million is outstanding and interest is payable monthly over the term of five years. The Company had incurred $0.4 million of transaction costs and has recorded these costs as deferred costs that are being amortized over the expected term of the loan, which management has estimated to be two years, using the effective interest rate method. During the six months ended March 31, 2013, $0.1 million (2012 - nil) was amortized.

Interest is at LIBOR plus an applicable margin which was 3.50% at March 31, 2013 and at September 30, 2012. LIBOR is defined to have a floor of no less than 1.25% which has been determined to be an embedded derivative. The fair value of the embedded derivative liability is estimated at $0.1 million at March 31, 2013 (September 30, 2012 - $0.1 million), using the assumption that the expected repayment of this loan will be on September 25, 2014. The fair value of the embedded derivative asset is estimated to be insignificant and, consequently, it is not separately presented in the condensed consolidated interim statement of financial position as March 31, 2013 or September 30, 2012.

The prepayment option is determined to be an embedded derivative known as a call option for the Company. The fair value of the embedded derivative asset is estimated to be insignificant and, consequently, it is not separately presented in the condensed consolidated statement of financial position as at March 31, 2013 or September 30, 2012.

Certain financial and non-financial covenants exist under the agreement, which, if interpreted to be violated by the lender, could result in the amounts borrowed being due and payable to the lender on demand. The Company has assessed their debt covenants as at March 31, 2013 and determined they are in compliance.

For the six month ended March 31, 2013, interest expense of $0.2 million (2012 - $0.2 million) in connection with loans payable has been recognized in the condensed consolidated interim statements of comprehensive income (loss).

(b) Subsequent event - amended and restated Wells Fargo Credit Facility:

Subsequent to quarter end, on April 1, 2013, the Company has entered into an amended and restated credit agreement with Wells Fargo Capital Finance, part of Wells Fargo & Company, to add to its existing senior secured credit facility (which provided for a $20.0 million revolving line of credit) with two new term loan facilities in the amount of $15.0 million each, for a total credit facility of $50.0 million.

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

As at March 31, 2013, the Company had incurred $0.9 million of transaction costs relating to this amended facility and has recorded these costs as deferred costs under other assets. The Company will start amortizing them on April 1, 2013 over the expected five-year term of the loan using the effective interest rate method.

MANAGEMENT OF CAPITAL

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

Changes in Internal Controls over Financial Reporting

There have been no changes to the Company's internal controls over financial reporting during the six-month ended March 31, 2013 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting. Management is currently reviewing the internal controls over financial reporting that will be impacted by the acquisition.

ACCOUNTING CHANGES AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Recent Accounting Pronouncements

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

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

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

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities. Management has not yet determined the potential impact the adoption of IFRS 9 will have on the Company's consolidated financial statements.

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

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

The Company intends to adopt IFRS 10, including the Amendments issued in June 2012, in its financial statements for the annual period beginning on October 1, 2014. Management has not yet determined the potential impact the adoption of IFRS 10 will have on the Company's consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PATENT PORTFOLIO

As part of Redknee's commitment to Research and Development ("R&D") to maintain its position as a key industry innovator in the real-time BSS software space, the Company currently has a portfolio of patents comprising over 100 filed and over 65 granted. To date we have not initiated any action with respect to assertions and/or claims of patent infringement.

OUTSTANDING SHARE DATA

The current number of common shares outstanding, including treasury stock of 138,793 as at March 31, 2013 is 80,056,671. In addition, there were 6,015,276 stock options outstanding with exercise prices ranging from $0.23 CAD to $2.16 CAD per share.

CAPITAL STOCK

(a) Normal Course Issuer Bid

On March 8, 2012, the Company announced a normal course issuer bid ("NCIB") under which it may purchase up to 4,701,696 of its common shares, commencing on March 12, 2012 and terminating on March 11, 2013.As of March 31, 2013, the Company has not purchased any common shares under this NCIB.

(b) Bought Deal Financing

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

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

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

On November 14, 2012, the Underwriters also exercised an over-allotment option to purchase an additional 1,950,000 Common Shares at the Offering Price. With this option now exercised in full, an additional CAD $2.6 million was raised pursuant to the Offering and the aggregate gross proceeds of the Offering is CAD $20.2 million. Transaction costs directly associated with this issuance of shares of CAD $0.3 million have been recognized against the proceeds.

(c) Treasury Stock

During the year ended September 30, 2012, the Company paid $0.7 million to the trustee to purchase 568,906 of the Company's common shares in the open market to satisfy the delivery of common shares under the equity-based compensation plans. The Company classifies these shares as treasury stock until they are delivered pursuant to the awards. During the three and six months ended March 31, 2013, 71,845 shares with a cost of $0.1 million have been released. As of March 31, 2013, a total 430,113 shares with a cost of $0.5 million have been issued. The remaining number of treasury shares held by the Company is 138,793, with a cost of $0.2 million.

(d) Private Placement Financing

Subsequent to quarter end, on April 18, 2013, the Company completed its offering of 14,538,500 special warrants (the "Special Warrants") of the Company at price of Cdn. $3.10 per Special Warrant for aggregate gross proceeds of Cdn. $45,069,350, which includes 18,500 Special Warrants issued pursuant to the underwriters exercising their over-allotment option (the "Private Placement").

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

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

Each Special Warrant will be exercisable into one common share in the capital of the Company for no additional consideration. The Special Warrants will be deemed to be exercised upon the earlier of: (i) a date that is no later than the fifth business day after the date of issuance of a receipt for a final prospectus qualifying the issuance of common shares underlying the Special Warrants; and (ii) four months and one day following the closing of the Private Placement. The Company has agreed to use commercially reasonable best efforts to file a prospectus qualifying the issuance of the common shares underlying the Special Warrants within 75 days of closing of the Private Placement in all provinces of Canada where purchasers of Special Warrants are resident.

RELATED PARTY TRANSACTIONS

In August 2011, the Company entered into a consulting agreement with a member of the board of directors. For the quarter ended March 31, 2013, the Company has incurred $0.02 million (2012 - $0.02 million) in consulting expenditure. For the six months ended March 31, 2013, the Company has incurred $0.03 million (2012 - $0.03 million) in consulting expenditure.

RISK FACTORS

As previously discussed, many factors could cause the actual results of Redknee to differ materially from the results, performance, achievements or developments expressed or implied by such forward-looking statements, including, without limitation, each of the following factors, which are further discussed in the section of the Company's AIF entitled Risk Factors.

Factors such as:

- Currency fluctuations may adversely affect the Company
- Software Defects
- Customer Credit Risk
- Defects in components or design of the Company's solutions could result in significant costs to the Company and could impair its ability to sell its solutions
- The Company's lengthy and variable sales cycle makes it difficult for it to predict its operating results
- The Company relies on a small number of customers for a large percentage of its revenue
- Technological Change
- Economic and geopolitical uncertainty may negatively affect the Company
- Maintaining Business Relationships
- Product Liability
- System Failures and Breaches of Security
- Integration Risk

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

ADDITIONAL INFORMATION

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