

2008

Mitec Telecom Inc.

Third Quarter Report

For the 9-month period ending January 31, 2008



Management's Discussion and Analysis

This management's discussion and analysis ("MD&A") includes a review of the financial condition of Mitec Telecom Inc. ("Mitec" or the "Corporation") and a review of operations for each of Mitec's operating segments for the 3-month and 9-month periods ended January 31, 2008 (third quarter fiscal 2008).

This MD&A 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. It should be read in conjunction with the audited consolidated financial statements dated April 30, 2007. 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 March 4, 2008.

FORWARD-LOOKING STATEMENTS

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 Risk Factors section of the Corporation's Annual Information Form dated July 25, 2007.

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. 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 QUARTERLY FINANCIAL STATEMENTS

Prior to publication, the Board of Directors, on the recommendation of the audit committee, approved Mitec Telecom's financial statements.

NOTICE FROM MANAGEMENT

The interim financial statements have not been reviewed by the Corporation's external auditors.

OVERVIEW

Mitec Telecom Inc. was incorporated in 1972. Its activities, which consist of the design and manufacture of telecommunication products, are divided into two core business segments: Telecommunications (“Telecom”) and Satellite Communications (“Satcom”).

The Telecom segment consists of designing, manufacturing and selling state-of-the-art radio-frequency (“RF”) conditioning and amplifier subsystems for 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).

Mitec’s headquarters are in Pointe-Claire, Canada and the Corporation has other operations in Suzhou (China) and Poway (California). As at January 31, 2008, the Corporation’s global workforce stood at 355 employees.

MAJOR EVENTS

On January 9, 2008, the Corporation announced the appointment of board member Mr. Jeffrey Mandel as Director, Investor and Corporate Relations. Mr. Mandel will be responsible for creating and managing an integrated marketing communications strategy for the Corporation, which will include communication 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. Deliveries stemming from this agreement started shipping in December 2007 and are expected to continue throughout 2008 and 2009 across the United States.

On January 31, 2008, the Corporation announced a new contract to provide its Very Small Aperture Satellite Terminal product, also known as a VSAT Block Up converter, for a major cellular network operator in Africa. The initial order is expected to be the first in a series of orders in support of a cellular network build-out in regions of Africa. Deliveries have commenced from product inventory and will continue over the next two quarters following new production for the remainder of required volumes.

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. It is expected to be fully operational by April 1, 2008 and is located a few kilometers from Mitec’s current 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 of the upcoming 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.

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table presents selected financial information for the third quarter of the current and past fiscal years:

Periods ended January 31 <i>(Amounts in thousands except per share data)</i>	Q3 FY2008	Q3 FY2007	YTD FY2008	YTD FY2007
	\$	\$	\$	\$
Sales	9,829	8,536	25,410	26,050
Gross profit	1,959	1,887	5,719	3,855
Selling and administrative expenses	1,563	1,852	4,652	5,953
Research & Development expenses	1,041	1,405	3,177	5,220
Loss from continuing operations	(1,351)	(2,555)	(4,670)	(11,231)
Net loss	(1,351)	(2,555)	(4,670)	(11,239)
Loss per share – basic and diluted:				
- Continuing operations	(0.01)	(0.02)	(0.02)	(0.10)
- Net loss	(0.01)	(0.02)	(0.02)	(0.10)
Total assets			40,602	34,770
Long-term debt			485	1,083
Convertible debentures			979	—
Cash and temporary investments			5,164	6,364

RESULTS OF OPERATIONS

Sales

For the three-month period ended January 31, 2008, consolidated sales reached \$9.8 million, up 15% from the third 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 \$1.8 million, or 65%, during the third 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 56% of total revenues, decreased by \$0.4 million to \$5.5 million, or 7%, compared to the third quarter of fiscal 2007, is still impacted considerably by the decrease of the US currency.

<i>(thousands of dollars)</i>	Q3 FY2008	Q2 FY2008	Q1 FY2008	Q4 FY2007	Q3 FY2007
Telecom	4,362	2,189	2,973	2,015	2,641
% of total revenues	44.4%	27.4%	39.0%	26.0%	30.9%
Satcom	5,467	5,789	4,630	5,742	5,895
% of total revenues	55.6%	72.6%	61.0%	74.0%	69.1%

For the nine-month period ended January 31, 2008, consolidated sales stood at \$25.4 million, a decline of 2% from the \$26.1 million in sales from the same period of the previous fiscal year. The reduction stems primarily from the Wireless segment since comparable results were considering sales from a U.S. subsidiary, which is no longer in operation since January 31, 2007. The Satcom segment posted a slight decrease of \$0.4 million, or 2%, as compared with results from the same period the last fiscal year pursuant to the launch of new products negatively impacted by the decrease in the U.S. currency.

Geographical Distribution Revenue

	North America	Europe	Asia	Other
Q3 FY2008	35%	15%	37%	13%
Q3 FY2007	45%	17%	31%	7%
YTD FY2008	36%	24%	27%	13%
YTD FY2007	43%	27%	25%	4%

Sales per geographic location were impacted by larger demand from emerging countries.

Gross profit

Gross profit for the third quarter of fiscal 2008 increased by \$0.1 million from \$1.9 million in the third quarter of fiscal 2007 to \$2.0 million. This increase was a result of larger sales volume providing better overhead absorption offset by the significant decrease of the US currency against the Canadian dollar since most of the sales are conducted in US currencies and the expenses are in Canadian currencies. The Corporation was also impacted by cost increases in its raw material and most of its components.

<i>(thousands of dollars)</i>	Q3 FY2008	Q2 FY2008	Q1 FY2008	Q4 FY2007	Q3 FY2007
Telecom	868	345	737	543	8
% of Telecom sales	20.0%	15.8%	24.7%	26.9%	0.0%
Satcom	1,091	1,352	1,327	2,038	1,879
% of Satcom sales	20.0%	23.3%	28.7%	36.5%	31.9%

Gross profit in the Telecom segment increased \$0.9 million from \$8,000 for the same period last year to \$0.9 million in fiscal 2008. This is a result of lower sales level in PAs and 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. For the nine-month period, the positive 20% gross profit, or \$1.9 million, largely exceeded poor performance of negative \$ 1.0 million from the same period last year.

Satcom gross profit decreased by \$0.8 million from \$1.9 million in the third quarter of fiscal 2007 to \$1.1 million in the third quarter of fiscal 2008. Gross margin decreased from 32% to 20% due mainly to the decrease of the US currency as previously expressed. For the nine-month period, gross profit decreased to \$3.8 million, or 24%, compared to \$4.8 million, or 30%, from the previous year.

Research and Development Expenses

Research and development expenses (R&D) net of investment tax credits for the third quarter of fiscal 2008 decreased 26% from \$1.4 million in the third quarter of fiscal 2007 to \$1.0 million. The Corporation continues to invest largely in R&D in order to remain competitive and develop new breakthrough technologies, which has resulted in recent product launches. For the nine-month period ended January 31, 2008, total R&D expenses reached \$3.2 million representing 13% of the sales compared to \$5.2 million or 20% of the sales for the same period of the previous year.

Selling and Administrative Expenses

The Corporation's selling and administrative expenses for the third quarter in fiscal 2008 decreased 23% from \$1.9 million to \$1.6 million. The decrease was a consequence of the restructuring program. For the nine-month period, those expenses totalled \$4.7 million compared to \$6.0 million from the previous year, down 22% following the restructuring plan and the cost-containment program.

Financial Expenses

Financial expenses were \$0.3 million for the third quarter of fiscal 2008 as compared to \$0.1 million for the third quarter of fiscal 2007 to consider interests and the accretion of the convertible debentures. For the nine-month period, the financial expenses increased \$0.2 million from \$0.2 million to \$0.4 million. This increase is as a result of the issuance of convertible debentures last October.

Amortization of Intangible Assets

The amortization of intangible assets increased \$0.2 million from \$0.2 million in the third fiscal quarter of 2007 to \$0.4 million in the third quarter of fiscal 2008 further to the acquisition of a U.S. subsidiary.

Stock-based compensation

The amount of the expense recorded this quarter was \$76,000 compared to \$57,000 in 2007.

Loss from continuing operations and net loss

The loss from continuing operations and the net loss for the third quarter of fiscal 2008 was \$1.4 million, or \$0.01 per share, as compared to \$2.6 million, or \$0.02 per share, for the same quarter of fiscal 2007. The decrease in the loss from continuing operations and the net loss is largely attributable to larger sales volumes in the wireless segment and the restructuring program implemented last year, unfortunately negatively impacted by the

decrease of the US currency against the Canadian dollar. 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. 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:

(Amounts in thousands of dollars)	Q3 FY2008	Q2 FY2008	Q1 FY2008	Q4 FY2007	Q3 FY2007
Loss from continuing operations	(1,351)	(2,341)	(977)	(1,133)	(2,555)
Income taxes	—	—	—	814	—
Amortization and loss on write-down of property, plant and equipment, intangible assets, deferred charges and investments	1,248	823	769	902	1,103
Interest	309	78	24	(12)	31
EBITDA from continuing operations	206	(1,440)	(184)	571	(1,421)
Effect of restructuring expenses, foreign exchange and stock-based compensation	(297)	930	249	821	601
Effect of the recovery of non-refundable tax credits	—	—	—	(814)	—
Adjusted EBITDA from continuing operations	(91)	(510)	109	608	(716)

GOING CONCERN UNCERTAINTY

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

The Corporation has a history of losses over the past six 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 interim 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. Approach potential investors to secure additional financing;
2. Investigate a range of alternatives for its Telecom and Satcom Business Units which could include asset or business dispositions.

During the third quarter ended January 31, 2008, the following transactions, aimed at addressing the uncertainties described above, occurred:

a) 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 Very Small Aperture Satellite Terminal product, also known as a 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.

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

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.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activity Cash Flows

Cash flow provided in operating activities improved \$0.7 million to \$0.6 million for the current quarter compared to a negative \$1.3 million for the same quarter from the previous fiscal year further to the streamlining of the organization. Cash used for operating activities totalled \$0.7 million since the beginning of the year compared to \$5.7 million for the previous year, most of the difference being related to the various reasons described above.

Investing Activity Cash Flows

Cash flow provided in investing activities was \$64,000 in the third quarter of fiscal 2008 compared to an outflow of \$12,000 in the third quarter of fiscal 2007, which relates mostly to the acquisition of property and equipments. For the nine-month period ended January 31, 2008, investing activities used for \$7.8 million compared to inflows of \$9.9 million further to the sale of short-term investments.

Financing Activity Cash Flows

Financing activities resulted in a net cash outflow of \$0.1 million reflecting repayment of long-term debt, compared to an outflow of \$0.5 million for the same period in the past fiscal year. Impact for the nine months of the current fiscal year has been an inflow of \$7.2 million compared to an inflow of \$0.6 million for the same period of the past fiscal year mainly driven by the reimbursement of bank indebtedness by the

Corporation and the issuance of common shares, warrants and convertible debentures.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The Corporation's contractual obligations are essentially the same as those disclosed in the fiscal 2007 Management's Discussion and Analysis.

FINANCIAL INSTRUMENTS

The Corporation's financial instruments strategy is the same as the one disclosed in the fiscal 2007 Management's Discussion and Analysis.

OFF-BALANCE SHEET ITEMS

The Corporation's off-balance sheet items are fundamentally the same as those disclosed in the fiscal 2007 Management's Discussion and Analysis.

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 non-trading 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 a reduction 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 classified cash and cash equivalents as held for trading, short-term investments as available-for-sale, the trade receivables and other receivables as loans and receivables, and investments have been classified as available-for-sale. Deferred financing costs have been deducted from the carrying value of the long-term debt. The accounts payable, the long-term debt and the convertible debentures have been classified as other financial liabilities. 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, deferred financing charges in the amount of \$ 195,000 as at January 31, 2007 are now presented as a reduction of the long-term debt.

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. The Corporation has applied these new accounting standards prospectively, except for the cumulative translation adjustment that has been applied retrospectively.

Hedges

In April 2005, the CICA released new Handbook Section 3865, of the CICA handbook entitled "Hedges", effective for years beginning on or after October 1, 2006. This Section establishes standards for when and how hedge accounting may be applied. Hedging is an activity designed to modify an entity's exposure to one or more risks. Hedge accounting modifies the normal basis for recognizing the gains, losses, revenues and expenses associated with a hedge item or a hedging item in an entity's income statement. It ensures that counterbalancing gains, losses, revenues, and expenses are recognized in the same period. The Corporation did not enter into any hedging transactions and therefore, the adoption of this standard on the results of operations had no impact on the interim consolidated results of operations.

Accounting changes

In July 2006, the CICA issued changes to the CICA Handbook section 1506 entitled "Accounting Changes". The changes to this section particularly affect the following items: an entity would be permitted to change an accounting policy only when it is required by a primary source of GAAP, or when the change results in a more reliable and relevant presentation in the financial statements; changes in accounting policy should be applied retroactively, except in cases where specific transitional provisions in a primary source of GAAP permit otherwise or where application to comparative information is impractical (the standard provides specific guidance as to what is considered impractical); expanded disclosures about the effects of changes in accounting policy, estimates and errors on the financial statements and; disclosures of new primary source of GAAP that have been issued but have not yet come into effect and have not yet been adopted by the entity. The adoption of this standard did

not have a significant impact on the interim consolidated results of operations or financial position.

FUTURE CHANGES IN ACCOUNTING POLICIES

There are no changes to accounting policies that the Corporation is currently considering that would have a material impact on the Corporation.

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. Actual results, however, may differ from the estimates used in the consolidated financial and such differences could be material. Details of our significant accounting estimates and provisions were reported in the fiscal 2007 Management's Discussion and Analysis. They continued to apply for the quarter ended January 31, 2008.

RELATED PARTY TRANSACTIONS

The Corporation's related party transactions are essentially the same as those described in the fiscal 2007 Management's Discussion and Analysis.

PROPOSED TRANSACTIONS

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

OUTLOOK

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

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer and Chief Financial Officer, together with other members of management have 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 assessed the design effectiveness of such controls as of January 31, 2008.

Based on the review, the Corporation has identified some weaknesses in its existing internal controls over financial reporting and as a consequence, a number of process level controls were assessed to be deficient. In reaching this conclusion, the Corporation recognized the following factors.

- (i) An insufficient complement of personnel and personnel with an appropriate level of accounting knowledge, experience and training in the application of generally accepted accounting principles, commensurate with the Corporation's financial reporting requirements, complexity, and operating activities.

As a result of these weaknesses, there is a risk a misstatement may not be detected. During the quarter, the Corporation improved the level of internal controls and expanded its closing process to include additional analysis and other post-closing procedures. The Corporation ensures proper actions will be taken to improve full efficiency of its controls and processes in the 2008 fiscal year.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This MD&A was prepared as of March 4, 2008. Updated information on Mitec, including the annual information form, can be found on the SEDAR web site at www.sedar.com.

As of January 31, 2008, a total of 241,599,946 common shares and 41,803,668 warrants were issued and outstanding, as well as a total of 9,813,950 stock options.

MITEC TELECOM INC.
INTERIM CONSOLIDATED BALANCE SHEETS

(In thousands of Canadian dollars) [note 1]

Unaudited

	As at January 31, 2008	As at April 30, 2007
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	5,087	6,286
Short-term investments	77	75
Trade receivables [note 5]	9,102	5,064
Other receivables	638	889
Income tax recoverable	717	1,112
Inventories	7,904	7,672
Prepaid expenses and other	617	757
Total current assets	24,142	21,855
Property, plant and equipment	6,325	7,106
Intangible assets [note 4]	8,898	2,365
Investments	726	750
Deferred charges [note 3]	511	1,086
	40,602	33,162
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	11,000	6,647
Current portion of long-term debt [note 3]	416	416
Total current liabilities	11,416	7,063
Long-term debt [note 3]	69	380
Convertible debentures [note 6]	979	—
	12,464	7,443
Shareholders' equity		
Common shares [note 7]	131,732	125,631
Warrants [note 7]	2,063	1,311
Equity component of convertible debentures [note 6]	79	—
Contributed surplus [note 7]	8,904	8,645
Deficit	(113,621)	(108,951)
Accumulated other comprehensive income [note 3 and 8]	(1,019)	(917)
Total shareholders' equity	28,413	25,719
	40,602	33,162

See accompanying notes

MITEC TELECOM INC.**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME AND DEFICIT**

(In thousands of Canadian dollars, except per share data and number of shares)

Unaudited

	For the three months ended		For the nine months ended	
	January 31,		January 31,	
	2008	2007	2008	2007
	\$	\$	\$	\$
Sales [note 5]	9,829	8,536	25,410	26,050
Cost of sales	7,870	6,649	19,691	22,195
Gross profit	1,959	1,887	5,719	3,855
Expenses				
Research and development	1,041	1,405	3,177	5,220
Selling and administrative	1,563	1,852	4,652	5,953
Amortization of intangible assets	413	249	923	1,144
Financial expenses [note 11]	320	47	447	237
Foreign exchange	(373)	(575)	640	(465)
Interest income	(5)	(10)	(11)	(70)
Stock-based compensation	76	57	286	489
Write-down of investments	275	—	275	—
Write-down of property, plant and equipment	—	85	—	85
Write-down of intangible assets	—	156	—	156
Restructuring and other expenses	—	1,176	—	2,518
	3,310	4,442	10,389	15,267
Loss from continuing operations before income taxes	(1,351)	(2,555)	(4,670)	(11,412)
Income tax expenses (recovery)	—	—	—	(181)
Loss from continuing operations	(1,351)	(2,555)	(4,670)	(11,231)
Loss from discontinued operations	—	—	—	(8)
Net loss for the period	(1,351)	(2,555)	(4,670)	(11,239)
Unrealized gain (loss) on translating financial statements of self-sustaining foreign operations	249	168	(102)	232
Comprehensive loss for the period	(1,102)	(2,387)	(4,772)	(11,007)
Deficit, beginning of the period	(112,270)	(104,364)	(108,951)	(95,680)
Net loss for the period	(1,351)	(2,555)	(4,670)	(11,239)
Deficit, end of the period	(113,621)	(106,919)	(113,621)	(106,919)
Basic and diluted loss per common share from continuing operations	(0.01)	(0.02)	(0.02)	(0.10)
Basic and diluted loss per common share from discontinued operations	(0.00)	(0.00)	(0.00)	(0.00)
Basic and diluted loss per common share	(0.01)	(0.02)	(0.02)	(0.10)
Weighted average number of outstanding common shares	213,994,982	125,344,636	191,034,050	109,031,512

See accompanying notes

MITEC TELECOM INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS [note 1]

(In thousands of Canadian dollars)

For the three months ended

For the nine months ended

Unaudited	2008	January 31, 2007	2008	January 31, 2007
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Loss from continuing operations	(1,351)	(2,555)	(4,670)	(11,231)
Add items not affecting cash				
Amortization of property, plant and equipment, intangible assets and deferred charges	973	862	2,567	2,991
Loss on disposal of property, plant and equipment	(30)	7	6	9
Write-down of investments	275	—	275	—
Write-down of property, plant and equipment	—	85	—	85
Write-down of intangibles assets	—	156	—	156
Stock-based compensation	76	57	286	489
	(58)	(1,388)	(1,537)	(7,501)
Changes in non-cash working capital balances related to continuing operations [note 9]	662	104	870	1,810
Cash flows provided (used) in operating activities	604	(1,284)	(667)	(5,691)
INVESTING ACTIVITIES				
Additions to property, plant and equipment	37	(35)	(177)	(241)
Additions to intangible assets	(7)	—	(7,456)	—
Proceeds on disposal of property, plant and equipment	34	23	48	27
Purchase of short-term investment	(77)	—	(229)	(597)
Sale of short-term investments	77	—	227	10,686
Purchase of investment	—	—	(251)	—
Cash flows provided (used) in investing activities	64	(12)	(7,838)	9,875
FINANCING ACTIVITIES				
Increase in bank indebtedness	—	—	—	349
Repayment of bank indebtedness	—	—	—	(6,365)
Repayment of long-term debt	(125)	(472)	(375)	(828)
Conversion of convertible debentures	(782)	—	(782)	—
Issuance of convertible debentures, net of issuance costs [note 6]	—	—	2,294	—
Issuance of common shares and warrants [note 7]	787	18	6,074	7,469
Cash flows provided by financing activities	(120)	(454)	7,211	625
Effect of exchange rate fluctuations changes on cash and cash equivalents	287	(137)	95	123
Net increase (decrease) in cash and cash equivalents from continuing operations	835	(1,887)	(1,199)	4,932
Cash provided by (used in) discontinued activities	—	—	—	(36)
Net cash (decrease) in cash and cash equivalents	835	(1,887)	(1,199)	4,896
Cash and cash equivalents, beginning of the period	4,252	8,251	6,286	1,468
Cash and cash equivalents, end of the period	5,087	6,364	5,087	6,364

See accompanying notes



1. NATURE OF THE BUSINESS AND GOING CONCERN ASSUMPTION

Mitec Telecom Inc. ("Mitec" or the "Corporation") is incorporated under the Canada Business Corporation Act and is a knowledge-based communication equipment provider to the global wireless and satellite telecommunications markets.

The accompanying interim consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Corporation has a history of losses over the past six 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 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 interim 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 interim 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 investors to secure additional financing;
2. Investigating a range of alternatives for its Telecom and Satcom business units, which could include asset or business acquisitions and dispositions.

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. There can, however, be no assurance that such plans will be sufficient to continue to operate as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements on a consistent basis with the Corporation's annual consolidated financial statements for the year ended April 30, 2007 except as described in note 3 hereafter. For a full description of accounting policies, please refer to those financial statements. These financial statements do not include all of the disclosures, which are required by generally accepted accounting principles applicable to annual financial statements.

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.

3. CHANGES IN ACCOUNTING POLICIES (continued)

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 non-trading 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 a reduction 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 classified Cash and cash equivalents as held for trading, Short-term investments as available-for-sale, Trade receivables and Other receivables as loans and receivables, and Investments have been classified as available-for-sale. Deferred financing costs have been deducted from the carrying value of the long-term debt. Accounts payable, Long-term debt and Convertible Debentures have been classified as other financial liabilities. 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, deferred financing charges in the amount of \$195,000 as at January 31, 2008 are now presented as a reduction of the long-term debt.

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. The Corporation has applied these new accounting standards prospectively, except for the cumulative translation adjustment that has been applied retrospectively.

Hedges

In April 2005, the CICA released new Handbook Section 3865, of the CICA handbook entitled "Hedges", effective for years beginning on or after October 1, 2006. This Section establishes standards for when and how hedge accounting may be applied. Hedging is an activity designed to modify an entity's exposure to one or more risks. Hedge accounting modifies the normal basis for recognizing the gains, losses, revenues and expenses associated with a hedge item or a hedging item in an entity's income statements. It ensures that counterbalancing gains, losses, revenues, and expenses are recognized in the same period. The Corporation did not enter into any hedging transactions and therefore, the adoption of this standard on the results of operations had no impact on the interim consolidated results of operations.

Accounting changes

In July 2006, the CICA issued changes to the CICA Handbook section 1506 entitled "Accounting Changes". The changes to this section particularly affect the following items: an entity would be permitted to change an accounting policy only when it is required by a primary source of GAAP, or when the change results in a more reliable and relevant presentation in the financial statements; changes in accounting policy should be applied retroactively, except in cases where specific transitional provisions in a primary source of GAAP permit otherwise or where application to comparative information is impractical

3. CHANGES IN ACCOUNTING POLICIES (continued)

(the standard provides specific guidance as to what is considered impractical); expanded disclosures about the effects of changes in accounting policy, estimates and errors on the financial statements and; disclosures of new primary source of GAAP that have been issued but have not yet come into effect and have not yet been adopted by the entity. The adoption of this standard did not have a significant impact on the interim consolidated results of operations or financial position.

4. BUSINESS ACQUISITION

Effective September 25, 2007, the Corporation completed the acquisition of the assets of Keragis Corporation for \$6,500,000. 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 shown below is preliminary and is based on the Corporation's best estimates. The final purchase price allocation could differ from those estimates. The transaction has been financed by the issuance of the Convertible debentures.

	\$
Cash	15
Accounts Receivable	18
Inventory	85
Property, plant and equipment	60
Intangible assets - Patent-pending technology	7,449
	<u>7,627</u>
Accounts payable and accrued liabilities	<u>(1,127)</u>
Net assets acquired	6,500
Consideration represented by:	
Cash (including transaction costs of \$194,000)	1,245
Common shares issued	5,255
	<u>6,500</u>

The Patent-pending technology is amortized over 10 years, its expected useful life, by using the straight-line method. The number of common shares issued was based on a US \$5,000,000 value per the purchase agreement divided by 5 days weighted average share price for the 5 trading days immediately prior to the closing and represents 32,840,625 shares.

5. ECONOMIC DEPENDENCE AND CONCENTRATION OF CREDIT RISK

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

The foreign trade receivables of the Canadian operation 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 30% of sales for the three-month period ended January 31, 2008 (2007 – 24%) and 29% of trade receivables as at January 31, 2008 (January 31, 2007 – 26%). For the nine-month period ended January 31, 2008, the same customer accounted for 31% of sales (2007 - 31%).

6. CONVERTIBLE DEBENTURES

In October 2007, the Corporation issued \$2.5 million of Convertible unsecured debentures (“the Convertible debentures”). The Convertible debentures bear interest at 10% per annum, payable annually, mature in October 2009 and is 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 a deemed price defined as the lower of \$0.18 or market price, 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 on the debenture, assuming no adjustment to the interest rate, 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 period, Convertible debentures in the amount of \$830,000 were converted into 6,916,667 common shares and 40,411 common shares were issued as payment for accrued interest. As of January 31, 2008, the nominal value of the Convertible debentures was \$1,670,000.

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 \$0.8 million 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 10%. The equity component was measured, prior to adjustment, at the issue date using the Black-Scholes option pricing model. Both components, individually valued as described above, were adjusted on a prorated basis, to arrive to each component. 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.

7. SHARE CAPITAL

Unlimited number of common shares.

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

Issued and outstanding common shares

	As at January 31, 2008		As at April 30, 2007	
	#	\$	#	\$
Balance, beginning of the period	174,502,223	125,631	76,405,263	116,357
Change during the period:				
Issued for cash (net of issue costs of \$616)	—	—	97,971,960	9,258
Issued for business acquisition [note 4]	32,840,645	5,254	—	—
Issued upon conversion of debentures	6,957,078	787	—	—
Issued on exercise of stock options	300,000	60	—	—
Issued on exercise of warrants	—	—	125,000	16
Balance, end of the period	241,599,946	131,732	174,502,223	125,631

7. SHARE CAPITAL (continued)

Warrants	As at		As at	
	January 31, 2008		April 30, 2007	
	#	\$#		\$
Balance, beginning of the period	27,914,779	1,311	—	—
Issued for cash (net of issue costs of \$212)	—	—	28,039,779	1,315
Issued under a convertible debenture financing	13,888,889	752	—	—
Exercised	—	—	(125,000)	(4)
Balance, end of the period	41,803,668	2,063	27,914,779	1,311

Warrants outstanding are as follows:

Exercise price	As at	
	January 31, 2008	
	Expiry date	#
0.10	October 3, 2008	8,625,000
0.18	October 17, 2009	13,888,889
0.22	March 30, 2009	19,289,779
		41,803,668

For the periods ending January 31, 2008 and January 31, 2007, the effect of stock options and warrants potentially exercisable on the loss per common share was anti-dilutive, therefore basic and diluted loss per share are the same.

Earnings per share

Weighted average number of common shares is as follows:

	As at	As at
	January 31	January 31
	2008	2007
	#	#
Weighted average number of common shares outstanding	191,034,050	109,031,512
Net effect of dilutive stock options and warrants	15,708,000	—
Weighted average diluted number of common shares outstanding	206,742,050	109,031,512

Stock options plan

The following table shows a continuity of the options outstanding and the weighted average exercise price:

	As at January 31, 2008	
	Number	\$
Balance, beginning of the period	6,206,450	0.41
Granted	4,375,000	0.16
Forfeited	(447,500)	0.43
Exercised	(300,000)	0.11
Expired	(20,000)	8.50
Balance, end of the period	9,813,950	0.29
Options exercisable, end of the period	5,148,517	0.40

7. SHARE CAPITAL (continued)

Additional information concerning stock options outstanding as of January 31, 2008 is as follows:

Exercise price	Options outstanding		Options exercisable		
	Number	Weighted average exercise price \$	Weighted average year to expiry	Number	Weighted average exercise price \$
\$0.11 to \$0.16	6,973,000	0.14	9.3	3,222,100	0.13
\$0.17 to \$0.25	1,505,000	0.19	4.7	661,000	0.19
\$0.26 to \$0.39	636,000	0.33	5.0	582,667	0.33
\$0.80 to \$1.20	110,000	0.80	2.8	108,000	0.80
\$1.21 to \$1.80	225,000	1.65	3.6	215,000	1.65
\$1.81 to \$2.71	271,250	1.89	3.1	266,050	1.89
\$2.72 to \$4.06	61,500	3.59	2.2	61,500	3.59
\$4.07 to \$8.00	32,200	5.41	0.9	32,200	5.41
	9,813,950	0.29	7.9	5,148,517	0.40

Contributed surplus

	As at January 31, 2008 \$	As at April 30, 2007 \$
Balance, beginning of the period	8,645	8,126
Changes during the period:		
Stock-based compensation expense	286	519
Transferred to common shares upon exercise of options	(27)	—
Balance, end of the period	8,904	8,645

8. ACCUMULATED OTHER COMPREHENSIVE INCOME

	As at January 31, 2008 \$	As at April 30, 2007 \$
Balance, beginning of the period	(917)	(1,001)
Unrealized gain (loss) on translating financial statements of self-sustaining foreign operations	(102)	84
Balance, end of the period	(1,019)	(917)

9. SUPPLEMENTARY CASH FLOW INFORMATION

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

	For the three months ended		For the nine months ended	
	2008	January 31, 2007	2008 \$	January 31, 2007 \$
Trade receivable and other receivables	(1,814)	563	(3,787)	4,301
Inventories	(293)	484	(232)	(533)
Prepaid expenses and other	176	76	140	(37)
Income tax recoverable	(24)	(12)	395	95
Accounts payable and accrued liabilities	2,617	(1,007)	4,354	(2,016)
	662	104	870	1,810

9. SUPPLEMENTARY CASH FLOW INFORMATION (continued)

Interest paid	29	40	78	199
Amortization of property, plant and equipment is included in:				
Cost of sales	241	278	723	847
Selling and administrative expenses and research and development	85	119	260	353
	326	397	983	1,200
Amortization of intangible assets is included in:				
Selling and administrative expenses and research and development	413	249	923	1,144
Amortization of deferred charges is included in:				
Cost of sales	116	123	357	368
Selling and administrative expenses	80	62	197	187
Research and development expenses	38	31	107	92
	234	216	661	647

10. SEGMENTED INFORMATION

(a) Segmented information used by management

Mitec operates its business into two principal operating segments for making management decisions and assessing performance. The operating segments are Telecommunications ("Telecom"), and Satellite and Terrestrial Communications ("Satcom"). The Corporation currently operates in Canada, China and in 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 and VSAT earth stations.

Management calculates 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 three-month periods ended January 31 is as follows:

	Telecom		Satcom		Consolidated amounts	
	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$
Sales	4,362	2,641	5,467	5,895	9,829	8,536
Cost of sales	3,494	2,633	4,376	4,016	7,870	6,649
Gross profit (loss)	868	8	1,091	1,879	1,959	1,887
Expenses					3,310	4,442
Income tax recovery					—	—
Loss from continuing operations					(1,351)	(2,555)
Discontinued operations					—	—
Net loss for the period					(1,351)	(2,555)

10. SEGMENTED INFORMATION (continued)

Information pertaining to each segment for the nine-month periods ended January 31 is as follows:

	Telecom		Satcom		Consolidated amounts	
	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$
Sales	9,524	9,918	15,886	16,132	25,410	26,050
Cost of sales	7,575	10,867	12,116	11,328	19,691	22,195
Gross profit (loss)	1,949	(949)	3,770	4,804	5,719	3,855
Expenses					10,389	15,267
Income tax recovery					—	(181)
Loss from continuing operations					(4,670)	(11,231)
Discontinued operations					—	(8)
Net loss for the period					(4,670)	(11,239)

(b) Enterprise-wide information

The following table presents sales by destination of product:

	For the three months ended		For the nine months ended	
	January 31,		January 31,	
	2008	2007	2008	2007
	\$	\$	\$	\$
Sales				
Canada	427	141	819	554
United States	2,990	3,636	8,378	11,362
Europe	1,521	1,172	6,040	4,711
China	3,678	2,951	6,955	7,492
Other	1,213	636	3,218	1,931
	9,829	8,536	25,410	26,050

The following table presents sales based on geographic location of production:

	For the three months ended		For the nine months ended	
	January 31,		January 31,	
	2008	2007	2008	2007
	\$	\$	\$	\$
Canada	5,610	6,269	16,777	18,075
United States	351	43	354	356
Asia	4,126	2,276	8,800	8,086
Inter-country	(258)	(52)	(521)	(467)
	9,829	8,536	25,410	26,050

Amortization of property, plant and equipment is included in:

Telecom	221	273	668	828
Satcom	105	124	315	372
	326	397	983	1,200

Amortization of intangible assets:

Telecom	64	140	364	817
Satcom	349	109	559	327
	413	249	923	1,144

11. FINANCIAL EXPENSES

	For the three months ended		For the nine months ended	
	2008	January 31, 2007	2008	January 31, 2007
	\$	\$	\$	\$
Interest on bank indebtedness	—	6	—	89
Interest on long-term debt	16	35	58	111
Interest on convertible debentures	291	—	352	—
Bank charges and other fees	13	6	37	37
	320	47	447	237

12. COMPARATIVE FIGURES

Certain comparative figures in the previous fiscal year have been reclassified to conform to the presentation adopted in the current fiscal year.