MANAGEMENT'S DISCUSSION AND ANALYSIS
Dated: January 16, 2008

The following provides management's discussion and analysis ("MD&A") of Sandvine Corporation's consolidated results of operations and financial condition. This discussion should be read in conjunction with the Company's consolidated financial statements and accompanying notes for the fiscal year ended November 30, 2007. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are reported in Canadian dollars. The information contained herein is dated as of January 16, 2008, and is current to that date, unless otherwise stated.

The Company's fiscal year commences December 1st of each year and ends on November 30th of the following year. The Company's current fiscal year, which ended on November 30, 2007, is referred to as the "current fiscal year," "fiscal 2007", "2007" or using similar words. The previous fiscal year, which ended on November 30, 2006, is referred to as "previous fiscal year," "fiscal 2006," "2006," 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, 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 "anticipated", "expected", "projected", "targeting", "estimate", "intend" and similar terms are intended to assist in 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 Sandvine 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, and Sandvine does not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change.

Many factors could cause the actual results of Sandvine 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, 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 and customer demand;
- 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 has derived a large percentage of its revenue from both a small number of key customers and customers who are predominantly cable based broadband service providers.
- The Company faces intense competition in markets where there are typically several different competing technologies and rapid technological changes;
- The Company's growth is dependent on the development of the market for intelligent broadband network management solutions and the decisions of the Company's target customers to deploy and further invest in those technologies;
- The majority of the Company's expenses are denominated in Canadian dollars while its sales are generally denominated in U.S. dollars. The Company's earnings are impacted by fluctuations in the exchange rates between these and other currencies in which the Company trades.

SELECTED FINANCIAL INFORMATION

The following table sets out selected consolidated financial information for the periods indicated. The selected financial information set out below as at, and for the years ended, November 30, 2007 and 2006 has been derived from the audited consolidated financial statements and accompanying notes for the years ended November 30, 2007 and 2006. The financial information for the three month period ended November 30, 2007 and 2006 have been prepared by management in accordance with Canadian generally accepted accounting principles in a manner consistent with its annual financial statements and have not been subject to a review engagement by the Company's auditors. Each investor should read the following information in conjunction with those statements and related notes.

	Three months ended November 30,		Fiscal year ended November 30,	
	2007	2006	2007	2006
Consolidated Statement of Operations Data:	*Amounts in thousands of dollars except for share and per share data*			
Revenue				
Product	$14,756	$8,203	$65,127	$28,003
Service	2,350	1,043	8,552	3,662
	17,106	9,246	73,679	31,665
Cost of Sales				
Product	4,206	2,399	15,261	7,525
Service	364	325	1,455	1,113
	4,570	2,724	16,716	8,638
Gross margin	12,536	6,522	56,963	23,027
Expenses				
Sales and marketing	4,341	2,759	15,103	8,947
Research and development	5,259	2,682	16,132	10,214
Net repayment of government assistance	428	(339)	809	(115)
General and administration	2,254	1,112	6,454	3,838
Stock based compensation	560	152	1,329	344
Amortization of intangible assets	400	--	667	--
Depreciation	803	563	2,639	1,587
Total operating expenses	14,045	6,929	43,133	24,815
Income (loss) from operations	(1,509)	(407)	13,830	(1,788)
Interest and other income	1,267	554	3,808	1,506
Income (loss) before provision for income taxes	(242)	147	17,638	(282)
Provision for (recovery of) income taxes				
Current	49	31	184	100
Future	(361)	--	(1,508)	--
Net income (loss) for the period	70	116	18,962	(382)
Basic earnings (loss) per share	0.001	0.001	0.148	(0.004)
Diluted earnings (loss) per share	0.000	0.001	0.139	(0.004)
Weighted average common shares outstanding				
Basic	136,163,010	117,655,735	128,510,680	107,232,201
Diluted	142,470,069	124,065,770	135,973,372	107,232,201

	As at November 30, 2007	As at November 30, 2006
Consolidated Balance Sheet Data:	*Amounts in thousands of dollars*	
Cash and cash equivalents	$ 7,878	$19,564
Marketable securities	105,136	37,515
Total assets	159,465	79,546
Total liabilities	10,895	6,379
Shareholders' equity	148,570	73,167

OVERVIEW

Sandvine develops and markets broadband network management equipment and solutions for broadband service providers. The Company's solutions help broadband service providers identify, monitor and apply policies on network traffic, with the aim of improving and enhancing subscriber satisfaction, reducing operational costs and increasing the profitability of broadband service providers. With the additional information and control provided by Sandvine's solutions, broadband service providers can better understand subscriber behaviour, recognize and address network threats like denial of service attacks, spam zombies, worms and spam, classify applications that are utilizing their networks (for example, VoIP, gaming or video streams), more confidently commit to service levels, introduce new services and create profitable tiers for multiple broadband services.

Sandvine began initial commercial deployments of its products in 2002 and has experienced growth in its number of customers and deployments since then. Sandvine's customer base has increased from eight in 2003 to over 100 in November 2007. Sandvine currently has products installed and operating at customer facilities in over 40 countries around the world, within networks representing over 50 million broadband subscribers.

The Market

Sandvine's target market is focused on broadband service providers, worldwide, including DSL, cable, wireless and fibre-to-the-home (FTTH) delivery. This market continues to experience strong growth and Sandvine estimates that the top 250 broadband service providers around the world, by subscriber count, hold more than 80% of the worldwide broadband subscriber base, making these service providers Sandvine's primary target market.

Globally, broadband service providers face challenges in an increasingly competitive business environment. Growth in network traffic continues to stress network capacity due largely to the mass-market popularity of bandwidth-hungry applications, such as file-sharing and streaming video from popular sites like YouTube. Service providers are also under constant pressure to maintain the service levels necessary to support latency-sensitive applications like VoIP and online video games. At the same time "virtual" Internet application providers (for example, standalone VoIP providers like Vonage), not burdened with network investment and operations, are aggressively targeting premium users with a broad range of value-added services.

Products and Solutions

Sandvine's solutions comprise a hardware platform and proprietary software modules which are typically bundled together, and provide a system for broadband service providers to identify and monitor specific types of traffic across their networks. These products also provide the tools necessary to apply specific policies and take certain actions to more efficiently manage networks, generate new revenue streams and improve the quality of service for Internet subscribers.

Understanding which applications are consuming the most bandwidth and managing those applications in a pro-active manner enables service providers to begin to transform their current "best effort" broadband networks into more efficiently utilized "intelligent" networks. In communicating the value proposition of its solutions to its customers, Sandvine refers to this as an "Any Condition Any Action" approach to broadband network management. By accurately identifying various "conditions" that are occurring on its network, a broadband service provider can then apply "actions" (i.e. policies) based on those conditions to pursue the broadband management objectives sought by that service provider.

With an understanding of the type of traffic on its network, broadband service providers can also mitigate the effects of bandwidth-intensive applications and network threats by examining trends and preserving bandwidth for the applications that subscribers value most. For example, service providers can establish different revenue-generating tiers within their networks that commit to different service levels for popular, but bandwidth-intensive applications such as on-line video streaming and file-sharing, or offer a lower priced tier of service that caters to "light" users who only use the Internet for less bandwidth intensive applications such as email and web surfing. Sandvine's products permit a

service provider to distinguish between these various classes of data flowing over their networks and to apply the appropriate policy to each, depending upon the relative priority assigned to that class of data.

On June 5, 2006, the Company announced the introduction of a new hardware platform, with 10 Gigabit Ethernet interconnects (PTS 14000), designed to address the needs of the world's largest broadband service providers. Sandvine announced the first commercial deployment of this new platform in November 2006 and as of November 30, 2007 twenty six service providers had purchased the platform.

Through its acquisition of CableMatrix Technologies, Inc. in June 2007, Sandvine enhanced its policy enforcement capabilities. Through universal equipment signalling, these products extend Sandvine's ability to enforce policy network-wide, from the edge to the core of the network, for all next generation access networks–DSL, FTTH, broadband wireless and cable. Such centralized policy enforcement is an advantage for service providers looking to guarantee Quality of Service across their networks for high-value applications such as VOIP and IPTV, and is a component of the emerging standards for the development of next generation network standards, including IMS, TISPAN, and PCMM.

Through its acquisition of Simplicita Software, Inc. in June 2007, Sandvine gained new technology that enables broadband service providers to create network policies based on the "reputation" of network users, as determined from a variety of sources including Sandvine platforms, service provider data and third party sources. Initial applications of Simplicita's technology protect service providers' domain name server infrastructures while enabling the creation of new advertising based services.

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 indirect sales channel utilizes global third party network equipment vendors and regional value-added resellers to market 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). 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

Sandvine has a strong presence in its markets. Fourteen of the top 100 broadband service providers (by subscriber count) in the world and eight of the top 20 DSL and Cable service providers in the U.S. are Sandvine customers. Sandvine will continue to increase its investment in research and development in support of further product development to continue to broaden and expand its feature set. In addition, Sandvine will continue with increased sales and marketing investment to expand its direct sales force presence throughout the world and to add to and mature its relationships with both its regional and global resellers. The Company will continue to pursue opportunities in the cable market, and is particularly focused on increasing its sales and marketing efforts in the DSL market, as well as emerging access technology markets such as wireless and FTTH.

In addition, the Company anticipates that throughout fiscal 2008 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 a compatible culture, a complementary customer base, has technology that will extend Sandvine's core technology and has prospective growth rates commensurate with those of the Company.

Business Model

The Company remains focused on making the necessary investments in its business to capture maximum market share and build on its technological lead. In broad terms, excluding the impact of stock based compensation and non-cash acquisition related costs (comprising non-cash compensation

costs and amortization of intangible assets),. the Company continues to work towards a medium-term (12 to 18 months) business model (outlined below) that includes gross margins at or above 70%, and operating margins between 10% and 20%. However, based on the nature of its business and customer base, Sandvine also continues to expect that results in the short term for any given reporting period could vary substantially from this targeted model.

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

- The Company's projected investments in the areas of research and development and sales and marketing will be sufficient to achieve growth in the Company's revenue at targeted rates;
- The Company will continue to experience new customer adoption rates consistent with those experienced over the past two years.
- The Company's existing customers, including its largest customers will continue to make significant purchases of the Company's products and services;
- The Company will be able to maintain its target pricing models for its products and services and obtain its supply of components at pricing that permits the Company to achieve its target gross margins;
- Any increase in sales through the Company's indirect channels can be managed without significantly impacting the Company's gross margins;
- 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
- The Canadian dollar will be at par with the US dollar

Target Business Model

Revenue	
Product revenue	85% - 90%
Service revenue	10% - 15%
Percentage of total revenue	
Gross margin	70+%
Research and development	20% - 25%
Selling, general and administrative	30% - 35%
Operating margin	10% - 20%

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 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".

OVERALL PERFORMANCE

Revenue 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 support and maintenance services as well as various professional services including training and installation that is provided to its customers. To date, revenue generated from the professional services component has been less than 5% of the Company's overall revenue.

The Company evaluates its revenue performance based on four geographic regions. Each of those regions including the proportion of total revenue attributable to it is outlined in the following table.

	Three months ended November 30		Twelve months ended November 30	
	2007	2006	2007	2006
North America	79.3%	69.2%	88.6%	87.0%
Caribbean and Latin America	1.7%	0.8%	0.6%	0.6%
Europe, Middle East and Africa	13.5%	27.0%	8.3%	10.6%
Asia Pacific	5.5%	3.0%	2.5%	1.8%
	100.0%	100.0%	100.0%	100.0%

The Company continues to derive a significant portion of its revenue from North American cable customers. The Company expects to see gradual proportional increases in revenue from regions outside of North America as it increases its presence and investment in sales and marketing resources within those regions.

The majority of the Company's expenses are denominated in Canadian dollars while its sales are generally denominated in U.S. dollars. The Company's earnings are impacted by fluctuations in the exchange rates between these and other currencies in which the Company trades. In an attempt to minimize the earnings impact of foreign currency gains and losses associated with foreign exchange rate fluctuations, the Company enters into forward foreign exchange contracts for a portion of this exposure. During fiscal 2006 the average exchange rate at which the Company recognized revenue was approximately 1.14 as compared to 1.09 for fiscal 2007. Based on this, the Company has estimated that the appreciation in the Canadian dollar experienced during fiscal 2007 impacted its revenue and gross margin on a comparative basis by approximately $3.3 million and $2.5 million respectively.

Product cost of sales consists of the cost of direct materials, third party software license fees, plus direct labour and an allocation of overhead applied to the product.

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

Sales and marketing expenses consist primarily of salaries and other personnel costs, travel, advertising, trade analyst research, non-cash compensation costs related to acquisitions, trial material costs as well as trade show and conference costs.

Research and development expenses consist primarily of salaries and other personnel costs, non-cash compensation costs related to acquisitions, third party contractor costs, third party contract labour costs, certification costs and material costs (including prototype costs) associated with new product introduction. The research and development expenses are presented on the Company's consolidated financial statements net of the benefit of recognized investment tax credits administered through Canada's Income Tax Act. Effective fiscal 2006, the Company commenced the repayment of funding received through the Technology Partnerships Canada program. Under the terms of the

agreement, the Company is required to pay royalties at a rate of 1% of gross revenues until the earlier of December 1, 2007 or cumulative revenues exceeding $85 million, at which time the royalty rate will be increased to 2.5%. Royalties will continue to be payable until November 30, 2013 or until cumulative royalties accrued or paid reach $16 million. During Q3-07 the royalty rate increased to 2.5% of gross revenues as the Company's cumulative gross revenue surpassed the $85 million threshold. Any repayments accrued or paid have been included in the consolidated financial statements as part of the Company's research and development expenses.

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 costs as well as foreign currency gains and losses.

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

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Revenue Recognition. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectibility is reasonably assured. Generally, where final acceptance of the product, system, or solution is specified by the customer, revenue is deferred until all acceptance criteria have been met. The following describes the specific revenue recognition policies for each major type of revenue.

Networking equipment (including related software)

The Company's networking and communications products are typically integrated with software that is essential to the functionality of its equipment.

The percentage-of-completion method of accounting is used for sales generated from certain contracts, primarily those related to significant production or customized network solutions and network build-outs with durations greater than 3 months. The units-of-delivery or units-of-work performed method is used to measure progress on each contract. Revenue and cost estimates are revised periodically based on changes in circumstances. Profit estimates on long-term contracts are revised periodically based on changes in circumstances and any losses on contracts are recognized in the period that such losses become known. The Company uses historical experience, project plans and an assessment of the risks and uncertainties inherent in the arrangement to establish these estimates.

Revenue for network equipment that does not require significant production, modification or customization is generally recognized when the product is shipped to the customer and when there are unfulfilled obligations that affect the customer's final acceptance of the equipment.

Software

Certain software is licensed to customers under a perpetual, term based or on a per-use basis. Revenue from perpetually licensed software is recognized at the inception of the license term. As term based software licenses are generally one year or less, the license revenues are recognized ratably over the license term. Revenues for software licenses which are paid for on a per-use basis are recognized at the time a reliable estimate can be made of actual revenues generated from usage.

Post contract support ("PCS")

PCS revenue is deferred and recognized ratably over the period during which the services are to be performed, which is typically one year.

Multiple-element arrangements

When a sale involves multiple elements, such as sales of products that include PCS, the entire fee from the arrangement is allocated to each respective element based on its relative fair value as determined by internal or third-party analysis of market-based prices and recognized when revenue

recognition criteria for each element are met. In situations where there is objective and reliable evidence of fair value for all undelivered elements, but not for delivered elements, the residual method is used to allocate the contract consideration. Under the residual method, the amount of revenue allocated to delivered elements equals the total arrangement consideration less the aggregate fair value of any undelivered elements. If the Company is unable to establish fair value for an undelivered element, and the only undelivered element is PCS, the entire arrangement fee is deferred and recognized ratably over the PCS period. In all other situations, if the Company is unable to establish fair value for an undelivered element, the entire arrangement fee is deferred until sufficient evidence exists or all elements have been delivered.

Inventory. Raw materials are stated at the lower of cost and replacement cost. Work-in-progress, finished goods and demonstration systems are stated at the lower of cost and net realizable value which is defined as selling price less costs to sell. 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. Certain inventory parts are subject to long lead-time order requirements. 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, 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.

Business Combinations. The Company allocates the purchase price of a business acquisition to tangible assets, intangible assets and liabilities based on their estimated fair values at the date of acquisition with the excess of purchase price amount over these fair values being allocated to goodwill. The allocation of the purchase price to acquisitions involves considerable judgement in determining the fair value assigned to tangible and intangible assets acquired and the liabilities assumed on acquisition. Among other things, the determination of these fair values involves the use of discounted cash flow analyses, estimated future revenues and margins. In estimating future revenues and margins, the Company considers information published by third parties describing the size of the market and its growth rate, the planned margins for the acquired business and current costs to produce the solution offered by the acquired enterprise

Contingent consideration associated with any business acquisition is reviewed to determine if it should be accounted for as an adjustment of the purchase price or as compensation for services rendered subsequent to the acquisition. When the contingent consideration is related to an adjustment of the purchase price and the amount of any contingent consideration can be reasonably estimated at the date of acquisition and the outcome of the contingency can be determined beyond a reasonable doubt, the contingent consideration is recognized at that date as part of the cost of the purchase. When the contingent consideration is related to compensation for services, the additional consideration is recognized as compensation expense based on management's best estimate of the outcome of the performance condition related to the payment of the contingent consideration.

Long-Lived Assets. Intangible assets are stated at cost less accumulated amortization and are comprised of acquired non-patented software technology purchased through the Company's business acquisitions. Acquired non-patented technology assets are amortized on a straight line basis over five years. Goodwill is not amortized but is tested for impairment annually, or more frequently if events or changes in circumstances indicate the asset might be impaired.

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 our impairment assessment.

In the case of goodwill, the Company will test for impairment at least annually at May 31 of each year and at any other time if any event occurs, or circumstances change, that would more likely

than not reduce the Company's enterprise value below the carrying amount. Application of the goodwill impairment test requires judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value of each reporting unit. Based on the Company's review, only one reporting unit has been identified for the purpose of performing the annual impairment test. The Company's enterprise value is determined by use of its externally traded share price. Changes in these estimates and assumptions could materially affect the determination of fair value and/or goodwill impairment for each reporting unit.

Stock Based Compensation. The Company has adopted a stock option plan as further described in note 12 of its November 30, 2007 audited consolidated financial statements.

In accordance with CICA Handbook Section 3870, awards granted on or after December 1, 2003 are accounted for using the fair value method of accounting, whereby the Company recognizes compensation expense equal to the fair value of the award over its vesting period. Determining the fair value of stock-based awards at the grant date requires judgment, including estimating the expected term of stock options, the expected volatility of the Company's stock and expected dividends. In addition, judgment is also required in estimating the amount of stock-based awards that are expected to be forfeited. If actual results differ significantly from these estimates, stock-based compensation expense and the Company's results of operations could be materially impacted. The fair value of the awards is determined using the Black-Scholes option pricing model.

Income Tax Expense. The current (recovery)/provision for income taxes predominantly relates to the Company's foreign subsidiaries.

The ultimate realization of future tax assets is dependent upon future taxable income during the years in which these assets are deductible. Management considers the likelihood of future profitability, the character of the tax assets and applicable tax planning strategies of the Company to make this assessment. To the extent that management believes that the realization of future tax assets does not meet the more likely than not realization criterion, a valuation allowance is provided against its future tax assets. The Company determined at May 31, 2007 that future tax assets associated with temporary differences and reserves with a value totalling $3.1 million are more likely than not to be realized given the Company's expectations of future profitability. As at November 30, 2007, the Company's future income tax asset balance is $1.1 million.

The Company has not recognized the benefit of certain tax assets, including approximately $4.4 million associated with its unrecognized scientific research and development investment tax credits which may be applied against future Canadian income taxes otherwise payable. In addition, the Company has not recognized the benefit of approximately $3.9 million U.S. of non-capital losses which may be applied against future U.S. taxable income at a rate of approximately $0.4 million U.S. per annum commencing in fiscal 2013. The Company has also not recognized the benefit of approximately $4.8 million of accumulated losses of one of its foreign subsidiaries (which may be applied against income generated in that jurisdiction) as the subsidiary has been granted a ten year tax holiday. The Company has not recognized the benefit of the $4.8 million of losses as it expects that during the period the tax losses are utilized, the income generated will be re-invested indefinitely in the foreign subsidiary.

During the fourth quarter of fiscal 2007, the Company identified and implemented certain tax planning strategies that resulted in the benefit of approximately $2.0 million of U.S. losses being recognized (which have an after tax value of approximately $0.7 million). As these losses related to pre-acquisition losses of companies that were acquired during the year, the benefit has been recorded as a subsequent reduction of goodwill. As a result, substantially all of the reduction in the goodwill related to the Company's acquisition of Simplicita Software, Inc. from the $1.6 million initially recognized to $0.9 million relates to the implementation of these tax planning strategies.

ACCOUNTING CHANGES

Effective December 1, 2006, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, Financial Instruments – Recognition and Measurement; Section 3861, Financial Instruments – Disclosure and Presentation; Section 3865, Hedges, and, Section 1530, Comprehensive Income, prospectively without restatement. These new Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition, measurement and disclosure of financial instruments and on the use of hedge accounting. In addition, Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated. The adoption of these Handbook Sections resulted in an adjustment of $0.1 million to increase the Company's opening deficit amount. Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income. Upon adoption of these new standards, the Company designated its cash, cash equivalents and derivatives as held-for trading, which are measured at fair value. Marketable securities are classified as available for sale which are measured at fair value, with the changes in fair value being recognized in other comprehensive income during the period. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities which are measured at amortized cost.

IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Accounting changes. In July 2006, the CICA issued revised Section 1506, Accounting Changes. This new section establishes criteria for changes in accounting policies along with the accounting treatment and disclosures required upon adoption of new accounting policies, estimates and corrections of errors. The standard will be applied prospectively for the Company's 2008 fiscal year. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

Inventories. In June 2007, the CICA issued Section 3031, Inventories. This new section establishes that inventories should be measured at the lower of cost and net realizable value, with guidance on the determination of cost including the requirement to allocate overhead costs based on normal production levels. The standard will be applied retroactively without restatement with an adjustment to opening retained earnings commencing in the Company's 2008 fiscal year. The Company expects the adoption of this standard to require a pre-tax transitional adjustment increasing inventory and retained earnings by approximately $0.4 million in the Company's consolidated financial statements for the first quarter of fiscal 2008.

Financial instrument and capital disclosures. The CICA has issued Section 1535, Capital disclosures and Section 3862, Financial instruments: disclosure. These new sections establish additional disclosure requirements including the significance of financial instruments to the Company's financial position and performance, discussion regarding the nature and extent of risks surrounding the Company's financial instruments, disclosures regarding the Company's objectives, policies and process for managing capital and what the Company regards as capital. The standard will be effective for interim and annual financial statements commencing in the Company's 2008 fiscal year.

CURRENT PERIOD OPERATING RESULTS

Revenue

For the fourth quarter of fiscal 2007, the Company's total revenues were $17.1 million (Q3-07 - $21.2 million) compared to $9.2 million for the same period last year, representing an 85.0% increase. Revenue for fiscal 2007 was $73.7 million compared to $31.7 million for the same period last year, representing a 132.7% increase.

For the fourth quarter, the Company's product revenue was $14.8 million compared to $8.2 million for the same period last year representing a 79.9% increase. The Q4-07 product revenue level is less than the $19.0 million reported for the third quarter of 2007. The decline from the Q3-07 levels is consistent with reduced revenue from the Company's largest customer (Q4-07 - $5.6 million Q3-07 $11.5 million; "Customer A" as described below). The reduction in revenue from this customer is a result of the timing of orders received throughout 2007 and highlights the potential variability in the Company's revenue from quarter to quarter. The Company believes that this customer will represent a significant portion of its revenue for fiscal 2008.

Product revenue for fiscal 2007 was $65.1 million compared to $28.0 million for the same period last year, representing a 132.6% increase. The increase in product revenue both for the current quarter and fiscal 2007 compared to the same periods in 2006 is largely the result of continued deployment of the Company's products by its largest customer as well as new and follow on business derived from customers who purchased or deployed the Company's products during fiscal 2007.

Service revenue for the fourth quarter of 2007 was $2.4 million or 13.7% of revenue, compared to $1.0 million or 11.3% of revenue for the same period last year. The Company's service revenue for fiscal 2007 was $8.6 million or 11.6% of revenue, compared to $3.7 million or 11.6% of revenue for the same period last year. This increase in service revenue (in absolute dollar terms) for both the fourth quarter and fiscal 2007 is consistent with the higher level of product sales generated over the past twelve months. In addition, the current quarter level (13.7%) is slightly higher than the year to date levels (approximately 11.6%) mainly as a result of one time non-recurring fees and reduced product revenue in the fourth quarter of fiscal 2007.

Historically, from a customer count perspective, the Company's customers have been predominantly cable and DSL service providers. However, a large percentage of the Company's revenue has been derived from both a small number of customers who are predominantly cable based broadband service providers. The following chart outlines the revenue generated from customers representing more than 10% of the Company's revenue for the three and twelve month period ended November 30, 2007.

	Three months ended November 30,		Fiscal year ended November 30,	
	2007	2006	2007	2006
Customer A	32.7%	62.0%	49.2%	70.0%
Customer B	30.5%	Nil	7.1%	Nil
Customer C	2.6%	Nil	11.2%	Nil
Total	65.8%	62.0%	67.5%	70.0%

Historically, a significant portion of the Company's revenue has been generated from the customer identified above as "Customer A" (Q1-07 – 63.0%; Q2-07 – 47.3%; Q3-07 – 54.4% FY-06 – 70.0%). In absolute dollar terms, the Company generated $5.6 million of revenue from Customer A in the fourth quarter of fiscal 2007 (Q1-07 $9.7 million; Q2-07 - $9.5 million; Q3-07 - $11.5 million).

It is management's expectation that the Company will continue to generate a significant portion of its revenue from a small number of customers throughout fiscal 2008 and beyond.

Gross Margin

For the fourth quarter of 2007 product gross margins of 71.5% were comparable to the 70.8% level experienced for the same period last year and were slightly lower than the 73.0% level experienced in Q3-07.

For fiscal 2007 product gross margins increased by 3.5% to 76.6% as compared to 73.1% for fiscal 2006. The increase in gross margins for fiscal 2007 as compared to the 2006 levels largely relates to the impact of the large follow-on software sales to existing customers in the first half of fiscal 2007.

Management believes that the product gross margin levels experienced in the third and fourth quarter of fiscal 2007 (73.0% and 71.5% respectively) are more indicative of the product gross margins levels that will be experienced throughout fiscal 2008 as it does not expect a similar level of follow-on software sales that were experienced in the first six months of fiscal 2007.

For the fourth quarter of 2007 service gross margins increased by 15.7% to 84.5% compared to 68.8% for the same period last year. Fiscal 2007 service gross margins increased by 13.4% to 83.0% as compared to 69.6% for the same period last year. The increase in service gross margins both for the quarter and fiscal 2007 as compared to the same period last year, predominantly relates to increased service revenue (consistent with increased product sales and one time support and maintenance fees as discussed above) without a proportionate increase in service cost of sales.

Operating Expenses

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

	Three months ended November 30,		Fiscal year ended November 30,	
	In thousands of dollars			
	2007	**2006**	**2007**	**2006**
Revenue	$17,106	$9,246	$73,679	$31,665
Sales and marketing..................................	4,341	2,759	15,103	8,947
% of revenue	***25.4%***	***29.8%***	***20.5 %***	***28.3%***
Research and development.......................	5,259	2,682	16,132	10,214
% of revenue	***30.7%***	***29.0%***	***21.9%***	***32.3%***
Net government (assistance) repayment...	428	(339)	809	(115)
% of revenue	***2.5%***	***(3.7%)***	***1.1%***	***(0.4%)***
General and administration	2,254	1,112	6,454	3,838
% of revenue	***13.2%***	***12.0%***	***8.8%***	***12.1%***
Stock based compensation …………….	560	152	1,329	344
% of revenue…………………………..	***3.3%***	***1.6%***	***1.8%***	***1.1%***
Amortization of intangible assets	400	--	667	--
% of revenue	***2.3%***	--	***0.9%***	--
Depreciation...	803	563	2,639	1,587
% of revenue	***4.7%***	***6.1%***	***3.6%***	***5.0%***
Total operating expenses.........................	$14,045	$6,929	$43,133	$24,815
	82.1%	***74.9%***	***58.5%***	***78.4%***

Sales and Marketing Expenses

For the fourth quarter of 2007, sales and marketing expenditures increased by $1.6 million to $4.3 million, which represents a 57.3% increase from the $2.8 million incurred for the same period last year. For fiscal 2007, sales and marketing expenditures increased by $6.2 million to $15.1 million, which represents a 68.8% increase from the $8.9 million incurred for the same period last year. Major factors contributing to the increase in the sales and marketing expenses for both the three and twelve month period ended November 30, 2007 as compared to the same periods in 2006 include increased compensation, recruiting and travel costs associated with additional staff being added to the sales and marketing team over the past twelve months (including approximately 10 individuals added as a result of the acquisition of Simplicita Software, Inc. and CableMatrix Technologies Inc.). In addition, the Company experienced increased variable compensation costs for fiscal 2007 as a result of increased sales for the year.

The sales and marketing team consists of 65 employees which is made up of 42 employees dedicated to selling activities and 23 employees dedicated to the marketing and product management group. Consistent with the Company's growth strategy the Company expects to continue to increase its investment in it sales and marketing activities.

Research and Development Expenses

Exclusive of government assistance repayments (Q4-07 – repayments of $0.4 million; Q4-06 – net assistance of $0.3 million), research and development expenses for the fourth quarter of 2007 increased by $2.6 million to $5.3 million, which represents a 96.1% increase from the $2.7 million incurred for the same period last year. The increase mainly relates to additional staffing and labour costs associated with having additional team members (including the 30 additional team members resulting from the acquisition of Simplicita Software, Inc. and CableMatrix Technologies Inc.) in the fourth quarter of 2007 as well as increased third party contract labour costs.

Exclusive of government assistance, government assistance repayments and investment tax credits (FY-2007 – net repayments of $0.8 million; FY-2006 – net assistance of $0.1 million), for fiscal 2007, research and development expenditures increased by $5.9 million to $16.1 million, which represents a 57.9% increase from the $10.2 million incurred for the same period last year. A significant component of the increase relates to increased staffing costs associated with adding approximately 62 full time team members to the research and development team over the last twelve months (which included 30 full time team members resulting from the acquisition of Simplicita Software, Inc. and CableMatrix Technologies Inc.) as well as third party contract labour costs. Consistent with the Company's growth strategy the Company expects to continue to increase its investment in its research and development activities.

For the twelve months ended November 30, 2007 the Company recorded government assistance of $0.2 million related to refundable investment tax credits as compared to $0.4 million for the same period last year. The refundable investment tax credits have been recorded as a reduction to the research and development expenses for the relevant period. The Company currently does not anticipate receiving refundable investment tax credits in respect of future periods.

General and Administrative

For the fourth quarter of 2007 general and administrative expenditures increased by $1.1 million to $2.3 million as compared to $1.1 million for the same period last year which represents a 102.7% increase. Major factors contributing to the increase in the general and administrative expenses for the fourth quarter of 2007 as compared to the same period last year include increased staffing costs, a higher foreign exchange loss ($0.4 million), increased professional fees and higher occupancy costs.

For fiscal 2007 general and administrative expenditures increased by $2.6 million to $6.5 million which represents a 68.2% increase from the $3.8 million incurred for the same period last year. The increase primarily relates to increased staffing costs, increased occupancy costs, increased professional fees and a higher foreign exchange loss ($0.7 million).

Stock based compensation expense for the fourth quarter and fiscal 2007 was $0.6 million and $1.3 million respectively, as compared to $0.2 million and $0.3 million for the fourth quarter and fiscal 2006 respectively.

Acquisition-related expenses

As further discussed under the "***Acquisitions***" heading later in this document, during the third quarter of fiscal 2007, the Company acquired Simplicita Software, Inc. and CableMatrix Technologies, Inc. The following table provides additional analysis of the acquisition-related expenses for the periods indicated (in millions of dollars):

	Three months ended November 30,		**Fiscal year ended November 30,**	
	2007	**2006**	**2007**	**2006**
	In thousands of dollars			
Amortization of intangible assets	$400	--	$667	--
Non-cash acquisition costs characterized as compensation expense (included in operating expenses)	79	--	137	--
Total	$479	--	$804	--

Amortization of intangible assets

Amortization of intangible assets is the amortization of the value attributable to intangible assets related to existing technologies associated with acquisitions completed by the Company as of November 30, 2007. Intangible assets with a finite life are amortized to income over their estimated useful life. The amount of amortization expense in a fiscal period is dependent on acquisition activities throughout the year, as well as the results of asset impairment tests. Amortization of intangible assets for the fourth quarter and all of fiscal 2007 was $0.4 million and $0.7 million respectively as compared to $nil for the same periods in 2006. Amortization expense in the current period relates to the amortization of intangible assets that were acquired from the acquisition of Simplicita Software, Inc. and CableMatrix Technologies, Inc. The Company tests the value of its finite life intangible assets for recoverability when events or changes in circumstances indicate that there may be evidence of impairment. Intangible assets with a finite life are written down to fair value when the related undiscounted cash flows are not expected to allow for recovery of the carrying value. Fair value of intangibles is determined by discounting the expected related cash flows. No finite life intangible asset impairment has been identified or recorded for any of the fiscal periods reported.

Interest and Other Income

For the fourth quarter of 2007 the Company earned $1.3 million of investment and other income as compared to $0.6 million for the same period last year. For fiscal 2007 the Company earned $3.8 million of investment and other income compared to $1.5 million for the same period last year. The increase both for the fourth quarter and fiscal 2007 is a result of the increased cash, cash equivalents and marketable securities balance throughout 2007 as compared to the same period last year. The increased cash, cash equivalents and marketable securities balances is a result of the Company's equity financings that took place in March 2006, October 2006 and July 2007 as well as the increased cash resources generated from operations during fiscal 2007.

Income Tax Expense (recovery)

The Company's current income tax provision for the three and twelve months ended November 30, 2007 is $49,000 and $184,000 million respectively. The current provision for income taxes predominantly relates to the Company's foreign subsidiaries.

At the end of the Company's second quarter (May 31, 2007), the Company recorded a $3.1 million future income tax recovery as it was determined that future tax assets associated with temporary differences and reserves with a value totalling $3.1 million were more likely than not to be realized given the Company's expectations of future profitability. In assessing its expectations of future profitability, the Company considered, among other things, the fact that is has been dependent on and has derived a large percentage of its revenue from both a small number of key customers and customers

who are cable company operators. As at November 30, 2007 the Company's remaining future income tax asset was $1.1 million.

As described earlier in this document, the Company has not recognized the benefit of certain tax assets, including $4.4 million associated with its unrecognized scientific research and development investment tax credits which may be applied against future Canadian income taxes otherwise payable, $3.9 million U.S. of non-capital losses which may be applied against future U.S. taxable income (at a rate of approximately $0.4 million U.S. per annum commencing in fiscal 2013) and $4.8 million of accumulated losses of one of its foreign subsidiaries which has been granted a ten year tax holiday.

During the fourth quarter of fiscal 2007, the Company identified and implemented certain tax planning strategies that resulted in the benefit of approximately $2.0 million of U.S. losses being recognized (which have an after tax value of approximately $0.7 million). As these losses related to pre-acquisition losses of companies that were acquired during the year, the benefit has been recorded as a subsequent reduction of goodwill. As a result, substantially all of the reduction in the goodwill related to the Company's acquisition of Simplicita Software, Inc. from the $1.6 million initially recognized to $0.9 million relates to the implementation of these tax planning strategies.

Net Income

Net income for the fourth quarter of fiscal 2007 was $0.1 million. Net income for fiscal 2007 was $19.0 million or 25.7% of revenue.

Net loss before the impact of the future income tax provision for the three months ended November 30, 2007 was $0.2 million. Net income before the impact of the future income tax recovery for fiscal 2007 was $17.6 million or 23.9% of revenues. Net income before the recovery of future income taxes for fiscal 2007 has exceeded the Company's expectations due to higher than expected revenue and gross margin levels (including higher than expected levels of sales to existing customers including follow on software sales). In addition, these earnings levels are higher than the Company's targeted operating model as outlined earlier in this document.

LIQUIDITY AND CAPITAL

Since its inception, the Company has financed its operations and met its capital expenditure requirements primarily through the sale of equity securities and the receipt of financial assistance from Canada's Technology Partnerships program.

	November 30, 2007	November 30, 2006
Key Balance Sheet Amounts and Ratios:	***(In thousands of dollars, except balance sheet ratios and metrics)***	
Cash, cash equivalents and marketable securities	113,014	57,079
Working capital	129,481	67,140
Working capital ratio	13.8:1	11.7:1
Days sales outstanding in accounts receivable*	60 days	53 days
Inventory turnover*	1.2 times	1.0 times

** Calculated on an annualized basis*

	Three months ended November 30,		Fiscal year ended, November 30,	
	(In thousands of dollars)			
	2007	**2006**	**2007**	**2006**
Cash Inflows and (Outflows) by Activity:				
Operating activities	(2,140)	(2,100)	16,117	(1,474)
Investing activities	(1,386)	(4,632)	(79,239)	(39,639)
Financing activities	611	13,485	51,436	50,922
Net cash inflows (outflows)	(2,915)	6,753	(11,686)	9,809

The Company uses working capital, working capital ratio, days sales outstanding in accounts receivable and inventory turnover as a measure to enhance comparisons between periods. These terms do not have a standardized meaning under GAAP and are not necessarily comparable to similar measures presented by other companies. The calculation of each of these items is more fully described below.

Cash and Cash Equivalents and Marketable Securities

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

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

At November 30, 2007, the Company had $113.0 million of cash and cash equivalents and marketable securities compared to $57.1 million for the year ended November 30, 2006. The increase in cash and cash equivalent is consistent with the Company's improved operating performance during fiscal 2007 as well as the net proceeds of $49.6 million raised through the issuance of 10,247,650 which took place during the third quarter of fiscal 2007. These items were partially offset through the cash acquisition of $6.7 million of capital assets and $5.0 million related to business acquisitions (see below) that took place during the year.

Working Capital

Working capital represents the Company's current assets less its current liabilities. The Company's working capital balance increased to $129.5 million at November 30, 2007 compared to $67.1 million at the end of fiscal 2006. The Company's working capital ratio (which is its current assets divided by its current liabilities) increased to 13.8:1 compared to 11.7:1 at November 30, 2006. The increase in the Company's working capital ratio from the 2006 level mainly relates to the significant increase in cash and marketable securities as a result of the improved operating performance experienced during fiscal 2007 as well as the net proceeds ($49.6 million) generated from the issuance of 10,247,650 common shares which took place during the third quarter of fiscal 2007.

The Company's days sales outstanding in accounts receivable ("DSO") increased to 60 days from the 49 days reported at the end of the third quarter and 53 days at the end of fiscal 2006. The Company expects that its DSO levels will remain at 50 to 60 days. During periods of high growth (as experienced during the fourth quarter and fiscal 2007), the Company calculates DSO based on the recent three months annualized revenue and the average of the beginning and ending accounts receivable balance for such three month period.

The November 30, 2007 inventory turnover of 1.2 times per year is slightly lower than the 1.5 reported at the end of the Company's third quarter but slightly higher than the 1.0 times reported at the end of fiscal 2006. The decrease in the Company's inventory turnover from the Q3-07 level relates to a decrease in the annualized cost of sales as a result of lower product sales in the quarter without a corresponding reduction in average inventory levels for the relevant periods. The Company calculates its inventory turnover based on the actual costs of product sales for the three month period and the average of the inventory balance at the beginning of the three month period and the ending inventory balance for the three month period. Included in the Company's inventory balance is $3.5 million related to demonstration units (of which $2.5 million related to its PTS 14000 products) and $0.4 million related to deferred cost of product sales.

Cash Provided by (used in) Operating Activities

Cash used in operations for the fourth quarter of fiscal 2007 and 2006 was $2.1 million. Cash generated from operations during fiscal 2007 was $16.1 million as compared to a $1.5 million use of cash for the same period last year. This increase is largely being driven by the improved operating

performance the Company has experienced throughout fiscal 2007 as compared to fiscal 2006. This was partially offset by an increased use of cash through changes in the Company's non-cash working capital balances (FY-07 - $6.0 million; FY-06 - $3.2 million). This increase in the use of cash was mainly driven through changes in the Company's 2007 accounts receivable, accounts payable and deferred revenue balances.

The Company enters into complex arrangements that involve acceptance tests, multiple deliverables and/or post contractual support which remain undelivered at the end of the period. Generally, this results in the deferral of revenue because, in most cases, the Company has not established fair value for the undelivered elements. Where the Company has sold post contract support, the resulting revenue is recognized rateably over the service period, which is typically one to three years. The Company does not recognize any revenue or deferred revenue related to post contract support or post contract support 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:

	Fiscal year ended November 30,	
	2007	**2006**
	In thousands of dollars	
Deferred revenue:		
Service	$2,604	$693
Product	1,481	95
Total	$4,085	$788
Reported as:		
Current	$4,028	$700
Non-current	57	88
Total	$4,085	$788

Purchase of Capital Assets

Additions to capital assets were $1.4 million in the fourth quarter of fiscal 2007 as compared to $1.5 million for the same period last year. Additions for fiscal 2007 and fiscal 2006 were $6.7 million and $4.9 million respectively.

The current period additions mainly relate to continued investment in hardware equipment and software to support the Company's research and development activities as well as continued investment in IT infrastructure.

During the fourth quarter of fiscal 2007, the Company capitalized $0.9 million ($2.7 million for fiscal 2007) of internally manufactured assets. The majority of these additions related to hardware equipment used within the Company's research and development lab.

Issuance of Equity Shares

During the fourth quarter of fiscal 2007, the Company issued 1,030,757 common shares upon exercise of stock options for net proceeds of $0.7 million. This brings the total common shares issued upon the exercise of stock options during fiscal 2007 to 3,199,556 for net proceeds of $1.9 million.

As further described below, on June 30, 2007, the Company completed the acquisition of all the outstanding shares of Simplicita Software, Inc. ("Simplicita"), for consideration of 815,298 common shares of the Company valued at approximately $4.5 million (net of 51,380 common shares that have been cancelled as a result of a working capital adjustment) .

On July 12, 2007 through a syndicate of underwriters (led jointly by Canaccord Capital Corporation and CIBC World Markets Inc.), the Company issued, on a bought deal basis, 8,911,000 Common Shares for $5.05 per Common Share for gross proceeds of approximately $45 million (the "Offering"). On July 12, 2007, the underwriters also exercised an option to purchase an additional 1,336,650 Common Shares at a price of $5.05 per Common Share for gross proceeds of approximately $6.7 million. The net proceeds raised from these offerings were $49.6 million.

As of the date of this document:

- the number of common shares in issue is 136,996,216
- there is 1 common share purchase warrant issued which entitles the holder to acquire 619,280 common shares
- there are 7,764,963 common share options issued under the Company's stock option plan (as further described in note 12 of its November 30, 2007 consolidated financial statements)

Liquidity and Capital Resource Requirements

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

Financial Instruments

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.

At November 30, 2007, the Company has three open forward foreign exchange contracts outstanding in the amount of US $6.0 million. The effect of these forward foreign exchange contracts is that it fixes the conversion rate for US $6.0 million of the Company's net US dollar asset position at a weighted average rate of 0.9741. The Company is carrying these contracts at their fair value. The Company has not applied hedge accounting to its forward foreign exchange contracts as they do not relate to specific future contractual obligations or commitments.

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. On November 30, 2007, the Company had a significant concentration of credit risk with four customers representing 61.1% (19.0% 14.8%, 14.2% and 13.0%) respectively of the Company's accounts receivable.

Acquisitions

Simplicita Software, Inc. ("Simplicita"). Effective June 30, 2007 the Company acquired all of the outstanding shares of Simplicita for consideration of 815,298 common shares (net of the 51,380 common shares that are to be cancelled as a result of the working capital adjustment) of the Company valued at approximately $4.5 million.

Net of 51,380 common shares that are to be cancelled as a result of a working capital adjustment, 171,903 common shares ("Escrow Shares") were allocated to a key employee escrow and will be released from escrow upon the continued employment of certain former shareholders ("Key Employees") over the next three years. The Escrow Shares have been valued at $0.9 million for accounting purposes and subject to the continued employment of individual Key Employees, will be recorded in the Company's financial statements as compensation expense over the employment period of the key individuals to a maximum period of three years. For the year ended November 30, 2007, $137,000 (Q4-07 - $79,000) has been recognized as compensation expense.

Additional share consideration of up to 555,555 common shares ("Earn-Out Shares") will be issued to certain Simplicita shareholders on the achievement of certain performance targets and who have continued their employment with the Company as of November 30, 2008. The Earn-Out Shares have been valued at $2.8 million for accounting purposes and subject to the continued employment of individual Key Employees and the achievement of certain performance targets will be recorded in the Company's financial statements as compensation expense. The Company has determined based on its best estimate of the outcome of the performance targets and ongoing employment requirements that no compensation cost related to this contingent consideration should be recorded both for the fourth quarter and all of fiscal 2007.

As part of the acquisition, 385,250 outstanding options to acquire common shares of Simplicita were converted into options to acquire 23,333 common shares of the Company pursuant to the Company's existing stock option plan.

CableMatrix Technologies, Inc. ("CableMatrix"). On June 14, 2007 the Company acquired all of the outstanding shares of CableMatrix for total cash consideration of U.S. $4.6 million (CDN $4.9 million). Upon acquisition, all of the outstanding options to acquire common shares of CableMatrix were converted into options to acquire 370,000 common shares of the Company pursuant to the terms of the assumed CableMatrix stock option plan.

As a result of the acquisitions, the Company added approximately 40 employees. The Company anticipates meaningful revenue opportunities from theacquisitions some time in 2008.

Contractual obligations

The following table summarizes the Company's contractual commitments as at November 30, 2007 and the effect those commitments are expected to have on liquidity and cash resources.

Contractual Commitments (000's)	**Less than 1 year**	**1 – 3 years**	**3 – 5 years**	**After 5 years**	**Total**
			Amounts in thousands of dollars		
Operating leases	$754	$884	$656	Nil	$2,294
Purchase obligations	$417	nil	nil	nil	$417

The Company has entered into a lease for facilities in Waterloo, Ontario to May 31, 2012. The lease requires annual rental payments of $437,400 plus operating expenses.

The Company has entered into a lease for additional facilities in Waterloo, Ontario to February 2009. The lease requires annual rental payments of approximately $240,000 plus operating expenses.

The Company enters into purchase orders in the normal course of operations which generally have lead times of 4 to 26 weeks. The purchase obligation amount disclosed in the chart above relates to purchase orders which have been placed with certain vendors that relate to orders that are non-cancellable or non-returnable.

From fiscal 2003 through fiscal 2005 the Company received $9.5 million of funding from Technology Partnerships Canada. As partial consideration for the funds, the Company has agreed to pay a royalty stream based on its sales. From December 1, 2005 to November 30, 2007 the Company is required to pay Technology Partnerships Canada a royalty equal to 1% of its sales. On the earlier of (i) cumulative sales reaching $85 million or (ii) December 1, 2007, the royalty rate will increase to 2.5% of sales. During Q3-07 the royalty rate increased to 2.5% of gross revenues as the Company's cumulative gross revenues surpassed the $85 million threshold. Royalties will continue to be payable until November 30, 2013 or until cumulative royalties accrued or paid reach $16 million. During the year, the Company expensed $1.0 million in respect of this obligation (fiscal 2006 – $0.3 million).

A subsidiary of the Company participated in programs sponsored by a foreign government body for the support of research and development activities. The subsidiary is obligated to pay royalties up to the amount granted amounting to 3% - 5% on sales and other related revenues generated from the subsidiary's products. The subsidiary's obligation to pay these royalties is contingent on actual sales of its products which incorporate the technology related to the grant, and in the absence of such sales, no payment is required. As of November 30, 2007 the subsidiary has received cumulative grants of 1.3 million ILS ($450 CDN) (2006 - $nil).

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any "off-balance sheet" arrangements as of November 30, 2007 as that term is described in National Instrument 51-102F.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's CEO and 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. The Company's Chief Executive Officer and Chief Financial Officer have evaluated the Company's disclosure controls and procedures as of November 30, 2007 and have determined 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 CEO and CFO have evaluated whether there were changes to the Company's internal control over financial reporting during the interim period ended November 30, 2007 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. No such changes were identified through their evaluation.

Selected consolidated quarterly financial information

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

Fiscal 2007 *(in thousands of dollars)*	**Three months ended**				**Fiscal year Ended**
	February 28, 2007	**May 31, 2007**	**August 31, 2007**	**November 30, 2007**	**November 30, 2007**
Sales	15,375	20,022	21,176	17,106	73,679
Operating expenses	7,150	9,674	12,264	14,045	43,133
Net income – total	5,872	10,320	2,700	70	18,962
Basic earnings per share	0.048	0.084	0.021	0.001	0.148
Diluted earnings per share	0.045	0.079	0.020	0.000	0.139
Total assets	100,766	102,811	163,704	159,465	159,465

Fiscal 2006 *(in thousands of dollars)*	**Three months ended**				**Fiscal year Ended**
	February 28, 2006	**May 31, 2006**	**August 31, 2006**	**November 30, 2006**	**November 30, 2006**
Sales	6,949	7,394	8,076	9,246	31,665
Operating expenses	5,401	6,225	6,260	6,929	24,815
Net income (loss) – total	(175)	(506)	183	116	(382)
Basic earnings (loss) per share	(0.002)	(0.005)	0.002	0.001	(0.004)
Diluted earnings (loss) per share	(0.002)	(0.005)	0.002	0.001	(0.004)
Total assets	26,747	63,578	65,912	79,546	79,546

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 OEM and reseller customers, which may place large single orders in any one quarter, and to the timing of staffing and infrastructure additions to support growth.