



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 considers reasonable at the time they were prepared. These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. 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 first quarter of fiscal 2004 financial results focuses on the core businesses of Mitec: Wireless and Satcom. Limited comments will be made concerning the Microwave business segment because of the Board's decision to sell the Swedish business as of May 8, 2003 and the subsequent sale of the operating assets on August 29, 2003. This segment has been treated as a discontinued operation. The MD&A, which includes a review of the operations of each business segment and the financial condition of Mitec, is intended to assist in the understanding and 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 quarter ending July 31, 2003 and the 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 Canadian dollars, unless otherwise specified.

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 results to differ materially from those in the forward-looking statements, including changes in the customers' business strategy and general political, economic and financial conditions in the markets in which the Company operates.

Review of Operations

ALL SEGMENTS

(Amount is thousands, except gross margin)		Q1 2004	Q4 2003	Q3 2003	Q2 2003	Q1 2003
Sales	\$	18,781	20,861	12,674	17,931	16,750
Gross profit	\$	4,418	7,851	1,938	3,651	1,358
Gross margin	%	23.5	37.6	15.3	20.4	8.1

Total sales for the three-month period ended July 31, 2003 increased by 12% to \$18.8 million as compared to the \$16.8 million a year earlier. The increase in the first quarter's sales are as a result of the solid performance from Mitec's Chinese subsidiary, a sign that this acquisition made in Fiscal 2002 is starting to generate positive results. During the quarter, the China subsidiary sales accounted for 38% of Mitec's total sales. The sales increase is particularly impressive considering the two foreign exchange factors that were working against Mitec: the increase in the Canadian dollar's value against both the US dollar and against the Reminbi.

Gross profit for the quarter increased by 214% from \$1.4 million last year to \$4.4 million this year. This increase can be attributed from the higher sales volume, specifically from the Chinese operation. This was offset somewhat by the negative impact of the foreign exchange factors. During the quarter, a significant milestone was achieved: the Chinese's subsidiary achieved profitability.

WIRELESS

(Amount is thousands, except gross margin)		Q1 2004	Q4 2003	Q3 2003	Q2 2003	Q1 2003
Sales	\$	16,313	15,697	9,915	16,330	13,596
Gross profit	\$	3,655	6,331	463	3,527	604
Gross margin	%	22.4	40.3	4.7	21.6	4.4

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 and Siemens and service providers, that support today's mobile communication infrastructure. .

As a result of the increase in demand for products primarily in emerging economies, most notably China, the Wireless sector had a 20% increase in sales, from \$13.6 million last year to 16.3 million this year. This growth reflects the continuing improvement in the telecommunication industry. During this quarter, Mitec received a multi-year supply agreement from key customers worth a combined estimated value of \$80 million. The supply agreement and purchase orders call for a range of products, including new products, scheduled for delivery over the next two years. These agreements constitute a resounding vote of confidence from one of Mitec's customers and will help bring Mitec back to profitability. These products will be manufactured in both Canada and China.

Gross profit increased 520% during the quarter from \$0.6 million to \$3.7 million. This increase is as a result of the increased sales especially in the China where overhead costs are lower than in our Canadian facility.

SATCOM

(Amount is thousands, except gross margin)		Q1 2004	Q4 2003	Q3 2003	Q2 2003	Q1 2003
Sales	\$	2,468	5,164	2,759	1,601	3,154
Gross profit	\$	763	1,520	1,475	124	754
Gross margin	%	30.9	29.4	53.5	7.7	23.9

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

Sales declined by 22% from \$3.2 million last year to \$2.5 million this year as the demand fell for Satcom products. Gross profit rose from 24% last year to 31% or \$0.7 million as a result of a different product mix focusing on the sale of higher margin products. The restructuring plan in fiscal 2003 is beginning to show positive results with reduced overhead costs.

With the divestiture of Beve, Mitec's Swedish subsidiary, Mitec concluded a three-year supply agreement with Note AB. This agreement will enable Mitec to secure a market for specialized Satcom products.

Operating Expenses

(Amounts in thousands, except percentage)	Q1 2004		Q1 2003	
	\$	%	\$	%
Research and development expenses	1,517	13.2	3,040	16.3
Selling and administrative expenses	2,480	8.1	2,738	18.1
Amortization of intangible assets	511	2.7	531	3.1
Financial expenses	1,270	6.7	(8)	-
Restructuring expenses	-	-	377	2.3
Discontinued activities	175	0.9	1,267	7.6
Net loss	(1,581)	(8.4)	(6,372)	(0.2)

RESEARCH AND DEVELOPMENT EXPENSES

Research and development (R&D), net of investment tax credits for the quarter decreased 50% from \$3.0 million to \$1.5 million. This decrease is due to the streamlining of Mitec's R&D activities and focusing these activities in three locations during Fiscal 2003.

SELLING AND ADMINISTRATIVE EXPENSES

The Corporation's selling and administrative expenses for the quarter decreased slightly from \$2.7 million to \$2.5 million. This decrease can be attributed to the restructuring efforts in Fiscal 2003 and the controlling of expenses.

AMORTIZATION OF INTANGIBLE ASSETS

The amortization of intangible assets remained constant at \$0.5 million.

FINANCIAL EXPENSES

Financial expenses were \$1.3 million during the quarter as compared to nil last year. This increase is due to interest rate increases charged on the bank indebtedness and long-term debt. Moreover, Mitec suffered a foreign exchange loss of \$0.7 million as compared to a gain of \$0.3 million during the previous period.

RESTRUCTURING EXPENSES

Restructuring expenses during the quarter were nil as compared to \$0.4 million last year. Restructuring efforts in 2003 relating to the workforce reductions, and the related costs of severance and benefits were not incurred in the first quarter of fiscal 2004.

DISCONTINUED ACTIVITIES

On August 29, Mitec concluded the sale of Beve Electronics to Note AB a Swedish company. The sale includes the inventory and equipment. The proceeds from this sale directly reduce Mitec's bank indebtedness and will be used to pay the creditors. The sale does not include the real estate assets but Mitec has signed long-term leases with Note AB securing the property's market value. Beve Electronics was almost all of the microwave segment and this segment has been treated as a discontinued operation. Fiscal 2003 results have been restated to reflect this.

NET LOSS

Net loss for the quarter was \$1.6 million or 4 cents per share compared to \$6.4 million or 27 cents per share last year. This is a significant improvement from last year, and a sign that Mitec has emerged from fiscal 2003 with renewed energy, pride and confidence for the future. This achievement realized \$3.0 million in gross profit improvement stemming from increased sales. Also, the restructuring started in fiscal 2002 continues to bear fruit from the reduced operating expenses.

Quarterly Information

(Amount in thousands)	Q1 2004	Q4 2003	Q3 2003	Q2 2003	Q1 2003
Net loss	(1,581)	(3,778)	(4,891)	(5,176)	(6,372)
Income taxes	46	521	(53)	(3)	(215)
Amortization	1,225	1,797	1,818	1,642	1,762
Interest	663	663	566	470	498
EBITDA	353	(797)	(2,560)	(3,067)	(4,327)
Other	-	2,863	-	1,846	377
EBITDA(before restructuring)	353	2,066	(2,560)	(1,221)	(3,950)

The positive increase of the EBITDA quarter-over-quarter continued in Fiscal 2004. The EBITDA reached \$0.4 million compared to the negative \$4.3 million in the first quarter of last year and the negative EBITDA of \$0.8 million in the last quarter of Fiscal 2003. The positive EBITDA was mainly due to a reduction in the net loss as detailed above.

Financial Condition, Liquidity and Capital Resources

(Amount in thousands)	Q1 2004	Q1 2003
Cash flow from operating activities before changes in working capital	(181)	(3,132)
Cash flow from operating activities after changes in working capital	(1,966)	(1,371)
Increase in long term debt	2,083	1,500
Repayment of long term debt	(854)	(129)
Capital expenditure	(130)	(143)

Bank indebtedness decreased by \$0.8 million from \$1.9 million to \$1.1 million.

The reduction in the negative cash flow from operating activities before working capital to \$0.2 million was a direct consequence of the positive results recorded during the first quarter of fiscal 2003.

The decrease of cash flow from operating activities at negative \$2.0 million compared to negative \$1.4 million is attributable to increase in inventory levels necessary to meet customer demand for the next quarter.

During the first quarter, Mitec received the first and second tranche of the special loan from the Canadian bank guaranteed by La Financière du Québec.

On July 18, 2003, the Corporation's Canadian bank issued a waiver in respect of the defaults of its financial covenants relative to tangible working capital ratio, tangible quick ratio and total liability to capitalization ratio which the Corporation was not-in compliance with as at April 30, 2003 under its Canadian bank credit facility. Mitec continues its negotiations with its lender to reach an agreement on its various bank covenants.

RISK AND UNCERTAINTIES

The accompanying financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is substantial doubt about the appropriateness of the use of the going concern assumption because of the Corporation's recent losses, negative cash flows, deficiency in working capital and the violation of a number of its Canadian debt covenants. As such, the realization of assets and the discharge of liabilities in the ordinary course of business are subject to significant uncertainty. Mitec considers that the risk and uncertainties sections has not changed since the publication of the annual report and refers the reader to it.

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEETS (note 1)

As at July 31
(In thousands of Canadian dollars)

	July 31, 2003 \$	Restated (see note 3) April 30, 2003 \$
ASSETS		
Current		
Cash and cash equivalents	1,055	1,853
Trade receivables (note 4)	18,236	13,069
Other receivables	1,639	2,889
Income taxes recoverable	357	295
Inventories	11,031	10,812
Prepaid expenses	1,614	744
Future tax assets	159	159
Assets held for sale and discontinued activities (note 3)	14,122	-
Total current assets	48,213	29,821
Property Plant and Equipment	21,430	22,409
Future tax assets	521	521
Intangible assets	8,495	8,981
Deferred charges	474	385
Goodwill	44	44
Assets held for sale and discontinued activities (note 3)	6,262	20,505
	85,439	82,666
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	9,087	10,037
Accrued liabilities	19,704	16,333
Current portion of long-term debt (note 5)	5,231	6,024
Current portion of obligations under capital lease	1,020	1,181
Current liabilities related to discontinued activities (note 3)	14,806	-
Total current liabilities	49,848	33,575
Long-term debt (note 5)	3,250	1,228
Obligations under capital lease	338	525
Long-term debt related to assets held for sale and discontinued activities (note3)	5,162	19,644
	58,598	54,972
Shareholders' equity		
Common shares (note 6)	70,690	70,679
Warrants (note 6)	5,319	5,223
Deficit	(47,755)	(46,174)
Cumulative translation adjustment	(1,413)	(2,034)
Total shareholders' equity	26,841	27,694
	85,439	82,666

See accompanying notes

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS (note 1)

Periods ended July 31
(In thousands of Canadian dollars)

	2003	Restated (see note 3) 2002
	\$	\$
Sales	18,781	16,750
Cost of sales including amortization of property, plant and equipment of \$410,000 (2002 -\$409,000)	14,363	15,392
Gross profit	4,418	1,358
	23.5%	8.1%
Expenses		
Selling and administrative	2,480	2,738
Research and development	1,517	3,040
Interest expense	484	220
Financial expenses	50	98
Foreign exchange loss (gain)	736	(326)
Amortization of intangibles	511	531
Restructuring expenses (note 7)	-	377
	5,778	6,678
Loss before income taxes	(1,360)	(5,320)
Income tax expense (recovery)	46	(215)
Loss from continuing activities	(1,406)	(5,105)
Loss from discontinued activities	(175)	(1,267)
Net loss for the period	(1,581)	(6,372)
Basic and diluted loss per common share (note 6)		
Loss from continuing activities	(0.03)	(0.21)
Loss from discontinued activities	(0.01)	(0.06)
Net loss	(0.04)	(0.27)
Weighted average number of outstanding common shares - basic and diluted	43,219,116	23,972,461

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF DEFICIT (note 1)

Periods ended July 31
(In thousands of Canadian dollars)

	2003	Restated (see note 3) 2002
	\$	\$
Deficit beginning of the period	(46,174)	(19,934)
Net loss for the period	(1,581)	(6,372)
Re-pricing of warrants	-	(862)
Deficit at the end of the period	(47,755)	(27,168)

See accompanying notes

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (note 1)

Periods ended July 31
(In thousands of Canadian dollars)

	2003 \$	Restated (see note 3) 2002 \$
OPERATING ACTIVITIES		
Loss from continuing activities	(1,406)	(5,105)
Add items not affecting cash:		
Amortization of property, plant and equipment, intangible assets and deferred charges	1,225	1,517
Loss on disposal of property, plant and equipment	-	8
Future income taxes	-	448
	(181)	(3,132)
Changes in non-cash working capital balances related to operations	(1,783)	1,761
Cash flows relating to operating activities	(1,964)	(1,371)
INVESTING ACTIVITIES		
Additions to property, plant and equipments and intangible assets	(130)	(143)
Proceeds on disposal of property, plant and equipment	172	23
Proceeds from sale of a division (net of cash disposed)	132	-
Net increase in deferred charges	(23)	-
Cash flows relating to investing activities	151	(120)
FINANCING ACTIVITIES		
Increase in bank indebtedness	621	-
Repayment of bank indebtedness	(1,555)	(840)
Increase in long-term debt	2,083	1,500
Repayment of long-term debt	(854)	(129)
Repayment of obligations under capital lease	(335)	(215)
Issuance of common shares	11	1
Cash flows relating to financing activities	(29)	317
Cash flows relating to discontinued activities	815	(116)
Effect of exchange rate fluctuations changes on cash	229	(243)
Net decrease in cash and cash equivalents	(798)	(1,533)
Cash and cash equivalents, beginning of the period	1,853	2,431
Cash and cash equivalents, end of the period	1,055	898
Cash and cash equivalents consists of:		
Cash and cash equivalents	1,055	2,431
Bank overdraft	-	-
	1,055	2,431

Supplementary cash flow information see (note 8)

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2003

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

1. GOING CONCERN UNCERTAINTY

The accompanying unaudited interim consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is substantial doubt about the appropriateness of the use of the going concern assumption because of the Corporation's recent losses, negative cash flows, deficiency in working capital and the violation of a number of its Canadian debt covenants. As such, the realization of assets and the discharge of liabilities in the ordinary course of business are subject to significant uncertainty.

The unaudited interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern basis was not appropriate. If the going concern basis was not appropriate for these unaudited interim consolidated financial statements, significant adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

In the previous fiscal year, the Corporation issued common shares and warrants in the amount of \$5,171,000, secured additional and special credit facilities up to a maximum of \$5,000,000, commenced rationalization of a number of its operations and began the process of disposing of non-core assets. On July 7, 2003, the Corporation concluded the sale of Microwave Technology Company Limited, its subsidiary in Thailand, to the Thai management team.

Management's on-going plans with respect to the uncertainties described above are as follows:

1. Continuing discussions with its lenders in respect of its non-compliance with its debt covenants, waivers and/or modifications thereto and/or to obtain additional financing;
2. Pursuing the sale of certain of its non-core assets, primarily property and inventory, which could allow the Corporation to draw-down up to \$2,500,000 of the \$5,000,000 of additional financing described above. The sale of the Thai subsidiary enabled the Corporation to receive the second tranche of the La Financière loan and the special loan from CIBC for \$1,250,000 and \$416,667 respectively. In addition, the sale of certain assets of the Beve subsidiary was completed on August 29th, 2003. Management expects to realize on the real estate assets in Sweden and generate cash proceeds in excess of the related indebtedness.
3. Continuing to rationalize operations to reduce expenses.

Management believes that with the above plans, sufficient funds will be generated to maintain the support of the Corporation's lenders and other creditors and to enable the Corporation to continue in operation as a going concern. There can, however, be no assurance that the plans described above will result in sufficient funds being generated.

The Corporation's continuation as a going concern is dependent upon, amongs other things: the continuing support of the Corporation's lenders, maintaining a satisfactory sales level, the support of its customers, the continued viability of the Corporation's significant customers, a return to profitable operations and the ability to generate sufficient cash from operations, financing arrangements and new capital to meet its obligations as they become due. These matters are dependent on a number of items outside of the Corporation's control and there is substantial uncertainty about the Corporation's ability to successfully conclude on the matters.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2003

(All tabular amounts are in thousands of Canadian dollars,
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2. SIGNIFICANT ACCOUNTING POLICIES

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 presentation adopted into current period. These financial statements do not include all of the disclosures required by generally accepted accounting principles applicable to annual financial statements.

DISPOSAL OF LONG-LIVES ASSETS AND DISCONTINUED OPERATIONS

Effective May 1, 2003, the Corporation prospectively adopted the new standards under the CICA Handbook 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 distinguished, operationally and for financial reporting purposes, from the rest of the enterprise.

3. ASSETS HELD FOR SALE AND DISCONTINUED ACTIVITES

On May 8, the Board of Directors approved a plan to divest its Swedish subsidiary, Beve, which consist of most of its Microwave Segment. On August 29, 2003, Mitec concluded the sale of selected assets of Beve for an amount of 37 million SEK (\$6.4 million CDN) to NOTE AB. The assets sold consist of inventory and equipment. The buyer, also assumed some operating leases. The proceeds were received in cash and applied directly against the bank indebtedness and used to pay various accounts payable.

Additionally, Mitec has entered into a three-year supply agreement with NOTE AB to supply the Swedish company with its satcom products at market rates. This sale did not include Mitec's real estate assets in Sweden, which are being sold separately. NOTE has signed long-term leases for some of these real estate assets.

The assets, liabilities and results of Beve have been reported separately in the previous consolidated financial statements and have been reclassified accordingly.

	3 months ended July 31st, 2003	3 months ended July 31st, 2002
	\$	\$
Revenues	6,147	7,272
Net loss for the period	(175)	(1,267)

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2003

(All tabular amounts are in thousands of Canadian dollars,
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The assets and liabilities of the asset held for sale and discontinued operations are as follows:

	July 31, 2003 \$	April 30, 2003 \$
Current assets	12,323	11,909
Land and building, net	6,262	6,478
Equipment, net	1,787	2,106
Future income taxes	12	12
	20,384	20,505
Bank indebtedness	5,045	5,877
Current liabilities	8,996	7,456
Long-term debt relating to the land and building	5,162	5,240
Other long term debt	738	1,044
Obligations under capital lease	27	27
	19,968	19,644

4. 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 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's three largest customers' accounted for 80% of the sales for the quarter ended July 31st, 2003 (64% for the year ended April 30, 2003) and 71% of the trade receivables as at July 31st, 2003 (74% as at April 30th, 2003).

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2003

(All tabular amounts are in thousands of Canadian dollars,
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5. LONG-TERM DEBT

	July 31, 2003 \$	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 and classified as a current liability.	2,861	2,965
(b) Canadian bank revolving term loan bearing interest at Canadian prime plus 6.00%. The loan is reduced by \$181,590 a quarter until January 31, 2004 and \$276,286 a quarter for the next eight quarters and a lump sum payment of \$281,762 three months after the last payment. The loan is collateralized and is classified as a current liability.	2,287	3,037
(c) Canadian bank term loan bearing interest at prime plus 6% guaranteed by La Financière; repayable in 48 equal consecutive monthly installments starting in June 2004.	833	—
(d) La Financiere term loan, bearing interest at prime plus 3 ½%, repayable in 60 monthly payments of \$62,500 commencing 12 months after the date of disbursement which were March and May 2004 for the first and second tranche respectively.	2,500	1,250
	8,481	7,252
Less: Current portion	5,231	6,024
	3,250	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 as at April 30, 2003 conditional on the Corporation receiving satisfactory waivers from its Canadian bank. This debt has been classified as a current liability.
- (b) The Mitec Telecom Inc. credit facility including bank indebtedness 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 at April 30, 2003 was received and the revolving term loan has been classified as a current liability.
- (c) The loan agreement with La Financière contains certain 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. As of July 31, 2003, Mitec met these covenants.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2003

(All tabular amounts are in thousands of Canadian dollars,
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6. 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

	July 31, 2003		April 30, 2003	
	Number	Amount \$	Number	Amount \$
Balance, beginning of the year	43,192,154	70,679	23,971,998	66,142
Changes during the period:				
Employee share purchase plan	33,473	11	39,753	88
Issued for stock options	—	—	600	1
Issued for cash (net of issue costs of 923 000)	—	—	19,179,803	4,448
Balance, end of the year	43,225,627	70,690	43,192,154	70,679

Warrants

	2003		2002	
	Number	Amount \$	Number	Amount \$
Balance, beginning of period	14,758,614	5,223	3,959,034	3,532
Re-pricing of warrants			—	862
Issued for cash (net of issue costs of \$ 132 000)	—	—	9,589,902	635
Issued under a loan agreement	600,000	96	1,209,678	194
	15,358,614	5,319	14,758,614	5,223
	58,584,241	76,009	57,950,768	75,902

For the first quarter of fiscal 2004 and the 2003 fiscal year, 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.

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.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

STOCK OPTIONS

The following table shows a continuity of the option outstanding:

	2003	
		\$
Balance beginning of the period	1,403,900	2.91
Granted	1,035,000	0.31
Exercised	—	—
Forfeited	(47,500)	2.54
Balance end of the year	2,391,400	1.79
Option exercisable at end of year	680,160	4.70

Exercise price	Option outstanding			Options exercisable	
	Number	Weighted average exercise price	Weighted average months to expiry	Number	Weighted average exercise price
\$0.31 to \$0.82	1,672,600	0.42	9.5	99,520	0.80
\$2.10	77,450	2.10	7.4	49,990	2.10
\$2.83 to \$3.90	211,500	3.69	8.2	107,600	3.65
\$4.25 to \$4.90	108,400	4.59	6.3	101,600	4.59
\$5.00 to \$6.50	244,450	6.22	3.9	244,450	6.22
\$6.70 to \$9.50	77,000	8.20	4.1	77,000	8.20
	2,391,400	1.79	7.8	680,160	4.70

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 when stock or stock options were issued to employees. Pro forma information regarding net income 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 period ended July 31:

	2003 \$	2002 \$
Net loss, as reported	(1,581)	(6,372)
Proforma impact	(30)	—
Proforma net loss	(1,611)	(6,372)
Proforma basic loss per share	(0.04)	(0.27)
Proforma diluted loss per share	(0.04)	(0.27)

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; no dividend yield, expected volatility 0.74, risk for interest rate 4.10% and the expected life is 10 years.

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(All tabular amounts are in thousands of Canadian dollars,
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7. RESTRUCTURING EXPENSES

Restructuring expenses in 2002 represents workforce reduction expenses of \$377,000 related to the cost of severance and benefits associated with the employees notified of termination.

8. SUPPLEMENTARY CASH FLOW INFORMATION

	2003	2002
	\$	\$
Accounts receivable and other receivables	(3,328)	871
Inventories	(317)	(2,733)
Prepaid expenses	(882)	(97)
Income tax recoverable	(72)	(39)
Accounts payable and accrued liabilities	2,816	3,758
	<u>(1,783)</u>	<u>1,761</u>
Interest paid	482	220
Income taxes paid	43	43

9. SEGMENTED INFORMATION

(a) Segmented information used by management

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

Wireless 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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	Wireless \$	Satcom \$	Total \$
2003			
Sales	16,313	2,468	18,781
Cost of sales	12,658	1,705	14,363
Gross profit	3,655	763	4,418
Expenses			5,778
Income tax expense			46
Loss from continuing activities			(1,406)
Discontinued activities			175
Net loss for the period			(1,581)

	Wireless \$	Satcom \$	Total \$
2002			
Sales	13,596	3,154	16,750
Cost of sales	12,992	2,400	15,392
Gross profit	604	754	1,358
Expenses			6,678
Income tax (recovery)			(215)
Loss from continuing activities			(5,105)
Discontinued activities			1,267
Net loss for the period			(6,372)

(b) Enterprise-wide information

The following table present sales based on geographic location of production

	2003 \$	2002 \$
Sales		
Canada	11,678	13,647
United States	1,187	1,727
China	7,082	1,797
United Kingdom	438	1,148
Other	-	163
Inter-country	(1,604)	(1,732)
	18,781	16,750

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(All tabular amounts are in thousands of Canadian dollars,
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The following table presents sales by destination of product

	2003	2002
	\$	\$
Canada	349	1,238
United States	5,169	4,071
Europe	6,396	9,683
Asia	6,731	1,434
Other	137	324
	18,781	16,750
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Amortization of property plant and equipment		
Wireless	579	671
Satcom	134	287
	714	958
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Amortization of intangible assets		
Wireless	373	409
Satcom	108	122
	481	531
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10. SUBSEQUENT EVENTS

On September 19, the Corporation signed an asset purchase agreement with Wavesat Inc. to acquire their SATCOM and PCS business. Mitec will acquire the inventory, fixed assets, intellectual property, customer lists and certain employees related to this business. Mitec will pay cash, issue shares and assume certain liabilities of the business and the transaction is expected to close on or before October 1, 2003.