

Sandvine Corporation

Consolidated Interim Financial Statements
February 29, 2008
(unaudited)

Sandvine Corporation

Consolidated Interim Balance Sheets

As at February 29, 2008

(in Canadian dollars, amounts in thousands, except share and per share data)(unaudited)

	February 29 2008 \$	November 30 2007 \$
Assets		
Current assets		
Cash and cash equivalents	9,542	7,878
Marketable securities	97,040	105,136
Accounts receivable	10,730	10,003
Inventory	16,657	13,874
Future tax asset (note 10)	1,075	1,075
Other	1,558	1,637
	<u>136,602</u>	<u>139,603</u>
Non current assets		
Capital assets	11,095	10,137
Intangible assets	6,900	7,300
Goodwill	2,425	2,425
	<u>20,420</u>	<u>19,862</u>
	<u>157,022</u>	<u>159,465</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	6,489	6,094
Current portion of deferred revenue	6,916	4,028
	<u>13,405</u>	<u>10,122</u>
Non current liabilities		
Deferred revenue	66	57
Future tax liability	374	374
Other (note 9)	306	342
	<u>746</u>	<u>773</u>
	<u>14,151</u>	<u>10,895</u>
Shareholders' equity		
Share capital (note 3)	146,846	146,568
Contributed surplus	2,118	1,532
Accumulated other comprehensive income	17	69
Retained earnings (deficit)	(6,110)	401
	<u>142,871</u>	<u>148,570</u>
	<u>157,022</u>	<u>159,465</u>

See accompanying notes to the consolidated interim financial statements

Sandvine Corporation

Consolidated Interim Statements of Operations

For the three month period ended February 29, 2008

(in Canadian dollars, amounts in thousands, except share and per share data)(unaudited)

	February 29 2008 \$	February 28 2007 \$
Revenue		
Product	4,759	13,558
Service	3,529	1,817
	<u>8,288</u>	<u>15,375</u>
Cost of sales		
Product	1,491	2,574
Service	573	347
	<u>2,064</u>	<u>2,921</u>
Gross margin	<u>6,224</u>	<u>12,454</u>
Expenses		
Sales and marketing	4,026	3,051
Research and development (note 9)	6,175	2,643
General and administrative	2,324	752
Stock based compensation (note 4)	623	184
Amortization of intangible assets	400	-
Depreciation	811	520
	<u>14,359</u>	<u>7,150</u>
Income (loss) from operations	<u>(8,135)</u>	<u>5,304</u>
Interest and other income	1,178	639
Income (loss) before provision for income taxes	<u>(6,957)</u>	<u>5,943</u>
Provision for income taxes		
Current	20	71
Net income (loss) for the period	<u>(6,977)</u>	<u>5,872</u>
Earnings (loss) per share (note 8)		
Basic	(0.051)	0.048
Diluted	(0.051)	0.045
Basic weighted average number of shares outstanding	<u>136,849,460</u>	<u>122,751,511</u>
Diluted weighted average number of shares outstanding	<u>136,849,460</u>	<u>129,367,292</u>

See accompanying notes to the consolidated interim financial statements

Sandvine Corporation

Consolidated Interim Statements of Changes in Shareholders' Equity and Comprehensive Income (loss)

For the three month period ended February 29, 2008

(in Canadian dollars, amounts in thousands, except share and per share data)(unaudited)

	Stated share capital (note 3) \$	Contributed surplus \$	Retained earnings (deficit) \$	Accumulated other comprehensive income (loss) \$	Total \$
Balance, November 30, 2006	91,247	403	(18,483)	-	73,167
Opening balance adjustment for adoption of financial instruments standards	-	-	(78)	5	(73)
Balance, December 1, 2006	91,247	403	(18,561)	5	73,094
Comprehensive income:					
Net income	-	-	5,872	-	5,872
Net unrealized gains on available for sale financial assets (net of income taxes of \$nil)	-	-	-	1	1
Total comprehensive income					5,873
Stock based compensation	194	177	-	-	371
Balance, February 28, 2007	91,441	580	(12,689)	6	79,338
Balance, November 30, 2007	146,568	1,532	401	69	148,570
Opening balance adjustment for adoption of inventory standard	-	-	466	-	466
Balance, December 1, 2007	146,568	1,532	867	69	149,036
Comprehensive income (loss):					
Net loss	-	-	(6,977)	-	(6,977)
Net unrealized gains (losses) on available for sale financial assets (net of income taxes of \$nil)	-	-	-	(52)	(52)
Total comprehensive income (loss)					(7,029)
Stock based compensation	198	586	-	-	784
Shares issued as compensation on business acquisition	80	-	-	-	80
Balance, February 29, 2008	146,846	2,118	(6,110)	17	142,871

As at February 29, 2008, the total of retained earnings (deficit) and accumulated other comprehensive income was \$(6,093) (February 28, 2007 \$(12,683)).

See accompanying notes to the consolidated interim financial statements

Sandvine Corporation

Consolidated Interim Statements of Cash Flows

For the three month period ended February 29, 2008

(in Canadian dollars, amounts in thousands, except share and per share data)(unaudited)

	February 29 2008 \$	February 28 2007 \$
Cash provided by (used in)		
Operating activities		
Net income (loss) for the period	(6,977)	5,872
Items not affecting cash		
Amortization of intangible assets	400	-
Depreciation	821	520
Foreign exchange loss (gain)	73	(326)
Stock-based compensation (note 4)	623	184
Other	(248)	-
	(5,308)	6,250
Changes in non-current balances	(26)	6
Changes in non-cash working capital balances	244	10,695
	(5,090)	16,951
Investing activities		
Purchase of capital assets	(1,451)	(1,777)
Purchase of marketable securities	(200,858)	(75,551)
Sale of marketable securities	208,902	50,211
	6,593	(27,117)
Financing activity		
Proceeds from the issuance of share capital (note 3)	161	187
Net increase (decrease) in cash during period	1,664	(9,979)
Cash and cash equivalents – Beginning of period	7,878	19,564
Cash and cash equivalents – End of period	9,542	9,585
Cash and cash equivalents are represented by		
Balances with banks	6,766	1,500
Cash equivalents	2,776	8,085

See accompanying notes to the consolidated interim financial statements

Sandvine Corporation

Notes to the Interim Consolidated Financial Statements

February 29, 2008

(in Canadian dollars, amounts in thousands, except share and per share data)(unaudited)

1 Basis of presentation

The consolidated interim financial statements are in accordance with Canadian generally accepted accounting principles (“GAAP”) applicable to interim consolidated financial statements and prepared on a basis consistent with the audited financial statements for the year ended November 30, 2007, except as described in note 2. These consolidated interim financial statements do not conform in all respects to the requirements of generally accepted accounting principles for annual financial statements and should be read in conjunction with the November 30, 2007 audited consolidated financial statements.

The preparation of these consolidated interim financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated interim financial statements and the accompanying notes. Actual results could differ from these estimates and the operating results for the interim periods presented are not necessarily indicative of the results expected for the full year. In the opinion of management, these consolidated interim financial statements reflect adjustments necessary to state fairly the results for the periods presented.

Recently issued accounting standard

In February 2008, the Canadian Institute of Chartered Accountants (“CICA”) issued Handbook Section 3064, *Goodwill and Intangible Assets* which will replace Handbook Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. This revision aligns Canadian GAAP with International Financial Reporting Standards and establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This section applies to fiscal years beginning on or after October 1, 2008 and will be adopted by the Company effective December 1, 2008. Management is currently in the process of determining the impact of this standard on the Company’s consolidated financial statements.

2 Changes in accounting policies

Accounting Changes

Effective December 1, 2007, the Company adopted the CICA Handbook section 1506, *Accounting Changes*. This standard establishes criteria for changes in accounting policies along with the accounting treatment and disclosures required upon adoption of new accounting policies, estimates and corrections of errors. The revised standard did not impact net earnings or financial position.

Inventory

Effective December 1, 2007, the Company adopted the CICA Handbook section 3031, *Inventory*. The adoption of this new inventory standard requires changes for accounting of inventory including the requirement to allocate overhead costs based on normal production levels and changes to the definition of net realizable value. The Company adopted this new accounting standard using permitted transitional provisions. These transitional provisions resulted in the Company applying the impact of adopting the new standard to opening inventory effective December 1, 2007 with an offsetting change to opening retained earnings. The comparative interim consolidated financial statements have not been restated.

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The new inventory standard clarifies the definition of “cost” to include all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. As a result, companies are required to systematically allocate fixed and variable production overheads that are incurred in converting materials into finished goods. The allocation of fixed production overheads is based on the normal production capacity of the production facilities. In addition, the standard requires companies to assess the recoverability of inventory costs in comparison to net realizable value. Declines in replacement cost below carrying values for raw material inventories do not require write downs if the finished goods in which they will be incorporated are expected to be sold at or above cost. As a result of this accounting standard change, inventory and opening retained earnings were increased by \$466 on December 1, 2007.

During the period ending February 29, 2008, the Company recognized an impairment charge of \$436 relating to its inventory balances (2007 - \$27).

Financial Instrument and Capital Disclosures

Effective December 1, 2007, the Company adopted CICA Handbook sections 3862, *Financial instruments: disclosure*, section 3863, *Financial instruments: presentation*, and section 1535, *Capital disclosures*. These new standards establish additional presentation and disclosure requirements including the significance of financial instruments to the Company’s position and performance, discussion regarding the nature and extent of risks surrounding the Company’s financial instruments, disclosures regarding the Company’s objectives, policies and process for managing capital and what the Company regards as capital. The adoption of these new standards did not impact net earnings or financial position.

3 Share capital

Share capital consists of the following:

	Common shares		Common share warrant		Total
	#	\$	#	\$	
Balance, November 30, 2007	136,982,300	146,178	1	390	146,568
Issued under the employee stock option plan	260,679	161	-	-	161
Transfer from contributed surplus	-	37	-	-	37
Issued as compensation on business acquisition	-	80	-	-	80
Cancelled due to working capital adjustment on business acquisition	(51,380)	-	-	-	-
Balance, February 29, 2008	137,191,599	146,456	1	390	146,846

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The Company has authorized an unlimited number of common shares.

The Company has one outstanding and authorized common share purchase warrant which entitles the holder to acquire 619,280 common shares for \$0.00001 at any time prior to March 31, 2023. This transaction was a non-cash transaction. The Company determined that the fair value of the warrant was \$390 at the time of issue.

As part of the Company's purchase of all the outstanding shares of Simplicita Software, Inc ("Simplicita") in fiscal 2007, additional contingent consideration of up to 555,555 common shares of the Company valued at \$2,811 will be made to specified Simplicita employees on the achievement of certain performance targets and who continue their employment with the Company as of November 30, 2008. The Company has determined based on its best estimate of the outcome of the performance targets and ongoing employment requirements that no compensation cost related to this contingent consideration should be recorded for the period ended February 29, 2008. The Company will continue to assess on a regular basis the expected outcome of the performance targets and record compensation costs based on the best available estimate of the number of shares expected to be issued

During the three months ending February 29, 2008, the Company issued 260,679 common shares for net proceeds of \$161 as a result of option holders exercising their options (313,115 common shares for net proceeds of \$187 for the three month period ended February 28, 2007).

During the three months ended February 29, 2008, the Company cancelled 51,380 shares in conjunction with a working capital adjustment related to the acquisition of Simplicita Software, Inc.

On March 6, 2008 the Company's Board of Directors approved the repurchase by the Company, from time to time, on the Toronto Stock Exchange, of up to an aggregate of 10.0 million common shares over a twelve month period. This represents approximately 7.3% of the Company's outstanding shares. The program is subject to the Company obtaining requisite regulatory approvals.

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Notes to the Interim Consolidated Financial Statements

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4 Stock Options

Stock option plan

The Company has adopted a stock option plan for employees and directors. Options granted prior to March 21, 2006 typically vest over a four year and six month term. Options granted subsequent to this date typically vest over a 5 year term. All options have a contractual life of 10 years and allow for the purchase of one common share per option. The exercise price of the options is the volume weighted average share price of the Company's common shares for the five days prior to the date of grant. As at February 29, 2008, there were 5,736,185 options available for future grants under the stock option plan. A summary of the stock option activity is presented below:

	Options	
	Number	Weighted average price \$
Options outstanding, November 30, 2007	7,839,963	2.320
Option activity for the period		
Granted	833,425	4.050
Forfeited	(99,734)	2.315
Exercised	(260,679)	0.619
Options outstanding, February 29, 2008	8,312,975	2.547

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Stock based compensation

Stock based compensation recognized for the three month period ended February 29, 2008 was \$623 (February 28, 2007 – \$184) with a corresponding credit to contributed surplus. Previously recognized expense of \$37 for the three month period ending February 29, 2008 relating to options exercised during the period has been transferred from contributed surplus to share capital (February 28, 2007 - \$7).

	February 29 2008	February 28 2007
Number of options issued	833,425	526,000
Weighted average Black-Scholes value of each option	\$2.98	\$1.76
Assumptions		
Risk free interest rate	4.04%	4.17%
Expected life in years	10	10
Expected dividend yield	0%	0%
Volatility	67.53%	55.50%

The following table summarizes information regarding stock options outstanding at February 29, 2008:

Options Outstanding				Options Exercisable	
Range of exercise price \$	Number outstanding at February 29, 2008	Weighted average contractual life (years)	Weighted average exercise price \$	Number outstanding at February 29, 2008	Weighted average exercise price \$
0.40 - 0.63	3,703,462	5.67	0.57	2,486,132	0.54
1.52 - 2.53	1,937,167	8.57	2.30	525,261	2.29
4.05 - 5.50	1,341,346	9.64	4.29	8,832	5.50
6.59 – 6.95	1,331,000	9.41	6.64	-	-
0.40 - 6.95	8,312,975	7.59	2.55	3,020,225	0.86

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5 Financial Instruments

Under Canadian generally accepted accounting principles, financial instruments are classified into one of the following categories: held for trading, held-to-maturity, available-for-sale, loans and receivables and other financial liabilities. The following table summarizes information regarding the carrying values of the Company's financial instruments:

	February 29 2008	November 30 2007
	\$	\$
Held for trading (1)	9,577	7,716
Available-for-sale (2)	97,040	105,136
Loans and receivables (3)	11,581	11,030
Other financial liabilities (4)	6,489	6,094

(1) Includes cash and cash equivalents and foreign exchange derivatives

(2) Includes marketable securities

(3) Includes accounts receivable and other current assets

(4) Includes accounts payable and accrued liabilities

Fair value

Cash and cash equivalents, accounts receivable, other current assets and accounts payable and accrued liabilities are short term financial instruments whose fair value approximates the carrying amount given that they will mature shortly. The fair value of marketable securities is based on quoted market prices. The fair values of currency forward contracts and embedded derivatives have been estimated using a discounted cash flow model using observable market inputs including but not limited to quoted currency spot rates and interest rates, and have been included in other current assets or accounts payable and accrued liabilities on the Company's consolidated balance sheet. As at February 29, 2008, the fair value of the Company's marketable securities was \$97,040 resulting in net unrealized cumulative gains of \$17 being recorded in accumulated other comprehensive income. These unrealized gains were related to interest rate decreases in the marketplace. During the current period, no material realized gains or losses have been recognized on the Company's marketable securities.

Interest rate risk

Marketable securities with fixed interest rates are invested in separate investments with varying maturities exposing the Company to interest rate risk on these financial instruments. All marketable securities have remaining maturities of less than one year. The Company does not use financial instruments to mitigate this interest rate risk. Recognized interest income for the Company's marketable securities for the period ended February 29, 2008 was \$1,089.

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At February 29, 2008, if interest rates at that date had been 25 basis points lower with all other variables held constant, after tax net income for the period ending February 29, 2008 would remain the same and other comprehensive income would have been \$14 higher arising mainly as a result of increasing fair values for fixed rate financial assets classified as available for sale. If interest rates at that date had been 25 basis points higher with all other variables held constant, after tax net income for the period ending February 29, 2008 would remain the same and other comprehensive income would have been \$14 lower arising mainly as a result of decreasing fair values for fixed rate financial assets classified as available for sale.

Credit risk

The Company is exposed to credit risk in its cash and cash equivalents, marketable securities, accounts receivable, other current assets and to the credit risk of its derivative financial instrument counterparties if they do not meet their obligations. As the Company does not utilize credit derivatives or similar instruments, the maximum exposure to credit risk is the full carrying value of the financial instrument or face value of open derivative financial instruments. The Company minimizes the credit risk of cash and cash equivalents by depositing with only reputable financial institutions and minimizes the credit risk of marketable securities by investing in securities that meet minimum credit ratings as stipulated by the Company's investment policy and limiting exposure to any one issuing entity. As at February 29, 2008 no one issuer represented more than 24.4% of the total marketable securities. The Company minimizes the credit risk of its derivative financial instruments by dealing only with reputable financial institutions and monitoring the credit risk of these financial institutions. The Company minimizes its credit risk of its accounts receivable and other receivables by performing credit reviews for each of its customers. As at February 29, 2008, four companies, with greater than ten percent concentration in accounts receivable, accounted for 27.8%, 17.5%, 16.6%, and 13.3% of the Company's total accounts receivable (February 28, 2007 – two; 49.3%, and 17.3%). The Company's allowance for doubtful accounts is not significant. Of the Company's accounts receivable, \$3,397 are past due. The definition of items that are past due is determined by reference to terms agreed with individual customers. Of the overdue balances at February 29, 2008, \$2,295 has been subsequently collected. None of the amounts outstanding have been challenged by the respective customer(s) and the Company continues to conduct business with them on an ongoing basis. Accordingly, management has no reason to believe that this balance is not fully collectible in the future.

The Company's financial instruments could be sensitive to changing conditions in particular geographic regions.

	Canada	United States	Other	Total
	%	%	%	%
Cash and cash equivalents	74.4	-	25.6	100.0
Marketable securities	100.0	-	-	100.0
Accounts receivable and other current assets	26.6	51.8	21.6	100.0
Derivative financial instruments	100.0	-	-	100.0

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(in Canadian dollars, amounts in thousands, except share and per share data)(unaudited)

Foreign currency risk

There is a risk to the Company's earnings that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company's financial results are reported in Canadian dollars. The Company's exposure to foreign currency risk is primarily related to fluctuations in the value of the Canadian dollar relative to that of the United States dollar as the Company's transactions with customers and directly associated costs generally occur in United States dollars. The Company may enter into forward contracts to reduce its exposure to fluctuations in foreign exchange rates. As the Company does not account for these forward contracts using hedge accounting, these instruments are measured at fair value with changes recognized in earnings.

If the Canadian dollar had depreciated 5 percent against the US dollar at February 29, 2008, with all other variables held constant, the impact of the foreign currency change on our US dollar denominated financial instruments would lead to an additional after tax net income of \$270 for the period ending February 29, 2008. If the Canadian dollar had appreciated 5 percent against the US dollar at February 29, 2008, with all other variables held constant, the impact of the foreign currency change on our US dollar denominated financial instruments would lead to a decrease of after tax net income of \$270 for the period ending February 29, 2008.

For the period ended February 29, 2008, general and administrative expenses included a foreign exchange loss (gain) of \$410 (2007 - \$(326)).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash and cash equivalents and marketable securities. The ability to do this relies on the Company collecting its accounts receivables in a timely manner and by maintaining sufficient cash and cash equivalents and marketable securities in excess of anticipated needs. At February 29, 2008 the Company's accounts payable and accrued liabilities were \$6,489, all of which fall due for payment within twelve months of the balance sheet date.

6 Capital management

In the management of capital, the Company includes shareholders equity, excluding accumulated other comprehensive income and the balance of purchase price or earn out obligations of its acquisitions. The Company manages its capital to ensure that financial flexibility is present to increase shareholder value through organic growth and selective acquisitions as well as allow the Company to respond to changes in economic and/or marketplace conditions. In order to maintain or adjust its capital structure the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or raise debt. At this time the Company has not utilized debt facilities as part of its capital management program nor paid dividends to its shareholders. The Company is not subject to any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period.

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7 Lease commitments

Future minimum operating lease payments for premises over the next five years and thereafter are as follows:

	\$
2008	562
2009	490
2010	437
2011	437
2012	219
Thereafter	-
	<hr/>
	2,145
	<hr/>

8 Earnings (loss) per share

	February 29 2008 \$	February 28 2007 \$
Numerator for basic and diluted earnings (loss) per share available to common shareholders	\$(6,977)	\$5,872
Denominator for earnings (loss) per share, weighted average number of shares outstanding	136,849,460	122,751,511
Basic		
Effect of warrant outstanding	-	619,280
Effect of stock options issued	-	5,996,501
Diluted	<hr/> 136,849,460	<hr/> 129,367,292
Earnings (loss) per share:		
Basic	\$(0.051)	\$0.048
Diluted	\$(0.051)	\$0.045

In periods where the Company incurred losses applicable to common shares, the common share purchase warrant and the options granted under the Company's stock option plan have been excluded in the diluted loss per share calculation as their inclusion would have been anti-dilutive.

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9 Government assistance

The Company has an agreement with Technology Partnership Canada (“TPC”) who provided partial funding towards one of the Company’s research and development projects. The Company received \$9,500 over a twenty-two month period which ended during fiscal 2005. The agreement requires the contribution to be repaid in the form of royalties to a maximum of \$16 million on gross revenues of the Company. From December 1, 2005 to November 30, 2007, the Company was required to pay royalties at a rate of 1% of gross revenues until the earlier of December 1, 2007 or the date the Company’s cumulative gross revenues exceeds \$85 million, at which time the royalty rate will be increased to 2.5%. During the year ended November 30, 2007 the royalty rate increased to 2.5% of gross revenues as the Company’s cumulative gross revenues surpassed the \$85 million threshold. The obligation to pay royalties expires on November 30, 2013. During the three months ended February 29, 2008, the Company recognized \$207 (February 28, 2007 - \$154) as royalty expense which has been recorded as an increase to research and development expenses. Cumulatively, the Company has accrued or paid total royalties of \$1,566 under the agreement.

A subsidiary of the Company participated in programs sponsored by a foreign government body for the support of research and development activities. The subsidiary is obligated to pay royalties, amounting to 3% - 5% on sales and other related revenues generated from the subsidiary’s products up to the amount granted. The subsidiary’s obligation to pay these royalties is contingent on actual sales of its products which incorporate the technology related to the grant, and in the absence of such sales, no payment is required. As of February 29, 2008 the subsidiary has received cumulative grants of 1,993 ILS (\$450 CDN). The estimated fair value of the contingent obligation was recognized in conjunction with the acquisition of CableMatrix Technologies Inc. and is included within “Other” non-current liabilities on the balance sheet.

Non repayable government assistance recorded during the period of \$126 relates to funding received through a Canadian government program in respect of certain research and development activities undertaken by the Company. The Company has been approved to receive up to \$625 (in total) under the program.

Government repayments, together with investment tax credits, have been applied to research and development expense as follows:

	February 29 2008	February 28 2007
	\$	\$
Research and development	6,094	2,722
Government repayments	207	154
Investment tax credits / government assistance	(126)	(233)
	<hr/>	<hr/>
	6,175	2,643
	<hr/>	<hr/>

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10 Income taxes

As at February 29, 2008 future tax assets associated with temporary differences and reserves with a value totalling \$1,075 are more likely than not to be realized given the Company's expectations of future profitability. A valuation allowance has been applied against the Company's remaining future tax assets associated with non-capital losses, temporary differences and reserves. In addition, the Company has not recorded the benefit associated with its non-refundable investment tax credits.

The Company will continue to evaluate and examine the valuation allowance on a regular basis and as future events unfold, the valuation allowance may be adjusted.

The Company has not provided for Canadian future income taxes or foreign withholding taxes that would apply on the distribution of the earnings of its non-Canadian subsidiaries, since these earnings are intended to be reinvested indefinitely.

11 Segment disclosures

The Company has one reportable segment. The Company's operations are substantially all related to the research, design, manufacturing and sales of network equipment for the computer communications equipment industry. Selected financial information is as follows:

	February 29 2008	February 28 2007
	\$	\$
Sales		
Canada	30	120
United States	7,139	13,224
Caribbean and Latin America	89	57
Europe, Middle East and Africa	575	1,601
Asia Pacific	455	373
	<hr/>	<hr/>
	8,288	15,375
	<hr/>	<hr/>
	2008	2007
	%	%
Sales		
Canada	0.4	0.8
United States	86.1	86.0
Caribbean and Latin America	1.1	0.4
Europe, Middle East and Africa	6.9	10.4
Asia Pacific	5.5	2.4
	<hr/>	<hr/>
	100.0	100.0
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For the three month period ended February 29, 2008 two major customers represented 58.2% (February 28, 2007 – one 63.0%) of total revenue. For the three month period ended February 29, 2008 one customer represented 33.7% (February 28, 2007 – 3.6%) of total revenue. A second customer represented 24.5% and of total revenue for the three month period ended February 29, 2008 (February 28, 2007 – 63.0%).

	February 29 2008	November 30 2007
	\$	\$
Capital assets, intangibles and goodwill		
Canada	10,497	9,538
United States	4,620	4,828
Europe, Middle East and Africa	5,303	5,496
	<hr/>	<hr/>
	20,420	19,862
	<hr/>	<hr/>
Total assets		
Canada	146,511	148,780
United States	4,630	4,933
Europe, Middle East and Africa	5,881	5,752
	<hr/>	<hr/>
	157,022	159,465
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12 Supplemental cash flow information

For the three month period ending February 29, 2008 the Company paid \$21 for income tax in cash (February 28, 2007 - \$53). The Company did not pay any interest in cash during the three month period ended February 29, 2008 (February 28, 2007 - \$nil).

13 Credit facility

The Company has a demand credit facility with a major Canadian chartered bank. Under the terms of the facility, the Company has available to it a \$500 operating line to provide letters of credit and a US\$15 million forward contract line to permit the Company to enter into foreign currency forward contracts. Borrowings made from the facility attract interest at the bank's prime rate of interest. Cash equivalents with a carrying value and fair value of \$2,500 are pledged as security for the credit facility. The assets pledged as security can be called by the lender upon default of the facility or insolvency on the Company. The facility and the related security will remain in effect until the facility, which has no term, is terminated.

As of February 29, 2008 the Company has one foreign currency forward contract that has the effect of fixing the conversion of \$2,000 of the Company's net US dollar asset position to Canadian dollars at a rate of 0.9902. This contract matures on March 31, 2008 and has fair value of \$35 at February 29, 2008. The Company recognized a gain of \$83 relating to the change in fair value of foreign currency forward contracts which settled during the period.

Sandvine Corporation

Notes to the Interim Consolidated Financial Statements

February 29, 2008

(in Canadian dollars, amounts in thousands, except share and per share data)(unaudited)

14 Comparative figures

Certain of the comparative figures have been reclassified to conform to the current period's presentation.