

2008
Mitec Telecom Inc.
Fourth Quarter Report
For the Fiscal Year ended April 30, 2008



Management's Discussion and Analysis

Mitec Telecom Inc. ("Mitec" or the "Corporation") is a leading designer and provider of radio frequency (RF) products for the telecommunications and satellite communications industries, as well as a variety of other sectors. The Corporation sells its products worldwide to network providers for incorporation into high-performing wireless networks used in voice and data/internet communications. Headquartered in Pointe-Claire, Canada, the Corporation also operates facilities in California and China. Mitec is listed on the Toronto Stock Exchange under the symbol MTM.

The following management's discussion and analysis ("MD&A") is a narrative explanation, through the eyes of Mitec's Management, on how the Corporation performed during the year ended April 30, 2008. It includes a review of the financial condition of Mitec and a review of operations for each of Mitec's operating segments for the year ended April 30, 2008 as compared to the year ended on April 30, 2007.

This MD&A supplements the financial statements for the year ended April 30, 2008 but does not form part of them. It is intended to help the reader understand and assess the significant trends, risks and uncertainties related to the results of operations for each business segment and it should be read in conjunction with the audited consolidated financial statements as at April 30, 2008. Mitec's financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts in this MD&A are in Canadian dollars unless otherwise indicated and considers information available until July 24, 2008. Additional information relating to the Corporation can be found on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements, which reflect the Corporation's current expectations regarding certain future events. To the extent that any statements in this document contain information that is not historical, the statements are essentially forward-looking and are often identified by words such as "anticipate", "expect", "estimate", "intend", "project", "plan" and "believe". In the interest of providing shareholders and potential investors with information regarding Mitec, including management's assessment of future plans and operations, certain statements in this MD&A are forward-looking and are subject to the risks, uncertainties and other important factors that could cause the Corporation's actual performance to differ materially from that expressed in or implied by such statements. Such factors include, but are not limited to: the going concern uncertainty; the impact of general economic conditions; industry conditions, including changes in laws and regulations; increased competition; the lack of availability of qualified personnel or management; fluctuations in commodity prices; foreign exchange or interest rates; stock market volatility; and the impact of accounting policies issued by Canadian standard setters. Some of these items are further discussed in the "Risks and Uncertainties" section of this document and in the Risk Factors section of the Corporation's Annual Information Form dated July 24, 2008.

Although the Corporation believes that the expectations conveyed by the forward-looking statements are based upon information available on the date that such statements were made, there can be no assurance that such expectations will prove to be correct. The reader is cautioned not to rely on these forward-looking statements. The Corporation disclaims any obligation to update these forward-looking statements unless required to do so by applicable Securities laws. All subsequent forward-looking statements, whether written or orally attributable to the Corporation or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements.

APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

Prior to publication, the Board of Directors, on the recommendation of the audit committee, approved Mitec Telecom's consolidated financial statements and this MD&A.

OVERVIEW

Mitec Telecom Inc. was incorporated in 1972. Its activities, which consist of designing and manufacturing of telecommunication products, are divided into two core business segments: Wireless Telecommunications ("Telecom") and Satellite and Terrestrial Communications ("Satcom").

The Telecom segment consists of designing, manufacturing and selling state-of-the-art radio-frequency (“RF”) conditioning and amplifier subsystems for wireless and cellular base stations. These components are distributed worldwide and are integrated into high performing wireless communication infrastructures that enable voice, data/Internet and ultimately multimedia communications.

The Satcom segment generates revenues from the design, manufacture and sale of RF components and subsystems for Satellite Earth Stations used by direct-to-home TV service providers’ very small aperture terminal networks (VSAT). It also generates revenues from solid-state power amplifier technology for military radar and communication systems.

Mitec’s headquarters are in Pointe-Claire, Canada and the Corporation has other operations in Suzhou (China) and Poway (U.S.A.). As at April 30, 2008, the Corporation’s global workforce stood at 401 employees.

MAJOR EVENTS

On September 25, 2007, the Corporation announced the acquisition, effective September 17, 2007, of California-based Keragis Corporation, a producer of unique, next-generation amplifier solutions for commercial and military communications and radar systems. The business acquisition was paid for by the issuance of 32,840,625 shares of Mitec for a consideration of \$4.9 million in shares of Mitec and \$1.2 million in cash which was financed by the issuance of convertible debentures on October 19, 2007. Mitec also announced that Keragis President, Robert Rector, had been appointed as Chief Technology Officer and joined Mitec’s Board of Directors at its next annual shareholders meeting.

On October 19, 2007, the Corporation announced the closing of a convertible debenture financing in the amount of \$2.5 million. The debentures are convertible into common shares at the lower of \$0.18 and market price (subject to a minimum of \$0.12), are unsecured and bear interest at 10% per annum. Subscribers also received warrants to purchase an additional 13,889,889 common shares of Mitec at \$0.18 until October 17, 2009. During the year, \$1,055,000 of convertible debentures were converted into common shares at a price of \$0.12 per share.

On October 24, 2007, the Corporation announced that Robert Boisjoli and David B. Parkes, were appointed to the Corporation’s Board of Directors.

On January 9, 2008, the Corporation announced the appointment of board member Jeffrey Mandel as Director, Investor and Corporate Relations to create and manage an integrated marketing communications strategy for the Corporation, including communicating with investors and other relevant functions such as executive communications, analyst relations and public relations.

On January 23, 2008, the Corporation announced that it had reached an agreement to supply its rugged Tower Mounted Amplifiers to a major North American Wireless Operator over the next two years. These TMAs are manufactured at the China facilities with the research and development being conducted in Canada.

On January 31, 2008, the Corporation announced a new contract to provide its VSAT Block Up converter, for a major cellular network operator in Africa. As expected, the initial order was the first of a series of orders in support of a cellular network build-up in regions of Africa. Deliveries commenced the last quarter of fiscal 2008 and will continue over the next two quarters of fiscal 2009.

On February 7, 2008, the Corporation announced a series of purchase orders for its mobile wireless Interference Mitigation Filters totalling \$2.7 million from a major Chinese Telecom provider. The equipment from Mitec will be used in a South American network expansion. Deliveries are expected to take place over the next three to six months.

On February 14, 2008, the Corporation announced that it had expanded its manufacturing capacity in China. The new leased facility will increase Mitec’s manufacturing plant to 38,000 square feet compared with its current 20,000 square feet facility. The facility was fully operational in April of 2008 and is located a few kilometers from Mitec’s previous location in Suzhou, China.

On February 19, 2008, the Corporation announced that its next generation satellite technology has been installed in a GSM base station in the Himalayan Mountain Range as part of China Mobile's initiative to provide video coverage at the Beijing Olympic Torch Relay.

On February 26, 2008, the Corporation unveiled its next-generation amplifier solutions, developed by recently acquired Keragis, at the Satellite 2008 Conference and Exhibition in Washington, D.C.

On March 5, 2008, the Corporation announced that it had received a second order from a major cellular network operator in Africa to provide its Very Small Aperture Terminal component, known as the VSAT Block Upconverter.

Subsequent to year-end, on April 2, 2008, the Corporation announced that it had received a third order from a major cellular network operator in Africa to provide its Very Small Aperture Terminal component, known as the VSAT Block Upconverter.

Subsequent to year-end, on May 20, 2008, the Corporation announced that it had received a \$3 million order for its wireless solution products from a major telecom provider. Deliveries are to take place over the next three to six months.

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table presents selected financial information for the current and past fiscal years. Certain comparative figures for 2007 have been reclassified to conform to the presentation adopted in 2008.

<i>(thousands of dollars except per share data)</i>	2008				2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	\$	\$	\$	\$	\$	\$	\$	\$
Sales	10,766	9,829	7,978	7,603	7,757	8,536	8,838	8,676
Gross profit	2,399	1,959	1,697	2,063	2,581	901	1,780	188
Research & development expenses	1,300	1,041	1,129	1,007	235	1,405	1,793	2,022
Selling and administrative expenses	1,577	1,563	1,603	1,486	1,442	1,824	2,050	2,023
Restructuring and other expenses	—	—	—	—	196	190	1,342	—
Loss from continuing operations	(1,751)	(1,352)	(2,341)	(977)	(1,133)	(2,555)	(4,255)	(4,421)
Net loss	(1,751)	(1,352)	(2,341)	(977)	(1,133)	(2,555)	(4,255)	(4,429)
Loss per share – basic and diluted:								
- Continuing operations	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.04)	(0.06)
- Net loss	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.04)	(0.06)
Total assets	40,043	40,602	38,864	31,261	33,163	34,770	38,769	36,086
Long-term debt	1,124	1,464	2,112	693	797	1,083	1,555	1,734
Cash and cash equivalents and short-term investments	4,861	5,164	4,252	4,418	6,361	6,364	8,251	3,985

RESULTS OF OPERATIONS FOR THE FOURTH QUARTER

Sales

For the three-month period ended April 30, 2008, consolidated sales reached \$10.8 million, up 39% from the fourth quarter of the previous year. The increase in the Corporation's sales is attributable to the larger demand for wireless products in developing countries. Shipments from the Telecom segment increased \$3.3 million, or 166%, during the fourth quarter as compared with the same period from the previous year. This is mainly due to the larger sales in developing countries further to the deployment of wireless networks. The Satcom segment, which contributed 50% of total revenues, decreased by \$0.3 million to \$5.4 million, or 6%, compared to the fourth quarter of fiscal 2007. Sales are still impacted considerably by the decrease of the US dollar.

<i>(thousands of dollars)</i>	2008				2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	\$	\$	\$	\$	\$	\$	\$	\$
Telecom	5,360	4,362	2,189	2,973	2,015	2,641	3,206	4,071
% of total revenues	49.8%	44.4%	27.4%	39.1%	26.0%	30.9%	36.3%	46.9%
Satcom	5,406	5,467	5,789	4,630	5,742	5,895	5,632	4,605
% of total revenues	50.2%	55.6%	72.6%	60.9%	74.0%	69.1%	63.7%	63.1%

Gross profit

Gross profit for the fourth quarter of fiscal 2008 decreased by \$0.2 million from \$2.6 million in the fourth quarter of fiscal 2007 to \$2.4 million. The benefits of larger sales volume providing better overhead absorption was largely offset by the significant decrease of the US currency against the Canadian dollar since most of the sales are conducted in US dollars and the expenses are in Canadian dollars. Gross profit in the Telecom segment increased \$0.4 million from \$0.5 million for the same period last year to \$0.9 million in fiscal 2008. This is a result of higher sales level in new technologies in the RF conditioning equipment, which were carrying low gross margins, combined with larger volume of products and network deployment in Asia and India. Satcom gross profit decreased by \$0.5 million from \$2.0 million in the fourth quarter of fiscal 2007 to \$1.5 million in the fourth quarter of fiscal 2008. Gross margin decreased from 35% to 28% due mainly to the decrease of the US currency as previously explained.

<i>(thousands of dollars)</i>	2008				2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	\$	\$	\$	\$	\$	\$	\$	\$
Telecom	903	867	345	737	543	(978)	(27)	(930)
% of Telecom sales	16.8%	19.9%	15.8%	24.8%	26.9%	(37.0%)	(0.8%)	(22.8%)
Satcom	1,496	1,091	1,352	1,327	2,038	1,879	1,807	1,118
% of Satcom sales	27.7%	20.0%	23.4%	28.7%	35.5%	31.9%	32.1%	24.3%

Research and Development Expenses

Research and development expenses (R&D) net of investment tax credits for the fourth quarter of fiscal 2008 increased 24% from \$1.0 million in the fourth quarter of fiscal 2007 to \$1.3 million. The Corporation invested heavily in its broadcast HPA program and the Keragis division. This investment was focused toward key programs for the DVBH market and key US military programs that will ensure Mitec remains ahead of its competitors.

Selling and Administrative Expenses

The Corporation's selling and administrative expenses for the fourth quarter in fiscal 2008 increased 9% from \$1.4 million to \$1.6 million. The increase was a consequence of the larger volume of sales and its related variable compensation to sales personnel.

Loss from continuing operations and net loss

The loss from continuing operations and the net loss for the fourth quarter of fiscal 2008 was \$1.8 million, or \$0.01 per share, as compared to \$1.1 million, or \$0.01 per share, for the same quarter of fiscal 2007. The increase in the loss from continuing operations and the net loss is largely attributable to lower gross profit and higher R&D expenses as described above. The increase of the weighted-average outstanding common shares impacted the loss per share for the current fiscal year.

Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)

In addition to discussing earnings measures in accordance with Canadian GAAP, this MD&A provides earnings before interest, income taxes, depreciation and amortization ("EBITDA") as a supplementary measure. Depreciation and amortization include write-down of property, plant and equipment, intangibles assets, deferred charges and investments. Interest considers interest on bank indebtedness and interest on long-term debt reduced by interest income. EBITDA is provided to assist readers in determining the ability of the Corporation to generate cash from operations. The Corporation also discloses the adjusted EBITDA from continuing operations to consider impacts from the restructuring expenses, the foreign exchange, the stock-based compensation and the recovery of non-refundable tax credits. EBITDA does not have a standardized meaning prescribed by Canadian GAAP and is therefore unlikely to be comparable to similar measures presented by other companies.

The following table reconciles EBITDA to GAAP measures disclosed in the unaudited interim consolidated statements of earnings of actual and most recent quarterly reports. It also reconciles the adjusted EBITDA.

<i>(thousands of dollars)</i>	2008				2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	\$	\$	\$	\$	\$	\$	\$	\$
Loss from continuing operations	(1,751)	(1,352)	(2,341)	(977)	(1,133)	(2,555)	(4,255)	(4,421)
Income taxes	(97)	—	—	—	814	—	(67)	(114)
Amortization and loss on write-down of property, plant and equipment, intangible assets, deferred charges and investments	1,305	1,248	823	769	873	1,075	988	1,084
Interest	36	302	78	24	17	59	64	92
EBITDA from continuing operations	(507)	198	(1,440)	(184)	571	(1,421)	(3,270)	(3,359)
Effect of restructuring expenses, foreign exchange and stock-based compensation	472	(297)	930	293	850	658	1,787	97
Effect of the recovery of non-refundable tax credits	—	—	—	—	(814)	—	—	—
Adjusted EBITDA from continuing operations	(35)	(99)	(510)	109	606	(763)	(1,483)	(3,262)

SELECTED ANNUAL FINANCIAL INFORMATION

The following table presents selected financial information and is derived from our audited consolidated financial statements for each of the three most recently completed financial years:

Years ended April 30 (thousands of dollars except per share data)	2008	2007	2006
	\$	\$	\$
Sales	36,176	33,807	44,510
Gross profit	8,118	5,450	5,346
Research & development expenses	4,477	5,455	7,335
Selling and administrative expenses	6,229	7,339	9,147
Restructuring and other expenses	—	1,728	1,764
Loss from continuing operations	(6,421)	(12,364)	(17,446)
Net loss	(6,421)	(12,372)	(17,567)
Loss per share – basic and diluted:			
- Continuing operations	(0.03)	(0.10)	(0.23)
- Net loss	(0.03)	(0.10)	(0.23)
Total assets	40,043	33,163	46,972
Long-term debt	1,124	797	1,911
Cash, cash equivalents and short-term investments	4,861	6,361	11,557

RESULTS OF OPERATIONS

Fluctuations in operating results

Our results of operations have fluctuated significantly from period to period in the past and are likely to do so in the future. We anticipate that our quarterly and annual results of operations will be impacted for the foreseeable future by several factors, including the acceptance by the market of newly developed products, the progress of the cost-containment program on various fixed expenses, and the completion of various partnership initiatives. Due to these fluctuations, we presently believe that the period-to-period comparisons of our operating results are not a good indication of our future performance.

Sales

For the twelve-month period ended April 30, 2008, consolidated sales reached \$36.2 million an increase of 7%, or \$2.4 million, from the previous year. The increase in the Corporation's sales is attributable to increased shipments from the Telecom segment, up \$2.9 million or 25% against the previous year. This is mainly due to the larger sales volumes in the developing countries. Revenue for the Satcom segment decreased by \$0.6 million to \$21.3 million, or 3% compared to the previous fiscal year. Although the Corporation was successful in increasing its penetration into the VSAT market pursuant to the launch of new products, this positive result was unfortunately negatively impacted by the decrease in the U.S. currency.

Geographical Distribution

	North America	Europe	Asia	Other
2008	33%	24%	32%	11%
2007	44%	22%	26%	8%
2006	34%	35%	25%	6%

Gross profit

Gross profit for fiscal 2008 increased by \$2.7 million to \$8.1 million from \$5.5 million for the previous year. This significant increase was a combination of various factors such as a larger sales volume allowing better overhead absorption, sales of new launched products carrying better gross margins and the cost-restructuring program. Gross profit in the Telecom segment increased \$4.2 million from negative \$1.4 million for the same period last year to \$2.9 million in fiscal 2008. This is a result of sales carrying better gross margins and the impact of the write-downs of inventories in previous fiscal years. Satcom gross profit decreased by \$1.6 million from 6.8 million in fiscal 2007 to \$5.3 million in the current fiscal year. Satcom's gross margin decreased from 31.3% to 24.7% due mainly to the negative impact of the decrease of the US currency over the last three quarters.

Years ended April 30 (thousands of dollars)	2008	2007	2006
	\$	\$	\$
Telecom	2,853	(1,392)	(265)
% of Telecom revenue	19.2%	(11.7%)	(1.0%)
Satcom	5,265	6,842	5,613
% of Satcom revenue	24.7%	31.3%	28.1%

Research and Development Expenses

Research and development expenses (R&D) net of investment tax credits for the current fiscal year decreased 18% from \$5.5 million in fiscal 2007 to \$4.5 million. The decrease is attributable to lower investments in the wireless sector since products are entering final stages of approval. This decrease was offset by an increase in R&D from the new Keragis acquisition. The Corporation is confident that the reduction in the R&D spending will have low impact on the development of future products.

Selling and Administrative Expenses

The Corporation's selling and administrative expenses for fiscal 2008 decreased 15% from \$7.3 million to \$6.2 million. The decrease was a consequence of the restructuring programs.

Financial Expenses

Financial expenses reached \$0.6 million for the current fiscal year as compared to \$0.4 million to the previous one. This increase was a result of the issuance of convertible debentures during the fiscal year.

Amortization of Intangible Assets

The amortization of intangible assets decreased \$0.3 million to \$1.1 million in fiscal 2008 compared to \$1.4 million for the last fiscal year, following the write-down of intangible assets in the telecom segment in the prior year.

Stock-based compensation

The amount of the expense recorded totalled \$0.6 million this fiscal year as compared to \$0.5 million from the previous year.

Write-down of Property, Plant and Equipment

Management periodically reviews the property, plant and equipment carrying values in light of its strategic plan and general business environment. During the year, further to the review of its facilities, the Corporation recognized a write-down of net book value of \$0.1 million.

Write-down of Intangible Assets

Management periodically reviews the carrying value of the intangible assets portfolio and considers whether there is an indication of impairment. In the current year, it was determined that a write-down of \$40,000 was required and was charged to income. For the prior fiscal year, a write-down of \$0.2 million has also been required.

Income Tax

The Corporation recorded an income tax recovery of \$0.1 million related to the amortization of the acquisition-related intangibles. In fiscal 2007, the Corporation recorded \$0.6 million of income tax due to recognition of previously unrecognized federal investment tax credits

Loss from continuing operations

The loss from continuing operations for the year ended April 30, 2008 was \$6.4 million, or \$0.03 per share, an improvement of \$6.0 million compared to a loss of \$12.4 million, or \$0.10 per share, for the year ended April 30, 2007. The decrease in the loss from continuing operations is a result of better gross profits generated from the operations combined with the positive impact of the restructuring program. The increase of the weighted-average outstanding common shares impacted the loss per share for the current fiscal year.

Net Loss

The net loss for fiscal 2008 was \$6.4 million, or \$0.03 per share, as compared to \$12.4 million, or \$0.10 per share, in fiscal 2007. The decrease in the net loss is attributable to the same elements noted above.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activity Cash Flows

Cash flow used in operating activities improved by 76% from negative \$7.9 million in the previous year to negative \$1.9 million for the current year. Improvements in gross margins and in the cost containment program discussed above were the main contributing factors.

Investing Activity Cash Flows

Cash flow used in investing activities was \$1.9 million for the year ended on April 30, 2008 as a consequence of the acquisition of Keragis (\$1.2 million) and capital investments (\$0.7 million) made during the current fiscal year. In 2007, cash flow from investing activities was a positive \$9.0 million because of the sale of short-term investments.

Financing Activity Cash Flows

Financing activities resulted in a net cash inflow of \$2.2 million, following the issuance of \$2.5 million in convertible debentures. In 2007, net cash inflows from financing activities was \$3.4 million and was composed of the issuance of common shares for \$10.4 million, \$7.3 million of which was used for the repayment of long-term debt and bank indebtedness.

RISKS AND UNCERTAINTIES

Mitec operates in industry segments that have a variety of risk factors and uncertainties. The Corporation's business could be materially and adversely affected by any of the risks and uncertainties described below. Additional risks and uncertainties not presently known to Mitec or presently or currently immaterial may also adversely affect its business in the future.

Going concern uncertainty

The accompanying consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Corporation has a history of losses over the past seven years and currently does not have the necessary financing in place to support continuing losses. Historically, the Corporation has financed its operating and capital requirements mainly through issuances of debt and equity. The Corporation's continuation as a going concern is dependant upon, amongst other things, attaining a satisfactory revenue level, the support of its customers, a return to profitable operations and the generation of cash from operations, the ability to secure new financing arrangements and new capital. 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 continue as a going concern.

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

Management's plans with respect to the uncertainties described are as follows:

1. Approaching potential lenders to secure operational financing.;
2. Investigate a range of alternatives to expand its Telecom and Satcom Business Units.

During the fiscal year ended April 30, 2008, the following transactions, aimed at addressing the uncertainties described above, occurred:

- a. The Corporation completed the acquisition of Keragis Corporation, a California-based company involved in the design and manufacturing of high power solid state microwave amplifiers technology for the military and radar;
- b. The Corporation completed a convertible debenture financing of \$2.5 million;
- c. The Corporation announced that it entered agreements:
 - to supply its rugged Tower Mounted Amplifiers to a major North American Wireless Operator over the next two years
 - to provide its VSAT Block Up converter, for a major cellular network operator in Africa
 - to deploy its mobile wireless Interference Mitigation Filters totalling \$2.7 million from a major Chinese Telecom provider.
- d. The Corporation unveiled its next-generation amplifier solutions, developed by recently acquired Keragis.

Management believes that with the above plans and the continued support of the Corporation's current shareholders and customers, it will be able to continue operating as a going concern. There can, however, be no assurance that such plans will be sufficient to continue to operate as a going concern.

Industry Risk

Our success in the commercial wireless market depends in large part on investments by our customers in wireless infrastructure equipment. Because the commercial wireless market has only recently begun to recover, it is difficult to predict the rate at which this market will grow, if at all. Our customers may reduce their capital expenditures in response to current or anticipated reductions in consumer demand for their products and services. If the current economic uncertainty continues, demand for our commercial wireless products may be sharply reduced or may fail to develop, which would adversely affect our revenues. In addition, the need to invest in the engineering, research and development and marketing required to penetrate markets and maintain service support capabilities limits our ability to reduce expenses during downturns.

Dependence on a Few Customers

The Corporation has exposure due to its reliance on certain large contracts and customers. In fiscal 2008, the Corporation's largest customer accounted for 31% of its sales. Although the Corporation invests considerable effort in maintaining its relationships with its customers, there can be no assurance that Mitec will be able to sell to such customers on an advantageous basis in the future, or that such customers will continue to buy from Mitec. Any changes in their business strategies, changes in timing, or marketing issues, could have a material financial impact on Mitec. Mitec is putting increasing emphasis on growing its customer base, and diversifying its sales channels into each business sector, to mitigate this risk. Additionally, Mitec will pursue a strategy of balanced growth, mainly to exploit the counter-cyclical nature of the Telecom and Satcom businesses.

Customers' Business

In general, our integrated components and subsystems must be custom designed for use in our customers' products. As a result, we sell our products to a relatively small group of customers, and our products must be specifically engineered for each customer. While we select our customers based on our assessment of their ability to succeed in the marketplace, we cannot be sure of their success. If our customers are not successful, the length of time required to re-engineer our product for another customer may delay our sales or prohibit us from getting our products to the marketplace in a timely manner or at all. If, for any reason, our customers decide to produce their RF and microwave subsystems and systems internally, increase the percentage of their internal production, require us to participate in joint venture manufacturing or compete directly against us, our revenues would decrease which would adversely impact our results of operations.

Production Risk

Our quarterly results have varied significantly in the past and are likely to continue to vary significantly. These fluctuations are due to a number of factors, including the following: timing, cancellation or rescheduling of customer estimates for product; customer orders and shipments; pricing and mix of products sold; introduction of new products; our ability to obtain components and subassemblies from suppliers; and variations in manufacturing efficiencies. Any one of these factors could substantially affect our results of operations for any particular fiscal quarter.

Also, in some cases, we rely on sole suppliers or limited groups of suppliers to provide us with services and materials necessary for the manufacture of our products. If we are not able to obtain sufficient allocations of these components, our production and shipment of product will be delayed, we may lose customers and our profitability may be affected.

Other risks relating to our reliance on sole suppliers include reduced control over production costs, delivery schedules, reliability and quality of materials. Any inability to obtain timely deliveries of acceptable quality materials, or any other circumstances that would require us to seek alternative suppliers, could adversely affect our ability to deliver products to our customers. While it is unlikely that costs from our major suppliers will increase as costs are strictly managed through non-binding long-term agreements, if they did, we may suffer losses if we are unable to recover such cost increases under fixed price production commitments to our customers.

Operational Risk

The activities conducted by the Corporation are subject to operational risks, including competition from other businesses, performance of key suppliers, product performance warranty, regulatory risks, successful integration of new acquisitions, dependence on key personnel and reliance on information systems, all of which could affect the Corporation's ability to meet its obligations.

Technological Changes

Mitec recognizes the need to stay on the leading edge of technology to satisfy the emerging needs of its customers, and to secure revenue streams from existing customers while expanding into new markets. Our R&D investment will remain an important element of our business, and will continue to be complemented by externally sourced technology.

Senior Management and other key employees

The Corporation's success is, to a significant extent, attributable to the leadership and experience of its senior management and other key employees. The unexpected loss of the Corporation's current senior management or other key employees, or its ability to attract hire and retain such persons in the future could have an adverse effect on the business and prospects of the Corporation. In order to manage this risk, the Corporation monitors and adjusts its compensation to the marketplace and, has in place a long-term incentive plan for key personnel.

Cash Repatriation from Foreign Subsidiary

The Corporation generates cash from its foreign subsidiary. The process to repatriate this cash back to Canada is subject to government laws and could be restricted.

General Economic Conditions

Unfavourable economic conditions may adversely affect the business of the Corporation. For example, the curtailment of production activities due to unfavourable economic conditions could result in significant costs associated with temporary layoffs or termination of employees.

Interest Rate

The Corporation's principal exposure to interest rate fluctuations is with respect to its long-term debt, which bear interest at floating rates.

Foreign Currency Translation

a. Canadian operations

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities are converted at the historical rate. Revenues and expenses are translated into Canadian dollars at rates of exchange in effect. Exchange gains and losses arising from the translation of foreign currency items are included in the determination of net income/loss.

b. Foreign operations

The financial statements of the Corporation's self-sustaining foreign subsidiaries, Mitec Communications Ltd., Mitec Telecom (Suzhou) Company, Ltd. and Keragis Corporation, are translated into Canadian dollars using the current rate method. Under this method, assets and liabilities are translated at the exchange rates prevailing at the end of the period and revenue and expenses are translated at the average exchange rates during the period. The adjustment arising from the translation of these accounts has been recorded in the accumulated other comprehensive profit (loss) in shareholders' equity. When there is a reduction in the net investment of a self-sustaining foreign subsidiary, a proportionate amount of deferred translation gains and losses is recognized in net income/loss.

Foreign Exchange Rates

A significant portion of Mitec's sales is denominated in foreign currencies, primarily US dollars and may be adversely affected by any severe currency fluctuations. In fiscal 2008 the Corporation did not enter into foreign exchange contracts. In addition, the Corporation maintains cash and cash equivalents, other current assets, and accounts payable and accrued liability in Chinese yuan (RBM) and in US dollars and is therefore exposed to currency risks on these balances as follows:

	As at April 30, 2008		As at April 30, 2007	
	RMB	US\$	RMB	US\$
Assets				
Cash and cash equivalents	11,288	1,786	4,144	3,446
Accounts receivable	34,185	4,924	7,963	3,623
	45,473	6,710	12,107	7,069
Liabilities				
Accounts payable and accrued liabilities	43,343	2,082	17,482	1,324
	2,130	4,628	(5,375)	5,745

Environmental Matters

The Corporation's activities are subject to environmental laws and regulations associated with risks to human health and the environment. Changes to these laws and regulations could have a significant adverse effect on the Corporation's operations and financial situation. The Corporation monitors these risks through environmental management systems and policies.

Stock Price Fluctuation

The market price of our common shares, like the shares prices of many companies in the telecommunications industry, is subject to wide fluctuation in response to a variety of factors, including: actual or anticipated operating results; announcements of technological innovations; announcements of new products or new contracts by us, our competitors or customers; government regulatory action; developments with respect to wireless telecommunications; and general market conditions and other factors. In addition, the stock market has from time to time experienced significant price and volume fluctuations. These fluctuations have particularly affected the market prices for the shares of technology companies and have often been unrelated to the operating performance of particular companies. The market price of our common shares has been highly volatile and may continue to be highly volatile.

CONTINGENCIES

In January 1997, the Corporation received notice from attorneys for the residents of a house in Williston, Vermont, of a potential claim alleging property damage and personal injury arising from the presence of certain contaminants in the groundwater beneath their property. The notice alleged that the contaminants came from sources located on a lot leased in the past by Mitec Systems Inc. In 1999, they filed a lawsuit in Vermont against the Corporation and two related companies claiming unspecified personal injuries and diminution in value for their residential property. The Corporation settled this legal action for approximately \$240,000 (US \$175,000) and recorded the settlement and associated legal fees in 2004. The Corporation is seeking restitution from its insurance company and the insurance company has claimed recoupment of certain fees from the Corporation. On February 1, 2007, the Superior Court entered judgment in favour of the insurance company in the amount of \$189,073 plus interest from February 1, 2007. The Corporation believes it has several strong arguments and appealed to the Vermont Supreme Court. The outcome is presently not determinable and therefore no provision has been made in the accounts.

In February 1999, the Corporation entered into an agreement with the State of Vermont whereby the Corporation has agreed to perform a site investigation and the State has agreed to use its resources to identify all individuals and entities potentially responsible for the site contamination. The State of Vermont also requested that the United States Environmental Protection Agency cases its investigation of the site. The site investigation undertaken by the Corporation has been concluded and the data and information collected indicates that there are a number of other possible sources of groundwater contamination. The State of Vermont has stated that it has no funding to undertake the next steps with respect to the groundwater contamination and has asked the United States Environmental Protection Agency to revive its investigation of the contamination. The United States Environmental Protection Agency (“USEPA”) has agreed to do so. In May 2007, USEPA notified Mitec that it considered Mitec to be a potentially responsible party with respect to the Alling Industrial Park contamination and asked if Mitec was willing to enter into negotiations. Mitec commenced confidential settlement negotiations and with the USEPA to resolve the agency’s cost reimbursement claim. Subsequently, USEPA issued a special notice letter triggering a statutory negotiation period in which a formal demand for reimbursement was made. In response to the negotiations and, in July 2008, a settlement agreement was proposed by the USEPA which is currently being reviewed by Mitec. However, there remains uncertainty as to the finalization of the actual amount to be paid and certain other terms of the settlement agreement.

The Corporation’s former landlord in the New Jersey facility has instituted legal action against the Corporation and certain of its sub-tenants for damages to the leased premises. The outcome is presently not determinable and therefore no provision has been made in the accounts.

The Corporation is from time to time involved in various claims and legal proceedings arising in the ordinary course of business. It is the opinion of management that a final determination of these proceedings cannot be made at this time but should not materially affect the Corporation’s financial position or results of operations.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following is a summary of the Corporation’s material contracts obligations:

Payments due per periods <i>(Amounts in thousands)</i>	Total	1 year	2-3 years	4-5 years	Over 5 years
	\$	\$	\$	\$	\$
Long-term debt	1,124	382	742	—	—
Operating leases	305	118	185	2	—
Total contractual obligations	1,429	500	927	2	—

All data as at April 30, 2008

OFF-BALANCE SHEET ITEMS

The Corporation’s off-balance sheet items relate to operating leases exclusively which are described in the table above. Other than these commitments, which are considered to be in the ordinary course of business, the Corporation does not have any other off-balance sheet arrangements and do not expect to enter into any other such arrangements outside of the ordinary course of our business in the near future.

CHANGES IN ACCOUNTING POLICIES

Effective May 1, 2007, the Corporation adopted the following recently introduced Canadian Institute of Chartered Accountants (“CICA”) Handbook Sections:

Financial Instruments – Recognition and Measurement

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount; sometimes using fair value and other times using cost-based measures depending on financial instrument's classification. Additionally, changes in subsequent measurements, if any, are recognized in net income or comprehensive income depending on its classification.

Under the new Section, all financial assets are classified as held for trading, held-to-maturity investments, loans and receivables or available-for-sale. Also, all financial liabilities must be classified as held for trading or other financial liabilities. All financial instruments are recorded initially on the consolidated balance sheet at fair value. After initial recognition, the financial instruments should be measured at their fair values, except for held-to-maturity investments, loans and receivables and other financial liabilities, which should be measured at amortized cost using the effective interest method of amortization. The effective interest related to the financial assets and liabilities and the gain or loss arising from a change in the fair value of a financial asset or financial liability classified as held for trading is included in net income for the period in which it arises. If a financial asset is classified as available-for-sale, the gain or loss should be recognized in other comprehensive income until the financial asset is derecognized and all cumulative gain or loss is then recognized in net income, or if there has been a loss in value of such investment that is other than a temporary decline, the investment should be written down and the impairment loss should be recognized in net income. This new section also requires that transaction costs incurred in connection with the issuance of financial instruments either be capitalized and presented as an adjustment of the carrying value of the related financial instrument or expensed as incurred. If capitalized, transaction costs must be amortized to income using the effective interest method. This section does not permit the restatement of financial statements of prior periods.

The Corporation has implemented the following classifications:

- Cash and cash equivalents are classified as held for trading and are measured at fair value.
- Short-term investments and Investments are classified as available-for-sale and are measured at fair value.
- Trade receivables and Other receivables are classified as loans and receivables. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Corporation, the measured amount generally corresponds to original cost unless specified otherwise.
- Accounts payable, Long-term debt and Convertible Debentures are classified as other financial liabilities. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Corporation, the measured amount generally corresponds to original cost unless specified otherwise.

The adoption of this new section did not result in any significant adjustments to the carrying value of the Corporation's previously recognized financial assets and liabilities as of April 30, 2007. However, since the Corporation elected to capitalize transaction costs, unamortized financing charges in the amount of \$184,000 as at April 30, 2008 (2007 — \$161,000) are now presented as a reduction of the long-term debt.

Financial Instruments – Disclosure and Presentation

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them.

Comprehensive income and Equity

Section 1530 establishes standards for reporting comprehensive income (loss) and as a result of this new Section the cumulative amount, i.e. accumulated other comprehensive income (loss), is presented separately under shareholders' equity (deficiency) in the consolidated balance sheets and a reconciliation of the accumulated other comprehensive income (loss) as well as the comprehensive income (loss) for the period is presented as part of the consolidated interim financial statements. Section 3251 establishes standards for the presentation of Equity and changes in Equity as a result of the new requirements in section 1530. The Corporation has applied these new accounting standards prospectively, except for the cumulative translation adjustment that has been applied retrospectively.

FUTURE CHANGES IN ACCOUNTING POLICIES

These are changes to accounting policies that the Corporation is currently considering that could have a material impact on the Corporation.

Inventories

In June 2007, the CICA issued the new Section 3031, "Inventories" which will replace Section 3030 "Inventories". The new Section prescribes measurement of inventories at the lower cost and net realizable value. It provides guidance on the determination of costs and their subsequent recognition as an expense and provides guidance on the cost formulas used to assign costs to inventories. These standards must be adopted by the Corporation for the fiscal year beginning on May 1, 2008.

Capital Disclosures

The CICA issued a new accounting standard, Section 1535, "Capital Disclosures", which requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. The Corporation will adopt this standard beginning May 1, 2008.

Financial Instruments

The CICA issued two new accounting standards, Section 3862, "Financial Instruments – Disclosures", and Section 3863, "Financial Instruments – Presentation", which apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. These new standards revise and enhance the disclosure requirements, and carry forward, substantially unchanged, the presentation requirements. These new standards emphasize the significance of financial instruments to the entity's financial position and performance, the nature and extent of risks arising from financial instruments, and how these risks are managed. The Corporation will adopt this standard beginning May 1, 2008.

Goodwill and Intangible Assets

The CICA issued the following new accounting standards: Section 3864, "Goodwill and Intangible Assets", will replace Section 3062, "Goodwill and Other Intangible Assets", and Section 3450 "Research and Development Costs". Section 1000, "Financial Statement Concepts" was amended according to Section 3064. This new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented companies. The Corporation will adopt this standard beginning May 1, 2009.

General standards on financial statements presentation

The CICA issued a new amendment on Section 1400, General Standards on Financial Statements Presentation, to include requirements to assess and disclose an entity's ability to continue as a going concern. The changes are effective for interim and annual financial statements beginning on or after January 1, 2008. The Corporation does not expect the adoption of these changes to have a material impact on its financial statements

International Financial Reporting Standard

The CICA adopted a strategic plan to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period ending in 2011. The Corporation is reviewing the transition to IFRS on its financial statements and has not yet determined the impact.

SIGNIFICANT ACCOUNTING ESTIMATES AND PROVISIONS

The preparation of financial statements in accordance with generally accepted Canadian accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. The reported amounts and note disclosures in the consolidated financial statements are determined using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Significant items subject to estimates and assumptions include the estimated useful life of assets, inventory obsolescence, impairment of long-lived assets, future income taxes, stock-based compensation, discount rate on convertible debentures, legal liabilities, bad debt, and allowance for doubtful accounts. Actual results, however, may differ from the estimates used in the consolidated financial statements and such differences could be material. The Corporation's significant accounting policies are discussed in Note 2 of the audited consolidated financial statements; critical estimates inherent in the accounting policies are discussed in the following paragraphs.

Inventory Valuation

The Corporation records a provision to reflect management's best estimate of the net realizable value of the inventory. The provision is calculated considering inventory aging and current and future expectations with respect to product offerings. Assumptions underlying the allowance for inventory obsolescence include future sales trends and offerings. The estimate of the Corporation's allowance for inventory obsolescence could materially change from period to period due to changes in product offering and customer acceptance of those products. Management reviews the entire provision to assess whether, based on economic conditions, it is adequate.

Impairment of Long-Lived Assets

The Corporation assesses the recoverability of long-lived assets when there are indications of potential impairment. In performing this analysis, the Corporation considers such factors as current economic conditions: trends and future prospects, current market value and other economic factors, in preparing its estimated undiscounted future cash flows. These estimates could materially change the resulting cash flows and estimated fair values usually based on discounted cash to determine impairment.

Goodwill

On at least an annual basis, the Corporation subjects goodwill to an impairment test based upon a comparison of the carrying amount to the fair value of the goodwill. Any impairment in the carrying amount of goodwill is charged to operations in the period such impairment is identified. There was no impairment in value for the year then ended.

Allowance for Doubtful Accounts

The Corporation records an allowance for doubtful accounts to reflect Management's best estimate of losses inherent to its portfolio of receivables as of the balance sheet date although the majority of its receivables are insured. The calculation takes into consideration payment records, collection attempts, bankruptcy filings and economic events. Management believes that the allowance of doubtful accounts is adequate to cover anticipated losses under current conditions. However, significant deterioration in any of the above factors, or in the health of the economy, could significantly change these expectations.

Future Income Taxes Assets

The Corporation accounts for future income tax assets mainly from losses carried-forward and deductible temporary differences. Management assesses and reviews the realization of these future income tax assets to determine whether a valuation allowance or provision is required. Based on that assessment, it is determined whether it is more likely than not that all or a portion of the future income tax assets will be realized. Factors taken into account include future income based on internal forecasts, losses in recent years and their expiry dates, history of losses carried-forward as well as reasonable tax planning strategies.

Warranty Provision

The Corporation records a warranty provision on the sale of certain VSAT products, which contain active components. This estimate is based on historical repair frequency and related costs. Management reviews the provision on an on-going basis and the provisions at April 30, 2008 and 2007 were considered adequate.

Stock-Based Compensation

The Corporation estimates the fair value of stock options granted to employees, officers and Directors. As at April 30, 2008, a total of 14,533,950 stock options were outstanding, of which 6,520,517 were exercisable. The Corporation uses the fair value method to account for stock options granted to employees, directors and consultants. Options issued to employees, officers and directors are recognized as an expense over the vesting period. The fair value is determined using the Black-Scholes option pricing model. Any consideration paid by employees, officers and directors on exercise of stock options or purchase of stock is credited to share capital.

Contingencies and commitments

The Corporation is subject to various claims and contingencies related to lawsuits, taxes and contractual and other commercial obligations. The contractual and other commercial obligations primarily relate to operating lease agreements. The Corporation recognizes liabilities for contingencies and commitments when a loss is probable and can be estimated. Significant changes as to the likelihood and estimates and estimates of a loss could result in the recognition of an additional liability.

PROPOSED TRANSACTIONS

Mitec continually reviews opportunities for mergers, acquisitions and divestitures that could increase shareholder value.

RELATED PARTY TRANSACTIONS

In addition to related party transactions disclosed elsewhere in the notes to consolidated financial statement in 2008, consulting fees in the amount of nil (2007 — \$288,000) were paid to a company controlled by a Director.

OUTLOOK

Management will remain focused on executing its restructuring plan and focusing its business on the existing and new opportunities in the Telecom and Satcom markets.

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer and Chief Financial Officer, together with other members of management have designed disclosure controls and procedures to provide reasonable assurance that material information relating to the issuer, is made known to management by others within the Corporation, particularly during the period in which the annual filings are being prepared. Management has also designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Management evaluated the effectiveness of the Corporation's disclosure controls and procedures as at the end of fiscal 2008, and concluded that such disclosure controls and procedures were effective.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This MD&A was prepared as of July 24, 2008. Updated information on Mitec, including the annual information form, can be found on the SEDAR web site at www.sedar.com.

As of July 24, 2008, a total of 220,666,776 common shares and 38,016,168 warrants were issued and outstanding, as well as a total of 14,522,950 stock options.

Mitec Telecom Inc.
Consolidated Financial Statements
For the year ended April 30, 2008

Mitec Telecom Inc.
Consolidated Financial Statements
For the year ended April 30, 2008

	Contents
Auditors' Report	2
Consolidated Financial Statements	
Balance Sheets	3
Statements of Loss and Comprehensive Loss	4
Statements of Shareholders' Equity	5
Statements of Cash Flows	6
Notes to Financial Statements	7

Auditors' Report

To the Shareholders of Mitec Telecom Inc.

We have audited the consolidated balance sheet of Mitec Telecom Inc. as at April 30, 2008 and the consolidated statements of loss and comprehensive loss, shareholders' equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at April 30, 2007 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated June 29, 2007 (except for note 2 to those financial statements which was as of July 11, 2007).

BDO Dunwoody LLP

Chartered Accountants

Montréal, Quebec
July 24, 2008

Mitec Telecom Inc. Consolidated Balance Sheets

(thousands of Canadian dollars)

As at April 30

2008

2007

Assets

Current

Cash and cash equivalents	\$	4,784	\$	6,286
Short-term investments		77		75
Trade receivables		10,036		5,064
Other receivables (Note 6)		630		889
Income taxes recoverable		839		1,112
Inventories (Note 7)		8,759		7,672
Prepaid expenses and other		580		757
		25,705		21,855

Property, plant and equipment (Note 8)

6,110 7,106

Intangible assets (Note 9)

4,284 2,365

Goodwill (Note 5)

3,598 —

Investments (Note 10)

25 750

Deferred charges (Note 11)

321 1,087

\$ 40,043 \$ 33,163

Liabilities and Shareholders' Equity

Current

Accounts payable and accrued liabilities	\$	11,373	\$	6,647
Current portion of long-term debt (Note 12)		382		415
		11,755		7,062

Long-term debt (Note 12)

742 382

Future income tax liabilities (Note 14)

515 —

13,012 7,444

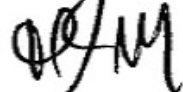
Shareholders' equity

Common shares (Note 13)	132,097	125,631
Warrants (Note 13)	1,931	1,311
Equity component of convertible debentures (Note 12)	46	—
Contributed surplus	9,223	8,645
Deficit	(115,372)	(108,951)
Accumulated other comprehensive loss	(894)	(917)
	27,031	25,719

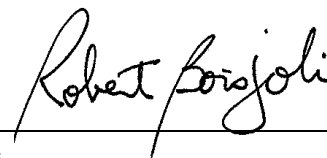
\$ 40,043 \$ 33,163

Commitments and contingencies (Note 15)

On behalf of the Board



Director



Director

The accompanying notes are an integral part of these consolidated financial statements.

Mitec Telecom Inc.

Consolidated Statements of Loss and Comprehensive Loss

(thousands of Canadian dollars, except share data and per share amounts)

For the years ended April 30	2008	2007
Sales	\$ 36,176	\$ 33,807
Cost of sales (Note 16)	28,058	28,357
	8,118	5,450
Expenses		
Research and development (Note 19)	4,477	5,455
Selling and administrative	6,229	7,339
Amortization of intangible assets	1,145	1,394
Financial expenses (Note 21)	557	419
Foreign exchange	787	160
Interest income	(39)	(74)
Write-down of property, plant and equipment (Note 8)	104	85
Write-down of intangible assets (Note 9)	40	156
Write-down of investments (Note 10)	725	—
Restructuring and other expenses (Note 16)	—	1,728
Stock-based compensation (Notes 13 and 16)	611	519
	14,636	17,181
Loss before income taxes	(6,518)	(11,731)
Income tax (recovery) expenses (Note 14)	(97)	633
Loss from continuing operations	(6,421)	(12,364)
Loss from discontinued operations (Note 17)	—	(8)
Net loss for the year	\$ (6,421)	\$ (12,372)
Net change in the unrealized losses on translating financial statements of self sustaining operations	\$ 23	\$ 84
Comprehensive loss for the year	\$ (6,398)	\$ (12,288)
Basic and diluted loss per common share from continuing operations	\$ (0.03)	\$ (0.10)
Basic and diluted loss per common share	\$ (0.03)	\$ (0.10)
Weighted average number of outstanding common shares	197,634,243	121,903,323

Mitec Telecom Inc. Consolidated Statements of Shareholders' Equity

(thousands of Canadian dollars, except for number of shares)

For the years ended April 30

	Common shares		Warrants	Equity component of convertible debentures	Contributed surplus	Deficit	Accumulated other comprehensive loss	Shareholders' equity
	# (000s)	\$	\$	\$	\$	\$	\$	\$
Note	13	13	13	12				
Balance, April 30, 2006	76,405	116,357	—	—	8,126	(95,680)	(1,001)	27,802
Issued for cash	97,972	9,258	1,315	—	—	—	—	10,573
Warrants exercised	125	16	(4)	—	—	—	—	12
Stock-based compensation	—	—	—	—	519	—	—	519
Foreign exchange losses	—	—	—	—	—	(899)	—	(899)
Other comprehensive profit for the year	—	—	—	—	—	—	84	84
Net loss for the year	—	—	—	—	—	(12,372)	—	(12,372)
Balance, April 30, 2007	174,502	125,631	1,311	—	8,645	(108,951)	(917)	25,719
Issued for business acquisition	32,841	4,883	—	—	—	—	—	4,883
Issued under a convertible debenture financing	—	—	753	70	—	—	—	823
Issued upon conversion of convertible debentures	8,832	999	—	(24)	—	—	—	975
Stock options exercised	350	72	—	—	(33)	—	—	39
Warrants exercised	3,787	512	(133)	—	—	—	—	379
Stock-based compensation	—	—	—	—	611	—	—	611
Other comprehensive profit for the year	—	—	—	—	—	—	23	23
Net loss for the year	—	—	—	—	—	(6,421)	—	(6,421)
Balance, April 30, 2008	220,312	132,097	1,931	46	9,223	(115,372)	(894)	27,031

The accompanying notes are an integral part of these consolidated financial statements.

Mitec Telecom Inc. Consolidated Statements of Cash Flows

(thousands of Canadian dollars)

For the years ended April 30

	2008	2007
Cash flows from operating activities		
Loss from continuing operations	\$ (6,421)	\$ (12,364)
Items not affecting cash		
Amortization	3,276	3,779
Loss on disposal and write-down of property, plant and equipment (Note 8)	211	97
Write-down of intangible assets (Note 9)	40	156
Write-down of investments (Note 10)	725	—
Income tax (recovery) expense (Note 16)	(97)	633
Recovery of non-refundable tax credits	—	(814)
Recovery of previously recognized future tax liabilities recorded in research and development	—	181
Stock-based compensation	611	519
Accretion expense	325	114
	(1,330)	(7,699)
Changes in non-cash working capital balances related to continuing operations (Note 19)	(571)	(185)
	(1,901)	(7,884)
Cash flows from investing activities		
Additions to property, plant and equipment	(619)	(288)
Additions to intangible assets	(64)	(32)
Proceeds on disposal of property, plant and equipment	48	76
Business acquisition, net of cash acquired of \$14	(1,231)	—
Purchases of short-term investments	(229)	(3,117)
Sale of short-term investments	227	13,131
Purchase of investments	—	(750)
	(1,868)	9,020
Cash flows from financing activities		
Common shares and warrants issued, net of issue costs (Note 13)	—	10,398
Common shares issued upon exercise of warrants (Note 13)	379	—
Common shares issued upon exercise of stock options (Note 13)	40	—
Convertible debentures issued (Note 12)	2,294	—
Repayment of long-term debt	(500)	(953)
Increase in bank indebtedness	—	349
Repayment of bank indebtedness	—	(6,365)
	2,213	3,429
Exchange rate fluctuations on cash and cash equivalents	54	46
Net (decrease) increase in cash and cash equivalents from continuing operations	(1,502)	4,611
Cash provided from discontinued operations (Note 17)	—	207
Cash and cash equivalents, beginning of year	6,286	1,468
Cash and cash equivalents, end of year	\$ 4,784	\$ 6,286

The accompanying notes are an integral part of these consolidated financial statements.

Mitec Telecom Inc.

Notes to Consolidated Financial Statements

(all tabular amounts are in thousands of Canadian dollars, except per share and share data, unless otherwise stated)

April 30, 2008 and 2007

1. Nature of the Business and Going Concern Uncertainty

The Corporation is incorporated under the *Canada Business Corporations Act* and is a knowledge-based communication equipment provider to the global wireless telecommunications and satellite communications markets.

The accompanying consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Corporation has a history of losses over the past seven years and currently does not have the necessary financing in place to support continuing losses. Historically, the Corporation financed its operating and capital requirements mainly through issuances of debt and equity. The Corporation's continuation as a going concern is dependant upon, amongst other things, attaining a satisfactory revenue level, the support of its customers, a return to profitable operations, the generation of cash from operations, and the ability to secure new financing arrangements and new capital. 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 continue as a going concern.

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

Management's plans with respect to the uncertainties described are as follows:

3. Approaching potential lenders to secure operational financing;
4. Investigating a range of alternatives to expand its Telecom and Satcom business units.

Management believes that with the above plans and the continued support of the Corporation's current shareholders and customers, they will be able to continue operating as a going concern in the foreseeable future. There can, however, be no assurance that such plans will be sufficient to continue to operate as a going concern.

Mitec Telecom Inc.

Notes to Consolidated Financial Statements

(all tabular amounts are in thousands of Canadian dollars, except per share and share data, unless otherwise stated)

April 30, 2008 and 2007

2. Significant Accounting Policies

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"), the more significant of which are outlined below:

Principles of Consolidation

These consolidated financial statements include the accounts of the Corporation and its wholly-owned self-sustaining subsidiaries, Mitec Communications Ltd., Mitec Telecom (Suzhou) Co., Ltd. and Keragis Corporation, using the purchase method. All significant inter-company accounts and transactions have been eliminated on consolidation. The Corporation has no interest in variable interest entities.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to estimates and assumptions include the estimated useful life of assets, inventory obsolescence, impairment of long-lived assets, future income taxes, stock-based compensation, discount rate on convertible debentures, legal liabilities, bad debt expense, and allowance for doubtful accounts. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Cash and Cash Equivalents

Included in cash and cash equivalents are cash and short-term investments with maturity dates of 90 days or less at the date of acquisition. Cash equivalents are carried at fair value.

Investment Tax Credits

The Corporation incurs research and development expenditures, which are eligible for investment tax credits. The investment tax credits recorded are based on management's estimates of amounts expected to be recovered and are subject to audit by taxation authorities.

Investment tax credits for scientific research and experimental development are reflected as a reduction of the expenses to which they relate when there is a reasonable assurance of their realization.

Inventories

Raw materials and purchased components are stated at the lower of cost on a first-in, first-out basis and replacement cost. Work-in-process and finished goods are stated at the lower of cost, including overhead, on a first-in, first-out basis and net realizable value.

Mitec Telecom Inc.

Notes to Consolidated Financial Statements

(all tabular amounts are in thousands of Canadian dollars, except per share and share data, unless otherwise stated)

April 30, 2008 and 2007

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less applicable investment tax credits. Property, plant and equipment are amortized over their estimated useful lives using the following methods and rates:

Buildings	20 years straight line
Machinery and equipment	10 % to 20% declining balance
Leasehold improvements	Term of the lease, straight line
Furniture and fixtures	20% declining balance
Tools and dies	5 years straight-line
Computer equipment	30% declining balance
Automobiles	30% declining balance

Intangible Assets

Intangible assets are recorded at cost. Intangible assets are amortized over their useful lives using the following methods and rates:

Software	30% declining balance
Patented or patented-pending technology and trademarks	10 to 17 years straight line
Non-patented technology	5 to 10 years straight line
Customer relationships	5 years straight line

Impairment of Long-lived Assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Management reviews the carrying value of the assets and considers whether an impairment charge should be recorded. The review is based on the assessment of technological changes; the Corporation's intended use and on the projected estimated undiscounted cash flows expected to be generated from the underlying assets. Any impairment results in a write-down of the asset and a charge to income during the year to the extent that the asset's carrying value exceeds its fair value, generally determined on a discounted cash flow basis.

Goodwill

Goodwill represents the excess at the date of acquisition of the cost of the acquired business over the fair values attributed to the underlying net tangible assets and the identifiable intangible assets. Goodwill is not amortized.

On at least an annual basis and more frequently if events or circumstances indicate that the asset might be impaired, the Corporation subjects goodwill to an impairment test based upon a comparison of the carrying amount to the fair value of the reporting unit. Any impairment in the carrying amount of goodwill is charged to operations in the period such impairment is identified. There was no impairment identified during the year.

Mitec Telecom Inc.

Notes to Consolidated Financial Statements

(all tabular amounts are in thousands of Canadian dollars, except per share and share data, unless otherwise stated)

April 30, 2008 and 2007

Deferred Charges

Deferred charges consist of the deferred loss and the rent-free period related to a sale-leaseback transaction. The deferred loss and rent-free period are amortized over the term of the related lease.

Revenue Recognition

The Corporation recognizes revenue from the sale of products when persuasive evidence of an arrangement exists, when products are shipped to customers, when the risks and rewards related to the ownership of the product are assumed by the customer, when collection is considered reasonably assured and when the sales price is fixed or determinable.

Revenue under bill-and-hold arrangements is recognized when risks of ownership have been passed on to the customer, there is a signed contract with the customer, the customer has a substantial business purpose for ordering the goods on a bill-and-hold basis, a fixed delivery schedule has been established with the customer, and the Company does not retain any specific performance obligations such that the earnings process is not complete. Goods held under such arrangements are segregated, ready for shipment and not subject to being used to fill other orders. The customers are charged additional fees for storage and other associated costs until shipment occurs.

Research and Development

Research costs, net of related investment tax credits, are expensed as incurred. Development costs are charged to operations as incurred unless such costs meet all criteria under GAAP for deferral and amortization. No development costs have been deferred to date.

Leases

Leases entered into by the Corporation in which substantially all of the benefits and risks of ownership are transferred to the Corporation are recorded as capital leases and classified as property, plant and equipment and obligations under capital lease. All other leases are classified as operating leases under which leasing costs are expensed in the period in which they are incurred.

Income Taxes

The Corporation uses the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future tax assets or liabilities are expected to be realized or settled. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized.

Mitec Telecom Inc.

Notes to Consolidated Financial Statements

(all tabular amounts are in thousands of Canadian dollars, except per share and share data, unless otherwise stated)

April 30, 2008 and 2007

Foreign Currency Translation

a. Canadian operations

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities are converted at the historical rate. Revenues and expenses are translated into Canadian dollars at rates of exchange in effect. Exchange gains and losses arising from the translation of foreign currency items are included in the determination of net income/loss.

b. Foreign operations

The financial statements of the Corporation's self-sustaining foreign subsidiaries, Mitec Communications Ltd., Mitec Telecom (Suzhou) Company, Ltd. and Keragis Corporation, are translated into Canadian dollars using the current rate method. Under this method, assets and liabilities are translated at the exchange rates prevailing at the end of the period and revenue and expenses are translated at the average exchange rates during the period. The adjustment arising from the translation of these accounts has been recorded in the accumulated other comprehensive profit (loss) in shareholders' equity. When there is a reduction in the net investment of a self-sustaining foreign subsidiary, a proportionate amount of deferred translation gains and losses is recognized in net income/loss.

Stock-based Compensation and Other Stock-based Payments

The Corporation has a stock-based compensation plan, which is described in Note 13. The Corporation uses the fair value method to account for stock options granted to employees, directors and consultants. Options issued to employees, officers and directors are recognized as an expense over the vesting period. The fair value is determined using the Black-Scholes option pricing model. Any consideration paid by employees, officers and directors on exercise of stock options or purchase of stock is credited to share capital.

Earnings per Share

Basic earnings (loss) per share is calculated using the weighted average number of shares outstanding during the year. Diluted earnings (loss) per share is calculated using the treasury stock method, giving effect to the exercise of all dilutive factors. The treasury stock method assumes that any proceeds that could be obtained upon the exercise of options would be used to purchase common shares at the average market price during the period.

Mitec Telecom Inc.

Notes to Consolidated Financial Statements

(all tabular amounts are in thousands of Canadian dollars, except per share and share data, unless otherwise stated)

April 30, 2008 and 2007

3. Changes in Accounting Policies

Effective May 1, 2007, the Corporation adopted the following recently introduced Canadian Institute of Chartered Accountants ("CICA") Handbook Sections:

Financial Instruments – Recognition and Measurement

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount; sometimes using fair value and other times using cost-based measures depending on financial instrument's classification. Additionally, changes in subsequent measurements, if any, are recognized in net income or comprehensive income depending on its classification.

Under the new Section, all financial assets are classified as held-for-trading, held-to-maturity investments, loans and receivables or available-for-sale. Also, all financial liabilities must be classified as held-for-trading or other financial liabilities. All financial instruments are recorded initially on the consolidated balance sheet at fair value. After initial recognition, the financial instruments should be measured at their fair values, except for held-to-maturity investments, loans and receivables and other financial liabilities, which should be measured at amortized cost using the effective interest method of amortization. The effective interest related to the financial assets and liabilities and the gain or loss arising from a change in the fair value of a financial asset or financial liability classified as held-for-trading is included in net income for the period in which it arises. If a financial asset is classified as available-for-sale, the gain or loss should be recognized in other comprehensive income until the financial asset is derecognized and all cumulative gain or loss is then recognized in net income, or if there has been a loss in value of such investment that is other than a temporary decline, the investment should be written down and the impairment loss should be recognized in net income. This new section also requires that transaction costs incurred in connection with the issuance of financial instruments either be capitalized and presented as an adjustment to the carrying value of the related financial instrument or expensed as incurred. If capitalized, transaction costs must be amortized to income using the effective interest method. This section does not permit the restatement of financial statements of prior periods.

The Corporation has implemented the following classifications:

- Cash and cash equivalents are classified as held-for-trading and are measured at fair value.
- Short-term investments and investments are classified as available-for-sale and are measured at fair value. Investments in private companies are recorded at cost as reliable fair value is not available for such investments.
- Trade receivables and other receivables are classified as loans and receivables. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Corporation, the measured amount generally corresponds to original cost unless specified otherwise.
- Accounts payable, long-term debt and convertible debentures are classified as other financial liabilities. After their fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Corporation, the measured amount generally corresponds to original cost unless specified otherwise.

Mitec Telecom Inc.

Notes to Consolidated Financial Statements

(all tabular amounts are in thousands of Canadian dollars, except per share and share data, unless otherwise stated)

April 30, 2008 and 2007

The adoption of this new section did not result in any significant adjustments to the carrying value of the Corporation's previously recognized financial assets and liabilities as of April 30, 2007. However, since the Corporation elected to capitalize transaction costs relating to other financial liabilities, unamortized financing charges in the amount of \$184,000 as at April 30, 2008 (2007 – \$161,000) are now presented as a reduction of the long-term debt.

Financial Instruments – Disclosure and Presentation

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them.

Comprehensive Income and Equity

Section 1530 establishes standards for reporting comprehensive income (loss) and as a result of this new Section the cumulative amount, i.e. accumulated other comprehensive income (loss), is presented separately under shareholders' equity (deficiency) in the consolidated balance sheets and a reconciliation of the accumulated other comprehensive income (loss) as well as the comprehensive income (loss) for the period is presented as part of the consolidated financial statements. Section 3251 establishes standards for the presentation of Equity and changes in Equity as a result of the new requirements in section 1530. The Corporation has applied these new accounting standards prospectively, except for the cumulative translation adjustment that has been applied retrospectively.

4. New Accounting Pronouncements

Inventories

In June 2007, the CICA issued the new Section 3031, "Inventories" which will replace Section 3030 "Inventories". The new Section prescribes measurement of inventories at the lower cost and net realizable value. It provides guidance on the determination of costs and their subsequent recognition as an expense and provides guidance on the cost formulas used to assign costs to inventories. This new section is effective for the Corporation for interim and annual financial statements beginning May 1, 2008.

Capital Disclosures

The CICA issued a new accounting standard, Section 1535, "Capital Disclosures", which requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. This new section is effective for the Corporation for interim and annual financial statements beginning May 1, 2008.

Mitec Telecom Inc.

Notes to Consolidated Financial Statements

(all tabular amounts are in thousands of Canadian dollars, except per share and share data, unless otherwise stated)

April 30, 2008 and 2007

Financial Instruments

The CICA issued two new accounting standards, Section 3862, "Financial Instruments – Disclosures", and Section 3863, "Financial Instruments – Presentation". These new standards revise and enhance the disclosure requirements, and carry forward, substantially unchanged, the presentation requirements. These new standards emphasize the significance of financial instruments to the entity's financial position and performance, the nature and extent of risks arising from financial instruments, and how these risks are managed. This new section is effective for the Corporation for interim and annual financial statements beginning May 1, 2008.

General Standards on Financial Statements Presentation

The CICA issued a new amendment on Section 1400, General Standards on Financial Statements Presentation, to include requirements to assess and disclose an entity's ability to continue as a going concern. This new section is effective for the Corporation for interim and annual financial statements beginning May 1, 2008.

Goodwill and Intangible Assets

The CICA issued the following new accounting standards: Section 3064, "Goodwill and Intangible Assets", will replace Section 3062, "Goodwill and Other Intangible Assets", and Section 3450 "Research and Development Costs". Section 1000, "Financial Statement Concepts" was amended according to Section 3064. This new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented companies. This new section is effective for the Corporation for interim and annual financial statements beginning May 1, 2009.

The Corporation is presently assessing the impact of all these new accounting standards on its consolidated financial statements.

International Financial Reporting Standard

In January 2006, the CICA adopted a strategic plan to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period ending in 2011. The Corporation is assessing the impact of the transition to IFRS on its financial statements and has not yet determined the impact.

Mitec Telecom Inc.

Notes to Consolidated Financial Statements

(all tabular amounts are in thousands of Canadian dollars, except per share and share data, unless otherwise stated)

April 30, 2008 and 2007

5. Business Acquisition

Effective September 17, 2007, the Corporation completed the acquisition of the shares of Keragis Corporation for a total consideration of \$6,128,000. Keragis Corporation designs and manufactures innovative amplifier technologies for military radar and communications systems. The acquisition was accounted for under the purchase method and its operating results have been included in these consolidated financial statements since the date of acquisition. The allocation of the purchase price was initially based on the Corporation's best estimates, subject to the completion of a third party valuation. The cash component of the transaction was financed by the issuance of the Convertible debentures.

During the fourth quarter of 2008, the Corporation finalized the purchase price allocation for the acquisition. The purchase price of the acquisition was adjusted due to the completion of the third party valuation.

The following is a summary of the net assets acquired at fair value:

Cash	\$	14
Accounts receivable		18
Inventory		85
Property, plant and equipment		60
Intangible assets – Patent-pending technology		2,266
Intangible assets – Customer relationship		777
Goodwill		3,598
		6,818
Accounts payable and accrued liabilities		(78)
Future income tax liabilities		(612)
		6,128
Net assets acquired	\$	6,128
Consideration represented by:		
Cash (including transaction costs of \$194)	\$	1,245
Common shares issued		4,883
		6,128
	\$	6,128

The Patent-pending technology is amortized over 10 years, its expected useful life, by using the straight-line method. The Customer relationships are amortized over 5 years by using the straight-line method. The deemed value of the 32,840,625 common shares issued was determined using the weighted average closing price of such shares for a five-day trading period beginning two trading days prior to the announcement of the acquisition and ending two days after the date of the announcement of the acquisition.

Mitec Telecom Inc. Notes to Consolidated Financial Statements

(all tabular amounts are in thousands of Canadian dollars, except per share and share data, unless otherwise stated)

April 30, 2008 and 2007

6. Other Receivables

	2008	2007
Commodity taxes receivable	\$ 110	\$ 455
Note receivable, bearing interest at 10%, due in May 2008	264	—
Other taxes recoverable	115	212
Other	141	222
	\$ 630	\$ 889

7. Inventories

	2008	2007
Raw materials and purchased components	\$ 6,076	\$ 5,155
Work-in-progress	1,909	1,333
Finished goods	774	1,184
	\$ 8,759	\$ 7,672

8. Property, Plant and Equipment

	As at April 30, 2008		
	Cost	Accumulated Amortization	Net Carrying Value
Machinery and equipment	\$ 17,417	\$ 12,855	\$ 4,562
Land and buildings	966	358	608
Leasehold improvements	273	27	246
Furniture and fixtures	2,016	1,732	284
Tools and dies	397	241	156
Computer equipment	1,344	1,098	246
Automobiles	38	30	8
	\$ 22,451	\$ 16,341	\$ 6,110

Mitec Telecom Inc.

Notes to Consolidated Financial Statements

(all tabular amounts are in thousands of Canadian dollars, except per share and share data, unless otherwise stated)

April 30, 2008 and 2007

	As at April 30, 2007		
	Cost	Accumulated Amortization	Net Carrying Value
Machinery and equipment	\$ 17,925	\$ 12,307	\$ 5,618
Land and buildings	815	314	501
Leasehold improvements	653	622	31
Furniture and fixtures	2,134	1,749	385
Tools and dies	988	784	204
Computer equipment	1,627	1,275	352
Automobiles	79	64	15
	<u>\$ 24,221</u>	<u>\$ 17,115</u>	<u>\$ 7,106</u>

Management periodically reviews the property, plant and equipment carrying value in light of the Corporation's strategic plan and general business environment. During the year, the Corporation determined that the carrying value of certain assets consisting mostly of machinery and equipment and furniture and fixtures were no longer recoverable. Consequently, fixed assets with a carrying value of \$104,000 (2007 – \$85,000) were written-off.

9. Intangible Assets

	As at April 30, 2008		
	Cost	Accumulated Amortization	Net Carrying Value
Software	\$ 3,929	\$ 3,420	\$ 509
Patented technology, patent-pending technology and trademarks	2,388	168	2,220
Non-patented technology	1,891	1,173	718
Customer relationships	7,314	6,477	837
	<u>\$ 15,522</u>	<u>\$ 11,238</u>	<u>\$ 4,284</u>

	As at April 30, 2007		
	Cost	Accumulated Amortization	Net Carrying Value
Software	\$ 4,418	\$ 3,672	\$ 746
Patented technology and trademarks	93	27	66
Non-patented technology	1,891	873	1,018
Customer relationships	6,537	6,002	535
	<u>\$ 12,939</u>	<u>\$ 10,574</u>	<u>\$ 2,365</u>

Mitec Telecom Inc.
Notes to Consolidated Financial Statements

(all tabular amounts are in thousands of Canadian dollars, except per share and share data, unless otherwise stated)

April 30, 2008 and 2007

Management periodically reviews the carrying value of the intangible asset portfolio whenever there is an indication of impairment. During the year, the Corporation determined that the carrying value of certain intangible assets, consisting of software, were no longer recoverable. Consequently, intangible assets with a carrying value of \$40,000 (2007 – \$156,000) were written-off.

10. Investments

	2008	2007
Common shares of a private company	\$ 25	\$ 750

During the year, the Corporation determined that based on the best information available at the time, a part of the investment was no longer recoverable. Consequently, the Corporation recorded a write-down of \$725,000. The cost of the investment was \$750,000 (2007 – \$750,000).

11. Deferred Charges

	As at April 30, 2008		
	Cost	Accumulated Amortization	Net Carrying Value
Deferred loss on sale and leaseback	\$ 995	\$ 911	\$ 84
Deferred rent on sale and leaseback	2,840	2,603	237
	\$ 3,835	\$ 3,514	\$ 321

	As at April 30, 2007		
	Cost	Accumulated Amortization	Net Carrying Value
Deferred loss on sale and leaseback	\$ 995	\$ 713	\$ 282
Deferred rent on sale and leaseback	2,840	2,035	805
	\$ 3,835	\$ 2,748	\$ 1,087

Mitec Telecom Inc.
Notes to Consolidated Financial Statements

(all tabular amounts are in thousands of Canadian dollars, except per share and share data, unless otherwise stated)
April 30, 2008 and 2007

12. Long-term Debt

	2008	2007
a) Investissement Québec term loan, bearing interest at prime plus 3.5%, repayable in 60 monthly payments of capital and interest of \$62,500, due in February 2009	\$ 382	\$ 797
b) Convertible debentures, bearing interest at 10%, repayable in October 2009	742	—
	1,124	797
Less: current portion	382	415
	\$ 742	\$ 382

The required annual principal payments for each of the next two years are as follows:

2009	\$	382
2010	\$	742

Investissement Québec Term Loan

The Investissement Québec term loan is secured by a second rank mortgage in the amount of \$4,500,000 on the universality of the assets of the Canadian operations including intellectual property. The Corporation is required to comply with certain financial covenants with respect to its term loan with Investissement Québec.

Mitec Telecom Inc.
Notes to Consolidated Financial Statements

(all tabular amounts are in thousands of Canadian dollars, except per share and share data, unless otherwise stated)

April 30, 2008 and 2007

Convertible Debentures

In October 2007, the Corporation issued \$2.5 million of Convertible unsecured debentures (the "Convertible debentures"). Financing charges of \$206,000 were incurred which are presented as a reduction of the long-term debt and equity components. The Convertible debentures bear interest at 10% per annum, payable annually, mature in October 2009 and are subordinated of all indebtedness of the Corporation except indebtedness that by its terms ranks equally with the Convertible debentures. The debenture holders have the option to convert the principle amount of the debentures into common shares at the deemed price defined as the lower of \$0.18 or market price which is defined as the five day weighted average market price calculated prior to the conversion subject to a minimum of \$0.12, per common share, at any time in the two-year term of the debenture. Interest paid on the debentures, over the two-year term will total \$500,000 if the debentures are held to maturity. Subject to regulatory approval, the accrued interest could be paid in shares based on the equivalent value based on the same terms as the conversion price. During the year, Convertible debentures in the amount of \$1,055,000 were converted into 8,791,666 common shares and 40,411 common shares were issued as payment for accrued interest. As of April 30, 2008, the nominal value of the Convertible debenture was \$1,445,000.

The Convertible debentures were issued with 13,888,889 warrants, each warrant entitling the holder to purchase an additional common share at a price of \$0.18 per share, for a period of two years from the issuance of the warrant. The 13,888,889 warrants have been evaluated at \$753,000 using the Black-Scholes option pricing model which assumes an expected life of two years: volatility of 93%, risk-free interest rate of 4.0% and no dividend yield.

In accordance with Canadian GAAP, the Convertible debentures were accounted for on the basis of their substance and were presented in their component parts of debt and equity. The debt component was measured, prior to adjustment, at the issue date at the present value of the cash payment of interest and principal under the term of the Convertible debentures using a discount rate of 15%. These components, individually valued as described above, were adjusted on a prorated basis, to arrive to each component. The difference between the debt component, the warrants and the face value of the convertible debentures is classified as equity. The debt component is accreted to its face value through a charge to earnings over its term. Issue costs have been allocated between the debt and the equity components of the Convertible debentures.

Mitec Telecom Inc.

Notes to Consolidated Financial Statements

(all tabular amounts are in thousands of Canadian dollars, except per share and share data, unless otherwise stated)

April 30, 2008 and 2007

13. 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

	As at April 30, 2008		As at April 30, 2007	
Balance, beginning of year	174,502,223	\$ 125,631	76,405,263	\$ 116,357
Changes during the year:				
Issued for cash (net of issue costs of \$616)	—	—	97,971,960	9,258
Issued for business acquisition (Note 5)	32,840,625	4,883	—	—
Issued under stock option plan	350,000	72	—	—
Issued upon conversion of convertible debentures (Note 12)	8,832,077	999	—	—
Issued on exercise of warrants	3,787,500	512	125,000	16
Balance, end of year	220,312,425	\$ 132,097	174,502,223	\$ 125,631

During the year, the Corporation issued 8,832,077 common shares upon conversion of convertible debentures, including specific requests for accrued interests.

Warrants

	As at April 30, 2008		As at April 30, 2007	
Balance, beginning of year	27,914,779	\$ 1,311	—	\$ —
Issued for cash (net of issue costs of \$151)	—	—	28,039,779	1,315
Issued under issuance of convertible debentures (Note 12)	13,888,889	753	—	—
Exercised	(3,787,500)	(133)	(125,000)	(4)
Balance, end of year	38,016,168	\$ 1,931	27,914,779	\$ 1,311

Mitec Telecom Inc.

Notes to Consolidated Financial Statements

(all tabular amounts are in thousands of Canadian dollars, except per share and share data, unless otherwise stated)

April 30, 2008 and 2007

Warrants outstanding are as follows:

	As at April 30, 2008	
Exercise price	Expiry date	#
0.10	October 3, 2008	4,837,500
0.18	October 17, 2009	13,888,889
0.22	March 30, 2009	19,289,779
		38,016,168

The Corporation may oblige the exercise of the warrants expiring on March 30, 2009 if the closing price of the Corporation's common shares is equal to or exceeds \$0.35 for a period of 20 consecutive trading days. Additional gross proceeds would amount to \$4.2 million. The Corporation may also oblige the conversion of the warrants expiring on October 17, 2009 if the closing price of the Corporation's common shares equal or exceed \$0.36 for a period of 20 consecutive trading days. The additional proceeds would amount to \$2.5 million.

Earnings per Share

Weighted average number of common shares is as follows:

	As at April 30, 2008 #	As at April 30, 2007 #
Weighted average number of common shares outstanding	197,634,243	121,903,323
Net effect of dilutive stock options and warrants	52,159,999	26,016,421
Weighted average diluted number of common shares outstanding	249,794,242	147,919,744

For the periods ending April 30, 2008 and 2007, the effect of stock options and warrants potentially exercisable on loss per common share was anti-dilutive, therefore basic and diluted loss per share are the same.

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. On October 19, 2007, the shareholders approved an amendment to the stock option plan, increasing the total number of options which may be issued under the plan by 10,000,000 common shares for a total of 20,000,000 common shares. The number of common shares granted to a beneficiary and the vesting period is determined at the discretion of the Board of Directors, which is normally no longer than 5 years.

The exercise price of any option granted under the Plan is 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 cannot 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, except in certain circumstances approved by the Board.

Mitec Telecom Inc. Notes to Consolidated Financial Statements

(all tabular amounts are in thousands of Canadian dollars, except per share and share data, unless otherwise stated)

April 30, 2008 and 2007

As at April 30, 2008, there were 5,466,050 (2007 – 3,793,550) options available for issue under the plan.

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

	As at April 30, 2008		As at April 30, 2007	
Balance, beginning of year	6,206,450	\$ 0.41	2,403,500	\$ 1.76
Granted	9,145,000	0.16	4,735,000	0.13
Exercised	(350,000)	0.11	—	—
Forfeited	(447,500)	0.43	(812,600)	1.92
Expired	(20,000)	8.50	(119,450)	6.50
Balance, end of year	14,533,950	\$ 0.25	6,206,450	\$ 0.41
Options exercisable at end of year	6,520,517	\$ 0.35	3,338,384	\$ 0.60

The weighted average grant date fair value of options granted in 2008 was \$0.16 (2007 – \$0.13).

The fair value of options granted was determined using the Black-Scholes option pricing model with a volatility of 95% (2007 – 98%), a risk-free interest rate of 3.6% (2007 – 4.5%), a dividend yield of nil and an expected life of the option of five years.

Additional information concerning stock options outstanding as at April 30, 2008 is as follows:

Exercise price	Options Outstanding			Options Exercisable	
	Number	Weighted average exercise price	Weighted average years to expiry	Number	Weighted Average exercise price
\$0.11 to \$0.16	6,923,000	\$ 0.14	9.1	3,384,600	\$ 0.13
\$0.17 to \$0.25	6,275,000	0.17	8.6	1,869,500	0.18
\$0.26 to \$0.39	636,000	0.33	4.7	582,667	0.33
\$0.80 to \$1.20	110,000	0.80	2.6	109,000	0.80
\$1.21 to \$1.80	225,000	1.65	3.4	215,000	1.65
\$1.81 to \$2.71	271,250	1.88	2.8	266,050	1.89
\$2.72 to \$4.06	61,500	3.59	2.0	61,500	3.59
\$4.07 to \$6.70	32,200	5.41	0.7	32,200	5.41
	14,533,950	\$ 0.25	8.4	6,520,517	\$ 0.35

The total expenses relating to stock-based compensation amortized to consolidated statements of loss were \$611 (2007 – \$519) for the year.

Mitec Telecom Inc. Notes to Consolidated Financial Statements

(all tabular amounts are in thousands of Canadian dollars, except per share and share data, unless otherwise stated)

April 30, 2008 and 2007

14. Income Taxes and Government Assistance

a) Significant components of the income tax (recovery) expense consist of the following:

	2008	2007
Current income tax expense before the following:	\$ 85	\$ 220
Benefit of previously unrecognized losses and temporary differences	(5)	(220)
Benefit of tax holidays in foreign country	(80)	—
Current income tax expense	—	—
Future income tax recovery is made of:		
Recovery of previously recognized future tax liabilities	—	(181)
Benefits of investment tax credits not previously recognized	—	814
Temporary differences from acquisition-related intangibles	(97)	—
Income tax (recovery) expense	\$ (97)	\$ 633

b) The income tax (recovery) expense reported differs from the amount computed by applying Canadian income tax rates to income before income taxes. The reasons for the difference and the related tax effects are as follows:

	2008	2007
Loss from continuing operations before income taxes	(6,518)	(11,731)
Canadian statutory income tax rate	30.90%	32.00%
Expected income tax (recovery) expense	\$ (2,014)	\$ (3,754)
Adjustments		
Tax effect of non-deductible stock option compensation	189	166
Recovery of previously recognized future tax liabilities	—	(181)
Tax effect of non-deductible intangible asset amortization	52	86
Effect of foreign tax rate differentials	(75)	9
Tax credits and other amounts not taxable in Quebec	(18)	(36)
Benefit of previously unrecognized losses and temporary differences	(5)	(220)
Unrecognized benefit of losses and temporary differences	1,667	3,520
Benefit of tax holidays in foreign country	(80)	—
Benefits of investment tax credits not previously recognized	—	814
Other	187	229
Income tax (recovery) expense	\$ (97)	\$ 633

Mitec Telecom Inc. Notes to Consolidated Financial Statements

(all tabular amounts are in thousands of Canadian dollars, except per share and share data, unless otherwise stated)

April 30, 2008 and 2007

- c) The tax effects of temporary differences and net operating losses that give rise to future income tax assets and liabilities are as follows:

	2008	2007
Future income tax liabilities		
Carrying values of capital assets in excess of tax basis \$	60 \$	16
Deferred charges and other	29	133
Temporary differences of acquisition-related intangible assets	515	—
Total future income tax liabilities	604	149
Future income tax assets		
Net operating losses carried forward	12,166	13,280
Research and development expenditures carried forward	4,943	5,917
Tax basis of capital assets in excess of carrying value	3,189	2,935
Provisions, share issue costs and other	1,557	700
Total future income tax assets	21,855	22,832
Valuation allowance	(21,766)	(22,683)
Total future income tax assets	89	149
Net future income tax liabilities	\$ 515 \$	—

The Corporation also has available unrecognized federal and provincial research and development expenditures of approximately \$17,000,000, and \$17,700,000 respectively. These expenditures are available to reduce taxable income and have an unlimited carry-forward period. The Corporation has unrecognized losses carried forward of \$45,123,000 in Canada and \$43,446,000 for provincial purposes, which expire in the years 2010 to 2028, and approximately \$1,457,000 in the United States which expire in the years 2026 to 2028 as indicated below.

Year of expiry	Canada	Quebec	United States
2010	\$ 4,465	\$ 4,433	\$ —
2014	3,531	3,152	—
2015	15,060	15,060	—
2026	6,343	6,343	7
2027	9,469	8,203	1,013
2028	6,255	6,255	437
	\$ 5,123	\$ 43,446	\$ 1,457

Mitec Telecom Inc.

Notes to Consolidated Financial Statements

(all tabular amounts are in thousands of Canadian dollars, except per share and share data, unless otherwise stated)

April 30, 2008 and 2007

In addition, the Corporation has allowable capital losses in Canada of approximately \$20,500,000 which have not been recognized in the future income tax assets described above. The Corporation also has available unrecognized investment tax credits of approximately \$3,177,000, which expire in the years 2011 through 2028 as indicated below.

Year of expiry

2011	\$	253
2012		459
2013		472
2014		485
2015		419
2026		578
2027		401
2028		110
	\$	3,177

The Corporation has been audited by the Canada Revenue Agency (“CRA”) with respect to 2001 and 2002 research and development services provided by a US subsidiary to the Corporation. The Corporation is also being audited by CRA with respect to the 1999 to 2004 taxation years in respect of imputed interest on loans made to foreign subsidiaries. In 2007, the Corporation received notices of reassessment and proposed reassessments from the CRA. The notices of reassessment and proposed reassessments would increase significantly the taxable income of the Corporation for those years.

These matters are under discussion with the CRA, and the Corporation believes it has taken adequate reserves to address certain of these issues through the use of investment tax credits and a reduction of future tax assets relating to net operating losses and research and development expenditures carried forward. However, the Corporation believes that certain of the proposed changes are unfounded and it has filed an opposition with the CRA. The ultimate resolution could result in material adjustments to the amounts provided in the accounts.

Government Assistance

The Corporation incurred research and development expenditures some of which are eligible for refundable investment tax credits. The investment tax credits recorded are based on management’s estimates of amounts expected to be recovered and are subject to audit by the taxation authorities and, accordingly, these amounts may vary. The investment tax credits, recorded as a reduction of research and development expenditures, were \$160,000 (2007 – \$364,000).

Mitec Telecom Inc. Notes to Consolidated Financial Statements

(all tabular amounts are in thousands of Canadian dollars, except per share and share data, unless otherwise stated)

April 30, 2008 and 2007

15. Commitments and Contingencies

- a) The Corporation and its subsidiaries are committed under operating leases for rental of properties and equipment. Future minimum annual rentals are as follows:

2009	\$	118
2010		106
2011		79
2012		2
		305
	\$	305

- b) In January 1997, the Corporation received notice from attorneys for the residents of a house in Williston, Vermont, of a potential claim alleging property damage and personal injury arising from the presence of certain contaminants in the groundwater beneath their property. The notice alleged that the contaminants came from sources located on a lot leased in the past by Mitec Systems Inc. In 1999, they filed a lawsuit in Vermont against the Corporation and two related companies claiming unspecified personal injuries and diminution in value for their residential property. The Corporation settled this legal action for approximately \$240,000 (US \$175,000) and recorded the settlement and associated legal fees in 2004. The Corporation is seeking restitution from its insurance company and the insurance company has claimed recoupment of certain fees from the Corporation. On February 1, 2007, the Superior Court entered judgment in favour of the insurance company in the amount of \$189,073 plus interest from February 1, 2007. The Corporation believes it has several strong arguments and appealed to the Vermont Supreme Court. The outcome is presently not determinable and therefore no provision has been made in the accounts.

In February 1999, the Corporation entered into an agreement with the State of Vermont whereby the Corporation has agreed to perform a site investigation and the State has agreed to use its resources to identify all individuals and entities potentially responsible for the site contamination. The State of Vermont also requested that the United States Environmental Protection Agency cases its investigation of the site. The site investigation undertaken by the Corporation has been concluded and the data and information collected indicates that there are a number of other possible sources of groundwater contamination. The State of Vermont has stated that it has no funding to undertake the next steps with respect to the groundwater contamination and has asked the United States Environmental Protection Agency to revive its investigation of the contamination. The United States Environmental Protection Agency ("USEPA") has agreed to do so. In May 2007, USEPA notified Mitec that it considered Mitec to be a potentially responsible party with respect to the Alling Industrial Park contamination and asked if Mitec was willing to enter into negotiations. Mitec commenced confidential settlement negotiations and with the USEPA to resolve the agency's cost reimbursement claim. Subsequently, USEPA issued a special notice letter triggering a statutory negotiation period in which a formal demand for reimbursement was made. In response to the negotiations and, in July 2008, a settlement agreement was proposed by the USEPA which is currently being reviewed by Mitec. However, there remains uncertainty as to the finalization of the actual amount to be paid and certain other terms of the settlement agreement.

Mitec Telecom Inc. Notes to Consolidated Financial Statements

(all tabular amounts are in thousands of Canadian dollars, except per share and share data, unless otherwise stated)

April 30, 2008 and 2007

- c) The Corporation's former landlord in the New Jersey facility has instituted legal action against the Corporation and certain of its sub-tenants for damages to the leased premises. The outcome is presently not determinable and therefore no provision has been made in the accounts.
- d) The Corporation is from time to time involved in various claims and legal proceedings arising in the ordinary course of business. It is the opinion of management that a final determination of these proceedings cannot be made at this time but should not materially affect the Corporation's financial position or results of operations.

16. Restructuring and Other Expenses

In 2007, the Corporation decided to streamline its operations and to review the North American telecom markets to be addressed. As a result of the review, management of the Corporation decided to further streamline its fixed costs through the termination of employees in Montreal (Canada), the closing of its United States Research and Development facility and its selling department located in United Kingdom. The Corporation incurred severance costs related to executive and non-executive employees of \$1,728,000 of which the related unpaid balance of \$94,000 was included in accounts payable and accrued liabilities at April 30, 2007. At April 30, 2008 the balance was nil. Further, in 2007, the immediate vesting of options for these employees increased the stock-based compensation expense in the 2007 by approximately \$125,000. The Corporation also decided to close its Reno (United States) facility, which resulted in a restructuring charge of \$132,000 related to a write-down of the inventory in addition to the write-off of property, plant and equipment. The restructuring initiatives also lead the Corporation to write-down \$853,000 of Telecom inventory located in Montreal (Canada). The costs related to inventory write-downs were included in cost of sales in 2007. The Corporation will continue to benefit from its non-patented technology related to the Telecom segment. There was no impact in 2008.

17. Discontinued Operations

On May 8, 2003, the Board of Directors approved a plan to divest its Swedish subsidiary, Beve Electronics AB ("Beve"), which comprised of most of its Microwave sector. On August 29, 2003, the Corporation closed the sale of the business of Beve to Note AB, a Swedish Company. During 2007, the Corporation received the proceeds from the sale of the land and sold its Swedish corporate entities.

	2008	2007
Loss from discontinued operations	\$ —	\$ (8)
Cash flows from discontinued operations consist of cash provided from (used in):		
Operating activities	—	(8)
Investing activities	—	215
Increase in cash and cash equivalents from discontinued operations	\$ —	\$ 207

Mitec Telecom Inc. Notes to Consolidated Financial Statements

(all tabular amounts are in thousands of Canadian dollars, except per share and share data, unless otherwise stated)

April 30, 2008 and 2007

18. Related Party Transactions

In addition to related party transactions disclosed elsewhere in the notes to consolidated financial statement in 2008, consulting fees in the amount of nil (2007 – \$288,000) were paid to a company controlled by a Director.

19. Supplementary Information

a) Consolidated statements of cash flows

Changes in non-cash working capital balances related to operations:

	2008	2007
Trade and other receivables	\$ (4,404)\$	5,678
Accounts payable and accrued liabilities	4,743	(5,471)
Inventories	(1,087)	(126)
Prepaid expenses and other	177	(266)
	\$ (571)\$	(185)
 Interest paid	 \$ 113 \$	 219

b) Consolidated statements of earnings

Research and development

Research and development	\$ 4,637 \$	6,633
Refundable investment tax credits (Note 14)	(160)	(364)
Net current research and development	4,477	6,269
Government assistance – recovery of non-refundable tax credits (Note 14)	—	(814)
	\$ 4,477 \$	5,455

Amortization of property, plant and equipment is included in:

Cost of sales	\$ 978 \$	1,154
Selling and administrative and research and development	387	464
	\$ 1,365 \$	1,618

Mitec Telecom Inc. Notes to Consolidated Financial Statements

(all tabular amounts are in thousands of Canadian dollars, except per share and share data, unless otherwise stated)

April 30, 2008 and 2007

Amortization of deferred charges has been included in:

Cost of sales	\$	473	\$	491
Research and development		146		123
Selling and administrative		147		153
	\$	766	\$	767

20. Segmented Information

a) Segmented information used by management

Management organizes the Corporation into two principal operating segments for making operating decisions and assessing performance. The operating segments are Wireless Telecommunications ("Telecom"), and Satellite and Terrestrial Communications ("Satcom"). The Corporation currently operates in Canada, China and the United States.

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

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

Management evaluates segment performance based on gross profit as other expenses cannot be allocated to individual segments. In addition, the segments share certain inventory and some capital assets.

Information pertaining to each segment for the years ended April 30:

	Telecom		Satcom		Consolidated Amounts	
	2008	2007	2008	2007	2008	2007
Sales	\$ 14,884	\$ 11,933	\$ 21,292	\$ 21,874	\$ 36,176	\$ 33,807
Cost of sales	12,032	13,325	16,026	15,032	28,058	28,357
Gross profit	2,852	(1,392)	5,266	6,842	8,118	5,450
Expenses					14,636	17,181
Income tax (recovery) expense					(97)	633
Loss from continuing activities					(6,421)	(12,364)
Discontinued activities					—	(8)
Net loss for the year					\$ (6,421)	\$ (12,372)

Mitec Telecom Inc. Notes to Consolidated Financial Statements

(all tabular amounts are in thousands of Canadian dollars, except per share and share data, unless otherwise stated)

April 30, 2008 and 2007

The following table presents assets by segment:

	As at April 30, 2008		
	Telecom	Satcom	Total
Current assets	\$ 9,952	\$ 10,550	\$ 20,502
Long-term assets	4,700	9,291	13,991
	14,652	19,841	34,493
Other			5,550
Total			\$ 40,043

	As at April 30, 2007		
	Telecom	Satcom	Total
Current assets	\$ 4,832	\$ 9,055	\$ 13,887
Long-term assets	7,118	3,790	10,908
	11,950	12,845	24,795
Other			8,368
Total			\$ 33,163

Details of property, plant and equipment by segment are as follows:

	As at April 30, 2008		
	Telecom	Satcom	Total
Beginning balance	\$ 4,271	\$ 2,835	\$ 7,106
Additions	299	320	619
Depreciation	(898)	(467)	(1,365)
Gain on disposal	—	—	—
Write-down of fixed assets	(104)	—	(104)
Loss on disposal	(72)	(35)	(107)
Proceed on disposal	(37)	(11)	(48)
Foreign exchange impact	9	—	9
	\$ 3,468	\$ 2,642	\$ 6,110

	As at April 30, 2007		
	Telecom	Satcom	Total
Beginning balance	\$ 5,373	\$ 3,191	\$ 8,564
Additions	135	153	288
Depreciation	(1,122)	(496)	(1,618)
Gain on disposal	—	—	—
Write-down of fixed assets	(85)	—	(85)
Loss on disposal	(9)	(1)	(10)
Proceed on disposal	(76)	—	(76)
Foreign exchange impact	55	(12)	43
	\$ 4,271	\$ 2,835	\$ 7,106

Mitec Telecom Inc. Notes to Consolidated Financial Statements

(all tabular amounts are in thousands of Canadian dollars, except per share and share data, unless otherwise stated)

April 30, 2008 and 2007

Details of intangible assets and goodwill by segment are as follows:

	As at April 30, 2008		
	Telecom	Satcom	Total
Beginning balance	\$ 1,662	\$ 703	\$ 2,365
Additions	60	6,642	6,702
Amortization	(487)	(658)	(1,145)
Write-down of intangible assets	—	(40)	(40)
	\$ 1,235	\$ 6,647	\$ 7,882

	As at April 30, 2007		
	Telecom	Satcom	Total
Beginning balance	\$ 2,594	\$ 1,257	\$ 3,851
Additions	26	6	32
Amortization	(958)	(436)	(1,394)
Write-down of intangible assets	—	(156)	(156)
Foreign exchange impact	—	32	32
	\$ 1,662	\$ 703	\$ 2,365

b) Enterprise-wide information

The following table presents sales by destination of the product:

	2008	2007
Canada	\$ 1,026	\$ 730
United States	10,887	14,103
Europe	8,730	7,330
Asia	11,472	8,685
Other	4,061	2,959
	\$ 36,176	\$ 33,807

Mitec Telecom Inc.

Notes to Consolidated Financial Statements

(all tabular amounts are in thousands of Canadian dollars, except per share and share data, unless otherwise stated)

April 30, 2008 and 2007

The following tables present sales, assets and property, plant and equipment, intangible assets and goodwill based on geographic location of production:

	2008	2007
Sales		
Canada	\$ 22,264	\$ 23,947
United States	689	356
China	13,892	10,011
Inter-country	(669)	(507)
	\$ 36,176	\$ 33,807
Assets		
Canada	\$ 22,595	\$ 27,645
United States	7,010	37
China	10,418	5,415
United Kingdom	20	66
	\$ 40,043	\$ 33,163
Property, plant and equipment, goodwill and intangible assets		
Canada	\$ 6,333	\$ 8,417
United States	6,488	—
China	1,171	1,054
	\$ 13,992	\$ 9,471

21. Financial Expenses

Financial expenses consist of:

	2008	2007
Interest on bank indebtedness	\$ —	\$ 56
Interest on long-term debt	70	136
Interest on convertible debentures	84	—
Accretion expense	325	114
Bank charges and other	78	113
	\$ 557	\$ 419

Mitec Telecom Inc.
Notes to Consolidated Financial Statements

(all tabular amounts are in thousands of Canadian dollars, except per share and share data, unless otherwise stated)
April 30, 2008 and 2007

22. Financial Instruments

Short-term Financial Assets and Liabilities

The carrying amounts of these assets and liabilities are a reasonable estimate of the fair values due to the short-term nature of these assets and liabilities.

Short-term financial assets consist of short-term investments, trade receivables, and other receivables. Short-term financial liabilities consist of accounts payable.

Trade Receivables, Economic Dependence and Concentration of Credit Risk

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

The foreign trade receivables of the Canadian operation are guaranteed by the Export Development Corporation Canada ("EDC") and the Corporation's customer base comprises of many geographically dispersed customers.

One customer accounted for 31% of sales for the year ended April 30, 2008 and 39% of trade receivables as at April 30, 2008 (in 2007 – two customers accounted for 43% of sales and 36% of trade receivables as at April 30, 2007). For the year ended April 30, 2008, the same customer represented 74% (2007 – 84%) of Telecom sales.

Investments

In 2008, the carrying value of the investments was reduced to the fair value based on best estimates available at the time.

Long-term Debt

The carrying amounts of the Corporation's long-term debt approximate their fair value because they are floating rate debt.

Interest Rate Risk

The Corporation's principal exposure to interest rate fluctuations is with respect to its long-term debt, which bear interest at floating rates.

Mitec Telecom Inc.

Notes to Consolidated Financial Statements

(all tabular amounts are in thousands of Canadian dollars, except per share and share data, unless otherwise stated)

April 30, 2008 and 2007

Foreign Exchange Risk

The Corporation maintains cash and cash equivalents, other current assets, and accounts payable and accrued liability in Chinese yuan (RMB) and in U.S. dollars (US\$) and is therefore exposed to currency risks on these balances as follows:

	As at April 30, 2008		As at April 30, 2007	
	RMB	US\$	RMB	US\$
Assets				
Cash and cash equivalents	11,288	1,786	4,144	3,446
Accounts receivable	34,185	4,924	7,963	3,623
	45,473	6,710	12,107	7,069
Liabilities				
Accounts payables and accrued liabilities	43,343	2,082	17,482	1,324
	2,130	4,628	(5,375)	5,745

Net exchange control restrictions

The Corporation's Chinese subsidiary is subject to government approvals should it wish to repatriate funds to the parent company in excess of authorized advances from the Corporation and its subsidiaries. At April 30, 2008, the Chinese subsidiary's cash on hand in the amount of \$1.6 million was higher than the amount of the authorized advances of \$1.5 million. Amounts in excess of this threshold may be subject to holdback.

23. Comparative Figures

Certain comparative figures for 2007 have been reclassified to conform to the presentation adopted in 2008.
