

REDKNEE
Looking Beyond

**REDKNEE SOLUTIONS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED SEPTEMBER 30, 2016**

DATED: December 12, 2016

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 fourth quarter and year-ended September 30, 2016. 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 audited Consolidated Financial Statements for the fiscal year-ended September 30, 2016, which were prepared in accordance with International Financial Reporting Standards ("IFRS").

Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Forward-Looking Statements" and "Risks and Uncertainties". The consolidated 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 most recently filed Annual Information Form ("AIF"). Although the forward-looking statements contained in this document are based upon what we believe are reasonable assumptions, we cannot assure investors that our actual results will be consistent with these forward-looking statements. We assume no obligation to update or revise these forward-looking statements to reflect new events or circumstances, except as required by securities law.

OVERVIEW

Redknee was founded in March 1999 and has since become a leading global provider of innovative real-time monetization and subscriber management software products, solutions, and services. Redknee's award-winning solutions enable the monetization of services, data and content across numerous industries and business models while delivering a superior customer experience. Redknee's monetization and subscriber management platform provides innovative converged billing, charging, policy and customer care solutions to over 250 service providers in over 90 countries. The Company's software products allow service providers across telecommunications and other vertical markets, such as energy and transportation, to extend and enhance their service offerings and capabilities to monetize the growing ecosystem of the Internet of Things ("IoT"). Redknee's software supports the introduction of new revenue streams and innovative tariffs, payment solutions, data services, and advanced customer care and subscriber self-care functionality. Redknee Solutions Inc. (TSX: RKN) is the parent of the wholly-owned operating subsidiary Redknee Inc. and its various subsidiaries. The Company derives its revenue from three main geographic areas namely:

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

Available on-premise, via the cloud-based or as a Software-as-a-Service ("SaaS") offering, Redknee's highly scalable and agile, end-to-end platform supports the following market solutions:

- **Converged Billing and Customer Care** – Redknee's award-winning cloud-enabled real-time converged charging, billing, and customer care platform delivers the benefits of a flexible, end-to-end software platform, including real-time charging, billing, policy management and customer care for service providers' data, voice, and messaging services. These services, charging, billing and policy and customer care, can also be applied to other industries, including energy and transportation, enabling them to charge for new and existing services in real-time. Today, Redknee's scalable solution is supporting more than 100 million subscribers at a single customer and enables operators to launch and monetize their 3G and LTE networks and deliver advanced data services, including Voice over LTE (VoLTE), M2M, IoT, cloud services and Over the Top ("OTT") offerings.
- **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, and offer personalized services and differentiated, service-specific charging. Serving more than 30 operators, we believe Redknee's Policy Management solution is key to supporting operator data monetization strategies for real-time applications such as video streaming, interactive gaming and VoLTE.
- **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 offers the Redknee Cloud in the Americas as part of its

strategy to offer SaaS and a fully managed service to Tier 1 operators, MVNOs and service providers that want to launch to the market quickly.

- **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.
- **Product Catalog and Order Management** – Redknee’s Product Catalog and Order Management enables customers to maximize their sales strategies while centrally managing the order management process, products and product offerings. The solution offers fast and flexible modeling of any commercial offering and supports omni-channel and any-play sales strategies by offering client products and services across multiple lines of business.
- **E-Payments** – Redknee’s e-payment solutions strengthens a customer’s ability to monetize services, with the provision of different payment methods including voucher and voucher-less payment and top-up solutions. Redknee’s solution allows service providers to offer end users the most convenient payment solutions in their market.
- **Redknee Connected Suite** - Redknee’s Connected Suite enables the monetization of services across a variety of industries in the IoT including automotive, transportation, energy and utilities and the connected home. The Connected Suite provides rating, charging and billing solutions that can manage billions of events or transactions in real-time. Redknee supports real-time customer engagement and interaction to promote a superior customer experience.
- **Redknee Services** - Redknee’s Services Business Unit provides a full suite of professional services catering to the needs of CSPs, using best-in-class tools, processes and consulting to deliver agreed service levels. Services offered by Redknee include consulting services, managed services, software factory, test factory, cloud services, learning services, application services, analytics and business intelligence, revenue assurance and security services.

ISSUANCE OF PREFERRED SHARES AND WARRANT

On December 9, 2016, the Company entered into a definitive agreement with Constellation Software Inc. and Trapeze Software ULC (the "Investor"), a subsidiary of Constellation Software Inc. (the "Constellation Agreement") to issue 800,000 Series A Preferred Shares ("Preferred Shares") and a common share purchase warrant ("Warrant") for gross proceeds of \$80.0 million to the Investor (the "Financing Transaction"). The Preferred Shares will be eligible to receive cumulative dividends at the rate of 10% per annum of the issue price and will be payable quarterly, if, as and when declared by the Board of Directors, provided that if such dividends are not declared and paid, they will accrue and compound monthly at the rate of 10% per annum. The Preferred Shares will be redeemable at the option of the Company at a premium of 20% of the redemption amount in the first year after issuance, a premium of 15% in the second year, a premium of 10% in the third year, a premium of 5% in the fourth year and thereafter at face amount. The Preferred Shares will be redeemable at the option of the Investor any time after 10 years from issuance. All accrued and unpaid dividends are included in the redemption amount. The Warrant will entitle the Investor to acquire \$120.0 million in common shares of the Company for an exercise price of the lower of the weighted average trading price over the 10 trading day period prior to exercise or \$1.43 per common share, provided the amount is no less than \$1.09, payable in cash. The Warrant expires in 10 years from the issuance date. Under certain circumstances, the Warrant can also be exercised on a cashless basis under a pre-determined formula.

The Financing Transaction is subject to approval of the shareholders of the Company and customary closing conditions and is expected to close by January 31, 2017. The Constellation Agreement may be terminated by any party under certain circumstances, including if the Financing Transaction has not closed by February 28, 2017. Absent the transaction closing, should the lenders not provide a waiver of its demand rights, the Company anticipates that it would not have the funds available to repay the loans and borrowings unless it is able to complete an alternative refinancing transaction.

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 condensed consolidated interim financial statements.

Consolidated Statements of Comprehensive Loss (all amounts in thousands of US\$, except per share amounts) (unaudited)	Three Months Ended September 30,		Twelve Months Ended September 30,	
	2016	2015	2016	2015
Revenue				
Software, services and other	16,727	36,064	76,116	130,179
Support and subscription	23,935	23,696	94,974	92,561
	40,662	59,760	171,090	222,740
Cost of revenue	17,562	25,124	78,495	92,192
Gross profit	23,100	34,636	92,595	130,548
Operating expenses				
Sales and marketing	6,609	8,940	29,513	34,128
General and administrative	7,581	7,983	30,862	28,365
Research and development	10,283	13,081	45,496	48,030
Restructuring costs	6,249	(63)	35,185	1,096
Acquisition and related costs	3,715	1,001	4,838	6,212
	34,437	30,942	145,894	117,831
Income (loss) from operations	(11,337)	3,694	(53,299)	12,717
Foreign exchange gain (loss)	(3,597)	(3,063)	(4,217)	(9,948)
Other income (expense)	6,363	-	6,363	-
Finance income	19	16	83	32
Finance costs	(1,563)	(2,213)	(6,260)	(5,172)
Loss before income taxes	(10,115)	(1,566)	(57,330)	(2,372)
Income tax expense	4,568	2,868	9,537	7,635
Loss for the period	(14,683)	(4,434)	(66,867)	(10,007)
Loss per common share				
Basic	\$ (0.14)	\$ (0.04)	\$ (0.62)	\$ (0.09)
Diluted	\$ (0.14)	\$ (0.04)	\$ (0.62)	\$ (0.09)
Weighted average number of common shares (thousands)				
Basic	108,227	109,231	108,481	109,111
Diluted	108,227	109,231	108,481	109,111

Statement of Financial Position Data \$US Thousands (unaudited)	As at September 30, 2016	As at September 30, 2015	\$ Change	% Change
Cash, Cash Equivalents and Restricted Cash	41,663	61,020	(19,357)	-32%
Trade Accounts Receivables, Other Receivables and Unbilled Revenue	70,500	105,722	(35,222)	-33%
Goodwill and Intangible Assets	67,992	78,633	(10,641)	-14%
Total Assets	197,056	263,205	(66,149)	-25%
Trade Payable and Accrued Liabilities	37,619	41,434	(3,815)	-9%
Deferred Revenue	19,555	14,235	5,321	37%
Short-term Loans and borrowings	50,446	1,800	48,646	2703%
Long-term Loans and borrowings and Other liabilities	30,023	73,000	(42,977)	-59%
Shareholders' Equity	36,707	111,355	(74,647)	-67%

CURRENT PERIOD OPERATING RESULTS

Revenue

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

\$US Thousands (unaudited)	Three Months Ended September 30,		Twelve Months Ended September 30,	
	2016	2015	2016	2015
Software and Services	15,109	32,055	66,412	116,098
Support and Subscription	23,935	23,696	94,974	92,561
Third Party Software and Hardware	1,618	4,009	9,704	14,081
Total	40,662	59,760	171,090	222,740

Percentage of Total Revenue (unaudited)	Three Months Ended September 30,		Twelve Months Ended September 30,	
	2016	2015	2016	2015
Software and Services	37%	53%	39%	52%
Support and Subscription	59%	40%	55%	42%
Third Party Software and Hardware	4%	7%	6%	6%
Total	100%	100%	100%	100%

The Company recognizes revenue from the sale of software licenses, including initial perpetual licenses, term licenses, capacity increases and/or upgrades; professional services; third party hardware and software components and customer support contracts.

For the three-month period ended September 30, 2016, the Company's revenues have declined by \$19.1 million from the previous year to \$40.7 million. The change by revenue type for the quarter ended September 30, 2016 is as follows: \$16.9 million decrease in software and services revenue, \$0.2 million

increase in support and subscription revenue, and \$2.4 million decrease in third party software and hardware revenue.

For the year ended September 30, 2016, the Company's revenues have declined by \$51.7 million from the previous year to \$171.1 million. The change by revenue type for the year ended September 30, 2016 is as follows: \$49.7 million decrease in software and services revenue, \$2.4 million increase in support and subscription revenue, and \$4.4 million decrease in third party software and hardware revenue.

Software and Services Revenue

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

Software and services revenue for the three-month period ended September 30, 2016 decreased to \$15.1 million, or 37% of total revenue, compared to \$32.1 million, or 53% of total revenue for the same period last year. For the year ended September 30, 2016, the Company's software and services revenue decreased to \$66.4 million, or 39% of total revenue, compared to \$116.1 million, or 52% of total revenue, for the same period last year.

The decrease in the three and twelve months ended September 30, 2016 is mainly a result of lower software and services revenue in the APAC and EMEA region due to delayed decisions on orders from customers and overall reduced capital and operating spending in the global communications industry. This decrease is partially offset by contribution of revenue from customers attained through the acquisition of Orga Systems ("Orga").

Support and Subscription Revenue

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

Support and subscription revenue for the three-month period ended September 30, 2016 increased by \$0.2 million to \$23.9 million, or 59% of total revenue, compared to \$23.7 million, or 40% of total revenue, for the same period last year. For the year ended September 30, 2016, the Company's support and subscription revenue increased to \$95.0 million, or 55% of total revenue, compared to \$92.6 million, or 42% of total revenue, in fiscal 2015.

The increase in support and subscription revenue for the three and twelve months ended September 30, 2016 is mainly due to higher revenue in the Americas and EMEA region due to the Orga acquisition, partially offset by lower revenue in the APAC region due to the expected non-renewal of certain support contracts.

Third Party Software and Hardware Revenue

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

Third party software and hardware revenue for the three-month period ended September 30, 2016 decreased to \$1.6 million, or 4% of total revenue, compared to \$4.0 million, or 7% of total revenue, for the same period last year.

For the year ended September 30, 2016, the Company's third party software and hardware revenue decreased to \$9.7 million, or 6% of total revenue, compared to \$14.1 million, or 6% of total revenue, in fiscal 2015.

The decrease in the three and twelve months ended September 30, 2016 is mainly due to management's initiatives to reduce the sale of third party software and hardware components, which have minimal contribution to overall profitability.

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 September 30,		Twelve Months Ended September 30,	
	2016	2015	2016	2015
Asia and Pacific Rim	11,666	14,583	44,004	75,763
North America, Latin America and Caribbean	9,974	13,686	39,962	33,820
Europe, Middle East and Africa	19,022	31,491	87,124	113,157
Total	40,662	59,760	171,090	222,740

Percentage of Total Revenue (unaudited)	Three Months Ended September 30,		Twelve Months Ended September 30,	
	2016	2015	2016	2015
Asia and Pacific Rim	28%	24%	26%	34%
North America, Latin America and Caribbean	25%	23%	23%	15%
Europe, Middle East and Africa	47%	53%	51%	51%
Total	100%	100%	100%	100%

For the three-month period ended September 30, 2016, revenue from the APAC region was \$11.7 million, or 28% of total revenue, compared to \$14.6 million, or 24% of total revenue, for the same comparable period in fiscal 2015. For the year period ended September 30, 2016, revenue from the APAC region was \$44.0 million, or 26% of total revenue, compared to \$75.8 million, or 34% of total

revenue, for the same period last year. This decrease is mainly a result of lower software and services revenue in the region due to fewer deployments of software products.

For the three-month period ended September 30, 2016, revenue from the Americas region decreased to \$10.0 million, or 25% of total revenue, compared to \$13.7 million, or 23% of total revenue, for the same comparable period in fiscal 2015. The decrease is attributable to lower software and services revenue in the region due to fewer deployments of software products. For the year ended September 30, 2016, revenue from the Americas region increased to \$40.0 million, or 23% of total revenue, as compared to \$33.8 million, or 15% of total revenue, in the same comparable period in fiscal 2015. The increase in revenue for the year ended September 30, 2016 is mainly attributable to higher support and subscription revenue and higher software and services revenue in the region, both mainly due to the contribution of revenue from customers attained through the acquisition of Orga.

For the three-month period ended September 30, 2016, revenue from the EMEA region decreased to \$19.0 million, or 47%, compared to \$31.5 million, or 53% of total revenue, for the same comparable period in fiscal 2015. For the year ended September 30, 2016, revenue from the EMEA region decreased to \$87.1 million, or 51% of total revenue, compared to \$113.2 million, or 51% of total revenue, for the same period last year. The decrease is mainly a result of lower software and services revenue in the region due to delayed decisions on orders from customers for implementation of software contracts.

Cost of Revenue and Gross Margin

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

For the three months ended September 30, 2016, cost of revenue decreased to \$17.6 million from \$25.1 million incurred for the same comparable period in 2015. During the same period, gross margin slightly decreased by 1% from 58% in the three months ended September 30, 2015 to 57% in the three months ended September 30, 2016.

For the year ended September 30, 2016, cost of revenue decreased to \$78.5 million from \$92.2 million incurred for the same comparable period in 2015. For the year ended September 30, 2016, gross margin decreased by 5% from 59% in the year ended September 30, 2015 to 54% in the year ended September 30, 2016.

The decrease in gross margin for the three months ended was mainly due to lower revenue from high-margin software license deals and higher revenue from low-margin third party sales. The decrease in gross margins for year ended September 30, 2016 was primarily attributable to lower revenue from high-margin software license deals, partially offset by higher margins on support and subscription contracts.

Operating Expenses

Total operating expenses (excluding depreciation and amortization) in the three months ended September 30, 2016 increased to \$31.2 million from \$28.3 million for the same comparable period last year. This includes restructuring costs of \$6.2 million and a recovery of \$0.1 million for the three months

ended September 30, 2016 and September 30, 2015, respectively. Excluding depreciation, amortization, restructuring and acquisition costs, total operating costs in the fourth quarter of fiscal 2016 decreased to \$21.2 million, or 52% of total revenue, compared to \$27.4 million, or 46% of total revenue, for the same period last year. The decrease in overall operating expenses (excluding depreciation, amortization, restructuring and acquisition and related costs) is mainly attributable to lower sales and marketing costs and lower research and development costs.

Total operating expenses (excluding depreciation and amortization) for the year ended September 30, 2016 increased to \$132.3 million, as compared to \$106.9 million for the same period last year. This includes restructuring costs of \$35.2 million and \$1.1 million, for the year ended September 30, 2016 and September 30, 2015, respectively. Excluding depreciation, amortization, restructuring and acquisition and related costs, total operating costs for the year ended September 30, 2016 were \$92.3 million, or 54% of total revenue, compared to \$99.6 million, or 45% of total revenue, for the same period last year. The decrease in overall operating expenses (excluding depreciation, amortization, restructuring and acquisition and related costs) is mainly attributable to lower sales and marketing costs and lower research and development costs, slightly offset by higher general and administrative costs.

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 September 30,		Twelve Months Ended September 30,	
	2016	2015	2016	2015
Sales and Marketing	6,609	8,940	29,513	34,128
General and Administrative	7,581	7,983	30,862	28,365
Research and Development	10,283	13,081	45,496	48,030
Restructuring Costs	6,249	(63)	35,185	1,096
Acquisition and Related Costs	3,715	1,001	4,838	6,212
Total Operating Expenses	34,437	30,942	145,894	117,831
<i>Excluding Amortization and Depreciation</i>	<i>31,166</i>	<i>28,294</i>	<i>132,275</i>	<i>106,948</i>

Percentage of Total Revenue (unaudited)	Three Months Ended September 30,		Twelve Months Ended September 30,	
	2016	2015	2016	2015
Sales and Marketing	16%	15%	17%	15%
General and Administrative	19%	13%	18%	13%
Research and Development	25%	22%	26%	22%
Restructuring Costs	16%	0%	21%	0%
Acquisition and Related Costs	9%	2%	3%	3%
Total Operating Expenses	85%	52%	85%	53%

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 three-month period ended September 30, 2016, S&M expenditures decreased to \$6.6 million, or 16% of total revenue, compared to \$8.9 million, or 15% of total revenue, for the same comparable period last year. For the year ended September 30, 2016, S&M expenditures decreased to \$29.5 million, or 17% of total revenue, compared to \$34.1 million, or 15% of total revenue, for the same comparable period last year. The decrease in both periods is mainly due to a lower headcount costs, lower sales commissions and other cost optimization initiatives.

General and Administrative Expenses

General and administrative (“G&A”) expenses consist of the Company’s corporate and 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 three-month period ended September 30, 2016, G&A expenditures decreased to \$7.6 million, or 19% of total revenue, from \$8.0 million, or 13% of total revenue, in fiscal 2015. The decrease in the period is mainly attributable to lower headcount costs and other cost optimization initiatives. For the year ended September 30, 2016, G&A expenditures increased to \$30.9 million, or 18% of total revenue, from \$28.4 million, or 13% of total revenue, in fiscal 2015. The increase in G&A costs is mainly due to higher amortization costs associated with intangible assets acquired from Orga.

Excluding share-based compensation, amortization and depreciation, G&A expenses were \$4.2 million, or 10% of revenue, and \$18.8 million, or 11% of revenue, for the three and twelve months ended September 30, 2016, respectively. Excluding share-based compensation, amortization and depreciation, G&A expenses were \$5.9 million, or 10% of revenue, and \$18.9 million, or 9% of revenue, for the three and twelve months ended September 30, 2015, respectively. The slight decrease for the year ended September 30, 2016 is primarily attributable to the lower headcount costs and other cost optimization initiatives offset by higher G&A costs associated with the Orga acquisition.

Research and Development Expenses

Research and development (“R&D”) expenses consist primarily of personnel costs associated with product management and the development and testing of new products.

For the three-month period ended September 30, 2016, R&D expenditures decreased to \$10.3 million, or 25% of total revenue, from \$13.1 million, or 22% of total revenue, in fiscal 2015. The decrease is mainly due to benefit of moving costs from high cost jurisdictions to lower costs jurisdictions as per the costs structure optimization plan.

For the year ended September 30, 2016, R&D expenditures decreased to \$45.5 million, or 26% of total revenue, from \$48.0 million, or 22% of total revenue, in fiscal 2015. The decrease in R&D costs for the

year ending September 30, 2016 is primarily attributable to the lower costs incurred under the Company's cost structure optimization plan slightly offset by higher headcount and facility costs associated with the Orga acquisition.

Restructuring Costs

In August 2014, the Company announced that it would eliminate certain satellite office locations, concentrate research and development and support staff into existing locations and consolidate activities to lower cost centers. The Company also announced restructuring actions throughout the organization intended to reduce its overall cost structure and improve its margin performance.

As announced in February 2016, the Company initiated a further cost structure optimization plan to close certain offices and refocus on its activities in certain regions, resulting in headcount reductions globally.

In connection with these plans, during the three and twelve months ended September 30, 2016, restructuring charges related to employee terminations of \$6.2 million, and \$35.2 million respectively (2015 – recovery of \$0.1 million and \$1.1 million), were recorded.

For the year ended September 30, 2016, an amount of \$16.6 million has been paid and an additional amount of \$18.3 million is estimated as payable within one year. The balance of the restructuring provision, classified as long-term, payable over three years, amounts to \$6.7 million and has been discounted to its present value

Acquisition and Related Costs

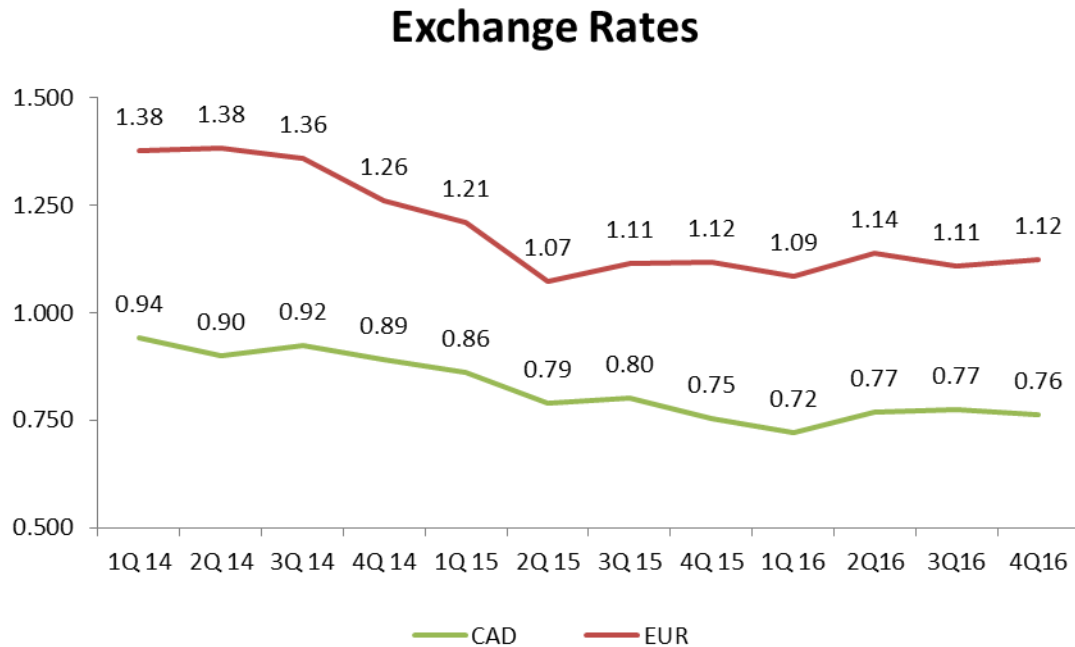
For the three-month period ended September 30, 2016, acquisition and related costs were \$3.7 million as compared to \$1.0 million for the same period last year. For the year ended September 30, 2016, acquisition and related costs were \$4.8 million, as compared to \$6.2 million for the same period last year. Acquisition costs incurred in the year ended September 30, 2016 mainly consist of legal and professional fees related to the acquisition of Orga and a provision related to the acquisition of Nokia Networks' Business Support Systems ("BSS"). The prior year costs were related to the settlement agreement with Nokia Networks and costs related to the acquisition of Orga.

As at September 30, 2016, the Company has recorded a provision of \$3.7 million as the best estimate of its obligations arising from transactions related to the acquisition of the BSS division. While negotiations are ongoing to settle all disputes arising from this transaction, no decision on a final settlement has been made. Management has used its best estimate to determine the amount of this provision, considering inputs from various sources including external legal advisors. The outcome of the Company's negotiations and final settlement is expected to occur within one year.

Foreign Exchange Gain/Loss

We operate internationally and have foreign currency risks related to our revenue, operating expenses, monetary assets, monetary liabilities and cash denominated in currencies other than the U.S. Dollar, which is our functional currency. Consequently, movements in the foreign currencies in which we transact have and could significantly affect current and future net earnings. Currently, we do not use

derivative instruments to hedge such currency risks. The graph below displays the change in rates relative to the U.S. Dollar.



Source: Bank of Canada

For the year ended September 30, 2016, the Company recognized a foreign currency exchange loss of \$4.2 million, compared to a foreign currency exchange loss of \$9.9 million in the comparable period last year. The Company has monetary assets and liabilities in a number of currencies, the most significant of which are denominated in Euro and the Canadian Dollar. The foreign exchange loss was mainly due to the U.S. Dollar strengthening against the Euro and Canadian dollar during the twelve months. The foreign exchange loss on expenses was partially offset by the gain on revenue.

A change in foreign exchange rates as at September 30, 2016 of 10% will result in a gain or loss of approximately \$0.4 million arising from the translation of the Company's foreign currency denominated monetary assets and liabilities as at September 30, 2016. This translation foreign currency gain or loss would be recorded in the consolidated statements of comprehensive loss.

Finance Costs

As described under “Loans and Borrowings”, the Company has a total credit facility in the amount of \$100.0 million. As at September 30, 2016, \$52.7 million (September 30, 2015 - \$59.6 million) is outstanding and principal and interest are payable quarterly over the term maturing August 4, 2020. At inception, the Company incurred \$3.4 million of transaction costs and has recorded these costs as deferred financing costs that are being amortized over the expected five-year term of the loans using the effective interest rate method. During the year ended September 30, 2016, \$0.4 million of deferred financing fees was amortized (2015 - \$0.4 million).

Interest is at LIBOR plus an applicable margin, which was 4.0% at September 30, 2016 and 2015. LIBOR is defined to have a floor of no less than 1.00%, which has been determined to be an embedded derivative. The fair value of the embedded derivative liability is estimated at \$0.4 million at September 30, 2016 (2015 - \$0.9 million), using the assumption that the expected repayment of this line of credit will be at maturity and repayment of the term loans are per the repayment terms. The change in fair value of \$0.5 million for the year ended September 30, 2016 (2015 - \$0.2 million) was recorded in finance costs in the consolidated statements of comprehensive loss. The embedded derivative liability is included in other liabilities in the consolidated statements of financial position.

For the year ended September 30, 2016, interest expense and fees of \$5.0 million (2015 - \$3.1 million) in connection with loans payable has been recognized in finance costs in the consolidated statements of comprehensive loss.

Other Income

On acquisition of Orga, a provision for an onerous contract was recognized for one project in the amount of \$7.3 million. During the year ended September 30, 2016, \$1.8 million of the provision was utilized against the costs incurred for the project (September 30, 2015 - \$0.8 million). During the year ended September 30, 2016, \$1.5 million of cash was received for the onerous contract and the contract was assessed to be no longer onerous due to information about future cash flows relating to the project and the provision was reversed. The reversal amounting to \$6.4 million has been recorded in other income in the consolidated statements of comprehensive loss.

Income Taxes

The Company's operations are global, and the income tax provision is determined in each of the jurisdictions in which the Company conducts its business. The Company's consolidated income tax expense for the year ended September 30, 2016 is \$9.5 million (2015 - \$7.6 million). The most significant expense relates to withholding taxes paid on revenues earned in countries where the Company does not have a legal entity or permanent establishment and where full treaty benefits are not available.

The Company's current income tax expense for the year ended September 30, 2016 is \$8.6 million (2015 - \$7.8 million), including \$3.5 million (2015 - \$3.9 million) of corporate tax expense incurred by foreign subsidiaries generating taxable profits and \$5.1 million (2015 - \$3.9 million) of foreign withholding taxes.

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:

\$US Thousands, except share and per share amounts (Unaudited)	4Q16	3Q16	2Q 16	1Q 16	4Q 15 ⁽¹⁾	3Q 15	2Q 15	1Q 15
Revenue	\$40,662	\$40,520	\$39,792	\$50,116	\$59,760	\$46,660	\$53,743	\$62,577
Net Income (Loss)	\$(14,683)	\$(12,255)	\$(35,624)	\$(4,305)	\$(4,434)	\$(5,546)	\$(2,040)	\$ 2,011
Basic Income (Loss) per Share	\$(0.14)	\$(0.11)	\$(0.33)	\$(0.04)	\$(0.04)	\$(0.05)	\$(0.02)	\$ 0.02
Diluted Income (Loss) per Share	\$(0.14)	\$(0.11)	\$(0.33)	\$(0.04)	\$(0.04)	\$(0.05)	\$(0.02)	\$ 0.02
Weighted average shares outstanding – Basic	108,227	108,305	108,305	109,136	109,231	109,180	109,089	108,944
Weighted average shares outstanding – Diluted	108,227	108,305	108,305	109,136	109,231	109,180	109,089	111,411

⁽¹⁾ Includes two months of results from Orga Systems, post acquisition

TRADE ACCOUNTS AND OTHER RECEIVABLES

The Company's Days Sales Outstanding in Trade Receivable ("DSO") is at 92 days as of September 30, 2016 compared to 96 days as of September 30, 2015. The Company calculates DSO based on the annualized revenue and the accounts receivable balance at period end. 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 also maintains credit insurance in certain jurisdictions. 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 180 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 determined not to be fully collectible. The Company's trade and other receivables had a carrying value of \$43.2 million as at September 30, 2016.

The allowance for doubtful accounts as at September 30, 2016 was \$0.7 million, compared to \$1.7 million as at September 30, 2015. The decrease mainly relates to the removal of uncollectable amounts previously included in the allowance for doubtful accounts. Estimates for allowance for doubtful accounts are determined based on a customer-by-customer evaluation of collectability at each consolidated statement 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 often based on billing milestones. All services provided from inception of the contracted arrangement are recoverable under the contract terms. Differences between the timing of billings, based upon billing milestones or other contractual terms, collection of cash and the recognition of revenue result in either unbilled revenue or deferred revenue.

Revenue in a typical implementation project is earned as progress is made in project delivery. This earned revenue results in unbilled revenue until the customer is invoiced upon reaching a contractual milestone and/or receipt of customer acceptance. Delays in the completion of a billing milestone does not indicate that the contract is on hold or that the customer is unwilling to pay its contracted fee. Historically, Redknee has not written-off any significant unbilled revenue balances.

Unbilled revenue decreased by \$11.0 million to \$27.3 million at September 30, 2016, as compared to \$38.3 million as at September 30, 2015. This decrease is mainly attributable to the completion and customer acceptance of significant project milestones during the period and the impact of lower software and services revenue in the twelve months ended September 30, 2016.

PENSION AND NON-PENSION POST-EMPLOYMENT BENEFIT PLANS

As a result of the acquisition of the BSS business in 2013, the Company acquired a number of employees and assumed the corresponding liabilities relating to pension and non-pension post-employment benefit plans in Germany, as well as other countries.

In Germany, there are a number of pensions and post-employment benefit plans, including a cash balance plan that provides benefits on retirement, disability and death, a salary sacrifice plan, as well as other post-employment benefit schemes. The plan assets are held in a separate Contractual Trust Arrangement with Deutsche Pensions Treuhand GmbH. The German pension plans operate under the legal framework of the German Company Pension Law and under the German Labour Law.

The other post-employment employee benefit plans relate to a number of other countries, including Austria, Bulgaria, India, Indonesia, Philippines, Saudi Arabia, Tanzania and UAE. These plans are generally unfunded. The Company's pensions and post-employment benefit plans are subject to risks from changes in the market discount rate, the rate of salary and pension increases and longevity. A lower discount rate results in a higher defined benefit obligation and/or higher benefit costs.

The Company has assessed the valuation for pension and non-pension post-employment benefits. Pension fund assets are invested primarily in fixed income and equity securities. The Company's pension funds do not invest directly in the Company's shares, but may invest indirectly as a result of the inclusion of the Company's shares in certain market investment funds. These plan assets are maintained in segregated accounts by a custodian that is independent from the fund managers. The Company believes that the counterparty credit risk is low.

OTHER ASSETS

Other assets were at \$1.9 million as at September 30, 2016, compared to \$2.2 million as at September 30, 2015. The Company recognized upfront direct costs related to one customer contract as an asset. These assets are being recovered through future minimum contractual payment terms. The costs are being amortized over the pattern of recognition of the related contract revenue. During the year ended September 30, 2016, \$0.4 million was amortized (2015 - \$1.7 million).

DEFERRED REVENUE

Deferred revenue represents amounts that have been billed and collected in accordance with the terms of the contract but where the criteria for revenue recognition has not been met. Redknee operates in an industry where contract prices are fixed and payments are based on billing milestones. All services provided from inception are recoverable 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 to \$19.6 million at September 30, 2016, as compared to \$14.2 million at September 30, 2015, mainly due to an increase in advance payments for support and subscription contracts.

LIQUIDITY AND CAPITAL RESOURCES

The Company's objective in managing capital resources 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, senior secured credit facilities, and cash on hand.

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

Statement of Cash Flows Summary (\$ US Thousands) (Unaudited)	Three months ended		Twelve months ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Cash inflows and (outflows) by activity:				
Operating activities	5,434	(5,180)	7,378	(763)
Investing activities	403	(36,019)	(11,448)	(54,495)
Financing activities	(6,697)	9,919	(13,307)	6,730
Effect of foreign currency exchange rate changes on cash and cash equivalents	329	(680)	(590)	(5,061)
Net cash inflows (outflows)	(532)	(31,961)	(17,967)	(53,589)
Cash and cash equivalents, beginning of period	37,612	87,008	55,048	108,637
Cash and cash equivalents, end of period	37,081	55,048	37,081	55,048

Cash from Operating Activities

Cash provided by operating activities was \$5.4 million in the three months ended September 30, 2016, compared to cash used for operating activities of \$5.2 million in the same period last year. In the year ended September 30, 2016, cash provided by operating activities was \$7.4 million, compared to cash

used for operating activities of \$0.8 million in the same period last year. Cash provided by operating activities, net of restructuring payments, was \$13.8 million and \$24.0 million in the three months and twelve months ended September 30, 2016, respectively.

The source of operating cash in the three months ended September 30, 2016 is mostly attributable to a higher conversion rate of accounts receivable and unbilled revenue to cash, increase in accounts payable, partially offset by a decrease in taxes payable. The source of operating cash for the twelve months ended September 30, 2016 is mostly attributable to a higher conversion rate of accounts receivable and unbilled revenue to cash and the increase in accounts payable and deferred revenue, partially offset by a decrease in accrued liabilities.

Working capital represents the Company's current assets less its current liabilities. The Company's working capital balance decreased to a negative \$15.5 million as at September 30, 2016, as compared to \$87.9 million at September 30, 2015. The decrease in working capital was partially a result of the classification of the entire amount of loans and borrowings of \$50.4 million as a current liability at September 30, 2016, as compared to \$1.8 million of the balance being classified as a current liability at September 30, 2015. The net proceeds from the issuance of Preferred Shares and Warrant of \$80.0 million which is expected to close by January 31, 2017, will be used to repay the loans and borrowings and for working capital and operating requirements of the Company. As described under "Commitments and Contractual Obligations", the loans and borrowings have been classified as a current liability as of September 30, 2016. Excluding the loans and borrowings from the current liabilities, the Company's working capital balances decreased to \$35.0 million as at September 30, 2016 as compared to \$87.9 million at September 30, 2015.

Cash used for Investing Activities

Cash provided by investing activities during the three months ended September, 2016 was \$0.4 million, compared to cash used of \$36.0 million during the same period in fiscal 2015. The source of cash mainly relates to the release of restricted cash.

For the year ended September 30, 2016, cash used for investing activities was \$11.5 million, compared to \$54.5 million during the same period in fiscal 2015. The use of cash in the year ended September 30, 2016 mainly relates to the purchase of property and equipment and the payments made to Nokia Networks on the contingent earn out and settlement provision.

Cash used for Financing Activities

In the three months ended September 30, 2016, cash used for financing activities was \$6.7 million, compared to cash provided by financing activities of \$9.9 million during the same period in fiscal 2015. The use of cash in the three months ended September 30, 2016 relates to interest and principal repayments on the loan.

For the year ended September 30, 2016, cash used for financing activities was \$13.3 million, compared to cash provided by financing activities of \$6.7 million during the same period in fiscal 2015. The use of cash in the year ended September 30, 2016 mainly relates to purchase of shares under NCIB, interest and principal repayments on the loan.

BUSINESS ACQUISITION

(a) Acquisition of Orga Systems

On July 31, 2015, the Company completed the acquisition (the "Acquisition") of Orga. Orga provides monetization solutions to approximately 45 customers in the communications, automotive, energy, and railway industries. As part of the acquisition, the Company acquired Orga's customer and supplier contracts, intellectual property rights, property and equipment and certain liabilities, along with a highly skilled team of employees across Europe, Middle East, and Africa, the Americas and Asia Pacific, further broadening its global reach.

The Acquisition has been accounted for as a business combination under the purchase method. The results of the operations of the Orga business since the date of the Acquisition have been consolidated in the financial statements.

(i) Consideration transferred:

The Company financed the Acquisition with cash. The consideration for the Acquisition was €38.0 million (\$41.8 million) in gross proceeds. Also on the closing date, the Company received cash from the vendors of approximately €0.7 million (\$0.7 million) relating to the vendor's tax liability on the sale of the subsidiary's shares that was to be remitted by the Company to the appropriate tax authorities and €0.7 million (\$0.7 million) for restructuring costs relating to certain employees that were to be terminated by the Company post acquisition. As at September 30, 2016 these liabilities were fully paid

(ii) Identifiable assets acquired and liabilities assumed:

The Company finalized the purchase price allocation as at June 30, 2016. The allocation of the purchase price to the fair values of the assets acquired and liabilities assumed upon acquisition were as follows:

<i>Thousands</i>	Purchase price allocation	
	(Euros)	(U.S. dollars)
Net assets acquired	(482)	(530)
Acquired intangible assets		
Customer relationships	10,500	11,556
Acquired technology	5,600	6,163
Goodwill	22,382	24,632
	38,482	42,351
	€ 38,000	\$ 41,821

The Company applied significant estimates and assumptions in accounting for the Acquisition relating to the preliminary allocation of the purchase price, valuation of intangible assets, valuation of accounts receivable and other valuations used in the business acquisition, such as deferred revenue and contract loss provisions.

The Company allocated €16.1 million (\$17.7 million) to intangible assets, including customer relationships and acquired technology based on their estimated fair values at the date of acquisition. These customer relationships and technology assets are being amortized over their estimated useful lives of 10 and 5 years, respectively. The useful lives of the intangible assets are determined as the period of time over which the assets are anticipated to contribute to the Company's future cash flows.

(iii) Goodwill:

Goodwill of \$24.6 million was recognized in this business combination, due to the Acquisition price being higher than the estimated fair values of the net assets acquired.

For the year ended September 30, 2016, the Company obtained additional information about the facts and circumstances that existed at the acquisition date, resulting in the following changes from amounts disclosed in the Company's consolidated financial statements as at and for the year ended September 30, 2015: increasing deferred revenue by \$0.5 million, decreasing unbilled revenue by \$0.3 million, increasing customer relationship intangible asset by \$0.4 million, increasing technology intangible asset by \$1.1 million and decreasing deferred income taxes by \$2.2 million, and a resulting increase in goodwill of \$1.4 million.

(iv) Other items:

During the year ended September 30, 2016, the Company incurred acquisition and related costs of \$1.0 million (2015 - \$1.6 million), which included expenses for legal, professional and other costs. These costs have been presented separately as acquisition and related costs in the consolidated statements of comprehensive loss.

(b) Acquisition of Nokia Networks' Business Support Systems ("BSS"):

On March 29, 2013, the Company acquired Nokia Networks' BSS business. BSS business provided real-time charging, rating, policy and customer care solutions to more than 130 communication service providers.

(i) Settlement accrual and contingent consideration:

On June 23, 2015, the Company entered into an agreement with Nokia Networks to settle all outstanding matters related to the acquisition of the BSS business including finalization of the contingent consideration provided for in the acquisition agreement. As a result of this final settlement, an incremental amount of \$3.6 million was charged to acquisition and related costs in the consolidated statement of comprehensive loss during the year ended September 30, 2015.

The amount payable at September 30, 2015 was \$10.2 million, which was fully paid by September 30, 2016.

(ii) Other items:

During the year ended September 30, 2016, the Company incurred direct acquisition and related costs of \$0.2 million (2015 - \$0.9 million), which included expenses for legal, professional, restructuring and other costs. These costs have been charged to acquisition and related costs in the consolidated statements of comprehensive loss.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Loans and borrowings

On August 4, 2015, the Company entered into an amended and restated credit agreement with certain lenders. The amended credit agreement added to the Company's existing credit facility, increasing the revolving line of credit to \$40.0 million and the term loan to \$60.0 million for a total credit facility in the amount of \$100.0 million.

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

As at September 30, 2016, \$52.7 million (2015 - \$60.0 million) is outstanding and principal and interest is payable quarterly over the term maturing August 4, 2020. At inception, the Company incurred \$3.4 million of transaction costs and has recorded these costs as deferred financing costs that are being amortized over the expected five-year term of the loans using the effective interest rate method. During the year ended September 30, 2016, \$0.4 million of deferred financing fees was amortized (2015 - \$0.4 million).

The Company is required to comply with certain financial and non-financial covenants that exist under the agreement. For the year ended September 30, 2016, the Company has entered into a waiver and amendment to its credit agreement with its lenders. Pursuant to this waiver and amendment, the lenders waived compliance with the financial covenant requirements under the credit agreement for the twelve-month period ended September 30, 2016, subject to compliance by Redknee with certain conditions and reporting relating to its previously announced review of strategic and financing alternatives. Additionally, on December 9, 2016, the Company entered into a new waiver and amendment to its amended and restated credit agreement (as amended, the "Credit Agreement"). Under the December 9, 2016 waiver, the lenders waived compliance with the financial covenants under the Credit Agreement for the twelve-month period ending December 31, 2016. The waiver and amendment also includes a requirement that the Company complete the Financial Transaction for the issuance of the Preferred Shares and Warrant for gross proceeds of \$80.0 million by January 31, 2017, amongst satisfaction of other conditions. The loans and borrowings have been classified as a current liability as of September 30, 2016. The net proceeds from this transaction will be used to repay the loans and borrowings.

Lease Commitments

The Company leases certain property and equipment under operating leases. Operating lease payments are expensed on a straight-line basis over the term of the relevant lease agreements. Lease inducements received upon entry into an operating lease are recognized on a straight-line basis over the lease term. Operating lease payments for the year ended September 30, 2016, were \$7.7 million (2015 - \$6.1 million). The Company is obligated to make future annual lease payments under operating leases for office equipment and premises.

Future minimum lease payments under non-cancellable operating leases as at September 30, 2016 are as follows:

	\$ (thousands)
2017	5,478
2018	3,752
2019	2,730
2020	1,181
2021 and thereafter	746
	<hr/> 13,887 <hr/>

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 senior secured credit facility, 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 and cash raised through past share issuances. 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 conditions relating to the current loans and borrowings are discussed in loans and borrowing section above.

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. The control framework used by the CEO and the CFO to design the Company's internal control over financial reporting is the "Internal Control – Integrated Framework (2013)" published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Changes in Internal Controls over Financial Reporting

The Company has substantially integrated the operations of the acquired Orga business, which involved, amongst other things, transitioning of employees in various countries to Redknee subsidiaries and branches, finalization of customer contract delivery arrangements and assumption of key facilities and infrastructure. Consequently, management has designed and implemented internal controls over financial reporting that have been impacted by this acquisition. Other than the foregoing, there have been no changes to the Company's internal controls over financial reporting during the year ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

ACCOUNTING CHANGES AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

New accounting pronouncements

The IASB has issued new standards and amendments to existing standards. These changes in accounting are not yet effective at September 30, 2016 and could have an impact on future periods

(i) IFRS 15, Revenue from Contracts with Customers ("IFRS 15"):

The IASB issued IFRS 15, which is effective for annual periods beginning on or after January 1, 2018. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue, at a point in time and over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company is in the process of assessing the impact of this standard on its consolidated financial statements.

(ii) Amendments to IFRS 2 - Classification and measurement of Share-based payment transactions ("IFRS 2"):

On June 20, 2016, the IASB issued amendments to IFRS 2, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively, retrospectively, or early, application is permitted if information is available without the use of hindsight. The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;

- Share-based payment transactions with a net settlement feature for withholding tax obligations; and,
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled

The Company intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

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

The IASB issued IFRS 9, which replaces IAS 39, Financial Instruments: Recognition and Measurement, and which establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard also includes a new general hedge accounting standard which will align hedge accounting more closely with risk management. It does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduces more judgment to assess the effectiveness of a hedging relationship. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with certain exemptions. The Company is in the process of assessing the impact of this standard on its consolidated financial statements.

(iv) IFRS 16, Leases ("IFRS 16"):

On January 13, 2016 the IASB issued IFRS 16. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, Leases ("IAS 17"). This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company is in the process of assessing the impact of this standard on its condensed consolidated interim financial statements.

(v) Amendments to IAS 7 – Disclosure initiative:

On January 7, 2016 the IASB issued Disclosure Initiative (Amendments to IAS 7). The amendments apply prospectively for annual periods beginning on or after October 1, 2017. Earlier application is permitted.

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities from financing activities. The Company intends to adopt the amendments to IAS 7 in its financial statements for the annual period beginning on October 1, 2017. The Company does not expect the amendments to have a material impact on the financial statements.

(vi) Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses:

On January 19, 2016 the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses. The amendments apply retrospectively for annual periods beginning on or after October 1, 2017. Earlier application is permitted.

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences.

The Company intends to adopt the amendments to IAS 12 in its financial statements for the annual period beginning on October 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Revenue Recognition

General

The Company's revenue is derived primarily from licensing of software products under non-cancellable license agreements, the provision of related professional services (including installation, integration and training) and post-contract customer support ("PCS"). In certain cases, the Company also provides customers with hardware in conjunction with its software offerings.

Revenue comprises the fair value of consideration received or receivable from the sale or license of products or the provision of services in the ordinary course of business, net of discounts and sales taxes. Out-of-pocket expenditures that are contractually reimbursable from customers are recorded as gross revenue and expenditures.

Arrangements with multiple components

The Company enters into arrangements that contain separately identifiable components, which may include any combination of software, services, PCS and/or hardware.

Where multiple transactions or contracts are linked, such that the individual transactions have no commercial effect on their own, the transactions are evaluated as a combined customer arrangement for purposes of revenue recognition. When two or more revenue-generating activities or deliverables are sold under an arrangement, each deliverable that is considered a separate component is accounted for separately. A deliverable is separately accounted for when a delivered item has standalone value from undelivered items based on the substance of the arrangement. When services are essential to the functionality of the software, the software does not have standalone value and is combined with the essential services as a single component.

Where an arrangement includes multiple components, revenue is allocated to the different components based on their relative fair values or the residual method, as applicable. The Company generally uses optional stated renewal rates to evidence fair value of undelivered term-license/PCS services when the renewal fees and terms are substantive. When stated renewal rates do not exist for an arrangement, the Company considers fees charged on standalone PCS renewals in other similar arrangements to establish fair value. The Company typically evidences fair value for other products and services based on the pricing when those deliverables are sold separately. Where reasonable vendor-specific or third party inputs do not exist to reliably establish fair value, the Company allocates revenue based on its best estimate of selling price that the Company would transact at if the deliverable were sold on a standalone basis. For services, this includes the expected cost of delivery plus an estimated profit margin. Under the residual method, revenue is allocated to undelivered components of the arrangement based on their fair values and the residual amount of the arrangement revenue is allocated to delivered components.

The revenue policies below are applied to each separately identifiable component. Revenue associated with each component is deferred until the criteria required to recognize revenue have been met.

The Company recognizes revenue once persuasive evidence exists, generally in the form of an executed agreement, it is probable the economic benefits of the transaction will flow to the Company and revenue and costs can be measured reliably. If collection is not considered probable, revenue is recognized only once fees are collected.

Software licenses

Revenues for combined licensed software and essential services are recognized using contract accounting, following the percentage-of-completion method. The Company uses either the ratio of hours to estimated total hours or the completion of applicable milestones, as appropriate, as the measure of its progress to completion on each contract. If a loss on a contract is considered probable, the loss is recognized at the date determinable.

Perpetual software licenses, when not combined with services for accounting purposes, are recognized upon delivery and commencement of the license term. Term licenses and software subscriptions are generally recognized rateably over the term of the subscription license.

Other services

Revenue for installation, implementation, training and other services, where not essential to the functionality of the software, is recognized as the services are delivered to the customer. Fixed fee services arrangements are recognized using the percentage-of-completion method based on labour input measures.

Post-contract customer support (“PCS”)

PCS revenue is recognized ratably over the term of the PCS agreement.

Hardware

Hardware revenue is recognized when delivery has occurred and risks and rewards have transferred to the customer.

Unbilled and deferred revenue

Amounts are generally billable on reaching certain performance milestones, as defined by individual contracts. Revenue in excess of contract billings is recorded as unbilled revenue. Cash proceeds received in advance of performance under contracts are recorded as deferred revenue. Deferred revenue is classified as long-term if it relates to performance obligations that are expected to be fulfilled after 12 months from year end.

Deferred contract costs

Up-front direct costs that relate to future activity on the contract are recognized as an asset when it is probable that they will be recovered through future minimum payments specified in contractual agreements.

Income Taxes

Income taxes comprise current and deferred tax. Current tax represents the expected tax payable on taxable income for the year using enacted or substantively enacted tax rates at the end of the reporting year, and any adjustments to tax payable related to prior years. Deferred tax assets and liabilities are determined based on differences between the carrying amounts of assets and liabilities for financial reporting purposes and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred income tax assets are recognized to the extent that realization is considered probable. The ultimate realization of deferred income tax assets is dependent on the generation of future taxable income during the years in which those temporary differences become deductible. Management considers projected future taxable income, uncertainties related to the industry in which the Company operates and income tax planning strategies in making this assessment. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same authority on the same taxable entity, or on different tax entities where these entities intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Accounting for business combinations

The determination and measurement of fair value of the net assets and liabilities acquired are based on management's best estimates and assumptions and utilizes established valuation methodologies.

Fair value estimates of share-based compensation

Fair value of stock options is determined using the Black-Scholes option pricing model. Inputs to the model are subject to various estimates related to volatility, interest rates, dividend yields and expected life of the stock options issued. Fair value inputs are subject to market factors, as well as internal estimates. In addition to the fair value calculation, the Company estimates the expected forfeiture rate with respect to equity-settled share-based payments based on historical experience.

Pension and non-pension post-employment benefit plans

The actuarial valuation of defined benefit obligation and fair value of plan assets require estimates, including discount rates applied to the Company's pension plan and non-pension post-employment benefit liabilities.

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 37 filed and 156 granted patents. To date Redknee has not initiated any action with respect to assertions and/or claims of patent infringement.

OUTSTANDING SHARE DATA

The current number of common shares outstanding as at September 30, 2016 is 108,252,436 (September 30, 2015 – 109,230,576). In addition, there were 10,188,984 (2015 – 7,780,332) stock options outstanding with exercise prices ranging from CAD \$0.23 to CAD \$6.30 per share.

SHARE CAPITAL**(a) Normal course issuer bid :**

On December 2, 2015, the Company announced an NCIB under which it may purchase up to 9,437,270 of its common shares commencing on December 7, 2015, and expiring on December 6, 2016. During the year ended September 30, 2016, the Company has purchased and cancelled 1,265,690 common shares for \$2,556,966 under this program.

(b) Share-based Compensation

The share-based compensation relating to the Company's stock options, deferred share unit plan and under the restricted share plan for the year ended September 30, 2016 was \$3.2 million (2015 - \$3.5 million).

RELATED PARTY TRANSACTIONS

Key management personnel comprise the Company's directors and executive officers. The aggregate remuneration of key management personnel during the year ended September 30 is as follows:

<i>\$US Thousands (unaudited)</i>		2016		2015
Salaries and employee benefits	\$	3,381	\$	3,089
Share-based compensation (a)		3,158		2,561
	\$	6,539	\$	5,650

(a) Share-based compensation includes cash-settled and equity-settled awards

FINANCIAL RISK MANAGEMENT

The Board of Directors has the overall responsibility and oversight of the Company's risk management practices. The Company does not follow a specific risk model, but rather includes risk management analysis in all levels of strategic and operational planning. The Company's management, specifically the Senior Leadership Team, is responsible for developing and monitoring the Company's risk strategy. The Company's management reports regularly to the Board of Directors on its activities.

The Company's management identifies and analyzes the risks faced by the Company. Risk management strategy and risk limits are reviewed regularly to reflect changes in the market conditions and Company's activities. The Company's management aims to develop and implement a risk strategy that is consistent with the Company's corporate objectives.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Credit risk:

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Company is exposed to credit risk from banks and customers.

The Company has credit risk relating to cash and cash equivalents and restricted cash, which it manages by dealing with large chartered Canadian and international banks and investing in highly liquid investments of a rating of no less than R1, the credit rating assigned to those who pay on time.

The Company's exposure to credit risk geographically for cash and cash equivalents and restricted cash as at September 30 was as follows:

	2016	2015
Europe, Middle East and Africa	83%	56%
North America, Latin America and Caribbean	7%	23%
Asia and Pacific Rim	10%	21%
	100%	100%

For the year ended September 30, 2016, the Company had no customer that accounted for greater than 10% of revenue (2015 – one customer accounted for 11% of revenue). 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.

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 \$34.1 million as at September 30, 2016 (2015 - \$60.4 million), 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 varies based upon the size of the customer, type of revenue and geographic region, and generally call for payment within 30 to 120 days. At September 30, 2016, approximately 26.8% of gross trade receivables, or \$11.6 million, was outstanding for more than 120 days (2015 - 19.6% in the amount of \$14.0 million).

The activity of the allowance for doubtful accounts for the year ended September 30 is as follows:

<i>\$US Thousands</i>	September 30, 2016	September 30, 2015
Allowance for doubtful accounts, beginning of year	\$ 1,685	\$ 4,349
Bad debt expense (recovery)	857	(870)
Write-off bad debts	(1,794)	(1,794)
	\$ 748	\$ 1,685

Allowance for doubtful accounts is charged to general and administrative expense. Estimates for allowance for doubtful accounts are determined on a customer by customer evaluation of collectability at each consolidated statement of financial position reporting date, taking into account the amounts that are past due and any available relevant information on the customers' liquidity and going concern risks.

The Company's exposure to credit risk for trade receivables by geographic area as at September 30 was as follows:

	2016	2015
Europe, Middle East and Africa	62%	36%
North America, Latin America and Caribbean	11%	15%
Asia and Pacific Rim	27%	49%
	100%	100%

Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's financial liabilities as at September 30, 2016 will mature as follows:

<i>US\$ Thousands</i>	Less than 1 year	1 to 2 years	2 years and thereafter
Trade payables	\$ 14,213	\$ —	\$ —
Accrued liabilities	23,406	—	—
Loans and borrowings	50,446	—	—
Provisions	21,981	5,983	701
Other liabilities	—	—	2,264
	\$ 110,046	\$ 5,983	\$ 2,965

Management believes the Company's existing cash and cash equivalents, restricted cash and cash from operating and financing activities will be adequate to support all of its financial liabilities and contractual commitments as they come due. The loans and borrowings have been classified as current due to reasons described in the "Commitments and Contractual Obligations" section above.

The Company operates in a number of jurisdictions, some of which impose currency remittance restrictions and income tax withholdings, which impacts the timing and amount of cash which can be repatriated from these countries.

Market risk:

Market risk is the risk that the value of the Company's financial instruments will fluctuate due to changes in the market risk factors. The market risk factors which affect the Company are foreign currency and interest rates.

(a) Foreign currency risk:

The Company conducts a significant portion of its business activities in foreign countries. Foreign currency risk arises because of fluctuations in foreign currency exchange rates. The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows by converting foreign-denominated cash balances into U.S. dollars to the extent practical to match U.S. dollar obligations. The monetary assets and liabilities that are denominated in foreign currencies are affected by changes in the exchange rate between the U.S. dollar and these foreign currencies. The Company recognized a foreign currency exchange loss of \$4.2 million during the year ended September 30, 2016 (2015 - loss of \$9.9 million).

If a shift in foreign currency exchange rates of 10% were to occur, the foreign currency exchange gain or loss on the Company's net monetary assets could change by approximately \$0.4 million (2015 - \$3.3 million) due to the fluctuation and this would be recorded in the consolidated statements of comprehensive loss.

(b) Interest rate risk:

Interest rate risk arises because of the fluctuation in interest rates. The Company is subject to interest rate risk on its cash and cash equivalents, restricted cash and certain loans and borrowings. If a shift in interest rates of 10% were to occur, the impact on cash and cash equivalents and restricted cash and the related income for the year ended September 30, 2016, would not be material. On the loans and borrowings, an incremental increase or decrease in the LIBOR rate by 10%, will impact interest expense by approximately \$0.3 million (2015 - \$0.3 million).

RISK FACTORS

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

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

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. Redknee also has to comply with certain financial covenants as required by the Credit Agreement. Failure to comply with these covenants may result in the loans becoming due and payable immediately, which could have a material adverse impact on the Company's liquidity and financial position.

Redknee has received waivers from its lenders in respect of the breach of the financial covenants contained in the Credit Agreement, including in respect of the twelve-month period ending December 31, 2016. Pursuant to the waiver and amendment dated December 9, 2016, the Company is required to complete the issuance of the Preferred Shares and the Warrant by January 31, 2017. See Commitments and Contractual Obligations – Loans and borrowings. If such Financing Transaction is not completed by January 31, 2017, there can be no assurance that the lenders will waive breach of such requirement, in which event all indebtedness under the Credit Agreement would become due and payable. There can be no assurance that the Financing Transaction can be completed, or that any other financing or alternative transaction is available to the Company, to enable it to satisfy the indebtedness under the Credit Agreement. In the event that the Company fails to satisfy the indebtedness under the Credit Agreement when due and payable, the lenders may enforce their security in the assets of the Company, which would have a material adverse impact on the business, financial condition and operating results of the Company and, as a result, a substantial adverse impact on the value of the common shares of the Company.

There can be no assurance that the Financing Transaction will be successfully completed

The Company intends to use the net proceeds of the Financing Transaction to repay the outstanding indebtedness of the Company under the Credit Agreement. There can be no assurance that the Financing Transaction will be completed when expected, on the terms proposed, or at all.

The Constellation Agreement contains a number of conditions that must be fulfilled to complete the Financing Transaction, including: approval of the holders of common shares at a meeting of shareholders (the "Company Meeting") of the Financing Transaction and termination of the Company's Shareholder Rights Plan; receipt of approval of the Toronto Stock Exchange; no law is enacted that makes completion of the Financing Transaction illegal or otherwise prohibited, or enjoins the Company or the Investor from completing the Financing Transaction; no material adverse effect in the business of the Company has occurred; the resignation of four directors of the Company have been received and the appointment of four directors designated by the Investor has been completed; and other usual closing conditions.

The Constellation Agreement is terminable in the following circumstances:

- by either the Company or the Investor, if:
 - the Financing Transaction has not been completed by February 28, 2017;
 - any law is enacted that makes completion of the Financing Transaction illegal or otherwise prohibited, or enjoins the Company or the Investor from completing the Financing Transaction; or

- shareholders fail to approve the necessary resolutions at the Company Meeting;
- by the Investor, if prior to the time of the Company Meeting, the Company breaches in any material respect its obligations under the Constellation Agreement not to solicit an alternative transaction or participate in any discussions regarding an alternative transaction or change the recommendation of the Board of Directors to shareholders to approve the Financing Transaction; or
- by the Company or the Investor, if prior to obtaining shareholder approval for the Financing Transaction, the Board of Directors authorizes the Company to enter into a written agreement concerning a superior transaction proposal.

There can be no assurance that the conditions to closing will be satisfied or waived or that other events will not intervene to delay or prevent the completion of the Financing Transaction by January 31, 2017, as required by the waiver and amendment to the Credit Agreement of the lenders referred to above.

Market Development

The market in which the Company operates is still developing and the market demand, price sensitivity and preferred business model to deliver innovative mobile communications infrastructure software and value-added services for CSPs remains highly uncertain. The Company's growth is therefore dependent on, among other things, the size and pace at which the markets for its software products and services develop. If the markets for the Company's software products and services decline, remain constant, or grow more slowly than anticipated, the Company's growth plans, business and financial results may suffer. Furthermore, the timing of revenue from sales of the Company's products and services in any financial year may change as a result of the specific requirements of the Company's customers and their available financial resources and, as such, may result in fluctuations in the Company's operating performance.

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

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

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

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

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

Currency fluctuations may adversely affect the Company.

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

Sales and Product Implementation Cycles

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

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

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

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

Customer Credit Risk

The Company is exposed to credit risk related to accounts receivable from customers and amounts owing from channel partners and other third parties that the Company engages in business with. Third parties

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

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

Maintaining Business Relationships

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

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

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

- the size and timing of individual transactions;
- competitive conditions in the industry, including strategic initiatives by the Company or its competitors, new products or services, product or service announcements and changes in pricing policy by the Company or its competitors;
- market acceptance of the Company's products and services;
- the Company's ability to maintain existing relationships and to create new relationships with channel partners;
- varying size, timing and contractual terms of orders for the Company's products, which may delay the recognition of revenue;
- the discretionary nature of purchase and budget cycles of the Company's end-users and changes in their budgets for, and timing of, telecommunications infrastructure related purchases;
- the length and variability of the sales cycles for the Company's products;

- strategic decisions by the Company or its competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- general weakening of the economy resulting in a decrease in the overall demand for telecommunications infrastructure products and services or otherwise affecting the capital investment levels of businesses with respect to telecommunications industry; and
- timing of product development and new product initiatives.

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

Product Liability

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

System Failures and Breaches of Security

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

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

Transfer Pricing

The Company conducts business operations in various jurisdictions and provides products and services to, and may from time to time undertake certain significant transactions with, other subsidiaries in different jurisdictions. The tax laws of these jurisdictions have detailed transfer pricing rules which

require that all transactions with non-resident related parties be priced using arm's length pricing principles and that contemporaneous documentation exists to support such pricing.

Taxation authorities, including the Canada Revenue Agency, could challenge the validity of the Company's arm's length related party transfer pricing policies. International transfer pricing is a subjective area of taxation and generally involves a significant degree of judgment. If any of these taxation authorities are successful in challenging the Company's transfer pricing policies, income tax expenses may be adversely affected and the Company could also be subjected to interest and penalty charges. Any such increase in income tax expenses and related interest and penalties could have a significant impact on the Company's future earnings and future cash flows.

Government Incentive Programs

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

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

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

Taxation

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

Financial Resources

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

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

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

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

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

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

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

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

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

- build a network of channel partners to create an expanding presence in the evolving marketplace for the Company's products and services;
- build a sales team to keep end-users and channel partners informed regarding the technical features, issues and key selling points of its products and services;

- attract and retain qualified technical personnel in order to continue to develop reliable and flexible products and provide services that respond to evolving customer needs;
- develop support capacity for end-users as sales increase, so that the Company can provide post-sales support without diverting resources from product development efforts; and
- expand the Company's internal management and financial controls significantly, so that the Company can maintain control over its operations and provide support to other functional areas as the number of personnel and size increases.

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

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

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

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

The Company has been dependent, and expects that during Fiscal 2016 it will continue to be dependent, on a relatively small number of customers for a large percentage of its revenue. For the year ended September 30, 2016, the Company had no customer that accounted for greater than 10% of sales (2015 – one customer accounted for 11%). If one or more of the Company's end-users discontinues its relationship with the Company for any reason, or reduces or postpones current or expected purchases of the Company's products or services, the Company's business, results of operations and financial condition could be materially adversely affected.

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

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

directly or through indemnities against these claims that it routinely provides to its end-users and channel partners.

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

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

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

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

The Company may engage in future acquisitions that could disrupt its business, cause dilution to its shareholders and harm its financial condition and operating results.

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

- diversion of management's attention;
- disruption to the Company's ongoing business;
- failure to retain key acquired personnel;
- difficulties in integrating acquired operations, technologies, products or personnel;
- unanticipated expenses, events or circumstances;

- assumption of disclosed and undisclosed liabilities; and
- inappropriate valuation of the acquired in-process research and development, or the entire acquired business.

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

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

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

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

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

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

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

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

Operating internationally exposes the Company to additional and unpredictable risks.

The Company sells its products throughout the world and intends to continue to increase its penetration of international markets. The Company also operates through subsidiaries that are located in various

jurisdictions globally. A number of risks are inherent in international transactions. Future results could be materially adversely affected by a variety of factors including, many of which are beyond the Company's control, including risks associated with:

- foreign currency fluctuations;
- political, security and economic instability in foreign countries;
- changes in and compliance with local laws and regulations, including export control laws, tax laws, labour laws, employee benefits, currency remittance restrictions and other requirements;
- differences in tax regimes and potentially adverse tax consequences of operating in foreign countries;
- customizing products for foreign countries;
- legal uncertainties regarding liability, export and import restrictions, tariffs and other trade barriers;
- hiring qualified foreign employees; and
- difficulty in accounts receivable collection and longer collection periods.

Any or all of these factors could materially adversely affect the Company's business or results of operations.

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

Many of the Company's sales, particularly in larger installations, are made by competitive bid. Successfully competing in competitive bidding situations subjects us to risks associated with:

- the frequent need to bid on programs in advance of the completion of their design, which may result in unforeseen technological difficulties and cost overruns;
- research and development to improve or refine the Company's product in advance of winning the sale; and
- the substantial time, money, and effort, including design, development, and marketing activities, required to prepare bids and proposals for contracts that may not be awarded to us. If the Company does not ultimately win a bid, the Company may obtain little or no benefit from those expenditures and may not be able to recoup them on future projects.

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

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

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

The Company may be required to defer recognizing revenue from the sale of products until all the conditions necessary for revenue recognition have been satisfied. Conditions that can cause delays in revenue recognition include:

- arrangements that have undelivered elements for which objective evidence of fair value has not been established;
- requirements to deliver services for significant enhancements or modifications to customize Redknee's software for a particular customer; or
- material customer acceptance criteria.

Redknee may be required to defer revenue recognition for a period of time after its products are delivered and billed to a customer, and such deferral may extend over one or more fiscal quarters. The period of deferral, if any, depends on the specific terms and conditions of each customer contract, and therefore it is difficult for the Company to predict with accuracy at the beginning of any fiscal period the amount of revenues that it will be able to recognize from anticipated customer deployments in that period. Moreover, any changes in accounting principles or interpretations and guidance could have a significant effect on the Company's reported financial results.

Use of Open Source Software

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

Dependence Upon Relationships With Sales Channel Partners

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

Dependence Upon Suppliers

The Company licenses certain technologies used in its products from third parties, generally on a non-exclusive basis. The termination of any of these licenses, or the failure of the licensors to adequately maintain or update their products, could delay the Company's ability to ship its products while the

Company seeks to implement alternative technology offered by other sources which may require significant unplanned investments on its part. In addition, alternative technology may not be available on commercially reasonable terms or may not be available at all. In the future, it may be necessary or desirable to obtain other third party technology licenses relating to one or more of the Company's products or relating to current or future technologies to enhance the Company's product offerings. There is a risk that the Company will not be able to obtain licensing rights to the required technology on commercially reasonable terms, if at all.

Economic and geopolitical uncertainty may negatively affect the Company.

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

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.

Some of the Company's employees are represented by trade unions.

Some of the Company's employees in Europe are represented by trade unions, works councils and other employee representative bodies. To the extent that the Company 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, the Company may experience work stoppages or slowdowns or other labour disputes, which could materially adversely affect its reputation, business, operating results and financial condition.

Risks associated with the fulfillment of the Global Frame Agreement arising from the BSS acquisition.

Redknee is still reliant upon Nokia to fulfil its obligations to invoice certain customers, collect and remit payments to the Company under the back-to-back arrangement as contemplated by the Global Frame Agreement. If Nokia is unable to collect amounts owing from end customers or dispute certain amounts, then the Company may have to write-off the corresponding receivable, which could have a material adverse impact on the Company's operating results and financial condition.

In addition, Redknee may not have identified all risks or have fully assessed risks identified with the acquisition of the BSS division. 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.

Redknee has acquired contingent liabilities through the acquisition of businesses that could adversely affect Redknee.

The Company has acquired contingent liabilities in connection with prior acquisitions. 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 acquired businesses. 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 acquired business. Among the acquired business' contingent liabilities are liquidated damages contractually available to customers for breaches of contracts by predecessor businesses and for estimated damages available to customers for breaches of such contracts by predecessor businesses where such contracts did not contain specified penalties. In addition, as the acquirer of the acquired businesses, 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.

Redknee may not be able to realize the amount of receivables acquired from the Orga entities undergoing liquidation proceedings.

Redknee has acquired certain receivable balances from the Orga entities that are undergoing liquidation proceedings. The realization of the gross amount of these receivable balances is dependent upon the final outcome of the insolvency proceedings. There may be significant delays in realizing cash on such receivables, or the Company may never be able to realize the full amount of such receivables. If such receivables are not realized, Redknee will have to write-off these balances in the period in which the receivables are deemed uncollectible.

Redknee may have difficulties maintaining or growing the business acquired from Orga.

Redknee may experience unanticipated challenges or difficulties maintaining the businesses at their current levels or growing the acquired business. Factors that may impair Redknee's ability to maintain or grow the acquired business, its customers and personnel may include, but are not limited to:

- Risk relating to infringement of third party intellectual property rights by software of the acquired business;
- Non-compatible business cultures;
- Difficulties in gaining necessary approvals in international markets to expand the acquired business as contemplated; and
- Additional demands on resources, systems, procedures and controls.

Redknee may not have identified all risks or have fully assessed risks identified with the Orga 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.

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.