REDKNEE SOLUTIONS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THIRD QUARTER ENDED JUNE 30, 2013

DATED: August 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 nine-months ended June 30, 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 nine-months ended June 30, 2013, which we 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 Annual Information Form ("AIF") for the year ended September 30, 2012 available on www.sedar.com. 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, policy and customer care solutions for voice, messaging and data services to over 200 service providers in over 90 countries. The Company's software products allow mobile, multi-play and other 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. In addition to its deep technical expertise and customer footprint in the telecommunications space, Redknee's highly scalable solution is also being leveraged in additional verticals, including railways, utilities, M2M, billing for cloud/Over the Top (OTT) services, traffic management and payments. 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, policy and customer care solutions for voice, messaging and data services to over 200 mobile network operators, MVNE/Os, and service providers in over 90 countries. The Company derives its revenue from 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 following market solutions:

Redknee's Converged Billing and Customer Care – Redknee's award-winning cloud-enabled real-time converged billing and customer care platform delivers the benefits of a flexible, end-to-end platform, including real-time converged billing, rating and charging for the operator's data, voice, and messaging services. Today, Redknee's highly scalable solution is supporting more than 80 million subscribers at a single customer and is enabling operators to launch and monetize their 3G and LTE networks and deliver advanced services, including Voice over LTE, cloud-services and Over the Top offerings. In addition, the fully integrated solution provides advanced customer care and self-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 Policy Management – Redknee's Policy Management solution provides a single solution that enables service providers to take control of network resource usage, assure quality of experience for key users, offer personalized services and differentiated, service-specific charging. Serving more than 55 operators with a combined customer base of 1.2 billion subscribers, Redknee's Policy Management solution is key to supporting operator data monetization strategies for real-time applications such as video streaming, interactive gaming and voice-over-LTE (VoLTE). Highlighted by analyst firm

Infonetics Research for its pre-integration with Redknee's real-time charging engine and its Tier 1 customer base, Redknee's Policy Management solution is regarded as one of the industry's leading solutions in the market.

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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 launched the Redknee Cloud in the US in Fiscal Year 2012 as part of its strategy to offer Software-as-a-Service and a fully managed service to Tier 1 operators, MVNOs and service providers that want to launch to the market quickly.

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.

Redknee's GSM-R Intelligent Network Solution – Redknee's Intelligent Network solution for GSM-Railway (GSM-R) networks enables Railway Network Operators ("RNOs") to deliver better operational support, increased reliability and higher quality railway communications system for their GSM-R networks. Redknee is the core provider of optimized communication services supporting more than 50 percent of the world's GSM-railway networks, providing advanced functionality to progress their infrastructure, enhance their operational requirements and improve the customer experience they deliver.

BUSINESS ACQUISITION

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

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	**Three Months Ended**		**Nine Months Ended**	
(all amounts in thousands of US$, except per share amounts)	**June 30**		**June 30**	
(unaudited)	**2013**	**2012**	**2013**	**2012**
Revenue				
Software, services and other	28,058	8,975	42,085	25,024
Support	30,562	5,872	42,525	17,304
	58,620	**14,847**	**84,610**	**42,328**
Cost of revenue	26,668	4,245	36,521	13,425
Gross profit	**31,952**	**10,602**	**48,089**	**28,903**
Operating expenses				
Sales and marketing	8,964	4,069	15,610	11,169
General and administrative	6,024	2,470	10,843	6,491
Research and development	12,401	1,997	19,007	7,144
Acquisition and related costs	3,012	-	11,194	-
	30,401	**8,536**	**56,654**	**24,804**
Income (loss) from operations	**1,551**	**2,066**	**(8,565)**	**4,099**
Foreign exchange gain (loss)	(587)	(210)	(1,240)	(217)
Other income (expense)	-	-	11,797	(14)
Finance income	3	31	23	72
Finance costs	(210)	(79)	(443)	(297)
Income before income taxes	**757**	**1,808**	**1,572**	**3,643**
Income taxes	677	69	866	214
Net Income for the period	**80**	**1,739**	**706**	**3,429**
Net Income per Common Share				
Basic	$ 0.00	$ 0.03	$ 0.01	$ 0.05
Diluted	$ 0.00	$ 0.03	$ 0.01	$ 0.05
Weighted average number of common shares				
Basic (thousands)	80,728	64,142	78,845	64,253
Diluted (thousands)	84,548	65,104	82,173	65,120

Statement of Financial Position Data $US Thousands (unaudited)	As at June 30, 2013	As at September 30, 2012	$ Change	% Change
Cash, Cash Equivalents and Restricted Cash	77,711	17,792	59,919	337%
Trade Accounts, Other Receivables and Unbilled Revenue	58,027	22,520	35,507	158%
Goodwill and Intangible Assets	47,797	11,310	36,487	323%
Total Assets	211,032	58,757	152,275	259%
Accounts Payable and Accrued Liabilities	47,106	8,913	38,193	428%
Deferred Revenue	20,384	7,337	13,047	178%
Long-Term Debt and Other LT liabilities	43,569	5,901	37,668	638%
Shareholders' Equity	96,130	34,161	61,970	181%

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	Three Months Ended June 30		Nine Months Ended June 30	
(unaudited)	2013	2012	2013	2012
Software & Services	26,018	8,753	39,121	23,703
Support	30,562	5,872	42,525	17,304
Third Party Software & Hardware	2,040	222	2,964	1,321
Total	**58,620**	**14,847**	**84,610**	**42,328**

Percentage of Total Revenue (unaudited)	Three Months Ended June 30		Nine Months Ended June 30	
	2013	2012	2013	2012
Software & Services	44%	59%	46%	56%
Support	52%	39%	50%	41%
Third Party Software & Hardware	4%	2%	4%	3%
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 June 30, 2013, with the addition of over 120 new service providers from the BSS acquisition, the Company's revenues have grown by 295% to $58.6 million from $14.9 million compared to the same period in fiscal 2012. The increase by revenue type for the quarter ended June 30, 2013 is mainly due to a $24.0 million increase in support revenue and a $21.0 million increase in software, services and third party revenue. For the nine-month period ended June 30, 2013, the Company's revenue increased by 100% from $42.3 million for the same period in fiscal 2012 to $84.6 million in fiscal 2013 due to the contribution of the increased sales to acquired customers from the BSS acquisition.

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 Q3 2013 increased by 197% to $26.0 million, or 44% of total revenue, compared to $8.8 million, or 59% of total revenue for the same period last year. For the nine-month period ended June 30, 2013, the Company's software and services revenue increased by 65% from $23.7 million, or 56% of total revenue in fiscal 2012 to $39.1 million, or 46% of total revenue in fiscal 2013. The increase in software and services revenue relates to the impact from additional sales to acquired customers from the BSS acquisition.

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 Q3 2013 increased by 420% to $30.6 million, or 52% of total revenue, compared to $5.9 million, or 39% of total revenue, for the same period last year. For the nine-month period ended June 30, 2013, the Company's support and subscription revenue increased by 146% from $17.3 million, or 41% of total revenue in fiscal 2012 compared to $42.5 million, or 50% of total revenue in fiscal 2013. The increase in support revenue relates to the impact of sales to acquired customers from the BSS acquisition.

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 Q3 2013 increased by 819% to $2.0 million, or 4% of total revenue, compared to $0.2 million, or 2% of total revenue, for the same period last year. For the nine-month period ended June 30, 2013, the Company's third-party software and hardware revenue increased by 124% from $1.3 million, or 3% of total revenue for fiscal 2012 compared to $3.0 million, or 4% of total revenue in fiscal 2013. The increase in third party revenue relates to the revenue from sales to acquired customers from the BSS acquisition.

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 June 30 2013	Three Months Ended June 30 2012	Nine Months Ended June 30 2013	Nine Months Ended June 30 2012
Asia and Pacific Rim	18,029	3,682	25,113	8,472
North America, South America and Caribbean	6,227	6,034	16,814	17,403
Europe, the Middle East and Africa	34,364	5,131	42,683	16,453
Total	**58,620**	**14,847**	**84,610**	**42,328**

Percentage of Total Revenue (unaudited)	Three Months Ended June 30 2013	Three Months Ended June 30 2012	Nine Months Ended June 30 2013	Nine Months Ended June 30 2012
Asia and Pacific Rim	31%	25%	30%	20%
North America, South America and Caribbean	11%	40%	20%	41%
Europe, the Middle East and Africa	58%	35%	50%	39%
Total	**100%**	**100%**	**100%**	**100%**

For Q3 2013, revenue from the APAC region increased by 390% to $18.0 million, or 31% of total revenue, compared to $3.6 million, or 25% of total revenue for Q3 2012. For the nine-month period ended June 30, 2013, the revenue from the APAC region increased by 196% to $25.1 million, or 30% of total revenue, compared to $8.5 million, or 20% of total revenue for the same period last year. The increase relates mainly to the impact of revenue in APAC from the BSS acquisition.

For Q3 2013, revenue from the Americas region increased by 3% to $6.2 million or 11% of total revenue, compared to $6.0 million or 40% of total revenue for Q3 2012. For the nine-month period ended June 30, 2013, the revenue from the Americas region decreased by 3% from $17.4 million, or 41% of total revenue in fiscal 2012 compared to $16.8 million, or 20% of total revenue in fiscal 2013. The acquisition of the BSS business unit added multiple Tier-1 operators from across the globe, the majority in Europe, the Middle East, Africa and Asia Pacific and did not significantly impact the Americas region.

For Q3 2013, revenue from the EMEA region increased by 570% to $34.4 million, or 58% of total revenue, compared to $5.1 million, or 35% of total revenue for Q3 2012. For the nine-month period ended June 30, 2013, the revenue from the EMEA region increased by 159% from $16.5 million, or 39% in fiscal 2012 compared to $42.7 million, or 50% of total revenue in fiscal 2013 The increase relates mainly to the impact of revenue in EMEA from the BSS acquisition.

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, software license royalty fees 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 third quarter of fiscal 2013, cost of sales increased 518% to $26.7 million from $4.2 million incurred for the same period in 2012. The increase in cost of sales reflects the 295% increase in the Company’s revenue related to the impact from the BSS acquisition. For the nine-month period ended June 30, 2013, cost of sales increased to $36.5 million from $13.4 million incurred for the same period in 2012. The increase in cost of sales reflects the increase in the Company’s revenue related to the BSS acquisition.

The gross margin for the third quarter of fiscal 2013 was 55% compared to 71% for the third quarter of 2012. For the nine-month period ended June 30, 2013, the gross margin was 57% compared to 68% for the same period in 2012. This expected decrease in gross margin for the period relates to the change in mix of the revenue recorded and lower support margins of the acquired business.

Operating Expenses

Total operating expenses (excluding amortization) in the third quarter of fiscal 2013 increased to $27.9 million compared to $8.3 million for the same period last year primarily due to the impact of additional headcount and related expenses associated with the acquisition. As a percentage of total revenue, operating expenses (excluding amortization) were 48% compared to 56% for the same period last year. Total operating expenses (excluding amortization) for the nine-month period ended June 30, 2013 increased 123% to $53.6 million (63% of revenue) from $24.1 million (57% of revenue) for the same period in 2012. One-time acquisition and related costs totaled $3.0 million for the third quarter of 2013 and $11.2 million for the nine-month period ended June 30 2013. Excluding the one-time acquisition costs and amortization costs, total operating costs in the third quarter of fiscal 2013 were $24.9 million or 43% of revenue compared to $8.3 million or 56% of revenue for the same period last year. For the nine months ended June 30, 2013, operating costs, excluding the one-time acquisition costs and amortization costs, totaled $42.5 million of 50% of revenue compared to $24.1 million or 57% of revenue 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 June 30		Nine Months Ended June 30	
	2013	2012	2013	2012
Sales and Marketing	8,964	4,069	15,610	11,169
General and Administrative	6,024	2,470	10,843	6,491
Research and Development	12,401	1,997	19,007	7,144
Acquisition and related Costs	3,012	-	11,194	-
Total Operating Expenses	**30,401**	**8,536**	**56,654**	**24,804**
Excluding Amortization	*27,937*	*8,304*	*53,683*	*24,104*

Percentage of Total Revenue (unaudited)	Three Months Ended June 30		Nine Months Ended June 30	
	2013	2012	2013	2012
Sales and Marketing	16%	27%	18%	27%
General and Administrative	10%	17%	13%	15%
Research and Development	21%	13%	23%	17%
Acquisition and related Costs	5%	0%	13%	0%
Total Operating Expenses	**52%**	**57%**	**67%**	**59%**
Excluding Amortization	*48%*	*56%*	*63%*	*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 third quarter of fiscal 2013, S&M expenditures increased by $4.9 million to $9.0 million from the $4.1 million incurred for the same period last year. As a percentage of total revenue, S&M expenses decreased to 16% compared to 27% for the same period last year. For the nine-month period ended June 30, 2013, S&M expenditures increased to $15.6 million or 18% of revenue compared to $11.2 million or 27% for the same period last year. The increase in costs is mostly due to the increase in headcount related costs as a result of the BSS acquisition.

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 third quarter of fiscal 2013, G&A expenditures increased to $6.0 million from $2.5 million in 2012. As a percentage of total revenue, G&A decreased to 10% from 17% compared to same period last year. For the nine-month period ended June 30, 2013, G&A expenditures increased to $10.8 million or 13% of revenue from $6.5 million or 15% of revenue. The increase in G&A is mostly due to higher operational costs as a result of the BSS acquisition including increased intangible amortization costs associated with the BSS acquisition.

Excluding amortization and one-time acquisition costs, G&A expenses totaled $4.4 million for the quarter ended June 30, 2013 and totaled $8.8 million for the nine-month period ended June 30, 2013. This represents 7.5% and 10.4% as a percentage of revenue respectively for Q3 and for the nine-months ended June 30, 2013.

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.

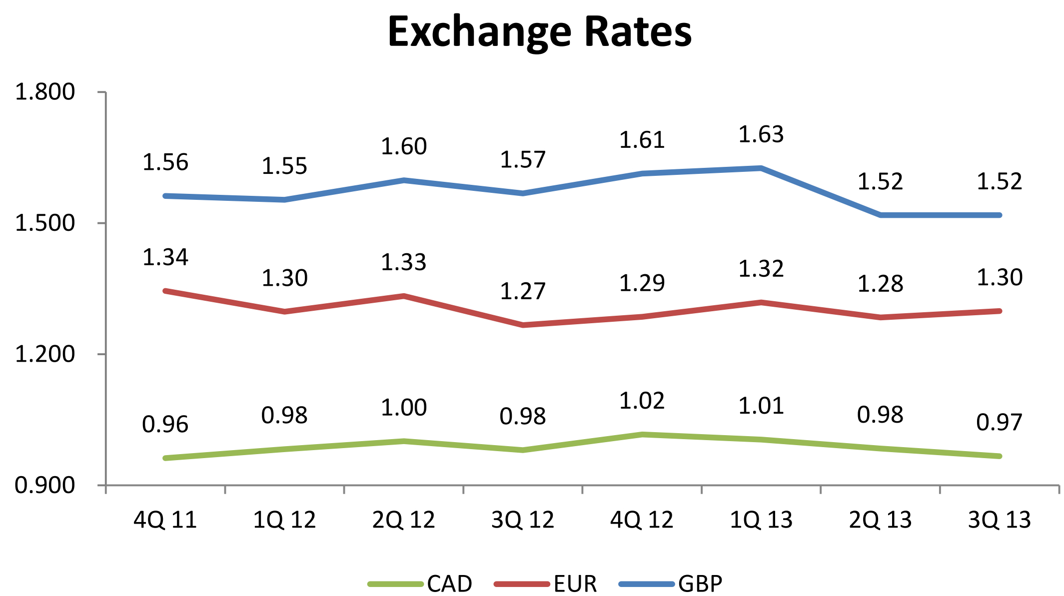
For the third quarter of fiscal 2013, R&D expenditures increased to $12.4 million compared to $2.0 million for the same period last year. As a percentage of total revenue, R&D expenditures increased to 21% for Q3 2013 from 13% in Q3 2012. For the nine-month period ended March 31, 2013, R&D expenditures increased to $19.0 million compared to $7.1 million for the same period last year. As a percentage of total revenue, R&D expenditures increased to 23% compared to 17% for the same period last year. The increase in fiscal 2013 is mainly due to the increase in headcount and associated costs as a result of the BSS acquisition. Furthermore, the R&D expenses in 2012 were reduced by the deferral of certain direct recoverable costs associated with the deployment of term license projects.

Acquisition and related Costs

During the three months and nine months ended June 30, 2013, the Company incurred acquisition-related costs for legal services and professional fees directly associated with the BSS acquisition of $3.0 million and $11.2 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 June 30, 2013, the Company recognized a foreign currency exchange loss of $0.6 million, compared to a foreign currency exchange loss of $0.2 million in the same period of fiscal 2012. The third quarter loss in fiscal 2013 was primarily due to the U.S. dollar strengthening against the Canadian dollar and the Euro.

For the nine-month period ended June 30, 2013, the Company recognized a foreign currency exchange loss of $1.2 million, compared to a foreign currency exchange loss of $0.2 million in the same period of fiscal 2012. The loss for the nine-month period ended June 30, 2013 was primarily due to the strengthening of U.S. dollar against other currencies in the first three quarters.

Finance Costs

For the three and nine months ended June 30, 2013, finance costs of $0.2 million and $0.4 million respectively have been recorded. These costs were mainly associated with the Company's use of a credit facility available from Wells Fargo Capital Finance ("Wells Fargo").

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 (which provided for a $20 million revolving line of credit) with two new term loan facilities in the amount of $15 million each, for a total credit facility of $50 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 June 30, 2013, $20.9 million is outstanding and interest is payable monthly over the term of five years. The Company has incurred $2.0 million of transaction costs and has recorded these costs as deferred costs that are being amortized over the expected five-year term of the loan using the effective interest rate method. During the three and nine months ended June 30, 2013, $0.1 million and $0.2 million was amortized, respectively.

For the three and nine months ended June 30, 2013, interest expense of $0.1 million and $0.3 million, respectively, in connection with loans payable has been recognized.

Stock-Based Compensation

Stock options granted during the second quarter ended June 30, 2013 totaled $nil (2012 – $nil). Stock options granted during nine months ended June 30, 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 third quarter of fiscal 2013 was $0.3 million compared to $0.2 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 nine months ended June 30, 2013 was $1.2 million compared to $0.7 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. The income tax expense has increased as a result of the BSS acquisition and expansion of the business in the 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)	3Q 13	2Q 13	1Q 13	4Q 12	3Q 12	2Q 12	(1) 1Q 12	(1) 4Q 11
Revenue	$58,620	$11,753	$14,237	$14,536	$14,847	$14,108	$13,373	$14,517
Net Income	$ 80	$ 2,365	$(1,739)	$ 1,873	$ 1,739	$ 1,332	$ 358	$ 663
Basic Income (Loss) per Share	$ -	$ 0.03	$(0.02)	$ 0.03	$ 0.03	$ 0.02	$ 0.01	$0.01
Diluted Income (Loss) per Share	$ -	$ 0.03	$(0.02)	$ 0.03	$ 0.03	$ 0.02	$ 0.01	$0.01
Weighted average shares outstanding – Basic	80,728	79,841	75,446	64,790	64,142	64,410	64,222	64,198
Weighted average shares outstanding - Diluted (2)	84,548	83,505	75,446	65,949	65,104	65,304	65,098	65,420

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").

TRADE ACCOUNTS AND OTHER RECEIVABLES

The Company's normalized Days Sales Outstanding in Accounts Receivable ("DSO"), with acquisition of BSS, is at 80 days as at June 30, 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. 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 performed. Credit reviews take into account the counterparty's financial position, past experience and other factors. Management regularly monitors customer credit limits. The Company believes that the concentration of credit risk from trade receivables is limited, as they are widely distributed among customers in various countries.

While the Company's credit controls and processes have been effective in mitigating credit risk, these controls cannot eliminate credit risk and there can be no assurance that these controls will continue to be effective or that the Company's low credit loss experience will continue. Most sales are invoiced with payment terms in the range of 30 to 60 days. The Company reviews its trade receivable accounts regularly and reduces amounts to their expected realizable values by making an allowance for doubtful accounts, as soon as the account is perceived not to be fully collectible.

The Company's trade receivables had a carrying value of $33.1 million as at June 30, 2013 representing the maximum exposure to credit risk of those financial assets, exclusive of the allowance for doubtful accounts. Normal credit terms for amounts due from customers call for payment within 30 to 60 days.

The allowance for doubtful accounts as at June 30, 2013 was at $1.5 million, unchanged when compared to September 30, 2012. Bad debt is charged to general and administrative expense. Estimates for allowance for doubtful accounts are determined by a customer-by-customer evaluation of collectability at each consolidated statements of financial position reporting date, taking into account the amounts that are past due and any available relevant information on the customers' liquidity and ability to pay.

UNBILLED REVENUE

Unbilled revenue represents revenue that has been earned but not billed. Redknee operates in an industry where contract prices are fixed and payments are based on billing milestones. All services provided from inception are due and payable under the contract terms. Differences between the timing of billings, based upon billing milestones or other contractual terms, and the recognition of revenue are recognized as either unbilled revenue or deferred revenue. Revenue in excess of contract billings is recorded as unbilled revenue.

A typical implementation project recognizes revenue on a percentage of completion basis. This revenue results in unbilled revenue until the customer is invoiced. Based on Redknee's contracts, the customer is invoiced upon the completion of defined milestones, and/or requires customer acceptance. Delays in the completion of a billing milestone does not indicate that the contract is seized or that the customer is unwilling to pay its contracted fee. Historically, Redknee has not written-off any unbilled revenue balances, and its bad debt write-offs on accounts receivable remain insignificant.

Unbilled revenue increased 15% to $24.9 million at June 30, 2013 as compared to $21.6 million as at March 31, 2013. The increase in unbilled revenue is primarily attributable to the impact of the acquisition of BSS business and an increase in the size and complexity of projects Redknee is taking on as it targets larger Tier 1 customers.

DEFERRED REVENUE

Deferred revenue represent revenue that has been legally billed in accordance with the terms of the contract but where the criteria for revenue recognition has not been bet. Redknee operates in an industry where contract prices are fixed and payments are based on billing milestones. All services provided from inception are due and payable under the contract terms. Differences between the timing of billings, based upon billing milestones or other contractual terms, and the recognition of revenue are recognized as either unbilled revenue or deferred revenue.
Deferred revenue increased 21% to $20.4 million at June 30, 2013 as compared to $16.9 million at March 31, 2013 and approximately $7.3 million at September 30, 2012. The increase in deferred revenue is primarily attributable to the acquisition of the BSS business.

INTANGIBLE ASSETS

For the BSS acquisition, the Company allocated a preliminary amount of $38.0 million (€29.6 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, 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 and such analysis will be completed upon finalization of the purchase price.

OTHER ASSETS

The Company recognized upfront direct costs related to future activity on three 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, $0.1 million and $0.2 million was amortized, respectively (2012 – $nil and $nil).

CONTINGENT CONSIDERATION

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. The Company has included $23.6 million (€18.3 million) as the estimated fair value of the contingent consideration 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, no changes in the estimated fair value was noted. Management will complete the assessment upon finalization of the purchase price.

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 June 30, 2013	2012	Nine months ended June 30, 2013	2012
Cash inflows and (outflows) by activity:				
Operating activities	2,964	2,440	(6,528)	9,149
Investing activities	(787)	(950)	(6,095)	(1,414)
Financing activities	54,630	(1,157)	74,089	(3,072)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(884)	114	(1,440)	84
Net cash inflows (outflows)	55,923	447	60,026	4,747
Cash and cash equivalents, beginning of period	20,982	19,180	16,879	14,880
Cash and cash equivalents, end of period	76,905	19,627	76,905	19,627

Key Ratios	June, 30 2013	September, 30 2012
Working Capital	$76,200	$23,219
Day Sales Outstanding	80	78

Cash from Operating Activities

Cash provided by operating activities was $3.0 million in the three months ended June 30, 2013, compared to the cash provided by operating activities of $2.4 million for the same period last year. The source of cash is mostly attributed to higher margins and offset by acquisition related costs of $3.0 million, higher accounts receivable, higher unbilled revenue and higher inventory. Cash used by operating activities was $6.5 million in the nine months ended June 30, 2013, compared to the cash provided by operating activities of $9.1 million for the same period last year. The use of cash is mostly attributed to acquisition related costs of $11.2 million, an increase in accounts receivable, unbilled revenue, negative working capital acquired as part of the BSS business, offset by increased trade payables and accrued liabilities.

The Company’s normalized DSO, with acquisition of BSS, was at 80 days as at June 30, 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. With the acquisition of BSS, we expect our DSO to remain in the 75 to 80 day range.

Working capital represents the Company’s current assets less its current liabilities. The Company’s working capital balance increased to $76.2 million as at June 30, 2013 from $23.2 million as at September 30, 2013. This increase is mainly attributed to increased cash from the private placement financing and proceeds from the Wells Fargo term loan, increase in accounts receivable due to higher revenues from the acquisition, offset by the negative working capital acquired as part of the BSS acquisition and higher trade payables due to increased expenditures.

Cash from Financing Activities

In the third quarter of fiscal 2013, cash provided by financing activities was $54.6 million compared to a use of cash of $1.2 million in 2012. The source of cash in the current quarter relates to the issuance of share capital under private placement financing and the proceeds of the term loan under the Wells Fargo credit facility. The use of cash in the third quarter of 2012 represented the repayment of loans and purchase of treasury stock.

For the nine months ended June 30, 2013, cash provided by financing activities was $74.1 million compared to a use of cash of $3.1 million in the same period in 2012. The source of cash relates to bought deal financing in the first quarter of 2013, private placement financing and the proceeds of the term loan in the third quarter of 2013. The use of cash for the nine months ended June 30, 2012 represented the purchase of treasury stock and repayment of the loans.

Cash from Investing Activities

Cash used for investing activities during the quarter ended June 30, 2013 was $0.8 million compared to $1.0 million in 2012. The use of cash in the current quarter related to purchase of property and equipment and software. The use of cash in the third quarter of 2012 is mainly related to the contingent consideration paid for Nimbus acquisition.

For the nine months ended June 30, 2013, cash used for financing activities was $6.1 million compared to $1.4 million in 2012. The use of cash is attributed to $4.6 million (€3.5 million) paid for the acquisition of the BSS business and from the purchase of property, equipment and software. The use of cash for nine months ended June 30, 2012 is related to the contingent consideration paid for Nimbus and purchase of property and equipment

BUSINESS ACQUISITION

On March 29, 2013, the Company acquired Nokia Siemens Networks' 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 million 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 €25.0 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 $4.6 million (€3.5 million). For purposes of the purchase accounting, the Company has estimated the fair value of the contingent consideration to be $23.6 million (€18.3 million) 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 of the contingent consideration.

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

The Company allocated $38.0 million (€29.6 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, 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 $11.8 million (€9.2 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 June 30, 2013, the Company incurred acquisition and related costs of $3.0 million. During the nine months ended June 30, 2013, the Company incurred acquisition and related costs of $11.2 million which included legal and professional expenses and other costs of $10.0 million and restructuring provision of $1.2 million. These costs have been presented separately in the condensed consolidated interim statements of comprehensive income.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Long Term Debt and Credit Facilities

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 $20.0 million.

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 $15.0 million each, for a total credit facility of $50.0 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 June 30, 2013, $20.9 million is outstanding and interest is payable monthly over the term of five years. The Company has incurred $2.0 million 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, $0.1 million and $0.2 million 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 $0.5 million at June 30, 2013 (September 30, 2012 - $0.1 million), 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 $0.1 million and $0.3 million, respectively, in connection with loans payable has been recognized in the condensed consolidated interim statements of comprehensive income (2012 - $0.1 million and $0.2 million).

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 nine-month ended June 30, 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 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 80 filed and over 100 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 132,167 as at June 30, 2013 is 94,650,311. In addition, there were 5,918,345 stock options outstanding with exercise prices ranging from $0.23 CAD to $2.16 CAD per share.

CAPITAL STOCK

(a) Bought Deal Financing

On October 23, 2012, the Company completed an offering of 13,000,000 common shares (the "Common Shares") of the Company at price of Cdn. $1.35 per Common Share (the "Offering Price") for aggregate gross proceeds of $17.6 million (Cdn. $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 $2.7 million (Cdn. $2.6 million) was raised pursuant to the Offering and the aggregate gross proceeds of the Offering is $20.2 million (Cdn. $20.2 million). Transaction costs directly associated with this issuance of shares of $1.5 million (Cdn. $1.5 million have been recognized against the proceeds.

(b) Treasury Stock

During the year ended September 30, 2012, the Company paid $0.7 million 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 awards.

During the nine months ended June 30, 2013, 78,471 shares with a cost of $0.1 million have been issued. As of June 30, 2013, a total of 436,739 shares with a cost of $0.5 million have been issued. The remaining number of treasury stock held by the Company is 132,167, with a cost of $0.2 million.

(c) Private Placement Financing

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 $44.2 million (Cdn. $45.1 million), 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 after the filing of the final short form prospectus dated June 25, 2013. Transaction costs directly associated with this issuance of shares of $3.2 million (Cdn. $3.2 million) have been recognized against the proceeds.

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 June 30, 2013, the Company has incurred $0.02 million (2012 - $0.02 million) in consulting expenditure. For the nine months ended June 30, 2013, the Company has incurred $0.05 million (2012 - $0.05 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

Furthermore, the BSS business acquired by Redknee will be subject to the risk factors to which the current business of Redknee is subject, as discussed under the "Risk Factors" section of Redknee's most recently filed Annual Information Form. In addition to such risk factors, Redknee and the acquired BSS business will be subject to the risk factors set forth below. If any of the risks set forth in Redknee's most recently filed Annual Information Form or set forth below actually occur, the Company's business including the acquired BSS 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.

The extent of operations of the acquired BSS business conducted in foreign countries may expose Redknee to significant risks.

Redknee's current business is operated in numerous foreign countries that, as indicated in Redknee's most recently filed Annual Information Form, expose it to a number of risks. The BSS business acquired by Redknee is conducted in approximately 90 countries, and significantly increases the extent to which Redknee's aggregate business is exposed to such risks, which could materially adversely affect Redknee's business or operating results.

Post-closing events contemplated by the Agreement may not happen in a timely manner, or at all.

It is contemplated that the remaining assets and employee contracts are to be transferred to Redknee by NSN by March 2015. While Redknee expects such transfers to occur within this timeframe, there can be no guarantee that such transfers will occur by March 2015, or at all. If such transfers do not occur, Redknee may not achieve the expected financial and other benefits of the Acquisition and may be required to hire other qualified personnel, who may not be available or available on employment terms commensurate with the employee contracts that were to have been transferred.

In addition, pursuant to the terms of the Agreement, NSN is entitled to terminate any contract that has not been transferred, or in the case of Shared Contracts, replaced with a new contract between the customer or supplier and Redknee by March 2015. If NSN were to terminate any of these contracts, there is no guarantee that Redknee would be able to enter into an agreement with any of these customers or suppliers, which could have a material adverse effect on Redknee's revenues, and consequently Redknee's business, operating results and financial condition.

Redknee may have difficulties maintaining or growing the BSS business.

The BSS business may sell products or provide services that Redknee has limited experience operating or managing. Redknee may experience unanticipated challenges or difficulties maintaining the BSS businesses at their current levels or growing the BSS business. Factors that may impair Redknee's ability to maintain or grow the BSS business, its customers and personnel may include, but are not limited to:

- Challenges in integrating the BSS business with Redknee's business;
- Risks relating to any default by NSN of its obligations under the Agreement and agreements entered into pursuant to the Agreement, and the Shared Contracts, whether pursuant to financial difficulty, unforeseen external events or otherwise;
- Loss of customers of, and/or suppliers to, the BSS business;
- Risk relating to infringement of third party intellectual property rights by software of the BSS business;
- Non-compatible business cultures;
- Difficulties in gaining necessary approvals in international markets to expand the BSS business as contemplated;
- Additional demands on resources, systems, procedures and controls; and
- Dealing with unfamiliar laws, customs and practices in foreign jurisdictions.

In addition, Redknee may not have identified all risks or have fully assessed risks identified with the Acquisition. There is also a risk that the expected benefits of the Acquisition may not be achieved in the expected timeframe or to the extent expected. The individual or combined effect of these risks could have a material adverse effect on Redknee's business, operating results and financial condition.

Issues relating to employees of the BSS business may adversely affect Redknee.

Certain of the employees of the BSS business whose employment agreements are contemplated by the Agreement to be assumed by Redknee may refuse to accept employment by Redknee or its subsidiary in the jurisdiction in which the employee provides services to the BSS business, and otherwise may be entitled under applicable laws governing the transfer of employment relationships to object to such transfer. If an employee does not accept employment by Redknee or its applicable subsidiary, or objects to the transfer of their employment, Redknee and its subsidiaries may not receive the benefit of such employee's services. To the extent that Redknee does not receive the benefit of the services of a significant number of employees in any one jurisdiction, or the services of certain personnel from the BSS business such as former executive officers or key technical personnel, the expected benefits of the Acquisition may not be achieved by Redknee and such event could have a material adverse effect on Redknee's business, operating results and financial condition.

Certain of the employees of the BSS business are represented by trade unions, works councils and other employee representative bodies. To the extent that Redknee is not able to develop and maintain an effective working relationship with such representative bodies and negotiate appropriate employment arrangements in accordance with applicable laws governing employees represented by such bodies, Redknee may experience work stoppages or slowdowns or other labour disputes, which could materially adversely affect its reputation, business, operating results and financial condition.

Increased Dependence upon Suppliers.

As indicated in Redknee's most recently filed Annual Information Form, Redknee's dependence upon suppliers exposes it to a number of risks. As a result of the Acquisition, Redknee is now dependent on a greater number of suppliers, significantly increasing the extent to which Redknee's aggregate business is exposed to such risks, which could materially adversely affect Redknee's business or operating results.

Changes to earnings resulting from the Acquisition may adversely affect Redknee.

Under IFRS 3, Business Combinations, the accounting standard for business combinations, the total purchase price of the BSS business assets and intangible assets acquired and liabilities assumed are allocated based on their values as of the date of the acquisition (including certain assets and liabilities that are recorded at fair value) and record the excess of these values over the purchase price as bargain purchase gain. Management's estimates of fair value are based upon assumptions believed to be reasonable but which are inherently uncertain. Subsequent to the completion of the Acquisition, the following factors, among others, may result in material changes that would materially adversely affect Redknee's operating results, cash flows and financial condition:

- Impairment of goodwill or intangible assets;
- A reduction in the useful lives of intangible assets acquired;
- Identification of assumed contingent consideration and contingent liabilities after Redknee finalizes the purchase price allocation period; or

- Charges to Redknee's operating results resulting from revised estimates relating to the allocation of the purchase price, valuation of intangible assets, valuation of contingent consideration and other valuations used in the Acquisition, such as deferred revenue.

Routine charges to Redknee's operating results associated with the Acquisition include amortization of intangible assets, as well as other Acquisition related charges. Charges to Redknee's operating results in any given period could differ substantially from other periods based on the timing and size of Redknee's future acquisitions and the extent of integration activities.

Redknee expects to continue to incur additional costs associated with combining the operations of the BSS business unit, which may be substantial. Additional costs may include costs of employee redeployment, relocation and retention, including salary increases or bonuses, severance payments, taxes, and termination of contracts that provide redundant or conflicting services. These costs would be accounted for as expenses and would decrease Redknee's net income and earnings per share for the periods in which those adjustments are made.

Redknee has acquired contingent liabilities through the Acquisition that could adversely affect Redknee.

Redknee has acquired contingent liabilities in connection with the Acquisition. Although Redknee's management uses its best efforts to estimate the risks associated with these contingent liabilities and the likelihood that they will materialize, their estimates could differ materially from the liabilities actually incurred. For example, Redknee acquired certain long-term contracts that contain contingent liabilities associated with the BSS business. The contingent liabilities represent the difference between the maximum financial liabilities potentially due to customers less the estimated liability amounts recorded in connection with the contracts assumed on acquisition. Such maximum financial liabilities potentially due to customers under these acquired contracts may significantly exceed the maximum financial liabilities potentially due to customers pursuant to customer contracts entered into by Redknee in the course of its business prior to the acquisition of the BSS business. Among the BSS business' contingent liabilities are liquidated damages contractually available to customers for breaches of contracts by NSN/Redknee and for estimated damages available to customers for breaches of such contracts by NSN/Redknee where such contracts did not contain specified penalties.

In addition, as the acquirer of the BSS business, Redknee may acquire contingent liabilities in addition to liabilities assumed pursuant to the Agreement, such as statutory liabilities imposed on the acquirer of a business pursuant to applicable laws such as bulk sales and other creditor protection legislation related to the sale of assets other than in the ordinary course of business, legislation relating to the protection of personal information, and anti-bribery legislation.

Any of the contingent liabilities referred to above may be material and could materially adversely affect Redknee's operating results, cash flows and financial condition.

Risks associated with the Credit Agreement.

Redknee is exposed to interest rate risk from fluctuations in interest rates on advances under the Credit Agreement that bear interest at an annual rate of interest determined in accordance with the Credit Agreement. Redknee manages its interest rate risk by monitoring its respective mix of fixed and floating rate debt net of cash and cash equivalents and short term investments. Despite these steps, changes in interest rates could negatively affect the Company's financial performance.

The Credit Agreement contains restrictive covenants relating to Redknee's capital-raising activities and other financial and operational matters, which may limit Redknee's ability to obtain additional capital and pursue business opportunities, including potential acquisitions. 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.