

# REDKNEE

**REDKNEE SOLUTIONS INC.**

**ANNUAL INFORMATION FORM  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

**December 1, 2010**

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## REPORTING CURRENCY AND FORWARD LOOKING STATEMENTS

*All information in this Annual Information Form (“AIF”) is presented as of September 30, 2010 unless otherwise indicated. Certain statements included in this AIF constitute “forward looking” statements, including those identified by the expressions “will”, “continue”, “predict”, “may”, “would”, “could”, “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend” and similar expressions. The forward looking statements are not historical facts but reflect Management’s current expectations regarding future results or events. These forward looking statements are subject to a number of assumptions, risks, uncertainties and other factors that could cause actual results, performance, achievements, industry results or events to differ materially from current expectations, including the matters discussed under “Risk Factors” and in other sections of this AIF. These forward looking statements are made as of the date of this AIF and Redknee Solutions Inc. does not intend, and does not assume any obligation, to update or revise them to reflect new events or circumstances, unless otherwise required by law. Readers are cautioned not to place undue reliance on forward looking statements.*

*Unless otherwise indicated, all dollar (“\$”) amounts in this AIF are expressed in Canadian dollars. References to “£” are to U.K. pounds sterling, “€” are to Euros, and references to “US\$” are to U.S. dollars.*

*Unless otherwise indicated and for reporting purposes, the Company prepares financial statements in Canadian dollars and in conformity with accounting principles generally accepted in Canada (“CDN GAAP”).*

## CORPORATE STRUCTURE

Unless otherwise noted or the context otherwise indicates, **Redknee Solutions Inc.**, “RSI” “Redknee” or the “Company” refer to Redknee Solutions Inc. and its subsidiaries. Redknee’s last financial year ended on September 30, 2010.

Redknee Inc. was founded in 1999, and **Redknee Solutions Inc.** was incorporated on November 1, 2006 by way of Certificate of Incorporation under the *Canada Business Corporations Act* (the “CBCA”). On February 14, 2007 the Articles of Incorporation were amended to authorize the Company as a Mutual Fund Corporation in Canada. At the June 11, 2008 Annual General Meeting, the shareholders approved a further amendment of the Articles of the Company to eliminate the Mutual Fund Corporation status effective October 22, 2008, being the date the Company’s Common Shares were listed on the Toronto Stock Exchange (“TSX”).

Redknee’s head and registered office address is 2560 Matheson Boulevard East, Mississauga, Ontario, Canada L4W 4Y9. The Company’s telephone number is (905) 625 2622. The Company’s web site address is [www.redknee.com](http://www.redknee.com). The information on that web site is not incorporated by reference in this AIF.

## Inter-corporate Relationships

The following table illustrates the inter-corporate relationships between the Company and its material and other subsidiaries (as determined by Item 3.2 of Form 51-102F2) and sets out the respective jurisdictions of incorporation of such subsidiaries and the percentage of their voting securities owned, controlled or directed, directly or indirectly, by the Company as at September 30, 2010.

<b>Name of Subsidiary</b>	<b>Percentage of Voting Securities Beneficially Owned, Controlled or Directed by the Company</b>	<b>Jurisdiction of Incorporation</b>
Redknee Inc.	100%	Ontario
Redknee (Ireland) Limited	100%	Ireland
Redknee Solutions (UK) Limited	100%	United Kingdom
Redknee (UK) Limited	100%	United Kingdom
Redknee (US) Limited	100%	Delaware
Redknee (Australia) PTY Limited	100%	Australia
Redknee (ME) FZ-LLC	100%	Dubai
Redknee (India) Technologies Pvt. Limited	100%	India
Redknee (Germany) GmbH	100%	Germany
Redknee Singapore PTE. Limited	100%	Singapore
Redknee MEA SAL (Offshore)	100%	Lebanon
Argent Networks Pty Limited	100%	Australia
Argent Networks, Inc.	100%	Delaware
Redknee Spain, S.L. <sup>(1)</sup>	100%	Spain
Alien Software S.L. <sup>(2)</sup>	100%	Spain
Joao Goncalves Holding S.L. <sup>(3)</sup>	100%	Spain

Name of Subsidiary	Percentage of Voting Securities Beneficially Owned, Controlled or Directed by the Company	Jurisdiction of Incorporation
Nimbus Systems, S.L. <sup>(4)</sup>	100%	Spain
NMB Lda. <sup>(5)</sup>	100%	Portugal

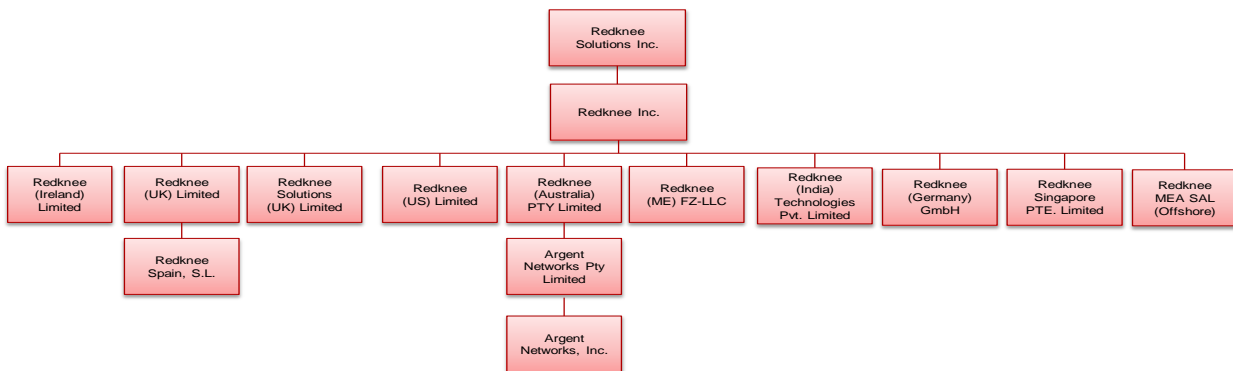
<sup>(1)</sup> Wholly-owned subsidiary of Redknee Solutions (UK) Limited, established to acquire shares of Alien Software S.L. and Joao Goncalves Holding S.L.

<sup>(2)</sup> Wholly-owned subsidiary of Redknee Spain, S.L. Holds 50% ownership in NMB Lda and 50% ownership in Nimbus Systems S.L.

<sup>(3)</sup> Wholly-owned subsidiary of Redknee Spain, S.L. Holdings 50% ownership in NMB Lda and 50% ownership in Nimbus Systems S.L.

<sup>(4)</sup> Sales, Marketing and Operating entity in Spain.

<sup>(5)</sup> Established to support operations in Portugal.



## COMPANY OVERVIEW

Founded in 1999, Redknee is a leading provider of business-critical billing and charging software and solutions for communications service providers.

The world continues to experience growth in telecoms services. It has been projected by industry body, GSMA, that by the first half of 2012, the world will reach six billion mobile connections. For communications service providers, this growth in subscribers is expected to result in revenues from mobile services to exceed US\$1 trillion by 2013. Redknee's portfolio of converged billing and customer care, data rating, charging and policy and customer experience management solutions is enabling some of the world's most innovative operators to capture their share of this growth by monetizing their services and delivering an improved customer experience.

Currently, more than 90 operators from across 50 countries license Redknee's software solutions. Headquartered in Toronto, Canada, Redknee has regional presence in Australia, Hong Kong, India, Indonesia, Lebanon, Malaysia, Portugal, Singapore, Spain, United Arab Emirates, the United Kingdom and United States of America.

### Three Year Highlights

The following describes product and/or business developments over the past three fiscal years:

#### **Fiscal 2008**

##### *During fiscal 2008 the Company announced:*

- The successful completion of Redknee's first acquisition, which was the US and Australian-based businesses of Argent Networks, creators of the wholesale billing solution InBill and its associated service bureau, for \$1.1million;
- Three new products introduced;
- Over 20 new operators across APAC, EMEA and Americas;
- Secured first multi-year revenue share agreement;
- Secured first multi-year term-license agreement generating recurring revenues;
- Six new patents awarded and eight new patent applications filed; and
- US\$10 million credit line secured to support future growth.

## Fiscal 2009

- In October 2008 Redknee announced its successful admission to trading on the Toronto Stock Exchange (TSX) under the symbol RKN.
- In January 2009 the Company announced that a North American Tier-1 communications service provider awarded Redknee a multi-million dollar contract for a solution that will enable its wireless subscribers to gain greater control over their mobile experience by being able to set individual user limits and preferences for voice, text, and data services.
- In February 2009 the Company was named one of Canada's 50 Best Managed Companies. This recognition also marked Redknee's achievement of Platinum level status, which is only awarded to companies who have won this award for six consecutive years.
- In June 2009 the Company signed a multi-million dollar contract for its Turnkey Converged Billing ("TCB") solution for fixed, broadband and wireless (operator in EMEA).
- In July 2009 the Company signed a multi-million dollar license expansion agreement with an operator for Redknee's Next Generation Rating and Charging (NGRC) solution.
- In July 2009 a leading Tier-1 operator from the Asia Pacific (APAC) region selected Redknee's InBill solution to manage its wholesale billing with its Mobile Virtual Network Operator (MVNO) partners via Redknee's service bureau offering.
- In July 2009 the Company was presented with Stratecast's Global OSS/BSS *Top Ten to Watch Award*.
- In September 2009, Redknee's customer care solution, One Call Resolution, was awarded the International Engineering Consortium (IEC) *Info Vision Award* for providing the best network and services management and operations solution available.

## Fiscal 2010

During fiscal 2010, Redknee continued to grow its footprint with existing customers by signing product upgrades and license expansions with Bintel Group, Zain, Telefonica O2, Bakrie Telecom and Telecom Brunei. Redknee also secured five new customers in the Americas, Asia Pacific and Europe, Middle East and Africa regions, including Canada's second largest telecoms provider, TELUS.

- In December 2009, Redknee introduced InBill 6.0 and secured a new contract with an APAC Operator;
- In December 2009, Redknee announced its adoption of a Shareholder Rights Plan;
- In February 2010, Redknee was again named a Platinum winner as one of Canada's 50 Best Managed Companies. This recognition also marked Redknee's eighth consecutive year as recipient of the award;



- In April 2010, Redknee was named in List of Top 10 Canadian Wireless Solutions Companies;
- In June 2010, Redknee's real-time data rating, charging and policy solution was awarded the Best Service Enablement Tool at the Billing & OSS World Excellence Awards;
- In August 2010 Redknee announced its acquisition of Nimbus Systems, a privately-held company that specializes in next generation billing, content settlement and customer care.
- In August 2010, Redknee signed two multi-year service agreements in the EMEA and the Americas regions
- In September 2010, the company signed a multi-million dollar transformation project for its Turnkey Converged Billing ("TCB") solution with an APAC operator.

### **Significant Acquisitions**

On August 12, 2010, Redknee announced the closing of its acquisition of Nimbus Systems, S.L. a privately-held company that specializes in next generation billing, content settlement and customer care. The consideration by Redknee for the acquisition was a blend of cash and common shares. The total consideration of the acquisition, exclusive of transaction costs, was €11.25 million which consisted of approximately €7.05 million in cash and 3,628,044 Redknee common shares valued at approximately €4.2 million. The Redknee shares issued are subject to an escrow agreement entered into between Redknee and the former owners of the business. The purchase of Nimbus Systems, S.L. was a significant acquisition for Redknee. The Company filed a Business Acquisition Report in respect of the transaction as required under Part 8 of National Instrument of 51-102 *Continuous Disclosure Obligations* on SEDAR on October 26, 2010.

## **DESCRIPTION OF BUSINESS**

### **Overview**

Redknee is a leading global provider of innovative communication software products, solutions and services. Redknee's award-winning solutions enable operators to monetize the value of each subscriber transaction while personalizing the subscriber experience to meet mainstream, niche and individual market segment requirements. Redknee's revenue generating solutions provide advanced converged billing, rating, charging and policy for voice, messaging and new generation data services to over 90 network operators in over 50 countries.

## Products and Services

### Products

#### The Redknee Monetization Suite

The Redknee Monetization Suite is comprised of the following products, each based on the same technology platform:

**Redknee Turnkey Converged Billing (TCB)** – Redknee’s award-winning Turnkey Converged Billing (TCB) is a complete billing and customer care solution that delivers centralized business intelligence and a full suite of billing capabilities to operators around the globe. The solution extends beyond traditional billing and functions as a merchandising platform that optimizes and improves the overall subscriber service experience. As a result, network operators can better manage partner relationships, quickly roll out new services and deliver targeted, real-time promotions to their subscribers. Its real-time rating and charging capabilities enable triple and quad-play operators to process all payment types from a single platform – prepaid, postpaid and hybrid accounts can all be managed with ease. From activation and provisioning, to real-time rating, billing, invoicing, partner management, airtime reseller services, and full customer care capabilities, TCB expertly addresses the needs of network operators throughout the world’s high growth markets.

**Redknee Next Generation Rating and Charging (NGRC)** – Redknee's NGRC is a proven, real-time rating, charging, and policy management solution for mobile data services. It is based on patented technology and offers communications service providers the flexibility and scalability to launch new services and manage bandwidth, while creating new revenue streams based on diverse pricing options for both prepaid and postpaid subscribers. NGRC enables operators to rate and charge for all their data services, including in-demand offerings such as mobile broadband and mobile TV, helping them to monetize these new services and drive ARPU growth. It gives service providers the flexibility to charge for these services in ways that work best for their subscribers, whether prepaid, postpaid, or a hybrid of both – and based on time or bandwidth consumed. Redknee NGRC offers service providers a flexible and scalable solution that seamlessly integrates into existing systems, maximizing the current network infrastructure and differentiating its services from the competition.

**Redknee Customer Care** - Redknee Customer Care enables service providers to improve the effectiveness of their customer care and support they deliver to their customers by consolidating subscriber data from multiple sources and providing tangible intelligent application development platform, and improving the query to resolution rate of customer care agents, Redknee Customer Care is reducing churn, lowering customer care costs and improving customer satisfaction at Redknee’s customers across the globe. Redknee Customer Care supports the entire subscriber lifecycle from supporting service activation, to providing proactive recommendations for service upgrades, balance management and launching targeted promotions, to delivering customer care support for open tickets or loyalty programmes and troubleshooting issues. Redknee Customer Care reduces up to 80 per cent of an operator’s front office, resulting in shorter hold times for customers contacting customer centre and the ability for operator’s to increase customer care agents’ ability to resolve more complex issues and identify upsell opportunities.

**Redknee Settlement** – Redknee Settlement provides operators with greater visibility into network transactions in order to achieve converged settlement and accurate interconnect billing. Redknee Settlement helps service providers maximize the value of their network with a comprehensive and cost-effective interconnect, wholesale, MVNO and content settlement software solution. Based on a decade of proven reliability to resolve and reconcile disputes rapidly, Redknee Settlement can address multi-party settlement requirements and manage the most complex interconnect agreements, resulting in more accurate wholesale billing and better dispute resolution. Additionally, Redknee Settlement advanced reporting capabilities help operators confidently make strategic decisions using data they have difficulty finding elsewhere. Through its Redknee Settlement solution, Redknee is supporting the wholesale billing needs of service providers, including tier 1 operators, in the EMEA, APAC and Americas regions.

**Redknee Price Simulator** Redknee Price Simulator brings greater precision for campaign design, price strategies and customer segmentation for marketing, pricing and customer care business agents. Redknee’s global expertise in developing pricing strategies for today’s changing business models is enabling service providers to launch innovative pricing plans, effectively segment the market and attract and retain customers through an advanced customer experience. Redknee Price Simulator, a flexible, event driven analysis tool, enables service providers to build scenarios on price plans, bundles and promotions; accurately forecast how subscribers and competitors will respond to new offerings and empower customer care agents to provide recommendations in order to retain potentially churning customers. Redknee’s analysis tool also enables service providers to review the efficacy of promotions and compare campaigns against competitors. Service providers leveraging analysis from Price Simulator have increased ARPU by 10 per cent and have reported increase in customer retention and higher adoption rates of new services.

## Services

Services are a critical part of Redknee’s solution offering. Redknee offers a wide range of services including: project planning, system engineering, architecture design, implementation, training, launch support, 24/7 technical support, consultancy as well as full managed service capability to operate Redknee’s platform on our customer’s behalf. Redknee’s professional services organization helps customers to understand the business and technical value of Redknee’s software solutions in their business. Redknee offers customers a broad range of training services including computer, web-based, classroom and on-site training. Redknee’s technical support service team provides problem resolution services 24 hours a day, 365 days a year, by telephone, e-mail and through its web-based support tools.

## Revenues

Redknee generates revenue from licensing software products and providing related hardware and services, including maintenance, support and professional services. The Company's revenue in the 2010 fiscal year was \$48.9 million, compared with \$53.3 million for the 2009 fiscal year. In fiscal 2010, the Company generated 61% of total revenue from sale of software products, professional services and related hardware with the remaining 39% generated from maintenance and support (as compared to 60% for software products, professional services and related hardware and 40% for maintenance and support in fiscal year 2009). From fiscal 2005 to the end of fiscal 2010, the Company's revenues have grown from \$29.8 million to \$48.9 million, representing a compound annual growth rate of 10.4%.

Revenues	Fiscal Year Ended September 30			
	2010		2009	
	Amount (CAD dollars in Thousands)	Percentage of Total Revenues	Amount (CAD dollars in Thousands)	Percentage of Total Revenues
Software & Services	27.4	56%	29.9	56%
Third Party Software & Hardware	2.4	5%	2.2	4%
Support and Subscription	19.1	39%	21.2	40%
<b>Total</b>	<b>48.9</b>	<b>100%</b>	<b>53.3</b>	<b>100%</b>

For fiscal 2010, the Company's largest customer accounted for approximately 13% of its total revenue, and the Company's top five customers represented approximately 46% of the Company's total revenues.

## The Market

Redknee is a leading global provider of communication software infrastructure to price and charge all subscribers for data, content & voice across wireless, cable, fixed and satellite companies around the world. As such, Redknee markets its products and services globally to service providers from greenfield operators to operators that are about to launch 4G services. Redknee's monetization solutions support operators who are operating in areas of low subscriber penetration but are experiencing rapid subscriber growth to more mature operators that require data monetization solutions to help them launch premium messaging, location services, mobile broadband and data-rich services such as mobile TV. Today, Redknee processes more than 22 billion transactions per month for service providers that are looking to Redknee to drive profitability, increase revenue and improve the customer experience.

## Sales and Marketing

Redknee's sales approach is to use both direct sales teams and resellers that market and distribute its software solutions. The direct sales force sells its software solutions in Europe, the Middle East, Africa, the Americas and Asia Pacific. The direct sales force increases visibility and market penetration, ensures long-term customer contact and facilitates sales of additional products. Redknee supports its sales channels primarily through marketing programs including public relations, advertising, targeted interactive marketing, web-based programs, speaking engagements and participation in trade show and user company meetings. Where appropriate, Redknee uses resellers to facilitate the penetration of its products in certain international markets.

## Competitive Environment

The market for the Company's products is intensely competitive, rapidly evolving and subject to technological change. There are a number of companies worldwide that have emerged as competitors in the network communications OSS/BSS software market, which include:

- ***Service infrastructure providers*** – these are entities that provide products that enable communication service providers to offer a variety of wholesale and retail billing, real-time rating/charging and other revenue generating solutions. The Company's direct and indirect competitors in this category include, but are not limited to: Acision, CBOSS, Comverse, Convergys, Intec, Openet Telecom, Oracle, Orga Systems and Tecnomen Lifetree.
- ***Network infrastructure providers*** – these are large, vertically integrated telecommunications equipment suppliers, including Alcatel-Lucent, Ericsson, Huawei, and Nokia Siemens Networks, which offer a broad portfolio of network infrastructure products and are positioned to bundle services software with their offerings in order to differentiate their products. Redknee is seeking to develop relationships with certain of these suppliers in order to supply the Company's software products to them for resale to telecommunications service providers as part of larger turnkey network solutions.
- ***Software suppliers, services suppliers and integrators*** – these include generic and specialized software integration organizations that provide complex project management, software integration services and custom software development. Included in this category are divisions of companies such as Accenture, HP, IBM, TCS, TechMachindra and smaller, regional software vendors. The larger of these competitors generally provide complete turnkey solutions derived from products developed in-house or by customizing products that are developed externally. Redknee sees these competitors, in the long term, as potential channel and integration partners.

## Growth Strategy

Redknee's growth strategy is focused on expanding its products and services to its customers, growing its customer base and developing its distribution channels, while maintaining profitability. Redknee has been successful with this strategy, and will continue to leverage its current investment in product development and sales and marketing to drive incremental profitability. The growth strategy is focused on the following dimensions:

	<b>Turnkey Converged Billing</b>	<b>Rating &amp; Policy, Customer Care and Settlement</b>
<b>Target Revenue</b>	~60%	~40%
<b>Market segment focus</b>	<ul style="list-style-type: none"> <li>• Wireless subscriber growth</li> <li>• Wireless data growth</li> <li>• Mobile Virtual Network Operators</li> <li>• Advanced multi-service operators</li> </ul>	<ul style="list-style-type: none"> <li>• Wireless data and content growth</li> <li>• Subscriber experience</li> <li>• Churn prevention</li> </ul>
<b>Approach</b>	<ul style="list-style-type: none"> <li>• End-to-end and segment monetization</li> <li>• Long-term services contract</li> <li>• Licenses driven primarily by subscribers growth</li> </ul>	<ul style="list-style-type: none"> <li>• Points systems to enter and then grow Redknee's footprint</li> <li>• Licenses driven by transactional capacity and subscribers/users</li> </ul>
<b>Strategic acquisitions</b>	Disciplined acquisitions <ul style="list-style-type: none"> <li>• Capture market share and access to customers</li> <li>• Adjacent software products</li> <li>• Build recurring revenues</li> </ul>	

## Research and Development

Research and development has historically been, and will continue to be, a significant portion of Redknee's overall operating cost model as it continues to invest in new products, feature development, and support of network equipment and Operational Support Systems/Business Support Systems (OSS/BSS). Redknee believes in investing in the long term success of its product lines for the benefit of its customers, shareholders, and the Company as a whole. The product planning efforts are led by Redknee's product management team, who work closely with research and development, sales and product operations in order to define the product roadmap requirements based on feedback from customers, the direction and requirements of industry standards, competitive offerings, as well as the overall trends of the telecommunications and information technology industries.

Redknee uses a structured software delivery lifecycle process that leverages commercially available, as well as proprietary, tools and systems. Redknee's quality management system is ISO 9001:2000 certified.

## **Intellectual Property**

In accordance with industry practice, Redknee protects its proprietary product rights through a combination of patent, copyright, trade-mark and trade secret laws and contractual provisions.

Patent law offers some protection for Redknee's current and future products. The Company maintains an active program regarding patent protection for novel elements of its products to improve the Company's competitive position. Redknee primarily files patent applications globally with a focus on the United States and Europe. At September 30, 2010, Redknee has 28 issued patents, 70 outstanding patent applications and three patents in the grant/issuance process. To date we have not initiated any action with respect to assertions and/or claims of patent infringement.

The source code for Redknee's software products and proprietary software embedded in its hardware products is protected under trade secret law and as unpublished copyrighted works. Redknee recognizes, however, that effective copyright protection may not be available in some countries in which it distributes its products.

It is Redknee's general practice to enter into confidentiality and non-disclosure agreements with its employees, consultants, manufacturers, end-users, channel partners and others to attempt to limit access to and distribution of its proprietary information. In addition, it is the Company's practice to enter into agreements with employees that include an assignment to the Company of all intellectual property developed in the course of employment.

## **Human Resources**

Redknee's highly skilled work force and the customer-focused, team-oriented culture instilled by the Company's CEO and reinforced by its management team is a key element of the Company's competitive strength. The Company actively recruits highly qualified individuals in the areas of operations, product management, research and development, sales, marketing and services that it believes will support the Company's long term growth strategy.

Currently Redknee has approximately 490 employees, 180 of whom were engaged in research and development, 270 of whom were engaged in operations, sales, marketing and customer support, and 40 of whom were involved in finance and general administration. No employees are unionized.

## **Operations and Facilities**

The Company's headquarters are located in Mississauga, Canada pursuant to a lease entered into between the Company and Morguard Investments Limited. The Company's research and development, services and support, and administration departments operate from the Company's headquarters. The premises consist of approximately 35,000 square feet and the lease term expires June 30, 2017.



Redknee also has leased premises in Pune, India, pursuant to a lease entered into by Redknee (India) with Kumar Housing Corporation Limited, which expires December 1, 2012.

Following the Company's acquisition of Nimbus, the Company leased two locations in Madrid Spain, which leases expire on each of July 31, 2012 and April 23, 2013, respectively.

In addition, Redknee has leased premises for regional sales offices in Reading (England), Dubai (United Arab Emirates). The Company has sales offices in Beirut, Hong Kong, Seattle, and Singapore.

### **Changes to Contracts**

As of the date of this AIF, Redknee does not anticipate any changes to existing contracts as a result of renegotiation or termination of contracts or sub-contracts that would have a material effect on the Company's financial results for the year ending September 30, 2010. Contracts may be renegotiated or terminated based on circumstances of which the Company is not currently aware, including those discussed below under "Risk Factors".

## **RISK FACTORS**

*In addition to all of the other information set out in this AIF, potential investors and readers should carefully consider the risk factors set out below that the Company considers being the most significant to the business of the Company.*

*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 also may 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 recipients of this document. Potential investors are therefore strongly recommended to consult an independent financial adviser who specialises in advising upon the acquisition of shares and other securities before making a decision to invest.

### **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 mobile communications network operators 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 including Ericsson, Comverse, and Huawei. 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, have longer operating histories or have 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 and in Euros, but a substantial portion of the Company's operating expenses is incurred in Canadian dollars. Fluctuations in the exchange rate between the U.S. dollar and Euros 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 licence the Company's software. Typically, the larger the potential sale, the more time, money and other resources will be invested. As a result, it may take many months after the first contact with a customer before a sale can actually be completed. The Company may invest significant sales and other resources in a potential customer that may not generate revenue for a substantial period of time, if at all. The time required for implementation of the Company's software varies among customers and may last several months, depending on customer needs and the products deployed.

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

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

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

## ***Customer Credit Risk***

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

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

## ***Maintaining Business Relationships***

The Company has relationships with third parties that facilitate its ability to sell and implement its products. These business relationships are important to extend the geographic reach and customer penetration of the Company's sales force and ensure that the Company's products are compatible with customer network infrastructures and with third party products. However, the Company does not have formal agreements governing ongoing relationships with certain of these third parties, and the agreements that the Company does have, generally do not include obligations with respect to cooperating on future business. Should any of these third parties go out of business or choose not to

work with the Company, it may be forced to increase the development of those capabilities internally, incurring significant expense and adversely affecting operating margins. Any of these third parties may develop relationships with other companies, including those that develop and sell products that compete with the Company's software. The Company could lose sales opportunities if it fails to work effectively with these parties or they choose not to work with the Company.

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

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

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

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

### ***Product Liability***

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

### ***System Failures and Breaches of Security***

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

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

### ***Transfer Pricing***

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

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

## ***Government Taxation Programs***

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

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

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

## ***Taxation***

Any change in the Company's tax status or in taxation legislation in any jurisdiction in which the Company operates could affect the Company's financial condition and results and its ability (if any) to provide returns to shareholders of the Company. Statements in this document concerning the taxation of investors in the common shares of the Company are based on current UK, Canadian and US tax laws and practices which are subject to change. 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 and potential acquisitions. In the future, the Company may require additional funds and may attempt to raise additional funds through equity or debt financings or from other sources. Any additional equity financing may be dilutive to holders of common shares of the Company and any debt financing, if available, may require restrictions to be placed on the Company's future financing and operating activities. The Company may be unable to obtain additional financing on acceptable terms if market and economic conditions, the financial condition or operating performance of the Company or investor sentiment are unfavourable. The Company's inability to raise further funds may hinder its ability to grow in the future.

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

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

- actual or anticipated fluctuations in the Company's results of operations;
- changes in estimates of the Company's future results of operations by it or securities analysts;
- announcements of technological innovations or new products or services by the Company or its competitors;
- general industry changes in the market for telecommunications software or related markets; 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 2011 it will continue to be dependent, on a relatively small number of customers for a large percentage of its revenue. As at September 30, 2010, the Company's two largest customers accounted for 23% of sales (2009 – 28%). 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 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.***

In the future, 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 significant 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, trademark 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, because significant delays, materially disrupt the conduct of the Company's business or materially adversely affect its revenue, financial condition and results of operations.

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

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

***Operating internationally exposes the Company to additional and unpredictable risks.***

The Company sells its products throughout the world and intends to continue to increase its penetration of international markets. 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: (i) foreign currency fluctuations; (ii) political, security and economic instability in foreign countries; (iii) changes in and

compliance with local laws and regulations, including export control laws, tax laws, labour laws, employee benefits, currency restrictions and other requirements; (iv) differences in tax regimes and potentially adverse tax consequences of operating in foreign countries; (v) customizing products for foreign countries; (vi) legal uncertainties regarding liability, export and import restrictions, tariffs and other trade barriers; (vii) hiring qualified foreign employees; and (viii) 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: (i) 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; (ii) research and development to improve or refine the Company's product in advance of winning the sale; and (iii) 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.

***Key shareholders maintain de facto control of the Company***

Insiders or management could have the ability to control all matters submitted to the Company's shareholders for approval, including the election and removal of directors, amendments to the Company's articles of incorporation and bylaws and the approval of any business combination, amalgamation or sale of assets. This may delay or prevent an acquisition or cause the market price of the Company's common shares to decline. Principal shareholders may have interests that differ from other shareholders.

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

Redknee 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 (i) arrangements that have undelivered elements for which objective evidence of fair value has not been established; (ii) requirements to deliver services for significant enhancements or modifications to customize Redknee's software for a particular customer; or (iii) 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 shipments in that period. Moreover, any changes in accounting principles or interpretations and guidance including changes in accounting principles resulting from the conversion to International Financial Reporting Standards in fiscal 2011 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 licences 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 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.

## **DIVIDENDS**

The Company does not pay any dividends on its shares. The Company currently intends to retain any future earnings to fund the development and growth of its business and does not anticipate paying any dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of the Company's Board of Directors and will depend upon the Company's results of operations, capital requirements and other relevant factors.

## **DESCRIPTION OF SHARE CAPITAL**

### **Common Shares**

The Company's authorized share capital consists of an unlimited number of common shares, of which 64,031,604 were issued and outstanding as at September 30, 2010.

Each common share entitles its holder to notice of and to one vote at all meetings of the Company's shareholders. Each common share is also entitled to receive dividends if, as and when declared by the Company's Board of Directors. Holders of common shares are entitled to participate in any distribution of the Company's net assets upon liquidation, dissolution or winding-up on an equal basis per share. The approval of holders of two-thirds of the common shares present in person or by proxy at a meeting of the shareholders called for the purpose is required to vary any of the rights attaching to the common shares. The shareholders of the Company are not, as shareholders, generally liable for any liability, act or default of the Company. The holders of the common shares have no pre-emptive, redemption or conversion rights.

## Options

As at September, 2010, options to purchase 6,040,366 common shares are outstanding under the Company's Employee Stock Option Plan.

## MARKET FOR SECURITIES

Redknee's common shares are publicly traded on the Toronto Stock Exchange (the "TSX") under the symbol "[RKN](#)". Trading of Redknee's common shares on the TSX commenced on October 22, 2008. The following table sets forth the high and low sale prices and volumes traded on the TSX as reported by such exchange for the fiscal year ended September 30, 2010.

### COMMON SHARES - TSX

Month	High	Low	Volume
October, 2009	1.09	0.95	1,785,553
November, 2009	1.15	0.95	1,048,995
December, 2009	1.08	0.83	3,686,603
January, 2010	1.29	0.98	1,639,599
February, 2010	1.49	1.10	3,309,281
March, 2010	1.70	1.15	8,784,474
April, 2010	1.76	1.15	3,293,400
May, 2010	1.67	1.30	1,471,263
June, 2010	1.50	1.17	2,894,833
July 2010	1.72	1.22	924,786
August, 2010	1.80	1.22	3,578,901
September, 2010	1.55	1.31	1,227,692

### ESCROWED SECURITIES

The following table sets out, to the knowledge of the Corporation, the number of each class of securities of the Corporation that were held in escrow as of September 30, 2010 and the percentage that number represents of the outstanding securities of that class as of such date.

Designation of Class	Number of Securities Held in Escrow	Percentage of Class
Common Shares <sup>(1)</sup>	1,814,022	2.83%

Notes:

<sup>(1)</sup>Held pursuant to the escrow agreement dated August 12, 2010 between the Corporation, Jose Fernando Martull Martinez and Joao Migel Mendes Goncalves (collectively "Sellers") and Equity Transfer and Trust Company, as escrow agent, entered into pursuant to the Nimbus transaction.

## DIRECTORS AND OFFICERS

### Name, Occupation and Security Holding

Our directors as at October 5, 2010 were as follows:

Name and Municipality of Residence	Principal Occupation	Director Since	Holdings of Outstanding Common Shares
STEPHEN DAVIES <sup>(1), (3)</sup> Hemel Hempstead Herts, England, UK	Chairman The Practice Plc	January 9, 2007	183,730 common shares
ALAN MICHELS <sup>(1), (2)</sup> Scottsdale, Arizona	Consultant	December 10, 2008	125,000 common shares
JOHN PHILLIPS <sup>(1), (2), (3)</sup> Toronto, Ontario	President, Klistar Credit Corporation	November 1, 2006	1,568,418 common shares
LUCAS SKOCZKOWSKI Oakville, Ontario	Chief Executive Officer, Redknee Solutions Inc.	November 1, 2006	9,187,121 common shares
KENT THEXTON <sup>(1), (2), (3)</sup> Vancouver, British Columbia	Chairman of i-wireless LLC	November 1, 2006	1,267,285 common shares
TERRY NICKERSON <sup>(2)</sup> Mississauga, Ontario	Director of Miranda Technologies Inc., and ViXS Systems Inc.	October 5, 2010	nil

(1) Member of Nomination and Governance Committee.

(2) Member of Audit Committee.

(3) Member of Compensation Committee

Our directors as at the date of this Annual Information Form are set forth above. Each of our directors holds office until the next annual meeting of shareholders or until his successor is duly elected or appointed, unless his office becomes vacant by resignation, death, removal or other cause.

Our directors and executive officers, as a group, beneficially own, or control or direct, directly or indirectly, a total of 16,958,253 common shares, representing 26% of the total outstanding common shares as of September 30, 2010.

## Executive Officers

Our executive officers as of the date of this Annual Information Form were as follows:

Name and Municipality of Residence	Offices with the Company
LUCAS SKOCZKOWSKI Oakville, Ontario, Canada	Chief Executive Officer
DAVID CHARRON Brampton, Ontario, Canada	Chief Financial Officer
VISHAL KOTHARI Mississauga, Ontario, Canada	Vice President of Global Sales & Marketing
MICHAEL BRYCE Pickering, Ontario, Canada	Vice President, Global Operations

## Directors

### *Kent Thexton, Non-executive Chairman of the Board*

Mr. Thexton joined the Board of the Company in 2006, having served on the Board of Redknee Inc. since 2004. Mr. Thexton is also Chairman of i-wireless LLC, a private US LLC, and on the boards of Mobidia, a private Canadian company, Quickplay, a private Canadian company and Sierra Wireless, a Canadian public company. Previously, Mr. Thexton was the chief data and marketing officer for O2 Group plc and a member of the O2 Company plc board of directors.

### *Lucas Skoczkowski, Chief Executive Officer*

Mr. Skoczkowski joined the Board in 2006, having served on the Board of Redknee Inc. since it was established in 1999. Mr. Skoczkowski is one of the Company's founders. Mr. Skoczkowski worked at Nortel Networks Limited and Clearnet Communications Inc. (now TELUS Mobility, the wireless business unit of TELUS Corporation) in various areas of product management.

### *John Phillips, Non-executive Director*

Mr. Phillips joined the Board as a non-executive Director in 2006, having served on the Board of Redknee Inc. since 2002. Prior to Redknee, Mr. Phillips worked at Clearnet Communications Inc. (now TELUS Mobility, the wireless business unit of TELUS Corporation) as part of the executive management team. Mr. Phillips served as chairman of the Canadian Wireless Telecommunications Association during 1998 and 1999 and continues to serve as a director of various other companies.



***Stephen Davies, Non-executive Director***

Mr. Davies joined the Board as a non-executive Director in January 2007. Mr. Davies has worked in the internet and telecoms industry for over 30 years. Prior to joining the Company, Mr. Davies served as a director of O2 Group plc. Mr. Davies is currently the Chairman of The Practice Plc, a UK primary healthcare company and Creativity Software, a private UK company, and non-executive director of AperioCI.

***Alan Michels, Non-executive Director***

Mr. Michels joined Redknee's Board as a non-executive Director in December 2008. He brings over 30 years of experience in IT and telecommunications, previously serving as President of Kenan Systems Inc. and President and CEO of Telewest Communications, Plc., and as Chief Financial Officer in the telecom and software industries.

***Terry Nickerson***

Mr. Nickerson joined the Board as a non-executive Director in October 2010. Prior to joining Redknee's Board, Mr. Nickerson held several senior financial positions at ATI Technologies, Inc., the Molson Companies Ltd., Northern Telecom Ltd. and IBM Corporation. Mr. Nickerson is currently a director of ViXS Systems Inc. and Miranda Technologies Inc.

**Executive Officers**

***Lucas Skoczkowski, Chief Executive Officer***

Mr. Skoczkowski is the Chief Executive Officer and founder of Redknee. Mr. Skoczkowski is responsible for the execution of Redknee's corporate strategy. Prior to joining Redknee in 1999, Mr. Skoczkowski held positions in sales, operations and product development with a variety of international companies including Nortel Networks (USA, UK, and Canada) and Clearnet Communications Inc.

***David Charron, Chief Financial Officer***

Mr. Charron is the Chief Financial Officer of Redknee. Mr. Charron is responsible for all financial matters of the company, including financial and management reporting, financial planning and analysis and investor relations. Prior to joining Redknee in July, 2007 as VP, Financial Planning & Analysis, Mr. Charron held senior finance positions with Nortel Networks Corporation and The Descartes Systems Group.

***Vishal Kothari, Vice President, Worldwide Sales***

Mr. Kothari joined the Company in July 1999. Mr. Kothari is responsible for the Company's global sales and marketing. Prior to joining Redknee, Mr. Kothari held various positions at Nortel Networks Limited.



### ***Michael Bryce, Vice President, Global Operations***

Mr. Bryce joined the Company in 2007 and leads a diverse and experienced team of program management and technical professionals who are charged with delivering customer value through timely and efficient implementation and support services. Mr. Bryce oversees Redknee's product operations including Global TAC, Solution Delivery Management and Professional Services. Prior to Redknee, Mr. Bryce held several leadership positions including Senior Vice President of Global Services at Syndesis Ltd. and General Manager, Network Operations at Bell Nexxia.

### **Board Committees**

The Board of Directors of the Company has established an audit committee, a compensation committee and a nomination and governance committee. Each of the committees has adopted a written charter establishing its role and responsibilities.

The chart below sets out Redknee's current Board and committee structure as of October 5, 2010:

<b><u>Board</u></b>	<b><u>Audit</u></b>	<b><u>Compensation</u></b>	<b><u>Nomination and Governance</u></b>
Kent Thexton (Chair)	X	X	X
Stephen Davies		X	Chair
John Phillips	X	Chair	X
Alan Michels	Chair		X
Terry Nickerson	X		

### **Audit Committee**

The audit committee assists the Board of Directors in fulfilling its responsibilities for oversight and supervision of financial and accounting matters. These responsibilities include oversight of the quality and integrity of the Company's internal controls and procedures, reviewing annual and quarterly financial statements and related management discussion and analysis, engaging the external auditor and approving independent audit fees and considering the recommendations of the independent auditor, monitoring the Company's compliance with legal and regulatory requirements related to financial reporting and examining improprieties or suspected improprieties with respect to accounting and other matters that impact financial. The committee is composed of four independent directors, Alan Michels (Chair), John Phillips, Terry Nickerson and Kent Thexton. Each audit committee member, as at both September 30, 2010 and the date of this AIF, is "independent" and "financially literate" within the meaning of Multilateral Instrument 52-110 — Audit Committees ("MI 52-110").

## **Relevant Education and Experience of Members of the Audit Committee**

**Alan Michels** – Mr. Michels has over 30 years of experience in IT and telecommunications, previously serving as President of Kenan Systems Inc. and President and CEO of Telewest Communications, Plc. Mr. Michels holds a Master of Business Administration in Finance, and a Bachelor of History degree from Rutgers, the State University of New Jersey-New Brunswick.

**John Phillips** –Mr. Phillips is an experienced corporate director, consultant and attorney specializing in business law. He currently works as an investor and consultant through his own company, Klister Credit Corp. Mr. Phillips' past experience as a corporate director includes serving as Chairman of the Canadian Wireless Telecommunications Association; Past Chair of the Canadian Merit Scholarship Foundation; Board of Directors for BPS, Virtual Marine Technology, and White Pine Pictures. Mr. Phillips has a LL.B. from the University of Toronto.

### ***Kent Thexton***

Mr. Thexton has over 17 years international wireless experience and executive positions at major wireless carriers. Mr. Thexton is now engaged in building and growing a range of wireless companies. Mr. Thexton co-founded and chaired i-wireless LLC. Previously, Mr. Thexton was Chairman and CEO of SEVEN, a leading global white label provider of push email service for wireless. Mr. Thexton joined SEVEN from leading UK operator O2, where he served as chief data and marketing officer, president of O2 Online and a member of the board of directors. Prior to joining O2, Mr. Thexton spent eight years in the Canadian mobile industry, holding the position of Chief Operating Officer and Executive Vice President of Rogers Cantel (now Rogers Wireless). Prior to this he held management positions at Northern Telecom and Bell Canada. Mr. Thexton holds an M.B.A. and B.S. in electrical engineering from University of Western Ontario.

### ***Terry Nickerson***

Mr. Nickerson has served as the Chief Financial Officer of ATI Technologies, Inc. and of Northern Telecom Limited. While with IBM and Northern Telecom, he served on international assignments covering Asia, Europe and Latin America. Mr. Nickerson is currently a director of Miranda Technologies Inc. and Silicon Storage Technology Inc. Mr. Nickerson has also served as Audit Committee Chairman of Silicon Storage Technology, Tundra Semiconductor and Miranda Technologies Inc. He holds a Bachelors of Science degree in Metallurgical Engineering from Queens University and an M.B.A. from Harvard University.

## Audit Fees

As set out in the audit committee's charter (attached as Schedule A to this AIF), the audit committee is responsible for pre-approving all non-audit services to be provided to the Company by its external auditor and has pre-approved the non-audit services as set out below.

The Company's external auditor is PricewaterhouseCoopers LLP ("PWC"). PWC was appointed external auditor of the Company on September 11, 2007. The following table sets out the approximate fees the Company incurred in using the services of PWC for the fiscal years ended September 30, 2009 and 2010 respectively. During these two years PWC was the Company's only external auditors.

Category	Year Ended September 30	
	2010	2009
	(\$)	(\$)
Audit and Audit-Related Fees	\$434,190	\$666,560
Tax Fees	\$195,427	\$ 58,400
All Other Fees	\$ 76,929	\$ 49,500
<b>Total</b>	<b>\$706,547</b>	<b>\$774,460</b>

## **Compensation Committee**

The compensation committee assists the Board of Directors in discharging its duties with respect to the compensation of the Company's CEO and other executive officers. The committee considers and recommends to the Board of Directors the framework or broad policy for the compensation of executives. It considers and recommends to the Board of Directors for approval the compensation of the Company's CEO and, upon recommendation of the Company's CEO, considers and approves compensation for the executives, including salary, bonus, long term incentives and material benefits. The committee also provides oversight to the appointment and termination of executives, the approval of all management incentive plans, and the review and approval of disclosure relating to executive compensation disclosure. The committee also periodically reviews the adequacy and the form of the compensation of non-management directors. The compensation committee is currently composed of three independent directors, John Phillips (Chair), Stephen Davies and Kent Thexton.

## **Nomination and Governance Committee**

The Nomination and Governance Committee assists the Board of Directors in identifying candidates for the Board of Directors. The Nomination and Governance Committee also evaluates the effectiveness of the Board of Directors as a whole, each committee of the Board of Directors, and the contribution of individual directors. The Nomination and Governance Committee is currently composed of Stephen Davies (Chair), Kent Thexton, Alan Michels and John Phillips.

## **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

None of the directors or executive officers of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company are, or have been within the past ten years, a director or executive officer of another company which, during such individual's tenure:

- (a) was the subject of a cease trade or similar order or an order that denied that company access to any statutory exemptions for a period exceeding 30 consecutive days;
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied that issuer access to any statutory exemptions for a period exceeding 30 consecutive days; or
- (c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that issuer.

None of the directors or executive officers of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company are, or have been within the past ten years, directors, officers or promoters of other companies which were declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement or compromise with any creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that company.

None of the directors or executive officers of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **LEGAL PROCEEDINGS**

From time to time, the Company is subject to claims in legal proceedings arising in the normal course of its business. The Company is not currently a party to, or has any of its property as the subject of, legal proceedings as of the date of this AIF which would be material to the Company's financial condition or results of operations.

### **INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

No director or executive officer had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

### **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the Company's common shares in Canada is Computershare Investor Services Inc. at its principal offices at 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1.

### **MATERIAL CONTRACTS**

There are no material contracts which the Company has entered into within the past year, or before the most recently completed financial year but still in effect.

## INTERESTS OF EXPERTS

Our consolidated financial statements for the year ended September 30, 2010 (the “*Financial Statements*”) filed under National Instrument 51-102—*Continuous Disclosure Obligations* have been audited by PricewaterhouseCoopers (“*PwC*”). The Financial Statements can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Our auditors, PwC, report that they are independent of the Company in accordance with the rules of professional conduct of the Institute of Chartered Accountants of Ontario.

## ADDITIONAL INFORMATION

Please see Schedule A of this AIF for additional information required as set out in Form 52-110F1 “Audit Committee Information Required in an AIF”.

Copies of this AIF and such other information and documentation relating to the Company that we make available via the System for Electronic Document Analysis and Retrieval (“SEDAR”) can be found at [www.sedar.com](http://www.sedar.com). Additional financial information is available in the Company’s audited consolidated financial statements for the fiscal year ended September 30, 2010.

Additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under our equity compensation plans is contained in our Management Proxy Circular distributed to shareholders in connection with our annual general meeting held on March 2, 2010.

The information referred to in this AIF may also be obtained from [www.redknee.com](http://www.redknee.com) or as follows:

Redknee Solutions Inc.

Investor Relations

2560 Matheson Blvd. East

Mississauga, ON L4W 4Y9

Telephone: 1 905 625 2622

Toll-Free: 1 866 625 2622

Fax: 1 905 625 2773

E-Mail: [investors@redknee.com](mailto:investors@redknee.com)

## SCHEDULE A



### **REDKNEE SOLUTIONS INC. (the "Company") TERMS OF REFERENCE FOR THE AUDIT COMMITTEE**

#### **1. Constitution and Purpose**

The Committee shall be established by resolution of the Board of Directors of the Company and shall be known as the Audit Committee (the "Committee"). The Committee is established for the purpose of overseeing the accounting and financial reporting processes of the Company and audits of its financial statements.

#### **2. Membership**

- 2.1 The members of the Committee shall be appointed by the Board from amongst the directors of the Company (the "Directors") and shall be comprised of not less than three members. All of the members of the Committee shall be independent Directors, as that term is defined under applicable law.
- 2.2 All members of the Committee must be financially literate, as that term is defined under applicable law.
- 2.3 The Chairman of the Committee, who shall be an independent non-executive Director, shall be appointed by the Board, which shall determine the period for which he/she shall hold office.
- 2.4 Any member may be removed and replaced at any time by the Board. The Board shall fill vacancies in the Committee by appointment from among the members of the Board. If a vacancy exists on the Committee, the remaining members shall exercise all its powers so long as a quorum remains in office.
- 2.5 A quorum for decisions of the Committee shall be two members.

### **3. Attendance at meetings**

- 3.1 The Chairman of the Board, the Chief Executive Officer and Chief Financial Officer of the Company and a representative of the external auditors of the Company (the "Company's Auditors") may, if invited by the Chairman of the Committee, attend and speak at meetings of the Committee. Other Board members shall also, if invited by the Chairman of the Committee, have the right of attendance.
- 3.2 The Committee may also invite other members of management to attend meetings and give presentations with respect to their area of responsibility, as considered necessary by the Committee.
- 3.3 At least once each year, representatives of the Company's Auditors shall meet the Committee without any executive Directors being present, except by invitation of the Committee.
- 3.4 The Committee may at each meeting appoint one of their number or any other attendee to be the Secretary of the Committee.

### **4. Frequency of meetings**

- 4.1 The Committee shall meet at least quarterly and at such other times as the Chairman of the Committee shall require. The Company's Auditors, the Board or any member of the Committee may request a meeting if they consider that one is necessary.
- 4.2 At least seven days' notice of any meeting of the Committee shall be given, although such notice may be waived or shortened with the consent of all the members of the Committee for the time being.

### **5. Authority**

- 5.1 The Committee is authorised by the Board to investigate any matter within its Terms of Reference. The Committee is authorized to have direct communication with the Company's Auditors. The Committee is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- 5.2 The Committee is authorized by the Board to obtain, at the cost of the Company, outside professional advice if it considers this appropriate. In obtaining outside advice, the Committee will act in consultation with the Chairman of the Company.



## 6. Duties

### 6.1 The duties of the Committee shall be:

- a) to consider and make recommendations to the Board, for it to put to the shareholders for their approval in a general meeting, in relation to the appointment, re-appointment and removal of the Company's Auditors and to approve the remuneration and terms of engagement of the Company's Auditors;
- b) to require the Company's Auditors to report directly to the Committee;
- c) to discuss with the Company's Auditors, before an audit commences, the nature and scope of the audit, and other relevant matters and ensure co-ordination where more than one audit firm is involved;
- d) to review and monitor:
  - (i) the independence and objectivity of the Company's Auditors; and
  - (ii) the effectiveness of the audit process;taking into consideration relevant professional and regulatory requirements;
- e) to review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former Auditor of the Company;
- f) to monitor in discussion with the Company's Auditors the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them and in particular to review the interim and annual financial statements, including any related management statements, before submission to the Board, focusing particularly on:
  - (i) significant accounting policies and practices and any changes in such accounting policies and practices;
  - (ii) major judgmental areas including significant estimates and key assumptions;
  - (iii) significant adjustments resulting from the audit;

- (iv) the going concern assumption;
  - (v) compliance with accounting standards;
  - (vi) compliance with stock exchange and legal requirements;
  - (vii) significant litigation and investigations of regulatory agencies;
  - (viii) the extent to which the financial statements are affected by any unusual transaction; and
  - (ix) significant off-balance sheet and contingent asset and liabilities and the related disclosures;
- g) to review the Company's financial statements, Management's Discussion & Analysis, Annual Information Form and earnings press releases prior to their public disclosure and to ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements;
  - h) to discuss problems and reservations arising from an audit, and any matters the Company's Auditors may wish to discuss (in the absence of management where necessary);
  - i) to review the Company's Auditors' management letter and management's response;
  - j) to oversee the design, implementation and assessment of an effective system of disclosure controls and procedures, and internal control over financial reporting;
  - k) to monitor and review the Company's Policy on Confidentiality and Disclosure on an annual basis;
  - l) to review and approve the mandate of the Company's Disclosure Committee and on a quarterly basis, receive the report of the Disclosure Committee with respect to the Disclosure Committee's activities during the quarter, which is the subject of the report;
  - m) on an annual basis, to receive the report of the Disclosure Committee with respect to the results of the self-assessment of the Company's Disclosure Controls and Procedures including any control deficiencies identified and to review, consider and make recommendations on related corrective actions to be taken;

- n) to review management's assessment of the effectiveness of the Company's internal control over financial reporting as of the end of the most recent fiscal year;
- o) to review any significant deficiencies or material weaknesses identified by management with respect to the Company's internal control over financial reporting and to monitor management's plans for remediation of such control deficiencies or weaknesses;
- p) to review and discuss any fraud or alleged fraud involving management or other employees who have a role in the Company's system of internal control over financial reporting and the related corrective and disciplinary actions to be taken;
- q) to discuss with management any significant changes in the system of internal control over financial reporting that are disclosed, or considered for disclosure, in the Management's Discussion & Analysis, on a quarterly basis;
- r) to review and discuss with the Chief Executive Officer and the Chief Financial Officer the procedures undertaken in connection with the Chief Executive Officer and Chief Financial Officer certifications for the annual and interim filings with the securities commissions;
- s) to review the Company's risk management program established to effectively identify, assess and treat the Company's key risks including the risk of fraud and to receive an annual report thereon;
- t) to monitor and review the effectiveness of any internal audit function, ensure co-ordination between the internal and external auditors and ensure that it is adequately resourced and has appropriate standing within the Company (and where there is no internal audit function, consider annually whether there is a need for an internal audit function and make a recommendation to the Board);
- u) to develop and implement a pre-approval policy on the engagement of the Company's Auditors to supply non-audit services to the Company and its subsidiaries, taking into account relevant ethical guidance regarding the provision of non-audit services by the Company's Auditors; and to report to the Board, identifying any matters in respect of which the Committee considers that action or improvement is needed and to make recommendations as to the steps to be taken;
- v) to establish procedures for:

- (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters;
  - (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; and
  - (iii) the proportionate and independent investigation of such matters with appropriate follow-up action
- w) to consider the major findings of the Company's Auditors, or any internal investigations and management's response, including the resolution of disagreements between management and the Company's Auditors regarding financial reporting;
  - x) to review management's roles, responsibilities and performance with respect to financial reporting and system of internal control; and
  - y) to consider other matters referred to the Committee by the Board.

## **7. Procedures**

- 7.1 The Secretary of the Committee shall circulate the minutes of meetings of the Committee to all members of the Board and to the Company's Auditors. All decisions and recommendations of the Committee shall be reported to the Board after each Committee meeting.
- 7.2 The Chairman of the Committee shall be available at the Annual General Meeting of the Company to respond to any shareholder questions on the activities and responsibilities of the Committee.
- 7.3 In setting the agenda for a meeting, the Chairman of the Committee shall encourage the Committee members, management, the Company's Auditors and other members of the Board to provide input in order to address emerging issues.
- 7.4 Prior to the beginning of a fiscal year, the Committee shall submit an agenda for the upcoming fiscal year for review and approval by the Board to ensure compliance with the requirements of the Committee's Terms of Reference.
- 7.5 Any written material provided to the Committee shall be appropriately balanced (i.e. relevant and concise) and shall be distributed in advance of the respective meeting to allow Committee members sufficient time to review and understand the information.

- 7.6 The Committee shall conduct an annual self-assessment of its performance and these Terms of Reference and shall make recommendations to the Board with respect thereto.
- 7.7 Members of the Committee shall be provided with appropriate and timely training to enhance their understanding of auditing, accounting, regulatory and industry issues applicable to the Company.
- 7.8 New Committee members shall be provided with an orientation program to educate them on the Company, their responsibilities and the Company's financial reporting and accounting practices.