

Condensed Consolidated Interim Financial Statements
(Expressed in U.S. dollars)

REDKNEE SOLUTIONS INC.

Three and nine months ended June 30, 2013 and 2012
(Unaudited)

REDKNEE SOLUTIONS INC.

Condensed Consolidated Interim Statement of Financial Position
(Expressed in U.S. dollars)
(Unaudited)

	June 30, 2013	September 30, 2012
Assets		
Current assets:		
Cash and cash equivalents (note 4)	\$ 76,905,436	\$ 16,878,523
Trade accounts and other receivables (note 5)	33,140,780	10,394,639
Unbilled revenue	24,885,994	12,125,089
Prepaid expenses	1,972,880	799,901
Other assets (note 6)	689,476	649,272
Inventories	7,981,588	580,171
Total current assets	145,576,154	41,427,595
Restricted cash (note 13(a))	805,599	913,270
Property and equipment	12,197,182	726,818
Deferred income taxes	497,756	659,260
Investment tax credits	514,671	550,000
Other assets (note 6)	3,643,798	3,170,308
Intangible assets (note 3)	40,157,991	3,671,306
Goodwill	7,638,590	7,638,590
Total assets	\$ 211,031,741	\$ 58,757,147
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables	\$ 11,239,462	\$ 1,756,532
Accrued liabilities	35,866,627	7,156,844
Provisions (note 3(d))	1,201,050	—
Income taxes payable	2,371,994	2,036,864
Deferred revenue	18,696,958	7,258,759
Total current liabilities	69,376,091	18,208,999
Deferred revenue	1,686,984	78,002
Other liabilities	885,547	439,398
Contingent consideration (note 3(b))	23,562,232	—
Loans and borrowings (note 8)	19,121,496	5,461,970
Deferred income taxes	268,947	408,156
Total liabilities	114,901,297	24,596,525
Shareholders' equity:		
Share capital, net of employee share purchase loans	107,415,192	46,543,100
Treasury stock (note 10(b))	(166,016)	(264,584)
Contributed surplus	5,080,494	4,787,549
Deficit	(16,212,695)	(16,918,912)
Accumulated other comprehensive income	13,469	13,469
Total shareholders' equity	96,130,444	34,160,622
Total liabilities and shareholders' equity	\$ 211,031,741	\$ 58,757,147

Commitments, guarantees and contingent liabilities (note 13)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

REDKNEE SOLUTIONS INC.

Condensed Consolidated Interim Statement of Comprehensive Income
(Expressed in U.S. dollars)
(Unaudited)

	Three months ended June 30,		Nine months ended June 30,	
	2013	2012	2013	2012
Revenue:				
Software, services and other	\$ 28,057,789	\$ 8,975,327	\$ 42,085,340	\$ 25,024,032
Support	30,562,514	5,871,850	42,524,703	17,303,693
	58,620,303	14,847,177	84,610,043	42,327,725
Cost of revenue	26,668,407	4,245,441	36,520,665	13,424,996
Gross profit	31,951,896	10,601,736	48,089,378	28,902,729
Operating expenses:				
Sales and marketing	8,963,710	4,068,675	15,610,082	11,168,586
General and administrative	6,024,125	2,469,876	10,842,726	6,491,404
Research and development	12,400,828	1,997,506	19,007,158	7,143,938
Acquisition and related costs (note 3(d))	3,012,481	–	11,194,456	–
	30,401,144	8,536,057	56,654,422	24,803,928
Income (loss) from operations	1,550,752	2,065,679	(8,565,044)	4,098,801
Foreign exchange gain (loss)	(587,236)	(209,836)	(1,239,683)	(216,682)
Other income (expense) (note 3(c))	–	–	11,796,825	(13,938)
Finance income	3,312	31,444	22,659	71,657
Finance costs	(209,468)	(79,226)	(442,495)	(297,173)
Income (loss) before income taxes	757,360	1,808,061	1,572,262	3,642,665
Income taxes (recovery):				
Current	707,580	289,153	954,711	513,210
Deferred	(30,305)	(219,686)	(88,666)	(299,134)
	677,275	69,467	866,045	214,076
Total comprehensive income	\$ 80,085	\$ 1,738,594	\$ 706,217	\$ 3,428,589
Net income per common share (note 9):				
Basic	0.00	0.03	0.01	0.05
Diluted	0.00	0.03	0.01	0.05
Weighted average number of common shares (note 9):				
Basic	80,727,695	64,142,461	78,845,355	64,252,923
Diluted	84,548,170	65,103,596	82,173,277	65,120,420

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

REDKNEE SOLUTIONS INC.

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity
(Expressed in U.S. dollars)

Nine months ended June 30, 2013 and 2012
(Unaudited)

	Number outstanding	Share capital Amount	Treasury stock (note 10(b))	Contributed surplus	Deficit	Accumulated other comprehensive income	Total shareholders' equity
Balance, September 30, 2012	64,493,004	\$ 46,543,100	\$ (264,584)	\$ 4,787,549	\$ (16,918,912)	\$ 13,469	\$ 34,160,622
Net income	–	–	–	–	706,217	–	706,217
Share-based compensation	–	–	–	678,866	–	–	678,866
Treasury stock issued	–	–	98,568	(98,568)	–	–	–
Stock options exercised	668,807	1,080,326	–	(287,353)	–	–	792,973
Proceeds from public offering (note 10(a))	14,950,000	18,731,390	–	–	–	–	18,731,390
Proceeds from private placement (note 10(c))	14,538,500	41,060,376	–	–	–	–	41,060,376
Balance, June 30, 2013	94,650,311	\$ 107,415,192	\$ (166,016)	\$ 5,080,494	\$ (16,212,695)	\$ 13,469	\$ 96,130,444
Balance, September 30, 2011	64,197,904	\$ 46,312,920	\$ –	\$ 4,739,437	\$ (22,220,969)	\$ 13,469	\$ 28,844,857
Net income	–	–	–	–	3,428,589	–	3,428,589
Share-based compensation	–	–	–	559,134	–	–	559,134
Purchase of treasury stock	–	–	(714,608)	–	–	–	(714,608)
Stock options exercised	245,500	169,584	–	(62,141)	–	–	107,443
Balance, June 30, 2012	64,443,404	\$ 46,482,504	\$ (714,608)	\$ 5,236,430	\$ (18,792,380)	\$ 13,469	\$ 32,225,415

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

REDKNEE SOLUTIONS INC.

Condensed Consolidated Interim Statement of Cash Flows
(Expressed in U.S. dollars)
(Unaudited)

	Nine months ended June 30,	
	2013	2012
Cash provided by (used in):		
Operating activities:		
Net income	\$ 706,217	\$ 3,428,589
Adjustments for:		
Depreciation of property and equipment	1,021,316	147,250
Amortization of intangible assets	1,950,082	553,121
Finance income	(22,659)	(71,657)
Finance costs	442,495	297,173
Income tax expense	866,045	214,076
Unrealized foreign exchange loss (gain)	1,438,611	(84,376)
Share-based compensation	1,185,076	654,566
Bargain purchase gain from acquisition (note 3(c))	(11,796,825)	–
Other	–	6,588
Changes in non-cash operating working capital (note 11)	(1,480,408)	4,056,789
	(5,690,050)	9,202,119
Interest paid	(287,605)	(35,974)
Interest received	32,202	62,001
Income taxes (paid) received	(582,493)	(78,672)
	(6,527,946)	9,149,474
Financing activities:		
Proceeds from public offering (note 10(a))	18,731,390	–
Proceeds from private placement (note 10(c))	41,060,376	–
Proceeds from exercise of stock options	792,973	107,443
Purchase of treasury stock	–	(714,608)
Repayment of loans and borrowings	–	(2,465,544)
Proceeds of loans and borrowings	15,000,000	–
Transaction costs on loans and borrowings	(1,496,230)	–
	74,088,509	(3,072,709)
Investing activities:		
Purchase of property and equipment	(1,204,306)	(561,027)
Purchase of intangible assets	(426,953)	(42,357)
Increase in restricted cash	107,671	66,560
Settlement of Nimbus Systems contingent consideration	–	(877,377)
Acquisition of business (note 3)	(4,571,451)	–
	(6,095,039)	(1,414,201)
Effect of foreign exchange rate changes on cash and cash equivalents	(1,438,611)	84,376
Increase in cash and cash equivalents	60,026,913	4,746,940
Cash and cash equivalents, beginning of period	16,878,523	14,879,940
Cash and cash equivalents, end of period	\$ 76,905,436	\$ 19,626,880

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

REDKNEE SOLUTIONS INC.

Notes to Condensed Consolidated Interim Financial Statements
(Expressed in U.S. dollars)

Three months and nine months ended June 30, 2013 and 2012
(Unaudited)

Redknee Solutions Inc. (the "Company" or "Redknee") was incorporated under the Ontario Business Corporations Act in Canada on March 29, 1999. The Company's registered head office is located at 2560 Matheson Blvd East, Suite 500, Mississauga, Ontario, Canada.

Redknee is a leading global provider of innovative communication software products, solutions and services. Redknee's 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. Redknee Solutions Inc. is the parent of the wholly-owned operating subsidiary Redknee Inc. and its various subsidiaries.

1. **Statement of compliance:**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, and do not include all of the information required for full annual consolidated financial statements.

These condensed consolidated interim financial statements for the three and nine months ended June 30, 2013 were authorized for issuance by the Board of Directors of the Company on August 13, 2013.

REDKNEE SOLUTIONS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in U.S. dollars)

Three months and nine months ended June 30, 2013 and 2012
(Unaudited)

2. Summary of significant accounting policies:

(a) Basis of measurement and presentation:

The notes presented in these unaudited condensed consolidated interim financial statements include in general only significant changes and transactions occurring since the Company's last year end, and are not fully inclusive of all disclosures required by IFRS for annual financial statements. These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual audited consolidated financial statements, including the notes thereto, for the year ended September 30, 2012 (the "2012 financial statements"). These unaudited condensed consolidated interim financial statements follow the same accounting policies and methods of application as the 2012 financial statements.

As disclosed in the 2012 financial statements, as part of the revenue cut off procedures, the Company determined that revenue for the nine months ended June 30, 2012 were overstated by \$591,292. The 2012 comparative amounts have been recast to adjust for the correction of this immaterial error.

(b) Principles of consolidation:

The condensed consolidated interim financial statements include the financial statements of Redknee and its wholly owned subsidiary companies. All significant intercompany balances and transactions have been eliminated on consolidation.

(c) Functional currency:

The condensed consolidated interim financial statements are presented in U.S. dollars, which is the Company's functional currency.

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities not denominated in the functional currency are translated at the period-end rates of exchange. Foreign exchange gains and losses are recognized in the condensed consolidated interim statements of comprehensive income.

REDKNEE SOLUTIONS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in U.S. dollars)

Three months and nine months ended June 30, 2013 and 2012
(Unaudited)

3. Business acquisition:

On March 29, 2013, the Company acquired Nokia Siemens Networks' Business Support Systems ("BSS") business. Nokia Siemens Networks' 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.

The acquisition involved the purchase of certain assets and obligations, which include Nokia Siemens Networks' BSS customer and supplier contracts, intellectual property rights, tangible assets and associated liabilities, along with the transfer of BSS employees. The acquisition has been accounted for as a business combination under the purchase method. The results of operations of the BSS business since the date of acquisition have been consolidated.

(a) Consideration transferred:

Redknee financed the transaction through a combination of cash and debt facilities. The consideration for the BSS business is €15,000,000 base amount; plus the net working capital balance, as defined; less an adjustment for non-German pension liabilities. 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 €25,000,000 for certain performance-based cash earn-outs over the next 12 to 36 months post-closing.

Consideration paid on closing by the Company was €3,549,000 (\$4,571,451). For purposes of the purchase accounting, the Company has estimated the fair value of the contingent consideration to be €18,349,000 (\$23,562,232) relating to the performed-based cash earn-outs as at March 29, 2013 and June 30, 2013. The fair value of the contingent consideration was calculated by using probabilities-based outcomes. Any changes in the estimated fair value will be recorded in the statement of income on a quarterly basis. For the three months ended June 30, 2013, there was no change in the estimated fair value.

REDKNEE SOLUTIONS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in U.S. dollars)

Three months and nine months ended June 30, 2013 and 2012
(Unaudited)

3. Business acquisition (continued):

(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:		
Other receivables	\$ 6,462,542	\$ 8,312,774
Property and equipment	8,790,000	11,287,374
Inventory	3,525,894	4,527,655
Accrued liabilities	(10,037,703)	(12,889,568)
Deferred revenue	(7,256,000)	(9,317,541)
Customer relationships	13,000,000	16,693,500
Technology	16,600,000	21,316,314
	31,084,733	39,930,508
Bargain purchase gain	(9,186,733)	(11,796,825)
	\$ 21,898,000	\$ 28,133,683
Cash consideration	3,549,000	4,571,451
Contingent consideration	18,349,000	23,562,232
Total purchase consideration	\$ 21,898,000	\$ 28,133,683

The Company applied significant estimates and assumptions in accounting for the acquisition of Nokia Siemens Networks' 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 values of the net assets acquired, intangible assets and bargain purchase gain have been determined provisionally pending completion of an independent valuation.

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Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in U.S. dollars)

Three months and nine months ended June 30, 2013 and 2012
(Unaudited)

3. Business acquisition (continued):

The Company allocated €29,600,000 (\$38,009,814) 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, expected to be in the range of five to ten 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 €9,186,733 (\$11,796,825) 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 June 30, 2013, the Company incurred acquisition and related costs of \$3,012,481. During the nine months ended June 30, 2013, the Company incurred acquisition and related costs of \$11,194,456 which included legal and professional expenses and other costs of \$9,993,406 and restructuring provision of \$1,201,050. These costs have been presented separately in the condensed consolidated interim statements of comprehensive income.

If the acquisition would have occurred on October 1, 2012, management estimates that the pro forma consolidated revenue for the nine months ended June 30, 2013 would have been \$198,002,070 and consolidated loss for the nine months ended June 30, 2013 would have been \$8,221,578 as compared to the amounts reported in the statement of comprehensive income for the period. This unaudited pro forma financial information is for information purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of the period presented or the result that may be realized in the future. There would be no difference for the three months ended June 30, 2013 given that the acquisition was fully integrated during the quarter.

REDKNEE SOLUTIONS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in U.S. dollars)

Three months and nine months ended June 30, 2013 and 2012
(Unaudited)

4. Cash and cash equivalents:

	June 30, 2013	September 30, 2012
Cash	\$ 76,544,997	\$ 16,567,900
Cash equivalents	360,439	310,623
	<u>\$ 76,905,436</u>	<u>\$ 16,878,523</u>

5. Trade accounts and other receivables:

	June 30, 2013	September 30, 2012
Trade accounts receivables	\$ 23,770,514	\$ 9,758,209
Other receivables	9,370,266	636,430
	<u>\$ 33,140,780</u>	<u>\$ 10,394,639</u>

6. Other assets:

	June 30, 2013	September 30, 2012
Deferred contract costs - current (a)	\$ 689,476	\$ 649,272
Deferred contract costs - non-current (a)	3,208,281	2,760,814
Lease deposits - non-current	435,517	409,494
	<u>3,643,798</u>	<u>3,170,308</u>
	<u>\$ 4,333,274</u>	<u>\$ 3,819,580</u>

(a) The Company recognized upfront direct costs related to certain customer contracts as an asset as it is probable that these assets will be recovered through future minimum contractual payment terms. The costs are being amortized over the pattern of recognition of the related contract revenues. During the three and nine months ended June 30, 2013, \$80,680 and \$175,483 was amortized, respectively (2012 - nil and nil).

REDKNEE SOLUTIONS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in U.S. dollars)

Three months and nine months ended June 30, 2013 and 2012
(Unaudited)

7. Related party transactions:

In August 2011, the Company entered into a consulting agreement with a member of the Board of Directors. For the three months and nine months ended June 30, 2013, the Company has incurred \$15,000 and \$45,000 (2012 - \$15,000 and \$45,000), respectively, in consulting expense.

8. Loans and borrowings:

	June 30, 2013	September 30, 2012
Line of credit, bearing interest at LIBOR floor of 1.25% plus applicable margin, due April 1, 2018	\$ 5,911,493	\$ 5,911,493
Term Loan, bearing interest at LIBOR floor of 1.25% plus applicable margin, due April 1, 2018	15,000,000	—
Less unamortized deferred financing costs	1,789,997	449,523
Long-term portion of loans and borrowings	\$ 19,121,496	\$ 5,461,970

The Company previously had a senior secured credit facility with Wells Fargo Capital Finance, part of Wells Fargo & Company ("Wells Fargo") which provided for a revolving line of credit for up to \$20,000,000.

On April 1, 2013, the Company entered into an amended and restated credit agreement with Wells Fargo to add to its existing senior secured credit facility with two new term loan facilities in the amount of \$15,000,000 each, for a total credit facility of \$50,000,000.

The Company uses 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.

REDKNEE SOLUTIONS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in U.S. dollars)

Three months and nine months ended June 30, 2013 and 2012
(Unaudited)

8. Loans and borrowings (continued):

As at June 30, 2013, \$20,911,493 is outstanding and interest is payable monthly over the term of five years. The Company has incurred \$2,002,980 of transaction costs and has recorded these costs as deferred costs that are being amortized over the expected five-year term of the loans using the effective interest rate method. During the three and nine months ended June 30, 2013, \$97,222 and \$155,756 was amortized, respectively (2012 - nil and nil).

Interest is at LIBOR plus an applicable margin which was 4.5% at June 30, 2013 and 3.5% 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 \$519,000 at June 30, 2013 (September 30, 2012 - \$107,400), using the assumption that the expected repayment of revolver will be at maturity and repayment of the term loan is per the repayment terms.

The Company is required to comply with certain financial and non-financial covenants exist under the agreement, which, if violated, could result in the amounts borrowed being due and payable to the lender on demand. The Company has assessed its debt covenants as at June 30, 2013 and determined it is in compliance.

For the three and nine months ended June 30, 2013, interest expense of \$108,116 and \$258,761, respectively, in connection with loans payable has been recognized in the condensed consolidated interim statements of comprehensive income (2012 - \$75,693 and \$242,421).

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Notes to Condensed Consolidated Interim Financial Statements (continued)
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(Unaudited)

9. Net income per common share:

A reconciliation of the number of common shares used for purposes of calculating basic and diluted net income per common share for the three months and nine months ended June 30 is as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2013	2012	2013	2012
Basic weighted average number of common shares outstanding	80,727,695	64,142,461	78,845,355	64,252,923
Add dilutive stock options outstanding	3,820,475	961,135	3,327,922	867,497
Diluted weighted average number of common shares outstanding	84,548,170	65,103,596	82,173,277	65,120,420

The total number of anti-dilutive options that were out of the money and therefore excluded from the calculation of diluted net income per common share for the three months and nine months ended June 30, 2013 are 2,097,870 and 2,590,423, respectively (2012 - 3,918,253 and 4,011,890).

REDKNEE SOLUTIONS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
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(Unaudited)

10. Share capital:

(a) Bought deal financing:

On October 23, 2012, the Company had completed an offering of 13,000,000 common shares (the "Common Shares") of the Company at a price of Cdn. \$1.35 per Common Share (the "Offering Price") for aggregate gross proceeds of \$17,557,020 (Cdn. \$17,550,000) (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 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 \$2,650,401 (Cdn. \$2,632,500) was raised pursuant to the Offering and the aggregate gross proceeds of the Offering is \$20,207,421 (Cdn. \$20,182,500). Transaction costs directly associated with this issuance of shares of \$1,476,031 (Cdn. \$1,474,514) have been recognized as a reduction of the proceeds.

(b) Treasury stock:

During the year ended September 30, 2012, the Company paid \$714,608 to a trustee to purchase 568,906 of the Company's common shares in the open market to satisfy the delivery of common shares under its equity-based compensation plans. The Company classifies these shares as treasury stock until they are delivered pursuant to the terms of the awards.

During the three and nine months ended June 30, 2013, 6,626 and 78,471 shares with a cost of \$8,323 and \$98,568 have been issued, respectively. As of June 30, 2013, a total of 436,739 shares with a cost of \$548,592 have been issued. The remaining number of treasury stock held by the Company as at June 30, 2013 is 132,167, with a cost of \$166,016.

REDKNEE SOLUTIONS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in U.S. dollars)

Three months and nine months ended June 30, 2013 and 2012
(Unaudited)

10. Share capital (continued):

(c) Private placement financing:

On April 18, 2013, the Company completed an 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 \$44,230,070 (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.

The Special Warrants were converted into 14,538,500 common shares without any additional consideration on June 26, 2013 upon the filing of the final short form prospectus dated June 25, 2013. Transaction costs directly associated with this issuance of shares of \$3,169,694 (Cdn. \$3,229,110) have been recognized as a reduction of the proceeds.

11. Change in non-cash operating working capital:

The changes in non-cash working capital for the nine months ended June 30 are as follows:

	2013	2012
Trade accounts and other receivables	\$ (14,442,910)	\$ 2,470,575
Unbilled revenue	(12,760,905)	(396,617)
Prepaid expenses	(1,172,979)	(132,949)
Other assets	(513,694)	(2,376,170)
Trade payables	9,482,930	21,173
Accrued liabilities	15,761,020	(107,076)
Provisions	1,201,050	—
Deferred revenue	3,729,640	4,329,235
Income taxes payable	109,202	340,991
Inventories	(2,873,762)	(92,373)
	<u>\$ (1,480,408)</u>	<u>\$ 4,056,789</u>

REDKNEE SOLUTIONS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in U.S. dollars)

Three months and nine months ended June 30, 2013 and 2012
(Unaudited)

12. Segment reporting:

The Company has determined that it operates in a single reportable operating segment, the telecommunications software market. The single reportable operating segment derives its revenue from the sale of software products and related services and hardware.

The Company's revenue by geographic area for the three months and nine months ended June 30 is as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2013	2012	2013	2012
Europe, Middle East and Africa	\$ 34,363,697	\$ 5,131,462	\$ 42,683,091	\$ 16,453,296
North America, Latin America and Caribbean	6,227,186	6,033,494	16,813,721	17,402,490
Asia and Pacific Rim	18,029,420	3,682,221	25,113,231	8,471,939
	<u>\$ 58,620,303</u>	<u>\$ 14,847,177</u>	<u>\$ 84,610,043</u>	<u>\$ 42,327,725</u>

Revenue is attributed to geographic locations, based on the location of the external customer.

	Three months ended June 30,		Nine months ended June 30,	
	2013	2012	2013	2012
Revenue by type:				
Software and services	\$ 26,018,148	\$ 8,753,277	\$ 39,121,421	\$ 23,702,742
Support	30,562,514	5,871,850	42,524,703	17,303,693
Third party software and hardware	2,039,641	222,050	2,963,919	1,321,290
	<u>\$ 58,620,303</u>	<u>\$ 14,847,177</u>	<u>\$ 84,610,043</u>	<u>\$ 42,327,725</u>

REDKNEE SOLUTIONS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in U.S. dollars)

Three months and nine months ended June 30, 2013 and 2012
(Unaudited)

13. Commitments, guarantees and contingent liabilities:

(a) Letters of credit:

As at June 30, 2013, the Company had \$805,599 in lease guarantees which are secured by restricted cash, shown separately in the condensed consolidated interim statements of financial position. At September 30, 2012, the Company had \$913,270 in outstanding letters of credit relating to customer contracts, which are secured by restricted cash, shown separately in the condensed consolidated interim statements of financial position.

(b) Guarantees:

The Company has provided routine indemnifications to its customers against liability if the Company's products infringe on a third party's intellectual property rights. The maximum exposure from these indemnifications cannot be reasonably estimated. In some cases, the Company has recourse against other parties to mitigate its risk of loss from these guarantees. The Company has never been called to perform its obligations under these indemnifications and the Company is not subject to any pending litigation in these matters.

(c) Purchase Price and Post-Closing Adjustments Associated with Acquisitions:

With respect to purchase of Nokia Siemens Networks' BSS business described in note 3, the purchase agreements provide for post-closing adjustments to the stated purchase price based on the actual value of certain assets and liabilities as of the closing date relative to an estimate of those amounts at closing. Adjustments may be made for, among other things: (i) changes in net working capital; and (ii) changes in amounts to be paid in respect of transferred employees, including such items as accrued compensation and vacation days, retirement benefits and severance amounts, and (iii) finalization of contingent payments.