



FOR IMMEDIATE RELEASE

DRAGONWAVE ANNOUNCES THIRD QUARTER FISCAL 2009 RESULTS

OTTAWA, Canada, January 8, 2009 - DragonWave Inc. ("DragonWave"), (TSX:DWI) a leading global supplier of next-generation wireless networks, today issued financial results for its third quarter of fiscal year 2009 ended November 30, 2008. All figures are prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are reported in Canadian dollars.

Revenue for the quarter was \$10.7 million, compared with \$10.6 million for the previous quarter. Revenue on a year to date basis was \$32.0 million compared to \$30.1 million in the previous year, a growth of 6.5%

Revenue from customers within North America was \$6.4 million and represented 59% of total revenue for the quarter. Revenue from outside North America was \$4.3 million and represented 41% of total revenue for the quarter.

Gross margin for the third quarter was 35%, compared to 34% in the previous quarter.

For the third quarter of fiscal year 2009, the loss from operations was \$2.8 million, which was consistent with the loss in the second quarter of fiscal 2009. Expenses prior to the restructuring charge were \$6.0 million compared to \$6.5 million in the prior quarter. On December 1, 2008 the company announced restructuring measures and a one time charge of \$0.5 million has been borne fully in the Q3 FY09 results. The net loss for the quarter was \$0.2 million versus \$1.7 million in Q2 fiscal 2009.

"DragonWave's results for the quarter showed the company's resilience as we maintained revenue, reduced the cash burn, and took restructuring measures to keep the business healthy. I am particularly pleased with DragonWave's ability to continue to attract new customers, with shipments to 14 new customers in the third quarter, 12 of which were located outside of North America." said Peter Allen, President and CEO of DragonWave.

The DragonWave management team will discuss the results on a conference call January 9, 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
- Toronto Dial In Number: 416-883-7132
- 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. 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.

For further information, please contact:

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DragonWave Inc.**CONSOLIDATED BALANCE SHEETS**

*[Expressed in Cdn \$000's]
[unaudited]*

	As at November 30, 2008 \$	As at February 29, 2008 \$
ASSETS		
Current		
Cash and cash equivalents	10,306	1,551
Short term investments	14,914	31,908
Accounts receivable	10,787	11,433
Other receivables	2,057	1,092
Inventory	14,816	10,584
Prepaid expenses	374	424
Total current assets	53,254	56,992
Property and equipment	2,848	2,823
Total Assets	56,102	59,815
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Line of credit	631	550
Accounts payable and accrued liabilities	8,236	9,055
Deferred revenue	1,957	1,713
Total current liabilities	10,824	11,318
Commitments		
Shareholders' equity		
Capital stock	119,920	119,435
Contributed surplus	1,068	933
Deficit	(75,710)	(71,871)
Total shareholders' equity	45,278	48,497
	56,102	59,815

On behalf of the Board:

(s) Gerry Spencer (s) Claude Haw
Director Director

DragonWave Inc.

**CONSOLIDATED STATEMENTS OF
OPERATIONS, COMPREHENSIVE LOSS
AND DEFICIT**

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

	Three months ended		Nine months ended	
	November 30		November 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
REVENUE	10,704	11,548	32,001	30,062
Cost of sales	7,000	7,016	20,289	18,894
Gross profit	3,704	4,532	11,712	11,168
EXPENSES				
Research and development	2,427	2,662	8,152	7,572
Selling and marketing	2,789	2,392	8,196	6,130
General and administrative	765	846	3,028	2,894
Investment tax credits	18	(50)	(82)	(442)
Restructuring charges	484	—	484	—
	6,483	5,850	19,778	16,154
Loss from operations	(2,779)	(1,318)	(8,066)	(4,986)
Interest income	177	350	610	655
Interest expense	(7)	(34)	(25)	(192)
Interest expense on debt component of preferred shares and convertible debt	—	—	—	(500)
Foreign exchange gain (loss)	2,399	(206)	3,664	(981)
Loss before income taxes	(210)	(1,208)	(3,817)	(6,004)
Income Taxes	(11)	—	(22)	—
Net and Comprehensive Loss	(221)	(1,208)	(3,839)	(6,004)
Deficit, beginning of period	(75,489)	(68,415)	(71,871)	(63,619)
Deficit, end of period	(75,710)	(69,623)	(75,710)	(69,623)
Loss per share				
Basic and fully diluted	(0.01)	(0.04)	(0.13)	(0.27)
Basic and diluted weighted average number of shares outstanding	28,555,716	27,646,025	28,530,688	22,063,836

DragonWave Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

[unaudited]

	Three months ended		Nine months ended	
	November 30		November 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss	(221)	(1,208)	(3,839)	(6,004)
Items not affecting cash:				
Amortization of property and equipment	287	159	782	366
Interest expense on debt component of preferred shares	—	—	—	350
Interest expense on debt component of convertible debt	—	—	—	150
Stock-based compensation expense	159	191	462	264
Warrant expense	—	—	2	—
Unrealized foreign exchange (gain) loss	(1,121)	145	(1,185)	459
Accrued interest on fair value of short term investments	(78)	(85)	72	(85)
Changes in non-cash working capital items	(2,625)	(968)	(5,075)	1,149
Cash flows used in operating activities	(3,599)	(1,766)	(8,781)	(3,351)
INVESTING ACTIVITIES				
Acquisition of property and equipment	(136)	(678)	(806)	(1,985)
Investment/Maturity of short term investments	(14,836)	(34,351)	16,922	(34,351)
Cash flows (used in) provided by investing activities	(14,972)	(35,029)	16,116	(36,336)
FINANCING ACTIVITIES				
Change in line of credit	55	(1,889)	81	(3,887)
Exercise of warrants	—	—	150	—
Issuance of common stock net of stock issuance costs	4	22,103	4	49,037
Cash flows provided by financing activities	59	20,214	235	45,150
Effect of foreign exchange on cash and cash equivalents	1,121	(145)	1,185	(459)
Net increase (decrease) in cash and cash equivalents	(17,391)	(16,726)	8,755	5,004
Cash and cash equivalents at beginning of period	27,697	23,064	1,551	1,334
Cash and cash equivalents at end of period	10,306	6,338	10,306	6,338
Cash paid during the period for:				
Interest	7	34	25	192