UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q/A

[X]QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 1998

OR

[ ]TRANSITION QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 0-27544

OPEN TEXT CORPORATION

(Exact name of registrant as specified in its charter)

ONTARIO (State of other jurisdiction of incorporation or organization)	98-0154400 (IRS Employer Identification No.)

185 Columbia Street West, Waterloo, Ontario, Canada N2L 5Z5

(Address of principal executive offices)

Registrant's telephone number, including area code: (519) 888-7111

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No ___

At February 9, 1999 there were 20,791,925 outstanding Common Shares of the registrant.

OPEN TEXT CORPORATION

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Part I: Financial Information
Item 1. Condensed Consolidated Financial Statements

OPEN TEXT CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In US Dollars)
(in thousands, except share data)

	December 31, 1998 (unaudited) (restated)	June 30, 1998
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 33,117	$ 40,390
Accounts receivable - trade, net of allowance for doubtful accounts of $1,595 as of December 31, 1998 and $1,635 as of June 30, 1998	28,491	22,924
Prepaid and other assets	3,377	2,834
Total current assets	64,985	66,148
Furniture and equipment	9,411	8,710
Other investments, at cost (approximates market value)	4,692	3,977
Goodwill - net of accumulated amortization of $1,238 at December 31, 1998 and $442 at June 30, 1998 (Note 1)	17,217	15,461
Other assets - net of accumulated amortization of $352 at December 31, 1998 and $40 at June 30,1998 (Note 1)	6,400	6,286
Total assets	$ 102,705	$ 100,582
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable - trade, and accrued liabilities (Note 3)	$ 15,923	$ 17,052
Deferred revenue	7,779	10,112
Obligations under capital leases	159	344
Total current liabilities	23,861	27,508
Shareholders' equity:		
Share capital		
20,401,279 and 18,087,069 Common Shares issued and outstanding at December 31, 1998 and June 30, 1998 respectively	143,844	105,108
Nil and 1,750,000 Special Warrants issued and outstanding at December 31, 1998 and June 30, 1998 respectively	-	34,800
Other shareholders' equity	(65,000)	(66,834)
Total shareholders' equity	78,844	73,074
Total liabilities and shareholders' equity	$ 102,705	$ 100,582

See accompanying notes to condensed consolidated financial statements

OPEN TEXT CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In US Dollars)
(in thousands, except per share data)

	Three months ended December 31,		Six months ended December 31,	
	1998	1997	1998	1997
	(unaudited)		(unaudited)	
	(restated)		(restated)	
Revenues:				
License	$ 12,888	$ 6,787	$ 22,389	$ 11,209
Service	7,932	2,988	15,704	6,260
Total Revenues	20,820	9,775	38,093	17,469
Cost of revenues:				
License	244	411	910	643
Service	3,156	1,594	5,889	3,519
Total cost of revenues	3,400	2,005	6,799	4,162
Gross profit	17,420	7,770	31,294	13,307
Operating expenses:				
Research and development	2,795	1,773	4,999	3,577
Sales and marketing	8,830	4,862	16,488	9,244
General and administrative	1,367	1,045	2,376	2,155
Depreciation	1,040	584	1,990	1,059
Amortization of acquired intangible assets	518	-	1,036	-
Acquired in-process research and development	3,419	-	3,419	-
Total operating expenses	17,969	8,264	30,308	16,035
Income (loss) from operations	(549)	(494)	986	(2,728)
Other income	174	375	706	892
Income (loss) before income taxes	(375)	(119)	1,692	(1,836)
Income tax recovery	-	250	-	500
Income (loss) for the period	$ (375)	$ 131	$ 1,692	$ (1,336)
Basic earnings (loss) per share	$ (0.02)	$ 0.01	$ 0.08	$ (0.08)
Diluted earnings (loss) per share	$ (0.02)	$ 0.01	$ 0.08	$ (0.08)
Weighted average number of Common Shares outstanding - basic	20,185	17,599	19,921	17,533
Weighted average number of Common Shares outstanding - diluted	20,185	19,713	22,297	17,533

See accompanying notes to condensed consolidated financial statements

OPEN TEXT CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of US Dollars)

	Six months ended December 31, 1998	Six months ended December 31, 1997
	(unaudited)	
Cash flows form operating activities:		
Income (loss) for the period	$ 1,692	$ (1,336)
Adjustments to reconcile income (loss) to net cash used in operating activities:		
Depreciation and amortization of acquired intangible assets	3,124	1,081
Acquired in-process research and development	3,419	-
Other	-	(237)
Changes in operating assets and liabilities (net of operating assets and liabilities acquired):		
Accounts receivable	(5,067)	(1,992)
Prepaids and other assets	(543)	253
Accounts payable - trade and accrued liabilities	(6,509)	(2,377)
Deferred revenue	(2,333)	1,214
Net cash used in operating activities	(6,217)	(3,394)
Cash flows used in investing activities:		
Acquisitions of furniture and equipment	(1,241)	(844)
Increase in other investments	(715)	(2,107)
Purchase of OnTime group, net of cash acquired	-	(5,485)
Purchase of Lava group	(2,298)	-
(Increases) decreases in other assets	(489)	694
Net cash used in investing activities	(4,743)	(7,742)
Cash flow from financing activities:		
Payments of obligations under capital leases	(185)	(258)
Proceeds from issuance of Common Shares	3,872	303
Employee share purchase loans	-	(11)
Net cash provided by financing activities	3,687	34
Decrease in cash and cash equivalents during the period	(7,273)	(11,102)
Cash and cash equivalents at beginning of year	40,390	31,762
Cash and cash equivalents at end of period	$ 33,117	$ 20,660

See accompanying notes to condensed consolidated financial statements

OPEN TEXT CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended December 31, 1998
(unaudited)
(dollar amounts in thousands, except share data)

NOTE 1 — BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements include the accounts of Open Text Corporation and its wholly owned subsidiaries, collectively referred to as the "Company". All intercompany balances and transactions have been eliminated.

The accompanying unaudited condensed consolidated financial statements and related notes have been prepared pursuant to the Securities and Exchange Commission rules and regulations for Form 10-Q. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The accompanying unaudited condensed consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and notes in the Company's 1998 annual report on Form 10-K.

The information furnished reflects, in the opinion of the management, all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods presented. Interim results are not necessarily indicative of results for a full year.

These consolidated financial statements are expressed in US dollars and are prepared in accordance with US generally accepted accounting principles.

Restatement of IPR&D and Intangible Assets

During the fourth quarter of the 1998 fiscal year, the Company acquired certain assets relating to the business of Information Dimensions from Gores Technologies, Inc and during the second quarter of the 1998 fiscal year, the Company acquired certain assets relating to the business of OnTime from Campbell Services, Inc. At the time of the acquisitions, the Company, in consultation with its independent auditors, PricewaterhouseCoopers, applied then existing, generally employed appraisal methodologies to determine the fair value of in-process research and development ("IPR&D"). Subsequent to the acquisitions and the Company's release of it's year end fiscal 1998 results, in a letter dated September 9, 1998 to the American Institute of Certified Public Accountants, the Chief Accountant of the Securities and Exchange Commission (SEC) expressed new views of the SEC staff that took issue with certain appraisal practices generally employed in the determination of the fair value of the IPR&D. The Company, in consultation with its independent auditors, has voluntarily decided to adjust the amount originally allocated to acquired IPR&D in a manner to reflect the SEC staff's current views and has restated its second quarter fiscal 1999 condensed consolidated financial statements accordingly.

The Company believes it is in compliance with the interpretation of the rules surrounding IPR&D and intangible assets. However, there can be no assurance that the SEC will not seek to further refine their interpretation of the rules surrounding purchased IPR&D and that this could result in the further adjustment of the Company's amounts of IPR&D and intangible assets.

The restatement does not affect previously reported net cash flows for the periods. The following table summarizes the changes to the purchase price allocation among the acquired assets and assumed liabilities as a result of the Company's restatement (in thousands):

OPEN TEXT CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended December 31, 1998
(unaudited)
(dollar amounts in thousands, except share data)

	As Previously Reported	As Restated
Tangible net liabilities	($3,490)	($3,490)
Current software products	3,978	1,657
Core technology	-	5,003
Acquired in-process research and development	24,062	5,477
Goodwill	-	15,903
Total purchase price	$24,550	$24,550

The following table summarizes the changes in the Company's condensed consolidated results of operations for the three and six months ended December 31,1998 and changes in its condensed consolidated balance sheet as of December 31, 1998 as a result of the Company's restatement of the purchase price allocation (in thousands):

	Three Months Ended December 31, 1998		Six Months Ended December 31, 1998	
	As Previously Reported	As Restated	As Previously Reported	As Restated
Cost of revenue: license	$ 490	$ 244	$ 1,402	$ 910
Amortization of acquired intangible assets	-	518	-	1,036
Total operating expenses	17,451	17,969	29,273	30,308
Income (loss) from operations	(277)	(549)	1,529	986
Income (loss) for the period	(103)	(375)	2,235	1,692
Income (loss) per share - basic	(0.01)	(0.02)	0.11	0.08
Income (loss) per share - diluted	(0.01)	(0.02)	0.10	0.08

OPEN TEXT CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended December 31, 1998
(unaudited)
(dollar amounts in thousands, except share data)

	December 31, 1998	
	As Previously Reported	As Restated
Other Assets	$6,968	$6,400
Goodwill	-	17,217
Other shareolders equity	(81,649)	(65,000)

Comprehensive net income

Effective July 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130"). SFAS 130 establishes standards for reporting comprehensive income and its components in a full set of general purpose financial statements. Comprehensive income is comprised of net income and other comprehensive earnings such as foreign currency translation gain/loss and unrealized capital gains and losses on available for sale marketable securities. The Company's total comprehensive earnings were as follows:

	Three months ended December 31,		Six months ended December 31,	
	1998	1997	1998	1997
Income (loss) for the period	$ (375)	$ 131	$ 1,692	$ (1,336)
Foreign translation adjustment	208	(82)	208	(235)
Comprehensive net income for the period	$ (167)	$ 49	$ 1,900	$ (1,571)

Earnings per share

Basic earnings per share is computed using the weighted average number of shares of common shares. Diluted earnings per share is computed using the weighted average number of shares of common shares and common share equivalents outstanding during the period. Common share equivalents consist of stock options (using the treasury stock method). Common share equivalents are excluded for the computation if their effect is antidilutive.

OPEN TEXT CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For The Six Months Ended December 31, 1998
(unaudited)
(dollar amounts in thousands, except share data)

	Three months ended December 31,		Six months ended December 31,	
	1998	1997	1998	1997
Basic earnings (loss) per share				
Net income (loss)	(375)	131	$ 1,692	$ (1,336)
Weighted average number of common shares outstanding	20,185	17,599	19,921	17,533
Basic earnings (loss) per common share	$ (0.02)	$ 0.01	$ 0.08	$ (0.08)
Diluted earnings (loss) per share				
Net income (loss)	(375)	131	$ 1,692	$ (1,336)
Weighted average number of common shares outstanding	20,185	17,599	19,921	17,533
Number of common share equivalents as a result of stock options outstanding	-	2,115	2,376	-
Weighted average number of common shares and common share equivelants outstanding	20,185	19,713	22,297	17,533
Diluted earnings (loss) per common share and common share equivalents	$ (0.02)	$ 0.01	$ 0.08	$ (0.08)

NOTE 2 — RECENT ACCOUNTING PRONOUNCEMENTS

In March 1998, the AICPA issued Statement of Position No.98-4 ("SOP 98-4"), "Deferral of the Effective Date of a Provision of SOP 97-2, Software Revenue Recognition". SOP 98-4 defers, for one year, the application of certain passages in SOP 97-2 which limit what is considered vendor-specific objective evidence ("VSOE") necessary to recognize revenue for software licenses in multiple-element arrangements when undelivered elements exist. Adoption of the remaining provisions of SOP 97-2 did not have a material impact on revenue recognition during the three and six months ended December 31,1998.

On December 15, 1998, the AICPA issued Statement of Position No.98-9 (“SOP 98-9”), “Modification of SOP 97-2, Software Revenue Recognition With Respect to Certain Transactions”. SOP 98-9 amends certain paragraphs of SOP 97-2, “Software Revenue Recognition”, to require recognition of revenue using the “residual method” when (1) there is vendor-specific objective evidence of the fair values of all undelivered elements in a multiple-element arrangement that is not accounted for using long-term contract accounting, (2) vendor-specific objective evidence of fair value does not exist for one or more of the delivered elements in the arrangement, and (3) all revenue-recognition criteria in SOP 97-2 other than the requirement for vendor-specific objective evidence of the fair value of each delivered element of the arrangement are satisfied. SOP 98-9 also amends SOP 98-4,

"Deferral of the Effective Date of a Provision of SOP 97-2, Software Revenue Recognition", to extend the deferral of the

application of certain passages of SOP 97-2 provided by SOP 98-4 to the Company's June 30, 2000 fiscal year. All other provisions of SOP 98-9 are effective for transactions entered into in fiscal years beginning after March 15, 1999. The Company is currently reviewing the effects of SOP 98-9 on its June 30, 2000 fiscal year.

In April 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" ("SOP 98-1"). SOP 98-1 provides guidance regarding the determination of whether computer software is internal-use software, the capitalization of costs incurred for computer software developed or obtained for internal use and accounting for the proceeds of computer software originally developed or obtained for internal use and then subsequently sold to the public. The Company has not yet determined the effect, if any, of adopting SOP 98-1, which will be effective for the Company's fiscal year ending June 30, 2000.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, "Disclosures About Segments of An Enterprise and Related Information" ("SFAS 131"). SFAS 131 revises information regarding the reporting of operating segments. It also establishes standards for related disclosures about products and services, geographic areas and major customers. The Company will adopt SFAS 131 for fiscal year ending June 30, 1999 and the impact of such adoption on the notes to its consolidated financial statements is not significant.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 establishes a new model for accounting for derivatives and hedging activities and supercedes and amends a number of existing accounting standards. SFAS 133 requires that all derivatives be recognized in the balance sheet at their fair market value, and the corresponding derivative gains or losses be either reported in the statement of operations or as a deferred item depending on the type of hedge relationship that exists with respect to such derivative. To date, the Company has not engaged in hedging activities as the exposure to foreign currency fluctuations has been insignificant.

NOTE 3 - ACCOUNTS PAYABLE - TRADE AND ACCRUED LIABILITIES

Accounts payable - trade and accrued liabilities are as follows:

	December 31, 1998	June 30, 1998
Accounts payable - trade	$ 3,818	$ 2,734
Accrued trade liabilities	3,986	3,061
Amounts payable for acquisitions	3,950	7,196
Accrued salaries and commissions	4,169	4,173
Other liabilities	-	(112)
	$ 15,923	$ 17,052

OPEN TEXT CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For The Six Months Ended December 31, 1998
(unaudited)
(dollar amounts in thousands, except share data)

NOTE 4 - ACQUISITIONS

Lava

On December 29, 1998 the company acquired certain of the assets and liabilities of Lava Systems Inc., ("Lava") for approximately $6.8 million, including reserves and acquisition costs of $4.5 million, in a transaction which has been accounted for under the purchase method. The operations of Lava have been included in the financial statements from the purchase date. Cash in the amount of $2.3 million was paid at closing.

A key element of the acquisition is the Company's perception of the value of Lava's document management software and its professional services organization. Although Lava's technology is a document management technology, it is the Company's belief that substantial development will be required to complete the software technology to meet the Company's strategic goals. In view of the preceding, it is believed that the acquisition of Lava provides the Company with an opportunity to successfully advance collaborative knowledge management technology.

The Company allocated the total purchase price to the assets acquired as follows:

Tangible net assets	$ 140
Current software products	707
Goodwill	2,551
Acquired in-process research and development	3,419
	$ 6,817

As of the date of acquisition of Lava, the Company determined there were a number of research and development projects in process. The projects were about 74% complete at the time of acquisition. The most significant project, Lava Claims Enabler, is slated for completion in the middle of calendar 1999. The Company believes that there are critical issues in Claims Enabler that its research and development efforts need to address to reach completion. Should these technical issues not be addressed in the estimated time, the Company expects the release of Claims Enabler in particular could be delayed.

The Company valued the research and development in process for the above products using the stage of completion model whereby future net operating cash flows from products currently being developed are discounted to present values using a risk-adjusted discount rate and assuming pricing and cost structures that the Company currently experiences on its existing products.

Current software products include products currently in the marketplace as of the acquisition date. The fair market value of the purchased current software products was determined to be $707,000. This amount was recorded as an asset and will be amortized on a straight-line basis over two years. The fair market value of goodwill was determined to be $2.6 million. This amount was recorded as an asset will be amortized on a straight-line basis over ten years.

As a result of the valuation, the fair market value of the acquired in-process research and development was determined to be $3.4 million. In accordance with applicable accounting rules, this amount was expensed upon acquisition in the second quarter of the fiscal 1999.

OPEN TEXT CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For The Six Months Ended December 31, 1998
(unaudited)
(dollar amounts in thousands, except share data)

NOTE 5 – RESTRUCTURING COSTS FOR ACQUISITIONS

In connection with the Company's acquisition of OnTime and Information Dimensions (the "Fiscal 1998 Acquired Businesses") in the year ended June 30, 1998, the Company accrued $7.98 million for the estimated costs to exit certain activities of the Fiscal 1998 Acquired Businesses as well as the estimated cost of involuntary termination and relocation of certain employees of both of the Fiscal 1998 Acquired Businesses. The estimated cost to exit certain activities includes costs to close locations of the Fiscal 1998 Acquired Businesses as well as the cost to discontinue development of certain products. The estimated costs of involuntary termination represents the estimated costs to terminate employees whose positions have become redundant within the organization or who were involved in products the Company will discontinue. The Company completed its plan of termination and relocation in the second quarter of fiscal 1999. During the six months ended December 31, 1998, the Company paid $5.2 million in cost to exit certain activities and termination and relocation costs and the costs were charged to the reserve.

In connection with the Company's acquisition of the assets of Lava on December 29, 1998, the Company accrued $3.8 million for the estimated costs of involuntary terminations and relocation of certain employees. The Company expects that its plan of integration and relocation to be complete by the end of calendar 1999. Included in termination costs is $1.8 million estimated by the Company for severance costs of certain employees. The timing of the payout of the severance is not yet determinable. Should the amount paid be less than $1.8 million, the Company will reduce the amount of goodwill recorded on the Lava transaction in the period the final amount is determinable. During the quarter ended December 31, 1998, the Company paid $.6 million in costs to exit certain activities and the costs were charged to the reserve.

A summary of the acquisition costs that represent the costs to exit certain activities and involuntary termination and relocation costs is as follows:

	June 30, 1998	Additions to reserve	Charges to reserve	December 31, 1998
			(in thousands)	
Costs to exit certain activities	$ 1,325	$ 1,100	$ (1,678)	$ 747
Involuntary termination and relocation	$ 3,902	$ 2,656	$ (4,120)	$ 2,438
	$ 5,227	$ 3,756	$ (5,798)	$ 3,185

OPEN TEXT CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For The Six Months Ended December 31, 1998
(unaudited)
(dollar amounts in thousands, except share data)

NOTE 6 – INCOME TAXES

The Company's consolidated income tax provision has been determined as follows:

	Three months ended December 31,		Six months ended December 31,	
	1998	**1997**	**1998**	**1997**
Income (loss) before income taxes	$ (375)	$ (119)	$ (1,692)	$ (1,836)
Combined basic Federal and Provincial income taxes at 44.6% as of December 31, 1998 and 1997	$ 167	$ 53	$ (755)	$ 819
Decrease resulting from:				
Unrecorded benefit of temporary differences	-	$ (53)	-	(819)
Reduction in valuation allowance	1,452	250	2,513	500
Other	(1,619)		(1,758)	-
Income tax recovery	$ -	$ 250	$ -	$ 500

The Company and its subsidiaries have approximately $54.6 million of losses and deductions available to reduce taxable income in future years, the benefit of which has only partially been reflected in the financial statements. Deductions of $21.9 million have no expiration date, and the balance of losses expire as follows:

Year Ended June 30	(in thousands)
1999	$ 563
2000	748
2001	2,420
2003	13,793
2004	6,085
2005	5,023
Thereafter	4,039
	$ 32,671

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial and reporting purposes and amounts used for income tax purposes.

OPEN TEXT CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For The Six Months Ended December 31, 1998
(unaudited)
(dollar amounts in thousands, except share data)

Significant components of the Company's deferred income tax balances consist of the following:

	December 31, 1998	June 30, 1998
	(in thousands)	
Losses available to offset future income taxes	14,044	13,641
Acquired research and development expenses deducted for accounting in excess of tax	5,431	6,202
Acquisition related expenses	1,579	3,158
Share issue costs	2,009	2,454
Other differences	2,434	2,434
Gross deferred tax assets	25,497	27,889
Less: Valuation allowance	(24,497)	(26,889)
Net deferred tax assets	$ 1,000	$ 1,000

A valuation allowance continues to be recorded against a significant portion of the net deferred tax asset by the Company because of the lack of profitability in the past, the significant risk that taxable income will not be generated in the future and the nontransferable nature of the deferred tax assets in certain situations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

"*Forward Looking Statements*". Certain statements in this Quarterly Report on Form 10-Q constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that express or involve discussions with respect to predictions, expectations, beliefs plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "believes", "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate" or "intends" or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken or achieved) are not statements of historical fact and may be "forward looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or developments in the Company's industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Such factors include, but are not limited to: the Company's limited operating history and losses, year 2000 compliance, increases in expenses, unproven acceptance of the Company's products and services, risks involving the management of growth, risks of acquisitions, including risks involved in integrating recent and future acquisitions and acquired products into the Company's business, competition and new entrants in the market for the Company's products and services, product development risks, risks of technological change and liquidity and capital resources. Additional risks uncertainties are described in the Company's Annual Report on Form 10-K for the year ended June 30, 1998 under the heading "Business - Risk Factors". Forward-looking statements are based on management's current plans, estimates, opinions and projections, and the Company assumes no obligation to update forward-looking statements if assumptions of these plans, estimates, opinions or projections should change. Certain of the forward-looking statements contained in this report are identified with cross-references to this section.

Overview

Restatement of IPR&D and Intangible Assets

During the fourth quarter of the 1998 fiscal year, the Company acquired certain assets relating to the business of Information Dimensions from Gores Technologies, Inc and during the second quarter of the 1998 fiscal year, the Company acquired certain assets relating to the business of OnTime from Campbell Services, Inc. At the time of the acquisitions, the Company, in consultation with its independent auditors, PricewaterhouseCoopers, applied then existing, generally employed appraisal methodologies to determine the fair value of in-process research and development ("IPR&D"). Subsequent to the acquisitions and the Company's release of it's year end fiscal 1998 results, in a letter dated September 9, 1998 to the American Institute of Certified Public Accountants, the Chief Accountant of the Securities and Exchange Commission (SEC) expressed new views of the SEC staff that took issue with certain appraisal practices generally employed in the determination of the fair value of the IPR&D. The Company, in consultation with its independent auditors, has voluntarily decided to adjust the amount originally allocated to acquired IPR&D in a manner to reflect the SEC staff's current views and has restated its second quarter fiscal 1999 condensed consolidated financial statements accordingly.

The Company believes it is in compliance with the interpretation of the rules surrounding IPR&D and intangible assets. However, there can be no assurance that the SEC will not seek to further refine their interpretation of the rules surrounding purchased IPR&D and that this could result in the further adjustment of the Company's amounts of IPR&D and intangible assets.

The restatement does not affect previously reported net cash flows for the periods. The following table summarizes the changes to the purchase price allocation among the acquired assets and assumed liabilities as a result of the Company's restatement (in thousands):

	As Previously Reported	As Restated
Tangible net liabilities	($3,490)	($3,490)
Current software products	3,978	1,657
Core technology	-	5,003
Acquired in-process research and development	24,062	5,477
Goodwill	-	15,903
Total purchase price	$24,550	$24,550

The following table summarizes the changes in the Company's condensed consolidated results of operations for the three and six months ended December 31, 1998 and changes in its condensed consolidated balance sheet as of December 31, 1998 as a result of the Company's restatement of the purchase price allocation (in thousands):

	For the Three Months Ended December 31, 1998		For the Six Months Ended December 31, 1998	
	As Previously Reported	As Restated	As Previously Reported	As Restated
Cost of revenue: license	$ 490	$ 244	$ 1,402	$ 910
Amortization of acquired intangible assets	-	518	-	1,036
Total operating expenses	17,451	17,969	29,273	30,308
Income (loss) from operations	(277)	(549)	1,529	986
Income (loss) for the period	(103)	(375)	2,235	1,692
Income (loss) per share - basic	(0.01)	(0.02)	0.11	0.08
Income (loss) per share - diluted	(0.01)	(0.02)	0.10	0.08

	December 31, 1998	
	As Previously Reported	As Restated
Other Assets	$6,968	$6,400
Goodwill	-	17,217
Other shareolders equity	(81,649)	(65,000)

Open Text develops, markets, licenses and supports collaborative knowledge management application software for use on intranets, extranets and the Internet that enables users to find electronically stored information, work together in creative and collaborative processes, do group calendaring and scheduling and distribute or make available to users across networks or the Internet the resulting work product and other information. The Company's principal product line, *Livelink*, is a scaleable collaborative network application that integrates several modular engines including, but not limited to, search, collaboration, workflow, group calendaring and scheduling, and document management. The Company's search engine enables users to transparently search vast amounts of data stored in a wide variety of formats and in disparate locations, including World Wide Web sites. The Company's collaboration, workflow and document management engines enable users to establish and manage knowledge and document-oriented collaborative work processes that involve a diversity of workers, computing platforms and data. The Company's group calendaring and scheduling enables users to quickly schedule personal and group meetings, reserve conference rooms and add tasks to other users' lists of things to do. In addition, the Company's products enable organizations to flexibly manage the distribution and availability of information. The Company has focused its efforts on its intranet-related software and services to provide collaborative knowledge management solutions for use on intranets.

The Company has only a limited operating history upon which an evaluation of the Company and its prospects can be based. The Company's prospects must be considered in the light of the risks, expenses and difficulties frequently encountered by companies seeking to introduce new products into new and rapidly evolving markets characterized by intense competition. To address these risks and uncertainties, the Company must, among other things, successfully market its existing products and technologies and complete and introduce products and product enhancements under development in a timely manner, continue to upgrade and commercialize its technologies, compete effectively with a large number of technologically sophisticated and well financed companies, and attract, retain and motivate highly qualified personnel and manage rapid growth. There can be no assurance that the Company will successfully address these challenges. The Company has incurred losses in each of its last five fiscal years and as at December 31, 1998, had an accumulated deficit in other shareholders' equity of

$65 million. The Company attained profitability before one time charges incurred in connection with acquisitions for the last three quarters in fiscal 1998 and the first two quarters of fiscal 1999, however there can be no assurance this can be sustained.

On December 29, 1998, the Company acquired certain of the assets and liabilities of Lava Systems Inc. ("Lava") for approximately $2.3 million, which was paid on closing. In addition, the Company accrued acquisition costs of $4.5 million. The results of operations of Lava are included in the Company's results of operations for the date of acquisition. Lava has been accounted for under the purchase method of accounting and resulted in the allocation of approximately $6.7 million to intangible assets during the quarter ended December 31, 1998. Of this amount, an aggregate of $3.4 million was allocated to acquired in-process research and development and, under US GAAP, was charged immediately to expense.

On June 3, 1998, the Company acquired certain of the assets and liabilities of Information Dimensions for approximately $8.1 million which consists of cash paid on closing of $7.6 million and an accrual of $500,000 for contingent consideration that the Company expects it will be obligated to pay to the vendor one year from the closing date based on the delivery of a special purpose balance sheet of the assets and liabilities assigned as at May 31, 1998. In addition, the Company accrued acquisition costs of $8.2 million. The operations of Information Dimensions have been included in the financial statements from the purchase date.

On December 3, 1997 the Company acquired certain of the assets and liabilities of OnTime for approximately $6.7 million, plus acquisition costs of $1.6 million, in a transaction which has been accounted for under the purchase method. The purchase price was subject to adjustment based on delivery of a special purpose balance sheet of the assets and liabilities assigned as at November 30, 1997. The operations of OnTime have been included in the financial statements from the purchase date. Cash in the amount of $6.2 million was paid at closing. Cash in the amount of $268,000 was paid prior to June 30, 1998 based on the final determination of OnTime's working capital.

The total of the acquisition accruals for Information Dimensions and On Time was $9.8 million. Of that amount, $1.8 million were direct costs of the acquisitions and $8.0 million represented the estimated future costs to exit certain activities. The costs to exit certain activities included costs of relocation, costs to discontinue the development of certain products and involuntary termination costs of certain employees of the Acquired Businesses. At June 30, 1998, the Company's reserve for these future costs was $5.2 million. During the current year, the Company paid $5.2 million in costs to exit certain activities and the costs were charged to the reserve. The Company has now completed all activities with respect to these acquisitions.

In connection with the Company's acquisition of the assets of Lava Systems Inc. on December 29, 1998, the Company accrued $3.8 million for the estimated costs of involuntary terminations and relocation of certain employees. During the quarter ended December 31, 1998, the Company paid $.6 million in costs to exit certain activities and the costs were charged to the reserve.

The Company continues to seek out opportunities to acquire or invest in businesses, products and technologies that expand, compliment or are otherwise related to the Company's current business or products. The Company also considers from time to time opportunities to engage in joint ventures or other business collaborations with third parties to address particular market segments. Such acquisitions, investments, joint ventures or other business initiatives may involve significant commitments of financial and other resources of the Company. There can be no assurance that any such activity will be successful in generating revenue, income or other returns to the Company, or that financial or other resources committed to such activities will not be lost.

The Company's financial statements are prepared in accordance with generally accepted accounting principles in the United States ("US GAAP") and are presented in United States dollars unless otherwise indicated. All references in this report to financial information concerning the Company refer to such information in accordance with US GAAP and all dollar amounts in this report are in United States dollars.

Results of Operations
Quarter Ended December 31, 1998 Compared with Quarter Ended December 31, 1997

Revenues. The Company increased total revenues by 113% from $9.8 million in the quarter ended December 31, 1997 to $20.8 million for the quarter ended December 31, 1998. License revenue increased 90% from $6.8 million in the quarter ended December 31, 1997 to $12.9 million in the quarter ended December 31, 1998.

Service revenue increased 165% from $3.0 million in the quarter ended December 31, 1997 to $7.9 million in the quarter ended December 31, 1998. The increase in revenues is attributable principally to an increase in maintenance revenues. Maintenance revenue accounted for 39% of the service revenues in the quarter ended December 31, 1997 and 61% of the service revenue in the quarter ended December 31, 1998.

No customer accounted for 10% of revenue in the quarter ended December 31, 1998 compared to one customer in the quarter ended December 31, 1997. For the quarter ended December 31, 1998, 59% of revenues were from customers resident in the North America, 40% of revenues were from customers in Europe and 1% of revenues were from customers in Asia and other compared with 81%, 18% and 1% respectively for North America, Europe and Asia and other for the quarter ended December 31, 1997.

Cost of revenues. Cost of license revenues increased from $411,000 in the quarter ended December 31, 1997 to $244,000 in the quarter ended December 31, 1998. As a percent of license revenues, cost of revenues decreased from 6 % in the quarter ended December 31, 1997 to 2% in the quarter ended December 31, 1998. Included in cost of license revenues in the quarter ended December 31, 1998 is the amortization of software capitalized on the purchase of the Acquired Businesses.

Cost of service revenues increased from $1.6 million in the quarter ended December 31, 1997 to $3.2 million in the quarter ended December 31, 1998. As a percent of service revenues, the cost of service revenues decreased from 53% in the quarter ended December 31, 1997 to 40% in the quarter ended December 31, 1998. The decrease in the cost of service as a percent of service revenue was a result of a higher percentage of higher margin maintenance revenue.

Research and development. Research and development costs increased by 58% from $1.8 million in the quarter ending December 31, 1997 to $2.8 million in the quarter ending December 31, 1998. Research and development costs consist primarily of personnel expenses, and the related facilities and equipment. The increase in research and development expenses was principally a result of increased compensation expenses resulting from additional personnel. As a percentage of revenues, research and development cost decreased from 18% in the quarter ended December 31, 1997 to 13% in the quarter ended December 31, 1998.

Sales and marketing. Sales and marketing expense increased 82% from $4.9 million in the quarter ended December 31, 1997 to $8.8 million in the quarter ended December 31, 1998. As a percentage of revenues, sales and marketing expense decreased from 50% in the quarter ending December 31, 1997 to 42% in the quarter ended December 31, 1998. The overall increase in sales and marketing expense was due principally to an increase in the number of sales personnel.

General and administrative. General and administrative expense increased 31% to $1.4 million in the quarter ended December 31, 1998. As a percent of revenues, general and administration expense decreased from 11% in the quarter ended December 31, 1997 to 7% in the quarter ended December 31, 1998.

Depreciation. Depreciation was $584,000 in the quarter ended December 31, 1997 and increased to $1.04 million in the quarter ended December 31, 1998. Depreciation as a percent of total revenue increased from 6% in the quarter ended December 31, 1997 to 5% in the quarter ended December 31, 1998.

Amortization of acquired intangible assets. Amortization of acquired intangible assets was $518,000 in the three months ended December 31, 1998 versus nil in the three months ended December 31, 1997.

Amortization of acquired intangible assets includes the amortization of core technology and goodwill acquired in the acquisition of Information Dimensions.

Acquired in-process research and development. Acquired in-process research and development was nil for the three months ended December 31, 1997 and was $3.4 million for the three months ended December 31, 1998. This was attributable to the one time writedown of in-process research and development as part of the Lava software acquisition (see Overview and Note 4 of Notes to Condensed Consolidated Financial Statements).

Other income. Other income was $375,000 for the quarter ended December 31, 1997 and decreased to $174,000 for the quarter ended December 31, 1998. Other income is comprised mainly of interest earned on the balances of cash and cash equivalents net of interest expense and foreign exchange gains or losses.

Income taxes. The Company continues to have a net deferred tax asset. A significant valuation allowance continues to be recorded against the net deferred tax asset by the Company because of the lack of profitability in the past, the significant risk that taxable income will not be generated in the future and the nontransferable nature of the deferred tax asset in certain situations. The Company recorded a $250,000 income tax recovery in the quarter ended December 31, 1997.

Six Months Ended December 31, 1997 Compared with Six Months Ended December 31 1996

Revenues. The Company increased total revenues by 118% from $17.5 million in the six months ended December 31, 1997 to $38.1 million for the six months ended December 31, 1998. License revenue increased 100% from $11.2 million in the six months ended December 31, 1997 to $22.4 million in the six months ended December 31, 1998.

Service revenue increased 151% from $6.3 million in the six months ended December 31, 1997 to $15.7 million in the six months ended December 31, 1997. The increase in revenues is mainly attributable to an increase in maintenance revenues. Maintenance revenue accounted for 31% of the service revenues in the six months ended December 31, 1997 and 62% of the service revenue in the six months ended December 31, 1998.

No individual customer accounted for 10% of revenue in the six months ended December 31, 1998 or the six months ended December 31, 1997. For the six months ended December 31, 1997, 62% of revenues were from customers resident in North America, 37% of revenues were from customers in Europe and 1% of revenues were from customers in Asia and other compared with 77%, 16% and 7% respectively for North America, Europe and Asia and other for the six months ended December 31, 1997.

Cost of revenues. Cost of license revenues increased from $643,000 in the six months ended December 31, 1997 to $910,000 in the six months ended December 31, 1998. As a percent of license revenues, cost of revenues decreased from 6% in the six months ended December 31, 1997 and to 4% in the six months ended December 31, 1998. Included in cost of license revenues is the amortization of software capitalized on the purchase of Information Dimensions.

Cost of service revenues increased from $3.5 million in the six months ended December 31, 1997 to $5.9 million in the six months ended December 31, 1998. As a percent of service revenues, the cost of service revenues decreased from 56% in the six months ended December 31, 1997 to 38% in the six months ended December 31, 1998. The decrease in the cost of service as a percent of service revenue was a result of a higher percentage of higher margin maintenance revenue.

Research and development. Research and development costs increased by 40% from $3.6 million in the six months ending December 31, 1997 to $5.0 million in the six months ending December 31, 1998. Research and development costs consist primarily of personnel expenses, and the related facilities and equipment. The increase in research and development expenses was caused by increased compensation expenses resulting from additional personnel and the development work continuing on the Company's products. As a percentage of revenues, research

and development cost decreased from 20% in the six months ended December 31, 1997 to 13% in the six months ended December 31, 1998.

Sales and marketing. Sales and marketing expense increased 78% from $9.2 million in the six months ended December 31, 1997 to $16.5 million in the six months ended December 31, 1998. As a percentage of revenues, sales and marketing expense decreased from 53% in the six months ending December 31, 1997 to 43% in the six months ended December 31, 1998. The increase in sales and marketing expense was due principally to an increase in the number of sales personnel.

General and administrative. General and administrative expense increased 10% from $2.2 million in the six months ended December 31, 1997 to $2.4 million in the six months ended December 31, 1998. As a percent of revenues, general and administration expense decreased from 12% in the six months ended December 31, 1997 to 6% in the six months ended December 31, 1998.

Depreciation. Depreciation was $1.1 million in the six months ended December 31, 1997 and increased to $2.0 million in the six months ended December 31, 1998. Depreciation decreased as a percent of total revenue from 6% for the six months ended December 31, 1997 to 5% for the six months ended December 31, 1998.

Amortization of acquired intangible assets. Amortization of acquired intangible assets was $1.0 million in the six months ended December 31, 1998 versus nil in the six months ended December 31, 1997. Amortization of acquired intangible assets includes the amortization of core technology and goodwill acquired in the acquisition of Information Dimensions.

Acquired in-process research and development. Acquired in-process research and development was nil for the six months ended December 31, 1997. Acquired in-process research and development was $3.4 million for the six months ended December 31, 1998 and was attributable to the one time writedown of acquired in-process research and development as part of the Lava software acquisition (see Overview and Note 4 of Notes to Condensed Consolidated Financial Statements).

Other income. Other income was $892,000 for the six months ended December 31, 1997 and decreased to $706,000 for the six months ended December 31, 1998. Other income is comprised mainly of interest earned on the balances of cash and cash equivalents net of interest expense and foreign exchange gains and losses. Interest expense totaled $78,000 in the six months ended December 31, 1997 as compared to $38,000 in the six months ended December 31, 1998 and related primarily to interest on capital equipment leases.

Income taxes. The Company continues to have a net deferred tax asset. A significant valuation allowance continues to be recorded against the net deferred tax asset by the Company because of the lack of profitability in the past, the significant risk that taxable income will not be generated in the future and the nontransferable nature of the deferred tax asset in certain situations. The Company has recorded a $500,000 income tax recovery in the six months ended December 31, 1997.

Liquidity and Capital Resources

To date, license and service revenues have been insufficient to satisfy the Company's cash requirements. The Company has financed its cash needs primarily through sales of securities.

At December 31, 1998, the Company had cash and cash equivalents of $33.1 million, current assets of $65.0 million and current liabilities of $23.9 million. The Company has credit facilities of $6.5 million, under which borrowings were insignificant as at December 31, 1998. At June 30, 1998, the Company had cash and cash equivalents of $40.4 million, current assets of $66.1 million and current liabilities of $27.5 million. The borrowings under the Company's credit facility of $6.5 million were insignificant at June 30, 1998.

Cash used by operations during the six months ended December 31, 1998 was $6.2 million, which includes $5.8 million in costs to exit certain activities of the Acquired Companies and Lava. Acquisitions of furniture and equipment was $1.2 million. The Company anticipates additional capital expenditures for equipment

as the number of employees increase and to meet new technology needs. See “Forward-Looking Statements”. Net cash used for the payment of capital lease obligations was $185,000. The Company had liabilities with respect to capital leases of $159,000 at December 31, 1998. During the six months ended December 31, 1998 the employee stock option plan increased cash flow by $3.9 million.

In connection with the Company’s acquisition of the Acquired Businesses in the year ended June 30, 1998, the Company accrued $7.98 million for the costs to exit certain activities of the Acquired Companies as well as the cost of involuntary termination and relocation of certain employees of both of the Acquired Companies. During the year, the Company paid $5.2 million in costs to exit certain activities and the costs were charged to the reserve. In connection with the Company’s acquisition of Lava in the quarter ended December 31, 1998, the Company accrued $3.8 million for the costs to exit certain activities of Lava as well as the cost of relocation of certain employees. During the quarter, the company paid $.6 million in costs to exit certain activities and the costs were charged to the reserve.

Since June 30, 1995, the Company has completed ten acquisitions, hired additional employees, increased its sales, marketing and promotional activities, increased occupancy costs and otherwise increased the level of its business activity. This has resulted, and will continue to result, in cash requirements that significantly exceed those of previous years. The Company believes that existing cash and revenue from operations, will be sufficient to satisfy the Company’s operational cash requirements until June 30, 1999. See “Forward-Looking Statements”. However, the Company regularly evaluates acquisitions, investments, joint ventures and other business initiatives, and cash expenditures for acquisitions, investments, joint ventures and other business initiatives or unanticipated expenses could create a need for additional financing. In addition, if the Company’s operations do not begin to generate cash sufficient to satisfy its needs, the Company ultimately would require additional financing. There can be no assurance that such financing would be available if required. See “Business — Risk Factors — Liquidity and Capital Resources”.

Year 2000 Compliance

The approach of the year 2000 presents potential issues to all organizations who use computers in the conduct of their business or depend on business partners who use computers. To the extent computer use is date-sensitive, hardware or software that recognizes the year by the last two digits may erroneously recognize "00" as 1900 rather than 2000, which could result in errors or system failures.

The Company initiated its year 2000 compliance efforts in 1998. The Company has retained outside consultants to assist it in its compliance review. The focus of the Company’s compliance efforts includes all of the Company’s present products, systems and equipment. The Company is not testing any past products. The review of present products is now largely complete. Testing has commenced and it is anticipated that it will be complete by the end of March 1999. The Company is also reviewing its internal systems and equipment. While the Company has not identified any critical issues to date with respect to its internal systems and equipment, the Company has not yet completed its review or testing and expects to do so by the end of March 1999. Any remediation necessary is expected to be completed by the end of June 1999. It is estimated that the compliance costs will not exceed $500,000. See “Forward-Looking Statements”.

Livelink obtains date information, such as creation dates and modification dates, directly from the computer’s operating system. Thus, it is the Company’s belief that the current version of *Livelink* is year 2000 compliant provided that third party software is not embedded therein and that the underlying operating systems are fully compliant. However, the Company has not completely finished the necessary testing in order to verify this compliance. Therefore, the primary risk for the Company’s customer lies with their own computer operating systems. While operating systems companies have stated that their products will continue to operate properly into the twenty-first century, the Company has not conducted any tests with the operating systems’ companies to verify this.

There is also the possibility that in the coming year corporations in dealing with their own Year 2000 issues will defer some software purchases except for the most urgent and those relevant to solving their own Year

2000 concerns. To the extent that this occurs, it could materially adversely affect the Company's results of operations.

In addition to any Year 2000 issues identified within the Company, it is not presently clear that all parts of the country's infrastructure, including such things as the national banking systems, electrical power, communications, and governmental activities, will be fully functioning as the Year 2000 approaches. To the extent failure occurs in such activities, which are outside the Company's control, it could affect the Company's ability to service its customers with the same degree of effectiveness with which they are served presently. The Company is identifying elements of the infrastructure that are of greater significance to its operations, obtaining information on an ongoing basis as to their expected Year 2000 readiness, and determining alternative solutions if required. See "Forward-Looking Statements".

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company does not have material interests in derivative securities or other financial instruments.

PART II Other Information

Item 1. Legal Proceedings - None

Item 2. Changes in Securities - None

Item 3. Defaults Upon Senior Securities - None

Item 4. Submission of Matters to a Vote of Security Holders

1. The following individuals were elected to the Company's Board of Directors, to hold office until the next Annual Meeting of Shareholders. The number of votes cast for each individual and the number of votes withheld are listed below.

Name	For	Withheld
P Thomas Jenkins	8,950,592	400
Richard C Black	8,950,592	400
Daniel Cheifetz	8,950,592	400
Warren L Culpepper	8,950,592	400
Randy Fowlie	8,950,592	400
Ken Olisa	8,950,592	400
Stephen J Sadler	8,950,592	400
Michael Slaunwhite	8,950,592	400
Paul Stoyan	8,950,592	400

2. The shareholders approved the appointment of PricewaterhouseCoopers as the Company's independent auditors. There were 8,950,592 Common Shares voted in favour of the motion and there were 200 votes withheld. The shareholders authorized the Board of Directors to fix the auditor's remuneration. There were 8,950,592 Common Shares voted in favour of the motion and there were 400 votes withheld.

3. The shareholders approved the adoption of the 1998 Stock Option Plan making available for issuance pursuant thereto 1,800,000 Common Shares. There were 4,870,495 Common Shares voted in favour of the motion and there were 889,145 Common Shares voted against the motion.

Item 5. Other Information - None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The following exhibit is filed herewith:

Exhibit Number	Exhibit Title
11.01	Statement regarding computation of per share earnings.

(b) Reports on Form 8-K - None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned there unto duly authorized.

OPEN TEXT CORPORATION
(registrant)

Date: August 19, 1999

/s/P Thomas Jenkins _____
P Thomas Jenkins
Chief Executive Officer

__/s/Thomas J Hearne_____
Thomas J Hearne
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 11.01

OPEN TEXT CORPORATION

COMPUTATION OF BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

(In thousands, except per share data)

	Three months ended December 31,		Six months ended December 31,	
	1998	**1997**	**1998**	**1997**
Basic earnings (loss) per share	(restated)		(restated)	
Net Income (loss)	$ (375)	$ 131	$ 1,692	$ (1,336)
Weighted average number of common shares outstanding	20,185	17,599	19,921	17,533
Basic earnings (loss) per common share	$ (0.02)	$ 0.01	$ 0.08	$ (0.08)
Diluted earnings (loss) per share				
Net Income (loss)	$ (375)	$ 131	$ 1,692	$ (1,336)
Weighted average number of common shares outstanding	20,185	17,599	19,921	17,533
Number of common share equivalents as a result of stock options outstanding	-	-	2,376	-
Weighted average number of common shares and common share equivelants outstanding	20,185	17,599	22,297	17,533
Diluted earnings (loss) per common share and common share equivalents	$ (0.02)	$ 0.01	$ 0.08	$ (0.08)