



MANAGEMENT'S DISCUSSION AND ANALYSIS

Dated: January 12, 2012

This Management's Discussion and Analysis ("MD&A") for the three months and year ended November 30, 2011 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 audited consolidated financial statements and accompanying notes for the year ended November 30, 2011. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are reported in United States dollars. The information contained herein is dated as of January 12, 2012, 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 most recent fiscal year, which ended on November 30, 2011, is referred to as the "current fiscal year," "fiscal 2011", "2011", "FY-11" or using similar words. The previous fiscal year, which ended on November 30, 2010, is referred to as "previous fiscal year," "fiscal 2010," "2010", "FY-10" 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's reseller partners may offer their own products which are competitive with the Company's products;
- 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 network policy control 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, numerous telecommunications legislators and regulators in various jurisdictions have considered or are considering what, if any, regulations might be appropriate with respect to how internet service providers manage the impact of different types of traffic on their networks. These ongoing processes may cause uncertainty in the network investment decisions of the Company's target customers, and any new rules or regulations that result from these considerations may impact the demand for the Company's products within various markets, including markets that may not be considering any new regulation but where the Company's customers may look to other markets for future guidance or trends;
- The majority of the Company's operating expenses are denominated in Canadian dollars, U.S. dollars, New Israeli Shekels and Indian rupees. The Company's earnings are impacted by fluctuations in the exchange rates between the U.S. dollar and these currencies.

CHANGE IN FUNCTIONAL AND REPORTING CURRENCY

Effective December 1, 2010 (the “Conversion Date”), the Company adopted the U.S. dollar (“USD”) as its functional currency. This is the result of the continuing shift that the Company has experienced in the proportion of its revenues, expenses, assets and liabilities which are denominated in USD, and its expectation that this shift will continue in future periods. Prior to the Conversion Date, the Company’s operations were measured in Canadian dollars (“CAD”). On the Conversion Date the assets and liabilities were translated into USD using the exchange rate in effect on that date and equity transactions were translated at historical rates.

In conjunction with this change in functional currency, the Company chose the USD as the Company’s reporting currency. Historical financial statement information was restated into U.S. dollars using the current rate method as required by the recommendations of Emerging Issues Committee (“EIC”) recommendation EIC-130, *Translation method when the reporting currency differs from the measurement currency or there is a change in the reporting currency*. Under this method, assets and liabilities are translated at the closing rate in effect at the end of the periods reported. Revenues, expenses and cash flows are translated at the average rates in effect throughout the period, or the rates in effect at the date of the transaction for significant transactions. Any exchange differences resulting from the translation are included as part of Accumulated Other Comprehensive Income presented in Statement of Changes in Shareholders’ Equity and Comprehensive Income (Loss). As at November 30, 2010, the resulting net adjustment of \$20.2 million has been credited to Accumulated Other Comprehensive Income (November 30, 2009 - \$16.3 million). The impact to Comprehensive Income for the twelve months ended November 30, 2010 was an increase of \$3.9 million.

In addition, all historical financial information contained within this MD&A has also been restated to USD, unless otherwise indicated.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets out selected consolidated financial information for the periods indicated. The selected annual financial information set out below has been derived from the audited consolidated financial statements and accompanying notes for the years ended November 30, 2011, 2010 and 2009 as restated for the change in reporting currency described in Note 3 to the annual consolidated financial statements. Each investor should read the following information in conjunction with those statements and related notes. The financial information for the three month periods ended November 30, 2011 and November 30, 2010 has been prepared by management in accordance with Canadian generally accepted accounting principles in a manner consistent with the Company's annual financial statements.

	Three month period ended		Twelve month period ended		
	November 30 2011	November 30 2010	November 30 2011	November 30 2010	November 30 2009
	\$	\$	\$	\$	\$
<i>Amounts in US\$ thousands, except share and per share data</i>					
Consolidated Statement of Operations Data:					
Revenue					
Product	13,407	18,658	64,085	70,442	46,094
Service	7,190	5,500	25,254	19,217	14,658
	<u>20,597</u>	<u>24,158</u>	<u>89,339</u>	<u>89,659</u>	<u>60,752</u>
Cost of Sales					
Product	3,976	5,274	16,493	18,526	12,762
Service	1,890	1,549	6,605	5,273	2,943
	<u>5,866</u>	<u>6,823</u>	<u>23,098</u>	<u>23,799</u>	<u>15,705</u>
Gross margin	<u>14,731</u>	<u>17,335</u>	<u>66,241</u>	<u>65,860</u>	<u>45,047</u>
Expenses					
Sales and marketing	5,296	5,318	20,351	19,057	17,851
Research and development	7,741	6,956	31,546	26,450	24,441
General and administration	2,926	2,609	11,533	9,609	7,677
Net government assistance	(154)	(185)	(727)	(2,781)	(416)
Stock based compensation	650	631	2,760	2,631	4,446
Amortization of intangible assets	552	345	1,998	1,563	1,854
Depreciation	1,324	1,232	4,482	4,295	4,086
Goodwill impairment	-	-	-	-	1,964
Intangible impairment	-	-	-	643	-
	<u>18,335</u>	<u>16,906</u>	<u>71,943</u>	<u>61,467</u>	<u>61,903</u>
Income (loss) from operations	<u>(3,604)</u>	<u>429</u>	<u>(5,702)</u>	<u>4,393</u>	<u>(16,856)</u>
Interest and other income	35	222	129	465	559
Income (loss) before income taxes	<u>(3,569)</u>	<u>651</u>	<u>(5,573)</u>	<u>4,858</u>	<u>(16,297)</u>
Provision for (recovery of) income taxes	66	48	190	145	(47)
Net income (loss) for the period	<u>(3,635)</u>	<u>603</u>	<u>(5,763)</u>	<u>4,713</u>	<u>(16,250)</u>
Basic earnings (loss) per share	(0.026)	0.004	(0.042)	0.035	(0.120)
Diluted earnings (loss) per share	(0.026)	0.004	(0.042)	0.033	(0.120)
Weighted average common shares outstanding					
Basic	137,802,512	136,724,475	137,566,098	136,256,258	135,636,736
Diluted	137,802,512	141,248,727	137,566,098	140,715,500	135,636,736

<i>Amounts in US\$ thousands</i>	As at November 30 2011	As at November 30 2010	As at November 30 2009
Consolidated Balance Sheet Data:			
Cash and cash equivalents	2,952	87,949	2,218
Short term investments	71,030	-	79,027
Total assets	141,899	145,880	129,089
Total liabilities	21,870	22,965	18,031
Shareholders' equity	120,029	122,915	111,058

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		Twelve month period ended		
	November 30 2011 \$	August 31 2011 \$	November 30 2010 \$	November 30 2011 \$	November 30 2010 \$
	<i>Amounts in US\$ thousands</i>				
Net income (loss)	(3,635)	522	603	(5,763)	4,713
Excluded Expenses					
Stock based compensation expense	650	752	631	2,760	2,631
Amortization of intangible assets acquired through business acquisitions	185	185	187	754	1,072
Intangible impairment	-	-	-	-	643
Net income (loss) excluding the impact of Excluded Expenses	(2,800)	1,459	1,421	(2,249)	9,059

	Three month period ended		Twelve month period ended		
	November 30 2011 \$	August 31 2011 \$	November 30 2010 \$	November 30 2011 \$	November 30 2010 \$
Diluted earnings (loss) per share	(0.026)	0.004	0.004	(0.042)	0.033
Impact on diluted earnings (loss) per share of Excluded Expenses	0.006	0.006	0.006	0.026	0.031
Diluted earnings (loss) per share excluding the impact of Excluded Expenses	(0.020)	0.010	0.010	(0.016)	0.064

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 better understand their networks and 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 network traffic.

Sandvine has well over 200 Internet service provider customers in over 80 countries who serve hundreds of millions of fixed line and mobile broadband Internet subscribers.

The Market

Sandvine’s target market is broadband Internet service providers worldwide, including those which offer such services through DSL, cable, fixed wireless, mobile and FTTx Internet access technologies. 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. Industry analyst reports estimate that there were between 500 and 600 million fixed line broadband subscribers globally at the end of 2011.

In the mobile data market (fixed wireless and mobile), Sandvine primarily targets the top 350 service providers in the world. According to industry analysts there were between five and six billion total mobile subscribers worldwide at the end of 2011. Industry analysts also estimate there are approximately one billion mobile *broadband* users – the mobile subscriber of interest for Sandvine’s solutions. This figure is expected to grow rapidly over the next few years.

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 network traffic.

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-, subscriber- and device- 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 enable 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. 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 funding repayments) and foreign exchange impacts.

The Company anticipates that throughout fiscal 2012 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

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 target business model represents the Company's targeted operating margin goals 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 incur expenses at levels above those contemplated, on the basis and belief that this investment level will result in a higher level of revenue such that it will achieve its targeted business model within its current cost structure. As a result, the Company does not anticipate achieving this target business model on a 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	80% - 90%
Service revenue	10% - 20%

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 target 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 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;
- This target business model does not consider or provide for any significant extraordinary one-time expense(s) or any significant incremental investment in a new market or technology in advance of its associated revenue.
- Any increase in sales through the Company’s indirect channel can be managed without significantly impacting the Company’s blended gross margin;
- The regulatory and legislative 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 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.

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, when acceptance has been received in arrangements with seller specified acceptance criteria, 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.

Valuation of inventory

The Company's policy for the valuation of inventory, including the determination of obsolete or excess inventory, requires the estimate of future demand for the Company's products. Inventory purchases and purchase commitments are based upon forecasts of future demand. The business environment in which the Company operates is subject to long lead-time order requirements for certain components and rapid changes in technology and customer demand. The Company performs a detailed assessment of inventory each reporting period, which includes a review of, among other factors, anticipated demand requirements, current inventory levels, component part purchase commitments and usage. If customer demand differs from the Company's forecasts, actual requirements for inventory write-offs could differ from the Company's estimates. If the Company determines that forecasted demand does not allow the Company to sell inventories above cost or at all, such inventory is written down to net realizable value or is written off.

Valuation of long-lived assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the total of the expected undiscounted future cash flows is less than the carrying amount of the asset, a loss is recognized for the excess of the carrying amount over the fair value of the asset. The Company's impairment analysis will contain estimates due to the inherently speculative nature of forecasting long term estimated cash flows and determining the ultimate useful lives of assets. Actual results will differ, which could materially impact the Company's impairment assessment.

Valuation allowance related to future tax assets

The ultimate realization of future tax assets is dependent upon future taxable income during the years in which these assets are deductible. In assessing the value of the future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will be realized. The Company records a valuation allowance to reduce future income tax assets to the amount that is more likely than not to be realized. The Company regularly assesses all negative and positive evidence to evaluate the recoverability of its future tax assets including an evaluation of the nature and the amount of significant tax assets and their carry-forward period, the Company's recent earnings history, the Company's cumulative profit or loss in recent years and the Company's ability to reasonably forecast sufficient future earnings.

ACCOUNTING CHANGES AND IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Change in functional and reporting currency

See *Change in Functional and Reporting Currency* earlier in this document.

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 continues to monitor and assess the impact of evolving differences between Canadian GAAP and IFRS, since the International Accounting Standards Board (“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. Any future changes not contemplated in this analysis, if implemented, could give rise to transitional adjustments or adjustments related to fiscal 2011 that differ from those detailed below.

IFRS Conversion Plan

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 an effective transition to IFRS. The Audit Committee of the Board of Directors regularly receives progress reporting on the status of the IFRS implementation project.

The project was designed with three primary phases as follows:

1. Scoping and diagnostic phase - This phase involved 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 was 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 included the identification of operational impacts such as information technology, process and internal control changes.
3. Implementation and review phase - This phase integrated the Company’s new accounting policies and resulting operational impacts into the Company’s underlying information systems, business processes and internal controls.

We have substantially completed all key activities as detailed in our project plan as outlined below. Ongoing work that will continue into fiscal 2012 includes: assessment of newly issued standards including their impact on business processes, preparing pro forma annual financial statements and finalizing changes to our internal controls over financial reporting. The Company anticipates the completion of these remaining elements of the workplan during the first quarter of fiscal 2012.

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
<p>Accounting policies and procedures:</p> <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 of policy decisions throughout fiscal 2011; Audit Committee approval of policy decisions in Q4 2011. 	<ul style="list-style-type: none"> Accounting policy alternatives have been analyzed. Key accounting policy decisions have been approved by senior management. Approval of key accounting policy decisions by the Audit Committee occurred in Q4 2011. Continue to evaluate IFRS standards that are not yet effective and exposure drafts on an ongoing basis.
<p>Financial statement preparation:</p> <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"> Audit Committee approval of pro forma interim financial statement format including note disclosures in Q4 2011; Audit committee approval of December 1, 2010 transition date statement of financial position in Q4 2011. 	<ul style="list-style-type: none"> Draft of IFRS interim financial statement format with disclosures has been approved by the Audit Committee. Draft IFRS transition date statement of financial position and preliminary fiscal 2011 IFRS financial information has been approved by the Audit Committee.
<p>Training and communication:</p> <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; Inclusion of transition date and preliminary fiscal 2011 IFRS financial information in Q4 2011 MD&A. 	<ul style="list-style-type: none"> Detailed training has been received by project team members, senior executives and Board of Director 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 completed; IFRS disclosure in the MD&A includes transition date and preliminary fiscal 2011 financial information.
<p>Business activities:</p> <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; Modifications to key impacted areas made as required. 	<ul style="list-style-type: none"> Identification of key impacts is complete. Key modifications to business activities supporting functional currency, multiple element revenue allocation, capital asset reporting, hedging documentation and general ledger reporting have been enacted.
<p>IT systems:</p> <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; Solution for capturing financial information under multiple sets of GAAP. 	<ul style="list-style-type: none"> IT changes required have been implemented; With conversion to a new ERP system, IFRS record keeping has been implemented within the Company’s financial information system to enable the capturing of financial information under multiple sets of GAAP.
<p>Control environment:</p> <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 Q1 2012; Conclude on operating effectiveness of internal controls by Q4 2012. 	<ul style="list-style-type: none"> Internal control modifications are being assessed as each area of difference is reviewed.

Key Differences between IFRS and Canadian GAAP

Based on IFRS standards in effect as of November 30, 2011 or IFRS standards not yet in effect but expected to be adopted by the Company prior to November 30, 2012, the following explanations describe the differences between IFRS and Canadian GAAP and quantifies the impacts on Shareholders' equity at the transition date and November 30, 2011 and net loss for the year ended November 30, 2011. The information is provided to allow investors and others gain a better understanding of the expected impacts on the Company's financial statements. These are estimates based on the Company's current assumptions and expectations however circumstances may arise, such as changes in IFRS or economic conditions that could change these assumptions and expectations.

Accounting Area	Difference and Potential Impact to the Company
First time adoption of IFRS (IFRS 1)	<p>IFRS 1 provides the framework for the first time adoption of IFRS. Certain one-time, optional and mandatory exemptions from full retrospective application of IFRS standards exist and are outlined within the standard. The IFRS 1 optional exemptions that are most relevant to the Company are as follows:</p> <ul style="list-style-type: none"> • Share based payment transactions – For equity-settled share based payment transactions, IFRS 1 provides for exemption to retrospective application of IFRS 2 Share based payments for previously issued equity instruments that are fully vested prior to the date of transition. The Company will utilize this exemption. • Business combinations – Under IFRS 1, there is the option available to not apply the full requirements of IFRS 3 Business combinations to business combinations prior to the date of transition. The Company will utilize this exemption. • Cumulative transition adjustment – Under IFRS 1, there is an option available to deem to be zero the Company's cumulative transition adjustment on the date of transition. The Company will utilize this exemption and has currently estimated the effect on transition to be an decrease in opening retained deficit and a decrease in accumulated other comprehensive income of \$20.2 million. <p>The quantified impact of the above exemptions is included in the following explanations.</p>
Support and maintenance revenue	<p>Under Canadian GAAP, consideration within multiple element arrangements was allocated to all units of accounting based on their relative selling price, except support and maintenance revenues which were recognized based on the customer's stated renewal rate. Under IFRS, support and maintenance revenues are not recognized separately based on the customer's stated renewal rate but rather included in the relative selling price allocation with all other units of accounting. At December 1, 2010, this adjustment reduced deferred support and maintenance revenues by \$0.2 million with a corresponding decrease to retained deficit. For the year ended November 30, 2011, this adjustment decreased support and maintenance revenues and increased product revenues by \$0.5 million, and \$1.5 million respectively resulting in a net loss decrease of \$1.0 million. As at November 30, 2011, this adjustment reduced deferred support and maintenance revenues by \$1.3 million.</p>
Government grants	<p>The Company has received government contributions related to certain historical research and development projects. Under the terms of two of these contracts, the Company is obligated to pay royalties based on revenues as defined under the individual contracts. Under Canadian GAAP, the royalty obligation was accrued at the time when the related product revenues were recognized. Under IFRS, repayable government contributions are considered to be financial liabilities and are recognized initially at fair value and subsequently at amortized cost using the effective interest rate method. At the end of each reporting period, interest accretion relating to the repayable government contribution obligation is recognized in <i>Finance costs</i> while changes in value of the obligation attributable to changes in the timing and amount of estimated future cash flows are included in <i>Other finance (gains) and losses, net</i>. At December 1, 2010, an additional financial liability of \$9.5 million has been recognized in <i>Trade and other payables</i> and <i>Other non-current liabilities</i> under IFRS with a corresponding increase in retained deficit. For the year ended November 30, 2011, this adjustment reduced <i>Research and development</i> expenses, increased <i>Finance cost</i>, increased <i>Other finance gains</i> and increased <i>Foreign exchange gains</i> by \$2.4 million, \$0.7 million, \$1.0 million and</p>

Accounting Area	Difference and Potential Impact to the Company
	<p>\$0.1 million respectively resulting in a net loss decrease of \$2.6 million. As at November 30, 2011, this adjustment increased <i>Trade and other payables</i> and <i>Other non-current liabilities</i> by \$6.9 million under IFRS.</p>
Foreign currency	<p>As noted above, the Company has utilized the elected exemption permitted under IFRS 1, reclassifying its Cumulative translation adjustment balance to nil on transition. The impact of this change was a decrease to Accumulated other comprehensive income of \$20.2 million with a corresponding decrease to Retained deficit on transition.</p>
Share based payments	<p>Under Canadian GAAP, the Company valued stock-based compensation that vests in tranches as a single grant with the related compensation cost being recognized on a straight-line basis. Under IFRS, each share-based compensation tranche is valued as a separate grant with separate vesting date with recognition of compensation expense over each individual tranche's vesting period. Under Canadian GAAP, forfeitures of stock-based compensation awards can be accounted for in the period in which the forfeiture occurs. Under IFRS, an estimate of forfeitures must be made at the time of grant with reviews of estimated forfeiture rates at least annually. The impact of the above noted differences as well as elected exemption regarding stock-based compensation noted above reduced <i>Share Capital</i>, increased <i>Contributed Surplus</i> and increased <i>Retained deficit</i> by \$0.3 million, \$1.0 million and \$0.7 million respectively on transition. As at November 30, 2011, the impact reduced <i>Share Capital</i> and increased <i>Contributed Surplus</i> by \$0.4 million and \$0.4 million respectively. For the year ended November 30, 2011, this adjustment decreased <i>Stock based compensation</i> recognized in the consolidated statement of income by \$0.7 million resulting in a decrease of net loss of the same amount.</p>
Plant and equipment	<p>Under IFRS when a fixed asset comprises of individual components for which different depreciation methods or rates are appropriate, each component is accounted for separately (component accounting). Under Canadian GAAP, the Company did not apply component accounting to the degree required by IFRS. The impact of this change was a decrease to <i>Plant and equipment</i> of \$0.1 million with a corresponding increase to <i>Retained deficit</i> on transition. As at November 30, 2011, the impact of this change was a decrease to <i>Plant and equipment</i> of \$23 thousand. For the year ended November 30, 2011, this adjustment decreased depreciation recognized in the consolidated statement of income by \$0.1 million resulting in a decrease of net loss of the same amount.</p>
Income taxes	<p>Under Canadian GAAP, income taxes were recognized in a manner consistent with the underlying transaction when the transaction occurs in the same period as the income tax effects recognized. However, when the income taxes were being recognized or re-measured in a subsequent period, they were required to be charged to the income statement, even if the initial recognition was related to equity or other comprehensive income. Under IFRS, tax consequences of a transaction recorded in other comprehensive income or equity in a previous period must be recorded in other comprehensive income or directly in equity (i.e. backward tracing). As a result, the income tax benefit of share issuance costs which have been recognized as a tax benefit against net income for Canadian GAAP purposes will be recorded in equity under IFRS resulting in an increase of share capital and an increase in accumulated deficit. The impact of this change was an increase to <i>Share capital</i> of \$0.1 million with a corresponding increase to <i>Retained deficit</i> on transition and at November 30, 2011. For the year ended November 30, 2011, this adjustment did not impact the consolidated statement of financial position or the consolidated statement of comprehensive income.</p>
Reclassifications	<p><i>Amortization of intangible assets, Depreciation and Stock based compensation</i> were presented separately on the Consolidated Statement of Income for Canadian GAAP purposes. Under IFRS, these expenses will be reclassified and included in <i>Cost of sales, Sales and marketing, Research and development and General and administrative expenses</i>.</p>

Financial Statements under IFRS

The following preliminary reconciliations present the differences between Canadian GAAP and IFRS for the transition consolidated balance sheet at December 1, 2010, the fiscal 2011 consolidated balance sheet at November 30, 2011 and the consolidated statement of comprehensive income (loss) for the year ended November 30, 2011. These statements are labelled preliminary because accounting policy and transition choices can continue to be made until November 30, 2012.

Preliminary Consolidated Statement of Financial Position

(thousands, in US dollars)

	November 30, 2011			December 1, 2010		
	Cdn GAAP	Adj.	IFRS	Cdn GAAP	Adj.	IFRS
Assets						
Current Assets						
Cash and cash equivalents	2,952	-	2,952	\$87,949	-	\$87,949
Short term investments	71,030	-	71,030	-	-	-
Accounts receivable	28,194	-	28,194	25,485	-	25,485
Inventory	18,230	-	18,230	11,268	-	11,268
Other current assets	3,586	-	3,586	3,201	-	3,201
	<u>123,992</u>	<u>-</u>	<u>123,992</u>	<u>127,903</u>	<u>-</u>	<u>127,903</u>
Non current assets						
Plant and equipment ¹	11,942	(23)	11,919	12,341	(84)	12,257
Intangible assets	5,454	-	5,454	5,125	-	5,125
Other assets	511	-	511	511	-	511
	<u>17,907</u>	<u>(23)</u>	<u>17,884</u>	<u>17,977</u>	<u>(84)</u>	<u>17,893</u>
	<u>141,899</u>	<u>(23)</u>	<u>141,876</u>	<u>145,880</u>	<u>(84)</u>	<u>145,796</u>
Liabilities						
Current liabilities						
Trade and other payables ²	10,688	99	10,787	12,005	203	12,208
Current portion of deferred revenue ³	10,269	(1,146)	9,123	10,257	(121)	10,136
	<u>20,957</u>	<u>(1,047)</u>	<u>19,910</u>	<u>22,262</u>	<u>82</u>	<u>22,344</u>
Non current liabilities						
Deferred revenue ³	913	(124)	789	703	(105)	598
Other non current liabilities ²	-	6,819	6,819	-	9,280	9,280
	<u>913</u>	<u>6,695</u>	<u>7,608</u>	<u>703</u>	<u>9,175</u>	<u>9,878</u>
	<u>21,870</u>	<u>5,648</u>	<u>27,518</u>	<u>22,965</u>	<u>9,257</u>	<u>32,222</u>
Shareholders' equity						
Share capital ^{4,5}	120,711	(239)	120,472	119,570	(171)	119,399
Contributed surplus ⁴	12,358	396	12,754	10,007	992	10,999
Accumulated comprehensive income (loss) ⁶	19,603	(20,218)	(615)	20,218	(20,218)	-
Retained deficit	(32,643)	14,390	(18,253)	(26,880)	10,056	(16,824)
	<u>120,029</u>	<u>(5,671)</u>	<u>114,358</u>	<u>122,915</u>	<u>(9,341)</u>	<u>113,574</u>
	<u>141,899</u>	<u>(23)</u>	<u>141,876</u>	<u>145,880</u>	<u>(84)</u>	<u>145,796</u>

(1) See "Plant and equipment"

(2) See "Government grants"

(3) See "Support and maintenance revenue"

(4) See "Share based payments"

(5) See "Income taxes"

(6) See "Foreign currency"

Preliminary Condensed Consolidated Statement of Comprehensive Income (Loss)

(thousands, in US dollars)

	Year ended November 30, 2011		
	Cdn GAAP	Adj.	IFRS
Revenue³			
Product	64,085	1,496	65,581
Service	25,254	(452)	24,802
	<u>89,339</u>	<u>1,044</u>	<u>90,383</u>
Cost of sales^{4,7}	<u>23,098</u>	<u>121</u>	<u>23,219</u>
Gross margin	<u>66,241</u>	<u>923</u>	<u>67,164</u>
Expenses			
Sales and marketing ^{1, 4, 7}	20,252	1,217	21,469
Research and development ^{1, 2, 4, 7}	31,669	1,960	33,629
General and administrative ^{1, 4, 6, 7}	10,782	3,286	14,068
Stock based compensation ^{4, 7}	2,760	(2,760)	-
Amortization of intangible assets ^{1, 7}	1,998	(1,998)	-
Depreciation ^{1, 7}	4,482	(4,482)	-
	<u>71,943</u>	<u>(2,777)</u>	<u>69,166</u>
(Loss) from operations	<u>(5,702)</u>	<u>3,700</u>	<u>(2,002)</u>
Finance (income) costs, net			
Finance (income)	(129)	-	(129)
Finance costs	-	697	697
Foreign exchange (gains) losses ⁶	-	(355)	(355)
Other finance (gains) losses, net	-	(976)	(976)
	<u>(129)</u>	<u>(634)</u>	<u>(763)</u>
(Loss) before provision for income taxes	<u>(5,573)</u>	<u>4,334</u>	<u>(1,239)</u>
Provision for income taxes	<u>190</u>	<u>-</u>	<u>190</u>
Net (loss) for the year	<u>(5,763)</u>	<u>4,334</u>	<u>(1,429)</u>
Other comprehensive (loss):			
Cash flow hedges	<u>(615)</u>	<u>-</u>	<u>(615)</u>
Total comprehensive (loss) for the period	<u>(6,378)</u>	<u>4,334</u>	<u>(2,044)</u>

(1) See "Plant and equipment"

(2) See "Government grants"

(3) See "Support and maintenance revenue"

(4) See "Share based payments"

(5) See "Income taxes"

(6) See "Foreign currency"

(7) See "Reclassifications"

The following provides a condensed consolidated statement of income (loss) for fiscal 2011, by quarter, on a preliminary basis under IFRS.

(in thousands, US dollars except per share amounts)	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Revenue				
Product	13,492	18,652	19,465	13,972
Service	5,691	5,853	6,299	6,959
	<u>19,183</u>	<u>24,505</u>	<u>25,764</u>	<u>20,931</u>
Cost of Sales	<u>5,670</u>	<u>5,559</u>	<u>6,091</u>	<u>5,899</u>
Gross Margin	<u>13,513</u>	<u>18,946</u>	<u>19,673</u>	<u>15,032</u>
Expenses				
Sales and marketing	5,355	5,196	5,416	5,502
Research and development	7,294	8,696	9,088	8,551
General and administrative	3,172	3,587	3,724	3,585
	<u>15,821</u>	<u>17,479</u>	<u>18,228</u>	<u>17,638</u>
Income (loss) from operations	<u>(2,308)</u>	<u>1,467</u>	<u>1,445</u>	<u>(2,606)</u>
Finance (income) costs, net				
Finance (income)	(42)	(37)	(15)	(35)
Finance costs	194	180	179	144
Foreign exchange (gains) losses	196	(1)	(212)	(338)
Other finance (gains) losses, net	-	(369)	(275)	(332)
	<u>348</u>	<u>(227)</u>	<u>(323)</u>	<u>(561)</u>
Income (loss) before provision for income taxes	<u>(2,656)</u>	<u>1,694</u>	<u>1,768</u>	<u>(2,045)</u>
Provision for income taxes	<u>38</u>	<u>42</u>	<u>44</u>	<u>66</u>
Net (loss) income for the period	<u>(2,694)</u>	<u>1,652</u>	<u>1,724</u>	<u>(2,111)</u>
Earnings (loss) per share				
Basic	<u>(0.020)</u>	<u>0.012</u>	<u>0.013</u>	<u>(0.015)</u>
Fully diluted	<u>(0.020)</u>	<u>0.012</u>	<u>0.012</u>	<u>(0.015)</u>

Additional Information under IFRS

Amortization of intangible assets, Depreciation and Stock based compensation were presented separately on the Consolidated Statement of Income for Canadian GAAP purposes. Under IFRS, these expenses will be reclassified and included in *Cost of sales, Sales and marketing, Research and development and General and administrative* expenses. To assist readers in understanding the composition of individual functional expense categories, including those reclassifications required under IFRS, we have outlined the allocation of these non-cash expenses to the operating expense categories presented on the condensed consolidated statement of income (loss) for IFRS purposes.

(in thousands, US dollars)	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Cost of Sales				
Stock based compensation	31	28	29	33
Depreciation	53	53	53	39
Amortization of intangible assets	-	-	-	-
	<u>84</u>	<u>81</u>	<u>82</u>	<u>72</u>
Sales and marketing				
Stock based compensation	237	260	173	100
Depreciation	114	108	105	114
Amortization of intangible assets	1	1	1	3
	<u>352</u>	<u>369</u>	<u>279</u>	<u>217</u>
Research and development				
Stock based compensation	118	139	228	238
Depreciation	712	721	760	884
Amortization of intangible assets	110	120	155	153
	<u>940</u>	<u>980</u>	<u>1,143</u>	<u>1,275</u>
General and administrative				
Stock based compensation	91	104	169	118
Depreciation	182	192	207	275
Amortization of intangible assets	250	448	400	401
	<u>523</u>	<u>744</u>	<u>776</u>	<u>794</u>
Total				
Stock based compensation	477	531	599	489
Depreciation	1,061	1,074	1,125	1,312
Amortization of intangible assets	361	569	556	557
	<u>1,899</u>	<u>2,174</u>	<u>2,280</u>	<u>2,358</u>

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 consulting, training and installation that is provided to its customers. The vast majority of the Company's revenues are denominated in U.S. dollars.

The majority of the Company's operating expenses are denominated in Canadian dollars, U.S. dollars, New Israeli Shekels and Indian Rupees. The Company's earnings are impacted by fluctuations in the exchange rates between the U.S. dollar and these other currencies. 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, third-party 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 CAD\$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 CAD\$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 CAD\$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 short term investments.

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

CURRENT PERIOD OPERATING RESULTS

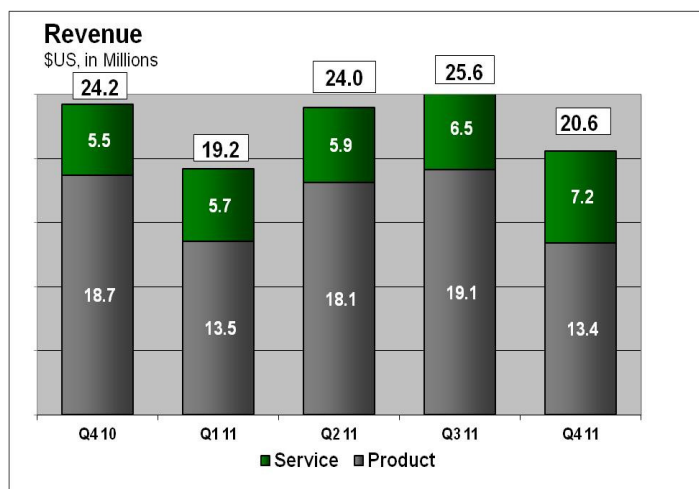
Overview

The Company's total revenues for the current quarter were \$20.6 million, a decrease of \$5.0 million from the \$25.6 million reported for the third quarter of 2011. Total revenue increased across all geographic regions except the Europe, Middle East and Africa ("EMEA") and Asia-Pacific regions. Product revenue decreased over the previous quarter by \$5.7 million while service revenue increased by \$0.7 million. The decrease in revenue primarily resulted from an \$8.0 million decrease in DSL market revenues, primarily in the EMEA geographic regions, partially offset by a \$3.6 million increase in revenue generated from the cable market, primarily in North America.

Revenue earned through the indirect sales channel decreased to \$9.1 million (or 44.2% of revenue) this quarter from \$15.5 million (or 60.7% of revenue) last quarter. The decrease in revenue through the indirect channel is consistent with the lower level of revenue derived from the EMEA and Asia Pacific regions, where the Company utilizes indirect sales channels to a greater degree. This is also consistent with a higher level of sales incurred in the North American region where the Company has historically sold its products directly to the end customer.

Certain opportunities that the Company was pursuing with existing customers during the fourth quarter of fiscal 2011 did not materialize, but the Company believes that these opportunities continue to exist. The Company expects to continue to experience significant quarterly fluctuations in the revenues generated from the Company's various access technology markets, sales regions and sales channels due to variability associated with the timing of significant customers' purchase decisions.

During the fourth quarter, the Company received initial purchase orders from 7 new service provider customers (Q3 2011: 12), comprising four wireless operators, two DSL service provider and one FTTx and recognized revenue from 6 new customers. The value of orders received from customers during the fourth quarter of 2011 was greater than total revenue recognized during the quarter.



The Company's GAAP net loss for the current quarter was \$3.6 million, compared to a GAAP net income of \$0.5 million in the third quarter of 2011. The Company's non-GAAP loss for the current quarter was \$2.8 million, compared to non-GAAP income of \$1.5 million in the third quarter of 2011.

The current quarter decrease in non-GAAP net income compared to the third quarter of 2011 is primarily the result of lower revenue and gross margin, being partially offset by slightly lower operating expenses. Revenue decreased by \$5.0 million and gross margin decreased by \$4.8 million as compared to the third quarter of 2011. The blended gross margin rate (Q4-11 71.5%; Q3-11 76.3%) decreased mainly due to less favourable product mix as well as a lower service gross margin rate, primarily due to certain lower margin professional service engagements.

Exclusive of “Excluded Expenses” (as defined on page 5 of this document), operating expenses in the fourth quarter decreased by \$0.5 million compared to the third quarter of 2011. The decrease was the result of decreased consulting costs, decreased costs associated with prototypes, as well as other various small fluctuations in several different expense categories.

Revenue

	Three month period ended			Twelve month period ended	
	November 30 2011	August 31 2011	November 30 2010	November 30 2011	November 30 2010
	\$	\$	\$	\$	\$
	<i>Amounts in US\$ thousands</i>				
Product	13,407	19,111	18,658	64,085	70,442
Service					
Support and maintenance	5,423	5,061	4,086	18,904	14,218
Professional services	1,141	933	991	4,229	3,578
Training, installation and other	626	461	423	2,121	1,421
	7,190	6,455	5,500	25,254	19,217
Total	20,597	25,566	24,158	89,339	89,659

Q4 2011 compared to Q3 2011

The Company’s total revenues for the current quarter were \$20.6 million, a decrease of \$5.0 million from the \$25.6 million reported for the third quarter of 2011. Total revenue increased across all geographic regions except the EMEA and Asia Pacific regions which declined by \$6.1 and \$0.9 million, respectively. Product revenue decreased over the previous quarter by \$5.7 million while service revenue increased by \$0.7 million. The decrease in revenue primarily resulted from an \$8.0 million decrease in DSL market revenues, primarily in the EMEA geographic regions, partially offset by a \$3.6 million increase in revenue generated from the cable market, primarily in North America. Revenue earned through the indirect sales channel decreased to \$9.1 million this quarter from \$15.5 million last quarter.

Service revenue increased by \$0.7 million to \$7.2 million, as compared to \$6.5 million recognized during the third quarter of 2011. Support and maintenance revenue increased by \$0.3 million to \$5.4 million, as compared to \$5.1 million recognized during the third quarter of 2011, primarily due to ongoing growth in the support and maintenance revenue base, driven by incremental product sales. Professional services as well as training, installation and other each increased by \$0.2 million. Such services can vary period to period based on the nature of customer engagements.

Certain opportunities that the Company was pursuing with existing customers during the fourth quarter of fiscal 2011 did not materialize, but the Company believes that these opportunities continue to exist. The Company expects to continue to experience significant quarterly fluctuations in the revenues generated from the Company’s various access technology markets, sales regions and sales channels due to variability associated with the timing of significant customers’ purchase decisions.

Q4 2011 compared to Q4 2010

Total revenues recognized during the fourth quarter of 2011 decreased by \$3.6 million to \$20.6 million, compared to \$24.2 million during the same period last year. The decrease resulted from a \$10.0 million decrease in revenue derived from the DSL market partially offset by increases in the cable and wireless technology markets of \$3.8 million and \$2.3 million respectively, as compared to the fourth quarter of 2010. Revenue from the Asia Pacific geographic region decreased by \$8.2 million, partially offset by an increase in the North American market of \$3.6 million. Revenues from the indirect sales channel decreased by \$6.3 million as compared to the fourth quarter of fiscal 2010.

Service revenue increased by \$1.7 million to \$7.2 million, compared to \$5.5 million recognized during the fourth quarter of 2010. The increase in service revenue is due to an increase in support and maintenance revenue of \$1.3 million, as a result of ongoing growth in the support and maintenance revenue base, driven by incremental product sales. Professional services as well as, training, installation and other services also increased as compared to the fourth quarter of fiscal 2010. Such services can vary period to period based on the nature of customer engagements.

Certain opportunities that the Company was pursuing with existing customers during the fourth quarter of fiscal 2011 did not materialize, but the Company believes that these opportunities continue to exist. The Company expects to continue to experience significant quarterly fluctuations in the revenues generated from the Company's various access technology markets, sales regions and sales channels due to variability associated with the timing of significant customer purchase decisions.

2011 compared to 2010

The Company's total revenues for the twelve months ended November 30, 2011 have decreased by \$0.4 million to \$89.3 million, as compared to \$89.7 million recognized during the same period last year. The current period decrease relates mainly to a \$5.7 million decrease in the DSL market, partially offset by increases in the wireless access technology market of \$4.0 million.

Service revenue increased by \$6.1 million to \$25.3 million, as compared to \$19.2 million in the twelve months ended November 30, 2010. The change primarily relates to increases in support and maintenance revenue (\$4.7 million), professional service revenue engagements (\$0.7 million) and training installation and other (\$0.7 million). The increase in professional services is consistent with the growth in business related to the Company's non-traffic-optimization solutions, which typically require greater integration to adjacent business systems. The higher support and maintenance revenue largely relates to incremental support and maintenance revenue earned on incremental product sales in the prior quarters as compared to the comparative period, partially offset by customers who have decommissioned older hardware products as, in most cases, they begin to transition to a newer hardware platform or upgrade their network.

Certain opportunities that the Company was pursuing with existing customers during the fourth quarter of fiscal 2011 did not materialize, but the Company believes that these opportunities continue to exist. The Company expects to continue to experience significant quarterly fluctuations in the revenues generated from the Company's various access technology markets, sales regions and sales channels due to variability associated with the timing of significant customers' purchase decisions.

Revenue by access technology

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

	Three month period ended		Twelve month period ended		
	November 30 2011 %	August 31 2011 %	November 30 2010 %	November 30 2011 %	November 30 2010 %
Cable	39.7	18.0	18.3	23.4	23.4
DSL	21.2	48.4	59.6	41.0	47.2
Fixed Wireless/Mobile/FTTx	36.8	32.2	22.0	33.8	29.3
Other*	2.3	1.4	0.1	1.8	0.1
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 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.

The decrease in the total percentage of DSL revenues, relates to certain opportunities that the Company was pursuing with existing customers during the fourth quarter of fiscal 2011 did not materialize. However, overall the Company expects the DSL and Wireless access technology markets to grow more rapidly than the Cable market as DSL is the dominant means of broadband Internet access globally, and Wireless continues to emerge as a growing technology for Internet access.

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			Twelve month period ended	
	November 30	August 31	November 30	November 30	November 30
	2011	2011	2010	2011	2010
	%	%	%	%	%
Direct	55.8	39.3	36.1	45.7	49.5
Indirect	44.2	60.7	63.9	54.3	50.5
Total	100.0	100.0	100.0	100.0	100.0

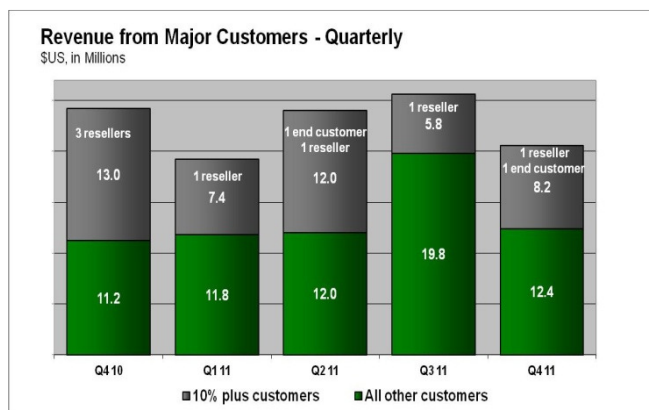
Revenue by geographic region

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			Twelve month period ended	
	November 30	August 31	November 30	November 30	November 30
	2011	2011	2010	2011	2010
	%	%	%	%	%
North America	51.0	33.5	28.4	40.4	41.9
Caribbean and Latin America	16.3	12.6	11.6	10.5	8.9
Europe, Middle East and Africa	22.4	42.0	17.3	29.9	22.6
Asia Pacific	10.3	11.9	42.7	19.2	26.6
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. Major Customers can also include resellers who may have sold to multiple end customers. 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. The Company continues to expand its number of customers and the identity of the individual service providers or resellers who are Major Customers often changes between quarters.



	Three month period ended				
	November 30 2011 %	August 31 2011 %	May 31 2011 %	February 28 2011 %	November 30 2010 %
Percentage of revenue					
Major Customers	40.0	22.6	50.0	38.8	53.9
Other customers	60.0	77.4	50.0	61.2	46.1
Total	100.0	100.0	100.0	100.0	100.0

The following chart outlines the percentage of revenue generated from Major Customers during the fourth quarter of 2011, and their respective percentages from the previous four quarters. In situations where a particular customer is a reseller who has purchased products for resale to one or more end user customers, 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.

The breakdown of Major Customers during the quarter ended November 30, 2011 with comparative quarters is as follows:

	Three month period ended				
	November 30 2011 %	August 31 2011 %	May 31 2011 %	February 28 2011 %	November 30 2010 %
Alcatel Lucent	19.8	22.6	27.3	9.1	13.1
Customer B	20.2	0.5	0.5	0.6	1.2
Total	40.0	23.1	27.8	9.7	14.3

The breakdown of Major Customers for the year ended November 30, 2011 with their respective percentages for the prior year is as follows:

	Twelve month period ended	
	November 30 2011 %	November 30 2010 %
Alcatel Lucent	20.3	7.5
Cricket Communications, Inc.	10.7	2.5
IT Frontier Corporation	10.5	15.6
Total	41.5	46.8

In situations where a Major Customer is a reseller, the number of end customers who generated product revenue through such reseller is highlighted for each of the applicable periods noted.

	Three month period ended				
	November 30	August 31	May 31	February 28	November 30
	2011	2011	2011	2011	2010
	%	%	%	%	%
Major customers – end customers	1	-	1	-	-
Major customers - resellers	1	1	1	1	3
# of end customers represented by the above resellers	11	16	5	3	16
Percentage of revenue	40.0	22.6	50.0	38.8	53.9

	Twelve month period ended	
	November 30	November 30
	2011	2010
	%	%
Major customers – end customers	1	1
Major customers - resellers	2	2
# of end customers represented by the above resellers	25	14
Percentage of revenue	41.5	25.6

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.

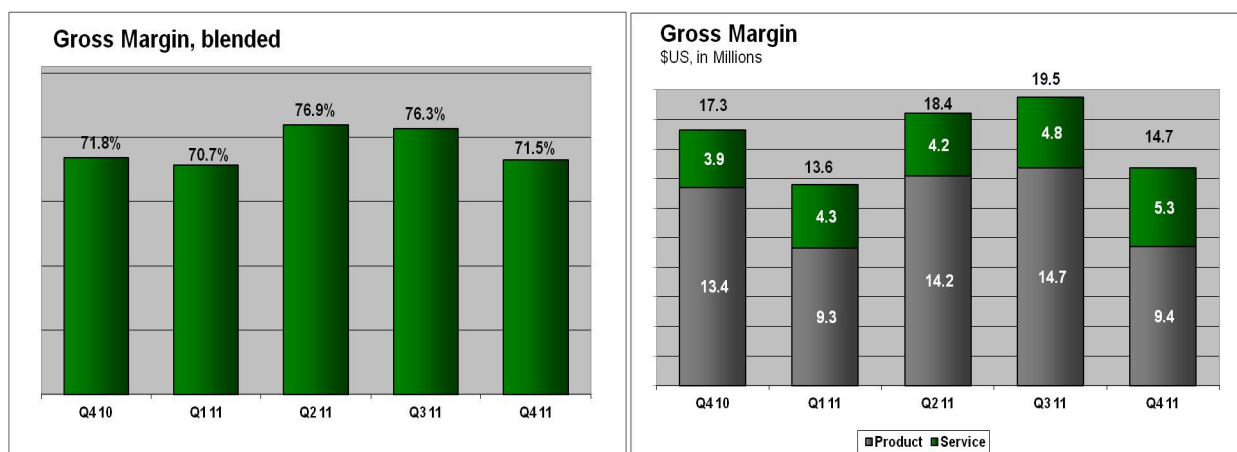
The breakdown of deferred revenue is as follows:

	November 30	August 31	November 30
	2011	2011	2010
	\$	\$	\$
	<i>In US\$ thousands</i>		
Deferred revenue:			
Service	9,581	10,654	8,252
Product	1,601	1,968	2,708
Total	11,182	12,622	10,960
Reported as:			
Current	10,269	11,773	10,257
Non-current	913	849	703
Total	11,182	12,622	10,960

Fluctuations in deferred service revenue are primarily related to the timing of significant support and maintenance renewals. Service deferred revenue decreased from August 31, 2011 levels as a result of customers who renew based on the calendar year-end and as a result, their support and maintenance renewals are not expected until the first quarter of 2012. Product deferred revenue decreased from August 31, 2011 levels, primarily due to timing of recognition of existing product deferred revenue arrangements.

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			Twelve month period ended	
	November 30 2011 %	August 31 2011 %	November 30 2010 %	November 30 2011 %	November 30 2010 %
Product	70.3	76.9	71.7	74.3	73.7
Service	73.7	74.6	71.8	73.8	72.6
Blended	71.5	76.3	71.8	74.1	73.5

Q4 2011 compared to Q3 2011

Product gross margin realized in the current quarter was lower than the third quarter of 2011 primarily due to less favourable product mix, including a lower level of lower software only sales as compared to the previous quarter. Service margin decreased in the current quarter by 0.9% to 73.7% compared to 74.6% during the third quarter of 2011. This was primarily related to lower margin on certain professional service engagements.

Q4 2011 compared to Q4 2010

Product gross margin realized in the current quarter was 1.4% lower than for the same period in 2010, primarily due to less favourable product mix, partially offset by higher software only sales as compared to the fourth quarter in 2010. Service gross margin was 1.9% higher than for the same period in 2010. The increase was primarily related to higher maintenance revenue in the quarter, without a corresponding increase in the related service cost of sales.

2011 compared to 2010

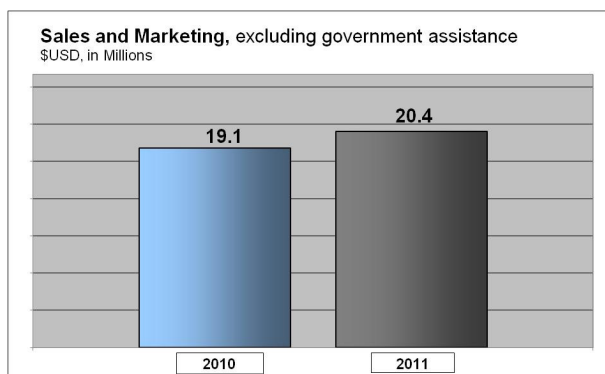
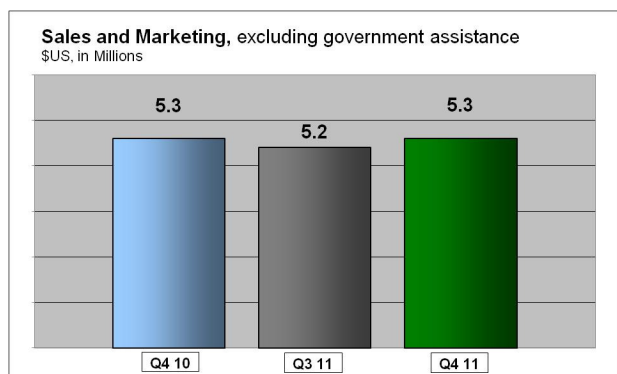
For the twelve month period ended November 30, 2011 blended gross margin was 0.6% higher than for the same period in 2010, due an overall increase in both service and product gross margins for the period.

Operating expenses

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

	Three month period ended			Twelve month period ended	
	November 30 2011 \$	August 31 2011 \$	November 30 2010 \$	November 30 2011 \$	November 30 2010 \$
	<i>Amounts in US\$ thousands</i>				
Revenue	20,597	25,566	24,158	89,339	89,659
Sales and marketing	5,296	5,160	5,318	20,351	19,057
<i>% of revenue</i>	<i>25.6%</i>	<i>20.2%</i>	<i>22.0%</i>	<i>22.8%</i>	<i>21.3%</i>
Research and development	7,741	8,530	6,956	31,546	26,450
<i>% of revenue</i>	<i>37.6%</i>	<i>33.4%</i>	<i>28.8%</i>	<i>35.3%</i>	<i>29.5%</i>
General and administration	2,926	2,905	2,609	11,533	9,609
<i>% of revenue</i>	<i>14.2%</i>	<i>11.4%</i>	<i>10.8%</i>	<i>12.9%</i>	<i>10.8%</i>
Net government assistance	(154)	(40)	(185)	(727)	(2,781)
<i>% of revenue</i>	<i>(0.7)%</i>	<i>(0.2)%</i>	<i>(0.8)%</i>	<i>(0.8)%</i>	<i>(3.1)%</i>
Stock based compensation	650	752	631	2,760	2,631
<i>% of revenue</i>	<i>3.2%</i>	<i>2.9%</i>	<i>2.6%</i>	<i>3.1%</i>	<i>2.9%</i>
Amortization of intangible assets	552	544	345	1,998	1,563
<i>% of revenue</i>	<i>2.7%</i>	<i>2.1%</i>	<i>1.4%</i>	<i>2.2%</i>	<i>1.7%</i>
Depreciation	1,324	1,102	1,232	4,482	4,295
<i>% of revenue</i>	<i>6.4%</i>	<i>4.3%</i>	<i>5.1%</i>	<i>5.0%</i>	<i>4.8%</i>
Intangible impairment	-	-	-	-	643
<i>% of revenue</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>0.7%</i>
Total operating expenses	18,335	18,953	16,906	71,943	61,467
<i>% of revenue</i>	<i>89.0%</i>	<i>74.1%</i>	<i>69.9%</i>	<i>80.5%</i>	<i>68.6%</i>

Sales and marketing expenses



Q4 2011 compared to Q3 2011

Exclusive of government assistance, sales and marketing expenditures during the fourth quarter of 2011 increased by \$0.1 million to \$5.3 million, which represents a 2.6% increase from the \$5.2 million, incurred during the third quarter of 2011.

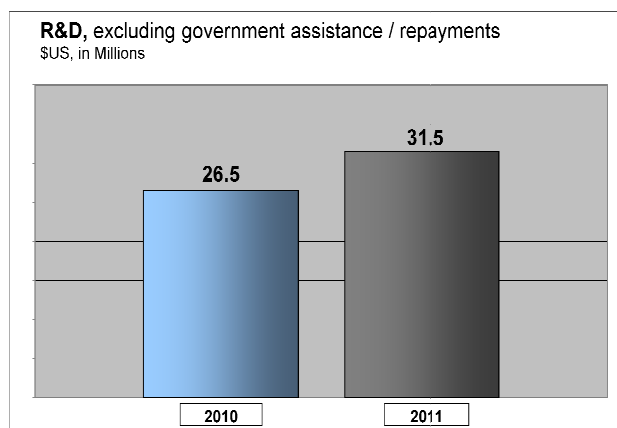
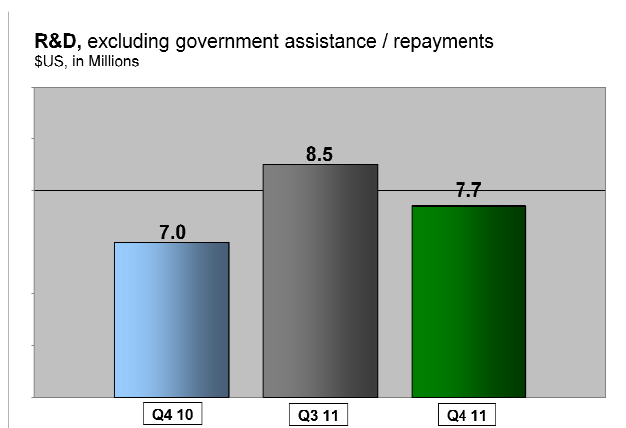
Q4 2011 compared to Q4 2010

Exclusive of government assistance, sales and marketing expenditures during the fourth quarter of 2011 of \$5.3 million was consistent with the expense incurred for the same period last year.

2011 compared to 2010

Exclusive of government assistance, sales and marketing expenditures during the twelve months ended November 30, 2011 increased by \$1.3 million to \$20.4 million, which represents a 6.8% increase from the \$19.1 million incurred for the same period last year, primarily due to increased personnel costs and costs associated with travel, partially offset by lower costs associated with customer trials.

Research and development expenses



Q4 2011 compared to Q3 2011

Exclusive of government assistance and repayments, research and development expenses during the current quarter decreased by \$0.8 million to \$7.7 million, which represents a 9.2% decrease from the \$8.5 million incurred during the third quarter of 2011. This is mainly the result of decreased prototype expenses, as well as other smaller reductions in various different expense categories.

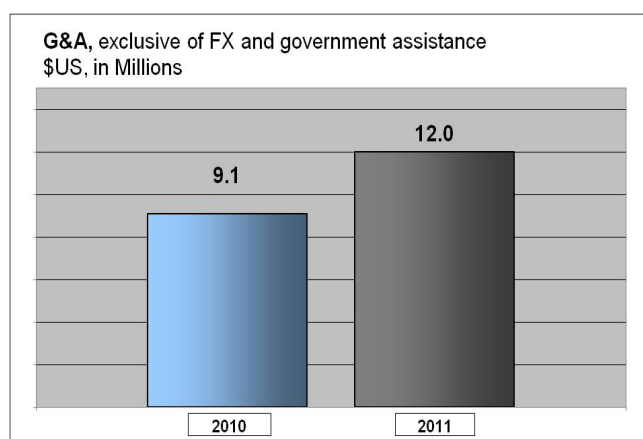
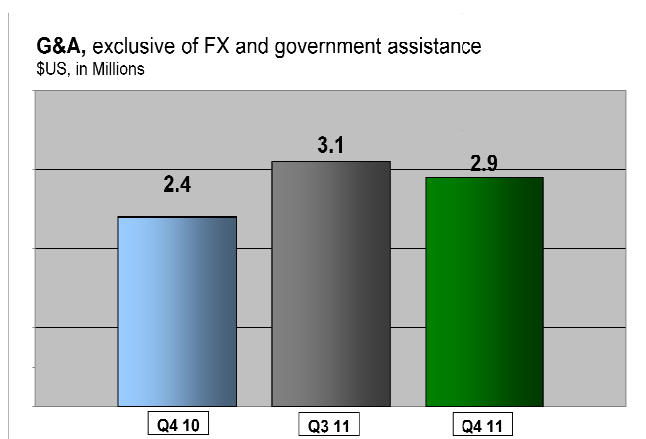
Q4 2011 compared to Q4 2010

Exclusive of government assistance and repayments, research and development expenses for the fourth quarter of 2011 increased by \$0.7 million to \$7.7 million, which represents an 11.3% increase from the \$7.0 million incurred during the same period last year. The increase is mainly related to an increase in personnel costs, partially due to a research and development office that the Company established in India in the second quarter of 2011, partially offset by a reduction in prototype expense as well as other small decreases in various expense categories.

2011 compared to 2010

For the twelve months ended November 30, 2011, research and development expenses increased by \$5.0 million to \$31.5 million, which represents a 19.3% increase from the \$26.5 million incurred for the same period last year. Major factors contributing to this increase include higher personnel costs partially due to a research and development office that the Company established in India in the second quarter of 2011, higher contract labour costs, an increase in travel expense, partially offset by decreased prototype expense.

General and administrative



Q4 2011 compared to Q3 2011

Exclusive of government assistance and foreign exchange gains/losses, general and administrative expenditures during the current quarter decreased by \$0.2 million to \$2.9 million which represents a 5.5% decrease from the \$3.1 million incurred during the prior quarter due to small fluctuations in various expense categories.

Q4 2011 compared to Q4 2010

For the fourth quarter of fiscal 2011 general and administrative expenditures, exclusive of foreign exchange losses, increased by \$0.5 million to \$2.9 million which represents a 22.5% increase from the \$2.4 million incurred for the same period last year. This increase results from increased personnel costs, rent costs as well as small fluctuations in various expense categories.

2011 compared to 2010

Exclusive of government assistance and foreign exchange losses general and administrative expenditures increased by \$2.9 million to \$12.0 million, which represents a 31.1% increase from the \$9.1 million incurred for the same period last year. This increase includes higher salary expense, higher contract labour expense due to the implementation of a new ERP system, higher rent expenses due to additional office space, increased travel expense and increased supplies expense.

Impact of foreign exchange on operating expenses

During the fourth quarter of fiscal 2011, the Company recorded a \$6,000 gain (Q3 2011: \$0.2 million gain; Q4 2010: \$0.2 million loss) relating to foreign exchange (“FX”). These gains and losses are reported within the Company’s general and administrative expenses and relate primarily to realized and unrealized FX on the Company’s foreign denominated cash, accounts receivable and accounts payable.

The Company also has a significant percentage of its operating expenses denominated in currencies other than U.S. dollars, including Canadian dollars, New Israeli Shekels and Indian rupees. Changes in foreign exchange rates can cause fluctuations in the Company’s operating expenditures from period to period and are reflected in the individual operating expense line item. A summary of these impacts is as follows:

Q4 2011 compared to Q3 2011

Fluctuations in foreign exchange between the current quarter and the third quarter of 2011 resulted in a decrease in operating expenses of \$0.2 million.

Q4 2011 compared to Q4 2010

Fluctuations in foreign exchange rates between the current quarter and the fourth quarter of 2010 resulted in an increase in operating expenses of \$0.4 million, primarily due to weakening of the U.S. dollar relative to the Canadian dollar over the period.

2011 compared to 2010

Fluctuation in foreign exchange rates between the twelve months ended November 30, 2011 and the same period last year, resulted in an increase in operating expenses of \$2.2 million, primarily due to weakening of the U.S. dollar relative to the Canadian dollar over the period.

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 royalties recognized for repayable programs. The following table provides details regarding government assistance and repayments.

	Three month period ended			Twelve month period ended	
	November 30 2011 \$	August 31 2011 \$	November 30 2010 \$	November 30 2011 \$	November 30 2010 \$
Assistance					
Repayable	-	-	-	-	(750)
Non-repayable	(717)	(750)	(854)	(3,179)	(4,570)
	(717)	(750)	(854)	(3,179)	(5,320)
Repayments	563	710	669	2,452	2,539
Net government assistance	(154)	(40)	(185)	(727)	(2,781)

During the second quarter of fiscal 2010, the Company entered into an agreement with the Province of Ontario relating to the Next Generation of Jobs Fund program. The net government assistance for the twelve months ended November 30, 2011 is \$2.1 million lower than the same period last year as \$1.9 million of the claim recognized in the comparative period was related to expenditures of fiscal 2009.

Amortization of intangible assets

Q4 2011 compared to Q3 2011

In connection with an acquisition completed during fiscal 2007, the Company is amortizing certain acquired intangible assets. During the fourth quarter of 2011 the Company recorded \$0.2 million in amortization related to these acquired intangible assets, compared to \$0.2 million during the prior quarter. Also included within current quarter amortization of intangible assets is \$0.3 million of amortization related to computer software assets, compared to \$0.4 million last quarter.

Q4 2011 compared to Q4 2010

During the fourth quarter fiscal 2011, the Company recorded \$0.2 million of amortization related to acquired intangible assets, as compared to \$0.2 million during the same period last year. During the current quarter, computer software amortization of \$0.3 million was recorded, compared with \$0.1 million for the same period last year. The increase in software amortization is a result of the implementation of a new ERP system.

2011 compared to 2010

During the twelve months ended November 30, 2011, the Company recorded \$0.8 million of amortization related to acquired intangible assets, as compared to \$1.1 million during the same period last year. During the twelve months ended November 30, 2011, computer software amortization of \$1.2 million was recorded, as compared to \$0.4 million in the same period last year. The increase in software amortization is a result of the implementation of a new ERP system.

Interest and other income

Q4 2011 compared to Q3 2011

For the fourth quarter of 2011, interest and other income increased to \$35,000 from \$15,000 last quarter. During the current quarter the annualized yield earned on the Company's investment portfolio was approximately 0.2%, compared to 0.2% during the third quarter of 2011.

Q4 2011 compared to Q4 2010

For the fourth quarter of 2011, interest and other income was \$35,000, down from \$0.2 million during the same period last year. During the current quarter the annualized yield earned on the Company's investment portfolio was approximately 0.2% compared to 1.3% for the same period in 2010.

2011 compared to 2010

For the twelve months ended November 30, 2011, interest and other income was \$0.1 million as compared to \$0.5 million for the same period last year. During the twelve months ended November 30, 2011, the annualized yield earned on the Company's investment portfolio was approximately 0.2% compared to 0.8% for the same period in 2010.

LIQUIDITY AND CAPITAL

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

	November 30 2011	November 30 2010
Key Balance Sheet Amounts and Ratios:	<i>US\$ Thousands, except balance sheet ratios and metrics</i>	
Cash, cash equivalents and short term investments	73,982	87,949
Working capital	103,035	105,641
Working capital ratio	5.9:1	5.7:1
Days sales outstanding in accounts receivable	129	91 days
Pro forma days sales outstanding in accounts receivable	109	77 days
Inventory turnover	0.9 times	1.8 times
Pro forma inventory turnover	1.1 times	2.3 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 (November 30, 2011 - \$2.4 million; August 31, 2011 - \$6.8 million; May 31, 2011 - \$3.9 million; February 28, 2011 - \$4.6 million; November 30, 2010 - \$4.1 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.

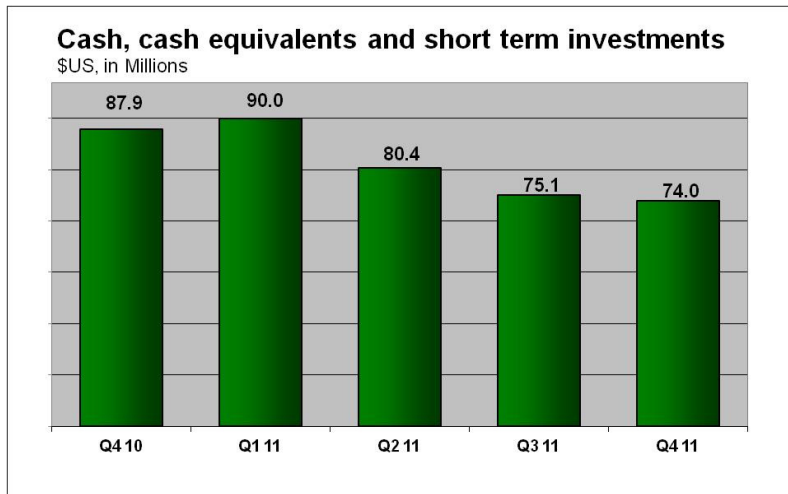
Pro forma inventory turnover - The Company has calculated its pro forma inventory turnover using the annualized most recent three months product cost of sales and the average of the beginning and ending inventory balances excluding demonstration inventory and deferred cost of sales inventory for such three month period (demonstration inventory: November 30, 2011 - \$3.2; August 31, 2011 - \$2.9 million; May 31, 2011 - \$1.9 million; February 28, 2011 - \$1.9 million; November 30, 2010 - \$1.9 million) (deferred cost of sales: November 30, 2011 - nil; August 31, 2011 - nil; May 31, 2011 - nil; February 28, 2011 - nil; November 30, 2010 - \$0.5 million).

Cash and cash equivalents and short term investments

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. Short term investments include debt securities maturing within twelve months of the balance sheet date. Short term investments 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 short term investments 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 \$71.0 million at November 30, 2011 included high interest savings accounts (86% of portfolio), bank bearer deposit notes (7% of portfolio), provincial T-bills (7% of portfolio) with yields ranging from 0.06% to 1.43%.



At November 30, 2011, the Company cash, cash equivalents and short term investments decreased by \$1.1 million, to \$74.0 million, compared to \$75.1 million at August 31, 2011. The decrease is primarily due to \$0.5 million used in operating activities (largely due to current quarter net loss adjusted for items not affecting cash, partially offset by fluctuations in non-cash working capital balances) and \$0.8 million used for capital asset acquisitions during the period. The fluctuations in non-cash working capital balances are primarily due to increased inventory levels due to purchases of additional inventory in contemplation of certain revenue levels and individual customer orders that have not yet materialized. This was partially offset by decreased accounts receivable and an increase in accounts payable as compared to August 31, 2011.

Working capital

Working capital represents the Company's current assets less its current liabilities. The Company's working capital balance decreased by \$2.6 million, to \$103.0 million at November 30, 2011 compared to \$105.6 million at the end of fiscal 2010. This decrease primarily relates to a decrease in cash and short-term investments, which is somewhat offset by an increase in accounts receivable and inventory and a decrease in accounts payable. The Company's working capital ratio (which is its current assets divided by its current liabilities) increased to 5.9:1 compared to 5.7:1 at November 30, 2010).

The Company's DSO's increased to 129 days from the 91 days reported at the end of fiscal 2010. The Company's pro-forma DSO's were 109 days at November 30, 2011 as compared to 77 days at the end of fiscal 2010. Under this method of calculation of pro-forma DSO's in periods of declining revenue (as experienced during the fourth quarter of fiscal 2011), the reduced revenue level will contribute to increased pro-forma DSOs. In addition, the Company's pro-forma DSO's are higher than expected due to:

- i) a high proportion of the Company's revenue that has continued to occur in the last half of the quarter;
- ii) the Company has experienced administrative delays in collecting certain accounts from one of its global reseller partners; however, no material amounts outstanding have been challenged and the Company continues to conduct business with them on an ongoing basis. Accordingly, the Company has no reason to believe that these balances are not fully collectible in the future.

The Company expects that pro forma DSO's will typically be in the range of 60 – 75 days.

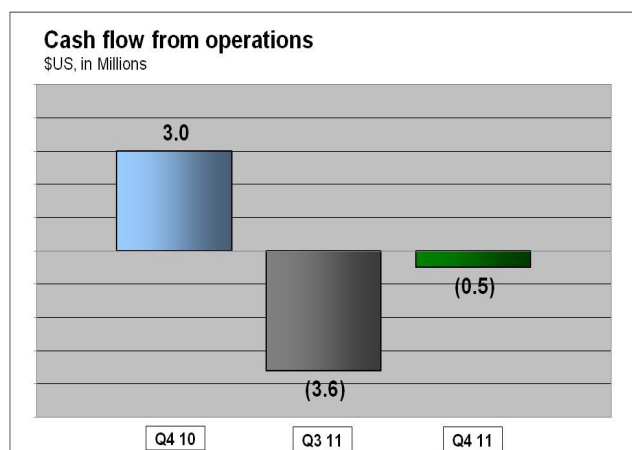
The Company's inventory turnover for the current quarter was 0.9 times per year compared to 1.8 times per year for the fourth quarter of 2010. The Company's pro forma inventory turnover was 1.1 times per year for the current quarter, which decreased from the 2.3 times per year for the fourth quarter of 2010. The decreased inventory turnover rate reflects increased inventory levels (finished goods and work-in-process inventory increased by \$5.4 million from the November 30, 2010 levels of \$1.9 million to the November 30, 2011 levels of \$7.3 million). This increase was a result of purchases of additional inventory in contemplation of certain revenue levels and individual customer orders that have not yet materialized.

Historically, the Company has 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.

Cash flow

	Three month period ended			Twelve month period ended	
	November 30 2011 \$	August 31 2011 \$	November 30 2010 \$	November 30 2011 \$	November 30 2010 \$
	<i>Amounts in thousands</i>				
Cash inflows and (outflows) by activity:					
Operating activities	(510)	(3,586)	2,987	(8,178)	10,937
Investing activities	1,483	3,220	79,967	(77,652)	74,142
Financing activities	183	48	222	833	652
Net (decrease) in cash	1,156	(318)	83,176	(84,997)	85,731

Cash provided by operating activities



Q4 2011 compared to Q3 2011

During the current quarter the Company used \$0.5 million of cash from operating activities as compared to \$3.6 million used in the third quarter of 2011. During the current quarter, the Company had net loss, adjusted for items not affecting cash, of \$0.8 million and generated \$0.4 million from changes in working capital balances, which can fluctuate significantly from quarter to quarter. During the third quarter of 2011, the Company had net income, adjusted for items not affecting cash of \$3.0 million and used \$6.5 million from changes in working capital balances.

Q4 2011 compared to Q4 2010

During the current quarter the Company used \$0.5 million of cash from operating activities as compared to \$3.0 million cash provided by operating activities for the fourth quarter of 2010. During the current quarter, the Company had net loss, adjusted for items not affecting cash, of \$0.8 million and generated \$0.4 million from changes in working capital balances. During the fourth quarter of 2010, the Company had net income, adjusted for items not affecting cash, of \$3.0 million and used \$0.2 million from changes in working capital balances.

Purchase of capital and intangible software assets

Exclusive of government assistance (Q4 2011: \$45,000, Q4 2010: \$85,000), additions to capital and intangible software assets were \$0.8 million during the fourth quarter of fiscal 2011, as compared to \$2.5 million for the same period last year. The current additions primarily relate to continued investment in hardware equipment to support the Company's research and development activities as well as IT infrastructure.

During the fourth quarter of fiscal 2011, the Company capitalized \$0.1 million of internally manufactured assets, as compared to \$0.2 million the same period last year. These additions predominantly relate to continued investment in hardware equipment to support the Company's research and development activities.

For the year ended November 30, 2011, exclusive of government assistance (2011: \$0.3 million, 2010: \$0.7 million), additions to capital and intangible software assets were \$6.9 million, as compared to \$8.0 million for the same period last year.

During the year ended November 30, 2011, the Company capitalized \$0.7 million of internally manufactured assets, as compared to \$2.0 million for the year ended November 30, 2010.

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 twelve months.

Contractual obligations

The following table summarizes the Company's contractual commitments; in thousands of dollars, as of November 30, 2011 and the effect those commitments are expected to have on liquidity and cash resources.

Contractual Obligations (000's)	Total	Less than 1 year	1 – 3 years	4 – 5 years	Beyond 5 years
Operating leases	9,773	1,346	2,330	2,083	4,014
Purchase obligations	914	914	-	-	-
Total	10,687	2,260	2,330	2,083	4,014

The Company is required to pay royalties on its revenue streams relating to the repayment of certain government assistance. A detailed discussion of these royalty obligations is included in Note 16 of the November 30, 2011 consolidated financial statements, a copy of which can be found at www.sedar.com.

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 November 30, 2011:

Designation	Currency Sold	Currency Bought	Notional Amount Sold (\$000's)	Weighted Average Rate
Held for trading, cash flow hedges	USD	CAD	17,387	0.996
Held for trading; cash flow hedges	USD	ILS	2,785	3.565

Management estimates that a loss of \$0.6 million would be realized if these foreign exchange contracts were terminated on November 30, 2011.

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 November 30, 2011, the Company had a significant concentration of credit risk with two customers representing 42.0% (24.0% and 18.0%) of the Company's accounts receivable balance (November 30, 2010; three customers representing 56.5% (22.4%, 20.1% and 14.0%))

OUTSTANDING SHARE DATA

The Company has one class of shares consisting of an unlimited number of common shares. As of January 12, 2011, the Company has issued 138,121,457 common shares, one common share purchase warrant which entitles the holder to acquire 619,280 common shares and 10,745,629 common share options under the Company's stock option plan (as further described in note 12 of its November 30, 2011 consolidated financial statements).

REPURCHASE OF EQUITY

On January 11, 2012, the Company's Board of Directors approved the repurchase of its common shares on the Toronto Stock Exchange ("TSX") through a Normal Course Bid arrangement ("NCIB"). Under the NCIB the Company may purchase for cancellation up to 12 million common shares (approximately) over a twelve month period. Transactions will be executed from time to time in the open market in accordance with the rules and policies of the TSX. Purchase and payment for the shares will be made by the Company in accordance with the rules of the TSX and the price that the Company will pay for any shares acquired by it will be at the market price of the shares at the time of acquisition. The NCIB is subject to the Company obtaining regulatory approvals.

OFF BALANCE SHEET ARRANGEMENTS

The Company has entered into forward currency contracts (disclosed under "Financial Instruments" above), and letters of credit (disclosed under note 13 of the November 30, 2011 consolidated 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. An evaluation of the design of and operating effectiveness of the Company's disclosure controls and procedures was conducted as of November 30, 2011 under the

supervision of the CEO and CFO as required by CSA Multilateral Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*. The evaluation included documentation, review, enquiries and other procedures considered appropriate in the circumstances. Based on that evaluation, the CEO and the CFO have concluded that such disclosure controls and procedures are effective.

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 period ended November 30, 2011 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. The Company implemented a new ERP system including general ledger, sales distribution, project management, manufacturing, supply chain, capital asset and human resource modules during the first quarter of fiscal 2011. The system went live in February 2011, replacing the legacy ERP system. As a result of the new ERP system, the Company reviewed policies and procedures materially impacted by the ERP implementation. The Company has and will continue to amend its internal control processes in future quarters as more reliance is placed on the new ERP system. There were no material changes to the Company's internal controls during the fourth quarter of fiscal 2011.

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.

The CEO and CFO have, using the framework and criteria established in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission, evaluated the design and operating effectiveness of the Company's internal controls over financial reporting and concluded that, as of November 30, 2011, and subject to the inherent limitations described above, internal controls over financial reporting were effective to provide reasonable assurance over the reliability of financial reporting and preparation of financial statements in accordance with Canadian GAAP.

SELECTED CONSOLIDATED QUARTERLY FINANCIAL INFORMATION

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

Fiscal 2011 <i>(in thousands of US dollars)</i>	Three months ended				Fiscal year ended
	February 28 2011 \$	May 31 2011 \$	August 31 2011 \$	November 30 2011 \$	November 30 2011 \$
Revenue	19,215	23,961	25,566	20,597	89,339
Operating expenses	16,293	18,362	18,953	18,335	71,943
Net income (loss)	(2,713)	63	522	(3,635)	(5,763)
Basic earnings (loss) per share	(0.020)	0.000	0.004	(0.026)	(0.042)
Diluted earnings per (loss) share	(0.020)	0.000	0.004	(0.026)	(0.042)
Total assets	143,047	141,765	145,744	141,899	141,899

Fiscal 2010 <i>(in thousands of US dollars)</i>	Three months ended				Fiscal year ended
	February 28 2010 \$	May 31 2010 \$	November 30 2010 \$	November 30 2010 \$	November 30 2010 \$
Revenue	20,692	21,542	23,267	24,158	89,659
Operating expenses	14,973	14,314	15,274	16,906	61,467
Net income	464	1,697	1,949	603	4,713
Basic loss per share	0.003	0.012	0.014	0.004	0.035
Diluted loss per share	0.003	0.012	0.014	0.004	0.033
Total assets	130,058	135,046	136,872	145,880	145,880

Fiscal 2009 <i>(in thousands of US dollars)</i>	Three months ended				Fiscal year ended
	February 28 2009 \$	May 31 2009 \$	November 30 2009 \$	November 30 2009 \$	November 30 2009 \$
Revenue	15,211	13,220	14,501	17,820	60,752
Operating expenses	15,429	14,249	14,543	17,682	61,903
Net loss	(3,752)	(4,174)	(3,851)	(4,473)	(16,250)
Basic loss per share	(0.028)	(0.031)	(0.028)	(0.033)	(0.120)
Diluted loss per share	(0.028)	(0.031)	(0.028)	(0.033)	(0.120)
Total assets	113,696	125,050	123,747	129,089	129,089

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.