



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.

Information with respect to the April 30, 2002 balance sheet is derived from the Company's complete audited consolidated financial statements. The unaudited interim consolidated financial statements should be read in conjunction with the notes appearing in the audited consolidated financial statements for the year ended April 30, 2002. 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, 2002, except as disclosed in note 2.

| (As a percentage of sales) | For the three months ended | | For the nine months ended | |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | January 31 st , 2003 | January 31 st , 2002 | January 31 st , 2003 | January 31 st , 2002 |
| Sales | 100.0% | 100.0% | 100.0% | 100.0% |
| Gross profit | 11.5% | 0.5% | 11.4% | 17.1% |
| Research and development | 7.6% | 12.6% | 9.9% | 8.7% |
| Selling and administrative | 15.2% | 15.5% | 14.9% | 10.4% |
| Amortization of intangible assets | 1.6% | - | 1.5% | - |
| Financial expenses & interest, net | 8.0% | 1.9% | 4.1% | 1.6% |
| Other | - | 5.8% | 2.9% | 2.2% |
| Income tax (recovery) expense | (0.2%) | (6.7%) | (0.3%) | (0.3%) |
| Net (loss) income before goodwill amortization | (20.6%) | (28.4%) | (21.7%) | (5.4%) |
| Goodwill and equity loss | - | 3.3% | - | 2.5% |
| Net (loss) income after goodwill amortization | (20.6%) | (31.7%) | (21.7%) | (7.9%) |

Results of operations

Sales

Total sales for the three month period ended January 31, 2003 increased by 1.3% to \$23.7 million as compared to the \$23.4 million a year earlier.

Total sales for the nine month period ended January 31, 2003 decreased by 17.1% to \$75.7 million as compared to the \$91.3 million a year earlier.

Wireless

Sales in this segment are derived from RF conditioning and Power Amplifiers sold to communication network providers, such as Ericsson and Nortel. As a result of decreased demand for products primarily in emerging economies, most notably in China, the wireless segment had decreased 12.8% for the nine month period ended January 31, 2003 compared to the previous year. Sales for the three month period ended January 31, 2003 increased 5.5% as the result of the inclusion of Com Dev's Wireless sales compared to the same period last year.

Microwave

These products are sold to network providers. The products are for radio frequency microwave systems sold to customers such as Ericsson and Andrew. Sales for the three and nine month periods decreased 6.4% and 19.6% as compared to same periods last year. This decrease is the result of a reduction in orders with a major customer due to the slowdown in the European telecom industry.

Satcom

Sales in this segment are derived from both network and service providers, such as Nortel, Andrew, EchoStar and CPI. Softness in the satcom segment is due to lower demand for satellite ground stations, and flexible waveguide which created a 27.9% decrease for the nine month period ended January 31, 2003 compared to the previous year. Sales for the three month period ended January 31, 2003 increased 27.4% as the result of the inclusion of Com Dev's Satcom sales compared to the same period last year.

Cost of Sales and Gross Profit

The Corporation's gross profit for the three month period ended January 31, 2003 was \$2.7 million as compared to \$0.1 million a year earlier. This represents a significant increase.

The Corporation's gross profit for the nine month period ended January 31, 2003 was \$8.6 million as compared to \$15.5 million a year earlier. This represents a 44.5% decrease.

Gross profit as a percentage of sales for the Wireless, Microwave and Satcom segments were as follows:

| | For the three months ended | | For the nine months ended | |
|------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | January 31 st , 2003 | January 31 st , 2002 | January 31 st , 2003 | January 31 st , 2002 |
| Wireless | 4.7% | 6.5% | 11.5% | 26.9% |
| Microwave | 7.2% | (4.0%) | 7.0% | 2.8% |
| Satcom | 53.4% | (0.5%) | 29.0% | 23.6% |
| Total | 11.5% | 0.5% | 11.4% | 17.1% |

Wireless

Due to the significant decrease in sales and the write down of \$500,000 in inventory, gross margins decreased significantly. The sales reduction was for 2.5G products. Also, our Montreal and Chinese facility were unable to recoup their overhead costs. Also contributing to the gross margin reduction, was the suite of products obtained from the Com Dev acquisition in Q4 of 2002, which had lower margins. The significant efforts being put into material cost reduction should improve gross margins in the future.

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. The Corporation has restructured the Swedish subsidiary's operations with the objective of reducing its overhead costs to better match sales volumes such that gross margins for three and nine month periods ended January 31, 2003 have improved compared to the prior year.

Satcom

For the three and nine month periods ended January 31, 2003, gross margins were higher than the previous year mainly a result of changes to the product mix which carried higher margins and the Corporation's efforts to reduce this segment's overhead costs.

Research and Development

Mitec's research and development ("R&D"), net of investment tax credits for the quarter was \$1.8 million and \$7.5 million for the year-to-date, a decrease of 38.9% and 4.5% respectively over the same periods in the previous year.

This decrease is mostly related to the migrating of Mitec's R&D activities to Montreal and the Corporation's restructuring efforts undertaken in Q2 in this area.

Selling and Administrative Expenses

The Corporation's selling and administrative expenses for the three month period ended January 31, 2003 increased 8.3% to \$3.9 million as compared to \$3.6 million a year earlier. The Corporation's selling and administrative expenses for the nine month period ended January 31, 2003 increased 30.5% to \$12.4 million as compared to \$9.5 million a year earlier. The majority of this increase for the three and nine month periods ended January 31, 2003 is the result of the acquisition of Com Dev's Wireless business in the 4th quarter of fiscal 2002.

Amortization of Intangible Assets

As a result of the Corporation's acquisition of Com Dev's Wireless business and Amplix, a technology company, intangible assets of \$7.9 million were recorded. These assets are to be amortized between 5-10 years.

The amortization for the three months period ending January 31st, 2003 was \$0.4 million as compared to zero for the period a year earlier. For the nine months period ending January 31st, 2003 the amortization was \$1.1 million as compared to zero a year earlier.

Other

The Corporation's other expenses relate to restructuring and severance costs of \$ 2.2 million for the nine month period ended January 31, 2003.

During the first quarter, expenses related to workforce reductions including the cost of severance and benefits associated with the employees notified of termination in the amount of \$377,000 were recorded.

During the second quarter, expenses amounting to \$1,473,000 related to workforce reductions including the cost of severance and benefits associated with the employees notified of termination were recorded. 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 is no longer required by the Corporation.

Financial Expenses and Interest Expense

Mitec's financial expenses and interest expense for the three and nine month periods ended January 31, 2003 were \$1.9 million and \$3.1 million, respectively, as compared to \$0.4 million and \$1.5 million, respectively, a year earlier representing a significant increase. This increase is mainly the result of foreign exchange losses incurred as a result of the stronger Swedish Kronor and using the temporal method of accounting for consolidating the Corporation's fully integrated Swedish facilities results.

Income Tax Expense

Income tax recovery for the three month period ended January 31, 2003 was minimal as compared to \$1.7 million a year earlier. Income tax recovery for the nine month period ended January 31, 2003 resulted in an recovery of \$0.3 million as compared to an expense of \$0.4 million a year earlier. This recovery is primarily because the Corporation and most of its subsidiaries recorded losses for tax purposes for the three and nine month period ended January 31, 2003.

Goodwill Amortization

As of May 1, 2002 the Corporation's goodwill on business combinations is no longer amortized but instead reviewed for impairment. Therefore goodwill amortization for the three month period ended January 31, 2003 was nil as compared to \$0.8 million a year earlier. Goodwill amortization for the nine month period ended January 31, 2003 was nil as compared to \$2.3 million a year earlier. We have also completed the first step of the transitional goodwill impairment test of existing goodwill during the second quarter of fiscal 2003. This test indicated that the carrying amount of the Swedish reporting unit exceeded its fair value indicating potential impairment in the goodwill of the reporting unit. The second step of the transitional goodwill impairment test will be completed by April 30, 2003 and any impairment resulting from the new recommendations will be charged to opening retained earnings.

Net Income (loss)

Net loss for the three month period ended January 31, 2003 was \$4.9 million as compared to a net loss of \$7.4 million a year earlier. Net loss for the nine month period ended January 31, 2003 was \$16.4 million as compared to a net loss of \$7.2 million a year earlier. For the three month period the decrease in the net loss is attributed mainly to improvement in Satcom and Microwave gross margins compared to last year. For the nine month period the increase in net loss is attributed to the reduction in the Corporation's sales, margins and increases in foreign exchange losses and selling and administrative expenses compared to same periods last year.

Financial condition, liquidity and capital resources

Liquidity and Capital resources

Mitec's bank indebtedness decreased by \$0.6 million for the nine months ended January 31, 2003 from \$17.3 million to \$16.7 million.

On August 15, 2002, the Corporation received a waiver of its non-compliance with certain of the covenants contained in its long-term debt agreement with Clarica conditional on the Corporation receiving satisfactory waivers from its Canadian bank. The lender increased the rate of interest on this debt by 1% effective December 31, 2002 if the loan has not been repaid in full by that time.

As at October 31, 2002, the Corporation was not in compliance with certain of its covenants under its Canadian bank credit facility. On September 10, 2002, the Corporation's Canadian bank issued a letter indicating that it was prepared to tolerate the non-compliance with its covenants at April 30, 2002 and July 31, 2002 under its Canadian bank credit facility as described in note 3. The bank confirmed to the Corporation that it was prepared to tolerate the existing defaults to November 1, 2002 subject to a number of conditions including maintaining a tangible quick ratio of 0.60:1 on both a non-consolidated basis and on a combined North American operations basis for the quarter ended October 31, 2002 and raising funding of at least \$5,000,000 by November 1, 2002.

These conditions were not met but the Corporation and the bank continue to work together.

The Swedish bank term loan contains restrictive financial and other covenants. As at October 31, 2002, certain financial covenants were not met by the Corporation. The Swedish bank has agreed to waive the events of default to April 30, 2003 conditional upon the Corporation approving a cash infusion into the Swedish subsidiary and minimum equity requirements for the Swedish subsidiary as at January 31, 2003 and April 30, 2003. Given the current negotiations with the Corporation's Canadian bank lender, the Corporation may not be able to meet these requirements and accordingly this debt has been classified as a current liability.

On March 4, 2003, the Corporation's principal operating Swedish subsidiary filed a request with Swedish courts for corporate reconstruction.

The corporate reconstruction proceedings involves, inter alia, a stoppage of payments and the appointment of an administrator to assist the subsidiary in negotiating a composition arrangement with the subsidiary's creditors except for such subsidiary's Swedish bank.

As a result of this action, the Swedish subsidiary may not incur any new debts (except with the administrator's consent) and must therefore pay its creditors on a cash on delivery basis, but will continue with its current Swedish bank facilities. The Corporation continues to control its Swedish subsidiaries.

The Corporation's receivables decreased from \$21.6 million as at April 30, 2002 to \$14.7 million as at January 31, 2003 and inventory decreased from \$28.5 million to \$24.1 million. This decrease in investment was offset by an increase our accounts payable and accrued liabilities which went from \$26.0 million to \$27.7 million. Mainly as a result of the above, the continuing losses incurred, and the reclassification of the Swedish subsidiary term loan to current liability, working capital decreased from \$2.0 million to negative \$16.8 million.

| For the nine months ended (In thousands of dollars) | January 31 st , 2003 | January 31 st , 2002 |
|--|---------------------------------|---------------------------------|
| Cash flows from operating activities before changes in working capital balances | (10,771) | (1,380) |
| Cash flows related to operating activities after changes in working capital balances | 2,840 | (7,986) |
| Capital expenditures | 1,736 | 1,065 |

| (In thousands of dollars) | January 31 st , 2003 | April 30 th , 2002 |
|-----------------------------------|---------------------------------|-------------------------------|
| Working capital | (16,827) | 2,059 |
| Long-term debt and capital leases | 920 | 16,126 |

Capital expenditures were \$1.7 million for the nine months ending January 31, 2003 as compared to \$1.1 million a year earlier. The greater part of that amount was for electronic test equipment utilized in our manufacturing facilities.

The Corporation did an impairment test on the investment for its Swedish subsidiary. As a result of this test a \$5.2 million transitional goodwill impairment writedown was made against retained earnings.

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 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 repricing adds \$862,000 to the accounting value of the warrants.

On February 4, 2003 the Corporation issued 19,179,803 common shares and 9,589,902 warrants to acquire common shares from both private placement and public unit offerings at a price of \$0.32 and \$0.45 respectively. The aggregate gross proceeds raised from these two offerings was \$6,137,537 and will be reduced by the issue costs which are estimated at \$ 850,000. Each full warrant entitles the holder to acquire one additional common share of the Corporation at a price of \$0.45 each on or prior to February 4, 2005.

On February 6, 2003, the Corporation accepted a letter of offer for a \$3,750,000 subordinated loan from La Financière du Québec which is to be disbursed in three equal tranches. To receive the second and third tranche the Corporation will be required to dispose of certain non-core assets.

This loan will be repayable in 60 monthly payments of \$62,500 commencing 12-months after the disbursement of the funds. Interest will be at a rate of prime plus 3½%. The Corporation also provided the lender with 2,419,355 warrants to purchase shares at \$0.31 per share for a period of 5 years. In addition, La Financière du Québec provided a \$1,000,000 loan guarantee in connection with the Canadian banker's special loan facility. There is a 1% fee for this facility and the Corporation provided the guarantor with 322,581 warrants to purchase common shares of the Corporation at \$0.31 per share for a period of five years.

Risk and Uncertainties

GOING CONCERN UNCERTAINTY

The accompanying consolidated interim 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 and the violation of substantially all of its Canadian debt covenants. As such, the realization of assets and the discharge of liabilities are subject to significant uncertainty.

The 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 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.

Management believes that with their plans detailed earlier, sufficient funds will be generated to maintain the support of the Corporation's lenders 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.

Foreign Exchange Risk

A significant portion of Mitec's sales are denominated in U.S. 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.

Consolidated Balance Sheet (note 1)
(in thousands of CDN dollars)

| | As at January 31st, 2003 Unaudited | As at April 30th, 2002 |
|--|---|------------------------------|
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | 1,625 | 2,431 |
| Trade receivables | 14,691 | 21,582 |
| Other receivables | 287 | 289 |
| Income taxes receivable | - | 611 |
| Inventories | 24,154 | 28,523 |
| Prepaid expenses and other | 1,160 | 1,223 |
| Deferred income taxes | 456 | 509 |
| Total current assets | 42,373 | 55,168 |
| Capital assets | 35,377 | 38,053 |
| Deferred income taxes | 880 | 375 |
| | - | - |
| Intangible assets (net of acc. amortization of \$1,356: April 30, 2002 - \$346) | 7,490 | 8,500 |
| Deferred charges | 138 | 252 |
| Goodwill (net of acc.amortization and writedown of \$16,062: April 30,2002-\$10,901) | 153 | 5,314 |
| | 86,411 | 107,662 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current | | |
| Bank indebtedness (note 3) | 16,670 | 17,276 |
| Accounts payable and accrued liabilities | 27,701 | 26,056 |
| Income taxes payable | 31 | - |
| Current portion of long-term debt (note 4) | 13,423 | 8,235 |
| Current portion of obligations under capital lease | 1,375 | 1,542 |
| Total current liabilities | 59,200 | 53,109 |
| Long-term debt (note 4) | - | 5,218 |
| Obligations under capital lease | 920 | 1,131 |
| Deferred income taxes | - | - |
| | 60,120 | 59,458 |
| SHAREHOLDERS' EQUITY | | |
| Share capital (note 5) | 70,604 | 69,674 |
| Deficit | (42,396) | (19,934) |
| Cumulative translation adjustment | (1,917) | (1,536) |
| Total shareholders' equity | 26,291 | 48,204 |
| | 86,411 | 107,662 |

See accompanying notes.

MITEC TELECOM INC.

| Consolidated Statement of Operations (note 1) | | | | |
|---|------------------------------|----------------|------------------------------|----------------|
| Unaudited | | | | |
| (in thousands of CDN dollars except per share data) | | | | |
| | 3 months ended Jan 31 | | 9 months ended Jan 31 | |
| | 2003 | 2002 | 2003 | 2002 |
| Sales | 23,709 | 23,355 | 75,667 | 91,281 |
| Cost of sales including amortization of capital assets of \$643 & \$1,958 (2001 - \$762 & \$1457) | 20,974 | 23,233 | 67,029 | 75,684 |
| Gross profit | 2,735 | 122 | 8,638 | 15,597 |
| Expenses | | | | |
| Research and development | 1,796 | 2,944 | 7,543 | 7,898 |
| Selling and administrative | 3,601 | 3,680 | 11,320 | 9,535 |
| Amortization of intangible assets | 378 | - | 1,124 | - |
| Financial expenses | 1,904 | 446 | 3,138 | 1,493 |
| Interest income | - | (7) | - | (31) |
| Equity loss | - | - | - | 38 |
| Other (note 6) | - | 1,358 | 2,223 | 2,033 |
| | 7,679 | 8,421 | 25,348 | 20,966 |
| Loss before income taxes and goodwill amortization | (4,944) | (8,299) | (16,710) | (5,369) |
| Income tax recovery | (53) | (1,658) | (271) | (401) |
| Loss before goodwill amortization | (4,891) | (6,641) | (16,439) | (4,968) |
| Goodwill amortization | - | (773) | - | (2,277) |
| Net loss for the period | (4,891) | (7,414) | (16,439) | (7,245) |
| Basic and diluted earnings per common share | | | | |
| Before goodwill amortization | (0.20) | (0.37) | (0.69) | (0.30) |
| After goodwill amortization | (0.20) | (0.42) | (0.69) | (0.44) |
| Weighted average number of shares outstanding ('000) | 24,003 | 17,788 | 23,984 | 16,394 |

See accompanying notes.

MITEC TELECOM INC.

| Consolidated Statements of Cash Flows (note 1) | | | | |
|--|------------------------------|----------------|------------------------------|----------------|
| Unaudited | | | | |
| (in thousands of CDN dollars) | | | | |
| | 3 months ended Jan 31 | | 9 months ended Jan 31 | |
| | 2003 | 2002 | 2003 | 2002 |
| Operating Activities | | | | |
| Net loss for the period | (4,891) | (7,414) | (16,439) | (7,245) |
| Add items not affecting cash: | | | | |
| Amortization of capital assets, intangible assets and goodwill | 1,818 | 2,051 | 5,222 | 5,868 |
| Gain on disposal of capital assets | (15) | - | (7) | - |
| Deferred income taxes | (10) | (1,329) | 453 | (349) |
| Equity loss and amortization on long-term investment | - | - | - | 38 |
| | (3,098) | (6,692) | (10,771) | (1,688) |
| Changes in non-cash working capital balances related to operations | 5,866 | (3,053) | 13,611 | (7,678) |
| Cash flows related to operating activities | 2,768 | (9,745) | 2,840 | (9,366) |
| Investing activities | | | | |
| Additions to capital assets | (406) | (336) | (625) | (1,065) |
| Proceeds on disposal of capital assets | 130 | - | 153 | - |
| Business acquisition, net of cash acquired | 0 | - | - | 142 |
| Cash flows related to investing activities | (276) | (336) | (472) | (923) |
| Financing activities | | | | |
| Increase in bank indebtedness | - | 3,487 | - | 3,273 |
| Repayment of bank indebtedness | (812) | - | (606) | - |
| Increase in long-term debt | - | - | 1,400 | - |
| Repayment of long-term debt | (1,052) | (1,101) | (2,675) | (1,724) |
| Repayment in obligations under capital lease | (561) | (351) | (1,526) | (917) |
| Issuance of common shares net of issue costs | 21 | 24,890 | 68 | 24,914 |
| Issuance of warrants net of issue costs | - | 4,501 | - | 4,501 |
| Cash flows related to financing activities | (2,404) | 31,426 | (3,339) | 30,047 |
| Effect of exchange rate fluctuations changes on cash | 175 | (38) | 165 | 27 |
| Net increase (decrease) in cash and cash equivalents | 263 | 21,307 | (806) | 19,785 |
| Cash and cash equivalents, beginning of year | 1,362 | (708) | 2,431 | 814 |
| Cash and cash equivalents, end of year | 1,625 | 20,599 | 1,625 | 20,599 |
| Cash and cash equivalents consist of: | | | | |
| Cash and cash equivalents | 1,625 | 796 | 1,625 | 796 |
| Restricted cash | - | 19,803 | - | 19,803 |
| | 1,625 | 20,599 | 1,625 | 20,599 |
| See accompanying notes. | | | | |
| Supplemental disclosure of cash flow information | | | | |
| Interest Paid | 566 | 410 | 1,534 | 1,367 |
| Income Taxes paid | 94 | 386 | 286 | 618 |

MITEC TELECOM INC.

Consolidated Statements of Retained Earnings (Deficit) (note 1)

Unaudited

| (in thousands of CDN dollars) | 9 months ended Jan 31 | |
|--|------------------------------|--------------|
| | 2003 | 2002 |
| Retained earnings (deficit) , beginning of period | (19,934) | 8,270 |
| Warrant Repricing (note 5) | (862) | |
| Transitional Goodwill Impairment Writedown | (5161) | |
| Net loss for the period | (16,439) | (7,245) |
| Retained earnings (deficit), end of period | (42,396) | 1,025 |

See accompanying notes.

**NOTES TO CONSOLIDATED THIRD QUARTER FISCAL 2003
JANUARY 31, 2003**

1. BASIS OF FINANCIAL STATEMENT PRESENTATION AND GOING CONCERN UNCERTAINTY

These interim unaudited consolidated financial statements should be read in conjunction with the notes appearing in the audited financial statements for the year ended April 30, 2002. They do not include all disclosures required in annual financial statements but rather are prepared in accordance with recommendations for interim financial statements in conformity with Canadian generally accepted accounting principles. These financial statements have been prepared using the same accounting principles used in the audited financial statements for the year ended April 30, 2002.

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.

Going concern uncertainty

The accompanying consolidated interim 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 and negative cash flows. Under an agreement with the Corporation's Canadian banker dated December 19, 2002 and updated on January 27, 2003, the Corporation must meet certain sales and EBITDA targets for the third and fourth quarters ending January 31, and April 30, 2003 and certain financial covenants for the fourth quarter and subsequent quarters. In addition to the existing credit facilities, the bank provided a special loan facility in the amount of \$1,250,000. The Corporation has complied with the above requirements to date [see note 9].

The Corporation's Swedish subsidiary has also incurred significant operating losses and has not met certain financial covenants related to its Swedish bank indebtedness and term loans (note 4). Management is working to renegotiate their covenants with the Swedish bank. In the event the Corporation is unsuccessful in renegotiating these agreements and is unable to continue to support their Swedish subsidiaries, there could be a material adverse impact on the Corporation's financial position and results of operations [see note 9].

The consolidated interim 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 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.

The Company's continuation as a going concern is dependent upon, amongst other things, maintaining a satisfactory sales level, the continued viability of the Corporation's significant customers [note 7], a return to profitable operations and the ability to generate sufficient cash from operations, financing arrangements and new capital to meet its obligations including the requirements of the Swedish subsidiary lender, as they become due. These matters are dependent on a number of items outside of the Corporation's control and there is uncertainty about the Corporation's ability to successfully conclude on the matters.

2. SIGNIFICANT ACCOUNTING POLICIES

Goodwill and Other Intangible Assets

Effective May 1, 2002, the Corporation adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) "Goodwill and Other Intangible Assets". Accordingly, the Corporation ceased amortization of goodwill on May 1, 2002 and goodwill will instead be tested for impairment. The Corporation completed the initial step of this transitional goodwill impairment test of the existing goodwill during the second quarter of fiscal 2003. The test indicated that the carrying amount, including goodwill, for the Swedish reporting unit exceeded its fair value indicating a potential impairment in the goodwill of the reporting unit. In accordance with the new recommendations, the Corporation completed the second step of the transitional goodwill impairment test as at May 1, 2002 which indicated an impairment in the goodwill for the Swedish reporting unit. This impairment arose as a result of the application of the new CICA recommendations which require the allocation of the estimated discounted cash flows to tangible assets and limited life intangible assets before goodwill. As required by the CICA recommendations, the goodwill impairment amounting to \$5,161,000 was charged to the deficit as at May 1, 2002 as a transitional adjustment.

The following table discloses a reconciliation of the previously reported net income and basic and diluted (loss) earnings per share to the amounts adjusted for the exclusion of amortization of goodwill, net of related taxes.

| | For the six months ended | |
|---|----------------------------|---------------------|
| | January 31, 2003 | January 31, 2002 |
| | \$ | \$ |
| Net loss: | | |
| Reported net loss | (16,439) | (7,245) |
| Add: Goodwill amortization | - | 2,277 |
| Adjusted net loss | (16,439) | (4,968) |
| Basic and diluted loss per share: | | |
| Reported basic and diluted loss per share | (0.69) | (0.44) |
| Add: Goodwill amortization | - | 0.14 |
| Adjusted basic and diluted loss per share | (0.69) | (0.30) |
| | | |
| | For the three months ended | |
| | January 31, 2003 | January 31, 2002 |
| | \$ | \$ |
| Net loss: | | |
| Reported net loss | (4,891) | (7,414) |
| Add: Goodwill amortization | - | 773 |
| Adjusted net loss | (4,891) | (6,641) |
| Basic and diluted loss per share: | | |
| Reported basic and diluted loss per share | (0.20) | (0.42) |
| Add: Goodwill amortization | - | 0.06 |
| Adjusted basic and diluted loss per share | (0.20) | (0.37) |

Stock-based Compensation and Other Stock-based payments

Effective May 1, 2002, the Corporation adopted the recommendations of the CICA with respect to Stock-based Compensation and Other Stock-based payments. As permitted by CICA 3870, the Corporation has applied this change prospectively for new stock options granted on or after May 1, 2002. The Corporation has chosen to recognize no compensation when stock options are granted to employees and directors under stock option plans with no cash settlement features. The fair value of stock options are 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 is required and has been determined as if the Company had accounted for its employee stock options granted after April 30, 2002 under the fair value method. The fair value for these options was estimated at the date of granting using a Black-Scholes Option Pricing Model with the following assumptions for 2003: weighted-average risk-free interest rates of 5.10%; no dividend yield; weighted-average volatility factors of the expected market price of the Corporation's common shares of 72%; and a weighted-average expected life of the options of 10 years. For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting periods. The Corporation's pro forma net loss would be increased by approximately \$16,600 and \$27,000 for the three months and nine months ended January 31, 2003 respectively. Basic and diluted loss-per-share figures would have remained the same for the three-month and nine-month periods ended January 31, 2003. The weighted average fair value of stock options granted during the three months and the nine months ended January 31, 2003 was \$0.29 and \$0.51 respectively.

Loss per share

For the three months ended

| | January 31, 2003 | | | January 31, 2002 | | |
|--|------------------|-----------------------------------|------------------|------------------|-----------------------------------|------------------|
| | Loss | Weighted average number of shares | Per share amount | Loss | Weighted average number of shares | Per share amount |
| Net loss before goodwill amortization | (4,891,000) | | | (6,641,000) | | |
| Basic loss per share before goodwill amortization | (4,891,000) | 24,002,882 | (0.20) | (6,641,000) | 17,787,830 | (0.37) |
| Loss available to common shareholders | | | | | | |
| Effect of dilutive securities Incremental treasury stock options/warrants | | 134,646 | | | | |
| Diluted loss per share before goodwill amortization | (4,891,000) | 24,137,528 | (0.20) | (6,641,000) | 17,787,830 | (0.37) |
| Net loss | (4,891,000) | | | (7,414,000) | | |
| Basic and diluted loss per share after goodwill amortization | | | | | | |
| Loss available to common shareholders | (4,891,000) | 24,002,882 | (0.20) | (7,414,000) | 17,787,830 | (0.42) |
| Effect of dilutive securities | | 134,646 | | | | |
| Diluted loss per share after goodwill amortization | (4,891,000) | 24,137,528 | (0.20) | (7,414,000) | 17,787,830 | (0.42) |

For the nine months ended

| | January 31, 2003 | | | January 31, 2002 | | |
|--|------------------|-----------------------------------|------------------|------------------|-----------------------------------|------------------|
| | Loss | Weighted average number of shares | Per share amount | Loss | Weighted average number of shares | Per share Amount |
| Net loss before goodwill amortization | (16,439,000) | | | (4,968,000) | | |
| Basic loss per share before goodwill amortization | (16,439,000) | 23,983,810 | (0.69) | (4,968,000) | 16,394,109 | (0.30) |
| Loss available to common shareholders | | | | | | |
| Effect of dilutive securities Incremental treasury stock options/warrants | | 134,646 | | | | |
| Diluted loss per share before goodwill amortization | (16,439,000) | 24,118,456 | (0.69) | (4,968,000) | 16,394,109 | (0.30) |
| Net loss | (16,439,000) | | | (7,245,000) | | |
| Basic and diluted loss per share after goodwill amortization | | | | | | |
| Loss available to common shareholders | (16,439,000) | 23,983,810 | (0.69) | (7,245,000) | 16,394,109 | (0.44) |
| Effect of dilutive securities | | 134,646 | | | | |
| Diluted loss per share after goodwill amortization | (16,439,000) | 24,118,456 | (0.69) | (7,245,000) | 16,394,109 | (0.44) |

3. Bank Indebtedness

| Entity | Credit available \$ | As at January 31, 2003 | As at April 30, 2002 |
|----------------------------|---------------------------|------------------------|----------------------|
| | | Credit used \$ | Credit used \$ |
| [a] Mitec Telecom Inc. | 10,500 | 10,054 | 10,089 |
| [b] BEVE | 9,525 | 6,276 | 5,805 |
| [c] Mitec Telecom (Suzhou) | 758 | - | 758 |
| [d] Mitec Europe | 457 | 82 | 384 |
| [e] Gigatec AB | 305 | 258 | 240 |
| | 21,545 | 16,670 | 17,276 |

The Mitec Telecom Inc. credit facility contains restrictive financial covenants and as at April 30, 2002, substantially all of the covenants were not met by the Corporation and accordingly the revolving term loan [note 4] was classified as a current liability. Under agreements dated December 19, 2002 and January 27, 2003 the interest rate was increased to prime plus 6% for the line of credit and the Corporation was no longer in default at January 31 2003; however, the revolving term loan [note 4] has remained as a current liability as it is the Corporation's intention to repay this loan within the next year.

The BEVE credit facilities contain certain restrictive financial and other covenants. As at January 31, 2003, certain financial covenants were not met by the Corporation [see note 4].

4. LONG-TERM DEBT

| | January 31, 2002 \$ | April 30, 2002 \$ |
|---|---------------------------|-------------------------|
| [a] Clarica Life Insurance Company ["Clarica"] term loan of \$5,000,000, bearing interest at 9.35%, maturing in 2012 with monthly principal instalments of \$34,722 plus interest. | 3,071 | 3,382 |
| [b] Canadian bank \$3,632,000 revolving term loan bearing interest at Canadian prime plus 6%. The loan is reduced by \$375,000 a quarter until October 31, 2003 and \$562,500 a quarter thereafter. \$3,400,000 was utilized and is repayable in 2005, is collateralized by a first charge on all assets of the Corporation and is classified as a current liability [note 3] | 3,400 | 2,000 |
| [c] Swedish bank term loan of \$701,000 [Swedish Kronor – 4,600,000], bearing interest at 6.90%, maturing in 2005 with monthly principal instalments of \$12,090 plus interest, payable in Swedish Kronor. | 81 | 459 |
| [d] Swedish bank term loan of \$8,390,000 [Swedish Kronor – 55,055,000], bearing interest between 5.20% and 6.80%, maturing at various dates starting in 2004 with quarterly instalments of \$192,000 plus interest and declining after 2006 and a lump sum capital repayment of \$1,524,000 in 2003 payable in Swedish Kronor. | 6,871 | 7,612 |
| | 13,423 | 13,453 |
| Less: Current portion | 13,423 | 8,235 |
| | - | 5,218 |

The Clarica loan agreement contains certain restrictive financial and other covenants. As at April 30, 2002, three of the financial covenants were not met by the Corporation. On August 15, 2002, 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.

The Corporation has available an unused special loan facility with its Canadian banker in the amount of \$1,250,000. This loan is repayable in 60 monthly instalments, 12 months after disbursement and is collateralized by the same first charge as the revolving term loan. Prior to disbursement the loan guarantee as described in note 9 must be put in place.

The Swedish bank term loan contains restrictive financial and other covenants. As at January 31, 2003, certain financial covenants were not met by the Corporation. The Swedish bank has agreed to waive the events of default to April 30, 2003, conditional upon the Corporation making a cash infusion into the Swedish subsidiary and maintaining minimum equity requirements for the Swedish subsidiary as at April 30, 2003. Given the current restrictions on advancing funds to the Corporation's subsidiaries imposed by the Corporation's Canadian bank, the Corporation may not be able to meet these requirements and, accordingly, this debt has been classified as a current liability.

4. 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, 2003 | | April 30, 2002 | |
|---|--------------------------|---------------|--------------------------|---------------|
| | Number of shares # | Amount \$ | Number of shares # | Amount \$ |
| Balance, beginning of year | 23,971,998 | 66,142 | 15,629,216 | 38,715 |
| Changes during the year: | | | | |
| Employee share purchase plan | 39,753 | 67 | 10,811 | 41 |
| Issuance of shares on business acquisition | | | 391,100 | 1,500 |
| Issued for stock options | 600 | 1 | 22,800 | 58 |
| Issued for cash [net of issue costs of \$1,759] | | | 7,918,071 | 25,828 |
| Balance, end of year | 24,012,351 | 66,210 | 23,971,998 | 66,142 |

Warrants

| | January 31, 2003 | | April 30, 2002 | |
|---|------------------|---------------|------------------|---------------|
| | Number # | Amount \$ | Number # | Amount \$ |
| Balance, beginning of year | 3,959,035 | 3,532 | - | - |
| Issued for cash [net of issue costs of \$201] | | | 3,959,035 | 3,532 |
| Warrant repricing | | 862 | | |
| Balance, end of year | 3,959,035 | 4,394 | 3,959,035 | 3,532 |
| Total | - | 70,604 | - | 69,674 |

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 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 repricing adds \$862,000 to the accounting value of the warrants.

Stock option plan

The Corporation has in place a Stock Option Plan [the "Plan"] for the benefit of key employees, directors and officers of the Corporation to purchase an aggregate maximum of 2,500,000 common shares. The number of common shares granted to a beneficiary and the vesting period will be determined at the discretion of the Board of Directors, which is normally up to 5 years.

The exercise price of any option granted under the Plan shall be fixed by the Board of Directors at the time of the grant based on the closing price per common share. The term of an option will not exceed ten years from the date of the grant. Options are not transferable and can only be exercised while the beneficiary remains an employee, director or officer of the Corporation.

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

| | Nine-month period ended January 31, 2003 | | Year ended April 30, 2002 | |
|--------------------------------------|---|--------|------------------------------|--------|
| | | \$ | | \$ |
| Balance, beginning of period | 1,192,950 | 4.84 | 927,950 | 5.12 |
| Granted | 686,600 | 0.61 | 352,000 | 3.56 |
| Exercised | - | - | (22,800) | (2.54) |
| Expired | (384,900) | (4.48) | (64,200) | (4.46) |
| Balance, end of period | 1,494,650 | 2.91 | 1,192,950 | 4.84 |
| Options exercisable at end of period | 754,050 | 4.51 | 771,010 | 5.31 |

5. OTHER EXPENSES

During 2003, due to the continued slowdown in the telecommunications industry, the Corporation implemented certain initiatives to streamline its operations. As a result of these initiatives the Corporation's other expenses related to restructuring and severance costs amounted to \$2,223,000 (quarter one - \$ 377,000, quarter two- \$ 1,846,000)

Workforce reduction expenses of \$1,850,000 (quarter one- \$377,000, quarter two- \$1,473,000) were related to the cost of severance and benefits associated with the employees notified of termination.

During quarter two, 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 is no longer required by the Corporation.

In connection with the restructuring described above, the Corporation wrote-off inventory in the amount of \$500,000 during the second quarter. These write-offs have been included within costs of sales.

6. Economic dependence

Two customers accounted for 10% or more of sales for the nine-month period ended January 31, 2003 and accounted for 10% or more of trade receivables as at January 31, 2003 compared to one customer for the same period last year.

| For the nine months ended | | Sales | | Trade receivables | |
|---------------------------|----------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Customer | Business segment | January 31, 2003 % | January 31, 2002 % | January 31, 2003 % | January 31, 2002 % |
| 1 | Wireless & Microwave | 50 | 77 | 42 | 52 |
| 2 | Wireless | 28 | 1 | 18 | 1 |

7. SEGMENTED INFORMATION

Segmented information used by management

| Nine month period ended | Wireless \$ | Microwave \$ | SatCom \$ | Total \$ |
|---------------------------------|----------------|-----------------|--------------|-----------------|
| January 31, 2003 | | | | |
| Sales | 39,841 | 28,856 | 6,970 | 75,667 |
| Cost of sales | 35,247 | 26,835 | 4,947 | 67,029 |
| Gross profit | 4,594 | 2,021 | 2,023 | 8,638 |
| Expenses | | | | 25,348 |
| Loss before income tax recovery | | | | (16,710) |
| Income tax recovery | | | | (271) |
| Net loss for the period | | | | (16,439) |

Nine month period ended

January 31, 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 income for the period | | | | (7,245) |

| Three month period ended | Wireless \$ | Microwave \$ | SatCom \$ | Total \$ |
|---------------------------------|----------------|-----------------|--------------|----------------|
| January 31, 2003 | | | | |
| Sales | 9,915 | 11,035 | 2,759 | 23,709 |
| Cost of sales | 9,452 | 10,238 | 1,284 | 20,974 |
| Gross profit | 463 | 797 | 1,475 | 2,735 |
| Expenses | | | | 7,679 |
| Loss before income tax recovery | | | | (4,944) |
| Income tax recovery | | | | (53) |
| Net loss for the quarter | | | | (4,891) |

Three month period ended

January 31, 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) |

8. Subsequent Events

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 was \$ 6,137,537 and will be reduced by the issue costs which are estimated at \$ 850,000.

On February 6, 2003, the Corporation accepted a letter of offer for a \$3,750,000 subordinated loan from La Financière du Québec which is to be disbursed in three equal tranches. To receive the second and third tranche the Corporation will be required to dispose of certain non-core assets. This loan will be repayable in 60 monthly payments of \$62,500 commencing 12-months after the disbursement of the funds. Interest will be at a rate of prime plus 3 ½%. The Corporation also provided the lender with 2,419,355 warrants to purchase shares at \$0.31 per share for a period of 5 years. In addition, La Financière du Québec provided a \$1,000,000 loan guarantee in connection with the Canadian banker's special loan facility. There is a 1% fee for this facility and the Corporation provided the guarantor with 322,581 warrants to purchase common shares of the Corporation at \$0.31 per share for a period of five years.

On March 4, 2003, the Corporation's principal operating Swedish subsidiary filed a request with Swedish courts for corporate reconstruction.

The corporate reconstruction proceedings involves, inter alia, a stoppage of payments and the appointment of an administrator to assist the subsidiary in negotiating a composition arrangement with the subsidiary's creditors except for such subsidiary's Swedish bank.

As a result of this action, the Swedish subsidiary may not incur any new debts (except with the administrator's consent) and must therefore pay its creditors on a cash on delivery basis, but will continue with its current Swedish bank facilities. The Corporation continues to control its Swedish subsidiaries.

Summarized financial information for the Swedish subsidiary is as follows:

| Nine month period ended January 31 | 2003 | 2002 |
|---|-------------------------|-----------------------|
| | \$ | \$ |
| Sales | 26,895 | 33,517 |
| Gross profit | 1,622 | 587 |
| Net loss for the period | (2,308) | (3,699) |
| <hr/> | | |
| As at | January 31, 2003 | April 30, 2002 |
| Current assets | 15,676 | 13,681 |
| Capital assets | 10,058 | 10,920 |
| | 25,734 | 24,601 |
| <hr/> | | |
| Current liabilities | 24,609 | 14,912 |
| Long-term liabilities | 552 | 6,700 |
| | 25,161 | 21,612 |
| <hr/> | | |