Sandvine Corporation

Consolidated Interim Financial Statements

February 28, 2010

(unaudited)

Sandvine Corporation

Consolidated Interim Balance Sheets

As at February 28, 2010

(in Canadian dollars, amounts in thousands) (unaudited)

	February 28 2010 $	November 30 2009 $
Assets		
Current assets		
Cash and cash equivalents	8,439	2,341
Marketable securities	79,993	83,423
Accounts receivable	16,992	20,741
Inventory	11,289	9,744
Other	2,304	1,773
	119,017	118,022
Non current assets		
Plant and equipment	13,144	13,026
Intangible assets	4,728	5,221
	17,872	18,247
	136,889	136,269
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	8,443	10,732
Current portion of deferred revenue	9,224	7,513
	17,667	18,245
Non current liabilities		
Deferred revenue	715	790
	715	790
	18,382	19,035
Shareholders' equity		
Share capital (note 3)	146,904	146,820
Contributed surplus	9,596	9,000
Accumulated other comprehensive loss	(55)	(90)
Deficit	(37,938)	(38,496)
	118,507	117,234
	136,889	136,269

On behalf of the Board:

Roger Maggs
Director

Dave Caputo
Director

See accompanying notes to the consolidated interim financial statements

Sandvine Corporation

Consolidated Interim Statements of Operations

For the three month period ended February 28, 2010

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

	February 28 2010 $	**February 28 2009 $**
Revenue		
Product	18,816	14,864
Service	3,047	3,713
	21,863	18,577
Cost of sales		
Product	4,638	3,782
Service	924	757
	5,562	4,539
Gross margin	16,301	14,038
Expenses		
Sales and marketing	4,603	5,251
Research and development (note 6)	6,531	7,098
General and administrative	2,471	1,912
Stock based compensation (notes 3 and 4)	667	816
Amortization of intangible assets	510	498
Depreciation	974	1,050
Goodwill impairment	-	2,425
	15,756	19,050
Income (loss) from operations	545	(5,012)
Interest and other income	49	332
Income (loss) before provision for income taxes	594	(4,680)
Provision for income taxes		
Current	36	47
Future	-	68
	36	115
Net income (loss) for the period	558	(4,795)
Earnings (loss) per share (note 8)		
Basic	0.004	(0.035)
Diluted	0.004	(0.035)
Basic weighted average number of shares outstanding	135,829,754	135,553,729
Diluted weighted average number of shares outstanding	139,591,777	135,553,729

See accompanying notes to the consolidated interim financial statements

Sandvine Corporation

Consolidated Interim Statements of Changes in Shareholders' Equity and Comprehensive Loss

For the three month period ended February 28, 2010

(in Canadian dollars, amounts in thousands) (unaudited)

	Stated share capital $	Contributed surplus $	Retained earnings (deficit) $	Accumulated other comprehensive income (loss) $	Total $
Balance, November 30, 2008	145,103	5,608	(18,979)	46	131,778
Comprehensive loss:					
Net loss	-	-	(4,795)	-	(4,795)
Net unrealized losses on available for sale financial assets	-	-	-	(43)	(43)
Net unrealized gain on derivative financial instruments designated as cash flow hedges	-	-	-	10	10
Amount transferred to net loss for derivatives designated as cash flow hedges	-	-	-	(11)	(11)
Total comprehensive loss					(4,839)
Stock based compensation (notes 3 and 4)	1,298	(560)	-	-	738
Issued as compensation on business acquisition (note 3)	78	-	-	-	78
Balance, February 28, 2009	146,479	5,048	(23,774)	2	127,755
Balance, November 30, 2009	146,820	9,000	(38,496)	(90)	117,234
Comprehensive income:					
Net income	-	-	558	-	558
Net unrealized losses on available for sale financial assets	-	-	-	(3)	(3)
Net unrealized loss on derivative financial instruments designated as cash flow hedges	-	-	-	(19)	(19)
Amount transferred to net income for derivatives designated as cash flow hedges	-	-	-	57	57
Total comprehensive income					593
Stock based compensation (notes 3 and 4)	77	589	-	-	666
Employee share purchase plan (note 3)	(42)	7	-	-	(35)
Issued as compensation on business acquisition (note 3)	49	-	-	-	49
Balance, February 28, 2010	146,904	9,596	(37,938)	(55)	118,507

As at February 28, 2010, the total of deficit and accumulated other comprehensive loss was $(37,993) (February 28, 2009 - $(23,772)).

See accompanying notes to the consolidated interim financial statements

Sandvine Corporation

Consolidated Interim Statements of Cash Flows

For the three month period ended February 28, 2010

(in Canadian dollars, amounts in thousands) (unaudited)

	February 28 2010 $	February 28 2009 $
Cash provided by (used in)		
Operating activities		
Net income for the period	558	(4,795)
Items not affecting cash		
Amortization of intangible assets	510	498
Depreciation	1,044	1,091
Foreign exchange loss (gain)	126	(45)
Stock-based compensation (notes 3 and 4)	667	816
Goodwill impairment	-	2,425
Future income tax provision	-	68
	2,905	58
Changes in non-current balances	(76)	64
Changes in non-cash working capital balances	1,011	2,720
	3,840	2,842
Investing activities		
Purchase of plant, equipment and intangible software assets	(1,223)	(2,745)
Purchase of marketable securities	(29,489)	(212,057)
Sale of marketable securities	32,915	217,586
	2,203	2,784
Financing activities		
Proceeds from the issuance of share capital (note 3)	55	-
	55	-
Net increase in cash during the period	6,098	5,626
Cash and cash equivalents – Beginning of period	2,341	3,872
Cash and cash equivalents – End of period	8,439	9,498
Cash and cash equivalents are represented by		
Balances with banks	3,913	2,360
Cash equivalents	4,526	7,138

See accompanying notes to the consolidated interim financial statements

1 Basis of presentation

The consolidated interim financial statements are prepared 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, 2009, 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, 2009 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. Operating results for the three month period ended February 28, 2010 are not necessarily indicative of the results that may be expected for the full year ending November 30, 2010. In the opinion of management, all normal recurring adjustments considered necessary for fair presentation have been included in these financial statements.

Recently issued accounting standards

In January 2009, the CICA issued Section 1582, *Business Combinations*, replacing Section 1581, *Business Combinations*. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted. The Company is evaluating the impact of adopting this new standard in connection with its conversion to International Financial Reporting Standards ("IFRS").

In January 2009, the CICA issued Section 1601, *Consolidated Financial Statements*, which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted. The Company is evaluating the impact of adopting this new standard in connection with its conversion to IFRS.

2 Accounting policies

Multiple deliverable revenue arrangements

Effective December 1, 2009, the Company adopted EIC 175, *Multiple Deliverable Revenue Arrangements*, ("New Accounting Standard") replacing EIC 142, *Revenue Arrangements with Multiple Deliverables* ("Old Accounting Standard"). This abstract was amended to (1) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the manner in which consideration should be allocated to each deliverable; (2) provide that in situations where a vendor does not have vendor-specific objective evidence ("VSOE") or third-party evidence of selling price, require that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (3) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (4) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance. The Company has elected to early adopt this abstract

prospectively to revenue arrangements with multiple deliverables entered into or materially modified on or after December 1, 2009. Arrangements that were entered into prior to December 1, 2009 will continue to be accounted for under the Old Accounting Standard.

Under Old Accounting Standards, the Company was typically unable to establish objective and reliable evidence of fair value for its network equipment, application software and consulting service deliverables. In situations when the Company was not able to establish objective and reliable evidence of fair value for all deliverables of the arrangement, but was able to establish fair value for all undelivered elements, revenue was allocated using the residual method. Under the residual method, the amount of revenue allocated to delivered elements equals the total arrangement consideration less the aggregate fair value of any undelivered elements. Generally, the only undelivered element in the Company's arrangements was post contract support (often referred to as support and maintenance services). As the Company had established objective and reliable evidence of fair value for its support and maintenance services, revenue related to the network equipment and application software deliverables would be recognized once they had been delivered and all other revenue recognition criteria had been met. When hardware or software elements were undelivered in a revenue arrangement, all of the revenue was typically deferred until these products or services had been delivered. The entire value of an arrangement which included consulting services were generally deferred until the consulting services were delivered as the Company had concluded that objective and reliable evidence of fair value was not available for its consulting services nor was the company able to reliably estimate effort required.

Under the New Accounting Standard, each deliverable within a multiple deliverable revenue arrangement is accounted as a separate unit of accounting if both of the following criteria are met: (1) the delivered item has value to the customer on a stand-alone basis and (2) if the arrangement includes a general right of return relative to the delivered element, delivery or performance of the undelivered item is considered probable and substantially in the control of the vendor. The Company's customers typically purchase a combination of network equipment and at least one application software license. The combination of network equipment and a single application software license will generally form one unit of accounting when a specific order includes both elements. However, as both the network equipment and application software licenses are typically delivered concurrently, this assessment will generally not impact the timing of revenue recognition. In addition, if consulting services are included in the arrangement and are considered to be critical to the functionality of the delivered product within that arrangement, the particular product revenue and the related consulting services are considered to be one unit of accounting. The Company's revenue arrangements generally do not include a general right of return relative to delivered products.

Furthermore, the Company is now required to allocate arrangement consideration to all units of accounting based on their relative selling price. The New Accounting Standard establishes a hierarchy for determining the estimated selling price for a deliverable which includes (1) VSOE, if available, (2) third-party evidence ("TPE") of selling price, if VSOE is unavailable, and (3) best estimate of the selling price ("BESP") if neither VSOE nor TPE is available. VSOE is generally limited to the price charged when the same or similar product is sold separately. If a product or service is seldom sold separately, it is unlikely the Company can determine VSOE. TPE is determined based on competitor prices for similar deliverables when sold separately. As the Company is either unable to identify similar competitor products and services, or what the competitors' selling prices are on a stand-alone basis, the Company did not have sufficient information to substantiate TPE. Since neither VSOE nor TPE can be established for its hardware, application software and consulting services, the Company is required to use its best estimate of the selling price ("BESP") for those deliverables.

In general, the impact of the New Accounting Standard will be to accelerate recognition of revenue in arrangements with undelivered network equipment, application software and consulting services when the delivered hardware and application software are separate units of accounting.

The following table shows revenues as reported and pro forma revenues that would have been reported during the quarter ended February 28, 2010, if the transactions entered into or materially modified on or after December 1, 2009 were subject to previous accounting guidance.

	February 28, 2010	
	As reported $	**Pro-forma based on previous accounting standards** $
Revenue		
Product	18,816	17,423
Service	3,047	2,933
	21,863	20,356

The key elements of the Company's accounting policy for revenue as well as multiple deliverable revenue arrangements is more fully described below.

Revenue recognition

Revenue is derived primarily from the sales of network equipment (including embedded software), application software, consulting services and support and maintenance contracts for its network policy control solutions.

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured. Generally, where final acceptance of the product, system, or solution is specified by the customer, revenue is deferred until all acceptance criteria have been met unless the Company can reliably demonstrate its ability to meet the customer specified acceptance criteria. The Company typically does not provide for a right of return to its customers.

Revenue for network equipment is generally recognized when the product is shipped and all other revenue recognition criteria, as described above, have been satisfied. Certain software is licensed to customers on a perpetual or per-use basis. Revenue from perpetually licensed software is recognized at the inception of the license term if all other revenue recognition criteria, as described above, have been satisfied. Revenues for software licenses which are paid for on a per-use basis are recognized at the time a reliable estimate can be made of actual revenues generated from usage. Support and maintenance revenue is deferred and recognized ratably over the period during which the services are to be performed, which is typically one year. Revenue from consulting services is recognized as services are delivered, for time and material contracts, and using the percentage of completion method for fixed price contracts. If there is a significant uncertainty about the project completion, receipt of payment or required effort, revenue is deferred until the uncertainty is resolved. The Company estimates the percentage of completion on contracts with

fixed fees using hours incurred as a percentage of total estimated hours to complete the consulting service. When total cost estimates exceed estimated revenues, the Company will accrue for the estimated losses immediately.

Revenue recognition for arrangements with multiple units of accounting

The Company enters into revenue arrangements that may consist of multiple deliverables of network equipment, application software, consulting services and support and maintenance. Typically the Company's network equipment and application software are delivered together with support and maintenance being provided over subsequent reporting periods. In arrangements including consulting services, these services are generally concluded in a subsequent reporting period.

Each deliverable within a multiple deliverable revenue arrangement is accounted as a separate unit of accounting if both of the following criteria are met: (1) the delivered item has value to the customer on a stand-alone basis, and (2) if the arrangement includes a general right of return relative to the delivered element, delivery or performance of the undelivered item is considered probable and substantially in the control of the Company. The Company's customers typically purchase a combination of network equipment and at least one application software license. The combination of network equipment and a single application software license will generally form one unit of accounting when a specific order includes both elements. However, as both the network equipment and application software licenses are typically delivered concurrently, this assessment will generally not impact the timing of revenue recognition. In addition, if consulting services are considered to be critical to the functionality of the delivered product in a specific revenue arrangement, the product revenue and the related consulting services are considered to be one unit of accounting.

Arrangement consideration is allocated to all units of accounting based on their relative selling price, except support and maintenance revenues which are recognized based on the customer's stated renewal rate. Since neither VSOE nor TPE can be established for its hardware, application software and consulting services, the Company is required to use BESP for those deliverables. The Company determines BESP for a product or service by considering multiple factors including, but not limited to, ongoing pricing strategy and policies, market conditions and historical pricing practices. BESP will be reassessed annually unless required by changes in business practices or new product introductions.

3 Share Capital

Share capital consists of the following:

	Common Shares		Common share warrant		Total
	#	$	#	$	$
Balance, November 30, 2009	135,862,731	146,430	1	390	146,820
Issued under the employee stock option plan	81,358	55	-	-	55
Transfer from contributed surplus	-	22	-	-	22
Issued as compensation on business acquisition	-	49	-	-	49
Unvested shares held by trust	(27,512)	(42)	-	-	(42)
Balance, February 28, 2010	135,916,577	146,514	1	390	146,904

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. The issuance of this warrant was a non-cash transaction. The Company determined that the fair value of the warrant was $390 at the time of issue.

On June 30, 2007, the Company acquired all of the outstanding shares of Simplicita Software, Inc. (“Simplicita”), a provider of subscriber mediation software for IP networks, for consideration of 643,395 common shares of the Company valued at approximately $3,423. In addition to the purchase consideration, common shares were issued and allocated to a key employee escrow to be released over time contingent on the continued employment of certain individuals over a three year period. Net of share cancellations, 163,192 shares were issued and allocated to the key employee escrow. During the three month period ended February 28, 2010, the Company released 12,741 shares. As of February 28, 2010 16,940 shares remain issued and allocated to the escrow. The Company will recognize up to a maximum of $825 as non-cash compensation expense over the period in which the services are rendered. During the three month period ended February 28, 2010 the Company recognized $49 as compensation expense relating to this key employee escrow (February 28, 2009 - $78). As at February 28, 2010 the maximum remaining non-cash compensation to be recognized is $66.

On April 14, 2009, the Company obtained the necessary regulatory approvals from the Toronto Stock Exchange (“TSX”) to repurchase up to 10,173,673 common shares. This represents approximately 7.5% of the Company’s outstanding shares as of the date of approval. During the three month period ended February 28, 2010 no common shares were repurchased by the Company (February 28, 2009 - nil).

During the three months ended February 28, 2010, the Company issued 81,358 common shares for cash proceeds of $55 as a result of option holders exercising their options (February 28, 2009 – nil and $nil).

The Company has a trust vehicle to facilitate its employee share purchase plan and hold shares of the Company allocated to individual employees. This trust is considered to be a variable interest entity and has been consolidated by the Company. Excluded from the outstanding common shares of the Company as of February 28, 2010 are 27,512 unvested common shares which are held by the trust (February 28, 2009 – nil).

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 28, 2010, there were 3,770,764 options available for future grants under the stock option plan. A summary of the stock option activity is presented below:

	Options	
	Number	**Weighted average exercise price $**
Options outstanding, November 30, 2009	10,398,100	1.69
Option activity for the period		
Forfeited	(183,097)	3.02
Exercised	(81,358)	0.67
Options outstanding, February 28, 2010	10,133,645	1.68

Stock based compensation

Stock based compensation (related to the Company's stock option plan) recognized for the three month period ended February 28, 2010 was $611 with a corresponding credit to contributed surplus (February 28, 2009 - $738). Previously recognized compensation expense of $22 relating to options exercised during the three month period ended February 28, 2010 has been transferred from contributed surplus to share capital (February 28, 2009 - $nil).

On January 21, 2010, the Company's Board of Directors granted 1,097,000 options under its option plan to its employees. These options have an exercise price of $1.41 and expire January 21, 2011. The policies of the Toronto Stock Exchange ("TSX") require that every three years, any unallocated options under the option plan are required to be reconfirmed and approved by the Company's shareholders. Since the previous shareholder approval was on October 26, 2006, the options granted on January 21, 2010 require ratification by the Company's shareholders at the Company's April 6, 2010 Annual General Meeting. As a result, the measurement date for these options, as specified by Section 3870, Stock-based compensation and other stock-based payments, will be the date of such shareholder ratification.

The following table summarizes information regarding stock options outstanding at February 28, 2010:

	Options Outstanding			Options Exercisable	
Range of exercise price $	**Number outstanding**	**Weighted average contractual life (years)**	**Weighted average exercise price $**	**Number outstanding**	**Weighted average exercise price $**
0.40 - 0.82	3,936,499	4.70	0.62	3,134,566	0.58
1.05 - 2.53	4,738,258	8.09	1.47	1,422,048	1.97
4.11 - 5.50	920,949	7.58	4.35	443,317	4.38
6.59 - 6.95	537,939	7.42	6.68	273,609	6.68
0.40 - 6.95	10,133,645	6.69	1.68	5,273,540	1.59

5 Lease commitments

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

	$
2010	606
2011	626
2012	235
Thereafter	-
	1,467

6 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 $16,000. Royalties are charged at 2.5% of the Company's gross revenues. The obligation to pay royalties expires on November 30, 2013. During the three month period ended February 28, 2010, the Company recognized $547 (February 28, 2009 - $465) 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 $4,905 under the agreement.

A subsidiary of the Company participates 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% - 3.5% on sales and other related revenues generated from the subsidiary's products up to the amount granted plus interest. The subsidiary's obligation to pay these royalties is contingent on actual sales of its products, and in the absence of such sales, no payment is required. During the three month period ended February 28, 2010, the subsidiary received additional funding of $594 USD ($630 CAD) under these programs. As of February 28, 2010, the subsidiary has received cumulative grants of $2,170 USD ($2,365 CAD) and has accrued or paid total royalties of $381 USD ($420 CAD) under the agreement.

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

	For the three months ended	
	February 28 2010 $	**February 28 2009 $**
Research and development	6,546	7,518
Government repayments	615	465
Investment tax credits / government assistance	(630)	(885)
	6,531	7,098

7 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 management equipment and solutions for broadband service providers. Selected financial information is as follows:

	For the three months ended	
	February 28 2010 $	**February 28 2009 $**
Sales		
Canada	571	166
United States	10,805	10,328
Caribbean and Latin America	1,848	1,890
Europe, Middle East and Africa	4,980	3,995
Asia Pacific	3,659	2,198
	21,863	18,577
	%	%
Sales		
Canada	2.5	0.9
United States	49.4	55.6
Caribbean and Latin America	8.5	10.2
Europe, Middle East and Africa	22.8	21.5
Asia Pacific	16.8	11.8
	100.0	100.0

In situations where a sale is made through a reseller, revenue associated with that sale is attributed to the geographic location of the end customer.

Major customers are customers which represent more than 10% of total revenues for a given period. For the three month period ended February 28, 2010 three major customer represented 54.3% of total revenue (February 28, 2009 – three customers, 44.9%). The breakdown of major customers for the three month period ended February 28, 2010 is as follows:

	Three months ended	
	February 28 2010 %	**February 28 2009 %**
Comcast Corporation	19.8	6.5
Huawei Technologies Co., Ltd.	21.6	17.1
Customer A	12.9	2.1

	February 28 2010 $	**November 30 2009 $**
Plant and equipment, intangibles and goodwill		
Canada	13,605	13,535
United States	2,015	2,232
Europe, Middle East and Africa	2,252	2,480
	17,872	18,247
Total assets		
Canada	131,090	130,728
United States	2,099	2,377
Europe, Middle East and Africa	3,700	3,164
	136,889	136,269

8 Earnings (loss) per share

	February 28 2010 $	February 28 2009 $
Numerator for basic and diluted earnings (loss) per share available to common shareholders	558	(4,795)
Denominator for earnings (loss) per share, weighted average number of shares outstanding		
Basic	135,829,754	135,553,729
Effect of warrant outstanding	619,280	-
Effect of stock options issued	3,117,214	-
Effect of contingently returnable shares	25,529	-
Diluted	139,591,777	135,553,729
Earnings (loss) per share:		
Basic	0.004	(0.035)
Diluted	0.004	(0.035)

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

9 Supplemental cash flow information

For the three month period ended February 28, 2010 the Company paid $9 for income tax in cash (February 28, 2009 - $10). The Company did not pay any interest in cash during the period ended February 28, 2010 (February 28, 2009 - $nil).

10 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 $1,000 operating line to provide letters of credit and a $2,500 contingency 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 plus 0.5%. Marketable securities with a carrying value and fair value of $3,500 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 of the Company. The facility and the related security will remain in effect until the facility, which has no term, is terminated.

As of February 28, 2010 the Company had issued three letters of credit under its operating line. The individual letters of credit were; US$16 (CDN$17) expiring July 24, 2010, US$292 (CDN$307) expiring July 15, 2011 and US$79 (CDN$84) expiring August 31, 2011.

11 Subsequent events

On March 16, 2010, the Company entered into an agreement with the Province of Ontario in respect of certain research and development activities. Under the agreement, the Company will be eligible to receive funding equal to 11% of eligible project expenditures from February 24, 2009 to February 24, 2014 to a maximum of $18,700 (the "Initial Grant"). Payments made in respect of the Initial Grant can become conditionally repayable if certain cumulative job targets are not met. In addition, at the end of the agreement, the Company may be entitled to receive up to an additional 4% of eligible project expenditures (to a maximum of $6,800) if certain Ontario-based job targets have been met.

The Company estimates that it is eligible to receive $2,941 of funding pertaining to the period from February 24, 2009 to February 28, 2010. The impact of this funding will be recorded in the Company's financial statements for the three months ending May 31, 2010. Funding details are as follows:

	Funding related to expenses incurred during the period		
	February 24, 2009 to November 30, 2009	**December 1, 2009 to February 28, 2010**	**Total**
Operating expenses	1,887	646	2,533
Capital assets	272	136	408
Total	2,159	782	2,941