



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This MD&A contains forward-looking statements with respect to Mitec and the operations of each business segment based on assumptions, which Mitec considered reasonable at the time they were prepared. As described in the Risk and Uncertainties section included in Mitec's annual report for the year ended April 30, 2003, numerous factors could cause the actual results to differ materially from those in the forward-looking statements, including changes in the customers' business strategy and general, political, economical and financial conditions in the markets in which the Company operates. Mitec cautions the reader that the assumptions regarding future events, many of which are beyond the control of Mitec, may ultimately prove to be incorrect.

Management's Discussion and Analysis (MD&A) of the third quarter of fiscal 2004 financial results focuses on the core businesses of Mitec: Telecom and Satcom. The Microwave business segment has been treated as a discontinued operation as a result of the Board's decision on May 8, 2003 to sell the Swedish business. The operating assets of the Swedish subsidiary were sold on August 29, 2003.

The MD&A, which includes a review of the operations of each business segment and the financial condition of Mitec, is intended to assist the reader in the understanding and making an assessment of significant trends, risks and uncertainties related to the results of operations for each business segment and should be read in conjunction with the unaudited consolidated financial statements for the period ending January 31, 2004 and the audited consolidated financial statements and notes included in Mitec's annual report for the year ended April 30, 2003. These are available at www.mitectelecom.com or from Mitec directly. All dollar amounts referred to herein are in thousands of Canadian dollars, unless otherwise specified.

REVIEW OF OPERATIONS

ALL SEGMENTS

(Amount is thousands, except gross margin)		Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003
Sales	\$	21,246	20,377	18,781	19,518	13,368
Gross profit	\$	4,061	4,182	4,524	7,877	2,016
Gross margin	%	19.1	20.5	24.1	40.4	15.1

Total sales for the three-month period ended January 31, 2004 increased by 59% to \$21.2 million as compared to the \$13.4 million a year earlier. It is important to note that the third quarter sales for Fiscal 2004 were affected negatively by the weakness in the U.S. dollar as compared with the same quarter last year. There was substantially higher sales growth in the Telecom segment as compared with the Satcom segment.

Year-to date revenues were \$60.4 million, which is \$11.7 million or 24% higher than last year, mainly due to significant contract wins in the Telecom segment.

Gross profit for the quarter more than doubled from \$2.0 million last year to \$4.1 million this year. This increase can be attributed to the higher sales volume, the continuous profitability of the Chinese operation and a different product mix in the Satcom segment. However, this was partially offset by the strength of the Canadian dollar versus its US counterpart, which had a measurable impact; and start-up costs incurred in the quarter relating to the ramp up of our

3G product line. Finally, in the third quarter there was an impact in sales from plant closures relating to the Chinese New Year and the Christmas Holiday. This seasonality factor accounted for approximately 1 cent per share on the bottom line.

Gross profit as a percentage of sales on a year-to-date basis increased by approximately 50% from 15% last year to 21.1% this year. This is as a result of the increase in sales volume and the different product and customer mix. On a year-to-date basis, gross margins were \$12.8 million as compared to \$7.3 million last year.

TELECOM

(Amount is thousands, except gross margin)		Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003
Sales	\$	17,580	17,256	16,313	15,283	10,072
Gross profit	\$	3,062	2,601	3,561	6,267	642
Gross margin	%	17.4	15.1	21.8	41.0	6.4

Please note that the name of this business segment has been changed to Telecom from Wireless to reflect the broader base of Mitec's products. Sales in this segment are generated from the state-of-the-art RF conditioning and amplifier subsystems to network equipment provider's, such as Ericsson, Nortel, ZTE, ADC, Huawei, Siemens and service providers, that support today's mobile communications infrastructure.

The wireless industry continues to show signs of improvement. Capital expenditure spending from the operators is on the rise as seen from the recent Mitec contract wins. As a result of the increase in demand for products primarily in emerging economies, most notably China, the Telecom sector had a 75% growth, from \$10.1 million in the third quarter of 2003 to \$17.6 million in the third quarter of the current year.

On a year-to-date basis, sales increased by 27% from \$40.3 million to \$51.2 million mainly due to the increased demand in the Asian market.

Mitec received a multiple-year extension to a major supply agreement with one of the key network equipment providers. The agreement replaces and extends a previous supply agreement signed in mid-2003 and calls for the supply of both third-generation and re-engineered second-generation products.

On February 16, the Corporation signed a Letter of Intent to supply fourth-generation subsystems over multiple years with one of North America's key next generation wireless solution providers. The LOI calls for Mitec to supply a range of RF products and subsystems for 4G broadband data networks.

CEOs of carriers from around the world unanimously believe that the wireless industry is the place to be for the next five years. The optimism is due to renewed interest in 3G systems, the emergence of more richly featured and better priced handsets and the ever-growing number of wireless users. Mitec's introduction of no less than seven new products covering a broad technology spectrum will help to sustain the revenue growth in the following quarters.

The gross profit increased 375% from \$0.6 million to \$3.1 million because of the increased sales volume. However, since most sales are in U.S. dollars, the increase in sales volume was offset by the weakness of the U.S. dollar and even further offset by the high costs of introducing new products. Moreover, the market is still very price competitive however the Corporation expects that the pricing pressure will ease because of requests for new products with different architectures.

SATCOM

(Amount is thousands, except gross margin)		Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003
Sales	\$	3,666	3,121	2,468	4,235	3,296
Gross profit	\$	999	1,581	963	1,610	1,374
Gross margin	%	27.3	50.6	39.0	38.0	41.7

Sales in this segment are derived from sales of RF components and subsystems sold to satellite Earth station service providers.

Sales increased by 11% from \$3.3 million in the third quarter of fiscal 2003 to \$3.7 million in the second quarter of the current fiscal year primarily as a result of purchasing the Satcom and PCS assets from Wavesat, which has yielded better-than-expected results as exemplified by the inroads we have made into the VSAT market.

During the quarter, the Corporation signed a \$5 million multi-year supply agreement with an Australasian customer for the supply of high power booster amplifiers to be deployed in satellite earth stations.

On a year-to-date basis, sales reached \$9.3 million a \$0.8 million increase compared to \$8.4 million last year. During the quarter, the Corporation introduced a next-generation flexible waveguide product, which is inherently easier to customize and is being manufactured using an environmentally friendly processes. To the best of our knowledge, Mitec is the only manufacturer to have mastered this process. Also, the Corporation has begun to ship a KA band 4 Ghz bandwidth combiner and switching unit, again the only one of its kind in the industry. The development of such products driven by customer demand constitutes the basis for the Corporation's growth.

Gross profit decreased from 41.7% last year to 27.3% or \$0.4 million from \$1.4 million to 1.0\$ million in the current quarter, this is mainly due to the different product mix and integration costs relating to the Wavesat acquisition. On a year-to-date basis gross profit increased by 57% from \$2.3 million last year to \$3.5 million this year.

(Amounts in thousands, except percentage of sales)	Q3 2004		Q3 2003		9 months F2004		9 months F2003	
	\$	%	\$	%	\$	%	\$	%
Research and development expenses	2,082	10	1,857	14	4,833	8	7,738	16
Selling and administrative expenses	2,917	14	2,806	21	8,361	14	8,947	18
Operating expenses	4,999	24	4,663	35	13,194	22	16,685	34
Interest expense	251	1	313	2	1,186	2	800	2
Financial expenses	55	-	381	3	306	1	591	1
Foreign exchange loss (gain)	(113)	(1)	42	-	351	1	(200)	-
Amortization of intangible assets	654	3	563	4	1,724	3	1,633	3
Loss on sale of building	-	-	-	-	312	1	-	-
Restructuring expenses	-	-	-	-	-	-	1,712	4
Discontinued activities	(191)	(1)	989	7	974	2	2,789	6
Net loss	(1,581)	(7)	(4,891)	(37)	(5,308)	(9)	(16,439)	(34)

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expense (R&D) net of investment tax credits for the quarter increased 12% from \$1.9 million to \$2.1 million. This is primarily as a result of the additional R&D employees hired as a result of the acquisition of the PCS and Satcom assets of Wavesat. No costs were capitalized during the quarter and the Corporation does not expect any capitalization in the next quarter. On a year-to-date basis the expenses decreased by 38% from \$7.7 million last year to \$4.8 million mainly because of the restructuring undertaken in Fiscal 2003 and the capitalization in the second quarter of the R&D costs relating to the Flarion project.

SELLING AND ADMINISTRATIVE EXPENSES

The Corporation's selling and administrative expenses for the quarter increased slightly from \$2.8 million in fiscal 2003 to \$2.9 million this year.

On a year-to-date basis, the selling and administrative costs declined from \$8.9 million last year to \$8.4 million this year. The reduction is attributable to the restructuring efforts started in late fiscal 2003.

INTEREST EXPENSE

Interest expense was \$0.3 million this quarter as compared to \$0.3 million last year. On a year-to-date basis, interest expense increased to \$1.2 million from \$0.8 million due to the increased indebtedness and significantly higher interest rates. The Corporation expects a significant reduction in interest expense as a result of the \$32 million raised in the recent public offering.

FINANCIAL EXPENSES

Financial expenses were \$0.1 million during the quarter as compared to \$0.3 million last year, this decrease is due to banking fees charged to the Corporation last year during the renegotiation of the credit facilities. On a year-to-date basis, the expenses decreased from \$0.6 million to \$0.3 million for the same reasons mentioned above.

AMORTIZATION OF INTANGIBLE ASSETS

The amortization of intangible assets increased slightly from \$0.6 million last year to \$0.7 million this year as a result of the September 2003 acquisition of the Wavesat Satcom and PCS assets.

LOSS ON SALE OF BUILDING

The loss on sale of building was \$0.3 million year-to-date. This was attributed to Mitec's sale and leaseback of the headquarters in Montreal during the second quarter. Please refer to the capital and liquidity section for more information.

RESTRUCTURING EXPENSES

No restructuring expenses were incurred in the quarter as well as in the year-to-date results, as compared to last year's expenses of \$1.7 million. Restructuring efforts in 2003 related to workforce reductions, and the related costs of severance and benefits, which were not incurred in fiscal 2004.

DISCONTINUED ACTIVITIES

On August 29, Mitec concluded the sale of Beve Electronics to Note AB, a Swedish company. The sale included, inventory and equipment. The proceeds from this sale directly reduced both, Mitec's bank indebtedness and accounts payable. The sale did not include the real estate assets, but Mitec did sign long-term leases with Note AB, securing some of the property's market value. Subsequent to the end of the quarter, one of the four real estate assets in Sweden was disposed of. Beve Electronics constituted most of the microwave segment. This segment has been treated as a discontinued operation. Fiscal 2003 results have been restated to reflect this transaction.

NET LOSS

Net loss for the quarter was \$1.6 million or \$0.03 per share as compared to \$4.9 million or \$0.20 per share last year. This is a significant improvement from last year as we start to move from the restructuring phase to the growth phase. The improvement achieved is a direct result from increased sales and a decrease in the loss from discontinued operations. On a year-to-date basis, the net loss was \$5.3 million or \$0.11 per share compared to \$16.4 million or \$0.69 per share last year, an improvement of over \$11.1 million as compared to last year.

QUARTERLY INFORMATION

(Amount in thousands)	Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003
Consolidated					
Net loss	(1,581)	(2,799)	(928)	(3,778)	(4,891)
Income taxes	(13)	(5)	46	521	(53)
Amortization	1,546	1,381	1,225	1,797	1,818
Interest	597	591	663	663	566
EBITDA	549	(832)	1006	(797)	(2,560)
Continuing					
Loss	(1,772)	(1,809)	(753)	(2,267)	(3,902)
Income Taxes	(13)	(5)	46	371	(44)
Amortization	1,546	1,381	1,225	1,503	1,490
Interest	251	451	484	249	313
EBITDA	12	18	1002	(144)	(2,143)

EBITDA is a non GAAP measure and is determined as per the table above. EBITDA for the quarter was positive \$0.5 million for the third quarter of fiscal 2004 as compared to negative \$2.6 million during the third quarter of fiscal 2003. The improvement is directly attributable to the reduction of the net loss.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Corporation has entered into several significant transactions during Fiscal 2003, which have realigned the Corporation's assets, impacted the comparability of its financial statements and changed its financial position as well as the outlook for its future performance:

Divestiture of the Beve Group (Beve): On May 8, 2003, the Board of Directors approved a plan to divest its Swedish subsidiary, Beve, which consisted of most of its Microwave sector. On August 29, 2003, the Corporation closed the sale of the business of Beve Electronics to Note AB, a Swedish Company. The sale included inventory and equipment with a book value of approximately \$7.7 million and \$0.6 million respectively for estimated proceeds of \$6.4 million (37 million SEK). The proceeds from this sale directly reduced the Corporation's bank indebtedness and were also used to pay trade creditors. The sale did not include the Real Estate assets, but the Corporation did sign long-term leases with Note AB. As a result of this decision, the revenues and the results of Beve have been reported as discontinued activities in the consolidated statements of operations and previously reported financial statements have been reclassified. The expected sale of the remaining real estate \$6.0 million (37.3 million SEK) located in Sweden will be used to repay the long-term debt \$4.9 million (27.3 million SEK).

Sale and leaseback transaction: On October 14, 2003, the Corporation entered into a sale-leaseback transaction for the corporate headquarter. Proceeds, estimated at \$5.9 million were comprised of \$3.3 million less disposition costs of \$0.2 million and five years of free rent with an estimated value of \$2.8 million. The proceeds were \$1.3 million less than the building carrying value. An impairment charge of \$0.3 million was recorded in the second quarter to reflect the excess of the carrying value over the fair value of the building. The remaining loss will be amortized over the term of the lease. The long-term portion of the deferred loss and the present value of the free rent period have been recorded as deferred charges. The proceed was used to repay the relating mortgage and reduce the term loan with the Canadian bank.

Acquisition of the PCS and Satcom assets of Wavesat Wireless Inc.: On September 29, 2003, the Corporation finalized the purchase the PCS and Satcom assets of Wavesat Wireless Inc. This transaction comprised of inventory, customer purchase orders, client lists, customer relationships, intellectual property and fixed assets. The Corporation paid \$0.75 million cash, \$0.2 million in shares (188 679 shares) and the balance with a non-interest bearing note of \$2.6 million payable in quarterly instalments maturing in June 2005. The collateral provided on this transaction was a first rank on the fixed assets acquired and a third rank on other assets. The note contains certain accelerating payment clauses if certain events occur.

Share and warrants issued: On October 9, 2003, the Corporation issued 7,972,411 units under a private placement. Each unit consists of one common share on one-half share purchase warrant. Each full share purchase warrant entitles the holder to acquire one additional common share of the Corporation at a price of \$1.65 on or prior to October 9, 2005. The aggregate gross proceeds from the offering were \$8,769,652 and were reduced by the issue costs of \$644,000. The proceeds were used to repay the Canadian bank term loan, accelerate one payment to Wavesat, with the balance being applied against the bank indebtedness.

Renegotiation of the banking agreement: During the quarter, Mitec renegotiated its banking agreement with its Canadian bankers. The Canadian banking agreement was renegotiated during the quarter and it allowed the Corporation to meet the bank covenants. In addition, the interest rate on the credit facilities was reduced from prime + 6% to prime + 3.75% for the operating line and prime + 2.75% for the special loan guaranteed by La Financière.

On February 10, 2004 the Corporation issued 11,655,355 shares from gross proceeds of \$30 million and on March 8, 2004 746,264 shares for gross proceeds of \$2.0 million. The total issue costs are estimated at \$2.1 million.

With the improvements in the operating results over the past year and the recently completed share issuances, Mitec believes that it has sufficient financial resources to carry out its business plan and will not have to raise additional capital to support operations for the foreseeable future.

(Amount in thousands)	Q3 2004	Q3 2003	9 months F2004	9 months F2003
Cash flow from operating activities before changes in working capital	(147)	(2,423)	97	(8,887)
Cash flow from operating activities after changes in working capital	(3,737)	(82)	(4,118)	2,289
Increase in long-term debt	-	-	2083	1,400
Repayment of long-term debt	(2,751)	(311)	(7,007)	(741)
Capital expenditure	(239)	(373)	(886)	(592)

Bank indebtedness increased by \$7.4 million from \$2.1 million in the previous quarter to \$9.5 million this quarter. This increase is as a result of the repayment of the long-term debt and the investment in working capital.

The cash flow from operating activities before working capital was negative \$0.1 million for the quarter and positive \$0.1 million for year-to-date. This is a significant turn-around from the results recorded during the corresponding quarter last year, negative \$2,423 and negative \$8,887 for the year-to-date.

The decrease in cash flow from operating activities was \$3.7 million as compared to \$0.1 million last year. This is attributable to the investment in working capital as a result from the higher activity in the Telecom segment.

Capital expenditures decreased by \$0.2 million to \$0.2 million for the quarter as we have been able to move equipment between facilities rather than purchase new equipment. On a year-to-date basis, capital expenditures were \$0.9 million compared to \$0.6 million for the same period last year.

AVAILABILITY OF CAPITAL RESOURCES

The Corporation has unused bank indebtedness with its Canadian lenders for approximately \$1.0 million. In addition, the third tranche from La Financière (\$1.25 million) and the special guaranteed loan (\$0.4 million) have been cancelled.

The Corporation also has been able to re-instate its foreign exchange facility with our Canadian bank. This will enable the Corporation to help mitigate any foreign exchange risk in future quarters.

RISK AND UNCERTAINTIES

Mitec considers that the risk and uncertainties relating to its customers and technology has not changed since the publication of the annual report and refers the reader to it.

For the year-to-date January 31, 2004, approximately 74% of Mitec's sales were made to two customers. Mitec has signed a multi-year letter of intent with one of them. Sales to these customers are dependent upon Mitec's continuing ability to deliver competitive prices, combined with a high level of responsiveness to meet their needs. Although Mitec invests a great effort into the continuity of the relationship with the customers, there can be no assurance that Mitec will be able to sell to such customer on an advantageous basis in the future, or that such customers will continue to buy from Mitec.

The Corporation sells products to customers primarily in Canada, the United States, Europe and Asia. The Corporation performs ongoing credit evaluations of its customers and generally does not require collateral. Allowances are maintained for potential credit losses. It is reasonably possible that the actual amount of loss, if any, incurred on trade receivables will differ from management's estimate. The foreign trade receivables of the Canadian operations, except for several major customers where management has assessed the credit risk as minimal, are guaranteed by the Export Development Corporation ["EDC"] and the remainder of the Corporation's customer base comprises many geographically dispersed customers.

The Corporation is subject to foreign currency fluctuation due to an important portion of its sales dominated in US dollar and Chinese renminbis. The Corporation mitigates the risks by trying to match the currency of the sale with the currency of the purchases. As well, the Corporation was able to re-instate the foreign exchange facility and is presently reviewing its foreign exchange strategy.

The Corporation is also exposed to interest rate variation because most its long-term debt bears a floating interest rate.

COMPARATIVE FIGURES

Certain comparative figures for Fiscal 2003 have been reclassified to conform to the financial statement presentation adopted in Fiscal 2004.

OUTLOOK

As we see a continuing improvement in the Telecom Infrastructure market, we are encouraged that Mitec will have continued growth into the second half.

The recent \$32 million share offering gives Mitec the balance sheet to expand the business through organic and acquired growth strategies.

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEETS

(In thousands of Canadian dollars)

	As at January 31, 2004 \$	Restated As at April 30, 2003 \$
ASSETS		
Current (note 7 and 8)		
Cash and cash equivalents	1,699	1,696
Trade receivables (note 5)	19,042	13,070
Other receivables	2,091	2,889
Income taxes recoverable	932	295
Inventories	13,675	11,029
Prepaid expenses	1,549	743
Future tax assets	159	159
Current assets related to discontinued operations (note 3)	746	11,848
Total current assets	39,893	41,729
Property Plant and Equipment	14,021	22,409
Future tax assets	521	521
Intangible assets	9,628	8,981
Deferred charges (note 6)	3,964	385
Goodwill	44	44
Long term assets related to discontinued activities (note 3)	5,610	8,597
	73,681	82,666
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness (note 7)	9,535	10,037
Accounts payable and accrued liabilities	18,993	16,334
Current portion of long-term debt (note 8)	1,409	6,023
Current portion of obligations under capital lease	754	1,181
Current liabilities related to discontinued activities (note 3)	575	19,617
Total current liabilities	31,266	53,192
Long-term debt (note 8)	3,348	1,228
Obligations under capital lease	64	525
Long term liabilities related to discontinued activities (note 3)	4,433	27
	39,111	54,972
Shareholders' equity		
Common shares (note 9)	80,560	70,679
Warrants (note 9)	4,976	5,223
Contributed surplus (note 9)	1,531	-
Deficit	(51,482)	(46,174)
Cumulative translation adjustment	(1,015)	(2,034)
Total shareholders' equity	34,570	27,694
	73,681	82,666

(See accompanying notes)

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

Periods ended January 31

(In thousands of Canadian dollars)

	Restated		Restated	
	For the three months ended		For the nine months ended	
	2004	2003	2004	2003
	\$	\$	\$	\$
Sales	21,246	13,368	60,404	48,698
Cost of sales	17,185	11,352	47,637	41,389
Gross profit	4,061	2,016	12,767	7,309
	19.1%	15.1%	21.1%	15.0%
Expenses				
Selling and administrative	2,917	2,806	8,361	8,947
Research and development	2,082	1,857	4,833	7,738
Interest expense (note 12)	251	313	1,186	800
Financial expenses	55	381	306	591
Foreign exchange loss (gain)	(113)	42	351	(200)
Amortization of intangibles and deferred charges	654	563	1,724	1,633
Loss on sale of building	-	-	312	-
Restructuring expenses	-	-	-	1,712
	5,846	5,962	17,073	21,221
Loss before income taxes	(1,785)	(3,946)	(4,306)	(13,912)
Income tax expense (recovery)	(13)	(44)	28	(262)
Loss from continuing activities	(1,772)	(3,902)	(4,334)	(13,650)
Loss from discontinued activities	(191)	989	974	2,789
Net loss for the period	(1,581)	(4,891)	(5,308)	(16,439)
Basic loss per common share				
Loss from continuing activities	(0.03)	(0.16)	(0.09)	(0.57)
Loss from discontinued activities	-	(0.04)	(0.02)	(0.12)
Net loss	(0.03)	(0.20)	(0.11)	(0.69)
Weighted average number of outstanding common shares – basic	55,367,959	24,002,882	48,189,403	23,983,810

(See accompanying notes)

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF DEFICIT

Periods ended January 31

(In thousands of Canadian dollars)

	Restated		Restated	
	For the three months ended		For the nine months ended	
	2004	2003	2004	2003
	\$	\$	\$	\$
Deficit beginning of the period	(49,901)	(32,344)	(46,174)	(19,934)
Net loss for the period	(1,581)	(4,891)	(5,308)	(16,439)
Re-pricing of warrants	-	-	-	(862)
Deficit at the end of the period	(51,482)	(37,235)	(51,482)	(37,235)

(See accompanying notes)

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Periods ended January 31 (In thousands of Canadian dollars)	Restated		Restated	
	For the three months ended 2004 \$	2003 \$	For the nine months ended 2004 \$	2003 \$
OPERATING ACTIVITIES				
Loss from continuing activities	(1,772)	(3,902)	(4,334)	(13,650)
Add items not affecting cash:				
Amortization of property, plant and equipment, intangible assets and deferred charges	1,546	1,490	4,152	4,303
Loss gain on disposal of property, plant and equipment	(7)	(1)	305	7
Future income taxes	-	(10)	-	453
Other	86	-	(26)	-
	(147)	(2,423)	97	(8,887)
Changes in non-cash working capital balances related to operations	(3,590)	2,341	(4,216)	11,176
Cash flows relating to operating activities	(3,737)	(82)	(4,119)	2,289
INVESTING ACTIVITIES				
Additions to property, plant and equipments and intangible assets	(239)	(373)	(886)	(592)
Proceeds on disposal of property, plant and equipment	7	72	3,493	95
Proceeds from sale of a division (net of cash disposed)	-	-	132	-
Business acquisition – Wavesat, Satcom and PCS assets	-	-	(750)	-
CTA released on sale of subsidiary	-	-	(915)	-
Increase in deferred charges	(3)	-	(647)	-
Cash flows relating to investing activities	(235)	(301)	427	(497)
FINANCING ACTIVITIES				
Increase in bank indebtedness	7,593	-	13,016	19
Repayment of bank indebtedness	-	(1,283)	(13,151)	(1,096)
Increase in long-term debt	-	-	2,083	1,400
Repayment of long-term debt	(2,751)	(311)	(7,007)	(741)
Repayment of obligations under capital lease	(284)	(312)	(917)	(812)
Issuance of common shares	1,202	21	10,732	68
Cash flows relating to financing activities	5,760	(1,885)	4,756	(1,162)
Cash flows relating to discontinued activities	(940)	2,344	(1,177)	(1,484)
Effect of exchange rate fluctuations changes on cash	(148)	175	116	165
Net increase (decrease) in cash and cash equivalents	700	251	3	(689)
Cash and cash equivalents, beginning of the period	999	1,349	1,696	2,289
Cash and cash equivalents, end of the period	1,699	1,600	1,699	1,600
Cash and cash equivalent consists of:				
Cash and cash equivalents	1,699	1,600	1,699	1,600
	1,699	1,600	1,699	1,600

(See accompanying notes)

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2004

(All tabular amounts are in thousands of Canadian dollars, except for share figures, unless otherwise stated)

1. BASIS OF FINANCIAL STATEMENT PRESENTATION

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a consistent basis with the Company's annual consolidated financial statements for the year ended April 30, 2003, except as noted below. For a full description of accounting policies, refer to the Mitec Annual report for the year ended April 30, 2003. Certain comparative figures have been reclassified to conform the current presentation. These financial statements do not include all of the disclosure required by generally accepted accounting principles applicable to annual financial statements.

The Corporation has a history of losses over the past three years and has financed its operating and capital requirements mainly through issuances of debt and equity. The ability to generate sufficient funds for future operations and growth is dependent upon many factors, including financial market conditions, the continued viability of the Corporation's significant customers and a return to profitable operations.

DISPOSAL OF LONG-LIVED ASSETS AND DISCONTINUED OPERATIONS

Effective May 1, 2003, the Company prospectively adopted the CICA section 3475 Disposal of Long-lived Assets and Discontinued Operations which requires that assets classified as held for sale be measured at the lower of carrying value and fair value less disposal costs. Assets classified as held for sale are not to be amortized while classified as such. It also requires that the results of operations of a component of an enterprise that has been disposed of by either sale or abandonment be reported as discontinued operations. A component of an enterprise comprises operations and cash flows that can be clearly distinguish, operationally and for financial reporting purposes, from the rest of the enterprise.

2. BUSINESS ACQUISITION

On September 30, 2003, the Company completed the purchase of the Satcom and PCS assets of Wavesat Wireless Inc for \$3,378,362. The agreement also includes a purchase price adjustment based on the value of the inventory. The assets are comprised of inventory, orders, client list, customer relationship, intellectual property and fixed assets. In addition, Mitec assumed capital leases relating to the fixed assets acquired and personal costs relating to the employees transferred and acquisition costs. The acquisition was accounted for under the purchase method and its operating results have been included since the date of acquisition.

The allocation of the purchase price is based on management's estimate of the fair value of assets acquired and liabilities assumed. Allocation of the purchase price involves a number of estimates as well as gathering of information over a number of months. This estimation process will be completed over the following year and, accordingly, there may be changes to the intangible asset value presented below for this acquisition.

Inventory	742
Fixed assets	802
Intangibles	1,978
	<hr/> 3,522
Accrued personnel costs and acquisition costs	(98)
Obligations under capital leases	(46)
	<hr/> 3,378
Net assets acquired	
Consideration represented by:	
Cash	750
Common shares issued	200
Note payable	2,428
	<hr/> 3,378

The number of common shares to be issued was based on a \$200,000 value per the agreement divided by 20 days weighted average share price for the 20 trading days immediately prior to the closing and represents 188,679 shares.

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The note will be paid in the following manner: \$700,000 on December 31, 2003 followed by five quarterly instalments of \$350,000 and a final payment of \$150,000 on June 30, 2005. The note does not bear any interest and has been discounted to reflect this fact. However, if Mitec completes an equity issue, which raises no less than \$2,000,000, the fourth instalment payment of \$350,000 will become due. Furthermore, if Mitec receives gross proceed from the sales of its Swedish operations (including real estate) in excess of \$1,000,000, then the fifth will become due. The note was paid in full on March 2, 2004 (note 15).

3. ASSETS HELD FOR SALE AND DISCONTINUED ACTIVITIES

On May 8, 2003, the Board of Directors approved a plan to divest its Swedish subsidiary, Beve, which consisted of most of its Microwave sector. On August 29, 2003, the Corporation closed the sale of the business of Beve Electronics, which constituted most of the Corporation's microwave segment, to Note AB, a Swedish Company. The sale included inventory and equipment with a book value of approximately \$7.7 million and \$0.6 million respectively for estimated proceeds of \$6.4 million. The proceeds from this sale directly reduced the Corporation's bank indebtedness and were also used to pay trade creditors. The sale did not include the Real Estate assets, but the Corporation did sign long-term leases with Note AB. As a result of the decision, the revenues and the results of Beve have been reported as discontinued activities in the consolidated statements of operations and previously reported financial statements have been reclassified.

	For the three months ended January 31		For the nine months ended January 31	
	2004	2003	2004	2003
			\$	\$
Sales	96	10,341	9,054	26,969
Results of discontinued operations	(191)	989	974	2,789

The assets and liabilities of the discontinued operations are as follows:

	January 31 2004	April 30 2003
	\$	\$
Current assets	296	11,909
Land and building, net	6,042	6,478
Equipment, net	6	2,106
Future income taxes	12	12
	6,356	20,505
Bank indebtedness	-	5,877
Current liabilities	125	7,456
Short term debt relating to the building	450	-
Long-term debt relating to the building	4,433	5,240
Other long-term debt	-	1,044
Obligations under capital lease	-	27
	5,008	19,644

4. SALE AND LEASEBACK OF CORPORATE HEADQUARTERS

On October 14, 2003, the Corporation entered into a sale-leaseback transaction with a pension fund. Proceeds, estimated at \$5.9 million were comprised of \$3.3 million less disposition costs of \$0.2 million and five years of free rent with an estimated value of \$2.8 million. The proceeds were \$1.3 million less than the building carrying value. An impairment charge of \$0.3 million was recorded in the current period to reflect the excess of the carrying value over the fair value of the building. The remaining loss will be amortized over the term of the lease. The long-term portion of the deferred loss and the present value of the free rent period have been recorded as deferred charges.

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5. ECONOMIC DEPENDENCE AND CONCENTRATION OF CREDIT RISK

The Corporation sells products to customers primarily in Canada, the United States, Europe and Asia. The Corporation performs ongoing credit evaluations of customers and generally does not require collateral. Allowances are maintained for potential credit losses. It is reasonably possible that the actual amount of loss, if any, incurred on trade receivables will differ from management's estimate.

The foreign trade receivables of the Canadian operation, except for several major customers where management has assessed the credit risk as minimal, are guaranteed by the Export Development Corporation ["EDC"] and the remainder of the Corporation's customer base comprises many geographically dispersed customers.

Customer	Business Segment	Sales		Trade Receivable	
		2004	2003	2004	2003
		%	%	%	%
1	Wireless	46%	43%	27%	32%
2	Wireless	28%	35%	38%	27%

6. DEFERRED CHARGES

Deferred charges include the following:

	January 31, 2004	April 30, 2003
	\$	\$
Deferred financing fees	552	385
Deferred development costs	600	-
Deferred loss on sale of building	729	-
Deferred rent	2,083	-
	3,964	385

During the quarter ending January 31, 2004, the Corporation amortized \$250 (2003 - \$11) and for the three quarters ending January 31, 2004 the Corporation amortized \$369 (2003 - \$33) of deferred costs and charged them to expense.

The Corporation deferred development costs during the quarter ending January 31, 2004 amounting to nil (2003 - \$ nil) and \$0.6 million for the three quarter ending January 31, 2004 (2003 - \$ nil).

7. BANK INDEBTEDNESS

	Credit available	Credit used	Interest
	\$	\$	
As at January 31, 2004			
(a) Mitec Telecom Inc.	10,500	9,535	Prime rate + 3.75%
(b) Mitec Europe	-	-	6.5%
(c) Gigatec AB	-	-	8.4%
	10,500	9,535	
As at April 30, 2003			
(a) Mitec Telecom Inc.	10,500	9,430	Prime rate + 6%
(b) Mitec Europe	459	432	6.5%
(c) Gigatec AB	-	175	8.4%
	10,959	10,037	

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On December 18, 2003, the Corporation renegotiated the terms of its credit facility resulting in a decrease in the interest rate from Prime + 6% to Prime + 3.75%. In addition, the foreign exchange facility was reestablished. The credit facility contains banking covenants and as of January 31, the Corporation was respecting these covenants. The agreement also includes interest rate and fees reduction if certain financial performance conditions are met.

The collateral provided by the Corporation under these Canadian facilities consists of:

- i) a first ranking hypothec in the amount of \$25,000,000 on movable assets, both tangible and intangible
- ii) a first ranking hypothec in the amount of \$500,000 on certain immoveable property with a net book value of \$611,000.

8. LONG-TERM DEBT

	January 31, 2004 \$	April 30, 2003 \$
(a) Clarica Life Insurance Company term loan of \$5,000,000, bearing interest at 8.35% [2002 – 8.35%], maturing in 2012 with monthly principal instalments of \$34,722 plus interest. The loan was repaid on October 14, 2003.	-	2,965
(b) Canadian bank revolving term loan bearing interest at Canadian prime plus 2 1/2%. The loan is reduced by \$181,590 a quarter until October 31, 2004 and \$372,386 a quarter until the loan is paid in full. The loan was repaid on November 26, 2003.	-	3,037
(c) Canadian bank term loan bearing interest at prime plus 2 1/2% guaranteed by La Financière; repayable in 48 equal consecutive monthly instalments commencing in June 2004.	833	-
(d) La Financiere term loan, bearing interest at prime plus 3 1/2%, repayable in 60 monthly payments of \$62,500 commencing 12 months after the date of disbursement which were in March and May 2004 for the first and second tranche respectively.	2,500	1,250
(e) Non-interest bearing note payable to Wavesat Wireless Inc., repayable with a quarter payment of \$700,000 on December 31, 2003 followed by five quarterly instalment of \$350,000 and a final payment of \$150,000 on June 30, 2005. The fourth and fifth quarterly instalments may be due earlier if certain conditions are met (note 2 and note 15)	1,424	-
	4,757	7,252
Less: Current portion	1,409	6,023
	3,348	1,228

(a)The Clarica loan agreement contains certain restrictive financial and other covenants. As at April 30, 2003 four of the financial covenants were not met by the Corporation. On July 16, 2003, Clarica agreed to waive the events of default conditional on the Corporation receiving satisfactory waivers from its Canadian bank and accordingly this debt has been classified as a current liability for April 30, 2003 and it was repaid on October 14, 2003.

(b)The Mitec Telecom Inc.'s credit facility contains restrictive financial covenants. As at April 30, 2003, three of the covenants were not met by the Corporation. On July 18, 2003, a waiver of these defaults as at April 30, 2003 was received. As at January 31, 2004, Mitec Telecom Inc. met all of the financial covenants. On December 18, 2003, the Corporation renegotiated the terms of its credit facility resulting in a decrease of the interest rate from prime + 6% to prime + 2.5%.

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(c) The loan agreement with La Financière contains certain annual restrictive financial and other covenants. As at April 30, 2003 one of these covenants was not met. On July 23, 2003, La Financière agreed to tolerate the non-compliance with this covenant.

(d) The collateral provided by the Corporation under this agreement is a first rank fixed assets purchased from Wavesat Wireless inc. and a third rank on the other assets purchased.

9. SHARE CAPITAL

Authorized

Unlimited number of preferred shares issuable in series and subject to such conditions as may be determined by the Board of Directors.

Unlimited number of common shares.

Issued and outstanding common shares

	January 31, 2004		April 30, 2003	
	Number	Amount \$	Number	Amount \$
Balance, beginning of the period	43,192,154	70,679	23,971,998	66,142
Changes during the period:				
Employee share purchase plan	144,813	36	39,753	88
Issued on the exercise of stock options	131,960	97	600	1
Issued for cash (net of issue costs of \$528 000)	7,972,411	6,662	-	-
Issued for the purchase of a business	188,679	200	-	-
Warrants exercised	4,480,453	2,886	-	-
Issued for cash (net of issue costs of \$923 000)	-	-	19,179,803	4,448
Balance, end of the period	56,110,470	80,560	43,192,154	70,679

For fiscal years 2003 and 2002, and all quarter of fiscal 2004, the effect of stock options and warrants potentially exercisable on loss per common share was anti-dilutive, therefore basic and diluted loss per share are the same.

On October 9, 2003, the Corporation issued 7,972,411 units under a private placement. Each unit consists of one common share on one-half share purchase warrant. Each full share purchase warrant entitles the holder to acquire one additional common share of the Corporation at a price of \$1.65 on or prior to October 9, 2005. The aggregate gross proceeds raised from the offering were \$8,769,652 and will be reduced by the issue costs, which are estimated at \$644,000.

On May 30, 2002, the Corporation amended the terms of the purchase warrants issued on January 30, 2002. The terms were modified so as to lower the exercise price from \$5.04 to \$4.25 per common share and extend the time up to which the common share purchase warrants may be exercised to July 30, 2004. This re-pricing added \$862,000 to the accounting value of the warrants. The revised Black-Scholes option pricing model, assumed an expected life of 26 months, volatility of 68%, risk-free interest rate of 4.17% and no dividend yield, adjusted to account for the warrants' limited liquidity.

On February 4, 2003, the Corporation issued 19,179,803 units under a private placement and a public offering. Each unit consists of one common share and one-half share purchase warrant. Each full share purchase warrant entitles the holder to acquire one additional common share of the Corporation at a price of \$0.45 on or prior to February 4, 2005. The aggregate gross proceeds raised from these two offerings were \$6,137,537 and was reduced by the issue costs of \$1,054,832. The 9,589,902 warrants have been valued at \$635,538 net of issue costs of \$131,854 using the Black-Scholes option pricing model, which assumed an expected life of two years, volatility of 69%, risk-free interest rate of 3.2% and no dividend yield, adjusted to account for the warrants limited liquidity. The balance has been allocated to common shares.

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Warrants	January 31, 2004		April 30, 2003	
	Number	Amount \$	Number	Amount \$
Balance, beginning of period	14,758,615	5,223	3,959,035	3,532
Re-pricing of warrants			-	862
Issued for cash (net of issue costs of \$ 116 000)	3,986,206	1,463	-	-
Issued for cash (net of issue costs of \$132 000)	-	-	9,589,902	635
Exercised	(4,480,453)	(412)	-	-
Issued under a loan agreement	600,000	233	1,209,678	194
Expired	(1,423,000)	(1,531)	-	-
	14,864,368	4,976	14,758,615	5,223
	70,974,838	85,536	48,360,867	75,902

The warrants issued in 2004 relate to the loan agreement with La Financiere and the special loan guarantee given to the Corporation's Canadian bank by La Financiere. The detailed agreements are described in the April 30, 2003 annual financial statements.

The warrants issued on December 7, 2001 expired on December 7, 2003. The value attributed to these warrants was transferred to contributed surplus.

STOCK OPTIONS

The following table shows a continuity of the options outstanding:

	2004	
		\$
Balance beginning of the period	1,403,900	2.91
Granted	1,919,900	0.93
Exercised	(131,960)	0.84
Forfeited	(200,340)	3.02
Balance end of the year	2,990,600	1.71
Option exercisable at end of year	1,036,250	3.85

Exercise price	Option outstanding			Options exercisable	
	Number	Weighted average exercise price	Weighted average year to expiry	Number	Weighted average exercise price
\$0.31 to \$0.82	1,508,700	0.39	9.1	407,480	0.43
\$1.68 to \$2.10	909,650	1.71	9.5	121,120	1.87
\$2.83 to \$3.90	166,500	3.74	7.7	111,900	3.71
\$4.25 to \$4.90	100,300	4.59	5.8	100,300	4.59
\$5.00 to \$6.50	243,450	6.21	3.4	243,450	6.21
\$6.70 to \$9.50	52,000	8.20	3.7	52,000	8.20
	2,990,600	1.71	8.5	1,036,250	3.85

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The fair value of stock options is determined using the Black Scholes option pricing model. In periods prior to May 1, 2002, the Company recognized no compensation expense when stock or stock options were issued to employees. Pro forma information regarding the net loss has been determined as if the Company had accounted for its employee stock options granted after April 30, 2002 under the fair value method. There were no options issued in the first quarter of fiscal 2003. The proforma information is as follows for the periods ended January 31:

	For the three months ended January 31		For the nine months ended January 31	
	2004	2003	2004	2003
	\$	\$	\$	\$
Net loss, as reported	(1,581)	(4,891)	(5,308)	(16,439)
Proforma impact	150	17	213	10
Proforma net loss	(1,731)	(4,908)	(5,521)	(16,449)
Proforma basic loss per share	(0.03)	(0.20)	(0.11)	(0.69)

The fair value for these options was estimated at the date of grant using a Black-Scholes Option Pricing Model with the following weighted average assumptions for fiscal 2004;

	For the three months ended January 31		For the nine months ended January 31	
	2004	2003	2004	2003
	\$	\$	\$	\$
Dividend yield	-	-	-	-
Expected volatility	0.93	0.75	0.82	0.72
Risk-free interest rate	4.17%	5.07%	4.11%	5.10%
Expected life (years)	10	10	10	10

10. RESTRUCTURING EXPENSES

During fiscal 2003, the Corporation implemented certain initiatives to streamline its operations due to the continued slowdown in the telecommunication industry. As a result of these initiatives the Corporation's other expenses related to restructuring and severance costs amounting to \$1,712,000 (quarter one \$377,000, quarter two \$1,335,000).

Workforce reduction expenses of \$1,339,000 (quarter one \$377,000, quarter two \$962,000) were related to the cost of severance and benefits associated with the employees notified of termination.

During second quarter of fiscal 2003, the Corporation also recorded a provision for lease cancellation costs of \$373,000 as a result of implementing certain initiatives required to restructure the operations of the Corporation in Sweden. The lease cancellation costs are mainly the result of the cancellation of operating leases for equipment, which were no longer required by the Corporation.

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11. SUPPLEMENTARY CASH FLOW INFORMATION

	For the three months ended January 31		For the nine months ended January 31	
	2004	2003	2004	2003
	\$	\$	\$	\$
Accounts receivable and other receivables	62	2,292	(4,762)	8,062
Inventories	(714)	2,135	(2,002)	5,195
Prepaid expenses	198	(73)	(51)	63
Income tax recoverable	(273)	359	(637)	294
Accounts payable and accrued liabilities	(2,863)	(2,372)	3,236	(2,438)
	(3,590)	2,341	(4,216)	11,176
Amortization of property plant and equipment included in cost of sales	363	308	1,159	1,403
Interest paid	256	313	1,053	800
Income taxes paid	94	68	200	210

12. INTEREST EXPENSES

Interest expenses consist of:

	For the three months ended January 31		For the nine months ended January 31	
	2004	2003	2004	2003
	\$	\$	\$	\$
Interest on bank indebtedness	162	215	617	497
Interest on long-term debt	89	98	569	303
	251	313	1,186	800

13. SEGMENTED INFORMATION

(a) Segmented information used by management

Following the sale of the operating assets of Beve (note 3) Management organized the Corporation into two principal operating segments for making operating decisions and assessing performance. The operating segments are Wireless Telecommunications ["Telecom"], Satellite and Terrestrial Telecommunications ["Satcom"]. The Corporation currently operates in Canada, the United States, the United Kingdom and China.

Telecom is involved in research, design, development, manufacturing and sale of components, subsystems and multifunction subsystems for the wireless and cellular markets.

Satcom is involved in research, design, development, manufacturing and sale of components, subsystems and multifunction subsystems for satellite earth stations.

Management evaluates segment performance based on gross profit as other expenses cannot be allocated to individual segments. In addition, the segments share inventory and property, plant and equipment.

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	For the three months ended January 31			For the nine months ended January 31		
	Telecom \$	Satcom \$	Total \$	Telecom \$	Satcom \$	Total \$
2004						
Sales	17,580	3,666	21,246	51,149	9,225	60,404
Cost of sales	14,518	2,667	17,185	41,925	5,712	47,637
Gross profit	3,062	999	4,061	9,224	3,543	12,767
Expenses			5,846			17,073
Income tax recovery			(13)			28
Loss from continuing operations			(1,772)			(4,334)
Loss (income) from discontinued operations			(191)			974
Net loss for the year			(1,584)			(5,308)

	For the three months ended January 31			For the nine months ended January 31		
	Telecom \$	Satcom \$	Total \$	Telecom \$	Satcom \$	Total \$
2003						
Sales	10,072	3,296	13,368	40,255	8,443	48,698
Cost of sales	9,430	1,922	11,352	35,209	6,180	41,389
Gross profit	642	1,374	2,016	5,046	2,263	7,309
Expenses			5,962			21,221
Income tax recovery			(44)			(262)
Loss from continuing operations			(3,902)			(13,650)
Loss (income) from discontinued operations			989			2,789
Net loss for the year			(4,891)			(16,439)

(b) Enterprise-wide information

The following table present sales based on the geographic location of production;

	For the three months ended January 31		For the nine months ended January 31	
	2004 \$	2003 \$	2004 \$	2003 \$
Sales				
Canada	15,183	10,963	42,054	40,278
United States	809	924	3,289	3,832
China	7,082	1,210	19,462	4,777
United Kingdom	275	1,345	1,465	3,677
Asia	-	158	-	448
Inter-country	(2,104)	(1,232)	(5,866)	(4,314)
	21,246	13,368	60,404	48,698

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	For the three months ended January 31		For the nine months ended January 31	
	2004	2003	2004	2003
	\$	\$	\$	\$
Canada	164	822	900	2,766
United States	2,846	6,871	12,538	20,531
Europe	10,185	4,279	25,389	21,275
Asia	7,457	657	20,351	2,637
Other	595	739	1,227	1,489
	21,246	13,368	60,404	48,698
Amortization of capital assets				
Telecom	536	722	1,745	2,135
Satcom	156	204	427	534
	692	926	2,172	2,669
Amortization of intangible assets				
Telecom	394	417	1,150	1,233
Satcom	210	136	461	368
	604	553	1,611	1,601

14. COMPARATIVE FIGURES

Certain comparative figures for fiscal 2003 have been reclassified to conform to the presentation adopted in fiscal 2004.

15. SUBSEQUENT EVENTS

On February 10, 2004, the Corporation has completed an equity financing with a syndicate of underwriters. The corporation issued 10,909,091 shares at a price of \$2.75 per common share resulting in gross proceeds of approximately \$30 million. On March 8, the underwriters also exercised the over allotment option to acquire an additional 746,264 common shares at \$2.75. The total issue costs are estimated at \$2.1 million.

On March 02, 2004, Mitec reached an agreement with Wavesat Wireless Inc to settle the note payable prior to maturity for \$1,325,000. The gross balance owed by Mitec was \$1,550,000 and the net present value of the balance owed by the Company was \$1,423,804 plus accrued interest. The difference will be recorded as a gain on settlement.

On February 27, 2003, Mitec sold one of its buildings in Sweden for an amount of approximately \$450,000. The Corporation does not expect to incur a gain or loss on this transaction.