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*This document is only being and may only be distributed to and directed at (i) persons outside the United Kingdom ("U.K."); or (ii) persons in the U.K. who are (a) a "Qualified investor" within the meaning of Section 86(7) of the United Kingdom Financial Services and Markets Act 2000 ("FSMA") who are acting as principal for their own account and not for the benefit of others or in circumstances where Section 86(2) of FSMA applies and (b) within the categories of persons referred to in Article 19 (Investment professionals) or article 49 (High net worth companies, unincorporated associations, etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 of the United Kingdom (all such persons together being referred to as "relevant persons"). The securities being offered hereunder are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents. Accordingly, this document has not been approved as a prospectus by the United Kingdom Financial Services Authority ("FSA") under Section 87A of FSMA and has not been filed with the FSA pursuant to the United Kingdom Prospectus Rules nor has it been approved by a person authorized under the FSMA.*

*Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of the issuer at 411 Legget Drive, Suite 600, Ottawa, Ontario, Canada, K2K 3C9, telephone: (613) 599-9991; facsimile: (613) 599-4225 and are also available electronically at [www.sedar.com](http://www.sedar.com).*

## AMENDED AND RESTATED PRELIMINARY SHORT FORM PROSPECTUS

New Issue and Secondary Offering

September 7, 2007



**DragonWave**

**DragonWave Inc.**

**\$43,750,000**

**7,000,000 Common Shares**

This short form prospectus qualifies the distribution (the "Offering") of 7,000,000 Common Shares (the "Common Shares") of DragonWave Inc. ("DragonWave" or the "Company") at a price of \$6.25 per share (the "Offering Price") consisting of a treasury offering by the Company (the "Treasury Offering") of 3,800,000 Common Shares (the "Treasury Shares") and a secondary offering (the "Secondary Offering") by Enterprise Partners V, L.P., Enterprise Partners VI, L.P., Wesley Clover Corporation, Wesley Clover International Corporation, Venture Coaches Fund L.P., The Business, Engineering, Science & Technology Discoveries Fund Inc., VentureLink Brighter Future Fund Inc. and William Sinclair (collectively, the "Selling Shareholders") of an aggregate of 3,200,000 Common Shares (the "Secondary Shares"). The price of the Common Shares offered hereby was established by negotiation between the Company, Canaccord Capital Corporation, CIBC World Markets Inc., Genuity Capital Markets G.P., Orion Securities Inc. and Raymond James Ltd. (collectively, the "Underwriters") and the Selling Shareholders, with reference to the market price of the Common Shares.

The Company's outstanding Common Shares are listed and posted for trading on the Toronto Stock Exchange (the "TSX") and are admitted to trading on the AIM market of the London Stock Exchange plc ("AIM"), in each case under the symbol "DWI". On September 6, 2007, the last trading day prior to the filing of this prospectus, the closing price of the Common Shares on the TSX was \$6.730 and the closing price on AIM was £3.10 (\$6.61 based on the September 6, 2007 noon buying rate quoted by the Bank of Canada). The closing date of the Offering is expected to take place on or about September 20, 2007 or such other date as may be agreed upon, but in any event, no later than October 18, 2007 (the "Closing Date").

## Price: \$6.25 per Common Share

	<u>Price to Public</u> <sup>(1)</sup>	<u>Underwriters' Fees</u> <sup>(2)</sup>	<u>Net Proceeds to the Company</u> <sup>(3)(4)</sup>	<u>Net Proceeds to the Selling Shareholders</u>
Per Common Share .....	\$6.25	\$0.328	\$5.922	\$5.922
Total .....	\$43,750,000	\$2,296,875	\$22,503,125	\$18,950,000

(1) The public offering price of the Common Shares offered in Canada and, other than in the U.K., outside of Canada is payable in Canadian dollars and the public offering price for the Common Shares offered in the U.K. of £2.94 per Common Share is payable in U.K. pounds sterling, except as may otherwise be agreed by the Underwriters. The U.K. pounds sterling amount is the approximate equivalent of such Canadian dollar amount based on the prevailing U.K. pounds sterling Canadian dollar exchange rate of £1.00 = Cdn\$2.1319 on September 6, 2007.

(2) The Underwriters will receive a fee of \$0.328 (5.25%) of the price of the Common Shares offered hereby, that will be paid in the currency in which the Company and the Selling Shareholders receive payment for the Common Shares. See "Plan of Distribution".

(3) Before deducting expenses of the Offering estimated to be \$425,000.

(4) If the Over-Allotment Option is exercised in full, the total number of Common Shares under the Offering will be 8,050,000, the total "Price to Public" will be \$50,312,500, the total "Underwriters' Fees" will be \$2,641,406 and the total "Net Proceeds to the Company" will be \$28,721,094. See "Plan of Distribution".

**There are certain risks associated with an investment in the Common Shares, which should be carefully reviewed and considered by prospective investors. See "Risk Factors".**

The Company has granted to the Underwriters an option (the "Over-Allotment Option") allowing the Underwriters to purchase such number of Common Shares representing up to 15% of the Common Shares sold pursuant to the Offering, all at the Offering Price and under the same terms and conditions, for a period of 30 days following the Closing Date. This short form prospectus qualifies both the grant of the Over-Allotment Option and the issuance of securities if the Over-Allotment Option is exercised.

<u>Underwriters' Position</u>	<u>Maximum size</u>	<u>Exercise period</u>	<u>Exercise price</u>
Over-Allotment Option	1,050,000 Common Shares	30 days following the Closing Date	\$6.25 per Common Share

The Underwriters, as principals, conditionally offer the Common Shares, subject to prior sale, if, as and when issued by the Company and if, as and when sold by the Selling Shareholders in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Company by Fraser Milner Casgrain LLP and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP.

Subject to applicable laws, the Underwriters may, in connection with the Offering, effect transactions that stabilize or maintain the market price of the Common Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. **The Underwriters may offer the Common Shares at lower prices than stated above. See "Plan of Distribution".**

Subscriptions for Common Shares will be received subject to rejection or allotment, in whole or in part, and the right is reserved to close the subscription books at any time without notice. A book-entry certificate for the Common Shares sold under the Offering will be issued in registered form to The Canadian Depository for Securities Limited ("CDS") or its nominee and will be deposited with CDS on the closing of the Offering.

The Company has, as required by the rules of AIM, made arrangements for any Common Shares to be settled, if so desired, through CREST in the form of CREST Depository Interests ("CDI"). CREST is an electronic settlement system operated by Euroclear UK and Ireland Limited in London, England which facilitates transfer of title of securities in uncertified form. Securities of most non-U.K. companies cannot be held and transferred directly in the CREST system and therefore CDIs facilitate trading and settlement of securities of such companies in CREST. All Common Shares traded on AIM may be settled through CREST.

The head and registered office of the Company is 411 Legget Drive, Suite 600, Ottawa, Ontario, Canada, K2K 3C9.

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## GENERAL MATTERS

Unless otherwise noted or the context otherwise indicates, the terms “Company”, and “DragonWave” refer to DragonWave Inc. and its wholly-owned subsidiary DragonWave Corp.

This short form prospectus contains company names, logos, trade names, trademarks and service marks of DragonWave and other organizations, all of which are the property of their respective owners.

**The Company prepares its financial statements in Canadian dollars and in conformity with Canadian generally accepted accounting principles.**

**Documents incorporated by reference in this short form prospectus include market share information and industry data and forecasts obtained from independent industry publications and surveys and internal company surveys. References in such documents to research reports, surveys or articles should not be construed as depicting the complete findings of the entire referenced report, survey or article. The information in any such report, survey or article is not incorporated by reference into this short form prospectus. Although Management believes these sources to be reliable, Management has not independently verified any of the data nor ascertained the underlying economic assumptions relied upon in such reports, surveys or articles. Some data is also based on Management’s estimates, which are derived from its review of internal surveys, as well as independent sources. Management cannot and does not provide any assurance as to the accuracy or completeness of such information. Market forecasts, in particular, are likely to be inaccurate, especially over long periods of time.**

Investors should rely only on the information contained in or incorporated by reference in this short form prospectus. Neither the Company nor the Selling Shareholders have authorized any other person to provide you with different information.

Investors should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this short form prospectus or such other date specified herein.

Information contained on DragonWave’s website, [www.dragonwaveinc.com](http://www.dragonwaveinc.com), is not part of this short form prospectus and is not incorporated herein by reference and may not be relied upon by prospective purchasers for the purpose of determining whether to invest in the Common Shares offered under this short form prospectus.

## ELIGIBILITY FOR INVESTMENT

In the opinion of Fraser Milner Casgrain LLP, counsel to the Company, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, provided the Common Shares are listed on a prescribed stock exchange (which currently includes the TSX but not AIM) on the date of closing of this Offering, the Common Shares will be, as at that date, qualified investments under the *Income Tax Act* (Canada) and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans and deferred profit sharing plans.

## DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference in this short form prospectus from documents filed with the securities commissions or similar regulatory authorities in Canada (collectively, the “Commissions”).** Copies of the documents incorporated by reference may be obtained on request without charge from the Secretary of the Company at 411 Legget Drive, Suite 600, Ottawa, Ontario, Canada, K2K 3C9, telephone: (613) 599-9991; facsimile: (613) 599-4225, or by accessing the Company’s disclosure documents available through the internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at [www.sedar.com](http://www.sedar.com).

The Company files annual and quarterly financial information, material change reports and other information with the Commissions. The Commissions allow the Company to “incorporate by reference” the information it files with them, which means that it can disclose important information to you by referring you to those documents. Information that is incorporated by reference is an important part of this short form prospectus. The following documents of the Company, filed with the Commissions are specifically incorporated by reference into and form an integral part of this short form prospectus:

- (i) Annual Information Form for the fiscal year ended February 28, 2007 dated May 22, 2007;

- (ii) Consolidated Financial Statements for the year ended February 28, 2007 including the auditor's report thereon dated April 27, 2007 (except as to note 21(iii), which is as of May 17, 2007);
- (iii) Management's Discussion and Analysis of the consolidated results of operations and financial condition for the fiscal year ended February 28, 2007;
- (iv) Consolidated Interim Financial Statements for the three month period ended May 31, 2007;
- (v) Management's Discussion and Analysis of the consolidated interim financial statements for the period ended May 31, 2007 dated July 11, 2007; and
- (vi) Management Proxy Circular dated July 11, 2007 in connection with the annual meeting of shareholders held on August 23, 2007.

Any material change reports (other than confidential reports), and all other documents of the type referred to above, which are required to be filed by the Company with the Commissions after the date of this short form prospectus and prior to completion or withdrawal of this Offering shall be deemed to be incorporated by reference into and form an integral part of this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein or in any subsequently filed document which also is or is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained herein, or in any other subsequently filed document which also is incorporated or is deemed to be incorporated by reference herein, modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed in its unmodified or superseded form to constitute a part of this short form prospectus.

#### EXCHANGE RATE INFORMATION

In this short form prospectus, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars. All references to "dollars", "CDN\$" or "\$" are to Canadian dollars, all references to "U.S.\$" are to United States dollars and all references to "£" are to United Kingdom pounds sterling.

The following table sets out (1) the high and low rate of exchange for one Canadian dollar in U.K. pounds sterling during the indicated periods, (2) the average of the rate of exchange on the last business day of each month during those periods, and (3) the exchange rate in effect as at the end of each of those periods, each based on the daily spot exchange rate published by the Bank of England.

	<u>High</u>	<u>Low</u>	<u>Average</u>	<u>End of Period</u>
Three Month Periods ended May 31,				
2007 .....	0.4728	0.4356	0.4558	0.4728
2006 .....	0.5058	0.4713	0.4902	0.4853
Fiscal Years Ended				
February 28, 2007 .....	0.5058	0.4260	0.4670	0.4351
February 28, 2006 .....	0.5033	0.4171	0.4677	0.5018

For the amounts referenced under "Use of Proceeds" and "Plan of Distribution", the rate of exchange for one Canadian dollar to 0.4691 U.K. pounds sterling and the rate of exchange for one U.K. pound sterling to 2.1319 Canadian dollars were used, each based on the Bank of Canada's noon exchange rate for September 6, 2007.

## **CAUTION REGARDING FORWARD LOOKING STATEMENTS**

Certain statements included in this short-form prospectus constitute “forward looking” statements, including those identified by the expressions “will”, “continue”, “predict”, “may”, “would”, “could”, “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend” and similar expressions, to the extent they relate to the Company or its Management. In particular, statements regarding the Company’s objectives, plans and goals, including its future operating results, economic performance and marketing efforts are or involve forward looking statements. The forward looking statements are not historical facts but reflect Management’s current expectations regarding future results or events. These forward looking statements are subject to a number of assumptions, risks, uncertainties and other factors that could cause actual results, performance, achievements, industry results or events to differ materially from current expectations, including the matters discussed under “Risk Factors” and in other sections of this prospectus. These forward looking statements are made as of the date of this prospectus and DragonWave does not intend, and does not assume any obligation, to update or revise them to reflect new events or circumstances, unless otherwise required by law. Prospective purchasers are cautioned not to place undue reliance on forward looking statements.

## DRAGONWAVE INC.

### Corporate Information

DragonWave Inc. is a corporation incorporated in Canada under the *Canada Business Corporations Act*. The Company's head and registered office address is 411 Legget Drive, Suite 600, Ottawa, Ontario, K2K 3C9, and the Company's telephone number is (613) 599-9991. The Company's web site address is [www.dragonwaveinc.com](http://www.dragonwaveinc.com). The information on the Company's web site is not incorporated by reference into this prospectus.

### Business Overview

Founded in 2000, DragonWave is a leading provider of high-capacity wireless Ethernet equipment used in emerging IP networks. DragonWave designs, develops, markets and sells proprietary, carrier-grade microwave radio frequency networking equipment, or links, that wirelessly transmit broadband voice, video and other data between two points. DragonWave's wireless carrier-Ethernet links, which are based on a native Ethernet platform, function as a wireless extension to an existing fibre-optic core telecommunications network. The principal application for DragonWave's products is the backhaul function in a wireless communications network. Backhaul links connect the large amounts of network traffic aggregated by base stations and other collection points on the edge of the network to the high-capacity fibre-optic infrastructure at the core of the network. Additional applications for DragonWave's products include point-to-point transport applications in private networks, including municipal and enterprise applications.

DragonWave's products principally perform the backhaul function in a communication service provider's network, which is to connect high-traffic points of aggregation such as high-capacity wireless base stations (3G+ cellular, WiFi, WiMAX) and large "out of territory" enterprises to nodes on the fibre-optic core network.

The Company's line of wireless carrier-Ethernet links is marketed under the AirPair and Horizon trade names. The product lines are carrier-grade and operate primarily in licensed spectrum bands to minimize interference. DragonWave also offers a TDM-to-Ethernet multiplexer based on pseudowire technology, which enables DragonWave's native Ethernet links to support the network traffic generated by emerging converged services based on IP such as data access, VoIP, and video streaming, as well as legacy TDM services.

Management believes that the bottleneck for transmission of voice, video and other data is now occurring on the backhaul portion of telecommunications networks. It has been estimated by ABI Research, Inc. (in "Wireless Backhaul — Bandwidth Explosion and Emerging Alternatives" (2006) (the "ABI Report")) that global demand for backhaul capacity will grow by more than five times from 2005 to 2011. Backhaul transport costs are currently estimated to constitute between 20% and 45% of a mobile service provider's operating expenses when using leased services, or up to 40% of the capital cost of building a new network.

Management believes that DragonWave's wireless carrier-Ethernet links are an attractive alternative to other backhaul solutions such as leased lines and fibre-optic cable deployments. One of DragonWave's principal technological advantages over its direct competitors is that DragonWave's AirPair products operate on a native Ethernet platform. DragonWave's equipment is designed to transport Ethernet directly rather than adapting Ethernet to TDM transport systems. As a result, AirPair products feature high efficiency, low latency and full support for critical Ethernet data transport features, such as VLAN queuing and prioritization, flow control and jumbo packet support. In addition, DragonWave's product design permits automated assembly and testing which allows reduced lead time for product delivery. DragonWave's other competitive advantages include a patent-protected rapid link shutdown feature that enables the creation of carrier-grade networks featuring low-cost Ethernet networking.

The demand for DragonWave's products is driven by global trends, including IP convergence and pressure on backhaul capacity caused by increased functionality of mobile devices, the shift in demand from voice to multi-media content and services, growing demand for wireless coverage, increasing numbers of subscribers, and investment in radio access network spectrum. In DragonWave's target markets, network traffic is shifting from legacy TDM traffic to IP-based traffic to improve network efficiency and enable IP-based services.

DragonWave principally targets the global wireless communications service provider market and, in particular, those service providers offering high-capacity wireless communication services, including traditional cellular service providers and emerging broadband wireless access (BWA) service providers. These service providers offer high-speed digital

communication services over wireless access networks, employing IP-based wireless network access technologies such as advanced (3G+) cellular technologies, as well as WiFi and WiMAX. The market addressed by these wireless service providers is characterized by significant growth in number of subscribers, coverage area, and bandwidth requirements per subscriber, as well as the need to reduce transmission costs. DragonWave also targets other markets, including wireless extension of fixed-line networks to directly connect high-bandwidth end-customers to the core network, and private networks of large multi-site organizations such as Fortune 500 enterprises, municipalities and government organizations.

Service providers generally have two principal objectives in implementing a backhaul network: rapid deployment of service and minimization of overall data transport costs. Management believes that, in many circumstances, DragonWave's wireless backhaul solutions offer the most rapidly deployable and scalable alternative to deliver required capacity in a manner that optimizes overall network costs for service providers. The key elements of DragonWave's solution include high performance; carrier-grade availability; cost-competitiveness; and the availability of advanced network management and wireless network IP planning.

DragonWave commenced commercial deployment of its products in 2002 and, as of May 31, 2007, had shipped approximately 3,625 AirPair product units. To date, DragonWave's wireless carrier-Ethernet links have been purchased and deployed by customers in more than 31 countries. In its fiscal year ended February 28, 2007, the Company delivered product to 84 end-customers, including Clearwire Corporation (United States), Bell Canada (Canada), Earthlink, Inc. (United States) and Televersa Online GmbH (Germany). DragonWave's revenues have grown by over 40% in the three fiscal years ending February 28, 2007, from \$17.2 million in the 2005 fiscal year to \$24.2 million in the 2007 fiscal year, with almost all revenues originating from DragonWave's AirPair product line. In October 2006, DragonWave was seventh on Deloitte's Fast 500 list of North America's fastest growing technology companies.

DragonWave intends to build on its advanced technology and customer-focused platform to become the leading provider of wireless carrier-Ethernet links to the communications service provider, enterprise and municipal/government markets. DragonWave's growth strategy includes expanding the Company's geographical reach and continued product development, including the Company's recent introduction of its next-generation Horizon Compact product.

## RECENT DEVELOPMENTS

### Grant of Warrant to Sprint Nextel

On May 30, 2007, the Company granted a warrant (the "Sprint Warrant") to purchase up to 126,250 Common Shares of the Company to Sprint/United Management Company, a wholly-owned subsidiary of Sprint Nextel Corporation. The Sprint Warrant was granted on a private placement basis, and is subject to vesting conditions based on the volume of future business the Company receives from Sprint Nextel prior to December 31, 2008. As of today's date, no portion of the Sprint Warrant has vested. The Sprint Warrant is exercisable at a price of \$3.55 and will expire ten years after its date of issue. The number of Common Shares issuable on the exercise of the Sprint Warrant is subject to customary adjustments on any stock split, dividend, distribution or combination affecting DragonWave's Common Shares. Sprint Nextel is currently evaluating DragonWave's equipment for use in its 4G network.

### Industry Dynamics

Two of the Company's customers (Clearwire and Sprint Nextel) have recently announced they will collaborate to build a network with nationwide coverage in the United States. Sprint and Clearwire expect to build their respective portions of the network and enable roaming between the respective territories as well as work jointly on product and service evolution, shared infrastructure, branding, marketing and distribution. This collaboration is viewed as a positive development for the Company in the medium to long term, however there may be implications that could introduce uncertainty for the Company in the short term as the collaborating parties adjust their plans to this new approach.

### Agreement with NextWave Broadband

On September 4, 2007, the Company announced the signing of a strategic network solutions agreement (the "NextWave Agreement") with NextWave Broadband Inc. ("NextWave"), a subsidiary of NextWave Wireless Inc. (NASDAQ: WAVE). Under the terms of the NextWave Agreement, NextWave will adopt DragonWave's AirPair and Horizon products as its preferred wireless backhaul solution and will partner with DragonWave to supply service providers worldwide with fully integrated, end-to-end, mobile broadband and transport network solutions. In addition, NextWave and DragonWave have agreed to collaborate on the development of next-generation wireless backhaul products and technologies.

## DESCRIPTION OF OFFERED SECURITIES

### Authorized and Issued Share Capital

The Company's authorized share capital consists of an unlimited number of Common Shares of which 24,639,264 Common Shares are issued and outstanding on the date hereof. Each Common Share entitles its holder to notice of, and to one vote at, all meetings of the Company's shareholders. Each Common Share is entitled to receive dividends if, as and when declared by the Company's Board of Directors. In the event of a liquidation, dissolution or winding-up of the Company, the net assets of the Company available for distribution to its shareholders will be distributed rateably among the holders of the Company's Common Shares.

### Changes in Share Capital

Since the date of the Company's most recent financial statements (May 31, 2007), 1,334 Common Shares issued as restricted shares have been cancelled on the termination of employment of one (1) employee of the Company.

### USE OF PROCEEDS

The Company expects to receive net proceeds from the sale of the Treasury Shares in the Treasury Offering of approximately \$22,078,125, after deducting the Company's portion of the underwriting commissions and estimated offering expenses of \$425,000. The Company will not receive any of the net proceeds to the Selling Shareholders from the sale of the Secondary Shares.

The Company intends to use the net proceeds from the Treasury Offering as follows:

- (i) to strengthen the Company's balance sheet and complement funding of working capital for long term growth as levels of accounts receivable, inventory and capital expenditures increase with higher revenues and larger customers;
- (ii) to continue to fund its efforts to increase sales penetration in regions outside North America, develop the Company's next generation of wireless Ethernet products and related improvements to product performance, features and functionality, and to engage in marketing efforts to further raise the Company's profile; and
- (iii) to provide an available source of funding for potential future acquisition opportunities.

Although the Company evaluates potential acquisition and investment opportunities from time to time, it has no present agreements or commitments with respect to any particular transaction.

While the Company currently anticipates that it will use the net proceeds of the Offering received as set forth above, it may re-allocate these proceeds from time to time having consideration to the Company's strategy relative to the market and other conditions in effect at the time.

### SELLING SHAREHOLDERS

The following table sets forth certain information regarding the Selling Shareholders. All Common Shares held by the Selling Shareholders are owned by such holders beneficially and of record.

<u>Name of Selling Shareholder</u>	<u>Number of Common Shares owned by the Selling Shareholder (before the Secondary Offering)</u>	<u>Number of Common Shares of the Selling Shareholder being distributed pursuant to the Secondary Offering</u>	<u>Number of Common Shares owned by the Selling Shareholder (after the Offering)</u>	<u>Percentage of Common Shares owned by the Selling Shareholders (after the Offering)<sup>(7)</sup></u>
Enterprise Partners V, L.P. <sup>(1)</sup>	3,734,767	917,157	2,817,610	9.91
Enterprise Partners VI, L.P. <sup>(1)</sup>	3,734,767	917,157	2,817,610	9.91
Wesley Clover Corporation and Wesley Clover International Corporation <sup>(2)</sup>	1,717,712	421,823	1,295,889	4.56
Venture Coaches Fund L.P. <sup>(3)</sup>	1,013,794	248,960	764,834	2.69
The Business, Engineering, Science & Technology Discoveries Fund Inc. <sup>(4)</sup>	804,682	197,607	607,075	2.13
William Sinclair <sup>(5)</sup>	951,854	233,749	718,105	2.53
VentureLink Brighter Future Fund Inc. <sup>(6)</sup>	1,073,195	263,547	809,648	2.85

(1) Enterprise Partners V, L.P. and Enterprise Partners VI, L.P. are under common management by Enterprise Partners Venture Capital. Carl Eibl, a director of the Company, is Managing Director of Enterprise Partners Venture Capital. Enterprise Partners V, L.P. also holds a warrant to purchase up to 57,183 Common Shares, and Enterprise Partners VI, L.P. holds a warrant to purchase up to 57,183 Common Shares. Subject to regulatory approval, the aggregate number of Common Shares to be sold by Enterprise Partners V, L.P. and Enterprise Partners VI, L.P. may be re-allocated between such funds.

(2) Terry Matthews, a director of the Company, controls Wesley Clover International Corporation and Wesley Clover Corporation. Wesley Clover International Corporation also holds a warrant to purchase up to 21,100 Common Shares. Subject to regulatory approval, the aggregate number of Common Shares to be sold by Wesley Clover International Corporation and Wesley Clover Corporation may be re-allocated between such companies.

(3) Claude Haw, a director of the Company, is Managing Partner of Venture Coaches Fund L.P. Venture Coaches Fund L.P. also holds a warrant to purchase up to 10,126 Common Shares.

(4) The Business, Engineering, Science & Technology Discoveries Fund Inc. also holds a warrant to purchase up to 11,582 Common Shares.

(5) William Sinclair also holds a warrant to purchase up to 17,239 Common Shares.

(6) VentureLink Brighter Future Fund Inc. also holds a warrant to purchase up to 15,458 Common Shares.

(7) Without giving effect to the exercise of the Over-Allotment Option.

## PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement dated September 7, 2007 (the "Underwriting Agreement"), between the Company, the Selling Shareholders and the Underwriters, the Company has agreed to sell and the Underwriters have agreed to purchase 3,800,000 Treasury Shares at the Offering Price, and the Selling Shareholders have agreed to transfer and sell and the Underwriters have agreed to purchase 3,200,000 Secondary Shares at the Offering Price, on or about the Closing Date, subject to the terms and conditions stated therein, in each case payable in cash against delivery of certificates representing such Common Shares. The Underwriters propose to offer the Common Shares initially at the public offering price on the cover page of this short form prospectus. After the Underwriters have made a reasonable effort to sell all of the Common Shares at the price specified herein, the offering price may be decreased, and further changed from time to time, to an amount not greater than that set out on the cover page, and the compensation realized by the Underwriters will be decreased by the

amount that the aggregate price paid by purchasers for the Common Shares is less than the gross proceeds paid by the Underwriters to the Company and the Selling Shareholders.

The obligations of the Underwriters under the Underwriting Agreement are conditional and may be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all Common Shares offered by this short form prospectus if any of the Common Shares are purchased under the Underwriting Agreement.

In consideration for their services in connection with this Offering, the Company and the Selling Shareholders have agreed to pay the Underwriters an aggregate cash fee of \$2,296,875, or \$0.328 per Common Share. The Underwriters' fee is paid by the Company and the Selling Shareholders on a pro rata basis based on the number of Common Shares sold by each pursuant to the Offering.

The Offering Price of the Common Shares has been determined by negotiation between the Company, the Selling Shareholders and the Underwriters. The Company will not be entitled to any of the proceeds of the sale of the Secondary Shares.

Pursuant to the Underwriting Agreement, the Company and the Selling Shareholders have agreed to indemnify the Underwriters and its affiliates, directors, officers, limited partners, shareholders and employees against certain liabilities, including, without restriction, certain civil liabilities under applicable securities legislation.

The Common Shares are being offered to the public in all of the provinces of Canada except for the province of Quebec. Subject to applicable law, the Underwriters, as principal, may conditionally offer the Common Shares on an exempt basis to residents of the United States of America and the United Kingdom.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription book at any time without notice.

In order to cover over-allotment, if any, the Company has granted to the Underwriters an Over-Allotment Option to purchase an aggregate of up to that number of additional Common Shares as is equal to 15% of the aggregate number of Common Shares sold pursuant to the Offering. The Underwriters may exercise the Over-Allotment Option in whole or in part on or before 12:00 p.m. (Toronto time) on the 30<sup>th</sup> day following the closing of this Offering to cover over-allotments, if any. To the extent that the Over-Allotment Option is exercised, the additional Common Shares will be purchased by the Underwriters at the Offering Price hereunder and the Underwriters will be entitled to a fee of \$0.328 per share in respect of each Common Share purchased. This short form prospectus also qualifies for distribution the Over-Allotment Option and any Common Shares that are sold pursuant to the Over-Allotment Option. If the Over-Allotment Option is exercised in full, the price to the public, Underwriters' fees and net proceeds to the Company will be \$50,312,500, \$2,641,406 and \$28,721,094, respectively.

The Company has agreed not to (a) directly or indirectly, offer, sell or issue Common Shares or securities convertible into or exercisable or exchangeable for Common Shares (other than pursuant to (i) the exercise of options and warrants and the vesting of restricted shares, which on the date of the Underwriting Agreement, are existing obligations of the Company and are disclosed in this prospectus or (ii) acquisitions entered into by the Company with person at arm's length (within the meaning of the *Income Tax Act* (Canada)) to the Company in respect of which the Underwriters have provided their prior written consent, such consent not to be unreasonably withheld) or (b) agree to or announce any such offer, sale or issuance, at a price per security less than the price of the Common Shares pursuant to the Offering until the date which is 90 days following the Closing Date without the prior consent of the Underwriters, such consent not to be unreasonably withheld.

Pursuant to the rules of certain of the Canadian securities regulatory authorities, the Underwriters may not, throughout the period of distribution under this prospectus, bid for or purchase Common Shares. The foregoing restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of such securities. These exceptions include a bid or purchase permitted under the by-laws and rules of the TSX (now contained in the Universal Market Integrity Rules) relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Subject to the foregoing and applicable laws, the Underwriters may, in connection with the Offering, over-allot or effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

With respect to the U.K., this document is only being and may only be distributed to and directed at (i) persons outside the U.K.; or (ii) persons in the U.K. who are (a) a "Qualified investor" within the meaning of Section 86(7) of the Financial

Services and Markets Act 2000 of the U.K. as amended from time to time (“FSMA”) who are acting as principal for their own account and not for the benefit of others or in circumstances where Section 86(2) of FSMA applies and (b) within the categories of persons referred to in Article 19 (Investment professionals) or Article 49 (High net worth companies, unincorporated associations, etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 of the U.K. (“Financial Promotion Order”) (all such persons together being referred to as “relevant persons”). The Common Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Common Shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents. Accordingly this document has not been approved as a prospectus by the U.K. Financial Services Authority (“FSA”) under Section 87A of FSMA and has not been filed with the FSA pursuant to the United Kingdom Prospectus Rules nor has it been approved by a person authorized under FSMA.

The Underwriter has represented and agreed that: (i) it has not offered or sold and will not offer or sell any Common Shares or communicated any invitation or inducement in that regard to persons in the U.K. in contravention of section 21(1) of FSMA or the Financial Promotion Order or in circumstances which would require the production of an approved prospectus pursuant to section 85(1) of FSMA; and (ii) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Common Shares in, from or otherwise involving the U.K.

The Common Shares offered hereby have not been and will not be registered under the *United States Securities Act of 1933*, as amended (the “1933 Act”) or any state securities laws and may not be offered or sold in the United States except pursuant to an exemption therefrom. Accordingly, the Common Shares will be offered or sold to purchasers within the United States in transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws. The Underwriting Agreement provides that the Underwriters will offer and resell the Common Shares outside the United States only in accordance with Regulation S under the 1933 Act.

In addition, until 40 days after the commencement of the Offering, any offer or sale of the Common Shares offered hereby within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the 1933 Act if such offer or sale is made otherwise than in accordance with an applicable exemption from the registration requirements under the 1933 Act.

#### **Lock-up Agreements**

In connection with the Company’s initial public offering which was completed on April 19, 2007, all directors and officers of the Company, collectively holding (directly or indirectly through companies controlled by them) in the aggregate 3,429,728 Common Shares (representing, on the date hereof, 13.92% of the issued and outstanding Common Shares), have agreed not to sell their respective Common Shares (including shares issuable upon the exercise of options or warrants) for a period of one year following the date of closing of the initial public offering. The lock-up obligations of these holders accordingly terminate on April 19, 2008. The Underwriters have agreed to the waiver of the lock-up for holders in this category with respect to Common Shares in order to permit the Secondary Offering.

Other shareholders who are party to a lock up agreement, collectively holding in the aggregate 8,028,976 Common Shares (representing, on the date hereof, 32.58% of the issued and outstanding Common Shares) have agreed not to sell their respective Common Shares (including Common Shares issuable on the exercise of options or warrants) for a period of 180 days following the date of closing of the initial public offering. The lock-up obligations of these holders accordingly terminate on October 19, 2007. The Underwriters have agreed to the waiver of the lock-up for holders in this category with respect to Common Shares in order to permit the Secondary Offering.

#### **LEGAL MATTERS**

Certain legal matters related to the Common Shares being offered hereby are being passed upon on the Company’s behalf by Fraser Milner Casgrain LLP, and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP.

As of the date hereof, the partners and associates of Fraser Milner Casgrain LLP, as a group, and Osler, Hoskin & Harcourt LLP, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding securities of the Company.

#### **RISK FACTORS**

An investment in Common Shares involves a number of risks, including those risk factors under the heading “Risk Factors” beginning on page 8 of the Company’s AIF. In addition to the other information contained in this short form prospectus, prospective investors should give careful consideration to the following risk factors. Any of the

**matters highlighted in these risk factors could have a material adverse effect on the business, results of operations and financial condition of the Company, causing an investor to lose all, or part of, his or her investment.**

The risks and uncertainties described below are not the only ones facing the Company. Additional risks and uncertainties that the Company is not aware of or focused on, or that are currently deemed immaterial may also impair the Company's business operations and cause the trading price of its Common Shares to decline.

### **Risks relating to the Offering**

*The dual listing nature of the Common Shares may limit the liquidity of the Company's Common Shares.*

The Common Shares of the Company are listed on the TSX and admitted to trading on AIM. Given the relatively low volume of shares available for trade on each market, the Company can provide no assurances that an active public trading market will develop or will be sustained on either the TSX or on AIM following this Offering. If an active public trading market does not develop on the TSX or on AIM, the liquidity of an investment in the Common Shares of the Company may be limited, and the Company's share price may decline below the Offering Price.

*Shares traded in the U.K. on AIM are less liquid than those listed on the Official List.*

Investment in shares traded on AIM is perceived to involve a higher degree of risk and to be less liquid than an investment in companies whose shares are listed on the Official List of the London Stock Exchange. AIM is a market designed primarily for emerging or smaller companies. The rules of this market are less demanding than those of the Official List. The future success of AIM and liquidity in the market for Common Shares cannot be guaranteed. In particular, the market for Common Shares in the U.K. may be, or may become, relatively illiquid and therefore such Common Shares may be or may become difficult to sell.

*An investor may be unable to bring actions or enforce judgments against the Company and certain of its directors and officers.*

The Company is incorporated under the laws of Canada, and its principal executive offices are located in Canada. A majority of the directors and officers of the Company, and the Company's independent public accounting firm, reside principally in Canada and all or a substantial portion of the Company's assets and the assets of these persons are located outside the U.K. Consequently, it may not be possible for an investor to effect service of process within the U.K. on the Company or those persons. Furthermore, it may not be possible for an investor to enforce judgments obtained in U.K. courts based upon the civil liability provisions of U.K. securities laws or other laws of the U.K. against the Company or those persons. There is doubt as to the enforceability in original actions in Canadian courts of liabilities deriving from U.K. securities laws, and as to the enforceability in Canadian courts of judgments of U.K. courts obtained in actions based upon the civil liability provisions of U.K. securities laws.

*The Company does not currently intend to pay any cash dividends on its Common Shares in the foreseeable future and therefore the Company's shareholders may not be able to receive a return on their shares unless they sell them at an amount greater than the price at which shares are being sold in this offering.*

The Company has never declared or paid any dividends on its shares. The Company currently intends to retain any future earnings to fund the development and growth of its business and does not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of the Company's Board of Directors and will depend upon many factors, including the Company's results of operations, capital requirements and other factors as the Board of Directors deems relevant.

*Future sales of Common Shares by the Company's existing shareholders could cause the Company's share price to fall.*

If the Company's shareholders sell substantial amounts of the Company's Common Shares in the public market, the market price of the Company's Common Shares could fall. The perception among investors that these sales will occur could also produce this effect. After this Offering, the Company will have 28,439,264 Common Shares outstanding. All of the Common Shares the Company will issue in this offering and all currently outstanding Common Shares of the Company other than those subject to escrow restrictions or to lock up agreements executed by existing shareholders will, subject to applicable securities legislation, generally be immediately available for resale in the public markets. In accordance with applicable securities laws and after the expiry of such lock-up agreements executed by existing shareholders in respect of an aggregate of 5,250,799 Common

Shares (excluding the Secondary Shares in respect of which lock-ups have been waived), such additional Common Shares may be available for sale in the public market beginning October 19, 2007. Additional Common Shares issuable upon the exercise of stock options may also be available for sale in the public market beginning October 19, 2007.

*Each purchaser will suffer immediate and substantial dilution due to this Offering.*

The Offering Price of the Company's Common Shares will significantly exceed the net tangible book value per share of its Common Shares. Accordingly, a purchaser of Common Shares in this Offering will incur immediate and substantial dilution of his, her or its investment. If the outstanding options and warrants to purchase the Company's Common Shares are exercised, additional dilution will occur.

*The Company will have broad discretion over the use of the net proceeds from this offering. If the Company does not use the proceeds effectively to develop and grow its business, an investment in the Common Shares of the Company could suffer.*

The Company's Management will have broad discretion in how it uses the net proceeds received by the Company from this Offering, and there can be no assurance that such proceeds will be used efficiently or effectively. The Company may spend these proceeds in ways that do not increase its operating results or market value, which would adversely affect its business, results of operations and financial condition. While the Company currently anticipates that it will use the net proceeds of this Offering received by it as described under "Use of Proceeds", Management may re-allocate the net proceeds as it determines is necessary.

*The Company may be unable to identify and complete acquisitions. Acquisitions could divert management's attention and financial resources, may negatively affect the Company's operating results and could cause significant dilution to shareholders.*

In the future, the Company may engage in selective acquisitions of products or businesses that it believes are complementary to its products or business. There is a risk that the Company will not be able to identify suitable acquisition candidates available for sale at reasonable prices, complete any acquisition, or successfully integrate any acquired product or business into its operations. The Company is likely to face competition for acquisition candidates from other parties including those that have substantially greater available resources. Acquisitions may involve a number of other risks, including:

- diversion of management's attention;
- disruption to the Company's ongoing business;
- failure to retain key acquired personnel;
- difficulties in integrating acquired operations, technologies, products or personnel;
- unanticipated expenses, events or circumstances;
- assumption of disclosed and undisclosed liabilities;
- inappropriate valuation of the acquired in-process research and development, or the entire acquired business; and
- difficulties in maintaining customer relations.

If the Company does not successfully address these risks or any other problems encountered in connection with an acquisition, the acquisition could have a material adverse effect on the Company's business, results of operations and financial condition. Problems with an acquired business could have a material adverse effect on the Company's performance or its business as a whole. In addition, if the Company proceeds with an acquisition, the Company's available cash may be used to complete the transaction, diminishing its liquidity and capital resources, or shares may be issued which could cause significant dilution to existing shareholders.

#### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The Company's auditors are Ernst & Young LLP, Ottawa, Ontario. The transfer agent and registrar for the Common Shares is Computershare Investor Services Inc. at its principal offices located in Toronto, Ontario.

## **PURCHASERS' STATUTORY RIGHTS**

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt, or deemed receipt, of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies of rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. Purchasers should refer to any applicable provisions of the securities legislation of their province for the particulars of these rights or consult with a legal advisor.

## AUDITORS' CONSENT

We have read the short form prospectus of DragonWave Inc. (the "Company") dated September 1, 2007 qualifying the distribution of Common Shares of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the shareholders of the Company on the consolidated balance sheets of the Company as at February 28, 2007 and February 28, 2006 and the consolidated statements of operations and deficit and cash flows for each of the years in the two-year period ended February 28, 2007. Our report is dated April 27, 2007 (except as to note 21(iii), which is as of May 17, 2007).

Ottawa, Canada  
September 1, 2007

Chartered Accountants, Licensed Public Accountants

## **CERTIFICATE OF THE COMPANY**

Date: September 7, 2007

This amended and restated short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador.

By: (Signed) PETER ALLEN  
Chief Executive Officer

By: (Signed) RUSSELL FREDERICK  
Chief Financial Officer

On behalf of the Board of Directors

By: (Signed) GERRY SPENCER  
Director

By: (Signed) CARL EIBL  
Director

**CERTIFICATE OF THE UNDERWRITERS**

Date: September 7, 2007

To the best of our knowledge, information and belief, this amended and restated short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador.

CANACCORD CAPITAL CORPORATION

By: (Signed) JEAN-YVES BOURGEOIS

CIBC WORLD MARKETS INC.

By: (Signed) MARWAN KUBURSI

GENUITY CAPITAL MARKETS G.P.

By: (Signed) SANJIV SAMANT

ORION SECURITIES INC.

RAYMOND JAMES LTD.

By: (Signed) GREGORY M. CAMERON

By: (Signed) JIMMY LEUNG



**DragonWave**