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

REDKNEE SOLUTIONS INC.

Years ended September 30, 2016 and 2015

MANAGEMENT'S RESPONSIBILITY

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of Redknee Solutions Inc. (the "Company"). Management is responsible for the information and representations contained in these consolidated financial statements.

We maintain appropriate processes to ensure that we produce relevant and reliable financial information. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. The significant accounting policies, which management believes are appropriate for the Company, are described in note 2 to the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and overseeing management's performance of its financial reporting responsibilities. The Board of Directors appoint an Audit Committee of four independent directors to review the consolidated financial statements, as well as the adequacy of its internal controls, audit process and financial reporting with management and with the external auditors. The Audit Committee reports to the Board of Directors prior to the approval of the audited consolidated financial statements for publication.

KPMG LLP, our independent auditors appointed by security holders at the last annual meeting, have audited the consolidated financial statements. Their report is presented below.

/s/ Lucas Skoczkowski
Chief Executive Officer

/s/ David Charron
Chief Financial Officer

December 12, 2016
Toronto, Canada

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Redknee Solutions Inc.

We have audited the accompanying consolidated financial statements of Redknee Solutions Inc., which comprise the consolidated statements of financial position as at September 30, 2016 and September 30, 2015, the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Redknee Solutions Inc. as at September 30, 2016 and September 30, 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

December 12, 2016
Toronto, Canada

REDKNEE SOLUTIONS INC.

Consolidated Statements of Financial Position
(Expressed in U.S. dollars)

September 30, 2016 and 2015

		2016		2015
Assets				
Current assets:				
Cash and cash equivalents (note 8)	$	37,080,510	$	55,047,577
Trade accounts and other receivables (note 9)		43,209,046		67,439,885
Unbilled revenue		27,290,500		38,282,163
Prepaid expenses		2,999,539		2,535,936
Income taxes receivable		2,662,163		1,399,564
Other assets (note 12)		268,929		392,195
Inventories		710,591		812,987
Total current assets		114,221,278		165,910,307
Restricted cash (note 20(b))		4,582,293		5,972,087
Property and equipment (note 10)		6,262,965		8,435,008
Deferred income taxes (note 17(d))		1,984,479		2,086,025
Investment tax credits (note 17(c))		355,914		351,385
Other assets (note 12)		1,656,971		1,816,640
Intangible assets (note 11(a))		35,721,065		46,362,262
Goodwill (note 11(b))		32,271,078		32,271,078
Total assets	$	197,056,043	$	263,204,792
Liabilities and Shareholders' Equity				
Current liabilities:				
Trade payables	$	14,212,869	$	9,128,710
Accrued liabilities		23,405,832		32,305,136
Provisions (note 21)		21,981,367		8,772,519
Income taxes payable		724,412		2,364,983
Settlement accrual and contingent consideration (note 5(b)(i))		–		10,244,224
Deferred revenue		18,915,596		13,363,696
Loans and borrowings (note 14)		50,445,790		1,800,000
Total current liabilities		129,685,866		77,979,268
Deferred revenue		639,688		870,937
Other liabilities		2,264,482		2,615,163
Pension and other long-term employment benefit plans (note 15)		20,387,584		11,417,481
Loans and borrowings (note 14)		–		54,961,066
Provisions (note 21)		6,683,256		4,006,354
Deferred income taxes (note 17(d))		687,947		–
Total liabilities		160,348,823		151,850,269
Shareholders' equity:				
Share capital		172,436,385		174,082,815
Treasury stock (note 16(g))		(141,917)		(141,917)
Contributed surplus		9,812,545		7,899,360
Deficit		(133,954,043)		(67,086,722)
Accumulated other comprehensive loss		(11,445,750)		(3,399,013)
Total shareholders' equity		36,707,220		111,354,523
Total liabilities and shareholders' equity	$	197,056,043	$	263,204,792

Commitments, guarantees and contingent liabilities (note 20)

Subsequent event (note 22)

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

REDKNEE SOLUTIONS INC.

Consolidated Statements of Comprehensive Loss
(Expressed in U.S. dollars, except per share and share amounts)

Years ended September 30, 2016 and 2015

	2016	2015
Revenue:		
Software, services and other	$ 76,116,137	$ 130,179,681
Support and subscription	94,973,763	92,560,729
	171,089,900	222,740,410
Cost of revenue	78,494,715	92,192,264
Gross profit	92,595,185	130,548,146
Operating expenditures (note 6):		
Sales and marketing	29,513,033	34,128,382
General and administrative	30,861,909	28,364,951
Research and development	45,495,754	48,030,270
Acquisition and related costs (notes 5 and 21(c))	4,838,371	6,212,222
Restructuring costs (note 21(a))	35,184,661	1,095,454
	145,893,728	117,831,279
Income (loss) from operations	(53,298,543)	12,716,867
Foreign exchange loss	(4,216,967)	(9,948,211)
Other income (note 21(b))	6,362,935	–
Finance income (note 7(b))	83,058	31,633
Finance costs (note 7(a))	(6,260,366)	(5,172,039)
Loss before income taxes	(57,329,883)	(2,371,750)
Income tax expense (recovery) (note 17(a)):		
Current	8,631,902	7,754,139
Deferred	905,536	(119,314)
	9,537,438	7,634,825
Loss for the year	(66,867,321)	(10,006,575)
Other comprehensive income (loss):		
Items that will not be reclassified to net income:		
Actuarial gain (loss) on pension and non-pension post-employment benefit plans, (net of income tax (recovery) expense of nil (2015 - (nil)) (note 15)	(8,046,737)	775,936
Total comprehensive loss	$ (74,914,058)	$ (9,230,639)
Loss per common share:		
Basic	$ (0.62)	$ (0.09)
Diluted	(0.62)	(0.09)
Weighted average number of common shares (note 16(b)):		
Basic	108,481,143	109,111,052
Diluted	108,481,143	109,111,052

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

REDKNEE SOLUTIONS INC.

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in U.S. dollars)

Years ended September 30, 2016 and 2015

	Share capital						
	Number outstanding	Amount	Treasury stock (note 16(g))	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance, September 30, 2015	109,230,576	$ 174,082,815	$ (141,917)	$ 7,899,360	$ (67,086,722)	$ (3,399,013)	$ 111,354,523
Loss for the year	–	–	–	–	(66,867,321)	–	(66,867,321)
Defined benefit plan actuarial loss (note 15)	–	–	–	–	–	(8,046,737)	(8,046,737)
Purchase of shares under NCIB (note 16(c))	(1,265,690)	(2,017,061)	–	(539,905)	–	–	(2,556,966)
Share-based compensation	–	–	–	2,573,953	–	–	2,573,953
Stock options exercised (note 16(g))	287,550	370,631	–	(120,863)	–	–	249,768
Balance, September 30, 2016	108,252,436	$ 172,436,385	$ (141,917)	$ 9,812,545	$ (133,954,043)	$ (11,445,750)	$ 36,707,220
Balance, September 30, 2014	108,903,734	$ 173,757,863	$ (21,226)	$ 5,665,135	$ (57,080,147)	$ (4,174,949)	$ 118,146,676
Loss for the year	–	–	–	–	(10,006,575)	–	(10,006,575)
Defined benefit plan actuarial gain (note 15)	–	–	–	–	–	775,936	775,936
Purchase of treasury stock (note 16(g))	–	–	(536,507)	–	–	–	(536,507)
Treasury stock issued (note 16(g))	–	–	415,816	(415,816)	–	–	–
Share-based compensation	–	–	–	2,743,887	–	–	2,743,887
Stock options exercised (note 16(g))	326,842	324,952	–	(93,846)	–	–	231,106
Balance, September 30, 2015	109,230,576	$ 174,082,815	$ (141,917)	$ 7,899,360	$ (67,086,722)	$ (3,399,013)	$ 111,354,523

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

REDKNEE SOLUTIONS INC.

Consolidated Statements of Cash Flows
(Expressed in U.S. dollars)

Years ended September 30, 2016 and 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Loss for the year	$ (66,867,321)	$ (10,006,575)
Adjustments for:		
Depreciation of property and equipment (note 10)	4,175,854	3,694,373
Amortization of intangible assets (note 11)	9,442,492	7,189,337
Finance income (note 7(b))	(83,058)	(31,633)
Finance costs (note 7(a))	6,260,366	5,172,039
Income tax expense	9,537,438	7,634,825
Unrealized foreign exchange loss	2,378,887	6,284,482
Share-based compensation	3,150,239	3,539,364
Pensions	923,366	1,768,978
Provisions	15,885,750	(16,272,604)
Settlement of acquisition related liabilities	–	1,962,921
Change in non-cash operating working capital (note 18)	34,795,821	(3,925,130)
	19,599,834	7,010,377
Interest paid	(502,201)	(412,465)
Interest received	86,335	31,727
Income taxes paid	(11,805,732)	(7,392,374)
	7,378,236	(762,735)
Financing activities:		
Purchase of treasury stock (note 16 (h))	–	(536,507)
Purchase of shares under NCIB (note 16 (c))	(2,556,966)	–
Proceeds from exercise of stock options	249,768	231,106
Interest paid on loans and borrowings	(4,109,186)	(2,572,761)
Proceeds (repayment) of loans and borrowings	(6,800,000)	10,888,507
Transaction costs on loans and borrowings	(90,496)	(1,280,254)
	(13,306,880)	6,730,091
Investing activities:		
Purchase of property and equipment	(2,552,199)	(2,774,266)
Purchase of intangible assets	(41,318)	(941,171)
Decrease (increase) in restricted cash	1,389,794	(5,090,147)
Payment of settlement accrual and contingent consideration (note 5(b)(i))	(10,244,224)	(5,376,736)
Acquisition of businesses, net of cash acquired (note 5(a) and (b))	–	(40,312,896)
	(11,447,947)	(54,495,216)
Effect of foreign exchange rate changes on cash and cash equivalents	(590,476)	(5,061,360)
Increase (decrease) in cash and cash equivalents	(17,967,067)	(53,589,220)
Cash and cash equivalents, beginning of year	55,047,577	108,636,797
Cash and cash equivalents, end of year	$ 37,080,510	$ 55,047,577

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

Redknee Solutions Inc. (the "Company" or "Redknee"), through its predecessors, commenced operations on March 29, 1999. The Company was incorporated under the Canada Business Corporations Act on November 1, 2006. The Company's registered head office is located at 2560 Matheson Blvd East, Suite 500, Mississauga, Ontario, Canada. The Company is publicly traded on the Toronto Stock Exchange (TSX: RKN).

Redknee is a leading global provider of innovative communication software products, solutions and services. Redknee's revenue and subscriber management platform provides innovative converged billing, charging, customer care and payments solutions for voice, messaging and data services to over 250 service providers in over 90 countries. The Company's software products manage and analyze, in real-time, complex and critical network operations, such as service provisioning, network management and customer care, and provide real-time rating, charging and billing. Redknee is the parent of the wholly owned operating subsidiary, Redknee Inc., and its various subsidiaries.

1. Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements for the year ended September 30, 2016 were authorized for issuance by the Board of Directors of the Company on December 12, 2016.

2. Significant accounting policies:

(a) Basis of measurement and presentation:

These consolidated financial statements have been prepared on a historical cost basis, except for:

- financial assets classified at fair value through profit and loss or as available-for-sale;
- contingent consideration for business combinations that is measured each period at fair value when cash-settled;
- embedded derivative liability, which is measured at fair value;

2. Significant accounting policies (continued):

- plan assets for defined benefit pension plan is recognized as plan assets, plus unrecognized past service cost, less the present value of the defined benefit obligation and is limited as explained in note 15; and

- cash-settled share-based payments, which are measured at fair value.

(b) Basis of consolidation:

These consolidated financial statements include the financial statements of the Company, Redknee Inc. and its wholly owned subsidiary companies. All significant intercompany balances and transactions have been eliminated on consolidation.

(c) Functional currency:

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

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

(d) Use of judgments and estimates:

The preparation of consolidated financial statements and application of IFRS often involve management's judgment and the use of estimates and assumptions deemed to be reasonable at the time they are made. The Company reviews estimates and underlying assumptions on an ongoing basis. Revisions are recognized in the year in which the estimates are revised and may impact future years as well. Other results may be derived with different judgments or using different assumptions or estimates and events may occur that could require a material adjustment.

2. Significant accounting policies (continued):

The following are critical accounting polices subject to judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported consolidated results and consolidated financial position.

(i) Revenue recognition:

Key sources of estimation uncertainty:
In its determination of the amount and timing of revenue to be recognized, management relies on assumptions and estimates supporting its revenue recognition policy. Estimates of the percentage-of-completion for customer projects are based upon current actual and forecasted information and contractual terms.

Critical judgments in applying accounting policies:
A significant portion of the Company's revenue is generated from large and complex customer contracts. Management's judgment is applied regarding, among other aspects, the evaluation of multiple components within these arrangements to assess whether deliverables can be recognized separately for revenue recognition purposes. This includes whether software installation and implementation services have standalone value to the customer. In evaluating whether software is separable from services, the Company's judgments include, among other things, assessing the nature and complexity of the services, whether other vendors could provide the services, and the linkage of payments of software to delivery of services.

2. Significant accounting policies (continued):

(ii) Trade receivables:

Key sources of estimation uncertainty:
The Company monitors the financial stability of its customers and the environment in which they operate to make estimates regarding the likelihood that the individual trade receivable balances will be paid. Credit risks for outstanding customer receivables are regularly assessed and allowances are recorded for estimated losses.

(iii) Deferred taxes:

Key sources of estimation uncertainty:
Deferred tax assets and liabilities are recognized for temporary differences and for tax loss carry forwards. The valuation of deferred tax assets is based on management's estimates of future taxable profits in different tax jurisdictions against which the temporary differences and loss carry forwards may be utilized.

(iv) Accounting for business combinations:

Key sources of estimation uncertainty:
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.

(v) Estimate of useful lives of property and equipment and intangible assets:

Key sources of estimation uncertainty:
Useful lives over which assets are depreciated or amortized are based on management's judgment of future use and performance. Expected useful lives are reviewed annually for any change to estimates and assumptions.

2. Significant accounting policies (continued):

(vi) Fair value estimates of share-based compensation:

Key sources of estimation uncertainty:
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, management estimates the expected forfeiture rate with respect to equity-settled share-based payments based on historical experience.

(vii) Pension and non-pension post-employment benefit plans:

Key sources of estimation uncertainty:
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.

2. Significant accounting policies (continued):

(e) Revenue recognition:

(i) 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.

(ii) 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.

2. Significant accounting policies (continued):

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.

(iii) Software licenses:

Revenue 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 ratably over the term of the subscription license.

2. Significant accounting policies (continued):

(iv) 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.

(v) Post-contract customer support:

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

(vi) Hardware:

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

(vii) 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 greater than 12 months from year end.

(viii) 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.

2. Significant accounting policies (continued):

(f) Net loss per common share:

Basic net loss per common share is computed by dividing loss for the year by the weighted average number of common shares outstanding during the year. Diluted net loss per share is determined by adjusting the income attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. The diluted net loss per share calculation, excludes the impact of employee stock options, treasury shares and other potentially dilutive instruments as their inclusion would be anti-dilutive.

(g) Financial instruments:

The Company recognizes financial assets and financial liabilities when the Company becomes a party to the contractual provision of the instrument at fair value. Financial assets and financial liabilities, with the exception of financial instruments measured at fair value through profit or loss are measured at fair value plus transaction costs on initial recognition. Financial instruments measured at fair value through profit or loss are measured at fair value on initial recognition and transaction costs are expensed when incurred.

Measurement in subsequent periods depends on the classification of the financial instrument:

(i) Financial assets and financial liabilities measured at fair value through profit or loss ("FVTPL"):

Financial assets and financial liabilities are classified at FVTPL when acquired principally for the purpose of trading, if so designated by management, or if they are derivative assets or liabilities. Financial assets and financial liabilities measured at FVTPL are measured at fair value, with changes recognized in the consolidated statements of comprehensive loss.

Cash and cash equivalents, restricted cash, embedded derivative liability and settlement accrual and contingent consideration liabilities are classified at FVTPL.

2. Significant accounting policies (continued):

(ii) Available-for-sale financial assets:

Available-for-sale financial assets are non-derivative financial assets that are either designated as such by management or not classified in any of the other categories. Available-for-sale financial assets are measured at fair value with subsequent changes in fair value, other than impairment losses, recognized in other comprehensive income (loss). Upon sale, the accumulated fair value adjustments recognized in other comprehensive income (loss) are transferred to profit or loss. There were no sales of available for sale financial assets during the years ended September 30, 2016 and 2015.

(iii) Loans and receivables:

Loans and receivables are non-derivative financial assets that have fixed or determinable payments and are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method. Loans and receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default or other circumstances indicate deteriorating economic conditions.

The effective interest method is a method of calculating the amortized cost of an instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all transaction costs and other premiums or discounts) through the expected life of the debt instrument to the net carrying amount on initial recognition.

Trade accounts and other receivables, are classified as loans and receivables.

(iii) Other financial liabilities:

Other financial liabilities are financial liabilities that are not derivative liabilities or liabilities measured at FVTPL. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The Company's other financial liabilities include trade payables, accrued liabilities, provisions, loans and borrowings and other liabilities.

2. Significant accounting policies (continued):

(h) Cash and cash equivalents:

Cash and cash equivalents include balances with banks and highly liquid instruments with original maturities of less than 90 days at issuance.

(i) Inventories:

Inventories are recorded at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenditures. Inventories include hardware and software held by the Company and are only purchased when required by specific customer projects; the Company occasionally makes only minor modifications to the inventories before shipping to the customer.

(j) Property and equipment:

Property and equipment are measured at cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Property and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Computer equipment	3 - 5 years or term of lease
Furniture, fixtures and lab equipment	3 - 5 years
Leasehold improvements	Shorter of term of lease or estimated useful lives

The estimated useful lives, depreciation method and residual values of each asset are evaluated annually, or more frequently, if required and are adjusted, if appropriate.

2. Significant accounting policies (continued):

(k) Leased assets:

Leases in which the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased assets are measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset. Minimum lease payments made under finance leases are apportioned between finance cost and the reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining liability.

Other leases are operating leases and the leased assets are not recognized in the Company's statements of financial position. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives are recognized as an integral part of the total lease expense, over the term of the lease.

(l) Intangible assets:

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets acquired through asset acquisitions or business combinations are initially recognized at fair value, based on an allocation of the purchase price. The intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	1 - 3 years
Acquired technology	5 - 10 years
Customer relationships	9 - 10 years

The amortization method, estimated useful lives and residual values are reviewed annually, or more frequently, if required and are adjusted, as appropriate.

2. Significant accounting policies (continued):

(m) Business combinations and goodwill:

Acquisitions of businesses are accounted for using the acquisition method. The acquiree's identifiable assets and liabilities are generally recognized at their fair values at the date of acquisition. Acquisition-related transaction costs are expensed as incurred. The fair value of contingent consideration is considered part of the consideration transferred and included in the total purchase price on the acquisition date. Contingent consideration classified as equity is not remeasured subsequent to the acquisition date (other than for measurement period adjustments) and its subsequent settlement is accounted for within equity. Contingent consideration that is liability classified and falls within the scope of International Accounting Standard ("IAS") 39, Financial Instruments: Recognition and Measurement ("IAS 39"), is remeasured to fair value at each reporting date until the contingency is resolved, with changes in fair value recorded in other income.

Goodwill is recognized at the acquisition date as the excess of the fair value of consideration transferred less the net recognized amount (generally fair value) of identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Goodwill is not subject to amortization and is measured at cost less accumulated impairment losses.

The allocation of the purchase price to the net assets acquired may be adjusted to reflect new information obtained about facts and circumstances that exist at the acquisition date, up to a maximum of 12 months following the date of acquisition. Changes to the allocation of the purchase price during this measurement period are recognized retrospectively.

2. Significant accounting policies (continued):

(n) Impairment:

At each reporting date, the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed to determine whether there is an indication that those assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Goodwill and indefinite-life intangible assets are tested annually for impairment. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss. Cash-generating units are the smallest identifiable groups of assets that generate cash inflows from the continuing use that are largely independent of the cash inflows of other assets or cash-generating units. For the purposes of assessing for indications of impairment and impairment testing, assets that do not generate largely independent cash inflows are grouped into cash-generating units. The recoverable amount of a cash generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of cash generating units that are expected to benefit from the synergies of the combination.

Impairment losses are recognized in profit or loss and allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of cash generating units), and then to reduce the carrying amounts of the other assets in the cash generating unit (group of cash generating units) on a pro rata basis.

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount, with the exception of impairment losses on goodwill, which are not reversed. When an impairment loss is reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed what the carrying amount would have been had no impairment losses been recognized for the asset in prior years.

2. Significant accounting policies (continued):

(o) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract less the expected benefits to be derived by the Company.

(p) Research and development costs:

Internally generated expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding are recognized in profit or loss as an expense in the period in which they are incurred. Internally generated development costs are capitalized when the costs are expected to provide future benefits with reasonable certainty and the costs meet all the criteria for capitalization. No internal development costs have been capitalized as at September 30, 2016 and September 30, 2015.

2. Significant accounting policies (continued):

(q) 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.

(r) Investment tax credits ("ITCs"):

The Company is entitled to certain Canadian ITCs for qualifying research and development activities performed in Canada. The Company records ITCs when qualifying expenditures have been made, provided there is reasonable assurance that the credits will be realized. The amount of ITCs recorded can vary, based on estimates of future taxable income. These credits can be applied against income tax liabilities and are subject to a 20-year carryforward period or, in some cases, are refundable. Accrued ITCs are accounted for as a reduction of the related expenditures for items expensed in profit or loss or a reduction of the related asset's cost for items capitalized in the consolidated statements of financial position.

2. Significant accounting policies (continued):

(s) Employee benefits:

(i) Termination benefits:

Termination benefits are recognized at the earlier of recognizing costs for restructuring in the scope of IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), that includes the payment of termination benefits and when the Company can no longer withdraw the offer of those benefits. Termination benefits for voluntary redundancies are recognized if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably. If recognized termination benefits are payable more than 12 months after the reporting date, the liability is discounted to its present value.

(ii) Short-term employee benefits:

Employee benefit obligations are short-term in nature and are measured on an undiscounted basis and are recognized as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus plan if the Company has a present legal or constructive obligation to pay this amount, as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Share-based compensation:

The Company issues stock options, restricted share units ("RSUs") and performance share units ("PSUs") pursuant to several share-based compensation plans. Stock options and RSUs are settled with common shares of the Company. PSUs are settled with either cash or common shares of the Company. Compensation costs for options, RSUs and PSUs settled in equity are measured based on the grant date fair value of the award and recognized, net of estimated forfeitures, over the vesting period with a corresponding credit to contributed surplus. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. At the end of each reporting period, the Company reassesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the period. Compensation cost for PSUs intended to be settled in cash is measured based on the fair value of the PSU liability at the reporting date.

2. Significant accounting policies (continued):

The Company also has a deferred share units ("DSU") plan. The plan allows for settlement of DSUs by cash or other assets. The fair value of the Company's DSUs is recognized using the liability method. Since the DSUs will be settled in cash or other assets, the fair value of the vested DSUs is revalued each period until the settlement date and any changes in the fair value of the liability are recognized in profit or loss. The Company has recognized a liability in the consolidated statements of financial position for the total fair value of the vested DSUs included in other long-term liabilities.

(iv) Other long-term employee benefits:

The Company's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior years. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognized in profit or loss in the year in which they arise.

(v) Defined contribution plans:

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are payable more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

2. Significant accounting policies (continued):

(vi) Defined benefit plans:

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in their current and prior years. That benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan's liabilities. When the benefits of a plan are increased, the portion of the increased benefit related to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the statements of comprehensive loss.

The Company recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in the statements of comprehensive loss.

(t) Segment reporting:

The Company has one reportable segment, the telecommunications software market. The single reportable operating segment derives its revenue from the sale of software products, related services and hardware.

3. 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 October 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

3. New accounting pronouncements (continued):

(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 consolidated financial statements.

3. New accounting pronouncements (continued):

(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.

(Expressed in U.S. dollars)

4. Financial instruments and capital management:

(a) Accounting classifications and fair values:

The Company adopts a three-level fair value hierarchy that reflects the significance of the inputs used to measure fair value. The three levels of the fair value hierarchy based on the reliability of inputs are as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the financial asset or financial liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the financial asset or financial liability that are not based on observable market data (i.e. unobservable inputs that represent the Company's own judgments about what assumptions market place participants would use in pricing the asset or liability developed, based on the best information available in the circumstances).

In the table below, the Company has segregated all financial assets and financial liabilities that are measured at fair value into the most appropriate level within the fair value hierarchy, based on the inputs used to determine the fair value at the measurement date.

Financial assets and liabilities measured at fair value are summarized below:

	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents (Level 1)	$ 37,080,510	$ 37,080,510	$ 55,047,577	$ 55,047,577
Restricted cash (Level 1)	4,582,293	4,582,293	5,972,087	5,972,087
Embedded derivative liability (other liabilities) (Level 2)	410,392	410,392	869,806	869,806

(Expressed in U.S. dollars)

4. Financial instruments and capital management (continued):

There were no transfers of financial assets between levels during the years ended September 30, 2016 and 2015.

Financial instruments are classified into one of the following categories: financial assets and financial liabilities FVTPL, loans and receivables, and other financial liabilities. The following table summarizes information regarding the carrying values of the Company's financial instruments:

	2016	2015
Financial assets at FVTPL[(a)]	$ 41,662,803	$ 61,019,664
Loans and receivables[(b)]	43,209,046	67,439,885
Other financial liabilities[(c)]	118,993,596	113,588,948

[(a)] Includes cash and cash equivalents and restricted cash;
[(b)] Includes trade accounts and other receivables; and
[(c)] Includes trade payables, accrued liabilities, provisions, other long-term liabilities and loans and borrowings.

The carrying values of trade accounts and other receivables, trade payables, accrued liabilities, provisions and other long-term liabilities approximate fair values because of the short-term nature of these financial instruments.

The carrying value of loans and borrowings with floating interest rates approximates fair value because the interest rates approximate market rates.

Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instruments. The estimates are subjective in nature and involve uncertainties and matters of judgment.

4. Financial instruments and capital management (continued):

(b) Financial risk management:

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

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital.

(i) Risk management framework:

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.

(Expressed in U.S. dollars)

4. Financial instruments and capital management (continued):

(ii) 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 customers 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. The Company also insures certain accounts receivable balances in certain countries.

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.

(Expressed in U.S. dollars)

4. Financial instruments and capital management (continued):

The Company's trade receivables had a carrying value of $34,078,367 as at September 30, 2016 (2015 - $60,434,505), 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 $11,627,239, was outstanding for more than 120 days (2015 - 19.6%, or $13,967,086). The activity of the allowance for doubtful accounts for the year ended September 30 is as follows:

	2016	2015
Allowance for doubtful accounts, beginning of year	$ 1,684,901	$ 4,349,586
Bad debt (recovery) expense	857,284	(869,599)
Write-off bad debts	(1,794,622)	(1,795,086)
Allowance for doubtful accounts, end of year	$ 747,563	$ 1,684,901

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%

(Expressed in U.S. dollars)

4. Financial instruments and capital management (continued):

(iii) 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:

	Less than 1 year	1 - 2 years	2 years and thereafter
Trade payables	$ 14,212,869	$ –	$ –
Accrued liabilities	23,405,832	–	–
Loans and borrowings	50,445,790	–	–
Provisions	21,981,367	5,982,691	700,565
Other liabilities	–	–	2,264,482
	$ 110,045,858	$ 5,982,691	$ 2,965,047

The Company also has contractual obligations in the form of operating leases (note 20(a)).

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 as described in Note 14.

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.

(iv) 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.

4. Financial instruments and capital management (continued):

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 $4,216,967 during the year ended September 30, 2016 (2015 - loss of $9,948,211).

The following is the Company's exposure to foreign currency risk for significant currencies:

	Currency of exposure in U.S. dollars		
2016	CAD	Euro	British Pound
Cash and cash equivalents	$ 1,027,683	$ 5,862,515	$ 455,065
Trade accounts and other receivables	–	6,926,812	89,311
Restricted cash	366,640	3,792,587	115,683
Trade payables	(3,132,095)	(2,122,476)	–
Accrued liabilities	(9,916,496)	(27,371,538)	–
Net exposure	$ (11,654,268)	$ (12,912,100)	$ 660,059

4. Financial instruments and capital management (continued):

	Currency of exposure in U.S. dollars		
2015	CAD	Euro	British Pound
Cash and cash equivalents	$ 6,481,191	$ 13,175,182	$ 603,270
Trade accounts and other receivables	5,340	19,466,154	730,937
Restricted cash	228,999	5,307,601	134,805
Trade payables	(2,865,412)	(908,833)	–
Accrued liabilities	(5,570,973)	(19,856,212)	(9,368)
Settlement accrual and contingent consideration	–	(10,244,224)	–
Net exposure	$ (1,720,855)	$ 6,939,668	$ 1,459,644

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 $419,990 (2015 - $3,278,418) due to the fluctuation and this would be recorded in the consolidated statements of comprehensive loss.

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 and 2015 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 $252,229 (2015 - $261,065).

4. Financial instruments and capital management (continued):

(c) Management of capital:

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its growth strategy, fund research and development and undertake selective acquisitions, while at the same time taking a conservative approach toward financial leverage and management of financial risk. The Company's capital is composed of share capital and credit used plus credit available under certain credit facilities. 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 operating activities, cash raised through past share issuances, and a senior secured credit facility. 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 Note 14.

5. Business acquisitions:

(a) Acquisition of Orga Systems (“Orga”):

On July 31, 2015, the Company completed 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 these financial statements.

5. Business acquisition (continued):

(i) Consideration transferred:

The Company financed the acquisition with cash. The consideration for the acquisition was €38,000,000 ($41,821,325) in gross proceeds. Also on the closing date, the Company received cash from the vendors of approximately €650,960 ($716,420) 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 €630,000 ($693,353) 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 fair values of the assets acquired and liabilities assumed upon acquisition were as follows:

	Purchase price allocation (Euros)	Purchase price allocation (U.S. dollars)
Net assets acquired:		
Cash and cash equivalents	€ 3,074,577	$ 3,383,800
Trade accounts and other receivables	7,908,696	8,703,995
Unbilled revenue	4,772,105	5,251,987
Other assets	1,309,668	1,441,379
Property and equipment and intangible assets	1,877,998	2,066,850
Deferred income taxes	479,655	527,890
Trade payables and accrued liabilities	(6,151,083)	(6,769,636)
Other liabilities	(135,004)	(148,580)
Deferred revenue	(6,467,775)	(7,118,175)
Provisions	(6,664,589)	(7,334,780)
Pension and non-pension post-employment benefit obligations	(486,024)	(534,899)
	(481,776)	(530,169)
Acquired intangible assets:		
Customer relationships	10,500,000	11,555,880
Acquired technology	5,600,000	6,163,136
Goodwill	22,381,776	24,632,478
	38,481,776	42,351,494
	€ 38,000,000	$ 41,821,325

5. Business acquisition (continued):

The Company applied significant estimates and assumptions in accounting for the acquisition relating to the 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 €16,100,000 ($17,719,016) 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 $24,632,478 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 $451,872, decreasing unbilled revenue by $330,336, increasing customer relationship intangible asset by $440,224, increasing technology intangible asset by $1,100,560 and decreasing deferred income taxes by $2,200,434, and a resulting increase in goodwill of $1,441,858.

(iv) Other items:

During the year ended September 30, 2016, the Company incurred acquisition and related costs of $960,470 (2015 - $1,598,605), 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.

5. Business acquisition (continued):

(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 certain 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 settlement, an incremental amount of $3,650,062 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 $10,244,224, which was paid by September 30, 2016.

(ii) Other items:

During the year ended September 30, 2016, the Company incurred direct acquisition and related costs of $162,901 (2015 - $913,683), 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.

(c) Acquisition of a product line:

On September 30, 2015, the Company acquired certain intellectual property and approximately ten employees from a vendor in the communications technology industry for gross proceeds of €1,680,000 ($1,875,371), which was paid in cash. The product line acquired from the vendor is part of the Company's end-to-end software solution, and was previously licensed from the vendor. The Company had recorded the transaction as a business combination and allocated $1,875,371 to acquired technology assets based on fair value. The Company had incurred $49,872 in legal costs for the year ended September 30, 2015, which have been charged to acquisition and related costs in the consolidated statements of comprehensive loss.

(Expressed in U.S. dollars)

6. Operating expenditures, excluding acquisition and related costs and restructuring costs:

The Company presents functional consolidated statements of comprehensive loss in which expenditures are aggregated according to the function to which they relate. The Company has identified the major functions as sales and marketing, general and administrative and research and development activities.

2016	Sales and marketing	General and administrative	Research and development	Total
Personnel expenditures	$ 20,021,916	$ 8,671,222	$ 31,754,448	$ 60,447,586
Other operating expenditures	9,363,168	11,733,696	10,883,262	31,980,126
Depreciation and amortization	127,949	10,456,991	2,858,044	13,442,984
	$ 29,513,033	$ 30,861,909	$ 45,495,754	$ 105,870,696

2015	Sales and marketing	General and administrative	Research and development	Total
Personnel expenditures	$ 23,616,857	$ 12,926,183	$ 35,528,512	$ 72,071,552
Other operating expenditures	10,335,003	7,737,230	10,963,786	29,036,019
Depreciation and amortization	176,522	7,701,538	1,537,972	9,416,032
	$ 34,128,382	$ 28,364,951	$ 48,030,270	$ 110,523,603

7. Finance costs and finance income:

(a) Finance costs:

	2016	2015
Interest and fees on loans and borrowings (note 14)	$ 4,959,269	$ 3,111,069
Amortization of deferred financing costs (note 14)	437,770	391,394
Embedded derivative and related accretion	(317,272)	388,407
Other finance costs	1,180,599	1,281,169
	$ 6,260,366	$ 5,172,039

(b) Finance income:

Finance income includes interest income on bank accounts and term deposits of $83,058 for the year ended September 30, 2016 (2015 - $31,633).

(Expressed in U.S. dollars)

8. Cash and cash equivalents:

	2016	2015
Cash	$ 37,080,510	$ 55,003,802
Cash equivalents	–	43,775
	$ 37,080,510	$ 55,047,577

9. Trade accounts and other receivables:

	2016	2015
Trade receivables, net of allowance for doubtful accounts (note 4(b)(ii))	$ 33,330,804	$ 58,749,604
Other receivables (a)	9,005,319	8,017,424
Employee receivables (b)	872,923	672,857
	$ 43,209,046	$ 67,439,885

(a) The other receivables balance mainly includes amounts relating to initial net working capital acquired through the Acquisition of Orga, BSS and service taxes receivable

(b) Employee receivables represent advances for business travel.

(Expressed in U.S. dollars)

10. Property and equipment:

	Computer equipment	Furniture, fixtures and lab equipment	Leasehold improvements	Total
Cost				
Balance, September 30, 2014	$ 2,851,762	$ 15,089,186	$ 1,972,638	$ 19,913,586
Additions	516,229	2,284,866	1,035,348	3,836,443
Balance, September 30, 2015	3,367,991	17,374,052	3,007,986	23,750,029
Additions	239,808	892,941	1,419,450	2,552,199
Disposals	(509,588)	(265,806)	(162,461)	(937,855)
Balance, September 30, 2016	$ 3,098,211	$ 18,001,187	$ 4,264,975	$ 25,364,373
Accumulated depreciation				
Balance, September 30, 2014	$ 1,873,199	$ 8,377,708	$ 954,564	$ 11,205,471
Depreciation	431,702	2,763,186	499,485	3,694,373
Foreign exchange impact	48,515	310,530	56,132	415,177
Balance, September 30, 2015	2,353,416	11,451,424	1,510,181	15,315,021
Depreciation	569,156	2,907,983	698,715	4,175,854
Disposals	(509,588)	(265,806)	(162,461)	(937,855)
Foreign exchange impact	74,743	381,887	91,758	548,388
Balance, September 30, 2016	$ 2,487,727	$ 14,475,488	$ 2,138,193	$ 19,101,408
Net book values				
September 30, 2015	$ 1,014,575	$ 5,922,628	$ 1,497,805	$ 8,435,008
September 30, 2016	610,484	3,525,699	2,126,782	6,262,965

(Expressed in U.S. dollars)

11. Intangible assets and Goodwill:

(a) Intangible assets

		Computer software		Acquired technology		Customer relationships		Total
Cost								
Balance, September 30, 2014	$	3,990,124	$	25,728,181	$	18,009,832	$	47,728,137
Additions		1,945,844		8,038,507		11,555,880		21,540,231
Balance, September 30, 2015		5,935,968		33,766,688		29,565,712		69,268,368
Additions		41,318		–		–		41,318
Balance, September 30, 2016	$	5,977,286	$	33,766,688	$	29,565,712	$	69,309,686
Accumulated amortization								
Balance, September 30, 2014	$	2,651,303	$	8,435,678	$	3,821,843	$	14,908,824
Amortization		855,935		4,557,476		1,775,926		7,189,337
Foreign exchange impact		96,191		512,174		199,580		807,945
Balance, September 30, 2015		3,603,429		13,505,328		5,797,349		22,906,106
Amortization		1,066,767		5,763,063		2,612,662		9,442,492
Foreign exchange impact		140,093		756,826		343,104		1,240,023
Balance, September 30, 2016	$	4,810,289	$	20,025,217	$	8,753,115	$	33,588,621
Net book values								
Balance, September 30, 2015	$	2,332,539	$	20,261,360	$	23,768,363	$	46,362,262
Balance, September 30, 2016		1,166,997		13,741,471		20,812,597		35,721,065

(b) Goodwill:

The carrying value of goodwill at September 30, 2016 was $32,271,078 (September 30, 2015 - $32,271,078).

Goodwill is tested annually for impairment at the cash generating unit (“CGU”) level. The annual impairment test of goodwill was performed as of September 30, 2016 and 2015 and did not result in any impairment loss. The Company does not allocate goodwill as it is common across all operating segments.

The recoverable amount of goodwill was based on fair value less costs of disposal and was determined using the market based approach.

(Expressed in U.S. dollars)

12. Other assets:

	2016	2015
Deferred contract costs - current (a)	$ 268,929	$ 392,195
Deferred contract costs - non-current (a)	–	265,507
Lease deposits - non-current	1,656,971	1,551,133
	1,656,971	1,816,640
	$ 1,925,900	$ 2,208,835

(a) The Company recognized up-front direct costs related to one customer contract as an asset. It is probable that these assets will be recovered through future minimum contractual payment terms. During the year ended September 30, 2016, $388,773 was amortized (2015 - $1,725,728) and recorded in the consolidated statements of comprehensive loss.

13. Related party transactions:

Compensation of key management personnel:

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:

	2016	2015
Salaries and employee benefits	$ 3,381,244	$ 3,088,810
Share-based compensation (a)	3,157,727	2,561,096
	$ 6,538,971	$ 5,649,906

(a) Share-based compensation includes cash-settled and equity-settled awards, as described in note 2(s)(iii).

(Expressed in U.S. dollars)

14. Loans and borrowings:

	2016	2015
Term loan (effective August 4, 2015)	$ 52,750,000	$ 59,550,000
Less embedded derivative at inception	1,206,496	1,206,496
	51,543,504	58,343,504
Less unamortized deferred financing costs	1,709,215	2,053,227
Add loan accretion	611,501	470,789
	50,445,790	56,761,066
Less current portion of loans and borrowings	50,445,790	1,800,000
Long-term portion of loans and borrowings	$ –	$ 54,961,066

On August 4, 2015, the Company entered into an amended and restated credit agreement with Wells Fargo Capital Finance, part of Wells Fargo & Company and its two partners the Royal Bank of Canada and Capital One. The amended credit agreement added to the Company's existing credit facility, increasing the revolving line of credit to $40,000,000 and the term loan to $60,000,000 for a total credit facility in the amount of $100,000,000.

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, $52,750,000 (2015 - $59,550,000) is outstanding and principal and interest is payable quarterly over the term maturing August 4, 2020. On July 1, 2016, the Company made a prepayment of $5,000,000 on the term loan. At inception, the Company incurred $3,373,730 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, $437,770 of deferred financing costs was amortized (2015 - $391,394).

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 $410,392 at September 30, 2016 (2015 - $869,806), 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 $459,414 for the year ended September 30, 2016 (2015 - $181,369)

14. Loans and borrowings (continued):

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.

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 $80,000,000 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.

For the year ended September 30, 2016, interest expense and fees of $4,959,269 (2015 - $3,111,069) in connection with loans payable has been recognized in finance costs in the consolidated statements of comprehensive loss.

15. Pension and other long-term 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 liabilities relating to the German pension and post-employment benefit plans were fully funded by Nokia Networks as at the acquisition date of March 29, 2013. 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.

(Expressed in U.S. dollars)

15. Pension and other long-term employment benefit plans (continued):

The other post-employment employee benefit plans relate to a number of other countries, including Austria, India, Indonesia, Philippines, Saudi Arabia 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.

	2016	2015
German plans		
Fair value of plan assets (a)	$ (23,096,609)	$ (22,721,097)
Present value of obligations (b)	39,803,962	31,273,198
Total German employee benefit liability (asset)	16,707,353	8,552,101
Other plans		
Fair value of plan assets (a)	(322,495)	(420,039)
Present value of obligations (b)	4,002,726	3,285,419
Total other employee benefit liability	3,680,231	2,865,380
Total employee benefit liability	$ 20,387,584	$ 11,417,481

(Expressed in U.S. dollars)

15. Pension and other long-term employment benefit plans (continued):

The following tables analyze plan assets, present value of defined benefit obligations, expense recognized in profit or loss, actuarial assumptions and other information for the German plans and other plans.

(a) Plan assets:

Plan assets comprise:

	2016			2015		
	Germany	Other	Total	Germany	Other	Total
Short-term Eurozone bonds	$ 20,914,910	$ –	$20,914,910	$ 21,002,514	$ –	$ 21,002,514
Mixed funds	1,430,496	–	1,430,496	1,282,977	–	1,282,977
Money market funds	–	322,495	322,495	–	420,039	420,039
Cash	751,203	–	751,203	435,606	–	435,606
Fair value of plan assets	$ 23,096,609	$322,495	$ 23,419,104	$ 22,721,097	$ 420,039	$ 23,141,136
Return on plan assets	$ (406,377)	$ –	$ (406,377)	$ (696,145)	$ –	$ (696,145)

All asset classes in which plan assets are invested are traded freely and have quoted market prices in an active market.

(Expressed in U.S. dollars)

15. Pension and other long-term employment benefit plans (continued):

(b) Movement in the present value of the defined benefit obligations:

	2016			2015		
	Germany	Other	Total	Germany	Other	Total
Defined benefit obligations at October 1	$ 31,273,198	$ 3,285,419	$ 34,558,617	$ 33,370,976	$ 2,819,230	$ 36,190,206
Current service cost	1,370,080	348,444	1,718,524	1,599,370	266,564	1,865,934
Assumed defined benefit obligation on acquisition at July 31, 2015	–	–	–	–	537,807	537,807
Curtailment gain	(1,025,629)	–	(1,025,629)	–	–	–
Interest costs	802,520	175,787	978,307	783,077	173,388	956,465
Contribution by plan participants	77,863	–	77,863	42,220	–	42,220
Benefits paid by the plan	(171,170)	(397,058)	(568,228)	(32,170)	(218,369)	(250,539)
Increase (decrease) due to effect of any business combinations/divestitures/transfers	–	(13,404)	(13,404)	–	84,486	84,486
Actuarial losses (gains) in other comprehensive income	7,155,345	498,692	7,654,037	(556,996)	(173,776)	(730,772)
Loss (gain) on movement in exchange rates	321,755	104,846	426,601	(3,933,279)	(203,911)	(4,137,190)
Defined benefit obligations at September 30	$ 39,803,962	$ 4,002,726	$ 43,806,688	$ 31,273,198	$ 3,285,419	$ 34,558,617

(Expressed in U.S. dollars)

15. Pension and other long-term employment benefit plans (continued):

(c) Movement in the fair value of plan assets:

	2016			2015		
	Germany	Other	Total	Germany	Other	Total
Fair value of plan assets at October 1	$ 22,721,097	$ 420,039	$ 23,141,136	$ 25,793,987	$ 137,319	$ 25,931,306
Contributions paid by plan participants	77,863	–	77,863	42,220	–	42,220
Assumed assets on acquisition at July 31, 2015	–	–	–	–	420,039	420,039
Contributions paid by the employer	126,160	474,272	600,432	21,616	218,369	239,985
Benefits paid by the plan	(171,170)	(571,816)	(742,986)	(32,170)	(218,369)	(250,539)
Interest income from plan assets	585,653	–	585,653	610,072	–	610,072
Return on plan assets	(406,377)	–	(406,377)	(696,145)	–	(696,145)
Write-off	–	–	–	–	(137,319)	(137,319)
Gain (loss) on movement in exchange rates	163,383	–	163,383	(3,018,483)	–	(3,018,483)
Fair value of plan assets at September 30	$ 23,096,609	$ 322,495	$ 23,419,104	$ 22,721,097	$ 420,039	$ 23,141,136

(Expressed in U.S. dollars)

15. Pension and other long-term employment benefit plans (continued):

(d) Expense recognized in profit or loss:

	2016			2015		
	Germany	Other	Total	Germany	Other	Total
Current service cost	$ 1,370,080	$ 348,444	$ 1,718,524	$ 1,599,370	$ 266,564	$ 1,865,934
Curtailment gain	(1,025,629)	–	(1,025,629)	–	–	–
Finance costs	216,867	175,787	392,654	173,005	173,388	346,393
	$ 561,318	$ 524,231	$ 1,085,549	$ 1,772,375	$ 439,952	$ 2,212,327

The curtailment gain arose as a result of the cost structure optimization plan implemented in Germany.

The expense is recognized in the following line items in the consolidated statements of comprehensive loss:

	2016	2015
Cost of revenue	$ 243,977	$ 562,547
Research and development	301,810	1,041,913
General and administrative	40,325	108,065
Sales and marketing	106,783	153,409
Finance costs	392,654	346,393
	$ 1,085,549	$ 2,212,327

(e) Actuarial assumptions:

The determination of the value of the liabilities for defined benefit plans is based upon statistical and actuarial valuations. In particular, the present value of the defined benefit obligation is driven by financial variables (such as, the discount rates or future increases in salaries) and demographic variables (such as, mortality and employee turnover). The actuarial assumptions may differ significantly from the actual circumstances and could lead to different cash flows. The following are the principal actuarial assumptions:

(Expressed in U.S. dollars)

15. Pension and other long-term employment benefit plans (continued):

	2016		2015	
	Germany	Other	Germany	Other
Discount rate	1.50%	5.71%	2.60%	6.35%
Future salary increases	2.75%	6.79%	2.75%	6.92%
Future pension increases	2.00%	n/a	2.00%	n/a

Assumptions regarding future mortality are based on published statistics and mortality tables based on statistical information available in the various countries. In Germany, the Heubeck 2005G mortality tables were used. The calculation of the pension liabilities at September 30, 2016 and 2015 in Germany is based on a discount rate determined using the Mercer Yield Curve approach for an average duration of 18 years.

The following table shows the effects of possible changes in the actuarial assumptions on the present value of the obligation from defined benefit pension plans that are analysed. A change in the discount rate by 50-basis-points, as well as, a change in the pension increase rate by 50-basis-points is considered for German plans. In addition, the average duration of the obligation is shown:

Effect on defined benefit obligation	50-basis-points increase	50-basis-points decrease
On discount rate	$ 36,408,330	$ 43,751,379
On pension rate	42,324,956	37,539,916
Weighted average duration of defined benefit obligation	17.83	18.91

(Expressed in U.S. dollars)

16. Capital stock:

(a) Authorized:

Unlimited preferred shares
Unlimited voting common shares

(b) Loss per common share:

A reconciliation of the number of common shares used for purposes of calculating basic and diluted loss per common share for the year ended September 30 is as follows:

	2016	2015
Basic weighted average number of common shares outstanding	108,481,143	109,111,052
Effect of dilutive securities	–	–
Diluted weighted average number of common shares outstanding	108,481,143	109,111,052

Due to the losses for the years ended September 30, 2016 and 2015, all options were excluded from the calculation of diluted loss per common share as their inclusion would be anti-dilutive. The total number of options that were excluded from the calculation for the year ended September 30, 2016 is 10,188,984 (2015 - 7,780,332).

(c) Normal course issuer bid ("NCIB"):

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.

16. Capital stock (continued):

(d) Share unit plan:

On July 29, 2010, the Company established a share unit plan for the purpose of providing additional compensation for certain employees, officers or consultants. Units granted under the share unit plan may be PSUs or RSUs.

PSUs granted are subject to vesting contingent on the achievement of performance conditions based on certain Company performance metrics. The related compensation expense is recognized over the related service period, which is based on management's best estimate of the outcome of the performance conditions.

During 2016, the Company granted 1,027,570 (2015 - 795,646) PSUs under the share unit plan to employees at a weighted average price of CAD $2.99 (2015 - CAD $3.50) per unit. There was an expense recovery of $211,825 due to non-achievement of certain performance criteria (2015 – expense of $718,994).

RSUs are subject to a vesting term at the compensation committee's discretion provided that the vesting term does not exceed three years from the grant date. The associated stock-based compensation is measured at fair value and is amortized over the appropriate vesting period using the straight-line method.

During 2016 and 2015, the Company granted no RSUs to non-directors under the share unit plan. The Company recognized compensation cost of $22,036 (2015 - $89,640) relating to these RSUs.

(Expressed in U.S. dollars)

16. Capital stock (continued):

Performance and Restricted Share Units	2016	2015
Outstanding, beginning of year	1,116,838	586,366
Settled in cash	(205,812)	(39,630)
Settled in equity	–	(125,568)
Granted	1,027,570	795,646
Forfeited	(319,013)	(99,976)
Outstanding, September 30	1,619,583	1,116,838

The fair value of RSUs and PSUs granted during the year are established based on the fair value of the underlying stock on the grant date.

(e) Deferred share unit plan:

Under the DSU plan, established August 11, 2010, the Company may grant DSUs to eligible members of the Board of Directors. DSU grants and vesting conditions are at the discretion of the Board of Directors. An eligible director may elect to receive their annual cash remuneration in the form of DSUs, cash or any combination thereof. DSUs are classified as cash-settled share-based compensation and are remeasured to fair value at each reporting year.

An eligible director is entitled to receive a cash payment equal to the fair value of the DSUs at the date of redemption.

During 2016, the Company recorded compensation cost of $125,178 (2015 - recovery of $685,000). The value of the liability related to the DSUs as at September 30, 2016 was $1,698,852 (2015 - $1,554,934) and is included in other long-term liabilities.

Deferred Share Units	2016	2015
Outstanding, beginning of year	536,595	450,270
Granted	380,434	210,925
Exercised	–	(124,600)
Outstanding, end of year	917,029	536,595

(Expressed in U.S. dollars)

16. Capital stock (continued):

(f) Employee stock option plan:

The Company's stock option plan was implemented to encourage ownership of the Company by directors, officers, employees and consultants of the Company. The maximum number of common shares that may be issued under the current plan is 10% of the issued and outstanding common shares of the Company on the date of grant. The total number of stock options outstanding under the current plan does not exceed this threshold.

(i) Stock options:

Stock options are non-transferable and vest up to 25% at the end of the first year from date of grant and an additional 25% on each of the second, third and fourth anniversaries of grant. Stock options are priced in CAD.

	Number of stock options	Weighted average exercise price per share
Outstanding, September 30, 2014	4,655,996	$ 2.39
Granted	3,669,368	3.50
Exercised	(326,842)	0.86
Forfeited	(218,190)	4.28
Outstanding, September 30, 2015	7,780,332	2.93
Granted	3,426,875	2.99
Exercised	(287,550)	1.17
Forfeited	(730,673)	3.90
Outstanding, September 30, 2016	10,188,984	$ 2.92

(Expressed in U.S. dollars)

16. Capital stock (continued):

Summary information about stock options outstanding and exercisable as at September 30, 2016 is as follows:

	Stock options outstanding		Stock options exercisable	
Exercise Price (CAD)	Number outstanding	Weighted average remaining contractual life (years)	Number exercisable	Weighted average remaining contractual life (years)
CAD $0.23	25,000	2.19	25,000	2.19
CAD $0.36	557,500	2.45	557,500	2.45
CAD $0.76	40,000	1.75	40,000	1.75
CAD $0.81	14,000	1.34	14,000	1.34
CAD $1.10	1,372,500	2.85	1,372,500	2.85
CAD $1.18	112,500	1.84	112,500	1.84
CAD $1.25	275,000	2.87	275,000	2.87
CAD $1.35	30,000	1.36	30,000	1.36
CAD $1.37	40,000	3.86	40,000	3.86
CAD $1.50	37,500	1.17	37,500	1.17
CAD $1.90	227,500	3.18	97,500	3.18
CAD $2.99	3,292,753	6.18	–	–
CAD $3.35	241,924	5.35	60,481	5.35
CAD $3.50	2,742,477	5.14	414,782	5.14
CAD $3.72	105,000	5.85	10,500	5.85
CAD $4.55	267,476	4.60	131,597	4.60
CAD $4.63	15,000	5.60	3,750	5.60
CAD $6.30	792,854	4.20	237,846	4.20
	10,188,984	4.75	3,460,456	3.21

The common share price of the Company as at September 30, 2016 was CAD $2.43 (2015 - CAD $3.85) per share.

(ii) Fair values and stock-based compensation expense:

The fair value of stock option grants made to employees and directors is estimated using the Black-Scholes option pricing model, with the following weighted average assumptions: risk-free interest rate of 0.9% (2015 - 1.5%); dividend yield of nil (2015 - nil); volatility of 52.5% (2015 - 44.1%); and expected lives of stock options of five years (2015 - five years). Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the stock options has been based on historical experience and general option holder behaviour. The fair value of the stock options is expensed over the vesting period of the stock options using the straight-line method.

(Expressed in U.S. dollars)

16. Capital stock (continued):

During 2016, the Company recorded a stock-based compensation of $3,214,850 (2015 - $2,045,731) related to stock options granted under this Plan.

(g) Treasury stock:

During the year ended September 30, 2015, the Company paid $536,507 to a trustee to purchase 179,246 of the Company's common shares in the open market to satisfy the delivery of common shares under its equity-based compensation plans. The Company classifies these shares as treasury stock until they are delivered pursuant to the terms of the awards.

During the year ended September 30, 2016, no shares have been issued from the treasury stock. During the year ended September 30, 2015, 149,280 shares were issued with a cost of $415,816. As at September 30, 2016, the remaining number of treasury shares held-in-trust by the Company is 46,864 with a cost of $141,917 (September 30, 2015 – 46,864 with a cost of $141,917).

17. Income tax expense:

(a) Income tax expense recognized in profit or loss:

	2016	2015
Current income tax expense:		
Current year	$ 7,976,514	$ 7,060,783
Adjustment for prior years	655,388	693,356
	8,631,902	7,754,139
Deferred income tax expense (recovery):		
Origination and reversal of temporary differences	838,733	(197,126)
Utilization of previously recognized tax assets	276,845	312,292
Recognition of previously unrecognized tax assets	(210,042)	(234,480)
	905,536	(119,314)
Total income tax expense	$ 9,537,438	$ 7,634,825

(Expressed in U.S. dollars)

17. Income tax expense (continued):

(b) Reconciliation of effective income tax rate:

The Company's effective income tax rate differs from the statutory rate that would be obtained by applying the combined Canadian basic federal and provincial income tax rate to loss before income taxes. These differences result from the following items:

	2016	2015
Loss before income taxes	$ (57,329,883)	$ (2,371,750)
Statutory income tax rate	26.50%	26.50%
Expected income tax recovery based on loss before income taxes	$ (15,192,419)	$ (628,514)
Increase (decrease) in income taxes resulting from:		
Non-taxable/deductible items	(1,160,578)	2,551,505
Differences due to different income tax rates for foreign subsidiaries	5,518	73,459
Withholding taxes	5,128,691	3,859,270
Change in unrecognized temporary differences and prior year losses	22,568,313	(1,091,202)
Impact of foreign exchange and other items	(1,812,087)	2,870,307
Income tax expense	$ 9,537,438	$ 7,634,825

(Expressed in U.S. dollars)

17. Income tax expense (continued):

(c) Unrecognized deferred tax assets:

The Company has approximately $136,000,000 (2015 - $59,000,000) of unrecognized loss carryforwards and other deductible temporary differences. As of September 30, 2016, management has not recognized these deferred tax assets in certain jurisdictions as it is not probable that the benefit of these assets can be realized in the foreseeable future. Management will continue to monitor the situation and revise its estimates as appropriate.

Included in the above amount is $109,400,000 (2015 - $18,200,000) of Canadian unclaimed scientific research and experimental development ("SR&ED") expenditures and non-capital losses, which are available to reduce future years' income for Canadian income tax purposes.

The Company's Canadian unclaimed SR&ED expenditures do not expire, while the Canadian non-capital losses available for carryforward of $96,100,000 expire as follows:

2027	$ 700,000
2031	700,000
2034	29,500,000
2036	65,200,000
	$ 96,100,000

The Company has approximately $7,000,000 (2015 - $6,800,000) of Canadian ITCs, which can also be used to reduce future federal income taxes. These credits have a life of 20 years and begin to expire in 2024. The Company has previously recorded $355,914 (2015 - $351,385) of these credits as it is probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

(Expressed in U.S. dollars)

17. Income tax expense (continued):

(d) Recognized deferred income tax assets and deferred income tax liabilities:

Deferred income tax assets and liabilities are attributable to the following:

	Corporate minimum taxes and other deductions	Unclaimed SR&ED expenditures and non-capital losses	Intangible assets	Pensions	Set-off of deferred tax assets and liabilities	Total
Deferred income tax assets:						
Balance, September 30, 2015	$ 964,484	$ 4,108,793	–	$ 1,068,166	$ (4,055,418)	$ 2,086,025
Credited to loss before income tax expense	18,844	169,231		7,217		195,332
Charged to income tax expense	(190,820)	(1,163,115)		(97,451)		(1,451,386)
Set-off of deferred tax assets and liabilities					1,154,508	1,154,508
Balance, September 30, 2016	$ 792,548	$ 3,114,909	$ –	$ 977,932	$ (2,900,910)	$ 1,984,479
Deferred income tax liabilities:						
Balance, September 30, 2015	$ –	$ –	$ (2,987,252)	$ (1,068,166)	$ 4,055,418	$ –
Charged to loss before income tax expense			(72,072)	(7,217)		(79,042)
Credited to income tax expense			448,399	97,451		545,850
Set-off of deferred tax assets and liabilities					(1,154,508)	(1,154,508)
Balance, September 30, 2016	$	$	$ (2,610,925)	$ (977,932)	$ 2,900,910	$ (687,947)

(Expressed in U.S. dollars)

17. Income tax expense (continued):

	Corporate minimum taxes and other deductions	Unclaimed SR&ED expenditures and non-capital losses	Intangible assets	Pensions	Set-off of deferred tax assets and liabilities	Total
Deferred income tax assets:						
Balance, September 30, 2014	$ 499,639	$ 6,323,045	$ –	$ 1,310,610	$ (6,193,878)	$ 1,939,416
Resulting from the acquisition of Orga	525,924	–				525,924
Charged to loss before income tax expense	(47,894)	(1,002,181)		(150,093)		(1,200,168)
Charged to income tax expense	(13,185)	(1,212,071)		(92,351)		(1,317,607)
Set-off of deferred tax assets and liabilities					2,138,460	2,138,460
Balance, September 30, 2015	$ 964,484	$ 4,108,793	$ –	$ 1,068,166	$ (4,055,418)	$ 2,086,025
Deferred income tax liabilities:						
Balance, September 30, 2014	$ –	$ –	$ (4,919,284)	$ (1,310,610)	$ 6,193,878	$ (36,016)
Credited to loss before income tax expense			587,462	150,093		737,555
Credited to income tax expense			1,344,570	92,351		1,436,921
Set-off of deferred tax assets and liabilities					(2,138,460)	(2,138,460)
Balance, September 30, 2015	$ –	$ –	$ (2,987,252)	$ (1,068,166)	$ 4,055,418	$ -

(Expressed in U.S. dollars)

18. Change in non-cash operating working capital:

The change in non-cash operating working capital for the year ended September 30 is as follows:

	2016	2015
Trade accounts and other receivables	$ 24,227,562	$ 7,294,965
Unbilled revenue	10,991,663	8,997,452
Prepaid expenses	(463,603)	2,260,371
Inventories	102,396	4,386,375
Other assets	282,935	945,631
Trades payable	5,084,159	530,628
Accrued liabilities and other liabilities	(10,900,030)	(11,459,959)
Deferred revenue	5,320,651	(17,229,170)
Income taxes receivable / payable	150,088	348,577
	$ 34,795,821	$ (3,925,130)

19. Segment reporting:

The Company has determined that it operates in a single reportable operating segment, the telecommunications software market. The single reportable operating segment derives its revenue from the sale of software products and related services and hardware, and is managed on a worldwide basis, but operated in offices around the world. The Company's Chief Executive Officer, the chief operating decision maker, reviews internal management financial information on a monthly basis, including revenue, property and equipment and intangible assets.

The Company's revenue by geographic area for the year ended September 30 is as follows:

	2016	2015
Europe, Middle East and Africa	$ 87,124,271	$ 113,157,206
North America, Latin America and Caribbean	39,962,114	33,819,886
Asia and Pacific Rim	44,003,515	75,763,318
	$ 171,089,900	$ 222,740,410

(Expressed in U.S. dollars)

19. Segment reporting (continued):

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

	2016	2015
Revenue by type:		
Software and services	$ 66,411,815	$ 116,098,938
Support and subscription	94,973,763	92,560,729
Third party software and hardware	9,704,322	14,080,743
	$ 171,089,900	$ 222,740,410

The Company's property and equipment by geographic area is as follows:

	2016	2015
Canada	$ 204,719	$ 493,068
Germany	1,615,718	3,318,394
India	3,370,956	2,072,336
Poland	495,433	937,206
Croatia	50,285	42,256
Other	525,854	1,571,748
	$ 6,262,965	$ 8,435,008

The Company's intangible assets by geographic area are as follows:

	2016	2015
Canada	$ 15,508,467	$ 16,704,080
United Kingdom	9,422,443	10,873,495
Germany	10,462,607	18,112,846
Other	327,548	671,841
	$ 35,721,065	$ 46,362,262

The Company's goodwill is common across all locations. Therefore, management does not classify goodwill on a location basis.

(Expressed in U.S. dollars)

20. Commitments, guarantees and contingent liabilities:

(a) 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 $7,732,692 (2015 - $6,110,107). 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:

2017	$ 5,478,337
2018	3,752,113
2019	2,729,691
2020	1,181,104
2021 and thereafter	745,615
	$ 13,886,860

(b) Restricted cash:

As at September 30, 2016, the Company had $4,582,293 (2015 - $5,972,087) in cash put aside for planned payments to early retirees and lease guarantees, which are secured by restricted cash, shown separately in the consolidated statements of financial position.

(c) Guarantees:

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

(Expressed in U.S. dollars)

20. Commitments, guarantees and contingent liabilities (continued):

In the normal course of operations, the Company is subject to claims from time to time, relating to labour, customers and other. The Company vigorously defends itself against such claims and reviews the probability of outcome that may result in an outflow of its cash or other resources as at each financial position date. Although it is not always possible to estimate the extent of potential costs, if any, management believes that the ultimate resolution of such contingencies will not have a material adverse impact on the results of operations, financial position or liquidity of the Company.

The Company is defending an indemnification claim made by a customer pertaining to an intellectual property claim from a third party to the customer. No liability has been recognized as at September 30, 2016 as management is unable to estimate the costs that the Company will incur associated with the claim. Although liability is not admitted, if a defense against this matter is unsuccessful, the Company may incur costs associated with this claim. Management is unable to determine the timing of such costs.

21. Provisions:

	Restructuring (a)	Other/Onerous Contracts (b) & (c)	Total
Balance, September 30, 2014	$ 21,575,846	$ –	$ 21,575,846
Additions	1,095,454	7,439,614	8,535,068
Cash payments	(14,483,122)	–	(14,483,122)
Utilization	–	(836,617)	(836,617)
Foreign exchange	(2,092,228)	79,926	(2,012,302)
Balance, September 30, 2015	6,095,950	6,682,923	12,778,873
Additions	35,184,661	3,715,000	38,899,661
Cash payments	(16,609,504)	–	(16,609,504)
Utilization	–	(1,801,121)	(1,801,121)
Foreign exchange	278,516	(58,867)	219,649
Cash receipts	–	1,540,000	1,540,000
Reversal	–	(6,362,935)	(6,362,935)
Balance, September 30, 2016	$ 24,949,623	$ 3,715,000	$ 28,664,623
Current			$ 8,772,519
Non-current			4,006,354
Total at September 30, 2015			$ 12,778,873
Current			$ 21,981,367
Non-current			6,683,256
Total at September 30, 2016			$ 28,664,623

21. Provisions (continued):

(a) 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 centres. 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 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 year ended September 30, 2016, restructuring charges related to employee terminations of $35,184,661 (2015 - $1,095,454), were recorded.

For the year ended September 30, 2016, $16,609,504 has been paid and an additional amount of $18,266,367 is estimated as payable within one year. The balance of the restructuring provision, payable over three years and classified as long-term, amounts to $6,683,256 and has been discounted to its present value.

The recognition of restructuring charges requires management to make certain judgments and estimates regarding the nature, timing and amounts associated with the restructuring actions. Management's significant assumptions included the timing and number of employees to be terminated and the measurement of termination costs. The Company developed a detailed plan and has recorded termination costs for employees informed of their termination. At the end of each reporting period, management evaluates the appropriateness of the restructuring charges and provision balances. Further adjustments may be required to reflect actual experience or changes in estimates.

(b) On acquisition of Orga, a provision for an onerous contract was recognized for one project in the amount of $7,334,780. During the year ended September 30, 2016, $1,801,121 of the provision was utilized against the costs incurred for the project (September 30, 2015 - $836,617). During the year ended September 30, 2016, $1,540,000 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 $6,362,935 has been recorded in other income in the consolidated statements of comprehensive loss.

21. Provisions (continued):

(c) As at September 30, 2016, the Company has recorded a provision of $3,715,000 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. The provision has been recorded in acquisition and related costs in the consolidated statements of comprehensive loss.

22. Subsequent event:

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 $80,000,000 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 $120,000,000 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.