



**REDKNEE**  
Looking Beyond

**REDKNEE SOLUTIONS INC.**

**ANNUAL INFORMATION FORM  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**December 11, 2013**

## Table of Contents

<b>PRESENTATION OF INFORMATION AND FORWARD LOOKING STATEMENTS</b> .....	<b>2</b>
<b>CORPORATE STRUCTURE</b> .....	<b>2</b>
INTER-CORPORATE RELATIONSHIPS .....	3
THREE YEAR HISTORY .....	7
<b>SIGNIFICANT ACQUISITIONS</b> .....	<b>13</b>
<b>DESCRIPTION OF BUSINESS</b> .....	<b>15</b>
<b>OVERVIEW</b> .....	<b>15</b>
THE MARKET .....	17
SALES AND MARKETING .....	17
COMPETITIVE ENVIRONMENT .....	18
GROWTH STRATEGY .....	18
RESEARCH AND DEVELOPMENT .....	19
INTELLECTUAL PROPERTY .....	20
HUMAN RESOURCES .....	20
OPERATIONS AND FACILITIES .....	20
CHANGES TO CONTRACTS .....	22
<b>RISK FACTORS</b> .....	<b>22</b>
<b>DIVIDENDS</b> .....	<b>37</b>
<b>DESCRIPTION OF SHARE CAPITAL</b> .....	<b>37</b>
<b>ESCROWED SECURITIES</b> .....	<b>38</b>
<b>DIRECTORS AND OFFICERS</b> .....	<b>39</b>
BOARD AND EXECUTIVE OFFICER AGGREGATE OWNERSHIP OF COMMON SHARES .....	43
BOARD COMMITTEES .....	43
AUDIT COMMITTEE .....	44
COMPENSATION COMMITTEE .....	46
NOMINATION AND GOVERNANCE COMMITTEE .....	46
<b>LEGAL PROCEEDINGS</b> .....	<b>46</b>
<b>INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS</b> .....	<b>46</b>
<b>TRANSFER AGENT AND REGISTRAR</b> .....	<b>46</b>
<b>MATERIAL CONTRACTS</b> .....	<b>47</b>
<b>INTERESTS OF EXPERTS</b> .....	<b>47</b>
<b>ADDITIONAL INFORMATION</b> .....	<b>47</b>

## PRESENTATION OF INFORMATION AND FORWARD LOOKING STATEMENTS

*Except where the context otherwise requires, all references in this Annual Information Form (“AIF”) to the “Company”, “Redknee”, “we”, “us”, “our” or similar are to Redknee Solutions Inc. and its subsidiaries, taken together.*

*Unless otherwise indicated, all dollar amounts are expressed in U.S. dollars.*

*Certain statements included in or incorporated into 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 include the statements regarding financial or other projections, Redknee’s future plans, objectives or performance for the current period and subsequent periods and regarding the markets for its products.*

*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. These statements reflect current assumptions and expectations regarding future events and operating performance and speak only as of the date of this document. Forward looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly from the results discussed in the forward looking statements, including, but not limited to, the inability of Redknee’s products to perform as expected, a material adverse change in the affairs of Redknee, and the factors discussed under the “Risk Factors” below. Other unknown or unpredictable factors or underlying assumptions subsequently proving to be incorrect could cause actual results to differ materially from those in the forward looking statements.*

*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, unless otherwise required by law, to update or revise them to reflect new events or circumstances. Readers are cautioned not to place undue reliance on forward looking statements.*

## CORPORATE STRUCTURE

Redknee.com Inc. was incorporated under the *Business Corporations Act* (Ontario) on March 29, 1999. Through a series of corporate reorganizations, Redknee.com Inc. was renamed Redknee Inc. (“Redknee Inc.”). Since 1999, Redknee Inc. has been the operating entity of Redknee Solutions Inc. which was incorporated on November 1, 2006 under the *Canada Business Corporations Act*. On February 14, 2007 the Articles of Incorporation of the Company were amended to authorize RSI 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 that the Company’s Common Shares were listed on the Toronto Stock Exchange (“TSX”) and trade under the symbol RKN.

Redknee's head and registered office address is 2560 Matheson Boulevard East, Mississauga, Ontario, Canada L4W 4Y9. The Company's telephone number is +1 (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, 2013. The Company has added a number of new subsidiaries as a result of the Acquisition (defined below under "General Development of the Business – Three Year History") and is in the process of creating other regional subsidiaries as part of the continuing transition process with respect to the Acquisition.

<b>Name of Subsidiary</b>	<b>Percentage of Votes Attaching to 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 (India) Technologies Pvt. Limited	100%	India
Redknee d.o.o. Beograd	100%	Serbia
Redknee Zagreb d.o.o.	100%	Croatia
Redknee Bulgaria EOOD	100%	Bulgaria
Redknee (Germany) GmbH	100%	Germany

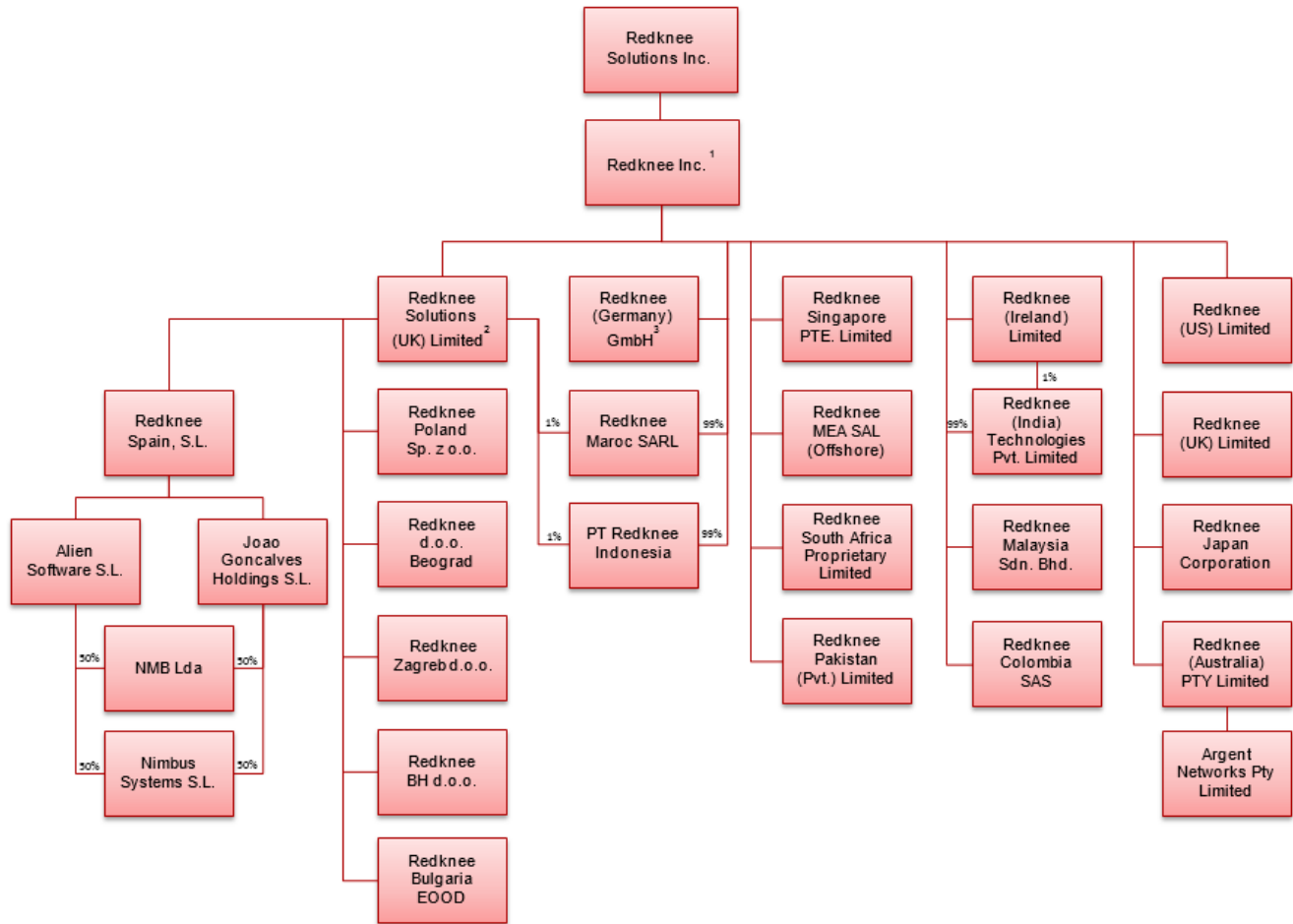
Redknee Poland Sp. z.o.o.	100%	Poland
Redknee Maroc SARL	100%	Morocco
PT Redknee Indonesia	100%	Indonesia
Redknee Pakistan (Pvt.) Limited	100%	Pakistan
Redknee South Africa Proprietary Limited	100%	South Africa
Redknee Malaysia Sdn. Bhd.	100%	Malaysia
Redknee Colombia SAS	100%	Colombia
Redknee Singapore PTE. Limited	100%	Singapore
Redknee MEA SAL (Offshore)	100%	Lebanon
Argent Networks Pty Limited <sup>(1)</sup>	100%	Australia
Redknee BH d.o.o.	100%	Bosnia and Herzegovina
Redknee Spain, S.L. <sup>(2)</sup>	100%	Spain
Alien Software S.L. <sup>(3)</sup>	100%	Spain
Joao Goncalves Holding S.L. <sup>(4)</sup>	100%	Spain
Nimbus Systems, S.L.	100%	Spain
NMB Lda.	100%	Portugal

<sup>(1)</sup> Wholly owned subsidiary of Redknee (Australia) PTY Limited

<sup>(2)</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>(3)</sup> Wholly-owned subsidiary of Redknee Spain, S.L. holds 50% ownership in NMB Lda and 50% ownership in Nimbus Systems S.L.

<sup>(4)</sup> Wholly-owned subsidiary of Redknee Spain, S.L. holds 50% ownership in NMB Lda and 50% ownership in Nimbus Systems S.L.



- 1 Redknee Inc. has registered branches in Tunisia and Lebanon.
- 2 Redknee Solutions (UK) Limited has a registered branch in the Philippines.
- 3 Redknee (Germany) GmbH has registered branches in Finland and Austria.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

### **Three Year History**

Redknee commenced operations in July 1999 and is currently a leading global provider of innovative real-time monetization and subscriber management software products. Redknee's fiscal year ends on September 30. Redknee's award-winning software (see awards listed below under Fiscal 2011 and Fiscal 2013) enables service providers to monetize new services, business models and content and to deliver and advanced customer experience. Redknee's software provides innovative converged billing, charging, policy and customer care solutions for voice, messaging and data services to over 200 service provider over 90 countries. Our software products allow mobile, multi-play and other service providers to extend and enhance their capabilities and service offerings, enabling them to introduce new revenue and improve customer satisfaction through the introduction of innovative tariffs and loyalty programs, data services, and advanced customer care and subscriber self-care. This is provided by Redknee's software solutions which manage and analyze, in real time, complex and critical network operations, such as service provisioning, network management and customer care, and provide real-time rating, charging and billing. Headquartered in Toronto, Canada, Redknee has a regional presence in Australia, Germany, India, Indonesia, Japan, Lebanon, Malaysia, Morocco, Philippines, Poland, Portugal, Singapore, South Africa, Spain, the UAE, the United Kingdom and the United States of America.

Our business has been driven predominantly by the adoption of mobile voice and data services globally, and the requirement of service providers to monetize those services with more sophisticated real-time converged billing and customer care solutions is becoming more urgent. Industry analyst firm Gartner predicts the worldwide IRCM market to grow from around \$18 billion in 2013 to more than \$20 billion in 2017. This number reflects the strategic initiatives communications service providers are pursuing in order to generate revenue from new services and establishing a prominent position in the evolving mobile ecosystem.

We expect continued growth based on this focus by communications service providers to carry out business transformations in order to grow revenues, improve the customer experience, and reduce subscriber churn. Redknee's portfolio of converged billing and customer care, wholesale settlement, and integrated data charging and policy solutions is enabling some of the world's most innovative service providers to meet the demands of a LTE and data-centric world by providing the agility to support their growth strategies, deploy new business models and advance the customer experience. In addition, Redknee's acquisition of the Business Support Systems business unit from Nokia Siemens Networks in 2013 (the "Acquisition") significantly increased our ability to capture this growth through the expanded product portfolio, customer base and employee resources that the acquisition brought. (Further information regarding the Acquisition is set out below under "Significant Acquisitions")

Further important product and business developments over the last three fiscal years are listed below. Readers are also encouraged to review the annual Management's Discussion & Analysis for the past three fiscal years, which is available at [www.sedar.com](http://www.sedar.com).

## **Fiscal 2011**

During Fiscal 2011, Redknee secured six new customers in the Americas, APAC and EMEA regions. Redknee also announced its successful entry into the Latin American and Eastern European markets. Redknee continued to grow its footprint with existing customers by signing solution upgrades, license expansions, and services contracts.

Redknee made significant progress with its growing partnership with Microsoft. In cooperation with Microsoft, Redknee is delivering a superior customer care software platform leveraging the Microsoft Dynamics CRM framework. As a result, together Redknee and Microsoft have signed multiple converged billing customers in 2011.

- In October 2010, Redknee signed an agreement with Freedom Wireless, the owner of a portfolio of patents relating to prepaid wireless communications;
- In October 2010, Redknee was awarded the 2010 Internet Telephony award for its converged billing solution;
- In November 2010, Redknee announced that it had signed multiple Tier-1 MVNO converged billing contracts;
- In February 2011, Redknee announced the signing of new converged billing customers in the UK and Eastern Europe;
- In March 2011, Redknee announced that it had appointed Gregory Jacobsen and Terry Nickerson to the Board of Directors;
- In April 2011, Redknee was named in the Top 10 wireless companies in the Branham Group's Top 300 ICT companies in Canada;
- In April 2011, Redknee signed a billing transformation contract with DST Group, the leading wireless provider in Brunei;
- In April 2011, Redknee signed a multi-million dollar upgrade and expansion deal with an APAC customer;
- In May 2011, Redknee launched its state-of-the-art converged billing platform with i-wireless LLC, a Sprint wholesale partner in the US;
- In July 2011, Redknee signed a global partnership deal with Tech Mahindra, a global systems integrator and business transformation consulting organization focused on the communications industry;
- In August 2011, Redknee announced a significant expansion with an existing Western European Tier-1 operator as well as a new converged billing customer in the US;

- In August 2011, Redknee announced the upgrade of Redknee’s flagship solution, TCB 9.0 including the Microsoft Dynamics CRM platform, and the successful implementation at an APAC operator;

## **Fiscal 2012**

- In October 2011, Redknee announced that it had entered the Latin American market with the signing of a new multi-million dollar MVNO deployment of its TCB solution;
- In November 2011, Redknee announced it had entered the Japanese market with the signing of a multi-year, multi-million dollar term license agreement for its converged billing solution;
- In January 2012, Redknee announced that it signed a significant capacity expansion deal with a Tier 1 South East Asian operator;
- In February 2012, Redknee announced that Smart Telecom had increased its investment in Redknee’s converged billing and customer care solution following a 25 percent growth in revenues since working with Redknee;
- In February 2012, Redknee and Tech Mahindra announced the launch of a joint solution ‘Telco in a Box’ to provide MVNO/Es with a low-risk, flexible approach that can be launched to the market in weeks;
- In March 2012, Redknee announced that it had signed a new multi-million dollar wholesale billing deployment in APAC;
- In April 2012, Redknee announced that it had maintained its elite status with the annual Branham Group Top 300 ICT companies in Canada program;
- In May 2012, Redknee announced that it had signed multiple new LTE-related upgrades with its North American customers;
- In May 2012, Redknee announced with Microsoft, NEC, Intel and X-IO that it had set a new standard in telecoms converged billing by surpassing the largest benchmark test results in the telecom industry to 250 million subscribers;
- In July 2012, Redknee announced that it had launched the world’s largest interconnect system at Indosat in Asia Pacific;
- In August 2012, Redknee announced that a leading Tier-1 North American communication service provider had selected Redknee’s cloud-based converged billing and customer care platform in a multi-million dollar, multi-year term license deal;
- In September 2012, Redknee announced that it had signed a multi-million dollar, multi-year contract that will see Redknee provide its fully managed, software-as-a-service (SaaS) offering to Step Up Mobile, a US-based mobile virtual network operator (MVNO);

## Fiscal 2013

- In October 2012, Redknee announced that it had entered into a senior secured credit facility with Wells Fargo Capital Finance, part of Wells Fargo & Company, for a revolving line of credit for up to USD \$20 million.
- In October 2012, Redknee completed an offering of 13,000,000 common shares for aggregate gross proceeds of \$17.5 million and in November 2012 Redknee issued an additional 1,950,000 common shares for aggregate gross proceeds of \$2,632,500 pursuant to the exercise of the underwriters' over-allotment option which was part of the offering.
- In November 2012, Redknee announced that it had signed a new converged billing and customer care deal with Malea Multimedia Mobile and Services (Malea MMS).
- In November 2012, Redknee announced that it had been highlighted in Gartner's 2012 Magic Quadrant report on Integrated Revenue and Customer Management (IRCM) for Communications Service Providers (CSPs).
- In November 2012, Redknee announced that Cellular One Arizona was the latest North American operator to launch Redknee's converged billing solution powered by Microsoft Dynamics CRM as a focal point of its future 3G and LTE growth and profitability strategy.
- In December 2012, Redknee announced that it had signed a definitive agreement to acquire Nokia Siemens Networks' Business Support Systems business unit.
- In January 2013, Redknee announced that it had been featured in Ovum's ON THE Radar analyst report, which highlights vendors that are bringing innovative ideas, products or business models to the market.
- In February 2013, Redknee announced the launch of the Redknee Cloud, a fully hosted, end-to-end converged billing and customer care solution provided as a Software as a Service (SaaS).
- In February 2013, Redknee announced that it had enabled Nur Telecom to become Kyrgyzstan's fastest growing operator.
- In March 2013, Redknee announced that its real-time converged billing and customer care solution, TCB, had been nominated at the TeleManagement Forum (TM Forum) Excellence Awards.
- In March 2013, Redknee announced that it had closed the Acquisition of the Business Support Systems business unit from Nokia Siemens Networks.
- In April 2013, Redknee announced that its wholly-owned subsidiary, Redknee Inc., had entered into an amended and restated credit agreement with Wells Fargo Capital Finance, part of Wells Fargo & Company, to add to its existing senior secured credit facility (which provided for a US\$20 million revolving line of credit) with two new term loan facilities in the amount of US\$15 million each, for a total credit facility of US\$50 million.

- In April 2013, Redknee announced that one of EMEA's leading electricity and gas suppliers had selected Redknee's converged billing and customer care platform to support the utility to launch a 4G/LTE mobile virtual network operator (MVNO), enabling it to bring to market innovative mobile services and to develop new service bundles and business models to differentiate itself from its competitors.
- In April 2013, Redknee announced that it had signed a multi-million dollar contract to deploy its wholesale billing and settlement solution.
- In April 2013, Redknee announced that it had completed its offering of 14,538,500 special warrants for aggregate gross proceeds of \$45.1 million, which included an exercise of 18,500 special warrants over-allotment option.
- In April 2013, Redknee announced that it had been named a finalist at the MNVO Industry Awards due to the success that its MVNO customers had achieved as a result of deploying Redknee's real-time converged billing and customer care solution.
- In April 2013, Redknee announced that it had renewed a multi-million dollar support contract with a Tier 1 APAC communication service provider.
- In May 2013, Redknee announced that it had renewed a multi-million dollar services and care agreement with an APAC operator, which will support the growth of 3G data usage by the service provider's subscribers and the launch of 4G services.
- In May 2013, Redknee announced that a Tier 1 communications service provider in APAC had signed a multi-year, multi-million dollar managed services contract for Redknee's cloud-based wholesale and settlement solution.
- In May 2013, Redknee announced that a leading communications service provider in the EMEA region had increased its software license capacity of Redknee's converged billing and charging solution.
- In May 2013, Redknee announced that an existing EMEA customer had increased its investment in Redknee's real-time billing and charging solution in order to support the service provider's goal to increase its lead in the market.
- In May 2013, Redknee announced that it had launched its cloud-based converged billing and customer care solution for Éxito Mobile, the first MVNO in Colombia to be launched by a retailer.
- In June 2013, Redknee announced that it had renewed a services and support contract to enable a leading EMEA operator to build on its 4G/LTE data growth strategy.
- In June 2013, Redknee announced that an existing APAC service provider had increased its investment in Redknee's real-time billing and customer care solution in order to support the launch of its LTE services.

- In June 2013, Redknee announced that it had received a receipt dated June 26, 2013 for its final short form prospectus filed with the securities regulatory authorities in each of the provinces of Canada with respect to the qualification for distribution of an aggregate of 41,538,500 common shares in the capital of Redknee issued pursuant to the exercise of an aggregate of 14,538,500 common share special warrants.
- In July 2013, Redknee announced that it had launched its cloud-based converged billing solution for an international MVNO.
- In July 2013, Redknee announced that it had signed multiple agreements with a leading group operator in EMEA.
- In July 2013, Redknee announced that it had signed a deal worth more than a million dollars to provide professional services to a leading multi-play service provider, and acquired customer in EMEA.
- In July 2013, Redknee announced that an acquired customer from APAC had signed a multi-million dollar deal to increase its software license capacity for Redknee's converged billing and charging solution.
- In August 2013, Redknee announced that a leading APAC operator and an acquired customer had signed a multi-million dollar support deal whereby Redknee's technical support will provide innovative data services and flexible value-added services to over 13 million mobile subscribers on its 3G and 4G/LTE networks.
- In August 2013, Redknee announced that a Tier 1 APAC operator was launching Redknee's latest release of its Policy Management solution. Redknee's Policy Management Solution would support the operator's launch of Voice over LTE.
- In August 2013, Redknee announced that BH Telecom, the largest operator in Bosnia and Herzegovina, and an acquired customer, had signed a multi-million dollar deal to upgrade to the latest version of Redknee's converged billing, charging, policy and customer care solution.
- In August 2013, Redknee announced that an APAC operator had deployed the latest release of Redknee's Policy Management solution, which solution enabled the operator to complete the modernization of its network and prepare to launch TD-LTE services such a Voice over LTD, multi-media and interactive games.
- In September 2013, Redknee announced that a leading EMEA operator and an acquired customer had signed a multi-million dollar contract to expand its software license for Redknee's converged billing and charging solution.
- In September 2013, Redknee announced that it had launched Redknee's billing and customer care solution at Tokyu Group's iTSCOM, a leading Japanese Cable TV service provider and existing customer, which resulted in iTSCOM signing an additional multi-year contract for Redknee's converged billing and customer care solution to support further growth.

- In September 2013, Redknee announced that an acquired customer in EMEA had signed a multi-million dollar contract for Redknee’s converged billing and charging solution.
- In September 2013, Redknee announced that it was accelerating the ability of its customers to launch cloud-based billing and customer care solutions as a result of its strategic relationship with Microsoft Windows Azure.

## **SIGNIFICANT ACQUISITIONS**

On March 29, 2013, Redknee completed the Acquisition of the Business Support Systems business unit of Nokia Siemens Networks B.V (“NSN”). NSN’s Business Support Systems provided real-time charging, rating, policy and customer care solutions to more than 130 communication service providers, including long-standing relationships with certain Tier 1 operators. In addition, the acquired customer base brings Redknee a complementary global footprint that spans more than 90 countries across Europe, Asia Pacific, the Middle East and Africa. As part of the Acquisition, Redknee acquired customer and supplier contracts, intellectual property rights, fixed assets and associated liabilities, along with approximately 1,200 employees. The Acquisition was made pursuant to the Global Frame Agreement between NSN and Redknee, as amended from time to time (collectively, the “Agreement”). A redacted version of the Agreement has been filed on SEDAR and all references to the Agreement are qualified in their entirety by reference to the terms of the Agreement.

The material terms of the Acquisition include the assignment to, and assumption by, Redknee of customer and supplier contracts, the transfer to Redknee of certain fixed assets, the assignment to, and assumption by, Redknee of employment contracts with approximately 1,200 employees, and the transfer and licensing of certain intellectual property rights. The closing on March 29, 2013 reflected the legal transfer to Redknee under the Agreement of the assets and contracts with employees that are located in the principal jurisdictions in which the acquired business was conducted, which represented substantially all of the assets and approximately 75% of the employment contracts to be transferred to Redknee under the Agreement. As of the date hereof, approximately 95% of the employment contracts have been transferred to Redknee. The remaining assets and employment contracts with employees located in other jurisdictions to be transferred to Redknee under the Agreement will be transferred jurisdiction by jurisdiction once Redknee has completed the incorporation of a subsidiary in each such jurisdiction, to the extent required, and all administrative requirements of each such jurisdiction relating to the transfer have been completed. There are no material closing conditions to the transfer of the assets located in such other jurisdictions, and the Agreement contemplates that the parties will have two years from the initial closing on March 29, 2013 to complete such transfers. Redknee expects that all such transfers will be completed in this timeframe. Pending the completion of such remaining transfers of assets, Redknee will operate the business in the jurisdictions in which such assets are located on behalf of NSN, assuming the risk of operation and receiving all associated benefits, which will be reflected in Redknee’s operating results.

While certain of the customer contracts to be transferred to Redknee under the Agreement relate exclusively to the acquired business, certain other customer contracts relate both to the acquired business and other businesses of NSN which were not part of the Acquisition (the “Shared Contracts”). NSN and Redknee are in the process of undertaking discussions with customers that are

party to the Shared Contracts for the purpose of negotiating and entering into new agreements between those customers and Redknee relating only to Redknee's products and services. Until such contracts are entered into, Redknee will assume the obligations of NSN under such Shared Contracts to provide products and services and will receive the revenue associated with the delivery of the products and services. The same applies to certain contracts with suppliers of the acquired business. The Agreement contemplates that if any Shared Contract has not been replaced within two years from the initial closing on March 29, 2013 with a new agreement between Redknee and the applicable customer or supplier relating only to Redknee's products and services, NSN is then entitled to terminate such Shared Contract with the customer.

Redknee financed the transaction through a combination of cash and debt facilities. The consideration for the Acquisition is €15.0 million base amount; plus the net working capital balance, as defined; less an adjustment for non-German pension liabilities. The parties agreed that if the amount so calculated is negative, NSN shall owe and pay an amount equal to the shortfall to the Company. In addition to the purchase price, the Company agreed to pay additional consideration of up to a maximum of €25.0 million for certain performance-based cash earn-outs over the next 12 to 36 months post-closing.

Consideration paid on closing by the Company was €10.6 million (\$13.6 million). For purposes of the purchase accounting, the Company has estimated the fair value of the contingent consideration to be €18.3 million (\$23.6 million) relating to the performed-based cash earn-outs as at March 29, 2013. The fair value of the contingent consideration was calculated by using probabilities-based outcomes. Any changes in the estimated fair value will be recorded in the statement of comprehensive income.

In connection with the Acquisition, and to finance part of the purchase price, Redknee, through its wholly-owned subsidiary, Redknee Inc., entered into an amended and restated credit agreement (the "Credit Agreement") with Wells Fargo Capital Finance Corporation Canada, part of Wells Fargo & Company, to add to its existing senior secured credit facility (which provided for a \$20 million revolving line of credit) two new term loan facilities in the amount of \$15 million each, for a total credit facility of \$50 million. The credit facilities are secured by the assets of Redknee Inc., Redknee Solutions (UK) Limited ("Redknee UK") and Redknee Germany GmbH ("Redknee Germany"). Redknee, Redknee UK and Redknee Germany have guaranteed the obligations of Redknee Inc. Redknee's guarantee is secured by a pledge of all of its shares in Redknee Inc. As at September 30, 2013, \$35.9 million was outstanding and interest is payable monthly over the term of five years. The Company has incurred \$2.0 million of transaction costs and has recorded these costs as deferred costs that are being amortized over the expected five-year term of the loan using the effective interest rate method. During the year ended September 30, 2013, \$0.3 million was amortized (2012 - nil). For the three and twelve months ended September 30, 2013, finance costs of \$0.4 million and \$0.9 million respectively have been recorded.

Redknee filed a Business Acquisition Report with respect to the Acquisition on June 12, 2013.

## DESCRIPTION OF BUSINESS

### OVERVIEW

The Company commenced operations in July 1999. Redknee is a leading global provider of innovative real-time monetization and subscriber management software products, solutions and services. Redknee's award-winning solutions enable service providers to monetize new services, business models and content and to deliver a comprehensive customer experience. Redknee's revenue and subscriber management platform provides innovative converged billing, charging, policy and customer care solutions for voice, messaging and data service to over 200 service providers in over 90 countries. The Company's software products allow mobile, multi-play and other service providers to extend and enhance their capabilities and service offerings, enabling them to introduce new revenue streams and improve customer satisfaction through the introduction of innovative tariffs and loyalty programs, data services, and advanced customer care and subscriber self-care. This is provided by the Company's software products which manage and analyze, in real time, complex and critical network operations, such as service provisioning, network management and customer care, and provide real-time rating, charging and billing. In addition to its deep technical expertise and customer footprint in the telecommunications space, Redknee's highly scalable solutions is also being leveraged in additional verticals, including railways. Established in 1999, Redknee Solutions Inc. (TSX: RKN) is the parent of the wholly-owned operating subsidiary Redknee Inc. and its various subsidiaries. The Company derives its revenue from three main geographic areas namely:

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

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

**Converged Billing and Customer Care** – Redknee's award-winning cloud-enabled real-time converged billing and customer care platform delivers the benefits of a flexible, end-to-end platform, including real-time converged billing, rating and charging for the operator's data, voice, and messaging services. Today, Redknee's highly scalable solution is supporting more than 80 million subscribers at a single customer and is enabling operators to launch and monetize their 3G and LTE networks and deliver advanced services, including Voice over LTE, cloud-services and Over the Top offerings. In addition, the fully integrated solution provides advanced customer care and self-care capabilities with the Microsoft Dynamics CRM framework; real-time subscriber promotions and loyalty programs; and transparent and flexible self-care options for prepaid, postpaid and hybrid subscribers.

**Policy Management** – Redknee's Policy Management solution provides a single solution that enables service providers to take control of network resource usage, assure quality of experience for key users, and offer personalized services and differentiated, service-specific charging. Serving more than 55 operators with a combined customer base of 1.2 billion subscribers, Redknee's Policy Management solution is key to supporting operator data monetization strategies for real-time applications such as video streaming, interactive gaming and voice-over-LTE (VoLTE).

**Brand Challenger** – Redknee’s Brand Challenger solution provides a cloud-based end-to-end converged billing solution for Mobile Network Operators (“MNOs”), Mobile Virtual Network Enablers (“MVNEs”) and Mobile Virtual Network Operators (“MVNOs”) to launch quickly to the market. Redknee’s out-of-the-box solution offers a low risk business model that enables MNOs to launch a second brand, MVNEs to accelerate their growth strategies and MVNOs to improve their differentiation in the market. Redknee launched the Redknee Cloud in the US as part of its strategy to offer Software-as-a-Service and a fully managed service to Tier 1 operators, MVNOs and service providers that want to launch to the market quickly.

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

**GSM-R Intelligent Network Solution** – Redknee’s Intelligent Network solution for GSM-Railway (GSM-R) networks enables Railway Network Operators (“RNOs”) to deliver better operational support, increased reliability and higher quality railway communications system for their GSM-R networks. Redknee is the core provider of optimized communication services supporting more than 50 percent of the world’s GSM-railway networks, providing advanced functionality to progress their infrastructure, enhance their operational requirements and improve the customer experience they deliver.

## Revenues

The Company recognizes revenue from the sale of software licenses, including initial licenses, capacity increases and/or upgrades; professional services; third party hardware and software components and customer support contracts. For the year ended September 30, 2013, the Company’s revenue increased by 150% from \$56.9 million for the same period in fiscal 2012 to \$142.0 million in fiscal 2013 due to the contribution of the increased sales to acquired customers from the Acquisition.

Software and services revenue the year ended September 30, 2013 increased by 89% to \$61.2 million, or 43% of total revenue, compared to \$32.3 million, or 57% of total revenue for fiscal 2012. The increase in software and services revenue relates to the impact from additional sales to acquired customers from the Acquisition.

Support revenue for the year ended September 30, 2013 increased by 222% to \$74.0 million, or 52% of total revenue, compared to \$23.0 million, or 40% of total revenue for 2012. The increase in support revenue relates to the impact of sales to acquired customers from the Acquisition.

Third-party software and hardware revenue for the year ended September 30, 2013 increased by 343% to \$6.9 million, or 5% of total revenue, compared to \$1.6 million, or 3% of total revenue for fiscal 2012. The increase in third-party software and hardware revenue relates to the impact of sales to acquired customers from the Acquisition.

Redknee continues its focus on growing recurring revenue by moving to term-licenses with new customers and securing an increasing proportion of multi-year contracts. Recurring revenue for the fiscal year 2013 increased to 55% of total revenue compared to 50% in fiscal year 2012.

\$US Thousands (unaudited)	Three Months Ended		Twelve Months Ended	
	September 30		September 30	
	2013	2012	2013	2012
Software & Services	22,081	8,606	61,203	32,309
Support	31,456	5,701	73,981	23,004
Third Party Software & Hardware	3,900	230	6,864	1,551
<b>Total</b>	<b>57,437</b>	<b>14,536</b>	<b>142,047</b>	<b>56,864</b>

Percentage of Total Revenue (unaudited)	Three Months Ended		Twelve Months Ended	
	September 30		September 30	
	2013	2012	2013	2012
Software & Services	38%	59%	43%	57%
Support	55%	39%	52%	40%
Third Party Software & Hardware	7%	2%	5%	3%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

As at September 30, 2013, the Company's three largest customers accounted for 16% (2012 - 25%) of sales. In order to minimize the risk of loss for trade receivables, the Company's extension of credit to customers involves review and approval by senior management, as well as progress payments as contracts are performed.

## The Market

Redknee is a leading global provider of real-time monetization software to price and charge all subscribers for data, content and voice across wireless, cable, fixed and alternate service providers around the world. As such, Redknee markets its solutions and services globally to service providers from greenfield operators to established operators that are launching 4G services. Redknee's solutions support communication service providers who are targeting rapid subscriber growth through to 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.

## 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 EMEA, the Americas and APAC. 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 shows and customer user forums. Redknee's strategy recognizes the value of a partner ecosystem. Redknee

has partnered with Tier 1 System Integrators to create a larger sales channel and to leverage their Professional Services capabilities to jointly deliver Tier 1 customer projects.

## **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 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: Amdocs, Comverse, CSG International, Netcracker, Oracle, Orga Systems and Technotree.
- ***Network infrastructure providers*** – these are large, vertically integrated telecommunications equipment suppliers, including Alcatel-Lucent, Ericsson, and Huawei, 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.
- ***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 and Tata Consulting Services 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>Real-Time Monetization Software</b>	<b>Wholesale Settlement</b>	<b>Policy Management</b>
<b>Target Revenue</b>	~80%	~10%	~10%
<b>Market segment focus</b>	<ul style="list-style-type: none"> <li>• Communications subscriber growth</li> <li>• Mobile data growth</li> <li>• Mobile Network Operators</li> <li>• Multi-play Network Operators</li> <li>• Mobile Virtual Network Operators</li> <li>• Mobile Virtual Network Enablers</li> <li>• Tier 1 Operators launching new brands into the market</li> </ul>	<ul style="list-style-type: none"> <li>• Wireless subscriber growth</li> <li>• Group Operators</li> <li>• Regulators</li> <li>• Mobile Virtual Network Enablers</li> <li>• Revenue sharing with Over-The-Top players</li> </ul>	<ul style="list-style-type: none"> <li>• Mobile Broadband <ul style="list-style-type: none"> <li>○ Wireless data growth</li> <li>○ Wireless subscriber growth</li> <li>○ Advanced multi-service operators</li> </ul> </li> <li>• Combined Policy &amp; Charging <ul style="list-style-type: none"> <li>○ Same as Real-time monetization</li> </ul> </li> <li>• Voice over LTE</li> <li>• LTE Operators</li> </ul>
<b>Approach</b>	<ul style="list-style-type: none"> <li>• End-to-end and segment monetization</li> <li>• Cloud-based solution with recurring service contract</li> <li>• Long-term maintenance contract</li> <li>• Licenses driven primarily by subscriber and traffic growth</li> </ul>	<ul style="list-style-type: none"> <li>• Modular system to enter and then grow Redknee's footprint</li> <li>• SaaS solution with recurring service contract</li> <li>• Licenses driven by transactional capacity and subscribers/users</li> </ul>	<ul style="list-style-type: none"> <li>• Long-term services contract</li> <li>• Licenses driven primarily by subscriber and traffic growth</li> <li>• Upsell to existing installations participation in changing traffic models and growth of wireless data</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 (SaaS)</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. 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.

## **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. As of September 30, 2013, Redknee has a portfolio of over 70 filed and over 125 granted patents. Notwithstanding any deliberate abandonment of intellectual property assets or court decisions invalidating such assets, Redknee's current patent portfolio will begin expiring in 2023.

The source code for Redknee's software products and proprietary software embedded in the customer's 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.

Redknee relies on its patent portfolio as a defensive measure to help ensure that the processes used for monetizing subscriber transactions are protected from potential infringement.

## **Human Resources**

Redknee's highly skilled work force and the customer-focused, team-oriented culture instilled by the Company's Chief Executive Officer ("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.

As of September 30, 2013 Redknee had approximately 1,717 employees and contractors, 400 of whom are involved in delivery, 340 of whom are involved in support, 182 of whom are involved in sales and marketing, 80 of whom are involved in general administration and 715 of whom are involved in research and development. Certain of the employees are represented by trade unions, works councils or other employee representative bodies and are subject to collective bargaining agreements.

## **Operations and Facilities**

The Company's headquarters are located in Mississauga, Canada. The Company's research and development, services and support, and administration departments operate from the Company's

headquarters. The premises are leased and consist of approximately 35,000 square feet and the lease term expires June 30, 2017.

In addition, the Company has the following additional leased facilities:

<b>LOCATION</b>	<b>SPACE</b>	<b>TERM EXPIRY</b>
Chatswood, Australia	shared space	June 30, 2014
Vienna, Austria	shared space	April 30, 2014
Bahrain	shared space	May 31, 2014
Sarajevo, Bosnia and Herzegovina	215 square feet	May 31, 2014
Beijing, China	shared space	October 31, 2014
Zagreb, Croatia	3,678 square feet	August 31, 2018
Espoo, Finland	2,799 square feet	August 31, 2018
Berlin, Germany	101,065 square feet	September 30, 2014
Berlin, Germany	33,207 square feet	September 30, 2014
Berlin Germany	7,719 square feet	September 30, 2014
Munich, Germany	4,801 square feet	May 31, 2018
Dusseldorf, Germany	1,453 square feet	September 30, 2018
Augsburg, Germany	1,224 square feet	August 31, 2018
Bangalore, India	63,777 square feet	December 4, 2014
Mumbai, India	shared space	June 30, 2014
Pune, India	27,725 square feet	October 7, 2016
Gurgaon, India	3,566 square feet	July 31, 2016
Jakarta, Indonesia	3,617 square feet	October 15, 2018
Beirut, Lebanon	1,356 square feet	June 20, 2016
Kuala Lumpur, Malaysia	4,000 square feet	November 30, 2016

Makati City, Philippines	shared space	July 31, 2014
Wroclaw, Poland	35,967 square feet	April 20, 2018
Centurion, South Africa	5,622 square feet	September 30, 2016
Madrid, Spain	5,930 square feet	August 14, 2018
Reading, United Kingdom	2,956 square feet	January 30, 2015

## **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 ended September 30, 2013 or in the current fiscal year. 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 to be 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 may also impair its business operations and cause the price of its common shares to decline. If any of the following risks actually occur, the Company's business may be harmed and its financial condition and results of operations may suffer significantly. In that event, the trading price of its common shares could decline, and an investor may lose all or part of his, her or its investment.*

### ***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 communication service providers ("CSPs") remains highly uncertain. The Company's growth is therefore dependent on, among other things, the size and pace at which the markets for its software products and services develop. If the markets for the Company's software products and services decline, remain constant, or grow more slowly than anticipated, the Company's growth plans, business and financial results may suffer. Furthermore, the timing of revenue from sales of the Company's products and services in any financial year may change as a result of the specific requirements of the Company's customers and their available financial resources and, as such, may result in fluctuations in the Company's operating performance.

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

The Company has experienced, and expects to continue to experience, intense competition from a number of companies. The Company competes principally with multi-national vendors including Amdocs, Ericsson, Comverse, Oracle, SAP, 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 US 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 co-operating 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 Canada Revenue Agency could challenge the validity of the Company's arm's length related party transfer pricing policies. International transfer pricing is a subjective area of taxation and generally involves a significant degree of judgment. If any of these taxation authorities are successful in challenging the Company's transfer pricing policies, income tax expenses may be adversely affected and the Company could also be subjected to interest and penalty charges. Any such increase in income tax expenses and related interest and penalties could have a significant impact on the Company's future earnings and future cash flows.

### ***Government 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. 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 2012 it will continue to be dependent, on a relatively small number of customers for a large percentage of its revenue. As at September 30, 2013, the Company's three largest customers accounted for 16% of sales (2011 – 25%). 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 licenses relating to one or more of the Company's products or relating to current or future technologies to enhance the Company's product offerings. There is a risk that the Company will not be able to obtain licensing rights to the required technology on commercially reasonable terms, if at all.

### ***Economic and geopolitical uncertainty may negatively affect the Company.***

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

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

### ***The Acquisition***

The business acquired by Redknee pursuant to the Acquisition is subject to the risk factors to which the current business or Redknee is subject, as set out above. In addition to such risk factors, Redknee and the acquired business will be subject to the risk factors set forth below. If any of the risks set forth in this AIF actually occur, Redknee's business, including the acquired business may

be harmed and its financial conditions and results of operations may suffer significantly. In that event, the trading price of the common shares may decline and an investor could lose all or part of his, her or its investment.

***The extent of operations of the acquired business conducted in foreign countries may expose Redknee to significant risks.***

The business acquired by Redknee is conducted in approximately 90 countries, and significantly increases the extent to which Redknee's aggregate business is exposed to the risks of operating in foreign countries and which could materially adversely affect Redknee's business or operating results.

***Post-closing events contemplated by the Agreement may not happen in a timely manner, or at all.***

It is contemplated that the remaining assets and employee contracts are to be transferred to Redknee by NSN by March 2015. While Redknee expects such transfers to occur within this timeframe, there can be no guarantee that such transfers will occur by March 2015, or at all. If such transfers do not occur, Redknee may not achieve the expected financial and other benefits of the Acquisition and may be required to hire other qualified personnel, who may not be available or available on employment terms commensurate with the employee contracts that were to have been transferred. In addition, pursuant to the terms of the Agreement, NSN is entitled to terminate any contract that has not been transferred, or in the case of Shared Contracts, replaced with a new contract between the customer or supplier and Redknee by March 2015. If NSN were to terminate any of these contracts, there is no guarantee that Redknee would be able to enter into an agreement with any of these customers or suppliers, which could have a material adverse effect on Redknee's revenues, and consequently Redknee's business, operating results and financial condition.

***Redknee may have difficulties maintaining or growing the acquired business.***

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

- Challenges in integrating the acquired business with Redknee's business;
- Risks relating to any default by NSN of its obligations under the Agreement and agreements entered into pursuant to the Agreement, and the Shared Contracts, whether pursuant to financial difficulty, unforeseen external events or otherwise;
- Loss of customers of, and/or suppliers to, the acquired business;
- Risk relating to infringement of third party intellectual property rights by software of the acquired business;
- Non-compatible business cultures;
- Difficulties in gaining necessary approvals in international markets to expand the acquired business as contemplated;
- Additional demands on resources, systems, procedures and controls; and

- Dealing with unfamiliar laws, customs and practices in foreign jurisdictions.

In addition, Redknee may not have identified all risks or have fully assessed risks identified with the Acquisition. There is also a risk that the expected benefits of the Acquisition may not be achieved in the expected timeframe or to the extent expected. The individual or combined effect of these risks could have a material adverse effect on Redknee's business, operating results and financial condition.

***Issues relating to employees of the acquired business may adversely affect Redknee.***

Certain of the employees of the acquired business whose employment agreements are contemplated by the Agreement to be assumed by Redknee may refuse to accept employment by Redknee or its subsidiary in the jurisdiction in which the employee provides services to the acquired business, and otherwise may be entitled under applicable laws governing the transfer of employment relationships to object to such transfer. If an employee does not accept employment by Redknee or its applicable subsidiary, or objects to the transfer of their employment, Redknee and its subsidiaries may not receive the benefit of such employee's services. To the extent that Redknee does not receive the benefit of the services of a significant number of employees in any one jurisdiction, or the services of certain personnel from the acquired business such as former executive officers or key technical personnel, the expected benefits of the Acquisition may not be achieved by Redknee and such event could have a material adverse effect on Redknee's business, operating results and financial condition.

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

***Changes to earnings resulting from the Acquisition may adversely affect Redknee.***

Under IFRS 3, Business Combinations, the accounting standard for business combinations, the total purchase price of the acquired business assets and intangible assets acquired and liabilities assumed are allocated based on their values as of the date of the acquisition (including certain assets and liabilities that are recorded at fair value) and record the excess of these values over the purchase price as bargain purchase gain. Management's estimates of fair value are based upon assumptions believed to be reasonable but which are inherently uncertain. Subsequent to the completion of the Acquisition, the following factors, among others, may result in material changes that would materially adversely affect Redknee's operating results, cash flows and financial condition:

- Impairment of goodwill or intangible assets;
- A reduction in the useful lives of intangible assets acquired;
- Identification of assumed contingent consideration and contingent liabilities after Redknee finalizes the purchase price allocation period; or

- Charges to Redknee's operating results resulting from revised estimates relating to the allocation of the purchase price, valuation of intangible assets, valuation of contingent consideration and other valuations used in the Acquisition, such as deferred revenue.

Routine charges to Redknee's operating results associated with the Acquisition include amortization of intangible assets, as well as other Acquisition related charges. Charges to Redknee's operating results in any given period could differ substantially from other periods based on the timing and size of Redknee's future acquisitions and the extent of integration activities.

Redknee expects to continue to incur additional costs associated with combining the operations of the acquired business, which may be substantial. Additional costs may include costs of employee redeployment, relocation and retention, including salary increases or bonuses, severance payments, taxes, and termination of contracts that provide redundant or conflicting services. These costs would be accounted for as expenses and would decrease Redknee's net income and earnings per share for the periods in which those adjustments are made.

***Redknee has acquired contingent liabilities through the Acquisition that could adversely affect Redknee.***

Redknee has acquired contingent liabilities in connection with the Acquisition. Although Redknee's management uses its best efforts to estimate the risks associated with these contingent liabilities and the likelihood that they will materialize, their estimates could differ materially from the liabilities actually incurred. For example, Redknee acquired certain long-term contracts that contain contingent liabilities associated with the acquired business. The contingent liabilities represent the difference between the maximum financial liabilities potentially due to customers less the estimated liability amounts recorded in connection with the contracts assumed on acquisition. Such maximum financial liabilities potentially due to customers under these acquired contracts may significantly exceed the maximum financial liabilities potentially due to customers pursuant to customer contracts entered into by Redknee in the course of its business prior to the acquisition of the acquired business. Among the acquired business' contingent liabilities are liquidated damages contractually available to customers for breaches of contracts by NSN/Redknee and for estimated damages available to customers for breaches of such contracts by NSN/Redknee where such contracts did not contain specified penalties. In addition, as the acquirer of the acquired business, Redknee may acquire contingent liabilities in addition to liabilities assumed pursuant to the Agreement, such as statutory liabilities imposed on the acquirer of a business pursuant to applicable laws such as bulk sales and other creditor protection legislation related to the sale of assets other than in the ordinary course of business, legislation relating to the protection of personal information, and anti-bribery legislation. Any of the contingent liabilities referred to above may be material and could materially adversely affect Redknee's operating results, cash flows and financial condition.

***Risks associated with the Credit Agreement.***

Redknee is exposed to interest rate risk from fluctuations in interest rates on advances under the Credit Agreement that bear interest at an annual rate of interest determined in accordance with the Credit Agreement. Redknee manages its interest rate risk by monitoring its respective mix of fixed

and floating rate debt net of cash and cash equivalents and short term investments. Despite these steps, changes in interest rates could negatively affect the Company's financial performance.

## **DIVIDENDS**

The Company currently does not, nor has the Company paid dividends on its shares in the last three financial years. 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 95,510,022 were issued and outstanding as at September 30, 2013.

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 30, 2013 there were 4,762,459 stock options outstanding under the Company's Stock Option Plan with exercise prices ranging from \$0.23 CDN to \$2.16 CDN per share.

## **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, 2013.

### **COMMON SHARES - TSX**

<b>Month</b>	<b>High</b>	<b>Low</b>	<b>Volume</b>
October, 2012	1.48	1.35	4,119,858
November, 2012	1.47	1.27	751,926
December, 2012	2.20	1.37	7,944,970
January, 2013	2.55	1.86	6,029,580

February, 2013	2.97	2.32	6,866,845
March, 2013	3.61	2.87	4,508,644
April, 2013	3.47	2.82	8,995,420
May, 2013	3.20	2.50	5,131,544
June, 2013	3.40	2.75	7,826,572
July 2013	4.07	3.23	7,364,089
August, 2013	4.61	3.40	10,956,439
September, 2013	5.55	4.50	9,940,223

On October 23, 2012, the Company had completed an offering of 13,000,000 common shares of the Company at a price of Cdn. \$1.35 per common share (the "Offering Price") for aggregate gross proceeds of \$17,557,020 (Cdn. \$17,550,000) (the "Offering"). The Offering was completed on a bought deal basis and was underwritten by a syndicate of underwriters led by GMP Securities L.P., and including Canaccord Genuity Corp. and TD Securities Inc. (collectively, the "Underwriters").

On November 14, 2012, the Underwriters exercised an over-allotment option to purchase an additional 1,950,000 common shares at the Offering Price and the Company raised an additional \$2,650,401 (Cdn. \$2,632,500) and the aggregate gross proceeds of the Offering was \$20,207,421 (Cdn. \$20,182,500).

On April 18, 2013, the Company completed an offering of 14,538,500 special warrants (the "Special Warrants") of the Company at price of Cdn. \$3.10 per Special Warrant for aggregate gross proceeds of \$44,230,070 (Cdn. \$45,069,350), which includes 18,500 Special Warrants issued pursuant to the underwriters exercising their over-allotment option (the "Private Placement").

The Special Warrants were converted into 14,538,500 common shares without any additional consideration on June 26, 2013 upon the filing of the final short form prospectus dated June 25, 2013.

### **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, 2013 and the percentage that number represents of the outstanding securities of that class as of such date.

<b>Designation of Class</b>	<b>Number of Securities Held in Escrow</b>	<b>Percentage of Class</b>
Common Shares <sup>(1)</sup>	1,122,177	1.17%

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 the "Sellers") and Equity Transfer and Trust Company, as escrow agent, entered into pursuant to the Nimbus transaction. The escrowed shares will be released by the escrow agent upon direction of the Corporation and the Sellers and, pursuant to the escrow agreement, after the resolution of any outstanding claims.

## DIRECTORS AND OFFICERS

### Name, Occupation and Security Holding

Our directors as at September 30, 2013 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, United Kingdom	Chairman The Practice Plc	January 9, 2007	158,730 common shares
ALAN MICHELS <sup>(1)(2)</sup> Scottsdale, Arizona, United States	Consultant	December 10, 2008	125,000 common shares
LUCAS SKOCZKOWSKI Oakville, Ontario, Canada	Chief Executive Officer, Redknee Solutions Inc.	November 1, 2006	8,733,643 common shares
KENT THEXTON <sup>(1), (2), (3)</sup> Vancouver, British Columbia, Canada	Chairman Redknee Solutions Inc.	November 1, 2006	867,285 common shares
TERRY NICKERSON <sup>(2)(3)</sup> Mississauga, Ontario, Canada	Corporate Director	October 5, 2010	50,000 common shares
GREG JACOBSEN Littleton, Colorado, United States	Chief Executive Officer, Jacobsen Management Group	May 4, 2011	Nil

<sup>(1)</sup> Member of Nomination and Governance Committee.

<sup>(2)</sup> Member of Audit Committee.

<sup>(3)</sup> Member of Compensation Committee.

Our directors as at the date of this AIF are set forth above. Each of our directors hold 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.

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

Mr. Thexton has over 23 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. As well as Chairman of the board of Redknee, Mr. Thexton is on the Sierra Wireless board (TSX: SW, Nasdaq: SWIR), Chairman of Mobidia (a private technology company), and leads Plus Consulting. Mr. Thexton co-founded i-wireless LLC, a US MVNO. Previously, Mr. Thexton

was Chairman and CEO of SEVEN, having 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.

***Lucas Skoczowski, Chief Executive Officer***

Mr. Skoczowski is Chief Executive Office of the Company and has been a director of the Company since 2006. Prior to being appointed Chief Executive Office of the Company in August 2004, Mr. Skoczowski was Chief Operating Officer of the Company's predecessor, Redknee Inc. from July 1999 to August 2004. Prior to Redknee, Mr. Skoczowski worked at Nortel Networks Limited and Clearnet Communications Inc. in various areas of product management. Mr. Skoczowski has received several distinguished awards, including the Ernst & Young Entrepreneur of the Year Award in the Information Technology sector for Ontario and the Top 40 Under 40 Award for Canada. Mr. Skoczowski is a member of the Dean's Development Council for the Faculty of Engineering at the University of Waterloo. Lucas has a Bachelor of Science and Electrical Engineering Degree from the University of Waterloo, where he was a Loran Scholar.

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

Mr. Davies joined the Board in January 2007. Mr. Davies has worked in the internet and telecom industry for over 30 years. Prior to joining Redknee's Board, Mr. Davies served as a director of O2 Group, plc. Mr. Davies is currently Chairman of The Practice, Plc, a UK primary healthcare company, Mr. Davies is Chairman of the Compensation Committee and is a member of Redknee's Nomination and Governance Committee.

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

Mr. Michels joined Redknee's Board in December 2008. Previously, Mr. Michels served as President of Kenan Systems Inc., President and CEO of Telewest Communications, Plc. and as Chief Financial Officer in the telecom and software industries. 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. Mr. Michels is Chairman of the Nomination and Governance Committee and is a member of Redknee's Audit Committee.

***Terry Nickerson***

Mr. Nickerson joined Redknee's Board in October 2010. Prior to joining Redknee's Board, Mr. Nickerson held several senior financial positions at ATI Technologies, Inc., Northern Telecom Ltd., IBM Canada and the Molson Companies. Mr. Nickerson has been a director of several technology company boards since 2005. Mr. Nickerson holds a Bachelors of Science degree in Metallurgical Engineering from Queens University and an M.B.A. from Harvard University. Mr. Nickerson is Chairman of Redknee's Audit Committee.

## ***Greg Jacobsen***

Mr. Jacobsen joined Redknee's Board in March 2011. He is a senior executive with 25 years of diverse experience in telecommunications, information technology and software. His career spans consulting, outsourcing, systems integration, sales, marketing and executive management. A three-time CEO, he is an entrepreneur, having founded two successful firms, and has worked within large corporations such as EDS and MCI. Mr. Jacobsen is Chairman of Redknee's Compensation Committee.

## **Executive Officers**

Our executive officers as of the date of this AIF were as follows:

<b>Name and Municipality of Residence</b>	<b>Offices with the Company</b>	<b>Holdings of Outstanding Common Shares</b>
LUCAS SKOCZKOWSKI Oakville, Ontario, Canada	Chief Executive Officer	8,733,643 common shares
DAVID CHARRON Brampton, Ontario, Canada	Chief Financial Officer	170,059 common shares
VISHAL KOTHARI Mississauga, Ontario, Canada	Chief Operating Officer	4,386,149 common shares
CHRIS NEWTON-SMITH Harpندن, United Kingdom	Vice President, Marketing	23,735 common shares
CHRIS MCGRADY Yvelines, France	Vice President, Integration Management	NIL
ROY SMEETS Limburg, Netherlands	Vice President, Research & Development	NIL
NITIN SINGHAL Oakville, Ontario, Canada	Vice President, Global Partner Alliances	234,845 common shares

## ***Lucas Skoczowski, Chief Executive Officer***

Mr. Skoczowski is Chief Executive Office of the Company and has been a director of the Company since 2006. Prior to being appointed Chief Executive Office of the Company in August 2004, Mr. Skoczowski was Chief Operating Officer of the Company's predecessor, Redknee Inc. from July 1999 to August 2004. Prior to Redknee, Mr. Skoczowski worked at Nortel Networks Limited and Clearnet Communications Inc. in various areas of product management. Mr. Skoczowski has received several distinguished awards, including the Ernst & Young Entrepreneur of the Year Award in the Information Technology sector for Ontario and the Top 40 Under 40 Award for Canada. Mr. Skoczowski is also a member of the Dean's Development Council for the

Faculty of Engineering at the University of Waterloo. Lucas has a Bachelor of Science and Electrical Engineering degree from the University of Waterloo, where he was a Loran Scholar.

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

David Charron is the Chief Financial Officer of Redknee. David is responsible for all financial and corporate matters of the company, including financial and management reporting, financial planning and analysis and investor relations as well as Redknee's legal, IT and HR functions. Prior to joining Redknee in July, 2007 as VP Financial Planning & Analysis, David held senior finance positions with Nortel Networks Corporation and The Descartes Systems Group. David is a Certified Management Accountant (CMA), has a Bachelor of Engineering as well as a Masters of Business Administration degree. He is also a member of Professional Engineers Ontario.

***Vishal Kothari, Chief Operating Officer***

Vishal Kothari is the Chief Operating Officer at Redknee. Vishal is responsible for Redknee's global sales, delivery and support organizations. He leads a diverse and experienced team that is responsible for all aspects of the company's sales, operations and delivery services including professional services and customer support. With more than 15 years' industry experience, Vishal has held a number of senior executive roles spanning sales, marketing and product management. Prior to Redknee, Vishal worked at Nortel Networks Limited in various positions including engineering and at Microsoft in the WinCE group within product management. Vishal has a B.A. of Science degree in Electrical Engineering from the University of Waterloo and a Masters of Engineering degree from the University of Toronto.

***Chris Newton-Smith, Vice President, Marketing***

Chris Newton-Smith is the Vice President of Marketing at Redknee. Chris is responsible for developing Redknee's market strategy and enabling our global partnerships. In this function, he also has responsibility for product management, corporate and product marketing, and Redknee's CTO office, which leads the development of Redknee's portfolio of patents in the real-time monetization space. Mr. Newton-Smith has broad experience in the telecoms industry. In his most recent role at Redknee, Chris was the General Manager of Redknee's Europe, Middle East and Africa (EMEA) sales and operations organization, where he spearheaded the successful growth of Redknee's presence in the region. Prior to joining Redknee, he was responsible for business development and product marketing for the Application & Content Services (ACS) business unit of LogicaCMG Telecoms (Acision). He has held positions in Sales, Marketing, Product Management, Software Development, and Technology Evaluation at Redknee, RIM (BlackBerry), Encana, and UBS AG. Mr. Newton-Smith has a Bachelor of Engineering and Management degree from McMaster University in Canada. He is also a member of the IEEE.

***Chris McGrady, Vice President, Integration Management***

Chris McGrady is Vice President of the Integration Management Office, where he leads the organizational integration of the new teams, technologies and processes into the Redknee organization. Chris has 25 years' experience in the IT industry, the last 20 of which have been in telco billing. Chris joined Redknee in 2011 to lead the EMEA Operations and Global Delivery

teams. Prior to joining Redknee, Chris has held delivery leadership and sales roles at Converse, CSG, Lucent Technologies and Kenan Systems. Chris studied at the University of Oxford and holds Masters degrees in both Philosophy and Computer Science.

***Roy Smeets, Vice President, Research & Development***

Roy Smeets is the Vice President of Research & Development. Roy leads a diverse team of more than 600 technical professionals across offices in Canada, India, Poland and Germany. He is responsible for all aspects of the Company's software development lifecycle, including design, development, customization, test labs and quality assurance. Roy has more than 15 years' experience in a variety of roles, including Interim Management, IT management and Business Consulting at a number of leading global companies, including Vodafone and Logica. Most recently, Roy was the Head of Research and Development and Product Management for the BSS business unit at Nokia Siemens Networks. Roy holds a Master in IT Management and a Bachelor in Business Administration degree. He is currently working on his Executive MBA at Nyenrode University in the Netherlands.

***Nitin Singhal, Vice President, Global Partner Alliances***

Nitin Singhal is the Vice President of Global Partner Alliances. In this role, he leads Redknee's global partnership strategy and enablement, including the go-to-market propositions around Redknee's converged billing and customer care products. Nitin's team works closely with the world's leading System Integrators to provide service providers a world class eco-system of products and services to drive monetization of their business. Nitin brings over 15 years of experience in working on billing solutions for communication service providers globally. He has a proven record balancing agility and quality to drive operational excellence. Over his career at Redknee, Nitin has held several leadership positions, including Research & Development, Customer Support and Product Management. Nitin has a B.Math degree in Computer Science from the University of Waterloo.

**Board and Executive Officer Aggregate Ownership of Common Shares**

Our directors and executive officers, as a group, beneficially own, or control or direct, directly or indirectly, a total of 14,749,446 common shares, representing 15% of the total outstanding common shares as of September 30, 2013.

**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 September 30, 2013:

<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		Chair	X
Alan Michels	X		Chair
Terry Nickerson	Chair	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 results. The committee is composed of three independent directors, Terry Nickerson (Chair), Alan Michels and Kent Thexton. Each audit committee member, as at both September 30, 2013 and the date of this AIF, is “independent” and “financially literate” within the meaning of National Instrument 52-110 — Audit Committees (“NI 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. as well as various CFO positions in these industries. 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.

#### ***Kent Thexton***

Mr. Thexton has over 23 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. As well as Chairman of the board of Redknee, Mr. Thexton is on the Sierra Wireless board (TSX: SW, Nasdaq: SWIR), Chairman of Mobidia (a private technology company), and leads Plus Consulting. Mr. Thexton co-founded i-wireless LLC, a US MVNO. Previously, Mr. Thexton was Chairman and CEO of SEVEN, having 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 has been a director of several technology company boards since 2005. 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 current auditors of the Company are KPMG LLP, effective December 30, 2011. The following table sets out the approximate fees the Company incurred in using the services of KPMG for the fiscal years ended September 30, 2012 and 2013 respectively.

Category	Year Ended September 30	
	2013	2012
	(\$)	(\$)
Audit and Audit-Related Fees	1,148,002	483,706
Tax Fees	169,890	171,181
All Other Fees	247,971	22,538
Total	<u>\$1,565,863</u>	<u>\$677,425</u>

Audit fees and audit-related fees include, among other things, fees for the audit of the annual consolidated financial statements, review of the consolidated interim financial statements, statutory audits of our subsidiaries, assistance with interpretation of accounting standards, services performed in connection with prospectus filings and assisting with the business acquisition report for Acquisition. Tax fees relate to various corporate tax planning and compliance related services. Other fees include advisory services relating the Acquisition and risk management.

## **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, Stephen Davies (Chair), Terry Nickerson 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 Alan Michels (Chair), Kent Thexton and Stephen Davies.

## **LEGAL PROCEEDINGS**

The Company is involved in certain claims and litigation arising out of the ordinary course and conduct of business. Management assesses such claims and, if considered likely to result in a loss and, when the amount of the loss is quantifiable, provisions for loss are made, based on management's assessment of the most likely outcome. Management does not provide claims for which the outcome is not determinable or claims where the amount of the loss cannot be reasonably estimated. Any settlements or awards under such claims are provided for when reasonably determinable. The Company is not currently a party to, or has any of its property as the subject of, legal proceedings, 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 or, to the knowledge of the Company, any person or company that beneficially owns or controls or directs, directly or indirectly, more than 10% of the common shares of the Company 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**

On December 5, 2012, Redknee entered into the Agreement with respect to the Acquisition for aggregate consideration of approximately €15 million in cash at closing, plus a maximum of 25 million euros for certain performance-based cash earn-outs expected to be paid over 12 to 36 months post-closing. The Acquisition closed in March 2013 and the agreement continues in effect with respect to the transfer of certain assets and employees.

The Corporation has no other material contracts.

## **INTERESTS OF EXPERTS**

Our consolidated financial statements for the year ended September 30, 2013 (the “*Financial Statements*”) filed under National Instrument 51-102—*Continuous Disclosure Obligations* have been audited by KPMG LLP, Toronto, Canada. The Financial Statements can be found on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at [www.sedar.com](http://www.sedar.com).

Our auditors, KPMG LLP, 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 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, 2013.

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 6, 2013.

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")

#### CHARTER FOR THE AUDIT COMMITTEE

1. **Constitution and Purpose**

The Audit Committee (the "**Committee**") is a committee of the Board 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 may also, if invited by the Chairman of the Committee, attend and speak at meetings of the Committee.

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.

- 3.4 The Committee may at each meeting appoint one of their number or any other attendee to be the Secretary of the Committee.

**Frequency of meetings**

- 3.5 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.
- 3.6 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.

**4. Authority**

- 4.1 The Committee is authorised by the Board to investigate any matter under its responsibility. 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. The Committee shall have unrestricted access to the books and records of the Company.
- 4.2 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.

**5. Duties**

- 5.1 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;
- (y) to, at least annually, review the qualifications and performance of the lead partners(s) of the Company's Auditors and determine whether it is appropriate to adopt or continue a policy of rotating lead partners of the external auditors; and
- (z) to consider other matters referred to the Committee by the Board.

## 6. **Procedures**

- 6.1 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.
- 6.2 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.

- 6.3 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.
- 6.4 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 this Charter.
- 6.5 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.
- 6.6 The Committee shall conduct an annual self-assessment of its performance and this Charter and shall make recommendations to the Board with respect thereto.
- 6.7 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.
- 6.8 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.

7. **No Rights Created**

This Charter is a statement of broad policies and is intended as a component of the flexible governance framework within which the Committee functions. While it should be interpreted in the context of all applicable laws, regulations and listing requirements as well as in the context of the Company's article and By-laws, it is not intended to establish any legally binding obligations.