



MANAGEMENT'S DISCUSSION AND ANALYSIS

Dated: July 8, 2010

This Management's Discussion and Analysis ("MD&A") for the three months ended May 31, 2010 (second quarter of fiscal 2010) and provides detailed information on the operating activities, performance and financial position of Sandvine Corporation ("Sandvine" or the "Company"). This discussion should be read in conjunction with the Company's consolidated interim financial statements and accompanying notes for the second quarter of fiscal 2010, being the period ended May 31, 2010. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are reported in Canadian dollars. The information contained herein is dated as of July 8, 2010, and is current to that date, unless otherwise stated.

The Company's fiscal year commences December 1st of each year and ends on November 30th of the following year. The Company's current fiscal year, which ends on November 30, 2010, is referred to as the "current fiscal year," "fiscal 2010", "2010", "FY-10" or using similar words. The previous fiscal year, which ended on November 30, 2009, is referred to as "previous fiscal year," "fiscal 2009," "2009", "FY-09" or using similar words.

In this document, "we", "us", "our", "Company" and "Sandvine" all refer to Sandvine Corporation collectively with its subsidiaries. The content of this MD&A has been approved by the Board of Directors, on the recommendation of its Audit Committee.

Additional information relating to the Company is available on SEDAR at www.sedar.com, and on the Company's web-site at www.sandvine.com.

CAUTION REGARDING FORWARD LOOKING INFORMATION

Certain statements in this MD&A which are not historical facts constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Statements related to Sandvine's projected revenues, earnings, growth rates, targets, revenue mix and product plans are forward looking statements as are any statements relating to future events, conditions or circumstances. The use of terms such as "may", "anticipated", "expected", "projected", "targeting", "estimate", "intend" and similar terms are intended to assist in the identification of these forward-looking statements. Readers are cautioned not to place undue reliance upon any such forward-looking statements. Such forward-looking statements are not promises or guarantees of future performance and involve both known and unknown risks and uncertainties that may cause the actual results, performance, achievements or developments of the Company to differ materially from the results, performance, achievements or developments expressed or implied by such forward-looking statements. Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions.

Many factors could cause the actual results of the Company to differ materially from the results, performance, achievements or developments expressed or implied by such forward-looking statements, including, without limitation, each of the following factors, and those factors which are further discussed in the Company's Annual Information Form ("AIF"), a copy of which is available on SEDAR at www.sedar.com.

- The Company's revenues may fluctuate from quarter to quarter and year to year depending upon sales cycles, customer demand and the timing of customer purchase decisions;
- The Company's gross margins may fluctuate from period to period depending upon a variety of factors including product mix in the quarter, competitive pricing pressures and the level of sales generated through indirect channels;
- The Company is dependent upon and expects to continue to derive a large percentage of its revenue from both a small number of key customers and key reseller partners, none of whom are bound to any fixed purchase commitment or exclusivity obligations and could change their buying patterns and/or source of supply at any time, which could have a material impact on the Company's revenues;
- The Company faces intense competition in markets where there are typically several different competing technologies and rapid technological changes. The Company faces the risk of emergence of new technologies that may be either competitive to those of the Company or that change the requirements of the Company's customers for solutions such as those offered by the Company;
- The Company's growth is dependent on the development of the market for intelligent broadband network management solutions and the decisions of the Company's target customers to deploy and further invest in those technologies, which decisions may be impacted upon by changing requirements in the area of broadband network management policies and/or changes in the regulatory framework to which the Company's customers may be subject. In particular, the Federal Communications Commission in the United States (the "FCC") has announced a Notice of Proposed Rulemaking pursuant to which the FCC intends to consider whether additional regulation in respect of network management practices of internet service providers is required. The FCC has also initiated a Notice of Inquiry to identify the approach that will best support its efforts in this regard, including the possibility of regulating broadband services (or just specific aspects of it) under the same (Title II) requirements of the United States' Telecommunications Act under which traditional telecommunications services have been regulated. These processes may cause uncertainty in the network investment decisions of the Company's target customers, and any new rules or regulations that result from this process may impact the demand for the Company's products within the United States, which has historically been the Company's largest market, and elsewhere, as service providers and regulators in other countries may look to practices adopted in the United States;
- The majority of the Company's operating expenses are denominated in Canadian dollars, U.S. dollars and New Israeli Shekels while its revenues and cost of sales are generally denominated in U.S. dollars. The Company's earnings are impacted by fluctuations in the exchange rates between these and other currencies in which the Company trades.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets out selected consolidated financial information for the periods indicated. The selected financial information set out below has been derived from the unaudited consolidated interim financial statements for the three and six months ended May 31, 2010 as well as the November 30, 2009 audited consolidated financial statements. Each investor should read the following information in conjunction with those statements and related notes. The financial information for the three and six month periods ended May 31, 2010 and May 31, 2009 has been prepared by management in accordance with Canadian generally accepted accounting principles in a manner consistent with the Company's annual financial statements, except as described below in "Accounting changes and impact of recently issued accounting pronouncements" related to *Multiple Deliverable Revenue Arrangements*.

	Three month period ended		Six month period ended	
	May 31 2010 \$	May 31 2009 \$	May 31 2010 \$	May 31 2009 \$
<i>Amounts in thousands, except share and per share data</i>				
Consolidated Statement of Operations Data:				
Revenue				
Product	17,071	10,186	35,887	25,050
Service	5,333	5,023	8,380	8,736
	22,404	15,209	44,267	33,786
Cost of Sales				
Product	4,403	2,977	9,041	6,759
Service	1,395	714	2,319	1,471
	5,798	3,691	11,360	8,230
Gross margin	16,606	11,518	32,907	25,556
Expenses				
Sales and marketing	4,808	5,380	9,411	10,631
Research and development	7,059	7,309	13,605	14,827
General and administration	2,667	2,438	5,138	4,350
Net government (assistance)	(2,728)	(419)	(2,743)	(839)
Stock based compensation	743	824	1,410	1,640
Amortization of intangible assets	434	535	944	1,033
Depreciation	1,057	1,185	2,031	2,235
Goodwill impairment	-	-	-	2,425
Intangible impairment	669	-	669	-
	14,709	17,252	30,465	36,302
Income (loss) from operations	1,897	(5,734)	2,442	(10,746)
Interest and other income	86	134	135	466
Income (loss) before income taxes	1,983	(5,600)	2,577	(10,280)
Provision for income taxes	25	35	61	150
Net income (loss) for the period	1,958	(5,635)	2,516	(10,430)
Basic earnings (loss) per share	0.014	(0.042)	0.019	(0.077)
Diluted earnings (loss) per share	0.014	(0.042)	0.018	(0.077)
Weighted average common shares outstanding				
Basic	136,006,036	135,585,389	135,918,460	135,569,699
Diluted	141,153,586	135,585,389	140,450,955	135,569,699

	As at May 31 2010	As at November 30 2009
Consolidated Balance Sheet Data:		
Cash and cash equivalents	7,476	2,341
Marketable securities	84,097	83,423
Total assets	140,922	136,269
Total liabilities	19,607	19,035
Shareholders' equity	121,315	117,234

Non-GAAP Financial Measures

The following table provides a reconciliation of GAAP net income (loss) and related per share amounts to non-GAAP net income (loss) and the related per share amounts for the periods indicated. These non-GAAP financial measures which are used internally by management to evaluate the Company's ongoing performance exclude the impact of stock based compensation, amortization of intangible assets acquired through business acquisitions and goodwill and intangible impairment expenses (collectively referred to as "Excluded Expenses"). The Company provides these non-GAAP financial measures as it is the Company's view that the Excluded Expenses are either (i) not part of its normal day-to-day operations and/or (ii) represent a "non-cash" accounting charge that does not deplete its cash resources. Accordingly, the Company believes that such financial measures may also be useful to investors in enhancing their understanding of the Company's operating performance. Non-GAAP net income (loss) is not recognized under Canadian GAAP and does not have a standardized meaning prescribed by Canadian GAAP. Therefore it is unlikely to be comparable to similarly titled measures reported by other issuers. Non-GAAP financial measures should be considered in the context of the Company's GAAP results.

	Three month period ended			Six month period ended	
	May 31 2010 \$	February 28 2010 \$	May 31 2009 \$	May 31 2010 \$	May 31 2009 \$
	<i>Amounts in thousands</i>				
Net income (loss)	1,958	558	(5,635)	2,516	(10,430)
Excluded Expenses					
Stock based compensation expense	743	667	824	1,410	1,640
Amortization of intangible assets acquired through business acquisitions	331	400	400	731	800
Goodwill impairment	-	-	-	-	2,425
Intangible impairment	669	-	-	669	-
Net income (loss) excluding the impact of Excluded Expenses	3,701	1,625	(4,411)	5,326	(5,565)

	Three month period ended			Six month period ended	
	May 31 2010 \$	February 28 2010 \$	May 31 2009 \$	May 31 2010 \$	May 31 2009 \$
Diluted earnings (loss) per share	0.014	0.004	(0.042)	0.018	(0.077)
Impact on diluted earnings (loss) per share of Excluded Expenses	0.012	0.008	0.009	0.020	0.036
Diluted earnings (loss) per share excluding the impact of Excluded Expenses	0.026	0.012	(0.033)	0.038	(0.041)

OVERVIEW

Our Company

Sandvine develops and markets Network Policy Control solutions for high-speed, or “broadband”, Internet service providers. The Company’s solutions provide the tools to help service providers apply specific network policies that will improve the quality of service for their subscribers, support the creation of new revenue-generating services, mitigate malicious traffic and/or more efficiently manage their network.

Sandvine began initial commercial deployments of its products in 2002 and has experienced growth in its number of customers and deployments since then. At the end of May 2010, Sandvine had over 190 Internet service provider customers in over 80 countries who serve over 90 million fixed line broadband Internet subscribers and a rapidly growing number of mobile Internet subscribers.

The Market

Sandvine’s target market is broadband Internet service providers worldwide, including DSL, cable, fixed wireless, mobile and FTTx. Within the fixed line component (DSL, cable and FTTx) of the market, Sandvine primarily targets the top 250 operators around the world, by subscriber count, which hold more than 80% of the global subscriber base. In a March 2010 report, industry analyst In-Stat estimated that there were approximately 580 million fixed line broadband subscribers globally at the end of 2009.

In the mobile data market (fixed wireless and mobile), Sandvine primarily targets the top 350 service providers in the world. According to industry analysts TeleGeography, there are approximately 4.3 billion total mobile subscribers worldwide. Industry analysts also estimate there are between 300 million and 400 million mobile *broadband* users – the mobile subscriber of interest for Sandvine’s solutions. This figure is expected to grow to exceed 1 billion users by 2013, so while this segment of Sandvine’s market is still in early stages, it is expected to grow.

Products and solutions

Sandvine’s Network Policy Control solutions comprise a hardware platform and proprietary software modules that are typically bundled together to provide a system for broadband Internet service providers to identify specific types of traffic across their networks (for example, VoIP, online gaming or video streams). These solutions also provide the tools to help service providers apply specific network policies that will improve the quality of service for their subscribers, support the creation of new revenue-generating services, mitigate malicious traffic and/or more efficiently manage their network.

Traffic Optimization

In times of congestion, a relatively small number of users and applications can consume the majority of network resources. Sandvine’s Traffic Optimization solutions mitigate network congestion and ensure fairness through the optimal use of network resources.

Service Creation

Subscribers use the Internet in different ways and to different extents. Sandvine’s Service Creation solutions help service providers create new service plans that differentiate their businesses and let subscribers choose a plan that suits them the best.

Operations Management

In order to address network issues before they affect subscribers, network operators need to mind their networks for quality trends, malicious traffic, and regulatory compliance purposes. Sandvine’s Operations Management solutions can identify quality issues before subscribers do, mitigate malicious network traffic, including outbound e-mail spam, and simplify regulatory filtering compliance.

Network Business Intelligence

In order to accurately model network operation at a business level, service providers need to combine application- and subscriber-aware network statistics with data from billing and other operational systems. With unique insight and advanced analysis capabilities such as trending, predictive modelling and statistical operations, Sandvine's Network Business Intelligence solutions enables confident business decisions regarding service plans, traffic management policies and capital investments.

Sales and distribution

Sandvine distributes its products and services through a combination of direct and indirect sales channels. The direct sales channel is organized geographically across: (i) North America; (ii) Europe, the Middle East and Africa; (iii) Asia-Pacific; and (iv) the Caribbean and Latin America, and is based out of various jurisdictions throughout the world. The direct sales channel comprises sales where the ultimate end customer purchases products directly from the Company. The indirect sales channel utilizes global third party network equipment vendors and regional value-added resellers to market and sell Sandvine's products, and includes both channel-initiated sales (sales initiated and serviced by third party resellers) and channel-fulfilled sales (sales initiated by the Company and serviced by third party resellers). The indirect sales channel includes sales where a third party equipment vendor purchases the Company's product for the purpose of reselling it to the ultimate end customer. This sales and distribution strategy permits Sandvine to obtain global coverage while at the same time retaining direct contact with the customer base.

Growth strategy

The Company believes that it is at the forefront of an emerging market, and that investing in research and development, and sales and marketing is critical to maximizing the long term success of the Company. Continued investment in research and development will support further product development to continue to broaden and expand the Company's suite of products. Sales and marketing expenditures will continue to develop the direct sales force throughout the world and to grow and mature its relationships with both its regional and global resellers. Exclusive of the impacts of government assistance and repayments, during fiscal 2010 the Company does not expect to significantly increase its operating expenses related to research and development and sales and marketing above fiscal 2009 amounts. Investors should be aware that operating expenses for any given quarter could fluctuate depending on the activities for that period, including, but not limited to, revenue levels (which impact variable compensation and government repayments) and foreign exchange impacts.

The Company anticipates that throughout fiscal 2010 it will continue to selectively assess acquisition opportunities to strengthen its market position and augment its growth. The evaluation of potential acquisitions will include whether the target company has technology that will extend Sandvine's core technology, has a complementary customer base, has prospective growth rates commensurate with those of the Company, and has a compatible culture.

Target Business Model

Historically, the Company has communicated that in broad terms, excluding the impact of stock based compensation and non-cash acquisition related costs, the Company is working towards a target business model (outlined below) that includes a gross margin at or above 70%, and an operating margin between 10% and 20%. The Company has communicated this target business model for the purposes of providing readers an opportunity to assess what the targeted operating margin goals of the Company are over the mid to long term and the relative breakdown of the major components impacting upon that targeted operating margin. Readers are cautioned that this information is provided solely as a means to communicate the relative weightings of revenue and expenses within the Company's business that management believes are achievable as the Company's business matures, subject to the various assumptions relied upon in making such projections, including those set out below and the various risk factors contained in this MD&A. Readers are cautioned that use of the information reflected in this target business model may not be appropriate for any other purpose.

The Company continues to invest in its business and incur expenses at levels above those contemplated by this targeted business model on the basis and belief that this investment level will result in greater long term success as its market matures. As a result, the Company does not anticipate achieving this targeted business model on sustained basis until such time as this level of investment yields a sustainable increase in revenues or until such time as the Company revises its assessment of the market opportunity.

Mid to Long Term Target Business Model

Percentage of revenue

Product revenue	85% - 90%
Service revenue	10% - 15%

Percentage of total revenue

Gross margin	70+%
Research and development	20% - 25%
Selling, general and administrative	30% - 35%

Operating margin	10% - 20%
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In arriving at this targeted business model, and in providing any other forward looking statements contained in this MD&A, management has relied on a number of assumptions, including, but not limited to each of the following:

- The Company's projected investments in the areas of research and development and sales and marketing will result in growth in the Company's revenue at targeted rates;
- The Company's existing customers, including its historically largest end customers and reseller partners will continue to make significant purchases of the Company's products and services;
- The Company will be able to maintain its target pricing models for its products and services and obtain its supply of components at pricing that permits the Company to achieve its target gross margins;
- Any increase in sales through the Company's indirect channel can be managed without significantly impacting the Company's gross margins;
- The regulatory environment applicable to the use of technology of the type marketed by the Company will continue to permit service providers to use the Company's solutions and its full breadth of applications;
- The Company will be able to continue to attract and retain personnel and third party contractors at compensation levels consistent with the Company's historical practices;

Again, readers are cautioned that a variety of factors could cause the Company's future results, and its ability to achieve this targeted business model, to materially differ from that projected in any forward looking information in this MD&A including, but not limited to those risk factors outlined in the Company's most recently filed Annual Information Form ("AIF") (a copy of which can be obtained on www.sedar.com) as well as those risk factors outlined earlier in this document under the heading "Caution Regarding Forward Looking Information".

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. These estimates and assumptions are affected by management's application of accounting policies and historical experience, and are believed by management to be reasonable under the circumstances.

Estimates are deemed critical when a different estimate could have reasonably been used or where changes in the estimates are reasonably likely to occur from period to period that would materially impact the Company's financial condition or results of operation. The Company's significant accounting policies are discussed in note 2 to the November 30, 2009 audited consolidated financial statements. Other than the changes discussed below related to the Company adopting EIC 175, *Multiple Deliverable Revenue Arrangements*, there have been no material changes to the Company's critical accounting policies and estimates from those disclosed in the Company's annual MD&A for the fiscal year ended November 30, 2009. Both the audited consolidated financial statements and annual MD&A for the year ended November 30, 2009 are available at www.sedar.com.

Revenue recognition

The Company recognizes revenue primarily from the sale of networking equipment (including embedded software), application software, consulting services and post contract support. In recognizing revenue, the Company makes estimates and assumptions on factors such as the probability of collection of the revenue from the customer, whether the sales price is fixed or determinable, the methodology used to determine estimated selling price and the amount of revenue to allocate to individual elements in a multiple element arrangement, the determination of whether deliverables constitute a separate unit of accounting, project effort estimations and assessment of technical feasibility and other matters. The Company makes these estimates and assumptions using past experience, taking into account any other current information that may be relevant. These estimates and assumptions may differ from the actual outcome for a given arrangement which could impact operating results in a future period.

ACCOUNTING CHANGES AND IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Business combinations

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").

Consolidated financial statements

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.

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. 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.

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 three and six month periods ended May 31, 2010, if the transactions entered into or materially modified on or after December 1, 2009 were subject to the Old Accounting Standard.

	Three months ended		Six months ended	
	May 31 2010	May 31 2010	May 31 2010	May 31 2010
	\$	\$	\$	\$
	As reported	Pro-forma based on previous accounting standards	As reported	Pro-forma based on previous accounting standards
Revenue				
Product	17,071	17,369	35,887	34,792
Service	5,333	5,203	8,380	8,136
	22,404	22,572	44,267	42,928

Transition to International Financial Reporting Standards

In January 2006, the Accounting Standards Board (the “AcSB”) announced its decision to require all publicly accountable enterprises to report under International Financial Reporting Standards (“IFRS”) for years beginning on or after January 1, 2011. On February 13, 2008, the AcSB confirmed that publicly accountable enterprises will be required to use IFRS, as issued by the International Accounting Standards Board, unless modifications or additions to the requirements of IFRS are issued by the AcSB. For the Company, these new standards will be effective for the interim and annual financial statements commencing on December 1, 2011, with retrospective presentation of the comparative fiscal 2011 results. The Company’s first financial statements to be reported under IFRS will be for the three month period ending February 28, 2012, with restatement of comparative periods.

The Company has established a project team that is led by finance management, and includes representatives from various areas of the organization to plan for and achieve a smooth transition to IFRS. The Audit Committee of the Board of Directors regularly receives progress reporting on the status of the IFRS implementation project.

The Company has commenced its IFRS conversion project. The project will have three primary phases as follows:

1. Scoping and diagnostic phase - This phase involves a high-level assessment to identify key areas that may be impacted by the transition to IFRS, and ranking these as high, medium or low priority, as well as the creation of a formalized project plan including key milestones and timelines, resources required, education and training requirements.
2. Impact analysis, evaluation and design phase – In this phase, each area identified from the scoping and diagnostic phase will be addressed by performing an in depth analysis of Canadian GAAP/IFRS differences, evaluation and selection of available accounting policies, quantification of impacts and development of draft IFRS financial statement contents. This phase also includes the identification of operational impacts such as information technology, process and internal control changes.
3. Implementation and review phase - This phase will integrate our new accounting policies and resulting operational impacts into the Company’s underlying information systems, business processes and internal controls.

The Company has completed phase one of the project. The Company is currently in phase two of the project, with potential areas of impact being assessed with consideration to complexity, scope of operational impact, potential magnitude of impact, expected changes to IFRS standards and other matters. The Company anticipates the completion of phase two of the project during fiscal 2010.

The Company has completed all activities to date per its detailed project plan and expects to meet all milestones through to completion of its conversion to IFRS. The following table summarizes the key elements of the Company's plan for transitioning to IFRS and the progress made against each activity:

Key Activities	Milestones	Status
Accounting policies and procedures: <ul style="list-style-type: none"> Identify differences between IFRS and the Company's existing policies and procedures; Analyze and select ongoing policies where alternatives are permitted; Analyze and determine which IFRS 1 exemptions will be taken on transition to IFRS. 	<ul style="list-style-type: none"> Senior management approval and Audit Committee review of policy decisions by Q4 2010; 	<ul style="list-style-type: none"> Accounting policy alternatives are being analyzed and recommendations made as work progresses. The majority of key accounting policy decisions have been approved by senior management.
Financial statement preparation: <ul style="list-style-type: none"> Prepare pro forma financial statements and note disclosures in compliance with IFRS; Quantify the impacts of converting to IFRS; Prepare first time adoption reconciliation required under IFRS 1. 	<ul style="list-style-type: none"> Senior management approval of pro forma financial statements and disclosures by Q1 2011. 	<ul style="list-style-type: none"> Preliminary analysis to identify increased IFRS disclosure requirements is under way; The effects of conversion are being estimated as each area of difference is addressed; however actual impacts will often remain unknown until the opening balance sheet date (December 1, 2011).
Training and communication: <ul style="list-style-type: none"> Ensure detailed training is received by members of the project team; Provide topic specific training to key employees involved with implementation; Provide timely communication of the impacts of converting to IFRS to the Company's external stakeholders. 	<ul style="list-style-type: none"> Relevant training provided; Impacts of converting to IFRS communicated prior to changeover. 	<ul style="list-style-type: none"> Detailed training has been received by project team members. Additional training will continue to be considered as IFRS standards change or further focus in a specific area is required; Topic specific training to key employees is ongoing as areas of difference are addressed; IFRS disclosure in the MD&A will be updated throughout the project.
Business activities: <ul style="list-style-type: none"> Identify impacts of conversion on all areas of the business, including; contracts, compensation, hedging and taxation. 	<ul style="list-style-type: none"> Significant areas of impact identified by Q4 2010; Modifications to impacted areas made as required by Q1 2011. 	<ul style="list-style-type: none"> Identification of impacts is underway.
IT systems: <ul style="list-style-type: none"> Identify changes required to IT systems and implement solutions; Determine and implement solution for capturing financial information under Canadian GAAP and IFRS during the year of transition to IFRS (for comparative information). 	<ul style="list-style-type: none"> Necessary changes to IT systems implemented by Q1 2011; Solution for capturing financial information under multiple sets of GAAP determined by Q4 2010. 	<ul style="list-style-type: none"> IT changes required are being assessed as each area of difference is reviewed; The Company is currently evaluating potential strategies to capture financial information under multiple sets of GAAP.
Control environment: <ul style="list-style-type: none"> For all changes to policies and procedures identified, assess impact on effectiveness of internal controls over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P") and implement any necessary changes; 	<ul style="list-style-type: none"> Conclude on design effectiveness of internal controls by Q3 2011; Conclude on operating effectiveness of internal controls by Q1 2012. 	<ul style="list-style-type: none"> Internal control modifications are being assessed as each area of difference is reviewed.

Management is in the process of evaluating the expected material differences between IFRS and the current accounting treatment under Canadian GAAP. Based on IFRS standards in effect as of May 31, 2010, and the work performed to date, the key areas being assessed for their potential impact on the Company's consolidated financial statements are as follows:

Accounting Area	Difference and Potential Impact to the Company
Revenue (IAS 18)	On December 1, 2009, the Company early adopted EIC 175, <i>Multiple Deliverable Revenue Arrangements</i> . EIC 175 is largely aligned with IFRS revenue recognition for multiple element accounting. As a result, the Company no longer expects significant differences to occur in its revenue recognition policies under Canadian GAAP and IFRS.
Government grants (IAS 20)	The Company has received government assistance related to certain research and development projects. In conjunction with these agreements, the Company is obligated to pay royalties related to the sales of its products. Under Canadian GAAP, the Company accrues a royalty obligation at the time of sale. The Company is currently assessing the treatment of these royalty payments under IFRS.
Foreign currency (IAS 21)	Under Canadian GAAP, functional currency for a reporting entity is determined based on the following equally weighted criteria: 1) currency which determines sales prices; 2) denomination of labour, materials and other costs; and 3) funding of the entities operations. Currently, the Company has assessed the Canadian dollar as its functional currency under Canadian GAAP. Under IFRS, each entity must determine its functional currency of the primary economic environment in which the entity operates. This assessment is made by first evaluating primary indicators, which include: 1) currency which mainly influences sales prices; and 2) currency which mainly influences labour material and other costs. If these indicators are mixed, and the functional currency is not obvious, secondary indicators are evaluated to determine the functional currency. Based on expected events, conditions and underlying transactions, the Company and its subsidiaries may be required to declare the U.S. dollar as their functional currency.
Share based payments (IFRS 2)	Under Canadian GAAP the fair value of share based awards with graded vesting and service only conditions may be treated as one grant by the Company, accordingly the resulting expense is recognized on a straight line basis over the vesting period. Under IFRS, each tranche of a share based award with graded vesting is considered a separate grant for the calculation of fair value, and the related expense is attributed to the vesting period of each tranche of the award. As a result, recognition of share based payment expense is accelerated.
Property, plant and equipment (IAS 16)	The transition from Canadian GAAP to IFRS requires a comparison of the current stratification of plant and equipment for depreciation purposes to that required in IAS 16, and may result in more depreciation categories. This could result in an acceleration/deceleration of depreciation as compared to Canadian GAAP.

This may not be an exhaustive list of all the significant impacts that could occur during the conversion to IFRS.

The Company continues to monitor and assess the impact of evolving differences between Canadian GAAP and IFRS, since the IASB is expected to continue issuing new accounting standards during the transition period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be determined once all the applicable IFRS standards as at November 30, 2012 (the Company's first annual IFRS reporting date) are known.

COMPOSITION OF REVENUES AND EXPENSES

The Company's product revenue consists of revenues derived from the sale of its hardware products and the license of its software products. The Company's service revenue consists of revenues from post contract support (generally referred to as support and maintenance services) as well as various professional services including training and installation that is provided to its customers.

The majority of the Company's operating expenses are denominated in Canadian dollars, U.S. dollars and New Israeli Shekels while its sales and cost of sales are generally denominated in U.S. dollars. The Company's earnings are impacted by fluctuations in the exchange rates between these and other currencies in which the Company trades. In an attempt to minimize the earnings impact of foreign currency gains and losses associated with foreign exchange rate fluctuations, the Company enters into forward foreign exchange contracts for a portion of this exposure.

Product cost of sales consists of the cost of direct materials, plus direct labour and an allocation of overhead applied to the product.

Service cost of sales includes certain overhead costs, warranty costs, the costs of salaries and other personnel costs for staff dedicated to providing professional and customer support services.

Sales and marketing expenses consist primarily of salaries, variable compensation costs and other personnel costs, travel, advertising, trade analyst research, trial material costs as well as trade show and conference costs.

Research and development expenses consist primarily of salaries and other personnel costs, off-shore development costs, certification and material costs (including prototype costs) associated with new product introduction.

General and administrative expenses consist primarily of personnel costs, occupancy costs, professional costs associated with tax, accounting and legal advice, public company costs (including compliance costs), information system and software maintenance costs as well as foreign currency gains and losses.

Sales and marketing, research and development, and general and administrative expenses are presented on the Company's consolidated financial statements including the benefit of government assistance received, as well as repayments of such assistance.

Effective fiscal 2006, the Company commenced the repayment of funding received through the Technology Partnerships Canada ("TPC") program. The agreement requires the contribution to be repaid in the form of royalties to a maximum of \$16 million. Royalties are charged at 2.5% of the Company's gross revenues. The obligation to pay royalties expires on November 30, 2013. Any repayments accrued or paid have been included in the consolidated financial statements as part of the Company's research and development expenses.

A subsidiary of the Company has participated in programs sponsored by a foreign government body's Chief Scientist Office ("CSO") for the support of certain 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 which incorporate the technology related to the grant, and in the absence of such sales, no payment is required. Any repayments accrued or paid have been included in the consolidated financial statements as part of the Company's research and development expenses.

The Company has entered into an agreement with the Province of Ontario relating to the Next Generation of Jobs Fund program. This program will provide funding relating to one of the Company's projects. 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 \$18.7 million (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 \$6.8 million) if certain incremental targets for new Ontario-based jobs have been met.

Interest and other income consists primarily of interest income (net of related expenses) earned on the Company's cash, cash equivalents and marketable securities.

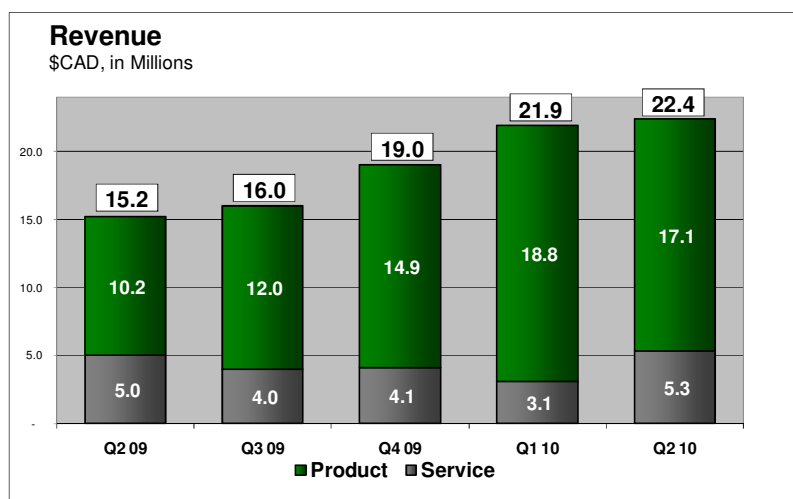
The current income tax provision predominantly relates to current taxes owing (recoverable) by the Company's foreign subsidiaries.

CURRENT PERIOD OPERATING RESULTS

Overview

The Company's total revenues for the current quarter were \$22.4 million, an increase of \$0.5 million from the \$21.9 million recognized during the first quarter of 2010. The increase primarily resulted from a \$3.8 million increase in revenue from customers in the North American DSL and wireless markets, partially offset by a \$3.2 million decrease in revenues derived from the North American cable market. The Company expects to continue to see significant quarterly fluctuations in the revenues generated from the Company's various access technology markets and sales regions due to variability associated with the timing of significant customer purchase decisions.

During the second quarter, the Company received initial purchase orders from nine new customers and recognized revenue from eight new customers including four DSL, three wireless, and one cable operator.



The Company's GAAP operating income for the current quarter was \$2.0 million, as compared to a GAAP operating income of \$0.6 million in the first quarter of 2010. The Company's non-GAAP operating income for the current quarter was \$3.7 million, as compared to a non-GAAP operating income of \$1.6 million in the first quarter of 2010. This increase is primarily the result of the following factors:

A \$0.5 million and \$0.3 million increase in revenue and gross margin respectively, as compared to the first quarter of 2010.

Operating expenses (exclusive of "Excluded Expenses" – as defined on page 4 of this document) decreased by \$1.7 million, as compared to the first quarter of 2010. The decrease in operating expenses was primarily the result of an increase in net government assistance of \$2.7 million, which was recorded against the Company's operating expenses during the current quarter. This decrease was somewhat offset by an increase in sales and marketing costs (\$0.2 million), an increase in general and administrative expenses (\$0.2 million), and an increase in research and development costs (\$0.6 million) primarily relating to personnel costs, as well as certification costs related to its PTS 24000.

Revenue

	Three month period ended			Six month period ended	
	May 31 2010 \$	February 28 2010 \$	May 31 2009 \$	May 31 2010 \$	May 31 2009 \$
	<i>Amounts in thousands</i>				
Product	17,071	18,816	10,186	35,887	25,050
Service					
Support and maintenance	3,848	2,693	4,214	6,641	7,231
Professional services	970	257	349	1,227	752
Training, installation and other	515	97	460	612	753
	5,333	3,047	5,023	8,380	8,736
Total	22,404	21,863	15,209	44,267	33,786

Q2 2010 compared to Q1 2010

The Company's total revenues for the current quarter were \$22.4 million, an increase of \$0.5 million from the \$21.9 million recognized during the first quarter of 2010. The increase primarily resulted from a \$3.8 million increase in revenue from customers in the North American DSL and wireless markets, partially offset by a \$3.2 million decrease in revenues derived from the North American cable market. The Company expects to continue to see significant quarterly fluctuations in the revenues generated from the Company's various access technology markets and sales regions due to variability associated with the timing of significant customer purchase decisions.

An element of the Company's growth strategy has been, and continues to be, investment in sales and marketing activities. As a result of these investments, the Company is continuing to realize a diversification in its revenue, both geographically and by access technology market. Revenues generated from sales regions outside of North America comprised 49.1% or \$11.0 million of total revenues in the current quarter, as compared to 48.1% or \$10.5 million in the first quarter of 2010, and non-cable access technology markets accounted for 79.6% or \$17.8 million of total revenues in the current quarter as compared to 64.3% or \$14.0 million in the first quarter of 2010.

The Company continues to generate a significant portion of its revenues from its reseller partners, also referred to as its "indirect channel". During the second quarter of 2010, the Company realized 41.4% or \$9.3 million of its revenue through its indirect channel, compared to 41.5% or \$9.1 million during the first quarter of 2010. Revenue generated through reseller partners is subject to quarterly fluctuation due to the variability associated with the timing of significant customer purchase decisions.

Service revenue increased by \$2.2 million to \$5.3 million, as compared to \$3.1 million recognized during the first quarter of 2010. Support and maintenance revenue recognized during the current quarter increased by \$1.1 million to \$3.8 million, as compared to \$2.7 million during the first quarter of 2010. Major factors contributing to the increase include revenue related to support and maintenance contract renewals received during the current quarter which partially related to a prior periods (\$0.7 million), as well as support and maintenance related to product revenue generated during the first six months of fiscal 2010 (\$0.5 million). The remaining increase in service revenue primarily relates to an increase in installation, training, and other professional service engagements.

Q2 2010 compared to Q2 2009

Revenues recognized during the second quarter of 2010 increased by \$7.2 million to \$22.4 million, as compared to \$15.2 million during the same period last year. Current quarter revenues attributable to the DSL and wireless access technology market were respectively \$3.7 and \$3.4 million higher than the same period last year, while revenues associated with the cable access technology market remained relatively constant at \$4.6 million. The majority of the Company's revenues are denominated in USD. The USD has depreciated significantly against the CAD over the past year. The depreciation of the USD from Q2 2009 to Q2 2010 negatively impacted the Company's Q2 2010 revenue by approximately \$1.8 million.

Service revenue increased by \$0.3 million to \$5.3 million, as compared to \$5.0 million recognized during the second quarter of 2009. The increase in service revenue pertains to an increase in installation, training, and other professional service engagements. This increase was partially offset by a decrease of \$0.4 million in support and maintenance revenues. The decline largely relates to customers who have decommissioned older hardware products as, generally, they begin to transition to a newer hardware platform or upgrade their network. This decrease was partially offset by increased support and maintenance revenues associated with product sales over the relevant period.

2010 YTD compared to 2009 YTD

The Company's total revenues for the six months ended May 31, 2010 have increased by \$10.5 million to \$44.3 million, as compared to \$33.8 million recognized during the same period last year. This current period increase relates to a \$13.9 million increase in revenue being derived from the wireless and DSL access technology markets which is partially offset by a \$3.4 million reduction in revenue generated from cable access technology market. Revenue generated through the Company's indirect channel has increased by \$5.5 million to \$18.3 million for the first six months of fiscal 2010 as compared to the same period last year. The majority of the Company's revenues are denominated in USD. The USD has depreciated significantly against the CAD over the past year. The depreciation of the USD negatively impacted the Company's 2010 YTD revenue by approximately \$4.7 million as compared to 2009 YTD.

Effective December 1, 2009, the Company adopted EIC 175, *Multiple Deliverable Revenue Arrangements*. The new revenue guidance was applied only to revenue arrangements entered into on or after December 1, 2009. In general, the impact of EIC 175 will be to accelerate recognition of revenue in the event that an order has been partially delivered at the end of a reporting period. For the six month period ended May 31, 2010, reported revenue was \$1.3 million higher than it would have been under previous accounting standards.

Revenue by access technology

The breakdown of total revenue generated by customer access technology is outlined in the following table.

	Three month period ended			Six month period ended	
	May 31 2010 %	February 28 2010 %	May 31 2009 %	May 31 2010 %	May 31 2009 %
Cable	20.4	35.8	30.1	28.0	46.4
DSL	40.1	36.2	34.3	38.2	28.6
Fixed Wireless/Mobile/FTTx	39.4	27.8	35.4	33.7	24.5
Other*	0.1	0.2	0.2	0.1	0.5
Total	100.0	100.0	100.0	100.0	100.0

* The other category is primarily comprised of sales to partners (including resellers and solutions partners) who have purchased the product for their own internal use e.g. for interoperability testing.

In situations where a reseller or partner of the Company has purchased products for resale to an end customer, the Company has allocated such revenue based on the access technology of the end customer.

Revenue by sales channel

The Company continues to invest in the development of its indirect sales channel to utilize global third party network equipment vendors and regional value-added resellers to help market and sell its products. The breakdown of revenue by the direct and indirect sales channel is as follows:

	Three month period ended			Six month period ended	
	May 31 2010 %	February 28 2010 %	May 31 2009 %	May 31 2010 %	May 31 2009 %
Direct	58.6	58.5	57.4	58.5	62.0
Indirect	41.4	41.5	42.6	41.5	38.0
Total	100.0	100.0	100.0	100.0	100.0

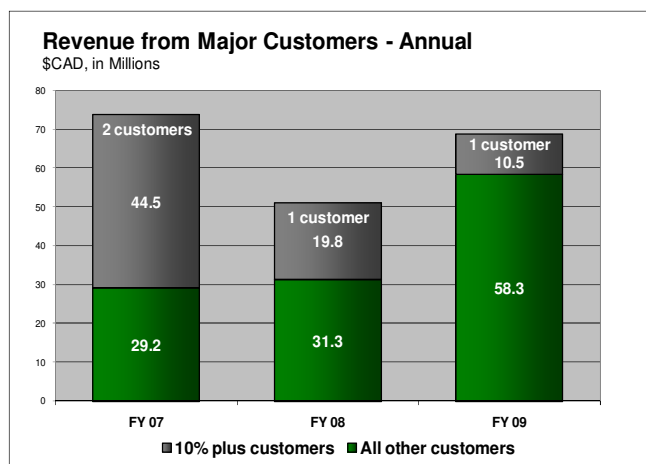
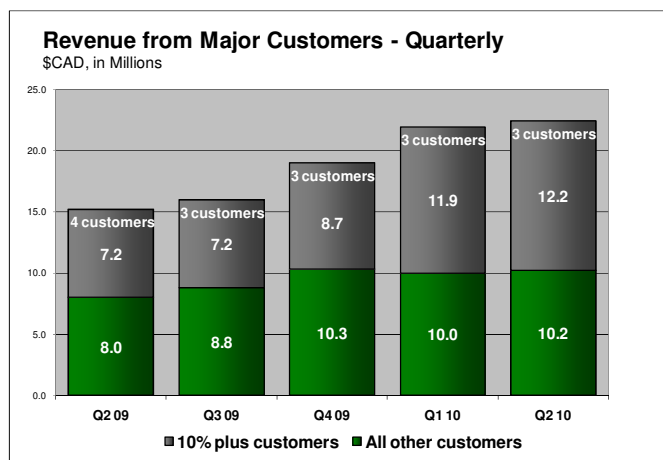
Revenue by geographic region

The Company evaluates its revenue performance based on four geographic regions. The proportion of total revenue attributable to each is outlined in the following table. In situations where a reseller has purchased equipment for resale to an end customer, the location of the end customer is used in allocating revenue to the various geographic regions.

	Three month period ended			Six month period ended	
	May 31 2010 %	February 28 2010 %	May 31 2009 %	May 31 2010 %	May 31 2009 %
North America	50.9	51.9	52.4	51.4	54.7
Caribbean and Latin America	6.8	8.5	5.0	7.6	7.8
Europe, Middle East and Africa	23.2	22.8	38.3	23.0	29.1
Asia Pacific	19.1	16.8	4.3	18.0	8.4
Total	100.0	100.0	100.0	100.0	100.0

Revenue derived from major customers

“Major Customers” are customers who represent more than 10% of total revenues in a given period. Currently, the Company’s quarterly revenues can be significantly impacted by the buying patterns of any single individual large customer, which will also impact the Company’s revenue split by region, sales channel and/or access technology. From fiscal 2007 to 2009, the Company has expanded its number of customers. The individual service providers or resellers who are Major Customers often change between quarters. As a result, the Company has experienced a decline in the percentage of revenue derived from Major Customers on an annual basis. The following summarizes revenue from Major Customers on a quarterly and annual basis.



	Three month period ended				
	May 31 2010 %	February 28 2010 %	November 30 2009 %	August 31 2009 %	May 31 2009 %
Percentage of revenue					
Major Customers	54.4	54.3	45.6	45.0	47.1
Other customers	45.6	45.7	54.4	55.0	42.9
Total	100.0	100.0	100.0	100.0	100.0

The following chart outlines the revenue generated from Major Customers during the second quarter of 2010, and their respective percentages from the previous four quarters.

	Three month period ended				
	May 31 2010 %	February 28 2010 %	November 30 2009 %	August 31 2009 %	May 31 2009 %
Customer A *	27.3	12.9	13.1	5.3	7.7
Customer B *	15.5	7.7	12.2	12.2	2.4
Customer C *	11.6	0.3	0.5	1.0	11.9
Total	54.4	20.9	25.8	18.5	22.0

* it should be noted that the delineation of customer A, B or C does not necessarily correspond to such delineation in a previous MD&A. For example, "Customer A" in the current quarter is not necessarily the same customer as the one referenced as "Customer A" in any previous MD&A.

Customers "B" and "C" in the above chart are regional resellers. In situations where a particular customer is a reseller who has purchased equipment for resale to an end user customer, the Company has aggregated all of the sales to that reseller in determining whether they represent more than 10% of the Company's revenue for a particular period.

Deferred revenue

The Company enters into complex arrangements that may involve meeting customer based specifications or multiple deliverable revenue arrangements. This may result in the deferral of revenue if the Company has not completed the customer based specification requirements, or has not established that the delivered elements of a multiple deliverable revenue arrangement represent a separate unit(s) of accounting. Where the Company has sold post contract support, the resulting revenue is deferred and recognized ratably over the service period, which is typically one to three years. The Company does not recognize any revenue or deferred revenue related to initial support and maintenance or support and maintenance renewals until evidence of such an arrangement exists or cash in respect of such renewal is received.

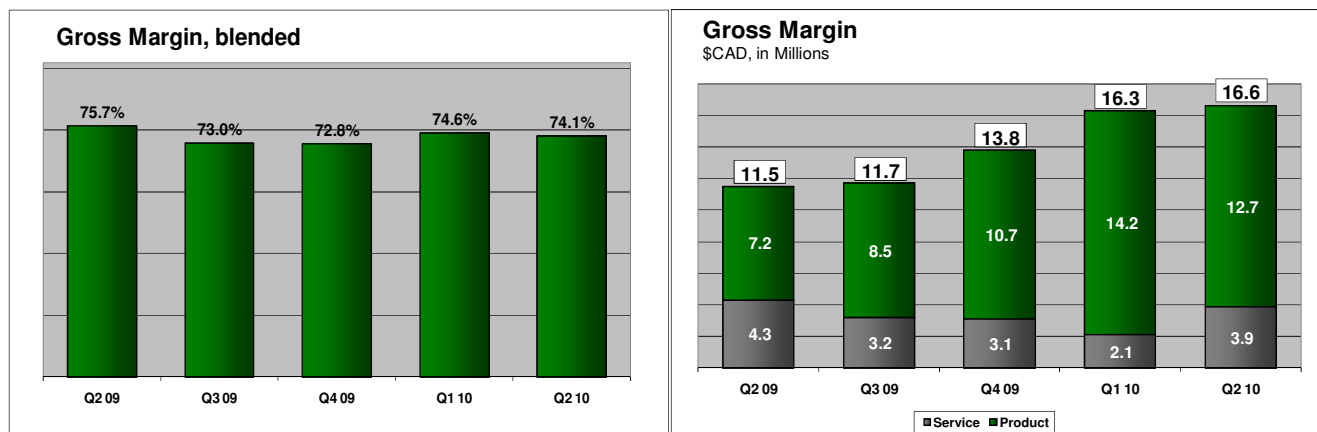
The breakdown of deferred revenue is as follows:

	May 31 2010 \$	February 28 2010 \$	November 30 2009 \$
	<i>In thousands of dollars</i>		
Deferred revenue:			
Service	8,519	6,701	6,126
Product	2,204	3,238	2,177
Total	10,723	9,939	8,303
Reported as:			
Current	9,989	9,224	7,513
Non-current	734	715	790
Total	10,723	9,939	8,303

Fluctuations in deferred service revenue are primarily related to the timing of significant support and maintenance renewals. Service deferred revenue increased from February 28, 2010 levels due to several annual support and maintenance renewals received during the quarter. Product deferred revenue decreased from February 28, 2010 levels, primarily due to an arrangement with customer based specifications which were met during the current quarter.

The Company's characterization of deferred revenue between current and non-current is based on management's best estimate of when it expects to meet the criteria required to permit revenue recognition.

Gross margin



The following table outlines the Company's gross margin levels for the revenue categories indicated.

	Three month period ended			Six month period ended	
	May 31 2010 %	February 28 2010 %	May 31 2009 %	May 31 2010 %	May 31 2009 %
Product	74.2	75.4	70.8	74.8	73.0
Service	73.8	69.7	85.8	72.3	83.2
Blended	74.1	74.6	75.7	74.3	75.6

Q2 2010 compared to Q1 2010

Blended gross margins realized in the current quarter were 0.5% lower than the first quarter of 2010. This was the result of lower product gross margins being somewhat offset by higher service gross margins. Product gross margins were 74.2% in the current quarter, compared to 75.4% for the first quarter of 2010. Product gross margins realized in the current quarter were lower than the first quarter of 2010 due to a less favourable product mix, which included less stand alone software sales. Service margins increased in the current quarter by 4.1% to 73.8%, as compared to 69.7% during the first quarter of 2010. This was primarily the result of an increase in support and maintenance revenues relating primarily to the receipt of customer renewals, and relatively consistent costs as compared to the first quarter of 2010.

Q2 2010 compared to Q2 2009

Product gross margins realized in the current quarter were 3.4% higher than for the same period in 2009, primarily due to a reduction in the Company's inventory provision. Service gross margins were 12% lower than for the same period in 2009. The decrease was primarily the result of increased support costs associated with adding additional members to the team which provides support and maintenance services, as well as lower margins on professional services.

2010 YTD compared to 2009 YTD

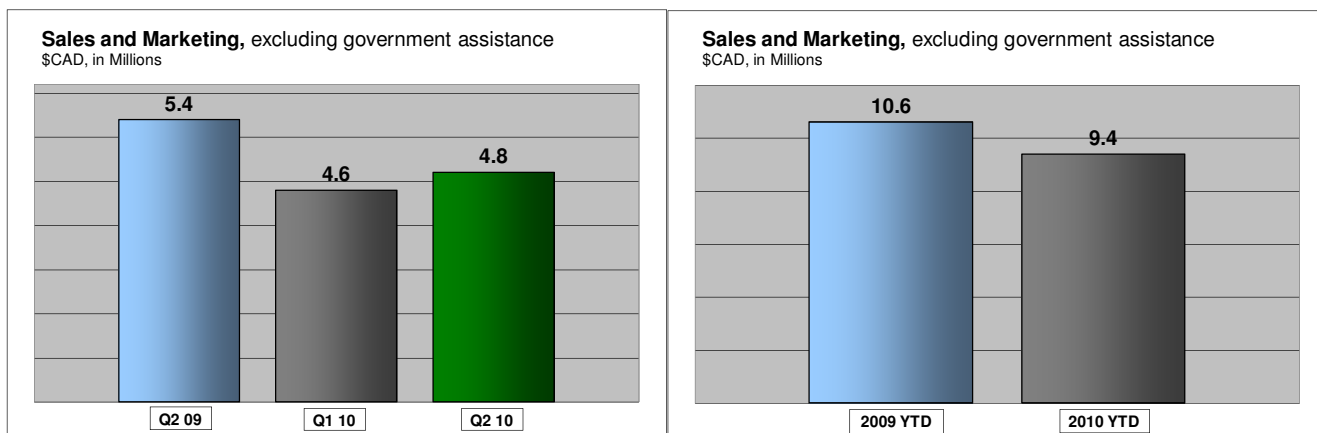
For the six month period ended May 31, 2010 blended gross margins were 1.3% lower than the same period last year. The decrease was the result of lower service margins, primarily due to the gross margin levels realized on professional services.

Operating expenses

The following table provides additional analysis of the Company's operating expenses.

	Three month period ended			Six month period ended	
	May 31 2010 \$	February 28 2010 \$	May 31 2009 \$	May 31 2010 \$	May 31 2009 \$
	<i>Amounts in thousands</i>				
Revenue	22,404	21,863	15,209	44,267	33,786
Sales and marketing	4,808	4,603	5,380	9,411	10,631
<i>% of revenue</i>	<i>21.5%</i>	<i>21.1%</i>	<i>35.4%</i>	<i>21.3%</i>	<i>31.4%</i>
Research and development	7,059	6,546	7,309	13,605	14,827
<i>% of revenue</i>	<i>31.6%</i>	<i>29.9%</i>	<i>48.0%</i>	<i>30.7%</i>	<i>43.8%</i>
Net government repayments (assistance)	(2,728)	(15)	(419)	(2,743)	(839)
<i>% of revenue</i>	<i>(12.2)%</i>	<i>(0.1)%</i>	<i>(2.8)%</i>	<i>(6.2)%</i>	<i>(2.5)%</i>
General and administration	2,667	2,471	2,438	5,138	4,350
<i>% of revenue</i>	<i>11.9%</i>	<i>11.3%</i>	<i>16.1%</i>	<i>11.6%</i>	<i>12.9%</i>
Stock based compensation	743	667	824	1,410	1,640
<i>% of revenue</i>	<i>3.3%</i>	<i>3.1%</i>	<i>5.4%</i>	<i>3.2%</i>	<i>4.9%</i>
Amortization of intangible assets	434	510	535	944	1,033
<i>% of revenue</i>	<i>1.9%</i>	<i>2.3%</i>	<i>3.5%</i>	<i>2.1%</i>	<i>3.1%</i>
Depreciation	1,057	974	1,185	2,031	2,235
<i>% of revenue</i>	<i>4.7%</i>	<i>4.5%</i>	<i>7.8%</i>	<i>4.6%</i>	<i>6.6%</i>
Goodwill impairment	-	-	-	-	2,425
<i>% of revenue</i>	-	-	-	-	<i>7.2%</i>
Intangible impairment	669	-	-	669	-
<i>% of revenue</i>	<i>3.0%</i>	-	-	<i>1.5%</i>	-
Total operating expenses	14,709	15,756	17,252	30,465	36,302
<i>% of revenue</i>	<i>65.7%</i>	<i>72.1%</i>	<i>113.4%</i>	<i>68.8%</i>	<i>107.4%</i>

Sales and marketing expenses



Q2 2010 compared to Q1 2010

Exclusive of government assistance, sales and marketing expenditures during the second quarter of 2010 increased by \$0.2 million to \$4.8 million, which represents a 4.5% increase from the \$4.6 million incurred during the first quarter of 2010. Major factors contributing to this increase include higher compensation costs (\$0.1 million), increased travel costs (\$0.1 million), and increased costs associated with customer trials (\$0.1 million). These increases were somewhat offset by a decrease in tradeshow costs of \$0.1 million.

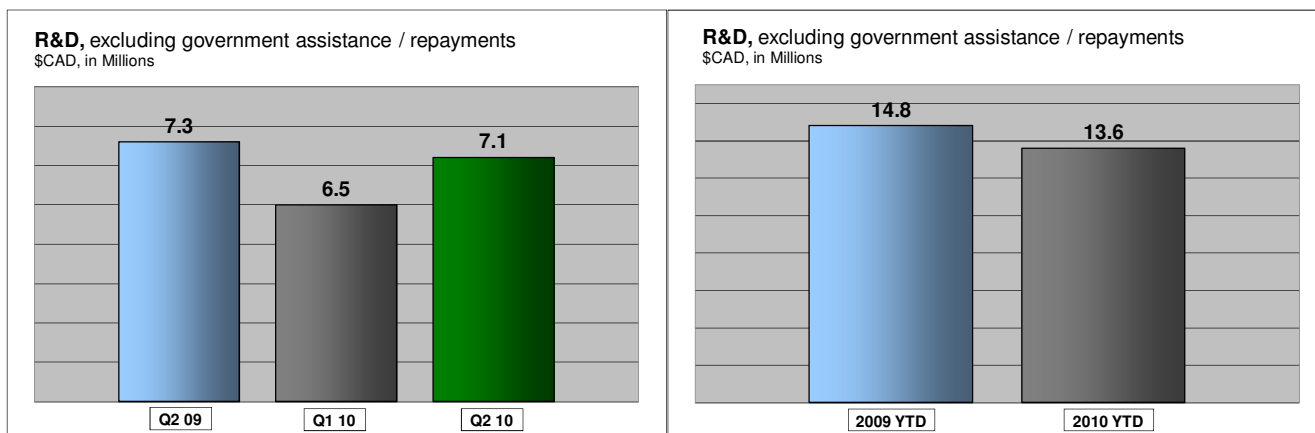
Q2 2010 compared to Q2 2009

Exclusive of government assistance, sales and marketing expenditures during the second quarter of 2010 decreased by \$0.6 million to \$4.8 million, which represents a 10.6% decrease from the \$5.4 million incurred for the same period last year. Major factors contributing to the decrease include lower personnel costs (\$0.4 million) and decreased costs associated with customer trials (\$0.2 million).

2010 YTD compared to 2009 YTD

Exclusive of government assistance, sales and marketing expenditures during the six months ended May 31, 2010 decreased by \$1.2 million to \$9.4 million, which represents an 11.5% decrease from the \$10.6 million incurred for the same period last year. Major factors contributing to the decrease include lower personnel costs (\$0.8 million) and decreased costs associated with customer trials (\$0.3 million).

Research and development expenses



Q2 2010 compared to Q1 2010

Exclusive of government assistance and repayments, research and development expenses increased by \$0.6 million to \$7.1 million, which represents a 7.8% increase from the \$6.5 million incurred during the first quarter of 2010. Major factors contributing to the increase include certification costs relating to the PTS 24000 (\$0.3 million), increased consulting and outsourced engineering costs (\$0.3 million) and increased personnel costs (\$0.2 million). These increases were somewhat offset by a decrease in prototype costs of \$0.2 million.

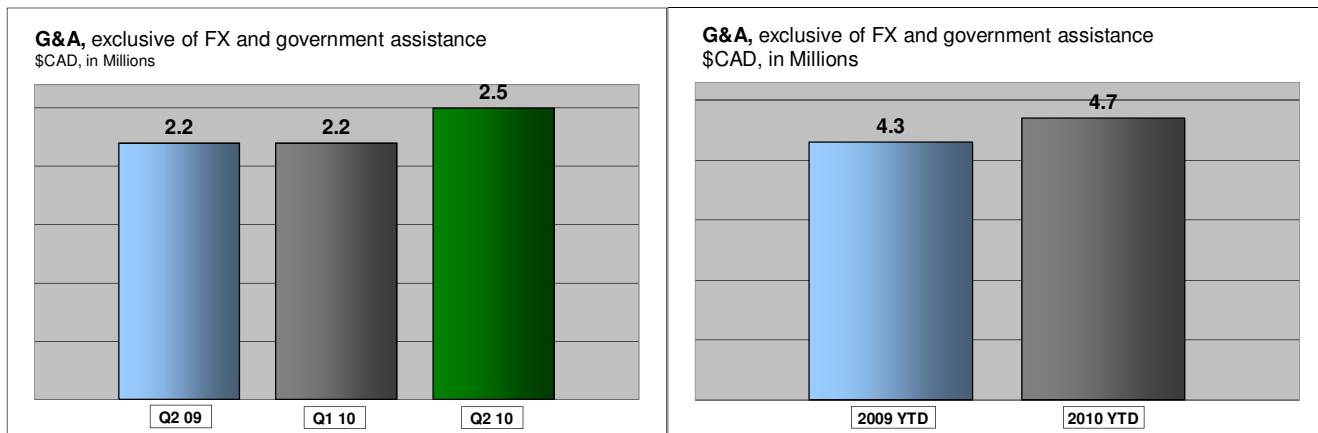
Q2 2010 compared to Q2 2009

Exclusive of government assistance and repayments, research and development expenses for the second quarter of 2010 decreased by \$0.2 million to \$7.1 million, which represents a 3.4% decrease from the \$7.3 million incurred during the same period last year. The decrease is mainly related to a decrease in prototype costs (\$0.5 million), and decreased personnel costs (\$0.1 million). These decreases were somewhat offset by an increase in certification costs relating to the PTS 24000 (\$0.3 million).

2010 YTD compared to 2009 YTD

For the six months ended May 31, 2010, research and development expenses decreased by \$1.2 million to \$13.6 million, which represents an 8.2% decrease from the \$14.8 million incurred for the same period last year. Major factors contributing to this decrease include personnel costs (\$0.2 million), offshore development (\$0.4 million) and prototype costs (\$0.9 million). These decreases were somewhat offset by an increase in certification costs relating to the PTS 24000 (\$0.3 million).

General and administrative



Q2 2010 compared to Q1 2010

Exclusive of government assistance and foreign exchange losses (Q2 2010: \$0.2 million loss, Q1 2010: \$0.3 million loss) general and administrative expenditures during the current quarter increased by \$0.3 million to \$2.5 million which represents a 10.3% increase from the \$2.2 million incurred during the prior quarter. The increase includes an increase in compensation of \$0.1 million. The remaining increase relates to a number of small increases to a several different expense categories.

Q2 2010 compared to Q2 2009

For the second quarter of fiscal 2010 general and administrative expenditures, exclusive of foreign exchange gains / losses (Q2 2010: \$0.2 million loss, Q2 2009: \$0.2 million loss), increased by \$0.3 million to \$2.5 million which represents a 9.7% increase from the \$2.2 million incurred for the same period last year. The increase includes an increase in compensation (\$0.1 million), and personnel costs (\$0.1 million). The remaining increase relates to a number of small increases to a several different expense categories.

2010 YTD compared to 2009 YTD

Exclusive of government assistance and foreign exchange losses (2010 YTD: \$0.5 million loss, 2009 YTD: \$0.1 million loss) general and administrative expenditures increased by \$0.4 million to \$4.7 million, which represents an 8.7% increase from the \$4.3 million incurred for the same period last year. The increase includes an increase variable compensation (\$0.1 million), and personnel costs (\$0.1 million). The remaining increase relates to a number of small increases to a several different expense categories.

Impact of foreign exchange on operating expenses

A significant percentage of the Company's operating expenses are denominated in currencies other than Canadian dollars, including U.S. dollars and New Israeli Shekels. Changes in foreign exchange rates can cause fluctuations in the Company's operating expenditures from period to period.

Q2 2010 compared to Q1 2010

Fluctuations in foreign exchange did not have a material impact on operating expenses when comparing the current quarter with the prior quarter.

Q2 2010 compared to Q2 2009

Fluctuations in foreign exchange resulted in current quarter operating expenses being \$0.7 million lower than the same quarter last year.

2010 YTD compared to 2009 YTD

During the six months ended May 31, 2010, fluctuations in foreign exchange resulted in operating expenses being \$1.3 million lower than the same quarter last year.

Government assistance and repayments

Operating expenses are presented on the Company's consolidated financial statements including the benefit of government assistance received, as well as the expense associated with recording the repayment of such assistance. The following table provides details regarding government assistance and repayments.

	Three month period ended			Six month period ended	
	May 31 2010 \$	February 28 2010 \$	May 31 2009 \$	May 31 2010 \$	May 31 2009 \$
	<i>Amounts in thousands</i>				
Assistance					
Repayable	(162)	(630)	-	(792)	(885)
Non-repayable	(3,199)	-	(799)	(3,199)	(799)
	(3,361)	(630)	(799)	(3,991)	(1,684)
Repayments	633	615	380	1,248	845
Net government repayments (assistance)	(2,728)	(15)	(419)	(2,743)	(839)

During the current quarter, the Company entered into an agreement with the Province of Ontario relating to the Next Generation of Jobs Fund program. This program will provide funding relating to one of the Company's projects. 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 \$18.7 million (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 \$6.8 million) if certain incremental targets for new Ontario-based jobs have been met.

The Company recorded a total of \$3.8 million of funding during the current quarter relating to the Next Generation of Jobs Fund program. Of this amount, \$3.0 million relates to expenditures incurred in prior periods. The details of the funding received 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	March 1, 2010 to May 31, 2010	Total recorded in Q2 2010 financial statements
	<i>Amounts in thousands</i>			
Sales and marketing	201	52	53	306
Research and development	1,271	461	483	2,215
General and administrative	415	133	119	667
	1,887	646	655	3,188
Property, plant and equipment	257	134	164	555
Intangible assets	15	2	1	18
Total	2,159	782	820	3,761

Amortization of intangible assets

Q2 2010 compared to Q1 2010

During fiscal 2007 the Company completed two acquisitions. As a result of these acquisitions, the Company incurs certain non-cash acquisition related costs in the form of amortization of the acquired intangible assets. During the second quarter of 2010 the Company recorded \$0.3 million in amortization as compared to \$0.4 million during the prior quarter related to these acquired intangible assets. See discussion below under "Intangible impairment" for further details. Also included within current quarter amortization of intangible assets is \$0.1 million of amortization related to computer software assets, consistent with the prior quarter.

Q2 2010 compared to Q2 2009

During the second quarter fiscal 2010, the Company recorded \$0.3 million of amortization related to acquired intangible assets, as compared to \$0.4 million during the same period last year. During the current quarter, computer software amortization of \$0.1 million was recorded, consistent with the same period last year.

2010 YTD compared to 2009 YTD

During the six months ended May 31, 2010, the Company recorded \$0.7 million of amortization related to acquired intangible assets, as compared to \$0.8 million during the same period last year. During the six months ended May 31, 2010, computer software amortization of \$0.2 million was recorded, consistent with the same period last year.

Goodwill impairment

Goodwill represents the excess, at the date of acquisition, of the cost of an acquired business over the fair value of the identifiable assets acquired and liabilities assumed. Goodwill is not amortized but is subject to an annual impairment test, or more frequently if events or circumstances indicate that the fair value of a reporting unit is below its carrying amount. The impairment test requires the identification of reporting units and a comparison of the estimated fair value of each reporting unit to the carrying value recorded on the Company's consolidated financial statements, including goodwill. Based on the Company's review, only one reporting unit has been identified for the purpose of performing the annual impairment test. If the carrying value of the Company exceeds its fair value, the Company performs the second step of the goodwill impairment test to determine the amount of the impairment loss. The second step of the impairment test involves comparing the implied fair value of the Company's goodwill with its carrying amount to measure the amount of impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination.

During the three months ended February 28, 2009, in connection with a sustained, significant decline of the Company's market capitalization, as reflected by its publicly traded share price, at a level lower than the net book value of the Company, the Company concluded that an indicator of impairment was present. As a result, the Company tested goodwill for impairment in the first quarter of 2009. Under step one, the Company's estimate of fair value is principally determined by reference to its publicly traded share price over a reasonable period of time prior to performing the impairment test. Based on the first step of the analysis, the Company determined that the carrying value of the reporting unit was in excess of its fair value. As a result, the Company performed the second step of the goodwill impairment test and determined that the fair value of the Company, including both recognized and unrecognized intangible assets, did not support the carrying amount of goodwill. Accordingly the Company recorded a non-cash goodwill impairment charge of \$2.4 million during the three months ended February 28, 2009.

Intangible impairment

The Company's capitalized intangible assets include acquired non-patented technology assets, which are amortized over their useful life. Finite life intangible assets are required to be tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Recoverability of a long-lived asset is estimated based on undiscounted future cash flows directly associated with its use and eventual disposition. If the results of the recovery test indicate that the asset is impaired, it is written down to its fair value.

During the three months ended May 31, 2010, certain external factors resulted in changes to cash flow projections associated with a non-patented technology asset. As a result, the Company concluded that an indicator of impairment was present which required the Company to perform a recoverability test. The results of the recoverability test indicated that the non-patented technology asset (the "Impaired Asset") was not fully recoverable. The Company used a present value technique to discount a series of expected future cash flows in order to estimate the fair value of the Impaired Asset. Accordingly the Company recorded a non-cash impairment charge of \$0.7 million during the three months ended May 31, 2010. As at May 31 2010, the Impaired Asset is classified as held for sale, and is recorded at its fair value less cost to sell of \$1.1 million.

Effective July 1, 2010, the Company entered into an asset purchase agreement to sell the Impaired Asset. Under the terms of the agreement, the Company received the following non-cash consideration: preferred shares of the acquirer, the right to ongoing royalties associated with future revenues of the acquirer, and a perpetual license allowing the restricted use of the intellectual property associated with the Impaired Asset. The Company has determined that the fair value of the assets received is approximately equal to the carrying amount of the Impaired Asset at May 31 2010, and accordingly does not expect to recognize a material gain or loss on disposal.

The Company does not expect a significant change to its revenues or operating costs as a result of this transaction.

Interest income

Q2 2010 compared to Q1 2010

For the second quarter of 2010, interest income was \$0.1 million, consistent with the first quarter of 2010. During the current quarter the annualized yield earned on the Company's investment portfolio was approximately 0.6%, consistent with yields realized during the first quarter of 2010.

Q2 2010 compared to Q2 2009

For the second quarter of 2010, interest income was \$0.1 million, consistent with the same period last year. During the current quarter the annualized yield earned on the Company's investment portfolio was approximately 0.6% compared to 0.7% for the same period in 2009.

2010 YTD compared to 2009 YTD

For the six months ended May 31, 2010, interest income decreased by \$0.3 million to \$0.2 million as compared to \$0.5 million for the same period last year. The decrease in investment and other income primarily relates to the decrease in the yields earned on the company's investment portfolio, as well as a reduction in the size of the portfolio as compared to the same period last year. During the six months ended May 31, 2010, the annualized yield earned on the Company's investment portfolio was approximately 0.6% compared to 1.1% for the same period in 2009.

LIQUIDITY AND CAPITAL

The Company has financed its operations and met its capital expenditure requirements primarily through the sale of equity securities.

	May 31 2010	November 30 2009
Key Balance Sheet Amounts and Ratios:	<i>Thousands of dollars, except balance sheet ratios and metrics</i>	
Cash, cash equivalents and marketable securities	91,573	85,764
Working capital	104,773	99,777
Working capital ratio	6.6:1	6.5:1
Days sales outstanding in accounts receivable	70 days	90 days
Pro forma days sales outstanding in accounts receivable	54 days	68 days
Inventory turnover	1.5 times	1.7 times
Pro forma inventory turnover	1.9 times	2.4 times

The Company uses working capital, working capital ratio, days sales outstanding in accounts receivable, pro forma days sales outstanding in accounts receivable, inventory turnover and pro forma inventory turnover as measures to enhance comparisons between periods. These terms do not have a standardized meaning under GAAP and are unlikely to be comparable to similarly titled measures reported by other issuers. The calculation of each of these items is more fully described below.

Days sales outstanding (“DSO”) - The Company has calculated DSO’s based on the most recent three months annualized revenue and the average of the beginning and ending accounts receivable balance for such three-month period.

Pro forma days sales outstanding - The Company has calculated pro forma days sales outstanding in the same manner as DSO. However, the beginning and ending accounts receivable balances have been reduced for amounts which are also included in the Company’s deferred revenue balance (May 31, 2010 - \$3.7 million; February 28, 2010 - \$4.2 million; November 30, 2009 - \$5.0 million; August 31, 2009 - \$4.4 million).

Inventory turnover - The Company has calculated its inventory turnover using the annualized most recent three months product cost of sales and the average of the beginning and ending inventory balance for such three month period.

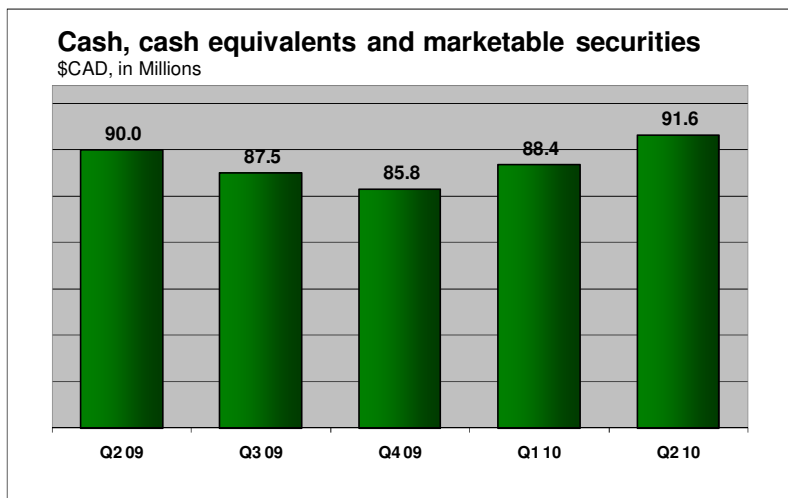
Pro forma inventory turnover - The Company has calculated its pro forma inventory turnover using the annualized most recent three months product cost of sales and the average of the beginning and ending inventory balances excluding demonstration inventory and deferred cost of sales inventory for such three month period (demonstration inventory: May 31, 2010 - \$2.1 million; February 28, 2010 - \$2.3 million; November 30, 2009 - \$2.4 million; August 31, 2009 - \$2.3 million) (deferred cost of sales: May 31, 2010 - \$0.3 million; February 28, 2010 - \$0.7 million; November 30, 2009 - \$0.8 million; August 31, 2009 - \$0.5 million).

Cash and cash equivalents and marketable securities

Cash and cash equivalents include cash on hand, balances with banks and short term investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Marketable securities include debt securities maturing within twelve months of the balance sheet date. Marketable securities are measured at fair value, with the changes in fair value being recognized in other comprehensive income during the period.

Investments in cash equivalents and marketable securities are governed by the Company’s investment policy guidelines as approved by the Board of Directors. The policy stipulates that investments will at all times be based on the requirements for safety, liquidity and yield in that order of importance.

The Company's short-term investment portfolio of \$84.1 million at May 31, 2010 included bankers' acceptances (28.0% of portfolio), high interest savings accounts (48.2% of portfolio) and guaranteed investment certificates (23.8% of portfolio) with yields ranging from 0.52% to 1.75%.



At May 31, 2010, the Company had \$91.6 million of cash, cash equivalents and marketable securities, an increase of \$3.2 million from the amount it held at February 28, 2010. The increase in the Company's cash, cash equivalents and marketable securities is primarily the result of \$4.6 million of cash generated from operating activities, which was somewhat offset by the use of \$1.7 million for capital asset acquisitions during the period.

Working capital

Working capital represents the Company's current assets less its current liabilities. The Company's working capital balance increased to \$104.8 million at May 31, 2010 compared to \$99.8 million at the end of fiscal 2009. This increase primarily relates to an increase in cash and inventory, which was somewhat offset by a decrease in accounts receivable. The Company's working capital ratio (which is its current assets divided by its current liabilities) increased to 6.6:1 compared to 6.5:1 at November 30, 2009.

The Company's DSO's decreased to 70 days from the 90 days reported at the end of fiscal 2009. The Company's pro-forma DSO's were 54 days at May 31, 2010 as compared to 68 days at the end of fiscal 2009. Pro forma DSO's at May 31, 2010 were reduced as a result of a larger percentage of revenue being recognized and collected during second quarter of 2010. In addition, several arrangements which had been included in deferred revenue in prior quarters, were recognized and collected during the current quarter. The Company expects that pro forma DSO's will be in the range of 60 – 75 days.

The Company's inventory turnover for the current quarter was 1.5 times per year, compared to 1.7 times per year for the fourth quarter of 2009. The Company also assesses its inventory turnover on a pro forma basis, which excludes demonstration inventory and deferred cost of sales inventory. The Company's pro forma inventory turnover was 1.9 times per year for the current quarter, which decreased from the 2.4 times per year for the fourth quarter of 2009. The decrease in inventory turnover is related to an increase in PTS 24000 inventory, as it ramps to regular production levels. The Company has historically carried relatively high levels of inventory as a result of variability in product mix, the need to secure supply of long lead time parts and a strategic decision to maintain inventory levels that permit the Company to minimize customer delivery times.

Purchase of capital and intangible software assets

Exclusive of government assistance (Q2 2010: \$0.6 million, Q2 2009: \$nil), additions to capital and intangible software assets were \$2.3 million during the second quarter of fiscal 2010, as compared to \$1.1 million for the same period last year. The current quarter additions mainly relate to continued investment in hardware equipment to support the Company's research and development activities as well as IT infrastructure.

During the second quarter of fiscal 2010, the Company capitalized \$1.2 million of internally manufactured assets, as compared to \$0.3 million for the same period last year. These additions predominantly relate to continued investment in hardware equipment to support the Company's research and development activities.

Liquidity and capital resource requirements

Given the items outlined above and the Company's performance expectations, the Company believes that it has sufficient working capital to fund its current operating and working capital requirements for at least 12 months.

FINANCIAL INSTRUMENTS

Management of foreign exchange currency exposure is governed by the Company's foreign exchange policy as approved by its Board of Directors. The objective of the policy is to minimize the earnings impact of foreign currency gains and losses associated with foreign exchange rate fluctuations. The Company enters into forward contracts to reduce its exposure to fluctuations in foreign exchange rates. The following table summarizes the Company's commitments to buy and sell foreign currencies under foreign exchange contracts, all of which have a maturity date of less than one year, as at May 31, 2010:

Designation	Currency Sold	Currency Bought	Notional Amount Sold (\$000's)	Weighted Average Rate
Held for trading	USD	CAD	8,550	1.0218
Held for trading; cash flow hedges	CAD	ILS	2,011	3.5210

Management estimates that a loss of \$0.3 million would be realized if these forward contracts were terminated on May 31, 2010. Forward contracts designated as cash flow hedges have unrealized losses of \$0.1 million, which are recorded in accumulated other comprehensive income (loss) ("AOCI"). The net losses included in AOCI will be reclassified to net income (loss) within the next twelve months and are expected to offset the impact of foreign exchange fluctuations on the underlying hedged items. All hedging relationships are formally documented, including the risk management objective and strategy. On a monthly basis, an assessment is made as to whether the designated derivative financial instruments have been and continue to be effective in offsetting changes in cash flows of the hedged transactions. The unrealized loss on forward contracts not designated as hedges is \$0.2 million, and is included in net income which offsets gains recorded on the foreign denominated items, namely accounts receivable.

The fair value of accounts receivable, other receivables, accounts payable and accrued liabilities approximates their carrying value due to the immediate or short-term maturity of these financial instruments. At May 31, 2010, the Company had a significant concentration of credit risk with one customer representing 34.7% of the Company's accounts receivable (November 30, 2009; three customers representing 41.3% (17.3%, 13.3% and 10.7%)).

OUTSTANDING SHARE DATA

The Company has one class of shares consisting of an unlimited number of common shares. As of July 8, 2010, the Company has issued 136,541,835 common shares, one common share purchase warrant which entitles the holder to acquire 619,280 common shares and 10,483,911 common share options under the Company's stock option plan (as further described in note 13 of its November 30, 2009 consolidated financial statements).

OFF BALANCE SHEET ARRANGEMENTS

The Company has entered into forward currency contracts (disclosed under "Financial Instruments" above), and letters of credit (disclosed under note 11 of the May 31, 2010 consolidated interim financial statements) which are considered "off-balance sheet" arrangements as that term is described in National Instrument 51-102F.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures for the Company. As such, the Company maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in filings is recorded, processed, summarized and reported within the time periods specified in the Canadian Securities Administrators rules and forms.

INTERNAL CONTROLS AND PROCEDURES

The CEO and CFO are responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company's management, under the supervision of the CEO and CFO have evaluated whether there were changes to the Company's internal control over financial reporting during the interim period ended May 31, 2010 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. No such changes were identified through their evaluation.

Management, including the CEO and CFO, does not expect that the Company's disclosure controls or internal controls over financial reporting will prevent or detect all errors and all fraud or will be effective under all future conditions. A control system is subject to inherent limitations and, no matter how well designed and operated, can provide only reasonable, not absolute assurance that the control system objectives will be met.

SELECTED CONSOLIDATED QUARTERLY FINANCIAL INFORMATION

The following table provides an analysis of our unaudited operating results for each of the quarters ended on the date indicated:

Fiscal 2010 <i>(in thousands of dollars)</i>	Three months ended		Fiscal year to date
	February 28 2010 \$	May 31 2010 \$	May 31 2010 \$
Revenue	21,863	22,404	44,267
Operating expenses	15,756	14,709	30,465
Net income	558	1,958	2,516
Basic earnings per share	0.004	0.014	0.019
Diluted earnings per share	0.004	0.014	0.018
Total assets	136,889	140,922	140,922

Fiscal 2009 <i>(in thousands of dollars)</i>	Three months ended				Fiscal year ended
	February 28 2009 \$	May 31 2009 \$	August 31 2009 \$	November 30 2009 \$	November 30 2009 \$
Revenue	18,577	15,209	16,030	19,032	68,848
Operating expenses	19,050	17,252	16,176	18,843	71,321
Net loss	(4,795)	(5,635)	(4,358)	(4,729)	(19,517)
Basic loss per share	(0.035)	(0.042)	(0.032)	(0.035)	(0.144)
Diluted loss per share	(0.035)	(0.042)	(0.032)	(0.035)	(0.144)
Total assets	144,652	136,517	135,509	136,269	136,269

Fiscal 2008 <i>(in thousands of dollars)</i>	Three months ended				Fiscal year ended
	February 29 2008 \$	May 31 2008 \$	August 31 2008 \$	November 30 2008 \$	November 30 2008 \$
Revenue	8,288	11,087	13,125	18,584	51,084
Operating expenses	14,359	14,170	15,570	17,844	61,943
Net loss	(6,977)	(4,631)	(6,256)	(1,771)	(19,635)
Basic loss per share	(0.051)	(0.034)	(0.046)	(0.013)	(0.144)
Diluted loss per share	(0.051)	(0.034)	(0.046)	(0.013)	(0.144)
Total assets	157,022	149,489	145,846	150,052	150,052

Historically, the Company's operating results have fluctuated on a quarterly basis and it is expected that quarterly financial results will continue to fluctuate in the future. Fluctuations in results relate to the growth in the Company's revenue, the timing of revenue being recognized and sales to reseller customers, which may place large single orders in any one quarter, and to the timing of staffing and infrastructure additions to support growth.