



FOR IMMEDIATE RELEASE

DRAGONWAVE PROVIDES BUSINESS UPDATE AND ANNOUNCES Q4 AND FULL YEAR FISCAL 2009 RESULTS

Ottawa, Canada, May 7, 2009 -- DragonWave Inc., (TSX: DWI) a leading global supplier of next-generation wireless networks, today provides an update on its business prospects and issued financial results for its fourth quarter and full year fiscal year 2009 ended February 28, 2009. All figures are prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are reported in Canadian dollars.

Business Update

DragonWave made good progress during FY2009 despite some difficult business conditions created by the turmoil in financial markets worldwide. There were a number of significant customer awards announced. Notably in North America, DragonWave announced that Sprint had selected its IP backhaul solutions for its XOHM-branded WiMAX mobile broadband services. This business was merged with Clearwire at the end of November 2008 as part of a transaction that included a \$3.2 billion equity investment to launch a 4G mobile internet company in the United States.

In the Middle East, DragonWave recently announced that wi-tribe Pakistan Limited, a WiMAX service provider, is deploying its Internet Protocol (IP) backhaul network using DragonWave's Horizon Compact radio system extending further the company's market share lead in that country. Overall DragonWave was selected by 55 new customers during the year and this has strengthened the company's foundations.

As we look forward, we believe that our current fiscal year (FY2010) will be a breakout year for DragonWave:

- Q1 of FY2010 is expected to show sequential quarterly revenue growth over Q4 of FY2009;
- in the year we anticipate strong revenue growth in our North American market as well as growth in EMEA, much of which will come from existing customers;
- we expect that revenue growth will allow us to operate profitably overall for FY2010 and that this will begin later this year; and
- our plan restricts cash consumption to that which is needed for working capital associated with our growth.

As communicated in our news release dated May 1, 2009, we have started to experience an inflow of purchase orders consistent with this strong growth expectation.

DragonWave is also announcing that in addition to its existing strong cash position (\$23.5 million at the end of FY2009) the company is increasing its flexibility to support growth and has received a commitment letter from its bank today which increases access to debt facilities for working capital and capital expenditure needs from \$5 million CDN to \$13 million US. The new debt facility will include \$10 million US to finance working capital expenditures and \$3 million US to finance capital equipment expenditures.

"We are pleased with the position that we are in and the prospects for DragonWave in FY2010" said Peter Allen, President and Chief Executive Officer.

Financial Results

Revenue for the year end February 28, 2009 was \$43.3 million as compared to \$40.4 million in the previous year, a growth of 7%. Q4 FY09 revenue was \$11.3 million which compares to \$10.3 million in the same quarter of the previous year and \$10.7 million in Q3 of FY2009.

Revenue from customers within North America grew to \$29.6 million, a 6% increase over the previous fiscal year and represented 69% of total revenue for the year. Revenue from outside North America was \$13.7 million, an 11% increase over the previous year and represented 31% of total revenue for the year.

Gross margin for the year was 34%, compared to 38% in the previous year. This includes an inventory provision taken in the fourth quarter of \$1.0 million to provide for excess inventory balances associated with the AirPair product portfolio. This provision reduced the gross margin percentage by 2%. The launch of the Horizon product platform has exceeded expectations and now accounts for more than 90% of DragonWave's shipments.

For the fiscal year 2009, the loss from operations was \$11.1 million, compared to a loss of \$7.2 million in fiscal year 2008. Expenses increased to \$25.8 million compared to \$22.6 million in the prior year. The net loss for the year was \$6.0 million versus \$8.3 million in fiscal 2008.

"DragonWave's results for the year showed the company's ability to grow revenue, attract new customers, and achieve more traction with Service Providers despite the difficulties in the worldwide financial markets. I am particularly pleased with our current positioning as we go forward in the current fiscal year" said Peter Allen, President and CEO of DragonWave.

The DragonWave management team will discuss the results on a conference call May 8, 2009 at 8:30 a.m. Eastern time.

Presentation material and a webcast link will be made available from the Investor Relations portal of DragonWave's web site at <http://www.dragonwaveinc.com/irevents.asp>

Conference Call Details:

- Beginning at 8:30 a.m., EDT
- Ottawa Dial In Number: 613-212-0152
- Toll Free Dial In Number: 1-888-205-4499
- UK Dial In Number: 00-800-8358-7000
- Participant Pass Code: 37041#

For a replay of the call, it will be made available on DragonWave Inc. web site, through the Investor Relations portal.

To review Management's Discussion and Analysis for the quarter, please go to www.sedar.com.

About DragonWave

DragonWave™ is a leading provider of high-capacity wireless Ethernet equipment used in emerging IP networks. DragonWave designs, develops, and markets carrier-grade microwave radio frequency networking equipment that wirelessly transmit broadband voice, video and other data. DragonWave's wireless Ethernet products, 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. Additional applications for DragonWave's products include point-to-point transport in private networks, including municipal and enterprise networks. DragonWave's corporate headquarters is located in Ottawa, Ontario, with sales locations in Europe, Middle East and North America. The company's Web site is <http://www.dragonwaveinc.com>

FORWARD LOOKING STATEMENTS

This release contains certain forward-looking statements, including statements identified by forward-looking words such as "believes", "expects", "anticipate", "may" and "will". Readers are cautioned not to place undue reliance upon any such forward-looking statements. Forward-looking statements are based on the company's current expectations and assumptions that are subject to a variety of risks and uncertainties that are difficult to predict and that may be beyond DragonWave's control.

Actual results could differ materially from those expressed in any forward-looking statements due to factors including the following:

- DragonWave's growth is dependent on the development and growth of the market for broadband wireless access.

- DragonWave faces intense competition from several competitors and if it does not compete effectively with these competitors, its revenues may not grow and could decline. DragonWave also faces competition from indirect competitors.

- DragonWave's success depends on its ability to develop new products and enhance existing products.

- DragonWave has a history of losses and cannot provide assurance that it will attain profitability.

- If DragonWave is required to change its pricing models to compete successfully, its margins and operating results may be adversely affected.

- DragonWave relies on a small number of customers for a large percentage of its revenue.

- DragonWave's ability to sell products and services is dependent upon it establishing and maintaining relationships with channel partners.

- DragonWave's quarterly revenue and operating results can be difficult to predict and can fluctuate substantially.

- DragonWave has a lengthy and variable sales cycle.

Additional risks which can also impact upon forward looking statements are identified in DragonWave's Annual Information Form which is available online at www.sedar.com.

DragonWave assumes no obligation to update these forward-looking statements as a result of new information or future events, except as expressly required by law.

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DragonWave Inc.

CONSOLIDATED BALANCE SHEETS

[Expressed in Cdn \$000's]

	As at February 28, 2009 \$	As at February 29, 2008 \$
Assets		
Current Assets		
Cash and cash equivalents	8,504	1,551
Short-term investments	14,994	31,908
Accounts receivable	10,523	11,433
Other receivables	720	1,092
Inventory	14,238	10,584
Prepaid expenses	173	424
	<u>49,152</u>	<u>56,992</u>
Property and equipment	2,676	2,823
	<u>2,676</u>	<u>2,823</u>
Total Assets	<u>51,828</u>	<u>59,815</u>
Liabilities		
Current Liabilities		
Line of credit	641	550
Accounts payable and accrued liabilities	5,677	9,055
Deferred revenue	2,215	1,713
	<u>8,533</u>	<u>11,318</u>
Commitments		
Shareholders' equity		
Capital stock	119,925	119,435
Contributed surplus	1,230	933
Deficit	(77,860)	(71,871)
	<u>43,295</u>	<u>48,497</u>
Total Liabilities and Shareholders' Equity	<u>51,828</u>	<u>59,815</u>

CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

[Expressed in Cdn \$000's except share and per share amounts]

	For the year ended	
	February 28, 2009	February 29, 2008
	\$	\$
REVENUE	43,334	40,404
Cost of sales	28,683	24,980
Gross profit	14,651	15,424
 EXPENSES		
Research and development	10,628	10,378
Selling and marketing	10,649	8,858
General and administrative	4,079	3,885
Investment tax credits	(82)	(492)
Restructuring charges	501	—
	25,775	22,629
Loss from operations	(11,124)	(7,205)
 Interest income	693	1,109
Interest expense	(35)	(203)
Interest expense on debt component of preferred shares and convertible debt	—	(500)
Foreign exchange gain (loss)	4,514	(1,453)
Loss before income taxes	(5,952)	(8,252)
 Income taxes	(37)	—
Net and comprehensive loss	(5,989)	(8,252)
 Deficit, beginning of period	(71,871)	(63,619)
Deficit, end of period	(77,860)	(71,871)
 Loss per share		
Basic and fully diluted	(0.21)	(0.35)
 Basic and diluted weighted average number of shares outstanding	28,537,202	23,448,504

CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in Cdn \$000's except share and per share amounts]

	For the year ended	
	February 28, 2009	February 29, 2008
	\$	\$
Cash and cash equivalents provided by (used in)		
Operating Activities		
Net loss	(5,989)	(8,252)
Items not affecting cash		
Depreciation	1,070	563
Interest on debt component of preferred shares	—	350
Interest on debt component of convertible debt	—	150
Stock-based compensation	624	327
Warrant expense	2	64
Unrealized foreign exchange (gain) loss	(907)	479
Accrued interest on fair value of short-term investments	(159)	(534)
	(5,359)	(6,853)
Changes in non-cash working capital items	(4,997)	(3,419)
	(10,356)	(10,272)
Investing Activities		
Acquisition of property and equipment	(923)	(2,808)
Maturity (Investment) of short-term investments	17,073	(31,374)
	16,150	(34,182)
Financing Activities		
Change in line of credit	91	(3,893)
Exercise of warrants	150	—
Issuance of common stock net of stock issuance costs	11	49,043
	252	45,150
Effect of foreign exchange on cash and cash equivalents	907	(479)
Net increase in cash and cash equivalents	6,953	217
Cash and cash equivalents at beginning of period	1,551	1,334
Cash and cash equivalents at end of period	8,504	1,551
Cash paid during the year for:		
Interest	35	203