REDKNEE

Looking Beyond

REDKNEE SOLUTIONS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FIRST QUARTER ENDED DECEMBER 31, 2017

DATED: February 7, 2018

SCOPE OF ANALYSIS

This Management's Discussion and Analysis ("MD&A") covers the results of operations, financial condition and cash flows of Redknee Solutions Inc. (the "Company" or "Redknee") for the three months ended December 31, 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 unaudited condensed consolidated interim financial statements for the three months ended December 31, 2017 and the 2017 annual financial statements and MD&A, which we prepared in accordance with International Financial Reporting Standards ("IFRS").

Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Forward-Looking Statements" and "Risks and Uncertainties". The 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"). On January 16, 2018, the Company announced its corporate name change to Optiva Inc. Renaming the company will be finalized upon completion of all requisite shareholder and regulatory approvals, with an anticipated effective date of April 3, 2018. OPTIVA is a trademark of Redknee Solutions Inc., dba Optiva Inc.

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.

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**	
(all amounts in thousands of US$, except per share amounts)	**December 31,**	
(unaudited)	**2017**	**2016**
Revenue		
Software, services and other	12,985	14,004
Support and subscription	21,415	23,206
	34,400	**37,210**
Cost of revenue	20,096	16,132
Gross profit	**14,304**	**21,078**
Operating expenses		
Sales and marketing	3,507	5,035
General and administrative	9,753	7,722
Research and development	16,711	9,151
Restructuring costs	46,967	205
	76,938	**22,113**
Loss from operations	**(62,634)**	**(1,034)**
Foreign exchange gain (loss)	(620)	413
Other expense	-	(3,200)
Finance income	43	185
Finance costs	149	(688)
Loss before income taxes	**(63,062)**	**(4,324)**
Income tax expense	1,392	2,030
Loss for the period	**(64,454)**	**(6,354)**
Loss per common share		
Basic	$ (0.25)	$ (0.06)
Diluted	$ (0.25)	$ (0.06)
Weighted average number of common shares (thousands)		
Basic	261,652	108,252
Diluted	261,652	108,252

Statement of Financial Position Data *$US Thousands (unaudited)*	As at December 31, 2017	As at September 30, 2017	$ Change	% Change
Cash, Cash Equivalents and Restricted Cash	98,964	115,445	(16,481)	-14%
Trade Accounts, Other Receivables and Unbilled Revenue	41,878	44,258	(2,380)	-5%
Goodwill and Intangible Assets	55,371	57,777	(2,406)	-4%
Total Assets	210,168	232,631	(22,463)	-10%
Trade Payable and Accrued Liabilities	32,131	28,082	4,049	14%
Deferred Revenue	11,771	16,467	(4,696)	-29%
Provisions	61,075	19,478	41,597	214%
Other long-term liabilities	19,133	19,098	35	0%
Preferred Shares and Series A Warrant	89,009	89,294	(285)	n/a
Total Liabilities	213,462	172,458	41,004	24%
Shareholders' Equity (Deficit)	(3,293)	60,173	(63,466)	-105%

CURRENT PERIOD OPERATING RESULTS

Revenue

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

$US Thousands (unaudited)	**Three Months Ended December 31, 2017**	**2016**
Software and Services	10,501	12,407
Support and Subscription	21,415	23,206
Third Party Software and Hardware	2,484	1,597
Total	**34,400**	**37,210**

Percentage of Total Revenue (unaudited)	**Three Months Ended December 31, 2017**	**2016**
Software and Services	31%	33%
Support and Subscription	62%	63%
Third Party Software and Hardware	7%	4%
Total	**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 December 31, 2017, the Company's revenues have declined by $2.8 million from the previous year's comparative period to $34.4 million. The change by revenue type for the quarter ended December 31, 2017 is as follows: $1.9 million decrease in software and services revenue, $1.8 million decrease in support and subscription revenue, and $0.9 million increase 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 December 31, 2017 decreased to $10.5 million, or 31% of total revenue, compared to $12.4 million, or 33% of total revenue for the same period last year. The decrease is mainly a result of lower software and services revenue in Americas and EMEA 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 December 31, 2017 was $21.4 million, or 62% of total revenue, compared to $23.2 million, or 63% of total revenue, for the same period last year. The decline is mainly due to fewer software implementations 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 December 31, 2017 is mainly due to a specific hardware delivery ordered by a customer. Management's continues its initiative to minimize 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 December 31, 2017	2016
Asia and Pacific Rim	11,623	9,488
North America, Latin America and Caribbean	7,070	9,602
Europe, Middle East and Africa	15,707	18,120
Total	**34,400**	**37,210**

Percentage of Total Revenue (unaudited)	Three Months Ended December 31, 2017	2016
Asia and Pacific Rim	34%	25%
North America, Latin America and Caribbean	21%	26%
Europe, Middle East and Africa	45%	49%
Total	**100%**	**100%**

For the three-month period ended December 31, 2017, revenue from the APAC region was $11.6 million, or 34% of total revenue, compared to $9.5 million, or 25% of total revenue, for the same comparable period in fiscal 2017. This increase is mainly a result of higher software and services and higher third party software and hardware revenue in the region.

For the three-month period ended December 31, 2017, revenue from the Americas region decreased to $7.1 million, or 21% of total revenue, compared to $9.6 million, or 26% of total revenue, for the same comparable period in fiscal 2017. The decrease in revenue is mainly attributable to lower software and services revenue and lower support and subscription revenue.

For the three-month period ended December 31, 2017, revenue from the EMEA region decreased to $15.7 million, or 45%, compared to $18.1 million, or 49% of total revenue, for the same comparable period in fiscal 2017. 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 and expected losses on any contracts when it is probable that the total contract costs will exceed contract revenues.

For the three months ended December 31, 2017, cost of revenue increased to $20.1 million from $16.1 million incurred for the same comparable period in 2017. During the three months ended December 31, 2017, the Company identified certain customer contracts where it is probable that the total cost to complete these contracts will exceed the contract revenue. As a result, the Company recorded a provision of $5.4 million and included the expected loss in cost of revenue. The gross margin for the quarter, prior to recognizing these expected losses remained the same at 57% in the three months ended December 31, 2017 compared to the three months ended December 31, 2016.

Operating Expenses

Total operating expenses (excluding depreciation and amortization) in the three months ended December 31, 2017 increased to $73.1 million from $22.1 million for the comparable period last year. This includes restructuring costs of $47.0 million and $0.2 million for the three months ended December 31, 2017 and December 31, 2016, respectively. Excluding depreciation, amortization, restructuring and acquisition and related costs, total operating costs in the first quarter of fiscal 2017 increased to $26.2 million, or 76% of total revenue, compared to $18.9 million, or 51% 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.

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 December 31, 2017**	**2016**
Sales and Marketing	3,507	5,035
General and Administrative	9,753	7,722
Research and Development	16,711	9,151
Restructuring Costs	46,967	205
Total Operating Expenses	**76,938**	**22,113**
Excluding Amortization and Depreciation	*73,126*	*19,072*

Percentage of Total Revenue (unaudited)	**Three Months Ended December 31, 2017**	**2016**
Sales and Marketing	10%	13%
General and Administrative	28%	21%
Research and Development	49%	25%
Restructuring Costs	137%	1%
Total Operating Expenses	**224%**	**60%**
Excluding Amortization and Depreciation	*213%*	*51%*

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 December 31, 2017, S&M expenditures decreased to $3.5 million, or 10% of total revenue, compared to $5.0 million, or 13% 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 December 31, 2017, G&A expenditures increased to $9.7 million, or 28% of total revenue, from $7.7 million, or 21% of total revenue, in fiscal 2017. The increase was mainly due to the higher stock compensation expense, accelerated amortization on planned office closures and higher professional fees incurred in various initiatives supporting the Company's strategic plan.

Excluding share-based compensation, amortization and depreciation, G&A expenses were $5.0 million, or 14% of revenue for the three months ended December 31, 2017 compared to $5.5 million, or 15% of revenue for the three months ended December 31, 2016.

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 December 31, 2017, R&D expenditures increased to $16.7 million, or 49% of total revenue, from $9.2 million, or 25% of total revenue, in fiscal 2017. 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.

Restructuring Costs

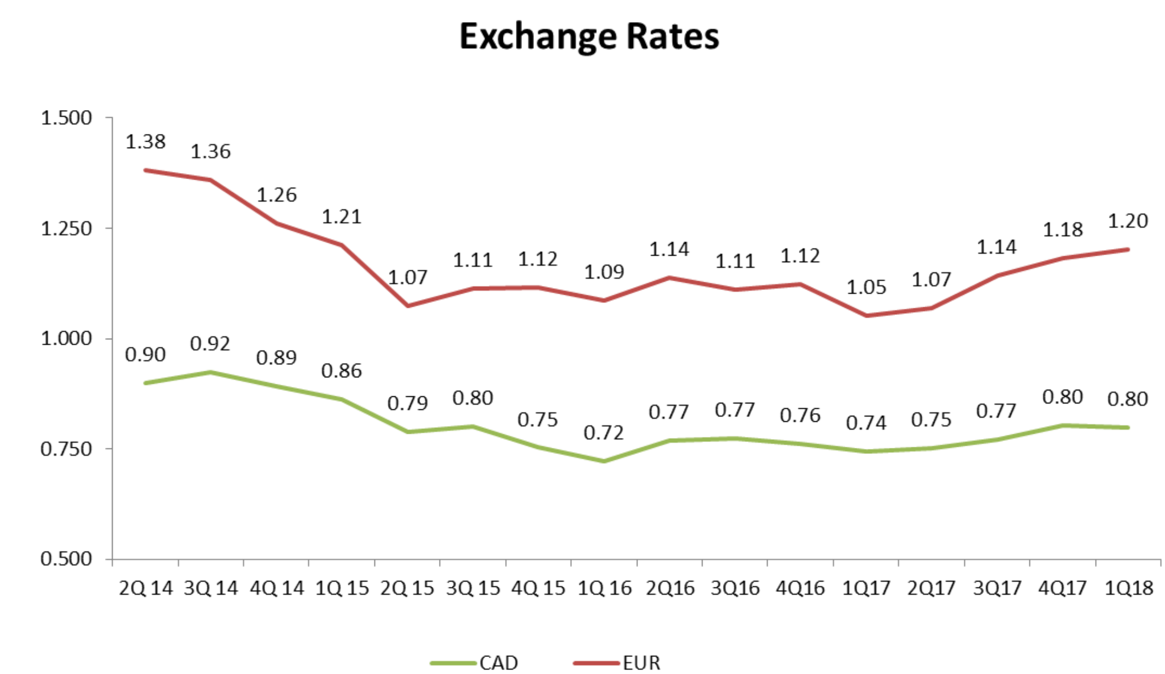
In February 2017, under the new strategic plan, the Company announced a corporate restructuring plan that is expected to be completed in calendar 2018. The restructuring would involve significant reduction in headcount, location reorganization including closure of certain facilities and entity simplification.

In November 2017, the Company finalized the restructuring plan to and commenced implementing a reduction in workforce of approximately 530 employees globally and vacating premises in 18 locations. 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. During the three months ended December 31, 2017, restructuring charges related to employee and lease terminations of $47.0 million (2016 - $0.2 million) were recorded.

As at December 31, 2017, the Company has a restructuring provision of $54.4 million. For the three months ended December 31, 2017, an amount of $11.3 million has been paid and an additional amount of $53.1 million is estimated as payable within one year. The balance of the restructuring provision, classified as long-term, payable over three years, amounts to $1.3 million and has been discounted to its present value.

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 December 31, 2017, the Company had a foreign currency exchange loss of $0.6 million, compared to a foreign currency exchange gain of $0.4 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 during the three months ended December 31, 2017. The foreign exchange loss in quarter 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 December 31, 2017 of 10% would result in a gain or loss of approximately $3.6 million arising from the translation of the Company's foreign currency denominated monetary assets and liabilities as at December 31, 2017. This foreign currency gain or loss arising from translation would be recorded in the condensed consolidated interim 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 three months ended December 31, 2017 mainly includes $1.0 million (2016 - $0.7 million) of corporate tax expense incurred by foreign subsidiaries generating taxable profits and $0.4 million (2016 - $1.4 million) of foreign withholding taxes. The Company's deferred tax expense of less than $0.1M (2016 – expense of less than $0.1 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)	1Q 18 (1) (2)	4Q 17 (1)	3Q 17 (2)	2Q17	1Q17	4Q16	3Q16	2Q 16 (2)
Revenue	$34,400	$33,772	$32,577	$34,365	$37,210	$40,662	$40,520	$39,792
Net Loss	$(64,454)	$(10,407)	$(26,749)	$(15,263)	$(6,354)	$(14,683)	$(12,255)	$(35,624)
Loss per Share	$(0.25)	$(0.07)	$(0.25)	$(0.14)	$(0.06)	$(0.14)	$(0.11)	$(0.33)
Diluted Loss per Share	$(0.25)	$(0.07)	$(0.25)	$(0.14)	$(0.06)	$(0.14)	$(0.11)	$(0.33)
Weighted average shares outstanding – Basic (thousands)	261,652	154,821	108,517	108,339	108,252	108,227	108,305	108,305
Weighted average shares outstanding - Diluted (thousands)	261,652	154,821	108,517	108,339	108,252	108,227	108,305	108,305

(1) Increase in weighted average shares outstanding (basic and diluted) in 4Q 17 and 1Q 18 is 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 64 days as of December 31, 2017 compared to 70 days as of September 30, 2017. 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 $23.5 million as at December 31, 2017.

The allowance for doubtful accounts as at December 31, 2017 was $2.2 million, compared to $2.2 million as at September 30, 2017. 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 slightly increased by $0.5 million to $18.4 million at December 31, 2017, as compared to $17.9 million as 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 $11.8 million at December 31, 2017, as compared to $16.5 million at September 30, 2017. The decrease in deferred revenue is consistent with the overall decrease in revenue.

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		**Three months ended**
($ US Thousands)		**December 31,**
(Unaudited)	**2017**	**2016**
Cash inflows and (outflows) by activity:		
Operating activities	(16,786)	(7,024)
Investing activities	(27)	570
Financing activities	-	(1,835)
Effect of foreign currency exchange rate changes on cash and cash equivalents	319	(735)
Net cash inflows (outflows)	(16,494)	(9,024)
Cash and cash equivalents, beginning of period	110,892	37,081
Cash and cash equivalents, end of period	94,398	28,056

Cash from Operating Activities

Cash used by operating activities was $16.8 million in the three months ended December 31, 2017, compared to cash used by operating activities of $7.0 million in the same period last year. Cash used by operating activities, net of restructuring payments, was $5.5 million in the three months ended December 31, 2017 (2016 – Cash provided by operating activities of $0.6 million).

Working capital represents the Company's current assets less its current liabilities. The Company's working capital balance decreased to $42.4 million as at December 31, 2017, as compared to $100.2 million at September 30, 2017. The decrease in working capital mainly relates to the restructuring provision made this quarter, decrease in cash, decrease in accounts receivable, increase in accrued liabilities offset by decrease in deferred revenue.

Cash used for Investing Activities

Cash used in investing activities during the three months ended December 31, 2017 was nominal, compared to cash provided of $0.6 million during the same period in fiscal 2017. The source of cash during the comparative period last year mainly related to decrease in restricted cash.

Cash from Financing Activities

In the three months ended December 31, 2017, there was no cash impact through financing activities, compared to cash used of $1.8 million during the same period in fiscal 2017. The use of cash in the three months ended December 31, 2016 relates to interest and principal repayments on the loan. The loan was subsequently fully repaid at January 26, 2017 through the Financing Transaction defined in the share capital section below.

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 months ended December 31, 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 December 31, 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 currently in the Scoping phase. This phase focuses on identifying the Company’s major revenue streams, determining how and when revenue is currently recognized and determination of whether any changes are expected upon adoption. The Company is in the process of assessing the impact of this standard on its consolidated financial statements.

(ii) Amendments to IFRS 2, Classification and measurement of Share-based Payment Transactions ("IFRS 2"):

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

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

The Company 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.

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 29 filed and 151 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 December 31, 2017 is 261,652,353 (September 30, 2017 – 261,652,353). In addition, there were 4,439,360 (September 30, 2017 – 5,185,397) 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 (the “Preferred Shares”) of the Company and a warrant (“the “Series A Warrant”) (the “Financing Transaction”) to the ESW Holdings, Inc. (formerly known as Wave Systems Corp.) (the “Investor”), an affiliate of ESW Capital LLC (“ESW Capital”). 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%.

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 three months ended December 31, 2017, accretion expense, amortization of transaction costs and accrued dividends on the Preferred Shares amounted to $2.5 million. These charges are included in finance costs in the condensed consolidated interim statements of comprehensive loss. Subsequent to December 31, 2017, The Board of Directors have approved payment of cumulative dividends on the Preferred Shares as at December 31, 2017, in the amount of $7.6M. The amount of accrued dividends have been included in the Preferred Shares on the condensed consolidated interim statements of financial position.

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 :

On September 6, 2017, the Company closed a rights offering to the holders of its Subordinate Voting Shares (the “Rights Offering”). 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).

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 a price of CAD$0.63 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 is being classified as a liability because it contains an adjustment provision if the Company issues common shares ("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. The decrease in fair value of the warrant liability of $2.8 million during the three months ended December 31, 2017 (December 31, 2016 – nil) is recorded in finance costs in the condensed consolidated interim statements of comprehensive loss. Any unexercised Series A Warrant expires on January 25, 2027. No Series A Warrant was exercised as at December 31, 2017 (September 30, 2017 – none).

Upon closing of the Rights Offering on September 6, 2017, the Company issued a warrant to the Investor that entitles the Investor to subscribe for 2,500,000 Subordinate Voting Shares at $0.50 per share (the "Standby Warrant"). The fair value of the Standby Warrant classified as equity upon issuance at September 6, 2017, was $1.0 million. The Standby Warrant expires on September 5, 2027. No warrants were exercised as at December 31, 2017 (September 30, 2017 – none).

(d) 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 three months ended December 31, 2017 was an expense of $1.2 million (2016 - recovery of $0.1 million).

RELATED PARTY TRANSACTIONS

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 the "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 three months ended December 31, 2017, the Company has incurred $6.1 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 condensed consolidated interim statements 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 three months ended December 31, 2017, the Company has incurred $6.8 million of costs associated with services provided by DevFactory for the services. The costs have been recorded in research and development expense in the condensed consolidated interim statements of comprehensive loss.

Amounts owing to Crossover and DevFactory as of December 31, 2017 aggregated $12.0 million (September 30, 2017 - $4.5 million) and is included in Trade Payables and Accrued Liabilities in the condensed consolidated interim 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 three months ended December 31, 2017 (2016 – nil) and have been recorded in general and administrative expense in the condensed consolidated interim statements of comprehensive loss. Amounts owing to these entities as of December 31, 2017 aggregated to $0.2 million (September 30, 2017 - $0.1 million) is included in accrued liabilities in the condensed consolidated interim statement of financial position

RISK FACTORS

Please refer to our FY17 AIF and FY17 Annual MD&A for a discussion of the principal risks and uncertainties that could affect our business. There were no material changes in the Company's principal risks and uncertainties during the three months ended December 31, 2017.

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.