REDKNEE SOLUTIONS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED SEPTEMBER 30, 2017

DATED: December 6, 2017

SCOPE OF ANALYSIS

This Management's Discussion and Analysis ("MD&A") covers the results of operations, financial condition and cash flows of Redknee Solutions Inc. (the "Company" or "Redknee") for the fourth quarter and year ended September 30, 2017. This document is intended to assist the reader in better understanding operations and key financial results as they are, in our opinion, at the date of this report.

The MD&A should be read in conjunction with the audited consolidated financial statements for the fiscal year-ended September 30, 2017, which were prepared in accordance with International Financial Reporting Standards ("IFRS").

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

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

FORWARD-LOOKING STATEMENTS

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

OVERVIEW

Established in 1999, Redknee monetizes today's digital world for communications service providers. Our market-leading portfolio of monetization and subscriber management solutions includes real-time billing, charging, policy, and customer care modules and is available on premise, cloud-based, or as Software-as-a-Service (SaaS). With a central focus on driving customer success, Redknee's products power growth and innovation for operators globally.

The Company's software products allow communication service providers to monetize various markets, including consumer, enterprise, wholesale, and the expanding SaaS and cloud ecosystems. Redknee's software supports the introduction of new revenue streams and innovative tariffs, payment solutions, data services, and advanced customer care and subscriber self-care functionality. Redknee Solutions Inc. (TSX: RKN) can be found on the Toronto Stock Exchange ("TSX").

The Company derives its revenue from three main geographic areas namely:

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

Redknee's highly scalable and agile, end-to-end platform supports the following market solutions:

- **Converged Billing and Customer Care** – Redknee's award-winning, cloud-enabled, and real-time platform delivers the benefits of a flexible, end-to-end software platform, including real-time charging, billing, policy management, and customer care for service provider data, voice, and messaging services. Redknee's scalable solution supports more than 100 million subscribers at a single customer and enables operators to launch and monetize their 4Gnetworks and deliver advanced data services, including Voice-over-LTE ("VoLTE"), M2M, IoT, cloud services, and Over-the-Top ("OTT") offerings.

- **Policy Management** – Redknee's Policy Management solution provides a single solution that enables service providers to take control of network resource usage, assure a quality experience for users, and offer personalized services and differentiated, service-specific charging. Redknee's Policy Management solution is key to supporting operator data monetization strategies for real-time applications, such as video streaming, interactive gaming, and VoLTE.

- **Brand Challenger** – Redknee's Brand Challenger solution provides a cloud-based, end-to-end converged billing solution for Mobile Network Operators ("MNOs"), Mobile Virtual Network Enablers ("MVNEs"), and Mobile Virtual Network Operators ("MVNOs") to launch quickly to the market. Redknee offers a low risk business model that enables MNOs to launch a second brand, MVNEs to accelerate their growth strategies, and MVNOs to improve their differentiation in the market. In the Americas, Redknee provides the Redknee Cloud as part of its SaaS offering, and it offers a fully managed service to Tier 1 operators, MVNOs, and service providers wanting to launch to market quickly.

- **Wholesale Settlement** – Redknee's Wholesale Settlement is a cloud-based solution that provides operators with greater visibility into network transactions to achieve converged settlement and accurate interconnect billing. Redknee's solution helps service providers maximize the value of their network with a comprehensive and cost-effective interconnect, wholesale, roaming, MVNO, franchise management, and content settlement software solution.

- **Product Catalog and Order Management** – Redknee's Product Catalog and Order Management solution enables customers to maximize their sales strategies while centrally managing the order management process, products, and product offerings. The solution offers fast and flexible modeling of commercial offerings and supports omni-channel, and any-play sales strategies across multiple lines of business.

- **E-Payments** – Redknee's e-payment solution strengthens a customer's ability to monetize services with the provision of different payment methods, including voucher and voucher-less payment and top-up solutions. Redknee's solution allows service providers to offer end users the most convenient payment solutions in their market.

- **Redknee Services** – Redknee's Services Business Unit provides a full suite of professional services and caters to the needs of Communication Services Providers ("CSPs"), using best-in-class processes and tools to deliver agreed service levels. Services offered by Redknee include consulting services, managed services, software factory, test factory, cloud services, learning services, application services, analytics and business intelligence, revenue assurance, and security services.

ISSUANCE OF PREFERRED SHARES AND WARRANT

On January 25, 2017, the Company's shareholders approved a private placement to ESW Holdings, Inc. (formerly known as Wave Systems Corp.) (the "Investor"), an affiliate of ESW Capital, LLC ("ESW Capital"), of 800,000 Series A preferred shares (the "Preferred Shares") of the Company and a warrant (the "Series A Warrant") to purchase 46,285,582 common shares of the Company for an exercise price of $1.2963 per common share for gross proceeds of $83.2 million (the "Financing Transaction") pursuant to the terms of a subscription agreement among the Company, ESW Capital and the Investor. On January 25, 2017, the Company's shareholders approved the Financing Transaction in a special meeting. The private placement was completed on January 26, 2017.

On January 26, 2017, the net proceeds from the Financing Transaction were used to repay the loans and borrowings under the Company's senior secured credit facility of approximately $53.0 million, which included accrued interest up to the date of repayment and related legal costs. In December 2016, the Company accepted a superior offer from ESW Capital and incurred a breakage fee of $3.2 million payable to an affiliate of Constellation Software Inc., which obligation was satisfied by ESW Capital as a prepayment of their subscription in the quarter ended December 31, 2016. The balance of the proceeds, after payment of costs related to the Financing Transaction and the prepayment of the breakage fee of $3.2 million, amounted to $23.8 million, which is being used to fund the Company's previously announced restructuring costs and working capital. The $3.2 million breakage fee was recorded in other expense in the consolidated statements of comprehensive loss during the year ended September 30, 2017.

The Preferred Shares are redeemable at the option of the Company at any time and redeemable at the option of the Investor any time after 10 years from the issuance date. The Series A Warrant expires 10 years from the issuance date. The Preferred Shares are eligible to receive cumulative dividends at the rate of 10% per annum of the issue price and are 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.

Upon issuance, the Preferred Shares were measured at fair value, based upon the present value of the redemption amount of the Preferred Shares and the present value of the quarterly dividends to be paid over the redemption term of 10 years. The fair value of the Preferred Shares upon issuance was $55.6 million. Direct and incremental costs of $3.3 million related to the Financing Transaction were incurred. The transaction costs were allocated to the value of the Preferred Shares and Warrant on a ratable basis. After allocation of transaction costs of $2.2 million, the value of the Preferred Shares was $53.4 million at the date of issuance.

The Preferred Shares will be accreted to their face amount of $80.0 million plus accrued cumulative dividends over the 10-year maturity period using the effective interest rate method. During the year ended September 30, 2017, accretion expense, amortization of transaction costs and accrued dividends on the Preferred Shares amounted to $6.3 million. These charges are included in finance costs in the consolidated statements of comprehensive loss. The Board of Directors have not approved any payment of dividends on the Preferred Shares for the year ended September 30, 2017, and the amount of accrued dividends have been included in the Preferred Shares on the consolidated statements of financial position.

The fair value of the Series A Warrant upon issuance at January 26, 2017 was $27.6 million. The Series A Warrant is being classified as a liability because it contains an adjustment provision if the Company issues Common Shares or securities exchangeable for or convertible into Common Shares at a price per share less than the Series A Warrant exercise price of $1.2963. Changes in fair value are recorded in the consolidated statements of comprehensive loss. The fair value of the Series A Warrant is estimated at $29.6 million at September 30, 2017, based on the terms of the warrant and the adjusted exercise price of $0.68 after the completion of the Rights Offering described below. The increase in fair value of the warrant liability of $2.0 million during the year ended September 30, 2017 is recorded in finance costs in the consolidated statements of comprehensive loss. In addition, total transaction costs of $1.1 million incurred upon issuance, were allocated to the Series A Warrant and were expensed in finance costs in the consolidated statements of comprehensive loss. No Series A Warrant was exercised as at September 30, 2017. Any unexercised Series A Warrant expires on January 25, 2027.

RIGHTS OFFERING

On June 9, 2017 the Company entered into a standby purchase agreement ("Standby Purchase Agreement") with the investor and ESW Capital in connection with the launching of an approximately $54.2 million rights offering, fully backstopped by the Investor (the "Rights Offering"). Pursuant to the Standby Purchase Agreement, ESW Capital agreed to purchase from the Company, at the subscription price of CAD$0.63 per share ($0.50 per share) on the closing date, all of the Rights Shares that were not otherwise subscribed for and taken up under the Rights Offering by holders of rights so that the maximum number of subordinate voting shares (the "Subordinate Voting Shares") that may be issued under the Rights Offering will have been issued (the "Standby Commitment"). The net proceeds of the Rights Offering will be used to fund a restructuring of the business to further the Company's previously announced restructuring plan.

On July 25, 2017, the Company's shareholders approved the Rights Offering in a special meeting. The following was approved:

(i) The issuance to the holders of the Company's outstanding Subordinate Voting Shares (the "Subordinate Voting Shares") of transferable rights (each, a "Right") to subscribe for Subordinate Voting Shares on the basis of one Right for each Subordinate Voting Share held as of the record date of the offering at CAD$0.63 per share ($0.50 per share) for gross proceeds of approximately CAD$68 million ($54 million), assuming exercise of all Rights and giving effect to the Standby Commitment;

(ii) The issuance to the Investor of a Subordinate Voting Share purchase warrant ("Standby Warrant") to acquire 2,500,000 Subordinate Voting Shares at a price of $0.50 per Subordinate Voting Share as consideration for providing the Standby Commitment; and

(iii) The potential issuance by the Company to ESW Investment Corp. (formerly known as Wave Systems Investment Corp.) (the "Preferred Shareholder"), at the Preferred Shareholder's request, of up to 49,899,794 additional Subordinate Voting Shares at a price of CAD$0.63 per share ($0.50 per share) (assuming the exercise of all options that will vest prior to the date of the Rights Offering Circular) following the completion of the Rights Offering in accordance with the terms and conditions of the subscription agreement dated December 18, 2016 between the Investor, the Company and ESW Capital and subsequently assigned to the Preferred Shareholder by the Investor.

On September 6, 2017, the Company closed its Rights Offering to the holders of its Subordinate Voting Shares. Under the Rights Offering, an aggregate of 108,519,936 Subordinate Voting Shares were issued at a subscription price of CAD$0.63 ($0.50) per share for gross proceeds to the Company of CAD$68.4 million ($54.2 million).

The Rights Offering was over-subscribed prior to the Investor exercising its additional rights and, as such, the Investor was not required to fulfill its obligations under the Standby Purchase Agreement. The investor exercised all of its additional rights received as a shareholder under the basic subscription privilege and all rights to which it was entitled under the additional subscription privilege.

Upon closing of the Rights Offering on September 6, 2017, the Company issued the Standby Warrant that entitles the Investor to subscribe for 2,500,000 Subordinate Voting Shares at $0.50 per share. The fair value of the Standby Warrant upon issuance at September 6, 2017 was $1.0 million. The Standby Warrant is classified as equity on the consolidated statements of financial position. Transaction costs directly associated with the Rights Offering of $0.5 million have been recognized as costs of issuance and are reduced from the gross proceeds. No warrants were exercised as at September 30, 2017.

On September 12, 2017, pursuant to the Rights previously granted to the Preferred Shareholder to maintain is pro rata interest in the Company, the Preferred Shareholder subscribed for an additional 44,604,981 Subordinate Voting Shares at a price of CAD$0.63 ($0.50) per share for additional aggregate gross proceeds to the Company of CAD$28.1 million ($23.2 million) (the “Subsequent ESW Issuance”). This issuance was closed on September 12, 2017.

Following the Rights Offering and the Subsequent ESW Issuance, ESW Capital and its affiliates beneficially own and control approximately 39.5% of the issued and outstanding Subordinate Voting shares, on a partially diluted basis. As a result of the completion of the Rights Offering and the Subsequent ESW Issuance, the exercise price of the Series A Warrant issued in January 2017 was reduced from US$1.2963 to US$0.68.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

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

Consolidated Statements of Comprehensive Loss	**Three Months Ended**		**Twelve Months Ended**		
(all amounts in thousands of US$, except per share amounts)	**September 30,**		**September 30,**		
(unaudited)	**2017**	**2016**	**2017**	**2016**	**2015**
Revenue					
Software, services and other	9,728	16,727	49,584	76,116	130,179
Support and subscription	24,044	23,935	88,340	94,974	92,561
	33,772	**40,662**	**137,924**	**171,090**	**222,740**
Cost of revenue	13,733	17,562	58,028	78,495	92,192
Gross profit	**20,039**	**23,100**	**79,896**	**92,595**	**130,548**
Operating expenses					
Sales and marketing	5,274	6,609	19,222	29,513	34,128
General and administrative	8,943	7,581	36,028	30,862	28,365
Research and development	12,834	10,283	41,944	45,496	48,030
Restructuring costs	413	6,249	18,771	35,185	1,096
Acquisition and related costs	-	3,715	-	4,838	6,212
	27,464	**34,437**	**115,965**	**145,894**	**117,831**
Income (loss) from operations	**(7,425)**	**(11,337)**	**(36,069)**	**(53,299)**	**12,717**
Foreign exchange gain (loss)	41	(3,597)	(3,074)	(4,217)	(9,948)
Other expense (income)	-	6,363	(1,451)	6,363	-
Finance income	17	19	247	83	32
Finance costs	(2,227)	(1,563)	(13,139)	(6,260)	(5,172)
Loss before income taxes	**(9,594)**	**(10,115)**	**(53,486)**	**(57,330)**	**(2,372)**
Income tax expense	813	4,568	5,288	9,537	7,635
Loss for the period	**(10,407)**	**(14,683)**	**(58,774)**	**(66,867)**	**(10,007)**
Loss per common share					
Basic	$ (0.07)	$ (0.14)	$ (0.49)	$ (0.62)	$ (0.09)
Diluted	$ (0.07)	$ (0.14)	$ (0.49)	$ (0.62)	$ (0.09)
Weighted average number of common shares (thousands)					
Basic	154,821	108,227	120,107	108,227	109,111
Diluted	154,821	108,227	120,107	108,227	109,111

Statement of Financial Position Data $US Thousands (unaudited)	As at September 30, 2017	As at September 30, 2016	$ Change	% Change	As at September 30, 2015
Cash, Cash Equivalents and Restricted Cash	115,445	41,663	73,782	177%	61,020
Trade Accounts, Other Receivables and Unbilled Revenue	44,258	70,500	(26,242)	-37%	105,722
Goodwill and Intangible Assets	57,777	67,992	(10,215)	-15%	78,633
Total Assets	232,631	197,056	35,575	18%	263,205
Trade Payable and Accrued Liabilities	28,082	37,619	(9,537)	-25%	41,434
Deferred Revenue	16,467	19,555	(3,088)	-16%	14,235
Short-term Loans and borrowings	-	50,446	(50,446)	-100%	1,800
Other long-term liabilities	19,639	30,023	(10,384)	-35%	73,000
Preferred Shares and Series A Warrant	89,294	-	89,294	n/a	-
Total Liabilities	172,458	160,349	12,109	8%	151,850
Shareholders' Equity	60,173	36,707	23,466	64%	111,355

CURRENT PERIOD OPERATING RESULTS

Revenue

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

$US Thousands	Three Months Ended September 30,		Twelve Months Ended September 30,	
(unaudited)	2017	2016	2017	2016
Software and Services	9,592	15,109	46,594	66,412
Support and Subscription	24,044	23,935	88,340	94,974
Third Party Software and Hardware	136	1,618	2,990	9,704
Total	**33,772**	**40,662**	**137,924**	**171,090**

Percentage of Total Revenue	Three Months Ended September 30,		Twelve Months Ended September 30,	
(unaudited)	2017	2016	2017	2016
Software and Services	28%	37%	34%	39%
Support and Subscription	72%	59%	64%	55%
Third Party Software and Hardware	0%	4%	2%	6%
Total	**100%**	**100%**	**100%**	**100%**

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

For the three-month period ended September 30, 2017, the Company's revenues have declined by $6.9 million from the previous year's comparative period to $33.8 million. The change by revenue type for the quarter ended September 30, 2017 is as follows: $5.5 million decrease in software and services revenue, $0.1 million increase in support and subscription revenue, and $1.5 million decrease in third party software and hardware revenue.

For the year ended September 30, 2017, the Company's revenues have declined by $33.2 million from the previous year's comparative period to $137.9 million. The change by revenue type for the year ended September 30, 2017 is as follows: $19.8 million decrease in software and services revenue, $6.7 million decrease in support and subscription revenue, and $6.7 million decrease in third party software and hardware revenue.

Software and Services Revenue

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

Software and services revenue for the three-month period ended September 30, 2017 decreased to $9.6 million, or 28% of total revenue, compared to $15.1 million, or 37% of total revenue for the same period last year. For the year ended September 30, 2017, the Company's software and services revenue decreased to $46.6 million, or 34% of total revenue, compared to $66.4 million or 39% of total revenue for the same period last year.

The decrease in software and services revenue during the three and twelve months ended September 30, 2017 is mainly a result of lower software and services revenue in all regions due to fewer orders from customers.

Support and Subscription Revenue

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

Support and subscription revenue for the three-month period ended September 30, 2017 was $24.0 million, or 72% of total revenue, compared to $23.9 million, or 59% of total revenue, for the same period last year. For the year ended September 30, 2017, the Company's support and subscription revenue decreased to $88.3 million, or 64% of total revenue, compared to $95.0 million, or 55% of total revenue for the same period last year.

The decline in support and subscription revenue for the three months ended September 30, 2017 was more than offset by revenue recognized in the quarter due to adjustments relating to late renewals from certain customers. The overall decrease in support and subscription revenue for the year ended September 30, 2017 is mainly due to fewer software implementations in the EMEA and APAC region and due to the non-renewal of certain support contracts, compared to the same period last year.

Third Party Software and Hardware Revenue

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

Third party software and hardware revenue for the three-month period ended September 30, 2017 decreased to $0.1 million, compared to $1.6 million for the same period last year. For the year ended September 30, 2017, the Company's third party software and hardware revenue decreased to $3.0 million, or 2% of total revenue, compared to $9.7 million, or 6% of total revenue, for the same period last year.

The decrease in the three and twelve months ended September 30, 2017 is mainly due to management's initiatives to reduce the sale of third party software and hardware components, which have minimal contribution to overall profitability.

Revenue by Geography

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

$US Thousands (unaudited)	Three Months Ended September 30,		Twelve Months Ended September 30,	
	2017	2016	2017	2016
Asia and Pacific Rim	9,591	11,666	33,263	44,004
North America, Latin America and Caribbean	8,646	9,974	35,607	39,962
Europe, Middle East and Africa	15,535	19,022	69,054	87,124
Total	**33,772**	**40,662**	**137,924**	**171,090**

Percentage of Total Revenue (unaudited)	Three Months Ended September 30,		Twelve Months Ended September 30,	
	2017	2016	2017	2016
Asia and Pacific Rim	28%	28%	24%	26%
North America, Latin America and Caribbean	26%	25%	26%	23%
Europe, Middle East and Africa	46%	47%	50%	51%
Total	**100%**	**100%**	**100%**	**100%**

For the three-month period ended September 30, 2017, revenue from the APAC region was $9.6 million, or 28% of total revenue, compared to $11.7 million, or 28% of total revenue, for the same comparable period in fiscal 2016. For the year ended September 30, 2017, revenue from the APAC region was $33.3 million, or 24% of total revenue, compared to $44.0 million, or 26% of total revenue, for the same period last year. This decrease is mainly a result of lower software and services revenue in the region mainly due to fewer deployments of software products and lower support revenue.

For the three-month period ended September 30, 2017, revenue from the Americas region decreased to $8.6 million, or 26% of total revenue, compared to $10.0 million, or 25% of total revenue, for the same comparable period in fiscal 2016. For the year ended September 30, 2017, revenue from the Americas region decreased to $35.6 million, or 26% of total revenue, compared to $40.0 million, or 23% of total revenue, for the same comparable period in fiscal 2016. The decrease in revenue is mainly attributable to lower software and services revenue slightly offset by higher support and subscription revenue.

For the three-month period ended September 30, 2017, revenue from the EMEA region decreased to $15.5 million, or 46%, compared to $19.0 million, or 47% of total revenue, for the same comparable period in fiscal 2016. For the year ended September 30, 2017, revenue from the EMEA region decreased to $69.1 million, or 50%, compared to $87.1 million, or 51% of total revenue, for the same comparable period in fiscal 2016. The decrease in revenue is mainly a result of lower software and services revenue in the region due to fewer orders from customers for implementation of software contracts and lower support revenue due to the non-renewal of certain support contracts.

Cost of Revenue and Gross Margin

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

For the three months ended September 30, 2017, cost of revenue decreased to $13.7 million from $17.6 million incurred for the same comparable period in 2016. During the same period, gross margin increased by 2% from 57% in the three months ended September 30, 2016 to 59% in the three months ended September 30, 2017.

For the year ended September 30, 2017, cost of revenue decreased to $58.0 million from $78.5 million incurred for the same comparable period in 2016. During the same period, gross margin increased by 4% from 54% for the year ended September 30, 2016 to 58% for the year ended September 30, 2017.

The increase in gross margin percentage for the three and twelve months ended September 30, 2017 was mainly due to lower headcount and related costs incurred as a result of the Company's cost structure optimization plan. In addition, the revenue mix for third party software and hardware revenue, which has lower margins, decreased during the three and twelve months ended September 30, 2017.

Operating Expenses

Total operating expenses (excluding depreciation and amortization) in the three months ended September 30, 2017 decreased to $24.4 million from $31.2 million for the comparable period last year. This includes restructuring costs of $0.4 million and $6.2 million for the three months ended September 30, 2017 and September 30, 2016, respectively. Excluding depreciation, amortization, restructuring and acquisition and related costs, total operating costs in the fourth quarter of fiscal 2017 increased to $23.9 million, or 70% of total revenue, compared to $21.2 million, or 52% of total revenue, for the same period last year. The increase in overall operating expenses (excluding depreciation, amortization, restructuring and acquisition and related costs) is mainly attributable to higher general and administrative and research and development costs offset by lower sales and marketing costs, as further explained below by function.

Total operating expenses (excluding depreciation and amortization) for the year ended September 30, 2017 decreased to $104.0 million, as compared to $132.3 million for the same period last year. This includes restructuring costs of $18.8 million and $35.2 million for the years ended September 30, 2017 and September 30, 2016, respectively. Excluding depreciation, amortization, restructuring and acquisition and related costs, total operating costs for the year ended September 30, 2017 were $85.2 million, or 62% of total revenue, compared to $92.3 million, or 54% of total revenue, for the same period last year. The decrease in overall operating expenses (excluding depreciation, amortization, restructuring and acquisition and related costs) is mainly attributable to lower research and development costs and lower sales and marketing costs as a result of the Company's cost-cutting initiatives.

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

$US Thousands (unaudited)	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Twelve Months Ended September 30, 2017	Twelve Months Ended September 30, 2016
Sales and Marketing	5,274	6,609	19,222	29,513
General and Administrative	8,943	7,581	36,028	30,862
Research and Development	12,834	10,283	41,944	45,496
Restructuring Costs	413	6,249	18,771	35,185
Acquisition and Related Costs	-	3,715	-	4,838
Total Operating Expenses	**27,464**	**34,437**	**115,965**	**145,894**
Excluding Amortization and Depreciation	*24,362*	*31,166*	*103,965*	*132,275*

Percentage of Total Revenue (unaudited)	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Twelve Months Ended September 30, 2017	Twelve Months Ended September 30, 2016
Sales and Marketing	16%	16%	14%	17%
General and Administrative	26%	19%	26%	18%
Research and Development	38%	25%	30%	26%
Restructuring Costs	1%	16%	14%	21%
Acquisition and Related Costs	0%	9%	0%	3%
Total Operating Expenses	**81%**	**85%**	**84%**	**85%**

Sales and Marketing Expenses

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

For the three-month period ended September 30, 2017, S&M expenditures decreased to $5.3 million, or 16% of total revenue, compared to $6.6 million, or 16% of total revenue, for the comparable period last year. For the year ended September 30, 2017, S&M expenditures decreased to $19.2 million, or 14% of total revenue, compared to $29.5 million, or 17% of total revenue, for the comparable period last year.

The decrease is mainly due to lower headcount, lower sales commissions and impact of other cost optimization initiatives.

General and Administrative Expenses

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

For the three-month period ended September 30, 2017, G&A expenditures increased to $8.9 million, or 26% of total revenue, from $7.6 million, or 19% of total revenue, in fiscal 2016. The increase was mainly due to the higher professional fees incurred in various initiatives supporting the Company's strategic plan. For the year ended September 30, 2017, G&A expenditures increased to $36.0 million, or 26% of total revenue, from $30.9 million, or 18% of total revenue, in fiscal 2016. The increase is mainly attributable to a provision related to a claim made by a party pertaining to an intellectual property matter, allowance for doubtful accounts made for certain customers slightly offset by lower headcount and impact of other cost optimization initiatives.

Excluding share-based compensation, amortization and depreciation, G&A expenses were $5.3 million, or 16% of revenue and $25.4 million, or 16% of revenue for the three and twelve months ended September 30, 2017, respectively. Excluding share-based compensation, amortization and depreciation, G&A expenses were $4.2 million, or 10% of revenue and $18.7 million, or 11% of revenue for the three and twelve months ended September 30, 2016, respectively.

Research and Development Expenses

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

For the three-month period ended September 30, 2017, R&D expenditures increased to $12.8 million, or 38% of total revenue, from $10.3 million, or 25% of total revenue, in fiscal 2016. The increase is due to higher professional fees related to programs initiated with an objective to enhance product innovation and improve code quality including significant expenditures with related parties. This increase is partially offset by lower headcount and related costs incurred under the Company's cost structure optimization plan to eliminate projects that are no longer going to be pursued. For the year ended September 30, 2017, R&D expenditures decreased to $41.9 million, or 30% of total revenue, from $45.5 million, or 26% of total revenue, in fiscal 2016. The decrease is attributable to lower headcount and related costs incurred under the Company's cost structure optimization plan slightly offset by higher professional fees related to improving R&D processes.

Restructuring Costs

In February 2016, the Company announced that it would eliminate certain satellite office locations, concentrate research and development and support staff into existing locations and consolidate activities to lower cost centers. The Company also announced restructuring actions throughout the organization intended to reduce its overall cost structure and improve its margin performance.

In February 2017, under the new strategic plan, the Company announced a corporate restructuring plan that is expected to be completed in calendar 2018. The restructuring would involve further reduction in headcount, location reorganization including closure of certain facilities and entity simplification.

During the three and twelve months ended September 30, 2017, restructuring charges related to employee terminations of $0.4 million and $18.8 million respectively (2016 – $6.2 million and $35.2 million) were recorded.

For the three and twelve months ended September 30, 2017, amounts of $7.8 million and $26.0 million, respectively, have been paid, and an additional amount of $17.3 million is estimated as payable within one year. The balance of the restructuring provision, classified as long-term, payable over three years, amounts to $0.8 million and has been discounted to its present value.

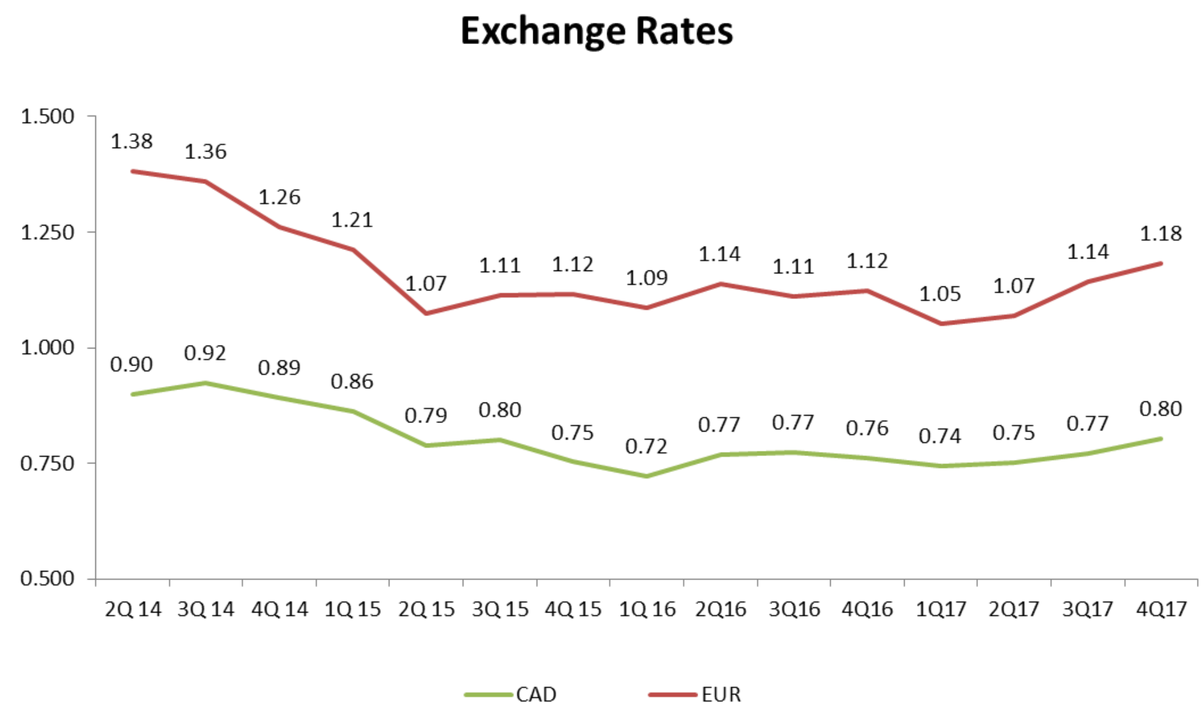
In November 2017, the Company finalized a restructuring plan to reduce approximately 530 employees globally and vacate premises in 18 locations. The cost of severance and office closures is estimated to be approximately $48 million to $50 million. The Company is in the process of completing its negotiations with collective units in certain countries, and the total cost of restructuring will be finalized once these negotiations are completed.

Acquisition and Related Costs

For the three-month period ended September 30, 2017, acquisition and related costs were $nil as compared to $3.7 million for the same period last year. For year ended September 30, 2017, acquisition and related costs were $nil as compared to $4.8 million for the same period last year. Acquisition costs incurred in the prior year mainly consist of a provision of $3.7 million as the best estimate of the Company's obligations arising from transactions related to the acquisition of Business Support Systems division ("BSS"). During the year ended September 30, 2017, that provision was released with a cash settlement. Other costs included as acquisition costs were legal and professional fees related to the acquisition of Orga Systems.

Foreign Exchange Gain/Loss

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



Source: Bank of Canada

For the three months ended September 30, 2017, the Company had a nominal foreign currency exchange gain of less than $0.1 million, compared to a foreign currency exchange loss of $3.6 million in the comparable period last year. For the year ended September 30, 2017, the Company recognized a foreign currency exchange loss of $3.1 million, compared to a foreign currency exchange loss of $4.2 million in the comparable period last year. The Company has monetary assets and liabilities in a number of currencies, the most significant of which are denominated in Euro and the Canadian Dollar. The U.S. Dollar weakened against the Euro and Canadian dollar during the year ended September 30, 2017. The foreign exchange loss in fiscal 2017 was mainly due to the higher Euro and Canadian dollar denominated liabilities in comparison to the assets.

A change in foreign exchange rates as at September 30, 2017 of 10% would result in a gain or loss of approximately $1.3 million arising from the translation of the Company's foreign currency denominated monetary assets and liabilities as at September 30, 2017. This foreign currency gain or loss arising from translation would be recorded in the consolidated statements of comprehensive loss.

Finance Costs

As described under "Loans and Borrowings", the Company had a total credit facility in the amount of $100.0 million as at September 30, 2016. As at September 30, 2017, the Company has no credit facility and has no principal and interest outstanding related to the extinguished credit facility (September 30, 2016 - $52.7 million). On January 26, 2017, the transaction for the issuance of the Preferred Shares and Series A Warrant was completed and a portion of the proceeds from this transaction were used to fully repay the loans and borrowings. At inception of the credit facility, the Company incurred $3.4 million of transaction costs and recorded these costs as deferred financing costs that were being amortized over the expected five-year term of the loans using the effective interest rate method. As a result of full repayment of the credit facility on January 26, 2017, the associated deferred financing costs of $1.6 million were fully written-off to finance costs in the consolidated statements of comprehensive loss.

Interest was at LIBOR plus an applicable margin, which was 4.0% at September 30, 2017 and 2016. LIBOR was defined to have a floor of no less than 1.00%, which was determined to be an embedded derivative. The fair value of the embedded derivative liability was determined to be $nil at September 30, 2017 (September 30, 2016 - $0.4 million), as the loans and borrowings were fully repaid on January 26, 2017.

The change in fair value of $0.4 million for the year ended September 30, 2017 (2016 - $0.5 million) was recorded in finance costs in the consolidated statements of comprehensive loss. The embedded derivative liability was included in other liabilities in the consolidated statements of financial position as at September 30, 2016.

For the year ended September 30, 2017, interest expense and fees of $0.7 million (2016 - $5.0 million) in connection with loans payable has been recognized in finance costs in the consolidated statements of comprehensive loss.

Upon issuance, the Preferred Shares were measured at fair value, based upon the present value of the redemption amount of the Preferred Shares and the present value of the quarterly dividends to be paid over the redemption term of 10 years. The Preferred Shares will be accreted to their face amount of $80.0 million over the 10-year maturity period using the effective interest rate method. During the year ended September 30, 2017, accretion expense, amortization of transaction costs and accrued dividends on the preferred shares amounted to $6.3 million. These charges are included in finance costs in the consolidated statement of comprehensive loss.

The fair value of the Series A Warrant upon issuance at January 26, 2017 was $27.6 million. The Series A Warrant contains an adjustment provision if the Company issues Common Shares or securities exchangeable for or convertible into Common Shares at a price per share less than the Warrant exercise price of $1.2963, which results in the warrant being classified as a liability with changes in fair value recorded in the consolidated statements of comprehensive loss. The fair value of the Series A Warrant is estimated at $29.6 million at September 30, 2017 (September 30, 2016 – nil), based on the terms of the warrant and the adjusted exercise price $0.68 based on the Rights Offering described under “Share Capital” section elsewhere in this document. The increase in fair value of $2.0 during year ended September 30, 2017 (2016 – nil) was recorded in finance costs in the consolidated statements of comprehensive loss. In addition, total transaction costs of $1.1 million incurred upon issuance, were allocated to the Series A Warrant and were expensed in finance costs in the consolidated statements of comprehensive loss.

Income Taxes

The Company’s operations are global, and the income tax provision is determined in each of the jurisdictions in which the Company conducts its business. The Company's current income tax expense for the year ended September 30, 2017 mainly includes $2.2 million (2016 - $3.5 million) of corporate tax expense incurred by foreign subsidiaries generating taxable profits and $4.0 million (2016 - $5.1 million) of foreign withholding taxes. The Company's deferred tax recovery of $0.9 million (2016 – expense of $0.9 million) consists primarily of changes in temporary differences recognized during the current period.

SUMMARY OF RESULTS

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

$US Thousands, except share and per share amounts (Unaudited)	4Q 17 [(1)]	3Q 17 [(2)]	2Q17	1Q17	4Q16	3Q16	2Q 16 [(2)]	1Q 16
Revenue	$33,772	$32,577	$34,365	$37,210	$40,662	$40,520	$39,792	$50,116
Net Loss	$(10,407)	$(26,749)	$(15,263)	$(6,354)	$(14,683)	$(12,255)	$(35,624)	$(4,305)
Loss per Share	$(0.07)	$(0.25)	$(0.14)	$(0.06)	$(0.14)	$(0.11)	$(0.33)	$(0.04)
Diluted Loss per Share	$(0.07)	$(0.25)	$(0.14)	$(0.06)	$(0.14)	$(0.11)	$(0.33)	$(0.04)
Weighted average shares outstanding – Basic (thousands)	154,821	108,517	108,339	108,252	108,227	108,305	108,305	109,136
Weighted average shares outstanding - Diluted (thousands)	154,821	108,517	108,339	108,252	108,227	108,305	108,305	109,136

(1) Increase in weighted average shares outstanding (basic and diluted) in Q4, 2017 as a result of completion of the rights offering.

(2) Increase in net loss due to significant charge taken for restructuring

TRADE ACCOUNTS AND OTHER RECEIVABLES

The Company’s Days Sales Outstanding in Trade Receivable (“DSO”) is at 70 days as of September 30, 2017 compared to 92 days as of September 30, 2016. The Company calculates DSO based on the annualized revenue and the accounts receivable balance at period end. In order to minimize the risk of loss for trade receivables, the Company's extension of credit to customers involves review and approval by senior management, as well as progress payments as contracts are performed. Credit reviews take into account the counterparty's financial position, past experience and other factors. Management regularly monitors customer credit limits. The Company also maintains credit insurance in certain jurisdictions. The Company believes that the concentration of credit risk from trade receivables is limited, as they are widely distributed among customers in various countries.

While the Company's credit controls and processes have been effective in mitigating credit risk, these controls cannot eliminate credit risk and there can be no assurance that these controls will continue to be effective or that the Company's low credit loss experience will continue. Most sales are invoiced with payment terms in the range of 30 to 120 days. The Company reviews its trade receivable accounts regularly and reduces amounts to their expected realizable values by making an allowance for doubtful accounts as soon as the account is determined not to be fully collectible. The Company's trade accounts and other receivables had a carrying value of $26.3 million as at September 30, 2017.

The allowance for doubtful accounts as at September 30, 2017 was $2.2 million, compared to $0.7 million as at September 30, 2016. Estimates for allowance for doubtful accounts are determined based on an evaluation of collectability by customer and project at each consolidated statement of financial position reporting date, taking into account the amounts that are past due and any available relevant information on the customers' liquidity and ability to pay.

UNBILLED REVENUE

Unbilled revenue represents revenue that has been earned but not billed. Redknee operates in an industry where contract prices are fixed and payments are often based on billing milestones. All services provided from inception of the contracted arrangement are recoverable under the contract terms. Differences between the timing of billings, based upon billing milestones or other contractual terms, collection of cash and the recognition of revenue result in either unbilled revenue or deferred revenue.

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

Unbilled revenue decreased by $9.4 million to $17.9 million at September 30, 2017, as compared to $27.3 million as at September 30, 2016. This decrease is mainly attributable to the completion of ongoing customer projects and receipt of customer acceptance of significant project milestones resulting in billings during the period and the overall impact of lower software and services revenue in the year ended September 30, 2017.

OTHER ASSETS

Other assets were at $1.4 million as at September 30, 2017, compared to $1.9 million as at September 30, 2016. At September 30, 2017, these assets consists of long-term lease deposits for various offices around the world. In the past, this included the recognition of upfront direct costs related to one customer contract as an asset. This asset was recovered through minimum contractual payment terms. During the year ended September 30, 2017, $0.3 million were amortized (2016 - $0.4 million). The costs have been fully amortized at September 30, 2017.

DEFERRED REVENUE

Deferred revenue represents amounts that have been billed and collected in accordance with the terms of the contract but where the criteria for revenue recognition has not been met. Redknee operates in an industry where contract prices are fixed and payments are based on billing milestones. All services provided from inception are recoverable under the contract terms. Differences between the timing of billings, based upon billing milestones or other contractual terms, and the recognition of revenue are recognized as either unbilled revenue or deferred revenue. Deferred revenue decreased to $16.5 million at September 30, 2017, as compared to $19.6 million at September 30, 2016. The decrease in deferred revenue is consistent with the overall decrease in revenue in the year ended September 30, 2017.

LIQUIDITY AND CAPITAL RESOURCES

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

The Company operates in several 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.

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

Statement of Cash Flows Summary ($ US Thousands) (Unaudited)	Three months ended September 30, 2017	 2016	Twelve months ended September 30, 2017	 2016
Cash inflows and (outflows) by activity:				
Operating activities	(10,830)	5,434	(28,969)	7,378
Investing activities	(438)	403	(486)	(11,448)
Financing activities	76,919	(6,697)	101,902	(13,307)
Effect of foreign currency exchange rate changes on cash and cash equivalents	565	329	1,364	(590)
Net cash inflows (outflows)	66,216	(531)	73,811	(17,967)
Cash and cash equivalents, beginning of period	44,676	37,612	37,081	55,048
Cash and cash equivalents, end of period	110,892	37,081	110,892	37,081

Cash from Operating Activities

Cash used by operating activities was $10.8 million in the three months ended September 30, 2017, compared to cash provided by operating activities of $5.4 million in the same period last year. In the year ended September 30, 2017, cash used for operating activities was $29.0 million, compared to cash provided by operating activities of $7.4 million in the same period last year.

Cash used by operating activities, net of restructuring payments, was $3.0 million in the three months ended September 30, 2017 (2016 – Cash provided by operating activities of $13.8 million). For the year ended September 30, 2017, cash used by operating activities, net of restructuring payments was $3.0 million (2016 – Cash provided by operating activities of $24.0 million).

Working capital represents the Company's current assets less its current liabilities. The Company's working capital balance increased to $100.5 million as at September 30, 2017, as compared to negative $15.5 million at September 30, 2016. Excluding the loans and borrowings from the current liabilities as at September 30, 2016, the Company's working capital balances increased to $100.5 million as at September 30, 2017 as compared to $35.0 million at September 30, 2016. The increase in working capital mainly relates to the increase in cash due to Rights Offering, decrease in accounts payable, accrued liabilities and deferred revenue offset by decrease in accounts receivable and unbilled revenue.

Cash used for Investing Activities

Cash used in investing activities during the three months ended September 30, 2017 was $0.4 million, compared to cash provided of $0.4 million during the same period in fiscal 2016.

Cash used in investing activities during the year ended September 30, 2017 was $0.5 million, compared to cash used of $11.4 million during the same period in fiscal 2016. The use of cash in the current year mainly relates to the purchase of capital assets. The use of cash during the comparative period last year mainly related to the settlement payments made to Nokia Networks of $10.2 million and purchase of capital assets of $2.6 million, offset by release of restricted cash of $1.4 million.

Cash from Financing Activities

In the three months ended September 30, 2017, cash provided by financing activities was $76.9 million, compared to cash used of $6.7 million during the same period in fiscal 2016. Source of cash in the three months ended September 30, 2017 relates to the net proceeds received in connection with the Rights Offering as described elsewhere in this document.

For the year ended September 30, 2017, cash provided by financing activities was $101.9 million compared to cash used of $13.3 million during the same period in fiscal 2016. The source of cash in the year ended September 30, 2017 mainly relates to the net proceeds from the Rights Offering as described elsewhere in this document and the Financing Transaction after full repayment of the loans and borrowings. The use of cash during the comparative periods last year mainly relates to the interest and principal repayments of the loan and repurchase of common shares for cancellation under the Normal Course Issuer Bid (“NCIB”).

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Loans and borrowings

The Company has no loans and borrowings as at September 30, 2017, and does not have a credit facility since the repayment of its loans and borrowings as part of the Financing Transaction described in the section “Issuance of Preferred Shares and Warrants”.

Prior to the repayment of the loans and borrowings, the Company used the credit facilities for working capital, general corporate purposes, capital expenditures, and for acquisitions. The credit facilities were 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 had guaranteed the obligations of Redknee Inc. The Company's guarantee was secured by a pledge of all of its shares in Redknee Inc. The lenders have released the security in all jurisdictions.

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, 2017, were $6.1 million (2016 - $7.7 million). The Company is obligated to make future annual lease payments under operating leases for office equipment and premises. The Company has no off balance sheet arrangements outside of the lease commitments noted.

Future minimum lease payments under non-cancellable operating leases as at September 30, 2017 are as follows:

	$ (thousands)
2018	3,582
2019	2,542
2020	859
2021 and thereafter	151
	7,134

MANAGEMENT OF CAPITAL

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its strategy of 100% customer success, fund research and development leading to innovative and market leading products and implement its strategic plan that will help towards increasing shareholder value, while at the same time taking a conservative approach toward financial leverage and management of financial risk. The Company's capital is currently composed of Preferred Shares and Series A Warrant (classified as liability), Subordinated Voting Shares and Standby Warrant (classified as equity). The Company's primary uses of capital are financing its operations including restructuring, increases in working capital, capital expenditures, payment of preferred share dividends when approved by the Board of Directors and acquisitions. The Company currently funds these requirements from cash flows from operations and cash raised through past share issuances.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

Control – Integrated Framework (2013)" published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Changes in Internal Controls over Financial Reporting

There have been no changes to the Company's internal controls over financial reporting during the three and twelve months ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

ACCOUNTING CHANGES AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

New accounting pronouncements

The IASB has issued new standards and amendments to existing standards. These changes in accounting are not yet effective at September 30, 2017 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 or 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 standard will be applicable for the Company effective October 1, 2018. The Company is in the process of assessing the impact of this standard on its consolidated financial statements. The extent of the impact of adoption of the standard has not yet been determined.

(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 will adopt the amendments to IFRS 2 in its consolidated 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.

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

The IASB issued IFRS 9, which replaces IAS 39 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 and will adopt the standard effective October 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

(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 will adopt the standard effective October 1, 2019 and is in the process of assessing the impact on its consolidated financial statements. The extent of the impact of adoption of the standard has not yet been determined.

(v) Amendments to IAS 7 – Disclosure initiative:

On January 29, 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 will adopt the amendments to IAS 7 in its consolidated 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 consolidated financial statements.

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

On January 19, 2016, the IASB issued IAS 12. 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 will adopt the amendments to IAS 12 in its financial statements for the annual period beginning on October 1, 2017.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Revenue Recognition

General

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

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

Arrangements with multiple components

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

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

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

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

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

Software licenses

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

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

Other services

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

Post-contract customer support ("PCS")

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

Hardware

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

Trade receivables

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.

Unbilled and deferred revenue

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

Deferred taxes

Deferred tax assets and liabilities are recognized for temporary differences and for tax loss carryforwards. 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 carryforwards may be utilized.

Estimate of useful lives of property and equipment and intangible assets

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.

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.

Fair value estimates of share-based compensation

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

Pension and non-pension post-employment benefit plans

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

Goodwill valuation

We use estimates in determining the recoverable amount of goodwill. The determination of the recoverable amount for the purpose of impairment testing requires the use of significant estimates, such as future cash flows, terminal growth rates and discount rates.

We estimate value in use for impairment tests by discounting estimated future cash flows for periods up to five years to their present value. The future cash flows are based on our estimates and expected future operating results of the CGU after considering economic conditions and a general outlook for the CGU’s industry. Our discount rates consider market rates of return, debt to equity ratios and certain risk premiums, among other things. The terminal value is the value attributed to the CGU’s operations beyond the projected time period of the cash flows using a perpetuity rate based on expected economic conditions and a general outlook for the industry.

We make certain assumptions when deriving expected future cash flows, which may include assumptions pertaining to discount and terminal growth rates. These assumptions may differ or change quickly depending on economic conditions or other events. It is therefore possible that future changes in assumptions may negatively affect future valuations of CGUs and goodwill, which could result in impairment losses.

PATENT PORTFOLIO

As part of Redknee's commitment to R&D to maintain its position as a key industry innovator in the real-time BSS software space, the Company currently has a portfolio of 36 filed and 144 granted patents. To date Redknee has not initiated any action with respect to assertions and/or claims of patent infringement.

OUTSTANDING SHARE DATA

The number of common shares outstanding as at September 30, 2017 is 261,652,353 (September 30, 2016 – 108,252,436). In addition, there were 5,185,397 (2016 – 10,188,984) stock options outstanding with exercise prices ranging from CAD $0.81 to CAD $6.30 per share.

SHARE CAPITAL

(a) Series A Preferred Shares and Subordinated Voting Shares :

On January 26, 2017, the Company issued 800,000 Series A Preferred Shares to the Investor. The Investor, as the holder of the Preferred Shares, is entitled to elect a number of directors that will be a majority of the Board of Directors, with the holders of the Common Shares being entitled to elect the balance of the directors, which resulted in the Common Shares becoming "restricted securities" under applicable securities laws and the TSX Company Manual, on January 26, 2017. The Preferred Shares are redeemable any time at the option of the Company and redeemable at the option of the Investor any time after 10 years of Issuance. The holders of the Preferred Shares are entitled to dividends, payable quarterly at the rate of 10% per annum of the issue price. Provided that to the extent such dividends are not declared and paid, dividends shall accrue and compound monthly at the rate of 10% per annum.

On March 29, 2017, at its annual and special meeting, the shareholders passed a resolution to amend and restate Redknee's articles to re-designate the Common Shares of the Company as Subordinate Voting Shares. The Company has filed amended and restated articles with Industry Canada and TSX in order to give effect to the re-designation of the Common Shares as Subordinate Voting Shares.

(b) Rights Offering :

Under the Rights Offering as described earlier, an aggregate of 108,519,936 Subordinate Voting Shares were issued at a subscription price of CAD$0.63 ($0.50) per share for gross proceeds to the Company of $54.2 million (CAD$68.4 million).

Pursuant to the Rights previously granted to ESW Capital to maintain its pro rata interest in the Company, ESW Capital subscribed for an additional 44,604,981 Subordinate Voting Shares at price of CAD$0.63 ($0.50) per share for additional aggregate gross proceeds to the Company of CAD$28.1 million ($23.2 million). This issuance was closed on September 12, 2017.

(c) Series A Warrant and Standby Warrant :

As part of the Financing Transaction, the Company issued a Series A Warrant that entitles the Investor to subscribe of 46,285,582 Subordinate Voting Shares at $0.68 per share. The Series A Warrant expires on January 25, 2027.

Upon closing of the Rights Offering on September 6, 2017 (as described earlier), the Company issued the Standby Warrant that entitles investor to subscribe for 2,500,000 Subordinate Voting Shares at $0.50 per share. The fair value of the Standby Warrant upon issuance at September 6, 2017 was $1.0 million. The Standby Warrant expires on September 5, 2027.

(d) Normal course issuer bid :

On December 2, 2015, the Company announced an NCIB under which it may purchase up to 9,437,270 of its common shares commencing on December 7, 2015, and expiring on December 6, 2016. The NCIB was not renewed. During year ended September 30, 2017, the Company has not purchased or cancelled any common shares under this program (2016 – 1,265,690 common shares for $2.6 million).

(e) Share-based Compensation

The share-based compensation relating to the Company's stock options, deferred share unit plan, and under the share unit plan for the year ended September 30, 2017 was an expense of $1.6 million (2016 - $3.2 million).

RELATED PARTY TRANSACTIONS

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:

$US Thousands	2017	2016
Salaries and employee benefits	$ 2,883	$ 3,381
Share-based compensation (a)	2,143	3,158
	$ 5,026	$ 6,539

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

Related Party Service Agreements

On May 8, 2017, the Company entered into short term service agreements with Crossover Markets Inc. ("Crossover") and DevFactory FZ-LLC ("DevFactory"), (collectively “Service Agreements”) to provide cross functional and specialized technical services. Each of Crossover and DevFactory is an affiliate of ESW. On June 9, 2017, the Company extended the short term Services Agreements with Crossover and DevFactory, respectively, until the termination of the Standby Purchase Agreement with ESW. Based on the closing of the Rights Offering and termination of the Standby Purchase Agreement, the Company has entered into longer term service agreements with Crossover and DevFactory.

The Service Agreements have been negotiated and approved by the Special Committee of the Board of Directors. The contracted rates with these related parties are priced as agreed to by the parties and are to be settled in cash on normal payment terms upon receipt of invoices. The Company has not offered any security to these vendors.

Crossover provides Redknee with access to skilled temporary employees. Crossover leverages its network of global resources to hire, and assign resources on behalf of Redknee. These resources provide a variety of services, including HR, operations, finance, and support functions, at any global location for pricing agreed to in the Crossover service agreement. During the year ended September 30, 2017, the Company has incurred $5.9 million of costs associated with services provided by Crossover. The costs have been recorded in cost of goods sold or operating expenses in accordance with the department of the contract resource in the consolidated statement of comprehensive loss.

DevFactory provides certain technology services to Redknee as per agreed statements of work subject to the terms of the service agreement. The technology services include source code analysis, code cleanup service and various other technical services related to Redknee’s software solution. During the year ended September 30, 2017, the Company has incurred $3.5 million of costs associated with services provided by DevFactory for the services. The costs have been recorded in research and development expense in the consolidated statement of comprehensive loss.

Amounts owing to Crossover and DevFactory as of September 30, 2017 totaled $4.5 million and is included in Trade Payables and Accrued Liabilities in the consolidated statement of financial position.

In the normal course of business, the Company retained certain contractors with specialized skills and knowledge to assist the Company in its operations. These contractors are retained from other entities controlled by ESW. The costs of these contractors are $0.1 million for the year ended September 30, 2017 (2016 – nil) and have been recorded in general and administrative expense in the consolidated statements of comprehensive loss and is included in accrued liabilities in the consolidated statement of financial position at September 30, 2017.

FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

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:

	2017		2016	
$US Thousands	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents (Level 1)	$ 110,892	$ 110,892	$ 37,081	$ 37,081
Restricted cash (Level 1)	4,554	4,554	4,582	4,582
Embedded derivative liability (other liabilities) (Level 2)	–	–	410	410
Warrant classified as liability (Level 2)	29,623	29,623	–	–
Preferred Shares (Level 2)	59,671	59,671	–	–

There were no transfers of financial assets between levels during the years ended September 30, 2017 and 2016.

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

$US Thousands		2017		2016
Financial assets at FVTPL[(a)]	$	115,445	$	41,663
Loans and receivables[(b)]		26,330		43,209
Other financial liabilities[(c)]		108,039		118,994
Financial liabilities at FVTPL[(d)]		29,623		–

(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, preferred shares and loans and borrowings.

(d) Includes the Series A Warrant.

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.

Financial Risk Management

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

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

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

- Credit risk
- Liquidity risk
- Market risk

Credit risk:

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

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

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

	2017	2016
Europe, Middle East and Africa	27%	83%
North America, Latin America and Caribbean	71%	7%
Asia and Pacific Rim	2%	10%
	100%	100%

For the years ended September 30, 2017 and 2016, the Company had no customers that accounted for greater than 10% 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.

The Company's trade receivables had a carrying value of $24.6 million as at September 30, 2017 (2016 - $34.1 million), representing the maximum exposure to credit risk of those financial assets, exclusive of the allowance for doubtful accounts. Normal credit terms for amounts due from customers varies based upon the size of the customer, type of revenue and geographic region, and generally call for payment within 30 to 120 days. At September 30, 2017, approximately 7.7% of gross trade receivables, or $2.5 million, was outstanding for more than 120 days (2016 - 26.8% or $11.6 million).

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

$US Thousands	September 30, 2017	September 30, 2016
Allowance for doubtful accounts, beginning of year	$ 748	$ 1,685
Bad debt expense	3,392	857
Write-off of bad debts	(1,927)	(1,794)
	$ 2,213	$ 748

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:

	2017	2016
Europe, Middle East and Africa	48%	62%
North America, Latin America and Caribbean	13%	11%
Asia and Pacific Rim	39%	27%
	100%	100%

Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's financial liabilities as at September 30, 2017 will mature as follows:

US$ Thousands	Less than 1 year	1 to 2 years	2 years and thereafter
Trade payables	$ 11,229	$ –	$ –
Accrued liabilities	16,853	–	–
Provisions	18,654	497	328
Other liabilities	–	–	807
Preferred shares	–	–	59,671
	$ 45,736	$ 497	$ 60,806

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 become due.

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

Market risk:

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

(a) Foreign currency risk:

The Company conducts a significant portion of its business activities in foreign countries. Foreign currency risk arises because of fluctuations in foreign currency exchange rates. The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows by converting foreign-denominated cash balances into U.S. dollars to the extent practical to match U.S. dollar obligations. The monetary assets and liabilities that are denominated in foreign currencies are affected by changes in the exchange rate between the U.S. dollar and these foreign currencies. The Company recognized a foreign currency exchange loss of $3.1 million during the year ended September 30, 2017 (2016 - $4.2 million).

If a shift in foreign currency exchange rates of 10% were to occur, the foreign currency exchange gain or loss on the Company's net monetary assets could change by approximately $1.1 million (2016 - $0.4 million) due to the fluctuation and this would be recorded in the consolidated statements of comprehensive loss.

(b) Interest rate risk:

Interest rate risk arises because of the fluctuation in interest rates. The Company is subject to interest rate risk on its cash and cash equivalents, restricted cash and certain loans and borrowings. If a shift in interest rates of 10% were to occur, the impact on cash and cash equivalents and restricted cash and the related income for the years ended September 30, 2017 and 2016 would not be material. On the loans and borrowings, the loan was settled in full any incremental increase or decrease in the LIBOR rate by 10%, would have no impact on interest expense (2016 - $0.3 million).

RISK FACTORS

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

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

Risks Associated with the Preferred Shares

As holder of the Preferred Shares, the Preferred Shareholder is entitled to elect a majority of the directors to the board of directors of the Company. This voting entitlement remains a term of the Preferred Shares upon transfer thereof and, pursuant to their terms, the Preferred Shares may be transferred without the consent of the Company. Accordingly, a control premium may be offered to the Preferred Shareholder for the acquisition of the Preferred Shares.

Under applicable Canadian law, any offer to purchase the Preferred Shares, regardless of the offered price, would not require that an offer be made to purchase the Subordinate Voting Shares. The holders of the Subordinate Voting Shares do not have coattail protections which would ensure that, in the event of a takeover bid for the Preferred Shares, the holders of Subordinate Voting Shares would be entitled to participate in the transaction on an equal footing with the Preferred Shareholder, as the holder of the Preferred Shares. In the absence of any coattail protection, if a takeover bid or any other public offer or private transaction is undertaken to acquire the Preferred Shares, holders of Subordinate Voting Shares will not have the right to participate in the transaction. Furthermore, if an offer is made to acquire both the Subordinate Voting Shares and the Preferred Shares, such offer need not be made on equal terms and the Subordinate Voting Shares may be offered less than what is offered to the Preferred Shareholder, as holder of the Preferred Shares. Canadian securities regulatory authorities may intervene in the public interest to prevent an offer to holders of the Preferred Shares being made or completed where such offer is abusive of the holders of Subordinate Voting Shares who are not subject to that offer, however such a determination would be at the discretion of the regulatory authorities and it remains possible that such a transaction could be completed by the Preferred Shareholder.

The Preferred Shares include a provision that allows the Independent Directors to redeem the Preferred Shares without the payment of a premium. In addition, the financing of any redemption of the Preferred Shares is within the discretion of the Independent Directors. These provisions are intended to limit the likelihood that a third party would pay a premium for the Preferred Shares as a means by which to acquire the right to elect a majority of the board of directors.

Partial redemptions of the Preferred Shares will not reduce the entitlement of the holders thereof to elect a majority of the Board. Accordingly, until the Preferred Shares are redeemed in full, the holders thereof will retain the same influence over the Board, regardless of their relative economic interest in the Preferred Shares.

The Preferred Shares Rank Ahead of the Subordinate Voting Shares in the Event of any Liquidation, Dissolution or Winding Up of the Company

In the event of any liquidation, dissolution or winding up of the Company or any other distribution of assets of the Company among its Shareholders for the purpose of winding up its affairs, subject to the prior satisfaction of the claims of all creditors of the Company and of holders of shares of the Company ranking prior to the Preferred Shares, the Preferred Shareholder, as the sole holder of Preferred Shares, is entitled to be paid an amount equal to US$100 per Preferred Share, plus all unpaid dividends on the Preferred Shares, up to but excluding the date of payment or distribution (less any tax required to be deducted and withheld by the Company), before any amount is paid or any assets of the Company are distributed to the holders of Subordinate Voting Shares.

Sufficiency of Available Funds to Complete the Restructuring and Potential Need for Additional Financing

The funds raised pursuant to the Rights Offering alone may not be sufficient to complete the announced restructuring plan. The Company may need additional funds to complete the Restructuring, either from additional capital or operating cash flows. If the Company needs to obtain additional financing, there is no assurance that financing will be available from any source, including operating cash flows or available on terms acceptable to the Company.

Effectiveness of the Restructuring and Strategic Plan

The Company's future success depends in part on management's ability to implement the announced restructuring plan and Strategic Plan effectively to ensure that the Company fully benefits from the economics, enhanced efficiency and simplified operations anticipated to be delivered by the Restructuring and Strategic Plan. However, there can be no assurance as to the effectiveness of the Restructuring and the Strategic Plan. The Company may face complex and potentially time-consuming challenges in undertaking the Restructuring and implementing the Strategic Plan which may result in unanticipated organizational problems, expenses and liabilities as well as disruption or inconsistencies in standards, controls, procedures and policies that may adversely affect relationships with business partners. If the Company is not successful in executing the Restructuring or the Strategic Plan, or executing them in a timely and cost-effective manner, it will have difficulty achieving its profitability objectives. Furthermore, management time that is devoted to the Restructuring and other activities associated with it may detract from management's normal operations focus, with resulting pressures on revenues, earnings and cash flows.

Impact on Business Relationships

The recent developments involving the Company, which are described in detail in the 2017 Management Information Circular filed on SEDAR, including the changes to the Board, executive team and senior management, coupled with the risks associated with the implementation of the Strategic Plan, may result in further scrutiny from the Company's customers and suppliers. The impact of such additional scrutiny may result in customers cancelling or postponing purchasing decisions and suppliers requiring more onerous terms from the Company. If management is unable to carry out the Restructuring and implement the Strategic Plan on a timely basis there may be a negative impact on the Company's revenue, earnings and cash flows, and such an impact could be significant.

Market Development

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

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

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

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

Company’s competitors may be able to respond more quickly than the Company to changes in end-user requirements and devote greater resources to the enhancement, promotion and sale of their products.

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

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

Currency fluctuations may adversely affect the Company.

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

Sales and Product Implementation Cycles

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

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

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

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

Customer Credit Risk

The Company is exposed to credit risk related to accounts receivable from customers, unbilled revenue related to on-going customer projects and amounts owing from channel partners and other third parties that the Company engages in business with. Third parties may default on their obligations to the Company due to bankruptcy, lack of liquidity, operational failure or other reasons. Credit risk may be dependent on general economic conditions, and regional and political risks. If a material number of third parties fail to make payment in respect of amounts owing to the Company to an extent that is in excess of the Company’s estimated default rates, the Company’s business, financial condition and results of operation could be materially adversely affected.

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

Maintaining Business Relationships

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

Contracts with related parties

The Company has entered into long term contracts with related parties, and will be purchasing significant services from these parties that are critical to the future success of the Company. While the arrangements with related parties are at arm’s length, there is no assurance that the services delivered or the skilled resources supplied by these related parties will meet the Company’s requirements. The Company may not be able to fulfill its contractual obligations with its customers or may be exposed to significant operational and financial risks should these related parties experience disruption in their operations, go out of business or choose not to work with the Company.

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

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

- the size and timing of individual transactions;
- competitive conditions in the industry, including strategic initiatives by the Company or its competitors, new products or services, product or service announcements and changes in pricing policy by the Company or its competitors;
- market acceptance of the Company's products and services;
- the Company's ability to maintain existing relationships and to create new relationships with channel partners;
- varying size, timing and contractual terms of orders for the Company's products, which may delay the recognition of revenue;
- the discretionary nature of purchase and budget cycles of the Company's end-users and changes in their budgets for, and timing of, telecommunications infrastructure related purchases;
- the length and variability of the sales cycles for the Company's products;
- strategic decisions by the Company or its competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- general weakening of the economy resulting in a decrease in the overall demand for telecommunications infrastructure products and services or otherwise affecting the capital investment levels of businesses with respect to telecommunications industry; and
- timing of product development and new product initiatives.

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

Product Liability

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

System Failures and Breaches of Security

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

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

Transfer Pricing

The Company conducts business operations in various jurisdictions and provides products and services to, and may from time to time undertake certain significant transactions with, other subsidiaries in different jurisdictions. The tax laws of these jurisdictions have detailed transfer pricing rules which require that all transactions with non-resident related parties be priced using arm's length pricing principles and that contemporaneous documentation exists to support such pricing.

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

Taxation

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

Financial Resources

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

Liquidity risk and Credit facility

The Company currently does not have any credit facility, and relies on its own cash to meet its liquidity needs. The Company collects its cash from customers in various jurisdictions, however, most of its cash payments to suppliers are sourced from Canada. While the Company’s objective is to maintain adequate cash in Canada to ensure it meets its financial obligations on a timely manner, there is a risk that repatriation of cash from foreign jurisdictions may take longer than anticipated or may be disrupted due to events outside the control of the Company. This may result in the Company being unable to meet its obligations when it becomes due.

The market price of the Company's Subordinate Voting Shares may be volatile.

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

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

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

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

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

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

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

- build a network of channel partners to create an expanding presence in the evolving marketplace for the Company's products and services;
- build a sales team to keep end-users and channel partners informed regarding the technical features, issues and key selling points of its products and services;
- attract and retain qualified technical personnel in order to continue to develop reliable and flexible products and provide services that respond to evolving customer needs;
- develop support capacity for end-users as sales increase, so that the Company can provide post-sales support without diverting resources from product development efforts; and
- expand the Company's internal management and financial controls significantly, so that the Company can maintain control over its operations and provide support to other functional areas as the number of personnel and size increases.

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

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

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

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

The Company has been dependent, and expects that during Fiscal 2018 it will continue to be dependent, on a relatively small number of customers for a large percentage of its revenue. For the year ended September 30, 2017, the Company's top 25 customer made up 68% of Company's revenues. (2016 – 66%). If one or more of the Company's end-users discontinues its relationship with the Company for any reason, or reduces or postpones current or expected purchases of the Company's products or services, the Company's business, results of operations and financial condition could be materially adversely affected.

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

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

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

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

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

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

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

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

- diversion of management's attention;
- disruption to the Company's ongoing business;
- failure to retain key acquired personnel;
- difficulties in integrating acquired operations, technologies, products or personnel;
- unanticipated expenses, events or circumstances;
- assumption of disclosed and undisclosed liabilities; and
- inappropriate valuation of the acquired in-process research and development, or the entire acquired business.

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

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

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

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

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

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

Future sales of Subordinate Voting Shares by the Company's existing shareholders could cause the Company's share price to fall.

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

Operating internationally exposes the Company to additional and unpredictable risks.

The Company sells its products throughout the world and intends to continue to increase its penetration of international markets. The Company also operates through subsidiaries that are located in various jurisdictions globally. A number of risks are inherent in international transactions. Future results could be materially adversely affected by a variety of factors including, many of which are beyond the Company's control, including risks associated with:

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

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

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

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

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

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

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

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

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

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

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

Use of Open Source Software

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

Dependence Upon Relationships With Sales Channel Partners

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

Dependence Upon Suppliers

The Company licenses certain technologies used in its products from third parties, generally on a non-exclusive basis. The termination of any of these licenses, or the failure of the licensors to adequately maintain or update their products, could delay the Company's ability to ship its products while the Company seeks to implement alternative technology offered by other sources which may require significant unplanned investments on its part. In addition, alternative technology may not be available on commercially reasonable terms or may not be available at all. In the future, it may be necessary or desirable to obtain other third party technology licenses relating to one or more of the Company's products or relating to current or future technologies to enhance the Company's product offerings. There is a risk that the Company will not be able to obtain licensing rights to the required technology on commercially reasonable terms, if at all.

Economic and geopolitical uncertainty may negatively affect the Company.

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

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

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

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

ADDITIONAL INFORMATION

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