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MITEC • BEVE

JOINING FORCES TO BECOME A GLOBAL PARTNER

mitec telecom

THIRD INTERIM REPORT
QUARTER ENDED JANUARY 31, 2002

[1] message to shareholders

Dear Shareholders:

On behalf of the Board of Directors, I wish to report on the results of Mitec Telecom's third quarter ended January 31, 2002. During this period of consolidation in the telecommunications industry, we have been presented with a number of challenges and opportunities. Over the past fourteen months we have been able to make the most of these opportunities by concluding three important acquisitions. I am confident that our strategy has significantly improved the long-term positioning of our Company in the wireless infrastructure business.

Third Quarter Results

During the third quarter, sales reached $23.4 million, an increase of 73% over the same period last year. After taking a one-time charge of $3.0 million related to our recent acquisition of certain assets of Com Dev International's Wireless Group, the Company incurred a loss of $7.4 million for the quarter. The adjusted cash loss–before goodwill, amortization, one time charges and tax benefits (not booked)–amounted to $2.7 million for the quarter.

Nine-month sales rose substantially to $91.3 million, up 238% over the corresponding period last year. The considerable increase in year-to-date sales is the result of our aggressive acquisition strategy and the continuing growth of wireless sales in those areas where we have a recognized expertise. The net loss for the period was $7.2 million. The adjusted cash loss for the nine months before goodwill, amortization, one-time charges and tax benefits (not booked)–totalled $0.3 million.

Earnings were adversely affected by a number of factors, primarily related to the delays of planned expansions of wireless infrastructures. In addition, a shift in this quarter's product mix contributed to lower margins. Also, the protracted slowdown in the telecom industry has led to continuing losses in our microwave sector and has had a greater than anticipated impact on our reduced revenues.

However, I expect many of these circumstances to be short-lived. Restoring the Company to profitability is our primary goal. We have begun implementing measures to reduce costs and efficiently integrate our worldwide operations.

Third Quarter Highlights

During the third quarter, we completed two financing agreements with institutional investors totaling $31.3 million. This allowed us to pay cash for the Com Dev Wireless Division including the Satellite Ground Station business, thus reducing the initial cost of the transaction. Additionally, the financing arrangements have better structured our balance sheet and, very importantly, expanded our institutional shareholder base and public float.

We also began production of new GSM 1800 and 1900 equipment at our Montreal facility. These were part of a group of sixteen new products acquired in the Com Dev transaction, which have significantly boosted our product pipeline and allowed us to address the GSM markets with an expanded product portfolio.

In January, we announced the receipt of an initial $1.1 million order from a major network provider for our first 3G product: a diplexer that combines GSM and W-CDMA signals. This new hybrid product allows service providers to reduce 3G infrastructure deployments by using existing 2.5G network installations.

Integration of Com Dev Assets

The integration of the assets we acquired from Com Dev is 90% complete. In Canada, all design and manufacturing equipment of Com Dev's Moncton facility have been consolidated in Montreal, where we have stepped up production.

In the U.K., Mitec's existing satcom operations will be integrated into our newly acquired Cornwall facility. The Copthorne plant will be closed during the current quarter. Finally, because of the continuing weakness in the microwave sector, we will be reducing our staff in Sweden by an additional fifty employees.

Together, these measures will have a positive impact on our bottom line in Q4.

Outlook

Our revenues in fiscal 2003 will be predominantly driven by 2.5G infrastructure rollouts in GPRS and CDMA 2000 standards, as well as a gradual emergence of sales of third generation wireless network products. There are positive signs that the telecom industry will begin to rebound in fiscal 2003. Our enhanced portfolio of products and expanded global reach puts us in an excellent position to make the most of these opportunities for growth.

On behalf of the entire expanded Mitec family, I would like to thank all of our shareholders for their continuing support. In the remaining months of this fiscal year, we will be devoting all of our efforts to ensure that the Company returns to profitability.

Myer Bentob
President and Chief Executive Officer
March 7, 2002

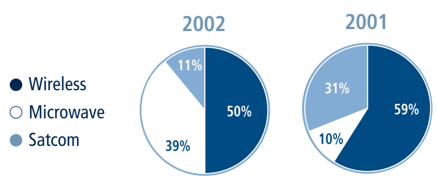
financial highlights

(in thousands of CAN dollars except per share data)	For the three months ended January 31, 2002	January 31, 2001	For the nine months ended January 31, 2002	January 31, 2001
Sales	$ 23,355	$ 13,477	$ 91,281	$ 38,371
Gross profit	122	4,327	15,597	12,243
Research and development	2,944	1,764	7,898	5,199
EBITDA	(6,611)	(1,042)	(411)	3,434
Adjusted cash earnings (loss)[1]	(2,686)	205	(338)	405
Adjusted cash earnings (loss) per share[2]	(0.15)	0.02	(0.02)	0.04
Net earnings (loss)	(7,414)	152	(7,245)	245
Net earnings (loss) per share[2]	(0.42)	0.02	(0.44)	0.03
Sales per share	1.31	1.43	5.57	4.07
Book value per share	3.88	3.06	3.88	3.06
Weighted average number of shares	17,788	9,425	16,394	9,423

[1] Earnings before goodwill amortization and one-time charges and tax benefits not booked.
[2] Basic and fully diluted after goodwill amortization.

sales breakdown by product segments

(in percentages of total sales)
nine months ended January 31



[1]management's discussion and analysis of financial condition and results of operations

This discussion and analysis is to assist readers in their assessment and understanding of the consolidated results of operations and the financial position of Mitec Telecom (the "Corporation").

Information with respect to the April 30, 2001 consolidated balance sheet is derived from the Corporation's complete audited consolidated financial statements. The unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended April 30, 2001. These consolidated financial statements have been prepared using the same accounting principles used in the audited consolidated financial statements for the year ended April 30, 2001, except for the change in accounting policy for earnings per share.

During the second quarter of fiscal 2002, the Corporation purchased the remaining 85% of the outstanding voting common shares of Amplix Inc. ["Amplix"] for a purchase price, including acquisition costs, of $1,505,000. The results of operations of Amplix have been consolidated in the accounts of the Corporation since the date of acquisition.

	For the three months ended		For the nine months ended	
[as a percentage of sales]	January 31, 2002	January 31, 2001	January 31, 2002	January 31, 2001
Sales	100.0%	100.0%	100.0%	100.0%
Gross profit	0.5%	32.1%	17.1%	31.9%
Research and development	12.6%	13.1%	8.7%	13.5%
Selling and administrative	15.5%	16.1%	10.4%	15.1%
Financial expenses and interest, net	1.9%	2.3%	1.6%	1.6%
Other	5.8%	–	2.2%	–
Income tax expense	(6.7%)	(1.0%)	(0.3%)	0.5%
Net (loss) income before goodwill amortization	(28.4%)	1.5%	(5.4%)	1.1%
Goodwill and equity loss	3.3%	0.4%	2.5%	0.4%
Net income (loss) after goodwill amortization	(31.7 %)	1.1%	(7.9%)	0.6%

results of operations

Sales

Total sales for the three-month period ended January 31, 2002 increased by 73.3% to $23.3 million as compared to the $13.4 million a year earlier. Of this increase $11.2 million related to the BEVE acquisition which occurred during the fourth quarter of fiscal 2001 and therefore its results were not included a year earlier.

Total sales for the nine-month period ended January 31, 2002 increased by 137.9% to $91.2 million as compared to the $38.3 million a year earlier. Of this increase, $33.5 million related to the BEVE acquisition.

Wireless

As a result of increased demand for 2G and 2.5G products primarily in emerging economies, most notably China, the wireless segment has grown 9% and 50% respectively for the three and nine-month periods ended January 31, 2002 as compared to the previous year.

Microwave

Growth in this segment has been as a result of the BEVE acquisition. For the three and nine-month periods ended January 31, 2002 respectively, BEVE sales were $11.2 million and $ 33.5 million.

Satcom

Softness in the satcom segment is due to lower demand for satellite ground station and microwave backhaul equipment which created a 42% and a 19% decrease respectively for the three and nine-month periods ended January 31, 2002.

Cost of Sales and Gross Profit

The Corporation's gross profit for the three-month period ended January 31, 2002 was $0.1 million as compared to $4.3 million a year earlier. This represents a 97.7% decrease. BEVE's gross margin for the three-month period was negative $0.2 million. This is discussed below.

The Corporation's gross profit for the nine-month period ended January 31, 2002 was $15.6 million as compared to $12.2 million a year earlier. This represents a 27.8% increase. BEVE's gross margin contributed $1.2 million of this.

Gross profit as a percentage of sales for all business segments were as follows:

	For the three months ended		For the nine months ended	
	January 31, 2002	January 31, 2001	January 31, 2002	January 31, 2001
Wireless	6.5%	25.7%	26.9%	27.6%
Microwave	(4.0%)	11.7%	2.8%	18.4%
Satcom	(0.5%)	52.7%	23.6%	44.3%
TOTAL	**0.5%**	**32.1%**	**17.1%**	**31.9%**

Wireless

Gross margins for the nine-month period have remained fairly constant compared to the previous year. For the three-month period, gross margins decreased significantly mainly as a result of a reduction of orders from a major customer. Our Montreal subsidiary was unable to cover its overhead costs as a result of the reduction. Also contributing to the gross margin decrease, was the introduction of a new product for another major European Network Provider, where production efficiencies have yet to be achieved. These products contributed negative margins of approximately $500,000 during the quarter. During the third quarter, the Corporation also made some provisions for inventory for discontinued product lines, thereby impacting margins.

Microwave

The Corporation Swedish subsidiary operates only in the microwave segment, where gross margins are that of a contract manufacturer which are typically lower than Mitec's core business. This has resulted in microwave margins decreasing significantly for the three and nine-month periods ended January 31, 2002 compared to previous year's results. The negative margin for the three-month period was the result in a reduction of orders with a major customer, due to the continued slowdown in our customer's business. As a contract manufacturer, sales continue to be impacted by this slowdown such that our Swedish subsidiary was unable to cover its overhead costs. The Corporation is in the process of restructuring the Swedish subsidiary's operations with the objective of reducing its overhead costs to better match sales volumes.

Satcom

For the three-month period ended January 31, 2002, the negative gross margin was the result of sales volumes being less than this sector's break-even point such that the Corporation was unable to recover its overhead costs associated with this segment. For the nine-month period ended January 31, 2002 gross margins were lower than the previous year, as a result of shipping significantly lower volumes of flexible waveguide which typically carry higher margins than other satcom products.

Research and Development

Mitec's research and development ("R&D"), net of investment tax credits for the three months and nine months were $2.9 million and $7.9 million respectively. This resulted in an increase of 67% and 51% respectively.

This increase in R&D resulted from the Corporation's focus on technology to support its strategy for 2.5G and 3G wireless products. The development of these products will enable the Corporation to better serve the Chinese market where demand is growing rapidly for this type of technology.

With the acquisition of Amplix, the Corporation will continue the development of linearization, pre-distortion and feedforward technologies making the Corporation more competitive in the multi-carrier power amplifier market.

Selling and Administrative Expenses

The Corporation's selling and administrative expenses for the three-month period ended January 31, 2002 increased 64% to $3.6 million as compared to $2.2 million a year earlier. The Corporation's selling and administrative expenses for the nine-month period ended January 31, 2002 increased 64% to $9.5 million as compared to $5.8 million a year earlier. The majority of these increases, $1.1 million and $2.9 million respectively, for the three and nine-month periods ended January 31, 2002 resulted from the acquisition of BEVE in the last fiscal year.

Other

The Corporation's other expenses relate to restructuring and severance costs of $2.0 million for the nine-month period ended January 31, 2002.

During the second quarter, our Swedish facilities incurred severance costs of $0.7 million. These layoffs were as a result of the sudden slowdown in the European telecom industry. Under Swedish labor laws, as layoffs take place each employee is provided with four months of wages even if these layoffs are temporary. During the third quarter further restructuring costs of $ 0.3 million were recorded.

During the third quarter, the Corporation also recorded a provision for restructuring of $1.1 million as a result of implementing certain initiatives required to restructure the operations of the Corporation in the United Kingdom. The restructuring is a result of the Corporation closing its existing UK facility as a result of the acquisition of certain assets related to Com Dev International's Wireless RF Conditioning Components and Satellite Ground Station businesses (note 8). The provision for restructuring includes amounts for employee severance of $0.5 million, lease cancellation costs of $0.3 million, and write-downs of certain capital assets and inventory for existing product lines which will not be continued in the newly acquired facilities of $0.3 million. The Corporation expects further restructuring over the next six months.

Financial Expenses and Interest Income

Mitec's financial expenses and interest expense for the three-month period ended January 31, 2002 was $0.4 million as compared to $0.3 million a year earlier, which represented a 33% increase. Mitec's financial expenses and interest expense for the nine-month period ended January 31, 2002 was $1.5 million as compared to $0.6 million a year earlier which represented a 150% increase. This increase is a result of the interest expense incurred by the Corporation`s Swedish subsidiary.

Income Tax Expense

Income tax for the three-month period ended January 31, 2002 resulted in a recovery of $1.5 million as compared to $0.1 million a year earlier. Income tax for the nine-month period ended January 31, 2002 resulted in a recovery of $0.3 million as compared to an expense of $0.3 million a year earlier. The recovery for both the three and nine-month periods of fiscal 2002 is the result of the losses incurred in both periods.

Goodwill Amortization

Goodwill amortization for the three-month period ended January 31, 2002 was $0.8 million as compared to $0.1 million a year earlier. Goodwill amortization for the nine-month period ended January 31, 2002 was $2.3 million as compared to $0.2 million a year earlier. This increase related to the goodwill on the acquisition of BEVE, which is being amortized over five years beginning in the fourth quarter of fiscal 2001.

Net Income (Loss)

Net loss for the three-month period ended January 31, 2002 was $7.4 million as compared to a net income of $0.2 million a year earlier. Net loss for the nine-month period ended January 31, 2002 was $7.2 million as compared to a net income of $0.2 million a year earlier. For the three-month period ending January 31, 2002, the Corporation's net loss is attributed to taking $0.8 million of amortization during this period compared to only $0.1 million for the same period last year, the Corporation taking a restructuring provision of $1.1 million during the quarter, and earning very low gross margins due to the Corporation shipping sales volumes such that it was unable to cover its overhead costs.

For the nine-month period ending January 31, 2002, the Corporation's net loss is attributed to taking $2.3 million of amortization during this period compared to only $0.2 million for the same period last year, the Corporation taking a restructuring provision of $1.4 million during the quarter, the Corporation incurring severance costs of $0.7 million, and the Corporation's poor third quarter results.

financial condition, liquidity and capital resources

Liquidity and Capital Resources

Mitec's bank indebtedness increased by $0.6 million for the nine months ended January 31, 2002 from $9.7 million to $10.3 million.

On December 7, 2001 the Corporation completed a Treasury Offering of $9.6 million, net of issuing costs. The proceeds were used for working capital purposes.

On January 30, 2002, the Corporation completed another Treasury Offering of $19.8 million, net of issuing costs. The proceeds were used to pay for the purchase in February 2002 of the wireless assets from Com Dev International.

Due to poor third quarter results, Mitec's cash flows from operating activities before changes in working capital decreased by $3.6 million from a surplus of $2.2 million for the same period last year to a negative $1.4 million in fiscal 2002.

The Corporation's receivables decreased from $25.3 million as at April 30, 2001 to $17.7 million as at January 31, 2002 and inventory decreased from $29.3 million to $26.4 million. The inventory decrease relates to the Corporation taking some provisions for wireless inventory for discontinued product lines. We also reduced our accounts payable and accrued liabilities which went from $36.7 million to $20.4 million. As a result of this, working capital increased from $10.9 million to $15.0 million.

	For the nine months ended	
[in thousands of dollars]	January 31, 2002	January 31, 2001
Cash flows from operating activities before changes in working capital balances	$ (1,380)	$ 2,244
Cash flows related to operating activities after changes in working capital balances	(7,986)	(2,931)
Working capital	15,018	10,947
Long-term debt and capital leases	15,424	5,618
Capital expenditures	1,065	1,678

Capital expenditures were $3.6 million for the nine-month period ended January 31, 2002 as compared to $1.7 million a year earlier. We invested heavily in electronic test equipment utilized in manufacturing facilities to support the growth in the wireless segment. Approximately $2.0 million of these capital expenditures were financed with capital leases. Therefore, the actual cash outflow for capital expenditure was only $1.0 million, as shown in the Consolidated Statement of Cash Flows.

On December 7, 2001, the Corporation issued 2,846,001 common shares from treasury. Each common share is accompanied by a half-share purchase warrant whereby each full warrant entitles the holder to acquire one additional common share of the Corporation at a price of $4.23 each on or prior to December 7, 2003. The Corporation has determined the accounting value of the warrants using the Black-Scholes option pricing model, which assumed an expected life of two years, volatility of 69% risk-free interest rate of 3.4% and no dividend yield, adjusted to account for the warrants limited liquidity. In addition, the Corporation issued 504,475 anti-dilution warrants which entitle the holder to acquire, between April 7, 2002 and April 19, 2002, a maximum of 504,475 common shares, based on a specified formula using the average issue price of common shares of the Corporation issued within the 120 day period ending on April 7, 2002.

On January 30, 2002, the Corporation issued 5,072,070 common shares from treasury. Each common share is accompanied by a half-share purchase warrant whereby each full warrant entitles the holder to acquire one additional common share of the Corporation at a price of $5.04 each on or prior to January 30, 2004. The Corporation has determined the accounting value of the warrants using the Black-Scholes option pricing model, which assumed an expected life of two years, volatility of 69% risk-free interest rate of 3.4% and no dividend yield, adjusted to account for the warrants limited liquidity.

Mitec has successfully negotiated new increased credit facilities with the CIBC. This facility was put into place during the third quarter and will be used to support the expected growth in operations. The Corporation is confident that with these facilities and the cash flow generated from operations that there will have sufficient resources to meet capital, research and development and other operational requirements for the foreseeable future. There can be no assurance, however, that all capital requirements will be met on a timely basis or satisfied on terms acceptable to the Corporation.

After the close of business on January 31, 2002 the Corporation acquired certain assets related to Com Dev International's Wireless RF Conditioning Components and Satellite Ground Station businesses for an estimated purchase price of $20.7 million. Acquisition costs related to this transaction are estimated at $2.3 million. The specific assets acquired include Com Dev's Suzhou (China) wireless entity as well as the Cornwall (UK) satellite ground station entity. Also acquired were selected fixed assets, client contracts, technology, and inventory of Com Dev's Dunstable (UK) wireless operations as well as Com Dev's Moncton (Canada) wireless operations.

Further restructuring costs, which cannot be estimated at this time, will be incurred during the Corporation's fourth quarter.

The results of operations of newly acquired assets will be consolidated during the Corporation's fourth quarter. The purchase price will be allocated during the fourth quarter.

risks and uncertainties

Foreign Exchange Risk

A significant portion of Mitec's sales are denominated in US dollars and may be adversely affected by any severe currency fluctuations.

From time to time, the Corporation uses future exchange contracts and foreign exchange contracts through a Board-approved plan, which has proven to be an effective means of mitigating short-term currency risks.

Customers

A significant portion of Mitec's sales are with a limited number of customers. Any production delays experienced by telecommunication network providers and service providers could have a material financial impact on Mitec. The wireless market is concentrated with five major network providers. Mitec has established a relationship with four of these network providers.

Technological Changes

It is extremely important to maintain very strong development support to remain abreast of all technological advances made in the Corporation's segments. As such, Mitec must continuously invest in R&D to secure the Corporation's positioning in obtaining or maintaining its current supply agreements.

Mitec signs long-term agreements with major customers that provide for the reimbursement to Mitec for inventory and long-lead components orders in the event of cancellation. These contracts and the Corporation's continuous investment in R&D provide Mitec with some protection in the constantly changing and turbulent telecommunications market.

Mitec Telecom Inc.
(Incorporated under the Canada Business Corporations Act)

consolidated balance sheet

Unaudited (in thousands of CAN dollars)	As at January 31, 2001	As at April 30, 2001
Assets		
Current		
Cash and cash equivalents	$ 796	$ 1,171
Restricted cash (note 6)	19,803	–
Trade receivables	17,694	25,307
Other receivables	401	511
Income taxes receivable	1,307	391
Inventories	26,470	29,287
Prepaid expenses and other	1,983	1,066
Deferred income taxes	861	837
Total current assets	69,315	58,570
Capital assets	32,717	32,696
Deferred income taxes	–	514
Long-term investment	–	1,000
Intangible assets	2,681	9
Goodwill (net of accumulated amortization of $3,730: 2001-$1,453)	12,394	14,762
	$ 117,107	$ 107,551
Liabilities and Shareholders' Equity		
Current		
Bank indebtedness (note 3)	$ 13,804	$ 10,888
Accounts payable and accrued liabilities	20,709	36,732
Current portion of long-term debt	1,236	1,297
Current portion of obligations under capital lease	1,149	463
Deferred income taxes	349	182
Deferred government grant	108	432
Total current liabilities	37,355	49,994
Long-term debt (note 4)	8,854	10,520
Obligations under capital lease	1,574	683
Deferred income taxes	290	851
	48,073	62,048
Shareholders' equity		
Share capital (note 6)	69,629	38,715
Retained earnings	1,025	8,270
Cumulative translation adjustment	(1,620)	(1,482)
Total shareholders' equity	69,034	45,503
	$ 117,107	$ 107,551

See accompanying notes.

consolidated statements of income (loss)

Unaudited (In thousands of CAN dollars except per share data)	Three months ended Jan. 31		Nine months ended Jan. 31	
	2002	2001	2002	2001
Sales	$ 23,355	$ 13,477	$ 91,281	$ 38,371
Cost of sales including amortization of capital assets of $800 & $2,257 (2001 - $323 & $1,055)	23,233	9,150	75,684	26,128
Gross profit	122	4,327	15,597	12,243
Expenses				
Research and development	2,944	1,764	7,898	5,199
Selling and administrative	3,620	2,173	9,475	5,780
Financial expenses	446	336	1,493	656
Interest income	(7)	(27)	(31)	(28)
Equity loss and amortization on long-term investment	–	15	38	45
Amortization of intangible assets	60	–	60	–
Other (note 5)	1,358	–	2,033	–
	8,421	4,261	20,966	11,652
Income (loss) before income taxes and goodwill amortization	(8,299)	66	(5,369)	591
Income taxes	(1,658)	(139)	(401)	186
Income (loss) before goodwill amortization	(6,641)	205	(4,968)	405
Goodwill amortization	(773)	(53)	(2,277)	(160)
Net income (loss) for the period	$ (7,414)	$ 152	$ (7,245)	$ 245
Basic and diluted (loss) earnings per common share				
Before goodwill amortization	(0.37)	0.02	(0.30)	0.04
After goodwill amortization	(0.42)	0.02	(0.44)	0.03
Weighted average number of shares outstanding ('000)	17,788	9,425	16,394	9,423

See accompanying notes.

consolidated statements of retained earnings

Unaudited (In thousands of CAN dollars)	Nine months ended Jan. 31	
	2002	2001
Retained earnings, beginning of period	$ 8,270	$ 8,529
Net (loss) income for the period	(7,245)	245
Retained earnings, end of period	$ 1,025	$ 8,774

See accompanying notes.

consolidated statements of cash flows

Unaudited (In thousands of CAN dollars)	Three months ended Jan. 31 2002	Three months ended Jan. 31 2001	Nine months ended Jan. 31 2002	Nine months ended Jan. 31 2001
Operating activities				
Net income (loss) for the period	$ (7,414)	$ 152	$ (7,245)	$ 245
Add items not affecting cash:				
Amortization of capital assets, intangibles and goodwill	2,051	824	5,868	2,407
Deferred income taxes	(1,329)	(486)	(349)	(453)
Equity loss and amortization on long-term investment	–	15	38	45
	(6,692)	505	(1,688)	2,244
Changes in non-cash working capital balances related to operations	(3,053)	1,935	(7,678)	(2,931)
Cash flows related to operating activities	(9,745)	2,440	(9,366)	(687)
Investing activities				
Additions to capital assets	(336)	(558)	(1,065)	(1,678)
Business acquisition, net of cash acquiered	–	–	142	–
Translation adjustment	(38)	(39)	27	122
Cash flows related to investing activities	(374)	(597)	(896)	(1,556)
Financing activities				
Decrease (increase) in bank indebtedness	3,487	(1,815)	3,273	2,045
Repayment of long-term debt	(1,101)	(130)	(1,724)	(412)
Decrease (increase) in obligations under capital lease	(351)	(8)	(917)	(39)
Issuance of common shares, net of issue costs	24,890	8	24,914	32
Issuance of warrants, net of issue costs	4,501	–	4,501	–
Cash flows related to financing activities	31,426	(1,945)	(30,047)	1,626
Net increase (decrease) in cash and cash equivalents	21,307	(102)	19,785	(617)
Cash and cash equivalents, beginning of year	(708)	73	814	588
Cash and cash equivalents, end of year	20,599)	(29)	20,599	(29)
Cash and cash equivalents consist of:				
Cash and cash equivalents	796	951	796	951
Restricted cash (note 6)	19,803	–	19,803	–
Bank overdraft	–	(980)	–	(980)
	$ 20,599	$ (29)	$ 20,599	$ (29)

See accompanying notes.

	Three months ended Jan. 31 2002	Three months ended Jan. 31 2001	Nine months ended Jan. 31 2002	Nine months ended Jan. 31 2001
Supplemental disclosure of cash flow information:				
Interest paid	410	190	1,367	551
Income taxes paid	386	65	618	232

notes to consolidated quarter 3 fiscal 2002

Unaudited, January 31, 2001

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

1. Basis of Financial Statement Presentation

These interim unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto for the year ended April 30, 2001. They do not include all disclosures required in annual consolidated financial statements but rather are prepared in accordance with recommendations for interim financial statements in conformity with Canadian generally accepted accounting principles. These consolidated financial statements have been prepared using the same accounting principles used in the audited consolidated financial statements for the year ended April 30, 2001, except for the change in accounting policy for earnings per share.

These interim unaudited consolidated financial statements include the accounts of the Corporation and its directly and indirectly owned subsidiaries. All significant intercompany transactions have been eliminated on consolidation.

During the period, the Corporation retroactively adopted the recently revised recommendations of the Canadian Institute of Chartered Accountants regarding earnings per share. Diluted earnings per share are now calculated using the treasury stock method. Under the treasury stock method, the weighted average number of shares outstanding is calculated assuming that proceeds from the exercise of options are used to repurchase common shares at the average market price for the period. No adjustment is made to net income for imputed interest in calculating dilutive earnings per share as under the old method. Per share amounts have been restated for the previous period.

For the three months ended	January 31, 2002			January 31, 2001		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
Net income before goodwill amortization	(6,641)			205		
Basic earnings per share before goodwill amortization						
Income (loss) available to common shareholders	(6,641)	17,787,830	(0.37)	205	9,425,000	0.02
Effect of dilutive securities						
Incremental treasury stock options/warrants (see note)	–	–		–	48,992	
Diluted earnings per share before goodwill amortization	(6,641)	17,787,830	(0.37)	205	9,473,992	0.02
Net income after goodwill amortization	(7,414)			152		
Basic earnings per share after goodwill amortization						
Income (loss) available to common shareholders	(7,414)	17,787,830	(0.42)	152	9,425,000	0.02
Effect of dilutive securities						
Incremental treasury stock options/warrants (see note)	–	–		–	48,992	
Diluted earnings per share after goodwill amortization	(7,414)	17,787,830	(0.42)	152	9,473,992	0.02

For the nine months ended	January 31, 2002			January 31, 2001		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
Net income before goodwill amortization	(4,968)			405		
Basic earnings per share before goodwill amortization						
(Loss) income available to common shareholders	(4,968)	16,394,109	(0.30)	405	9,423,000	0.04
Effect of dilutive securities						
Incremental treasury stock options/warrants (see note)	–	–		–	48,992	
Diluted earnings per share before goodwill amortization	(4,968)	16,394,109	(0.30)	405	9,471,992	0.04
Net income (loss) before goodwill amortization	(7,245)			245		
Basic earnings per share after goodwill amortization						
(Loss) income available to common shareholders	(7,245)	16,394,109	(0.44)	245	9,423,000	0.03
Effect of dilutive securities						
Incremental treasury stock options/warrants (see note)	–	–		–	48,992	
Diluted earnings per share before goodwill amortization	(7,245)	16,394,109	(0.44)	245	9,471,992	0.03

Note: Incremental stock options and warrants were not considered for the three and nine months ended January 31, 2002 as they were anti-dilutive.

2. Business Acquisition

Effective October 10, 2001, the Corporation purchased the remaining 85% of the outstanding voting common shares of Amplix Inc. ["Amplix"] for a purchase price, including acquisition costs of $1,505,000. Headquartered in Montreal, Quebec, Amplix is a company that specializes in the design, fabrication and marketing of pre-distorsion linearizers for wireless and satellite communication equipment.

The results of operations of Amplix have been consolidated in the accounts of the Corporation since the date of acquisition and the long-term investment has been eliminated since consolidation now applies.

The aggregate purchase price was $1,505,000, including $5,000 of cash and common shares valued at $1,500,000. The value of the 391,100 common shares issued was determined based on the average market price of Mitec's common shares over a two-day period before and after the terms of the acquisition were agreed to and announced.

The allocation of the purchase price is summarized as follows:

	$
Current assets and capital assets, including $147 of cash and cash equivalents	337
Intangible assets	1,832
Future tax asset	117
Total assets acquired	2,286
Current liabilities	208
Future tax liability	573
Total liabilities assumed	781
Net assets acquired	**1,505**
Consideration represented by:	
Cash	5
Share capital (note 6)	1,500
	1,505

Of the assets acquired, $1,832,000 was assigned to intangible assets representing patented technology. These intangible assets will be amortized over a ten-year period.

3. Bank Indebtedness

On December 12, 2001 the Corporation obtained a new credit facility with a major financial institution to replace the existing facility. The new credit facility includes a $10.5 million operating loan, $7.5 million revolving term loan, $1.0 million demand loan, and $3.0 million forward exchange contract facility. Of these facilities only $6.2 million of the operating loan was utilized by the Corporation as at January 31, 2002.

The collateral provided by the Corporation under these new facilities consist of:

a) a first ranking hypothec in the amount of $25,000,000 on movable assets, both tangible and intangible

b) a first ranking hypothec in the amount of $500,000 on certain immovable property with a net book value of $683,000

c) a second ranking hypothec in the amount of $10,000,000 on certain immovable property with a net book value of $6,060,000

One of the Corporation's subsidiaries has credit facilities in place of up to $6.750 million collateralized by its trade receivables. Of this amount $2.024 million was utilized as at January 31, 2002.

During the third quarter, the Corporation's Swedish subsidiary converted a $2.611 million operating loan into a term loan bearing interest at 5.95% repayable over a twelve-month period in two instalments of $746,000 and two instalments of $559,500.

4. Long Term Debt

On December 13, 2001, the Corporation prepaid $750,000 of Clarica's term loan referred to in the Corporation's April 30, 2001 financial statements. The monthly principal instalments have remained unchanged.

5. Other Expenses

The Corporation's other expenses relate to restructuring and severance costs of $2.033 million for the nine-month period ended January 31, 2002.

During the second quarter, our Swedish facilities incurred severance costs of $675,000. These layoffs were as a result of the sudden slowdown in the European telecom industry. Under Swedish labor laws, as layoffs take place each employee is provided with four months of wages even if these layoffs are temporary. During the third quarter, further restructuring costs of $308,000 were recorded.

During the third quarter, the Corporation also recorded a provision for restructuring of $1.050 million as a result of implementing certain initiatives required to restructure the operations of the Corporation in the United Kingdom. The restructuring is a result of the Corporation closing its existing UK facilities as a result of the acquisition of certain assets related to Com Dev International's Wireless RF Conditioning Components and Satellite Ground Station businesses (note 8). The provision for restructuring includes amounts for employee severance, lease cancellation costs, and write-downs of certain capital assets and inventory for existing product lines which will not be continued by newly acquired facilities. The Corporation expects further restructuring over the next six months.

6. Share Capital

Issued and outstanding common shares	January 31, 2002		April 30, 2001	
	# of Shares	$	# of Shares	$
Balance, beginning of period	15,629,216	38,715	9,417,026	20,689
Changes during the period:				
Employee share purchase plan	10,811	40	10,718	42
Issuance of shares on business acquisition (note 2)	391,100	1,500	6,201,472	17,984
Issued for cash (net of issue costs of $1,746)	7,918,071	26,340		
Balance, end of period	23,949,198	66,595	15,629,216	38,715

Warrants

	January 31, 2002		April 30, 2001	
	# of Warrants	$	# of Warrants	$
Balance, beginning of period				
Issued for cash (net of issue costs of $220)	3,959,035	3,034		
Balance, end of period	3,959,035	3,034		
Total		69,629		38,715

6. Share Capital (continued)

On December 7, 2001, the Corporation issued 2,846,001 common shares from treasury. Each common share was accompanied by a half-share purchase warrant whereby each full warrant entitles the holder to acquire one additional common share of the Corporation at a price of $4.23 each on or prior to December 7, 2003. The cash consideration received for the common shares and the warrants was $9.571 million net of estimated issue costs of $447,000. The Corporation has allocated the proceeds from the issuance of the units as an addition to the legal stated capital of the common shares. For accounting purposes the warrants have been valued at $1.034 million net of estimated issue costs of $48,000 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. In addition, the Corporation issued 504,475 anti-dilution warrants which entitle the holder to acquire, between April 7, 2002 and April 19, 2002, a maximum of 504,475 common shares based on a specified formula using the average issue price of common shares of the Corporation issued within the 120 day period ending on April 7, 2002.

On January 30, 2002, the Corporation issued 5,072,070 common shares from treasury. Each common share was accompanied by a half-share purchase warrant whereby each full warrant entitles the holder to acquire one additional common share of the Corporation at a price of $5.04 each on or prior to January 30, 2004. The cash consideration received for the common shares and the warrants was $19.803 million net of estimated issue costs of $1.5 million. The Corporation has allocated the proceeds from the issuance of the units as an addition to the legal stated capital of the common shares. For accounting purposes the warrants have been valued at $2.0 million net of estimated issue costs of $152,000 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 consideration from this issuance of common shares and warrants was restricted for the purchase disclosed in note 8.

Stock option plan

The changes to the number of stock options granted by the Corporation, and their weighted average exercise price are as follows:

	January 31, 2002		April 30, 2001	
	#	$	#	$
Balance, beginning of period	927,950	5.12	1,061,350	6.05
Granted	523,000	3.54	211,800	2.46
Expired	(15,500)	5.88	(345,200)	6.34
Balance, end of period	1,435,450	4.54	927,950	5.12
Options exercisable at end period	747,190	5.41	428,550	5.80

7. Segmented Information

(a) Segmented information used by management (nine months ended January 31)

	Wireless	Microwave	Satcom	Total
	$	$	$	$
2002				
Sales	45,704	35,907	9,670	91,281
Cost of sales	33,407	34,892	7,385	75,684
Gross profit	12,297	1,015	2,285	15,597
Expenses				20,966
Income before income tax recovery and goodwill amortization				(5,369)
Income tax recovery				(401)
Goodwill amortization				2,277
Net loss for the period				(7,245)

(a) Segmented information used by management (nine months ended January 31)

	Wireless $	Microwave $	Satcom $	Total $
2001				
Sales	22,736	3,748	11,887	38,371
Cost of sales	16,448	3,056	6,623	26,128
Gross profit	6,288	692	5,264	12,243
Expenses				11,652
Income before income tax expense and goodwill amortization				591
Income tax expense				186
Goodwill amortization				160
Net income for the period				245

(b) Segmented information used by management (three months ended January 31)

	Wireless $	Microwave $	Satcom $	Total $
2002				
Sales	9,397	11,793	2,165	23,355
Cost of sales	8,785	12,271	2,177	23,233
Gross profit	613	(478)	(11)	122
Expenses				8,421
Income before income tax recovery and goodwill amortization				(8,299)
Income tax recovery				(1,658)
Goodwill amortization				773
Net loss for the quarter				(7,414)
2001				
Sales	8,642	1,088	3,747	13,477
Cost of sales	6,417	962	1,772	9,150
Gross profit	2,226	127	1,975	4,327
Expenses				4,261
Income before income tax recovery and goodwill amortization				66
Income tax recovery				(139)
Goodwill amortization				53
Net income for the quarter				152

8. Subsequent Event

After the close of business on January 31,2002 the Corporation acquired certain assets related to Com Dev International's Wireless RF Conditioning Components and Satellite Ground Station businesses for an estimated purchase price of $20.7 million paid in cash. Acquisition costs related to this transaction are estimated at $2.3 million. The specific assets acquired include Com Dev's Suzhou (China) wireless entities assets and certain liabilities as well as the Cornwall (UK) satellite ground station entities'assets and certain liabilities. Also acquired were selected fixed assets, client contracts, technology, and inventory of Com Dev's Dunstable (UK) wireless operations as well as Com Dev's Moncton (Canada) wireless operations.

Further restructuring costs, in addition to those disclosed in note 5 which cannot be estimated at this time, will be incurred during the Corporation's fourth quarter.

The results of operations of newly acquired assets will be consolidated starting February 1, 2002. The purchase price will be allocated during the fourth quarter upon determination of final asset values.