



FOR IMMEDIATE RELEASE

DragonWave Announces First Quarter Fiscal 2008 Results

38% growth in revenue sets new record of \$8.6 million with expanding international presence

OTTAWA, Canada, July 11, 2007 - DragonWave Inc.(TSX/AIM:DWI), a leading provider of carrier-grade microwave equipment for high capacity broadband wireless systems, today issued financial results for its first quarter of fiscal year 2008 ended May 31, 2007. All figures are prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are reported in Canadian dollars.

Revenue for the first quarter was \$8.6 million, compared with \$6.2 million for the same period of last fiscal year, an increase of 38% and a sequential growth from the fourth quarter of fiscal year 2007, of 9%. This revenue is the highest quarterly revenue in the Company's history.

Revenue from customers outside North America grew to \$2.6 million, up from \$0.4 million in the same quarter of fiscal year 2007. Revenue from outside North America represented 30% of the quarter's revenues, also a new high, and a result of the Company's initiatives to increase its customer penetration into regions outside North America.

Gross margin for the first quarter was 35%, a 1% increase from last quarter, and a 7% improvement from the 28% recorded in the same quarter of fiscal year 2007. This increase is as a result of cost reduction programs and a favourable product mix.

For the first quarter fiscal year 2008, the Loss from Operations was \$1.9 million, compared to the loss of \$1.8 million in the first quarter of fiscal year 2007. Expenses increased from \$3.5M to \$4.9M due to increased staffing levels and marketing activities required to support the growing business. Net loss for the quarter was \$2.7 million versus \$3.0 million in fiscal Q1 2007.

The Company had positive cash flow from operations in the quarter mainly as a result of a strong accounts receivable performance. The Company also received net proceeds of \$27.0 million from its initial public offering and the exercise of the over-allotment option.

"DragonWave made good progress during the quarter. We've expanded our business internationally and have taken another step forward in improving our margins. We continue to be well positioned as a leader in the high growth IP Ethernet based, high capacity wireless backhaul equipment market" said Peter Allen, President and CEO of DragonWave.

The DragonWave management team will discuss the full results on a conference call to be held on July 12, 2007 at 8:30am EDT (1:30 BST).

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

Conference Call Details:

- Beginning at 8:30 a.m., EDT (1:30 BST)
- Local call: 416-640-3405
- Toll free North American: 1-866-322-2356
- Toll free United Kingdom: 08-08-234-6237 or 08-00-032-3524 or 08-08-234-6235

A recorded copy of the call will be available within 48 hours following and posted for 30 days at <http://www.dragonwaveinc.com/financial-reports.asp>

About DragonWave Inc.

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 are located in Ottawa, Ontario, and have sales locations in Europe 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:

DragonWave Inc.
Russell Frederick
Chief Financial Officer
(613) 599-9991 ext. 253
Email: rfrederick@dragonwaveinc.com

DragonWave Inc.
Nadine Kittle
Media Relations
(613) 599-9991 ext. 262
Email: nkittle@dragonwaveinc.com

Canaccord Adams Limited
Chris Bowman
Tel: 44 20 7050 6500
Email: Chris.Bowman@CanaccordAdams.com

Weber Shandwick Financial
John Moriarty
Consultant
Tel: 020 7067 0736
Mob: 07971 402224
Email: jmoriarty@webershandwick.com

DragonWave Inc.

CONSOLIDATED BALANCE SHEETS

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

	As at May 31, 2007 \$	As at February 28, 2007 \$
ASSETS		
Current		
Cash and cash equivalents	28,098	1,334
Accounts receivable	4,839	7,677
Other receivables	1,422	986
Inventory	7,527	6,898
Prepaid expenses	337	332
Total current assets	42,223	17,227
Deferred financing charges	—	2,735
Property and equipment	738	578
	738	3,313
	42,961	20,540
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Line of credit	3,871	4,443
Accounts payable and accrued liabilities	6,825	8,647
Deferred revenue	603	630
Convertible debt	—	13,020
Total current liabilities	11,299	26,740
Debt component of redeemable preferred shares	—	18,004
	11,299	44,744
Commitments and contingencies		
Shareholders' equity (deficiency)		
Capital stock	97,431	21,753
Contributed surplus	577	17,662
Deficit	(66,346)	(63,619)
Total shareholders' equity (deficiency)	31,662	(24,204)
	42,961	20,540

On behalf of the Board:

Director

Director

DragonWave Inc.

**CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS,
COMPREHENSIVE INCOME (LOSS) AND DEFICIT**

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

	Three months ended	
	May 31, 2007	May 31, 2006
	\$	\$
REVENUE	8,629	6,249
Cost of sales	5,604	4,529
Gross profit	3,025	1,720
EXPENSES		
Research and development	2,442	1,590
Selling and marketing	1,794	1,517
General and administrative	946	597
Investment tax credits	(283)	(199)
	4,899	3,505
Loss from operations	(1,874)	(1,785)
Interest income	100	—
Interest expense	(96)	(42)
Interest expense on debt component of redeemable preferred shares and convertible debt	(501)	(855)
Amortization of deferred financing charges	—	(7)
Foreign exchange loss	(356)	(299)
Loss before income taxes	(2,727)	(2,988)
Income taxes	—	—
Net loss and comprehensive loss	(2,727)	(2,988)
Deficit, beginning of period	(63,619)	(52,895)
Deficit, end of period	(66,346)	(55,883)
Loss per share		
Basic and fully diluted	(0.21)	(0.82)
Basic and diluted weighted average number of shares outstanding	13,181,112	3,621,849

DragonWave Inc.

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

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

	Three months ended	
	May 31, 2007	May 31, 2006
	\$	\$
OPERATING ACTIVITIES		
Net loss	(2,727)	(2,988)
Items not affecting cash:		
Amortization of property and equipment	100	139
Interest expense on debt component of preferred shares	350	559
Amortization of deferred financing costs	—	7
Interest expense on debt component of convertible debt	151	296
Stock-based compensation expense	35	8
Unrealized foreign exchange loss	239	83
Changes in non-cash working capital items	2,654	1
Cash flows provided by (used in) operating activities	802	(1,895)
INVESTING ACTIVITIES		
Acquisition of property and equipment	(260)	(88)
Cash flows used in investing activities	(260)	(88)
FINANCING ACTIVITIES		
Repayment of capital lease obligations	—	(12)
Repayment of line of credit	(572)	(144)
Issuance of common stock	27,033	—
Cash flows provided by (used in) financing activities	26,461	(156)
Effect of foreign exchange on cash and cash equivalents	(239)	(83)
Net increase (decrease) in cash and cash equivalents	26,764	(2,222)
Cash and cash equivalents at beginning of period	1,334	5,121
Cash and cash equivalents at end of period	28,098	2,899
Cash paid during the period for:		
Interest	96	42

Excluded from changes in non-cash working capital items for the period ended May 31, 2007 are \$2,735 of deferred financing costs included in accounts payable and accrued liabilities at February 28, 2007.