



DataMirror Corporation

Annual Information Form

June 15, 2001

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Certain terms used in this Annual Information Form are defined in the Glossary of Technical Terms.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Information Form contains forward-looking statements that are subject to significant risks and uncertainties. Forward-looking statements include statements of plans, objectives, strategies and expectations, and may be identified by the use of words such as (but not limited to) “anticipate”, “believe”, “estimate” and “expect” and similar expressions. Forward-looking statements are made pursuant to the “safe harbor” provisions of the United States Private Securities Litigation Reform Act of 1995. Numerous risks and uncertainties may affect DataMirror's operating results and could cause DataMirror's actual results to differ materially from historical results or any forward-looking statements contained herein. These risks and uncertainties include, but are not limited to, the following: variability of quarterly operating results; dependence upon the continued growth and success of DataMirror's software products; competition; rapid technological change and new product introductions; dependence upon continued growth in the database and enterprise data integration markets; dependence upon relationships with complementary vendors and distribution channels; the ability to recruit and retain key personnel; risks of international operations, including currency exchange rate fluctuations and global economic conditions; possible software errors or defects; possible infringement claims by third parties; and other risk factors discussed herein, in the Company's Management's Discussion and Analysis of Financial Condition and Results of Operations and other periodic filings with the United States Securities and Exchange Commission and other regulatory authorities. The Company disclaims and does not assume any obligation to update forward-looking statements.

CURRENCY

All dollar amounts in this Annual Information Form are expressed in Canadian dollars unless otherwise indicated.

THE COMPANY

The predecessor corporation to DataMirror Corporation was incorporated under the *Business Corporations Act* (Ontario) on November 19, 1993. This predecessor corporation amalgamated on February 1, 1996 with four other corporations to form DataMirror Corporation (together with its subsidiaries, "DataMirror" or the "Company") as it is currently constituted. The Company's articles of amalgamation were amended on December 6, 1996 to effect a 1 - for - 2 share consolidation of the common shares and to create a class of preferred shares issuable in series.

As at January 31, 2001, the Company had the following direct and indirect subsidiaries:

Subsidiary ⁽¹⁾	Jurisdiction of Incorporation
DataMirror Europe (Holdings) Limited	England
DataMirror (UK) Limited	England
DataMirror Hub Company (UK) Limited	England
DMC Holdings, Inc.	Delaware
DataMirror, Inc.	Delaware
DataMirror Benelux NV	Belgium
DataMirror France SARL	France
DataMirror Germany ⁽²⁾	A partnership under the laws of Germany
DM Nordic AB	Sweden
DataMirror (Asia Pacific) Limited	Hong Kong
DataMirror Hub Company (Canada) Inc.	Ontario

⁽¹⁾ Except as otherwise noted, each subsidiary is wholly owned by DataMirror Corporation and/or one or more wholly-owned subsidiaries of DataMirror Corporation.

⁽²⁾ DataMirror Germany is a partnership between two wholly-owned subsidiaries of DataMirror Corporation, DataMirror Deutschland GmbH, as limited partner, and DataMirror Deutschland Verwaltungs-GmbH, as general partner.

The head office and principal place of business of the Company is located at 3100 Steeles Avenue East, Suite 1100, Markham, Ontario, Canada L3R 8T3. The Company's phone number is (905) 415-0310 and its fax number is (905) 415-0340.

GENERAL DEVELOPMENT OF THE BUSINESS

The Company designs, develops and markets software products that capture, transform and flow data between enterprise databases. The Company's software products provide business data integration, giving its customers the ability to keep corporate data integrated, distributed and available within enterprises and across the Internet. The transformational features of the Company's software allow selected data to be analyzed and transformed (i.e. restructured or reformatted) to meet a particular customer's needs and to be integrated between a variety of hardware and database platforms. The Company's products are suited to such business applications as building and replenishing data warehouses, data distribution and workload balancing, e-commerce and the integration of e-Business applications with operational and legacy systems, enterprise application integration ("EAI") and back-up and recovery applications.

The Company's predecessor was incorporated in November 1993 as a software research and development firm focused on the problem of transformational data replication across various hardware and database platforms. Since the introduction of DataMirror's *Transformation Server* software in October 1994 as an IBM iSeries ("AS/400") data replication product, the Company has commercially released several new versions and extensions of *Transformation Server*, extending its functionality to become a cross-platform transformational integration solution. *Transformation Server* now offers bi-directional data capture, transformation and flow to and from a variety of mid-range servers, mainframe processors and software databases including DB2 running on IBM AS/400 and OS/390; Oracle databases running on UNIX, Linux and Windows NT/2000 platforms; Sybase databases running on UNIX and Linux platforms; Microsoft SQL Server databases and PointBase Java databases.

The Company's second major product, *High Availability Suite* for IBM AS/400 (also known as *HA Suite*), was released in November 1998. *HA Suite* is an integrated software suite offering AS/400 back-up and recovery protection for customers. *High Availability Suite* was complemented and enhanced in mid 1999 with the introduction of DataMirror *iCluster* software, a high availability cluster management solution for a 'cluster' or integrated network of IBM AS/400 systems.

As the result of the acquisition of the technology and certain other assets and liabilities of Constellar Corporation and its UK subsidiary Constellar Limited ("Constellar") completed in September 2000, the Company has added a third major product, DataMirror *Constellar Hub*. *Constellar Hub* is an EAI solution which enables data movement, transformation and integration between a wide variety of mixed system environments. It supports over 40 data types including real-time, batch and message-oriented systems.

The Company has also developed additional software products including *iDeliver*, a data integration product that delivers data from *Transformation Server* sources to Windows desktop data stores, *Enterprise Administrator*, an enhanced Java based graphical user interface for administration of the *Transformation Server* family of products, *iTransmit*, a wireless version of *Enterprise Administrator* and *XtremeCache*, a technology exclusive to DataMirror *iCluster* and *High Availability Suite* that optimizes the flow of data into and out of a high speed software cache. See "Description of the Business – Products".

DESCRIPTION OF THE BUSINESS

The Company operates in only one industry, that being the business of developing and marketing computer software products. The Company has two reportable segments, North America and Europe, based on the geographic location of its operations. The Company's geographical revenue distribution has been as follows:

	For the Years Ended January 31,	
	2001	2000
Canada	3.4%	5.7%
United States	50.0	45.7
United Kingdom	26.8	20.4
Germany	6.9	13.2
Other	<u>12.9</u>	<u>15.0</u>
	<u>100.0%</u>	<u>100.0%</u>

Additional information about the geographic segments of the Company's business is available in "Management's Discussion and Analysis of Financial Condition and Results of Operations", below, and in the Consolidated Financial Statements of the Company for the year ended January 31, 2001, Note 15, Segmented Information, contained in the Company's 2001 Annual Report to Shareholders.

Products

The Company designs, develops and markets software products that capture, transform and flow data between enterprise databases. The Company's software products provide business data integration, giving its customers the ability to keep corporate data integrated, distributed and available within enterprises and across the Internet. The Company's first product, *DataMirror/400*, since renamed *Transformation Server* for AS/400, was introduced in October 1994 leading to the Company's first license sale in early 1995. Since the introduction of *Transformation Server* as an IBM AS/400 data replication product, DataMirror has commercially released several new versions and extensions of *Transformation Server*, extending its functionality to become a cross-platform transformational integration solution. *Transformation Server* now offers bi-directional data integration to and from Oracle databases on UNIX, Linux and Windows NT/2000 platforms, Sybase databases on UNIX and Linux platforms, Microsoft SQL Server databases, PointBase databases on Java platforms and DB2 on OS/390 mainframe platforms, as well as AS/400 platforms. The Company now also offers additional software products such as *DataMirror High Availability Suite*, a back-up and recovery solution for AS/400, *iCluster* for AS/400, a high availability cluster management solution for clustered AS/400 environments, *DataMirror Constellar Hub*, an Oracle based EAI tool and *iDeliver*, a data integration product that delivers data from *Transformation Server* sources to Windows desktop data stores.

The following is a description of the Company's principal software products:

Transformation Server

The Company's *Transformation Server* products enable the capture, transformation and flow of data among a variety of like and heterogeneous computer platforms and databases including DB2 on AS/400 and OS/390, Microsoft SQL Server, Oracle on UNIX, Linux and Microsoft Windows NT/2000, Sybase on UNIX and Linux and PointBase Java databases. *Transformation Server* includes a source database utility allowing both full and selective capture and extraction of data from supported source database and hardware platforms, and a target utility that performs the enhancement and transformation of data and the flow of data into supported target database and hardware platforms.

DataMirror *Transformation Server* may be used by customers to perform a number of functions, including:

- (i) seamless data connectivity between incompatible databases on different computer systems;
- (ii) facilitating e-Business and e-commerce by selective replication of data to and from operational databases and Web servers and other e-Business applications;

- (iii) distribution of data and the associated computer workload from one or more high-cost and/or over-utilized computers to lower-cost and/or under-utilized computers;
- (iv) replenishment of distributed data warehouses on a near-simultaneous basis through replication of changed data, without burdening the source databases with repetitive query traffic;
- (v) distribution of data from multiple sources to multiple disparate targets while preserving efficient database performance through “cascading replication”, the ability to have target databases act as sources and in turn flow data to subsequent targets;
- (vi) providing access to data while protecting against corruption of the source database or data warehouse, through selective replication of subsets of data to databases accessible by employees and/or intranet or Internet users;
- (vii) maintenance of back-up copies of data for data resiliency and disaster recovery in the event of planned or unplanned system outages; and
- (viii) assisting with data management through maintenance of “meta data” to describe, monitor and track the data in a database or data warehouse, where it came from, how it was transformed and how it has changed over time.

Enterprise Administrator and iTransmit

In the latter half of 1999 DataMirror introduced *Enterprise Administrator for Transformation Server*, a common graphical interface written entirely in Java. *Enterprise Administrator* allows users to monitor and administer the enterprise data integration activities of *Transformation Server* across all platforms from a single, unified administration point. Users can set up database tables on a variety of servers, specify replication and movement parameters, initiate database refresh, net-change replication or real-time mirroring functions and perform other administrative and data management functions from a single location using *Enterprise Administrator*. *Enterprise Administrator* also allows improvements in overall system performance by removing administration functions from operational systems. All current versions of *Transformation Server* are now equipped with *Enterprise Administrator*.

iTransmit is a wireless version of *Enterprise Administrator for Transformation Server* introduced in mid 2000. It allows an IT administrator with a micro-browser equipped wireless device to access, monitor and manage the enterprise data integration activities of *Transformation Server* between multiple databases and computing platforms remotely. *iTransmit* enables users to select subscriptions, view the replication status, check logs for error messages, and perform simple functions such as starting and stopping data replication. Using *iTransmit* over a wireless Internet connection, users can troubleshoot issues to understand what happened, restart replication or take another course of actions.

High Availability Suite and iCluster

In November 1998 the Company commercially released DataMirror *High Availability Suite*, an integrated software product for IBM AS/400 system back-up and recovery. *High Availability Suite* is comprised of the following four tightly integrated components:

- (i) data mirroring functionality which captures database transactions on primary systems and mirrors them, on a continuous or periodic basis, to one or more secondary or back-up AS/400s;
- (ii) object mirroring functionality provides continuous or periodic, on-demand mirroring of non-data AS/400 objects, such as user id's and security profiles, from primary systems to one or more secondary or back-up AS/400s;
- (iii) role switching capability to detect primary system failure and invoke operational switching from primary AS/400 systems to secondary or back-up AS/400s in the event of planned or unplanned system outages; and
- (iv) administration, monitoring and inquiry functions, allowing system administrators to monitor and analyze both current and historical information regarding the status of the *HA Suite* mirroring process.

High Availability Suite offers AS/400 back-up and recovery protection for customers. As an integrated software product, *High Availability Suite* allows customers to purchase one product with the ability to replicate both data and AS/400 objects to back-up systems, automate role switching from the primary AS/400 system to the secondary or back-up system, and monitor the entire process.

In mid-1999 DataMirror released its *iCluster* cluster management product for IBM AS/400. A 'cluster' consists of an integrated network of AS/400 systems (or nodes) that work together to provide seamless AS/400 operations. If the node in a cluster that provides a service can no longer perform this role, operations are automatically switched to a designated backup node. To achieve this objective, objects and data must be replicated from the primary system to the backup node so that operations can be easily moved to this node. DataMirror *iCluster* software complements *High Availability Suite* for clustered AS/400's. *iCluster* enables users to define nodes in a cluster, determine what data and other critical objects are mirrored to specific nodes and monitor the entire cluster from a single station. It also handles the data and object mirroring requirements of clustered high availability environments.

In 2000 DataMirror released *XtremeCache*, a technology exclusive to DataMirror *iCluster* and *High Availability Suite* that optimizes the flow of data into and out of a high speed software cache. *XtremeCache* is a breakthrough enhancement that enhances the business availability and system back-up and recovery capabilities of *HA Suite* and *iCluster*.

Constellar Hub

DataMirror *Constellar Hub* is an Oracle-based enterprise application integration tool that enables the movement, transformation and integration of data between heterogeneous system environments from a central point of control. With DataMirror *Constellar Hub*, organizations have the power to rapidly integrate a wide variety of applications. It supports over 40 data types including real-time, batch and message-oriented systems. DataMirror *Constellar Hub* options include interfaces for Oracle Applications and PeopleSoft and connectors to MQSeries and SAP. The solution incorporates support for XML, HTTP and FTP to allow e-business transactions to be readily integrated with a company's other core systems including ERP and CRM applications.

iDeliver

DataMirror's *iDeliver* software is an application that captures, transforms and flows data from corporate data stores to PC desktop applications. *iDeliver* consists of two main components: *iDeliver Server* and *iDeliver Client*. *iDeliver Server* works in conjunction with *Transformation Server* to capture mirrored and refreshed data from *Transformation Server*-supported sources and allows administrators to configure security features, data filtering parameters and subsets or publications of data that may be accessed by users. *iDeliver Client* allows desktop users to view publications created by *iDeliver Server*, subscribe to publications, copy data into desktop applications and ensure the data is synchronized.

Pricing and Licensing Practices

A typical licensing transaction for DataMirror's two primary software products, *Transformation Server* and *High Availability Suite*, includes the purchase of at least two licenses, one license to act as a source utility for each of the computers from which the customer intends to replicate data, and one or more licenses to act as a target utility for each computer to which the customer intends to replicate data. Licenses for DataMirror *Constellar Hub* are typically linked to the customers' volume of use. The Company often sells a customer additional licenses or increased use licenses as the implementation of a customer project proceeds or as a customer undertakes additional or expanded projects that require additional data and application integration capability across the enterprise.

Following mid-range software industry practice, DataMirror's license prices vary depending on a number of factors. The Company licenses *Transformation Server* and *High Availability Suite* using a pricing model that considers the operating system and relative size and processing capability of computer hardware platform on which the software will operate and the location of the purchaser. In general, license prices are higher for multiple processor and large-scale processor computer models than for small processors, and for UNIX, OS/400 and OS/390 platforms than for Windows NT platforms. Licenses for DataMirror *Constellar Hub* are typically priced based on usage volume and whether the license will be used on a production or development system. As such, pricing may vary widely depending upon, among other things, a customer's computing systems environment. The standard U.S. dollar list pricing per license for

Transformation Server and *High Availability Suite* may range from a few thousand dollars to well over U.S.\$100,000. Production licenses for *Constellar Hub* are generally in excess of U.S.\$100,000. *iDeliver* pricing is similar to *Transformation Server* pricing, and is based on the number of *iDeliver Client* concurrent users.

Research and Development

The Company has made significant investments in product development. The Company incurred research and development expenses (before investment tax credits) of \$8,167,000 for the twelve months ended January 31, 2001 and \$6,766,000 for the twelve months ended January 31, 2000. Such expenditures constituted approximately 14.4% and 16.0% of the Company's revenue for fiscal 2001 and 2000, respectively. Research and development expenses are comprised of salaries and other direct costs associated with the development of new products. The Company intends to continue to make substantial investments in research and development to enhance existing products and develop new products. Some of the Company's planned research and development activities for fiscal 2002 include continuing to develop and enhance e-Business infrastructure and EAI solutions for its customers as part of DataMirror's Internet and EAI strategy, focusing on continued development and enhancement of its software products and extension of existing products to new platforms, including closer integration of *DataMirror Transformation Server* with the acquired *Constellar Hub* products and development of a high data availability software product for Oracle databases. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Outlook".

Sales and Marketing

The Company markets and sells licenses for its software products primarily through its direct sales force in North America, most of Europe and Hong Kong. In addition to its direct sales activities, the Company also employs indirect sales channels, such as distributors and resellers, in North America, Europe, Asia and the Pacific rim. In Australia, Central and South America and in certain European countries, the Company sells mainly on an indirect basis through distributors and resellers, who may also provide customer support and service to end users.

The Company's direct sales staff consists of technically trained salespersons and engineers who serve customers' IS and business management staffs. Direct sales and related support personnel are organized into designated regional sales territories, each reporting directly to head office, in the case of the Americas and the Asia Pacific region, or DataMirror (Europe) head office in Surrey, England, in the case of European sales. The Company's sales staff covers the North American market from its head office in Markham, Ontario and from branch offices in Atlanta, Georgia; Chicago, Illinois; Redwood Shores, California; and Newport Beach, California. The Company's direct sales in Europe are conducted from the offices of DataMirror (UK) Limited in Vauxhall, London and in Surrey (near London), England, and European branch offices in Antwerp, Frankfurt, Paris and Stockholm. Asia and Pacific rim offices are located in Hong Kong and Shanghai, China.

The Company has implemented an initiative to use its World Wide Web site as a sales channel and customer service centre. Customers and potential customers may download trial versions of particular software products and obtain on-line access to product demonstrations. The Company also offers certain product support assistance on the Web, including the ability for customers to generate their own temporary user authorization codes, download product upgrades and obtain product information through the Company's on-line KnowledgeBase.

In addition to the activities described above, the Company's marketing efforts include advertising, direct mail and public relations programs, participation in industry trade shows and individual and joint organization of seminars, Webcasts and conferences to promote its products. The Company has also developed distribution and marketing channels through alliances with vendors that offer products that are complementary to DataMirror products. The details of these arrangements vary, but they are generally co-operative arrangements in which alliance partners may recommend DataMirror's products directly to their customers as part of a larger systems solution.

Customers

As at January 31, 2001, the Company had sold licenses for its software products to over 1,400 customers. Total software license revenue for the year ended January 31, 2001 was approximately \$35 million, compared to total software license revenue for the year ended January 31, 2000 of approximately \$29 million. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations". DataMirror's customers include both large multi-national companies with many different platforms installed around the world and smaller, regional companies.

Customer Service and Support

The Company offers annual maintenance and support contracts for the Company's software products. Product support is generally provided by the Company at no charge for a two-month period following the purchase of a software license. Product support is provided beyond this initial support period on an annual basis for a fee. Customers may obtain support either (i) on business days during certain standard business hours (depending on location), or (ii) 24 hours a day, 7 days a week for an additional charge. Product support is delivered by a combination of telephone, fax, electronic mail and materials available on the Company's website. If purchased, product maintenance and support includes revisions that are commercially released within the support period and product updates.

The Company also supports its customers with a range of consulting, training and implementation services. The Company offers systems engineering expertise to assist customers with the initial implementation of the Company's software on customers' systems. Longer term consulting services, which generally occur less frequently than implementation services, consist of a range of on-site engagements that are custom designed to assist individual customers through successive phases of their business data integration efforts.

Competition

The marketplace for data movement, replication and integration software is intensely competitive. Given the variety of uses for the Company's products and the range of platforms, operating systems and databases on which they operate, the Company faces competition from many competitors. The Company's competitors include independent software vendors, and database vendors and hardware manufacturers who offer replication tools for their proprietary systems, some of which have cross-platform or heterogeneous data integration capabilities. The Company also faces significant competition from in-house development departments within businesses that may develop custom software for the specific data movement and integration requirements of their enterprises. See "Risk Factors - Competition".

The following specific factors may impact the Company's competitive position in the markets for data movement, replication and integration software and systems availability and back-up and recovery software:

The Data Movement, Replication and Integration Software Markets (Transformation Server, iDeliver and Constellar Hub)

The Company is not aware of any direct competitors for the full range of its *Transformation Server* business data integration software, which is capable of performing transformational data integration both to and from IBM AS/400s, IBM OS/390 and compatibles, SQL Server databases, Oracle and Sybase databases on a variety of platforms and PointBase Java databases. The Company does, however, face significant competition from specific data replication and integration software products designed for use on many of these platforms. In addition, DataMirror's *Constellar Hub* product faces competition from a number of other enterprise application integration products, primarily offered by independent software vendors.

The Company has faced, and expects to continue to face, competition from the following primary sources:

- ***Hardware and Database Vendors.*** Many hardware and database vendors, including IBM, Microsoft, Oracle and Sybase, also offer data movement or integration software products, either as stand-alone products or as a technological component of their hardware, operating system, database or other software products. Such data movement and integration products tend to be focussed on the vendors' core hardware or database offerings, and generally do not offer the full range of functionality and cross-platform compatibility of DataMirror's products. Nevertheless, such products can and do pose significant competition for the Company's products. Many of these vendors are significantly larger than the Company and have significantly longer operating histories, greater financial resources and more market and brand recognition than the Company. If IBM, Microsoft, Oracle, Sybase or other leading vendors were to introduce, enhance or expand cross-platform data integration tools designed to move or integrate data rapidly and seamlessly among a wide variety of different databases and computer platforms, such tools could represent even more significant competition to the Company and to a wider range of the Company's products. Although the Company has participated in product alliance, joint marketing, product referral and other co-operative arrangements with such vendors, there is no guarantee that any such arrangements will be available or will continue in the future.

- *Independent Software Vendors.* Several independent software vendors have developed one or more data movement, replication and/or data and enterprise application integration tools for a variety of databases and computer platforms, including platforms supported by the Company's products such as IBM DB2 on various platforms, Oracle, Sybase and SQL Server. These products may offer varying degrees of bi-directional replication capability, platform compatibility and continuous or periodic replication ability, and offer significant direct competition with DataMirror products including in particular *Transformation Server* and *Constellar Hub*. As with hardware and database vendors described above, many of these independent software vendors are significantly larger than the Company and have significantly longer operating histories, greater financial resources and more market and brand recognition than the Company.
- *In-house Development.* Many large business organizations have sizeable Information Systems departments and software development and programming staff. These organizations may choose to develop their own custom software for their internal data movement, replication and integration requirements. The Company has encountered, and expects to continue to face, competition for the sale of its products from such in-house development efforts.

The Systems Availability and Back-up and Recovery Software Market (High Availability Suite and iCluster)

DataMirror *High Availability Suite*, together with *iCluster*, offers a full system mirroring and high availability back-up and recovery solution for AS/400 users. Furthermore, the Company's *Transformation Server* products have been employed by customers for systems availability and back-up and recovery purposes as well. *High Availability Suite/iCluster* competes against a number of other system mirroring software products that are generally designed to move data and maintain a current back-up of an entire IBM AS/400 system on a second IBM AS/400, perform operational switchover in the event of system failure, and mirror all database activity as well as all non-database file and object activity.

Intellectual Property

The Company regards its software as proprietary and attempts to protect it using copyright, trademark and trade secret laws, contractual provisions regarding confidentiality, non-disclosure and ownership of proprietary information and embedded software authorization routines, rather than patents. Despite these precautions, it may be possible for unauthorized third parties to copy certain portions of the Company's products and obtain and use information the Company regards as proprietary. In addition, there is a risk that third parties may assert infringement claims against the Company or its products. See "Risk Factors - Potential Infringement Liability".

The Company licenses its software products to a large degree under "shrink wrap" licenses (that is, licenses included as part of the product packaging) and/or "click wrap" licenses (that is, licenses which appear on a user's computer screen prior to the user being able to install, use or download the software). The Company's use of "click wrap" licenses may increase as the Company further extends its product licensing activities on the Internet. "Shrink wrap" or "click wrap" licenses are not negotiated with or signed by individual licensees and purport to take effect upon the opening of the product package or upon download or an indication of acceptance by "clicking" on an acceptance indicator or button on a web page or computer screen. Certain provisions of such licenses, including provisions protecting against unauthorized use, copying, transfer and disclosure of the licensed program, may be unenforceable under the laws of certain jurisdictions.

While the Company is unable to determine the extent of software piracy of its products, software piracy can be expected to be a persistent problem in the software industry. The Company utilizes software authorization routines to provide copy protection on all platforms where hardware serial numbers are available for this purpose. However, in keeping with industry standards, the Company does not copy protect its software on Windows NT and certain other platforms. Policing unauthorized use of the Company's products is difficult, but given that, in most cases, the Company's primary software products currently require that at least one machine at any installation be fully and properly licensed, it is probable that any unauthorized use would be limited to licensed sites. In addition, the laws of some foreign countries do not protect the Company's proprietary rights to the same extent as do the laws of Canada and the United States. Accordingly, it may be possible for unauthorized parties to copy or reverse engineer the Company's products or otherwise obtain and use information that the Company regards as proprietary.

Employees

On January 31, 2001, the Company employed 319 employees, including 84 in research and development, 190 in sales, marketing and customer support and 45 in finance and administration.

Facilities

The Company's head office is located in a leased facility in Markham, Ontario, where the Company currently occupies approximately 53,140 sq. ft. of office space. The term for the leased premises expires in April 2004. The Company leases private office space, generally on a short-term basis, for its sales and technical operations in Atlanta, Georgia; Chicago, Illinois; Redwood Shores, California and Newport Beach, California. The Company's UK subsidiary occupies leased office space in Surrey (near London), England (expiry January 2002) and Vauxhall, London, England (expiry June 2001), and additional office space is leased for European branch offices in Antwerp, Belgium; Frankfurt, Germany; Paris, France; and Stockholm, Sweden. Leases for the European offices are generally terminable on short-term notice, except for the Frankfurt location which has a longer term lease expiring in November 2003. The Company's Asia Pacific operations are housed in leased office facilities in Hong Kong and Shanghai, China. The Company believes that its existing facilities and offices are adequate to meet its immediate requirements and that additional space in similar facilities will be available to satisfy its requirements in the foreseeable future.

The Constellar Acquisition

Effective September 1, 2000, as part of its strategy to strengthen its presence in the global Oracle economy, the Company purchased certain assets and assumed certain liabilities of Constellar Corporation of Redwood Shores, California and its UK subsidiary Constellar Limited. Constellar Corporation was engaged in the business of developing and marketing enterprise application integration (EAI) software products for nearly 12 years. As a result of this acquisition, DataMirror acquired the *Constellar Hub* software technology as well as certain related assets including computer equipment, office furniture and other fixed assets, accounts receivable, customer contracts and alliance contracts, and assumed certain related liabilities including accounts payable and deferred revenue. *Constellar Hub* is an Oracle based enterprise application integration tool; see "Description of the Business – Products".

The Constellar acquisition was valued at approximately \$16,500,000 (including the full value of contingent consideration). The transaction was accounted for under the purchase method, and the results of the continuing operations of the Constellar business acquired by DataMirror are included in DataMirror's financial results from the date of acquisition. A total of U.S.\$5 million in payments relating to the Constellar acquisition were deferred over 3 years, and certain of these payments are contingent on revenues realized by DataMirror from the acquired business. As at January 31, 2001 the Company had realized approximately \$7.5 million in revenues related to the acquired business since the effective date of acquisition, and recorded \$398,000 of the contingent consideration as an accrued liability. Additional information about the Constellar acquisition is contained in the Consolidated Financial Statements of the Company for the year ended January 31, 2001, Note 16, Acquisitions, contained in the Company's 2001 Annual Report to Shareholders.

SELECTED CONSOLIDATED FINANCIAL INFORMATION
(in thousands of CDN dollars, except share and per share data)

The following selected consolidated financial information is derived from the audited Consolidated Financial Statements of the Company presented in accordance with Canadian generally accepted accounting principles, and must be read in conjunction with such Consolidated Financial Statements and related notes thereto.

Statement of Income (Loss) Data:

For the Years Ended January 31,

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Revenue⁽¹⁾			
Licence	\$35,040	\$29,009	\$24,331
Maintenance	14,065	8,562	4,957
Services	7,806	4,603	4,305
	<u>56,911</u>	<u>42,174</u>	<u>33,593</u>
Cost of revenue⁽¹⁾			
Licence	514	379	249
Maintenance and services	10,637	7,089	6,768
	<u>11,151</u>	<u>7,468</u>	<u>7,017</u>
Gross margin	<u>45,760</u>	<u>34,706</u>	<u>26,576</u>
Operating expenses			
Selling and marketing	23,815	19,549	17,181
Research and development	7,742	6,619	4,088
General and administration	9,668	7,181	5,723
Amortization of intangibles	1,570	1,147	975
Total operating expenses	<u>42,795</u>	<u>34,496</u>	<u>27,967</u>
Operating income (loss)	2,965	210	(1,391)
Investment income, net	1,333	286	1,186
Gain (loss) from investment in PointBase, Inc.			
Dilution gain	6,186	2,327	
Equity loss	<u>(4,709)</u>	<u>(3,620)</u>	
Income (loss) before income tax expense	<u>5,775</u>	<u>(797)</u>	<u>(205)</u>
Provision for income taxes			
Current	877	356	
Future	190	276	255
	<u>1,067</u>	<u>632</u>	<u>255</u>
Net income (loss)	<u>\$4,708</u>	<u>\$(1,429)</u>	<u>\$(460)</u>
Basic earnings (loss) per share⁽²⁾	<u>\$0.41</u>	<u>\$(0.14)</u>	<u>\$(0.04)</u>
Weighted average number of shares			
Basic	11,362,000	10,191,000	10,330,000
Diluted	<u>12,543,000</u>	<u>10,191,000</u>	<u>10,330,000</u>

Notes:

⁽¹⁾ During the year ended January 31, 2001, the Company began separately reporting maintenance revenues and services revenues. During the year ended January 31, 2000, the Company changed the classification of certain expenses on its consolidated statements of income (loss). In particular, expenses relating to the provision of maintenance and services have been reclassified from operating expenses to cost of revenue. In each case, information presented for prior years has been reclassified to conform to the described presentation.

⁽²⁾ There is no significant difference between basic earnings (loss) per share and diluted earnings (loss) per share for the periods indicated.

Balance Sheet Data⁽¹⁾:

	As at January 31,		
	<u>2001</u>	<u>2000</u>	<u>1999</u>
Cash and cash equivalents	\$28,205	\$10,219	\$15,807
Working capital	35,606	15,356	17,328
Total assets	88,445	41,052	43,291
Long-term obligations	2,903	1,582	1,851
Total shareholders' equity	65,218	27,239	29,603
Number of shares outstanding⁽²⁾	11,623,690	10,206,824	10,302,885

Notes:

(1) Effective February 1, 2000 the Company retroactively adopted new recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for income taxes, for the years ended January 31, 2001 and 2000. As permitted under the new rules, prior years' financial statements have not been restated. See Note 12 to the Company's Consolidated Financial Statements for the year ended January 31, 2001 contained in the Company's 2001 Annual Report to Shareholders.

(2) The number of Common Shares outstanding as at the dates noted excludes options and warrants to purchase Common Shares outstanding on such dates.

DIVIDENDS

The Company has not paid any dividends on its Common Shares in the last five completed financial years. The Company currently anticipates that it will retain future earnings for use in its business and does not anticipate paying any cash dividends in the foreseeable future. The payment of any future dividends will be at the discretion of the Company's Board of Directors and will depend upon, among other things, the Company's future earnings, operations, capital requirements and financial condition, general business conditions and contractual restrictions on payment of dividends, if any.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Reference is made to the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Company's 2001 Annual Report to Shareholders, which section is incorporated herein by reference.

MARKET FOR SECURITIES

The Company's Common Shares are listed and posted for trading on The Toronto Stock Exchange and The NASDAQ Stock Market under the trading symbols "DMC" and "DMCX", respectively.

DIRECTORS AND OFFICERS

Directors

The following table sets forth the name, municipality of residence, principal occupation and month of election of each of the directors of the Company on the date of this Annual Information Form:

<u>Name and Municipality of Residence</u>	<u>Principal Occupation</u>	<u>Elected Director</u>
P. KIRK DIXON Ajax, Ontario	Secretary and Executive Vice President, Global Operations of DataMirror Corporation	November 1997
DONALD L. LENZ ⁽¹⁾⁽³⁾ Toronto, Ontario	President of SELDM Limited	September 1999
MATTHEW A. OCKO ⁽²⁾⁽³⁾ Palo Alto, California	Partner of VantagePoint Venture Partners and Managing Director of Archimedes Capital LLC	November 1996
BRYAN E. PLUG ⁽¹⁾⁽²⁾ Saratoga, California	Chief Executive Officer of Kintana, Inc.	October 1996
KEITH POWELL Mississauga, Ontario	Principal, Keith Powell Consulting Inc.	May 2001
NIGEL W. STOKES ⁽³⁾ Toronto, Ontario	Chairman, President and Chief Executive Officer of DataMirror Corporation	December 1995
E. HERMAN WALLENBURG Toronto, Ontario	Chief Scientist of DataMirror Corporation	November 1997
DONALD WOODLEY ⁽¹⁾ Orangeville, Ontario	President of The Fifth Line Enterprise	May 2001

⁽¹⁾ Member of the Audit Committee.

⁽²⁾ Member of the Compensation Committee.

⁽³⁾ Member of the Corporate Governance Committee.

The term of office for all directors expires at the time of the election of their successors at the next annual meeting of shareholders of the Company.

Officers

The following table sets forth the name, municipality of residence, position with the Company and principal occupation of each of the officers of the Company on the date of this Annual Information Form:

<u>Name and Municipality of Residence</u>	<u>Position with the Company and Principal Occupation</u>
PETER F. CAULEY Toronto, Ontario	Vice President, Finance and Chief Financial Officer
P. KIRK DIXON Ajax, Ontario	Secretary and Executive Vice President, Global Operations
ANGELO LAI Hong Kong	Vice President, Asia Pacific
STEWART A. RITCHIE Aurora, Ontario	Vice President, Sales, Americas
NIGEL W. STOKES Toronto, Ontario	Chairman, President and Chief Executive Officer
DONALD G. SYMONDS Cobham, Surrey, United Kingdom	Vice President, EMEA
JOHN VANDERMAY Newmarket, Ontario	Vice President, Development
E. HERMAN WALLENBURG Toronto, Ontario	Chief Scientist

As a group, as at January 31, 2001 directors and senior officers owned, directly or indirectly, or exercised control or direction over 3,323,243 (approximately 28.6%) of the total outstanding on such date) Common Shares of the Company. The information as to shares owned directly or over which control or direction is exercised by the directors and officers, but which are not registered in their names, not being within the knowledge of the Company, has been furnished by such directors and officers.

The principal occupations of each of the directors and officers of the Company for the five years preceding the date of this Annual Information Form and additional biographical information is set forth below:

Peter F. Cauley joined DataMirror in November 1996 as the Company's Corporate Controller and also served as Interim CFO from December 1999 to August 2000. In January 2001 Mr. Cauley was appointed Vice President, Finance and Chief Financial Officer.

P. Kirk Dixon co-founded DataMirror with Mr. Wallenburg in November 1993, and was Secretary and Treasurer of the Company until appointed as Executive Vice President, Implementation in December 1995. Mr. Dixon was appointed as Executive Vice President, Development and Support of the Company in March 2000. Mr. Dixon was appointed to his current position as Executive Vice President, Global Operations in March 2001. Mr. Dixon has been a director of the Company since November 1997.

Angelo Lai joined DataMirror as Vice President, Asia Pacific in March 2000. Prior to joining DataMirror Mr. Lai was Project Executive at IBM Global Services from March 1999 to February 2000. Mr. Lai was Vice President, Sales and Channels, Asia Pacific of Lakeview Technology Inc. from January 1998 to February 1999. Mr. Lai was Senior Sales Specialist at IBM Canada from March 1997 to December 1997 and Advisory Product Manager at IBM Canada from August 1995 to March 1997.

Donald L. Lenz is currently President of SELDM Limited, a private investment company based in Toronto, Canada. Mr. Lenz also sits on several boards including those of Dalsa Corporation, GTR Group Inc., Cancer Care Ontario and The Laidlaw Foundation. He is also Vice Chairman of the Ontario Research and Development Challenge Fund and Chair of Cancer Care Ontario Central East Region. From 1986 to 1999, Mr. Lenz was a senior partner with the Investment Banking Division of RBC Dominion Securities Inc. Mr. Lenz has been a director of the Company since September 1999.

Matthew A. Ocko is currently a partner of VantagePoint Venture Partners, a U.S.\$2.5 billion Silicon Valley venture capital fund, and a Managing Director of Archimedes Capital LLC, another Silicon Valley venture capital fund. From October 1996 until August 1998 Mr. Ocko was a founding General Partner of SOFTBANK Technology Ventures, a venture capital fund affiliated with Softbank Corporation of Japan. Prior to October 1996, Mr. Ocko was a Vice President of Helix Investments (Canada) Inc. Mr. Ocko has been a director of the Company since November 1996.

Bryan E. Plug was President of SAP Canada Inc. from 1991 until July 1997. Mr. Plug was the first President and Chief Executive Officer of Pandesic LLC (the Internet company from SAP and Intel) from July 1997 to May 1998. Mr. Plug was President, Chief Executive Officer and Chairman of the Board of SMART Technologies, Inc., a developer and supplier of customer-driven Enterprise Relationship Management software, from June 1998 to July 1999. Mr. Plug is currently Chief Executive Officer of Kintana, Inc. (formerly Chain Link Technologies, Inc.), a leading provider of e-Business applications management software based in Sunnyvale, California. Mr. Plug has been a director of the Company since October 1996.

Keith Powell is currently the principal of Keith Powell Consulting Inc., an information technology consulting firm. Mr. Powell is also sits on several other boards including DMTI Spatial Inc., ElectroBusiness.com and SecretDrive.com. From 1980 to 2000, Mr. Powell held a number of positions with Nortel Networks, including Senior Vice-President, Information Services & Chief Information Officer from 1997 to 2000 and Vice-President, Information Services & Chief Information Officer from 1996 to 1997. Mr. Powell was appointed as a director of the Company in May 2001.

Stewart A. Ritchie has been with the Company since October 1998 and is currently Vice President of Sales, Americas of the Company. Prior to joining DataMirror, Mr. Ritchie managed channel sales and enterprise accounts for Network Associates (Canada) from February 1995 to October 1998.

Nigel W. Stokes founded Nidak Associates Inc. ("Nidak"), a client/server and database consulting firm, in 1986. Mr. Stokes was President of Nidak until the firm was sold to SHL Systemhouse Inc., a worldwide systems integration and computer consulting firm, in 1993 at which time Mr. Stokes became a Managing Director of that organization. Mr. Stokes joined the Company in October 1994 and became Chairman and Chief Executive Officer in December 1995. Mr. Stokes assumed the role of President of the Company in August 1998.

Donald G. Symonds was named Vice President, EMEA of the Company in September 1999. From April 1996 to September 1999 Mr. Symonds held other positions with the Company including Director, Business Planning, EMEA, Director, Channel Operations (EMEA) and Channel Consultant. Prior to joining DataMirror, Mr. Symonds held a variety of professional and senior management positions with IBM Canada and also was employed independently as a marketing consultant.

John Vandermay joined DataMirror as a Director of Development in 1998 and was appointed Vice President of Development in March 2001. Prior to joining DataMirror, Mr Vandermay held senior development and management positions at Marcam Solutions including Director of Development. Before joining Marcam, Mr Vandermay worked for 4 years at Clarica (formerly The Mutual Group) in Waterloo, Ontario, Canada developing mainframe applications and Windows client-server programs.

E. Herman Wallenburg co-founded DataMirror with Mr. Dixon in November 1993, and was President of the Company until appointed as Executive Vice President, Research and Development in December 1995. Mr. Wallenburg was appointed to his current position as Chief Scientist of the Company in March 2000. Mr. Wallenburg has been a director of the Company since November 1997.

Donald Woodley is currently the President of The Fifth Line Enterprise, a consulting firm engaged in providing strategic advisory services to the Canadian information technology industry. From February 1997 to October 1999, Mr. Woodley was General Manager with Oracle Corporation Canada Inc., the Canadian subsidiary of software and database vendor Oracle Corporation. From September 1987 to January 1997, Mr. Woodley was General Manager of Compaq Canada Inc., the Canadian subsidiary of computer maker Compaq Corporation. Mr. Woodley was appointed as a director of the Company in May 2001.

Committees of the Board of Directors

The Board of Directors of the Company has established Audit, Compensation and Corporate Governance Committees. An executive committee has not been established. The Audit Committee currently consists of Mr. Donald Lenz, Mr. Bryan Plug and Mr. Donald Woodley. The Compensation Committee consists of Mr. Bryan Plug and Mr. Matthew Ocko. The Corporate Governance Committee consists of Mr. Donald Lenz, Mr. Matthew Ocko and Mr. Nigel Stokes.

RISK FACTORS

An investment in the Company's Common Shares involves certain risks and uncertainties which should be carefully considered. The following risk factors, each of which could have a material adverse effect on the Company's business, results of operations and financial condition, and on the value or market price of the Company's Common Shares, should be considered carefully in addition to the other information contained in this Annual Information Form (including information incorporated by reference herein).

Limited Operating History; Uncertainty of Future Operating Results. The Company's predecessor was incorporated on November 19, 1993 and did not earn revenue until 1995. While the Company earned operating income for the years ended January 31, 2000 and 2001, it incurred an operating loss for the year ended January 31, 1999. In addition, while the Company earned net income for the year ended January 31, 2001, it recorded a net loss for the years ended January 31, 2000 and 1999. Due to the Company's short operating history, the uncertainty of continued acceptance of DataMirror's products, the rapid evolution of competitive software products, and the other risk factors discussed herein, there can be no assurance that the Company will be able to sustain its recent revenue growth or to achieve or sustain profitability or positive cash flow from operations in the future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Variability of Quarterly Operating Results. The Company's revenue and results of operations have fluctuated significantly on a quarterly basis and the Company expects substantial variability of future quarterly operating results due to a variety of factors. These factors include: (i) the timing of the release of new software products and enhanced versions of existing products by the Company; (ii) the introduction of new products and product enhancements by the Company's competitors; (iii) market acceptance of and demand for the Company's products; (iv) the strength or weakness of global markets for the Company's products and for computer platforms and databases with which the Company's products operate, in particular the IBM AS/400 platform; (v) changes in operating expenses, including possible increases related to the introduction of new and enhanced products; (vi) the timing of receipt of orders from major customers; (vii) general economic factors, including the potential negative effect of actual or perceived weakening of global economic conditions on the level of spending by the Company's customers and prospective customers; (viii) concentration of revenues in the last month of each quarter and in the fourth quarter of the fiscal year; (ix) the proportion of revenues attributable to license fees versus service revenues; and (x) changes in pricing policies by the Company or its competitors. Accordingly, the Company believes that period to period comparisons of results of operations are not necessarily meaningful and historical results should not be relied upon as indicative of future performance. The Company's operating expenses are based in part on anticipated short term revenue levels and are relatively fixed in the short term. As a result, if revenues are not realized as expected, the Company's operating results could be materially adversely affected. Variability of future quarterly operating results may cause volatility in the market price of the Common Shares. In addition, due to some or all of the foregoing factors, it is possible that in some future quarter the Company's operating results will be below the expectations of market analysts and investors. In such event, the price of the Company's Common Shares would likely be materially adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Product Markets and Product Acceptance To date the Company has derived a large portion of its license revenue from its *Transformation Server* and *High Availability Suite* products, particularly for AS/400 platforms. The

Company expects that sales of *Transformation Server* software, and particularly *Transformation Server for AS/400*, as well as *High Availability Suite*, will continue to represent a substantial portion of its revenue for the foreseeable future. With the acquisition of *Constellar Hub*, the Company expects to derive increased revenues from products that operate in conjunction with Oracle databases. A decline in the market for IBM's AS/400 or other hardware platforms on which the Company's products operate, or for applications and data management software for such platforms, may occur as a result of new competitive products, price, technological changes or other factors. The Company's future results of operations will depend, in part, on achieving broader market acceptance of its software products, as well as on its ability to continue to enhance these products to meet the evolving needs of customers. Future results may also depend on the strength or weakness of global markets for computer platforms and databases with which the Company's products operate, including the IBM AS/400 platform and Oracle databases. A decline in these markets, or the inability of the Company to achieve broader acceptance of its products or to enhance its products as required to meet market demand, could have a material adverse effect on the Company's business, results of operations and financial condition. See "Description of the Business - Products" and " - Competition".

Product Development, Acquisition and Technological Change. The market for business data integration software is characterized by rapid technological change and frequent new product introductions and enhancements. The Company must continue to develop, create or acquire new products and update existing products to reflect technological changes and market developments in hardware platforms, operating systems and database technology platforms in order to compete effectively. Such product development or acquisition may require the Company to invest substantial amounts in research and development on an ongoing basis. Although the Company may seek to acquire complementary businesses or technologies from time to time, there can be no assurance that any such acquisition will be available on acceptable terms or at all, or that the Company will be able to successfully consummate or integrate any such potential acquisition. The development cycle for new products may be significantly longer than development cycles experienced by the Company for its prior products and upgrades. The introduction of products embodying new technologies and the emergence of new industry standards could render the Company's existing products, and products currently under development, obsolete and unmarketable. The Company's future success will depend on its ability to enhance its current products and to develop and introduce new products that keep pace with technological developments, respond to customer requirements and achieve market acceptance. In addition to decreasing revenues as products reach the end of their natural life cycles, if the Company were unable to develop upgrades or new products in a timely manner due to resource constraints or technological or other reasons, the Company could experience decreases in future sales and revenues. There can be no assurance that the Company's future products or enhancements will keep pace with technological change or satisfy market needs or that the Company will successfully develop, acquire or market any future products.

Competition. The market for business data integration software is new and continuously evolving. Given the variety of uses for the Company's products and the range of platforms, operating systems and databases on which they operate, the Company faces competition from many competitors, including other independent software vendors, database vendors and large hardware manufacturers who also offer data integration tools. The Company also faces significant competition from in-house development departments within businesses that may develop custom software for the specific data movement or integration requirements of their enterprises. Current and potential competitors may have or may in the future establish alliances or cooperative relationships among themselves or with potential customers and may rapidly acquire significant market share. In addition, many of the Company's competitors and potential competitors are significantly larger than the Company and have significantly longer operating histories, greater financial resources and more market and brand recognition than the Company. The Company believes that it must continue to develop new products and introduce enhancements to its existing products in a timely manner to remain competitive. In addition, the Company believes that its ability to compete depends on many factors within and outside its control, including product functionality, performance, price, reliability, vendor and product reputation, customer service and support, sales and marketing efforts, product distribution and product releases both by the Company and its competitors. Even if the Company introduces new and enhanced products, it may not be able to compete effectively because of the significantly greater financial, marketing and other resources available to some of its competitors. As the markets for the Company's products expand, additional competition may emerge and competitors may commit more resources to competitive products. There can be no assurance that the Company will be able to compete successfully in current or future markets or that competitive pressures will not have a material adverse effect on the Company's business, results of operations and financial condition. See "Description of the Business - Competition".

Dependence on Continued Growth of the Database and Data Integration Markets and the Internet. The Company believes key future uses of its software will be for business data integration and data and application resiliency (high systems availability) applications, such as e-commerce applications, data distribution to and from data warehouses

and other data stores, enterprise application integration, workload balancing, and back-up protection against planned and unplanned system outages. Consequently, the Company's future financial performance will depend in part on the growth in the utilization of databases and in the number of data warehouse installations. The database and data warehouse markets are rapidly evolving, and there can be no assurance that such markets will be sustained at their current size or continue to grow. In addition, to the extent that the Company's products may be used in electronic commerce and Internet-based applications, the Company's future financial performance will depend in part on the reliability, growth in use and public acceptance of the Internet, particularly for the conduct of business-to-business and business-to-consumer commercial transactions. The Internet is a relatively new communications and commercial infrastructure which is rapidly evolving. There can be no assurance that the Internet infrastructure will be able to support the communications demands placed on it, or that the Internet will gain or sustain widespread acceptance as a communications or electronic commerce channel. In addition, there is no assurance that the Company's products will adequately address the requirements of customers or keep pace with changes in any of these markets.

Dependence on Relationships with Complementary Vendors. The Company believes that it is important to develop, maintain, and enhance close associations with complementary hardware and software vendors. There can be no assurance that the Company will be able to maintain its existing relationships or enter into new relationships. The Company's failure to do so could adversely affect the portability of the Company's products to, and compatibility and integration with, existing and new platforms, software applications and databases and the timing of the introduction of new and enhanced products by the Company. In addition, failure to do so could affect the Company's ability to leverage third party distribution channels and increase its market presence. See "Description of the Business - Sales and Marketing".

Dependence on Distribution Channels. While the Company has historically received most of its revenue from direct sales, a portion of the Company's revenue is derived from the sale of its products through third parties. There can be no assurance that the Company will be able to retain a sufficient number of its existing or future re-marketers and distributors, that such re-marketers and distributors will not give higher priority to the sale of other products (which could include products of competitors) or that these re-marketers and distributors will devote sufficient resources to marketing of the Company's products. The performance and financial strength of third party re-marketers and distributors is outside the control of the Company and the Company is unable to predict the extent to which these parties will be successful in marketing and selling the Company's products. A reduction in sales efforts or discontinuance of sales of the Company's products by its re-marketers and distributors could lead to reduced sales and could, as a result, have a material adverse effect on the Company's business, results of operations and financial condition. In addition, other methods of product distribution may become important in the future, such as Internet access to products and services and other electronic distribution. The Company's success will depend, in part, upon its ability to attract and retain sufficient direct sales personnel, to maintain and expand access to existing channels of distribution and to gain access to new channels if and when they develop. See "Description of the Business - Sales and Marketing".

Dependence on Key Personnel. The success of the Company depends upon the continued contributions of key personnel including members of its senior management, particularly Nigel Stokes, Chairman, President and Chief Executive Officer, Kirk Dixon, Executive Vice-President, Global Operations and Herman Wallenburg, Chief Scientist, the loss of one or more of whom could have a material adverse effect on the Company. There can be no assurance that the Company will be able to retain these individuals or recruit other qualified personnel. The Company maintains insurance on the life of Mr. Stokes, the proceeds of which have been pledged as security for the Company's indebtedness under its bank credit facilities. The Company believes that its future success will also depend in large part on its ability to attract and retain highly skilled technical, managerial and sales and marketing personnel. Competition for such personnel is intense, and there can be no assurance that the Company will be successful in attracting and retaining the personnel required to continue to grow.

Risks Associated with International Operations. The Company intends to continue to make efforts to increase international sales and anticipates that international sales will continue to account for a significant portion of its revenue. These sales are subject to certain risks and costs associated with international operations, including the difficulty and expense of staffing and administering business abroad, difficulties in accounts receivable collection, complications in complying with foreign laws and domestic and international import and export laws and regulations and costs related to localizing products for foreign markets and translating and distributing products in a timely manner. Significant international sales may also expose the Company to greater risk from political and economic instability, potential adverse tax consequences, unexpected changes in Canadian or other governmental policies concerning import and export of goods and technology, other regulatory requirements and tariffs and other trade barriers. In addition, while U.S. and Canadian copyright law, international conventions and international treaties may provide meaningful protection

against unauthorized duplication of software, the laws of some foreign jurisdictions may not protect proprietary rights to the same extent as the laws of the United States or Canada. Software piracy has been, and can be expected to be, a persistent problem for the software industry. See "Description of the Business - Intellectual Property". Although to date the Company has not experienced any of the foregoing factors to any significant extent, there can be no assurance that these factors will not be experienced by the Company in the future or that they will not have a material adverse effect on the Company's business, results of operations and financial condition. In addition, international earnings may be subject to taxation by more than one jurisdiction or other adverse tax consequences, which could also materially adversely affect the Company's results of operations.

Currency Exchange Risk. As the Company realizes a significant portion of its revenue in U.S. dollars and European currencies and incurs a significant portion of its operating expenses in Canadian dollars, changes in exchange rates between the Canadian dollar and the U.S. dollar or other foreign currencies could positively or negatively affect the Company's operating results. The Company has a policy of hedging a portion of its foreign currency denominated accounts receivable. However, management recognizes that this policy can provide only a short-term protection against a limited portion of the Company's foreign currency exposure. See "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Global Economic Conditions. The Company's operating results may vary significantly based upon the impact of actual or perceived changes in global economic conditions on its customers. The global economic environment in 2001 is more uncertain than in recent periods and has the potential to have a material adverse effect on the Company and its operating results. The Company's revenue and operating results depend in large part on the overall demand for business data integration solutions, and related computer software and services. A reduction of demand for business data integration solutions and related computer software and services caused by actual or perceived weakening in the global economy may result in decreased revenues and lower growth rates for the Company. Customers may defer or reconsider purchasing products from the Company if they experience a downturn in their business or if there is a downturn in general economic conditions.

Management of Growth. In recent years, due to internal growth, the acquisition of a German subsidiary, the Constellar acquisition and the expansion into the Asia Pacific region, the Company has experienced rapid growth in the scope of its operations. This growth has resulted in increased responsibilities for the Company's existing personnel, the hiring of additional personnel and, in general, higher levels of operating expenses. In addition, the Company may continue to experience rapid growth in the future, due to continued internal expansion, acquisition or other factors. In order to manage its current operations and any future growth effectively, the Company will need to continue to implement and improve its operational, financial and management information systems, to hire, manage and retain its employees, to integrate acquired businesses, technologies and personnel, if any, with existing operations and to maintain its corporate culture including technical and customer service standards. There can be no assurance that the Company will be able to manage such growth effectively or that its management, personnel or systems will be adequate to support growth in the Company's operations.

Software Defects. The Company's products are technically complex and, despite pre-release testing, may contain undetected errors or performance problems. There can be no assurance that such errors or performance problems will not be discovered in the future, which may cause delays in product introduction and shipments, require design modifications or result in damage to the Company's reputation, loss of revenue, loss of market share, delay in market acceptance or product liability or other claims against the Company. Furthermore, there can be no assurance that the Company will be able to correct any such errors on a timely basis, or at all. Correction of errors or other defects may require significant expenditures by the Company. The Company maintains limited errors and omissions insurance, and the Company's license agreements with its customers typically contain provisions designed to limit the Company's exposure to potential claims as well as any liabilities arising from such claims. However, such provisions may not effectively protect the Company against some or all of such claims and the liability and costs associated therewith. Any of these possible occurrences could have a material adverse effect on the Company's business, results of operations or financial condition. See "Description of the Business - Research and Development".

Potential Infringement Liability. As the number of software products in the industry increases and the functionality of these products further overlaps, it is possible that software developers will become increasingly subject to infringement claims. Moreover, there has been an increase in the number of patents issued in Canada and the United States relating to computer software, and, accordingly, the risk of patent infringements in the industry can be expected to increase, potentially resulting in an increase in patent infringement claims. Although the Company has not experienced any infringement claims, there can be no assurance that third parties will not assert infringement claims against the

Company in the future. Such claims may result in costly litigation, diversion of management time and resources, financial liability or a requirement that the Company suspend licensing of its products or redesign its products, or enter into royalty or licensing agreements. Furthermore, there can be no assurance that the Company would be able to successfully redesign its products, if required, or that any such royalty or licensing agreements will be available on reasonable terms, or at all. Any such claim or the results thereof could have a material adverse effect on the Company's business, results of operations or financial condition. See "Description of the Business - Intellectual Property".

ADDITIONAL INFORMATION

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Company's Management Information Circular dated May 8, 2001. Additional financial information is provided in the Company's comparative audited Consolidated Financial Statements for its most recently completed financial year, contained in the 2001 Annual Report to Shareholders. A copy of this Annual Information Form (together with any document or the pertinent pages thereof incorporated by reference herein) and each such document, as well as any interim financial statements of the Company subsequent to its most recently completed financial year, may be obtained upon request from the Secretary of the Company.

At any time when the securities of the Company are in the course of a distribution under a preliminary short form prospectus or a short form prospectus, the Secretary of the Company will provide any person, upon request, with a copy of: (i) this Annual Information Form, together with any document or the pertinent pages thereof incorporated by reference herein; (ii) the Company's most recent annual report containing the audited Consolidated Financial Statements of the Company for the most recently completed financial year together with the accompanying report of the auditor; (iii) the most recent interim financial statements of the Company that have been filed for any period after the end of its most recently completed financial year; (iv) the management information circular for the most recent annual meeting of shareholders involving the election of directors; and (v) any other document incorporated by reference into the preliminary short form prospectus or the short form prospectus filed in connection with such distribution of securities.

Escrow Arrangements

In accordance with the policies of the Ontario Securities Commission concerning the disposition of shares held by certain persons related to a company engaging in an initial public offering, Nigel Stokes, Kirk Dixon, Herman Wallenburg and a former officer of the Company (collectively the "Escrowed Shareholders") have entered into an agreement (the "Escrow Agreement") with the Company and CIBC Mellon Trust Company (the "Trustee"), pursuant to which the Escrowed Shareholders initially deposited with the Trustee an aggregate of 3,752,059 Common Shares (the "Escrowed Shares"). 10% of the Escrowed Shares were released on September 6, 1997 and 20% of the Escrowed Shares were released on each of September 6, 1998, 1999 and 2000. The remainder of the Escrowed Shares will be released to the Escrowed Shareholders on September 6, 2001 or at any prior time with the consent of the Ontario Securities Commission and the Commission des valeurs mobilières du Québec.

GLOSSARY OF TECHNICAL TERMS

Set forth below are the definitions of certain terms used in this Annual Information Form:

IBM iSeries or AS/400	An IBM minicomputer which runs on an operating system created by IBM called OS/400 and which is typically used because of its processing power, reliability and ease of installation.
bi-directional replication	An advanced data replication process through which two databases can replicate, or copy, the information contained in each to the other simultaneously.
cascading replication	The use of targets which act as sources and in turn replicate to subsequent targets within an enterprise network. This process allows distribution of replication workload across a network, and achieves greater speed of distribution than would result from replication from a single source directly to all required targets.
data distribution	The placement and maintenance of replicated data at one or more data sites on computers across a communications network.
data integration	The replication, capture, transformation and movement of computerized data among a variety of like and heterogeneous computer hardware platforms, operating systems, software applications and databases.
data warehouse	A subject-oriented, integrated, time-variant, non-volatile collection of data used to support management decision making processes. A repository of consistent historical data that can be easily accessed and manipulated for decision support.
enterprise application integration	The transfer of data and other business process information and related synchronization and coordination of the operations of a variety of disparate software applications within a business organization.
Internet	An open global network of interconnected personal, commercial, educational and governmental computer networks which utilize a common communications protocol.
intranet	The use of Internet applications for a private network.
meta data	Information used to describe, track and monitor enterprise data.
operational database	A database containing data used in the operational processing of business transactions that supports day-to-day business operations. Such data is detailed and largely primitive, but is necessary to keep the enterprise operating.
OS/390	The operating software from IBM that runs on many IBM and compatible mainframe computers supporting database applications.
platform	A specific hardware architecture or a combination of computing hardware and operating system.
seamless	As used to describe data replication, means the capability of the replication software to adapt one file structure to dissimilar file structures with no apparent discrepancy in format, as in <i>seamless file integration</i> . The term also applies to the general function of the entire product in that it operates with minimal effect on system performance, as in <i>seamless product operation</i> .

server	A hardware and software combination that provides a specific kind of service to other computers. A single server machine could have several different server software packages running on it, thus providing many different services to clients on the network.
source database	The database where data is stored and from which data is replicated.
SQL	Structured Query Language, a computer language that is the standard method to query data from and provide data to relational databases.
target database	The database to which data is replicated from a source database.
transformational	The ability to transform, revise or enhance data and control the content, format and structure of data replicated from source to target.
UNIX	An operating system developed at AT&T's Bell Laboratories. UNIX has been ported to a wide variety of platforms as it was one of the first operating systems to be written in high-level language. It is commonly used for demanding scientific and business applications.
Windows	Microsoft Corporation's graphical user interface operating systems. Releases include Windows 3.x, Windows 95 and 98 and Windows NT.
XML	Extensible Markup Language, a type of computer language and formatting system designed for use in creating, formatting, tagging and organizing Web-based documents.

TRADEMARKS

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