

2009
Mitec Telecom Inc.
Third Quarter Report
For the 9-month period ending January 31, 2009



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 Montreal, Canada, the Corporation also operates facilities in United States and in 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 for the 3-month and 9-month periods ended January 31, 2009 (third quarter fiscal 2009). It includes a review of the financial condition of Mitec and a review of operations for each of Mitec's operating segments for the third quarter fiscal 2009 as compared to the 3-month period ended on January 31, 2008 (third quarter fiscal 2008).

This MD&A supplements the interim unaudited consolidated financial statements for the period ended January 31, 2009 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 February 26, 2009. 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 THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Prior to publication, the Board of Directors, on the recommendation of the audit committee, approved Mitec Telecom's consolidated interim 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 the sale of solid-state power amplifier technology for military radar and communication systems.

Mitec's headquarters are in Montreal, Quebec (Canada) and the Corporation has other operations in Suzhou (China) and Poway, California (U.S.A.). As at January 31, 2009, the Corporation's global workforce stood at 306 employees.

MAJOR EVENTS

On February 17, 2009, the Corporation announced that it had received the first order for a network trial from one of Canada's largest telecom operators. The order was for a coverage solution product that has proven effective for enhancing network performance of co-sited wireless services networks. It was the first order for this product from a Canadian telecom operator.

On January 7, 2009, the Corporation announced that it had received the first purchase agreement for fixed wireless components from a new customer and leading telecom provider. It was the first in a series of agreements that the Corporation expects to receive from this customer over a long-term period.

On November 13, 2008, the Corporation announced that it had been selected to supply products from its fixed wireless product line to one of the world's largest telecom providers. This deal has the potential to deliver results that equal the Corporation's present day wireless business over the next several years.

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table is derived from the Corporation's unaudited interim financial statements and presents selected financial information for the three-month period and the nine-month periods ended January 31, 2009 and 2008.

<i>(Amounts in thousands except per share data)</i>	Q3 FY2009	Q3 FY2008	YTD FY2009	YTD FY2008
	\$	\$	\$	\$
Sales	7,922	9,829	33,421	25,410
Gross profit	1,897	1,959	7,429	5,719
Research & development expenses	1,039	1,041	3,188	3,177
Selling and administrative expenses	1,430	1,563	4,678	4,652
Net loss for the period	(361)	(1,351)	(1,500)	(4,670)
Net loss per share – basic and diluted	(0.00)	(0.01)	(0.01)	(0.02)
Total assets			36,244	40,602
Long-term debt and convertible debentures			1,116	1,464
Cash, cash equivalents and short-term investments			4,040	5,164

RESULTS OF OPERATIONS FOR THE THIRD QUARTER

Sales

For the three-month period ended January 31, 2009, consolidated sales reached \$7.9 million, down 19% from the third quarter of the previous year. The decrease in the Corporation's sales is attributable to lower capital expenditure spending both from customers involved in wireless and satellite telecommunications industries. Shipments from the Telecom segment decreased \$1.3 million, or 29%, during the third quarter as compared with the same period from the previous year. This is mainly due to lower demand from worldwide wireless customers. The Satcom segment, which contributed 61% of total sales, also experienced a decrease in its sales by \$0.6 million, or 12%, to \$4.8 million as compared to the third quarter of fiscal 2008. Satcom sales were impacted by major delays on network deployments and by the difficult economic conditions that prevail currently both in North America and Europe.

Sales <i>(in thousands of dollars)</i>	2009				2008			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	\$	\$	\$	\$	\$	\$	\$	\$
Telecom	3,101	4,073	10,394	5,360	4,362	2,189	2,973	2,015
<i>% of total sales</i>	39.1%	38.5%	69.6%	49.8%	44.4%	27.4%	39.1%	26.0%
Satcom	4,821	6,495	4,537	5,406	5,467	5,789	4,630	5,742
<i>% of total sales</i>	60.9%	61.5%	30.4%	50.2%	55.6%	72.6%	60.9%	74.0%

For the nine-month period ended January 31, 2009, consolidated sales reached \$33.4 million, a significant growth of 32% from the \$25.4 million in sales from the same period of the previous fiscal year. The increase stems primarily from the Wireless segment where sales of RF components and Power Amplifiers (PAs) increased significantly to provide for better wireless coverage in and around Beijing during the 2008 Summer Olympic games earlier this fiscal year. These results were also improved by an increase in sales in the Satcom segment following the launch of new products and higher market penetration for Keragis' products in the first half of the current fiscal year.

Gross profit

Gross profit for the third quarter of fiscal 2009 decreased by \$0.1 million to \$1.9 million from \$2.0 million in the third quarter of fiscal 2008. For the nine month period ended January 31, 2009, gross profit was \$7.4 million or 22% of sales compared to \$5.8 million or 22.5% recorded in same period in the previous year.

Gross profit in the Telecom segment decreased by \$0.5 million from \$0.9 million for the same quarter in the previous year to just under \$0.4 million in fiscal 2009. This is a result of lower sales levels of new RF conditioning equipment to customers. For the nine-month period, the Corporation's gross profit in the Telecom segment \$3.0 million, or 17% of the Wireless sales, which is an improvement of more than \$1.1 million over gross profit recorded in same period in the previous year.

Satcom gross profit increased by \$0.4 million from \$1.1 million in the third quarter of fiscal 2008 to \$1.5 million in the third quarter of fiscal 2009. Gross profit increased from 20% to 31% mainly because of lower facilities' costs combined with a high productivity level at the manufacturing plants. For the nine-month period, gross profit increased slightly to \$4.4 million, or 28% of the Satcom sales, compared to \$3.8 million, or 24% of the Satcom sales, recorded in same period from the previous year.

Gross profit <i>(in thousands of dollars)</i>	2009				2008			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	\$	\$	\$	\$	\$	\$	\$	\$
Telecom	382	571	2,087	903	867	345	737	543
<i>% of Telecom sales</i>	12.3%	14.0%	20.1%	16.8%	19.9%	15.8%	24.8%	26.9%
Satcom	1,515	1,795	1,081	1,496	1,091	1,352	1,327	2,038
<i>% of Satcom sales</i>	31.4%	27.6%	23.8%	27.7%	20.0%	23.4%	28.7%	35.5%

Research and Development Expenses

Research and development ("R&D") expenses net of investment tax credits for the third quarter of fiscal 2009 remained unchanged at approximately \$1.0 million as compared to the third quarter of fiscal 2008. The Corporation invested heavily in its broadcast HPA program and the Keragis division. These investments were focused toward key programs for the DVBH market and key US military programs. For the nine-month period ended January 31, 2009, total R&D expenses reached \$3.2 million, representing 9.5% of total sales, compared to \$3.2 million, or 12.5% of total 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 2009 decreased 8% from \$1.6 million to \$1.4 million. The decrease was a consequence of the rationalization of certain selling and administrative expenses. For the nine-month period, selling and administrative expenses remained unchanged at \$4.7 million as recorded in the previous year.

Net loss

Net loss for the third quarter of fiscal 2009 was \$0.4 million, or \$0.00 per share, as compared to a loss of \$1.4 million, or \$0.01 per share, for the same quarter of fiscal 2008. The reduction of the net loss is largely attributable to reduction of the overall spending combined with a gain on foreign exchange resulting from the increase in the value of the US currency compared to the Canadian dollar.

Earnings before Interest, Income Taxes, Depreciation and Amortization

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>(in thousands of dollars)</i>	2009				2008			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	\$	\$	\$	\$	\$	\$	\$	\$
Profit (loss) from continuing operations	(361)	(1,195)	55	(1,751)	(1,352)	(2,341)	(977)	(1,133)
Income taxes	(89)	(14)	(14)	(97)	—	—	—	814
Amortization and loss on write-down of property, plant and equipment, intangible assets, deferred charges and investments	515	972	753	1,305	1,248	823	769	873
Interest	(1)	65	37	36	302	78	24	17
EBITDA from continuing operations	64	(172)	831	(507)	198	(1,440)	(184)	571
Effect of restructuring expenses, foreign exchange and stock-based compensation	(673)	(95)	94	472	(297)	930	293	850
Effect of the recovery of non-refundable tax credits	—	—	—	—	—	—	—	(814)
Adjusted EBITDA from continuing operations	(609)	(267)	925	(35)	(99)	(510)	109	606

LIQUIDITY AND CAPITAL RESOURCES

Operating Activity Cash Flows

Cash flows used in operating activities were \$1.1 million in the third quarter of fiscal 2009, a decrease of \$1.9M as compared to cash flows provided from operations of \$0.9 million for the same quarter of the previous year. These amounts were widely impacted by the changes in the non-cash working capital balance related to continuing operations. More specifically, collection

of receivables was improved and generated \$2.7 million in liquidity while payables were decreased by \$3.3 million. For the nine-month period, cash flows used from the operations decreased to \$0.1 million, or an improvement of \$0.3 million, compared to cash flows used from the operations of \$0.4 million recorded in the previous year.

Investing Activity Cash Flows

Cash flows used in investing activities were \$0.1 million for the quarter ended January 31, 2009. The money was spent on the acquisition of fixed assets to support expanded operations made during the period. For the nine-month period, cash flows used in investing activities were \$0.4 million compared to a cash flow deficit of \$0.4 million recorded in the previous year.

Financing Activity Cash Flows

Financing activities, which were composed of the repayment of long term debt, resulted in a net cash outflow of \$0.1 million for the current fiscal quarter and \$0.4 million for the nine-month period ended January 31, 2009. The Corporation repaid similar amounts in the corresponding periods in fiscal 2008.

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 which are presently or currently immaterial may 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 sales level, the support of its customers, a return to profitable operations and the generation of cash from operations as well as 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. Approach potential lenders to secure operational financing;
2. Investigate a range of alternatives to expand its Telecom and Satcom business units.

During the third quarter of fiscal 2009, the following transactions, aimed at addressing the uncertainties described above, occurred:

- a. The Corporation announced that it had been selected to supply products from its fixed wireless product line to one of the world's largest telecom providers.
- b. The Corporation announced that it had received the first purchase agreement for fixed wireless components from a new customer and leading telecom provider.

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. 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 sales. 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. For the three-month period ended January 31, 2009, the Corporation's largest customer accounted for 27% of its sales (30% for the third quarter of fiscal 2008). Two customers accounted for 47% of sales for the nine-month period ended January 31, 2009 (31% for the same period in fiscal 2008). 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 sales 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. An unexpected loss of any one 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.

Global Economic Situation

The recent turmoil in the global economic situation represents a risk to the Corporation in that it may impact the ability of the Corporation's customers to finance capital equipment expenditures resulting in delays and possibly increased quarterly fluctuations. It may also 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. The Corporation has products and technologies that reduce operating costs by reducing bandwidth costs which results in a compelling reason for certain customers who are facing increased budget constraints to still purchase capital equipment.

The Corporation has a geographically diverse customer base that is not exclusively dependent on any one region; this may allow the Corporation to take advantage of economic recovery in any region. There is economic uncertainty related to tightening of credit markets worldwide. The credit situation is fluid and it is difficult to predict future outcomes. The Corporation currently has no credit facility and there is a risk to the Corporation should such credit facility be required.

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. Sales 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 sales 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 2009, 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 (RMB) and in US dollars (US\$) and is therefore exposed to currency risks on these balances as follows:

	As at January 31, 2009	
	RMB	US\$
Cash and cash equivalents	11,187,912	1,141,874
Accounts receivable	17,383,151	3,539,166
Accounts payable and accrued liabilities	17,529,623	1,261,102

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 price 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.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following is a summary of the Corporation's material contractual obligations:

Payments due per periods <i>(Amounts in thousands of dollars)</i>	Total	1 year	2-3 years	4-5 years	Over 5 years
	\$	\$	\$	\$	\$
Long-term debt	1,116	1,116	—	—	—
Operating leases	1,354	356	739	259	—
Total contractual obligations	2,470	1,472	739	259	—

All data as at January 31, 2009

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, 2008, the Corporation adopted the following recently introduced Canadian Institute of Chartered Accountants ("CICA") Handbook Sections:

Inventories

Handbook Section 3031, "Inventories", replaces Section 3030, "Inventories". The new section prescribes measurement of inventories at the lower of cost and net realizable value. It provides guidance on the determination of cost, prohibits use in the future of the last-in, first-out (LIFO) method, and requires reversal off previous write-downs when there is a subsequent increase in the value of inventories. It also requires greater disclosure regarding inventories and cost of sales, including accounting policies, carrying values and the amount of any inventory write-downs. The adoption of this new standard did not have any material impact on financial results.

Capital Disclosures

The Corporation adopted the new CICA Handbook Section 1535, Capital Disclosures. This section establishes standards for disclosing information about a company's capital and how it is managed in order that a user of the financial statements may evaluate the company's objectives, policies and processes for managing capital. Interim Financial Statements further discusses the Corporation's policies.

Financial Instruments

The Corporation adopted the two new CICA Handbook standards, Handbook Section 3862, Financial Instruments Disclosures, and Section 3863, Financial Instruments Presentation, which replaces Handbook Section 3861, Financial Instruments Disclosure and Presentation. The new presentation standards carry forward the former presentation requirements and increase the emphasis on the disclosure of risks associated with both recognition and unrecognized financial

instruments and how those risks are managed. Interim Financial Statements provides required information.

General Standards on Financial Statements Presentation

The Corporation adopted the amendment to CICA Handbook Section 1400, General Standards of Financial Statement Presentation. These amendments include requirements for management to assess the Corporation's ability to continue as a going concern and to disclose material uncertainties related to events or conditions that may cast doubt upon the Corporation's ability to continue as a going concern. Management performed this assessment at the period end and determined that disclosure was required in its interim financial statements.

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.

Goodwill and intangible assets and Research and development costs

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets which will replace Handbook Section 3062 Goodwill and Other Intangible Assets and Handbook Section 3450, Research and Development Costs, effective for interim and annual financial statements beginning on or after October 1, 2008. This revision aligns Canadian GAAP with International Financial Reporting Standards ("IFRS") and establishes standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Management is currently determining the impact of this standard on the Corporation's consolidated financial statements.

International Financial Reporting Standards

Effective January 1, 2011, the accounting framework under which financial statements are prepared in Canada for Mitec as a publicly accountable enterprise is scheduled to change to International Financial Report Standards ("IFRS"). Generally accepted accounting principles ("GAAP") in Canada will cease to apply and will be replaced by IFRS.

The Accounting Standards Board plans to implement changes to Canadian GAAP between now and the implementation date to smooth the transition; however, it is expected that IFRS implementation will significantly impact current financial statement presentation and disclosure.

An IFRS convergence strategy is being created during this fiscal year with disclosure of a more detailed plan during the fiscal year ending April 30, 2010. Commencing in fiscal 2011, the Corporation will need to prepare accounts in accordance with Canadian GAAP and IFRS in order to have comparative financial statements on full implementation of IFRS starting with the first quarter ending July 31, 2011. The impact of this transition on the Corporation's consolidated financial statements has not yet been determined.

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, sales 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 period 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 January 31, 2009 were considered adequate.

Stock-Based Compensation

The Corporation estimates the fair value of stock options granted to employees, officers and Directors. As at January 31, 2009, a total of 14,358,056 stock options were outstanding, of which 10,343,500 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. The Corporation is not party to any such undertakings at this time.

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

In accordance with the Canadian Securities Administrators' Multilateral Instrument 52-109, the Corporation has filed certificates signed by the President and Chief Executive Officer and the Vice-President, Finance and Chief Financial Officer that, among other things, report on the design of disclosure controls and procedures and the design of internal control over financial reporting. The Corporation did not make any material changes to the design of internal controls over financial reporting during the nine months ended January 31, 2009 that have had a material effect on the Corporation's internal controls over financial reporting.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This MD&A was prepared as of February 26, 2009. Updated information on Mitec, including the annual information form, can be found on the SEDAR web site at www.sedar.com.

As of February 26, 2009, a total of 220,666,756 common shares and 37,828,668 warrants were issued and outstanding, as well as a total of 14,358,056 stock options.

MITEC TELECOM INC.
INTERIM CONSOLIDATED BALANCE SHEETS

(In thousands of Canadian dollars)

	As at January 31, 2009	As at April 30, 2008
	\$	\$
	Unaudited	Audited
ASSETS		
Current		
Cash and cash equivalents	3,861	4,784
Short-term investments	179	77
Trade receivables	7,678	10,036
Other receivables	1,203	630
Income tax recoverable	586	839
Inventories	9,122	8,759
Prepaid expenses	668	580
Total current assets	23,297	25,705
Property, plant and equipment	5,801	6,110
Intangible assets	3,523	4,284
Goodwill	3,598	3,598
Investments	25	25
Deferred charges	—	321
	36,244	40,043
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	7,446	11,373
Current portion of long-term debt	1,116	382
Total current liabilities	8,562	11,755
Long-term debt	—	742
Future income tax liabilities	398	515
	8,960	13,012
Shareholders' equity		
Common shares [note 4]	132,122	132,097
Warrants [note 4]	1,925	1,931
Equity component of convertible debentures	23	46
Contributed surplus	9,791	9,223
Deficit	(116,872)	(115,372)
Accumulated other comprehensive gain (loss)	295	(894)
Total shareholders' equity	27,284	27,031
	36,244	40,043

See accompanying notes

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

(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,	
	2009	2008	2009	2008
	\$	\$	\$	\$
Sales	7,922	9,829	33,421	25,410
Cost of sales	6,025	7,870	25,992	19,691
Gross profit	1,897	1,959	7,429	5,719
Expenses				
Research and development	1,039	1,041	3,188	3,177
Selling and administrative	1,430	1,563	4,678	4,652
Amortization of intangible assets	211	413	789	923
Financial expenses <i>[note 7]</i>	310	320	697	447
Foreign exchange	(786)	(373)	(1,236)	640
Interest income	(9)	(5)	(22)	(11)
Loss and write-down of property, plant and equipment	39	—	390	—
Write-down of investments	—	275	—	275
Stock-based compensation	113	76	562	286
	2,347	3,310	9,046	10,389
Loss before income taxes	(450)	(1,351)	(1,617)	(4,670)
Income tax recovery	(89)	—	(117)	—
Net loss for the period	(361)	(1,351)	(1,500)	(4,670)
Unrealized gain (loss) on translating financial statements of self-sustaining foreign operations	1,167	249	1,189	(102)
Comprehensive gain (loss) for the period	806	(1,102)	(311)	(4,772)
Basic and diluted loss per common share	(0.00)	(0.01)	(0.01)	(0.02)
Weighted average number of outstanding common shares	220,666,756	213,994,982	220,656,485	191,034,050

See accompanying notes

MITEC TELECOM INC.
INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

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

Unaudited

	Common shares	Warrants	Equity component of convertible debentures	Contributed surplus	Deficit	Accumulated other comprehensive gain (loss)	Shareholders' equity	
	# (000)	\$	\$	\$	\$	\$	\$	
Note	4	4	4					
Balance, April 30, 2007	174,502	125,631	1,311	—	8,645	(108,951)	(917)	25,719
Stock-based compensation	—	—	—	—	286	—	—	286
Issued for business acquisition	32,841	5,254	—	—	—	—	—	5,254
Issued under a convertible debentures financing	6,957	787	752	79	—	—	—	1,618
Issued on exercise of stock options	300	60	—	—	(27)	—	—	33
Other comprehensive loss for the period	—	—	—	—	—	—	(102)	(102)
Net loss for the period	—	—	—	—	—	(4,670)	—	(4,670)
Balance, January 31, 2008	214,600	131,732	2,063	79	8,904	(113,621)	(1,019)	28,138
Balance, April 30, 2008	220,312	132,097	1,931	46	9,223	(115,372)	(894)	27,031
Issued upon conversion of convertible debentures	354	25	—	—	—	—	—	25
Impact of deferred expenses on convertible debentures	—	—	—	(23)	—	—	—	(23)
Expired warrants	—	—	(6)	—	6	—	—	—
Stock-based compensation	—	—	—	—	562	—	—	562
Other comprehensive gain for the period	—	—	—	—	—	—	1,189	1,189
Net loss for the period	—	—	—	—	—	(1,500)	—	(1,500)
Balance, January 31, 2009	220,666	132,122	1,925	23	9,791	(116,872)	295	27,284

See accompanying notes

MITEC TELECOM INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of Canadian dollars)

Unaudited

	For the three months ended		For the nine months ended	
	2009	January 31, 2008	2009	January 31, 2008
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss	(361)	(1,351)	(1,500)	(4,670)
Add items not affecting cash				
Amortization of property, plant and equipment, intangible assets and deferred charges	476	973	1,849	2,567
Loss and write-down and loss on disposal of property, plant and equipment	39	—	390	—
Write-down of investments	—	275	—	275
Stock-based compensation	113	76	562	286
Accretion expense	287	253	532	304
Income tax recovery	(89)	—	(117)	—
	465	226	1,716	(1,238)
Changes in non-cash working capital balances related to continuing operations [note 5]	(1,520)	662	(1,811)	870
Cash flows provided (used) in operating activities	(1,055)	888	(95)	(368)
INVESTING ACTIVITIES				
Additions to property, plant and equipment and intangible assets	(48)	37	(349)	(177)
Proceeds on disposal of property, plant and equipment	13	34	13	48
Purchase of short-term investments	(100)	(77)	(179)	(229)
Sale of short-term investments	—	77	77	227
Purchase of investments	—	—	—	(251)
Cash flows provided (used) in investing activities	(135)	71	(438)	(382)
FINANCING ACTIVITIES				
Repayment of long-term debt	(125)	(125)	(390)	(375)
Cash flows used by financing activities	(125)	(125)	(390)	(375)
Effect of exchange rate fluctuations changes on cash and cash equivalents	—	1	—	(74)
Net increase (decrease) in cash and cash equivalents	(1,315)	835	(923)	(1,199)
Cash and cash equivalents, beginning of the period	5,176	4,252	4,784	6,286
Cash and cash equivalents, end of the period	3,861	5,087	3,861	5,087

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 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 sales 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 lenders to secure operational financing;
2. 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. 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, 2008, except as described in note 3 hereafter. For a full description of accounting policies, please refer to those financial statements. These interim 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, 2008, the Corporation adopted the following recently introduced Canadian Institute of Chartered Accountants (“CICA”) Handbook Sections:

Inventories

Handbook Section 3031, “Inventories”, replaces Section 3030, “Inventories”. The new section prescribes measurement of inventories at the lower of cost and net realizable value. It provides guidance on the determination of cost, prohibits use in the future of the last-in, first-out (LIFO) method, and requires reversal off previous write-downs when there is a subsequent increase in the value of inventories. It also requires greater disclosure regarding inventories and cost of sales, including accounting policies, carrying values and the amount of any inventory write-downs. The adoption of this new standard did not have any material impact on financial results.

3. CHANGES IN ACCOUNTING POLICIES (continued)

Capital Disclosures

The Corporation adopted the new CICA Handbook Section 1535, Capital Disclosures. This section establishes standards for disclosing information about a company's capital and how it is managed in order that a user of the financial statements may evaluate the company's objectives, policies and processes for managing capital. Note 8 further discusses the Corporation's policies.

Financial Instruments

The Corporation adopted the two new CICA Handbook standards, Handbook Section 3862, Financial Instruments Disclosures, and Section 3863, Financial Instruments Presentation, which replaces Handbook Section 3861, Financial Instruments Disclosure and Presentation. The new presentation standards carry forward the former presentation requirements and increase the emphasis on the disclosure of risks associated with both recognition and unrecognized financial instruments and how those risks are managed. Note 9 provides required information.

General Standards on Financial Statements Presentation

The Corporation adopted the amendment to CICA Handbook Section 1400, General Standards of Financial Statement Presentation. These amendments include requirements for management to assess the Corporation's ability to continue as a going concern and to disclose material uncertainties related to events or conditions that may cast doubt upon the Corporation's ability to continue as a going concern. Management performed this assessment at the period end and determined that disclosure was required in Note 1 of its interim financial statements.

Impact of Accounting Pronouncements not yet Implemented

Goodwill and intangible assets and Research and development costs

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets which will replace Handbook Section 3062 Goodwill and Other Intangible Assets and Handbook Section 3450, Research and Development Costs, effective for interim and annual financial statements beginning on or after October 1, 2008. This revision aligns Canadian GAAP with International Financial Reporting Standards ("IFRS") and establishes standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Management is currently determining the impact of this standard on the Corporation's consolidated financial statements.

International Financial Reporting Standards

Effective January 1, 2011, the accounting framework under which financial statements are prepared in Canada for Mitec as a publicly accountable enterprise is scheduled to change to IFRS. GAAP in Canada will cease to apply and will be replaced by IFRS.

The Accounting Standards Board plans to implement changes to Canadian GAAP between now and the implementation date to smooth the transition; however, it is expected that IFRS implementation will significantly impact current financial statement presentation and disclosure.

An IFRS convergence strategy is being created during this fiscal year with disclosure of a more detailed plan during the fiscal year ending April 30, 2010. Commencing in fiscal 2011, the Corporation will need to prepare accounts in accordance with Canadian GAAP and IFRS in order to have comparative financial statements on full implementation of IFRS starting with the first quarter ending July 31, 2011. The impact of this transition on the Corporation's consolidated financial statements has not yet been determined.

4. 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, 2009	
	#	\$
Balance, beginning of the period	220,312,425	132,097
Changes during the period:		
Issuance of shares upon conversion of convertible debentures	354,331	25
Balance, end of the period	220,666,756	132,122

Warrants

	As at January 31, 2009	
	#	\$
Balance, beginning of the period	38,016,168	1,931
Change during the period:		
Expired	(187,500)	(6)
Balance, end of the period	37,828,668	1,925

Warrants outstanding are as follows:

	As at January 31, 2009	
Exercise price	Expiry date	#
0.10	April 3, 2009	4,650,000
0.18	October 17, 2009	13,888,889
0.22	March 30, 2009	19,289,779
		37,828,668

For the periods ending January 31, 2009 and January 31, 2008, 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 January 31,	
	2009	2008
	#	#
Weighted average number of common shares outstanding	220,656,485	191,034,050
Net effect of dilutive stock options and warrants	525,649	15,708,000
Weighted average diluted number of common shares outstanding	221,182,134	206,742,050

4. SHARE CAPITAL (continued)

Stock options plan

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

		As at January 31, 2009
		\$
Balance, beginning of the period	14,533,956	0.25
Granted	880,000	0.07
Forfeited	(487,900)	0.33
Expired	(568,000)	1.36
Balance, end of the period	14,358,056	0.19
Options exercisable, end of the period	10,343,500	0.21

5. 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	
	January 31,		January 31,	
	2009	2008	2009	2008
	\$	\$	\$	\$
Trade receivables and other receivables	2,712	(1,814)	1,978	(3,787)
Inventories	(958)	(293)	(363)	(232)
Prepaid expenses and other	(35)	176	(88)	140
Income tax recoverable	23	(24)	223	395
Accounts payable and accrued liabilities	(3,262)	2,617	(3,561)	4,354
	(1,520)	662	(1,811)	870
Interest paid	151	29	165	78
Amortization of property, plant and equipment is included in:				
Cost of sales	203	241	551	723
Selling and administrative expenses and research and development	62	85	188	260
	265	326	739	983
Amortization of deferred charges is included in:				
Cost of sales	—	116	195	357
Selling and administrative expenses	—	80	61	197
Research and development expenses	—	38	65	107
	—	234	321	661

6. 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 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.

6. SEGMENTED INFORMATION (continued)

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	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
Sales	3,101	4,362	4,821	5,467	7,922	9,829
Cost of sales	2,719	3,494	3,306	4,376	6,025	7,870
Gross profit	382	868	1,515	1,091	1,897	1,959
Amortization of property, plant and equipment	155	221	110	105	265	326
Amortization of intangible assets	110	64	101	349	211	413
Expenses					1,871	2,571
Income tax recovery					(89)	—
Net loss for the period					(361)	(1,351)

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

	Telecom		Satcom		Consolidated amounts	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
Sales	17,567	9,524	15,854	15,886	33,421	25,410
Cost of sales	14,530	7,575	11,462	12,116	25,992	19,691
Gross profit	3,037	1,949	4,392	3,770	7,429	5,719
Amortization of property, plant and equipment	435	668	304	315	739	983
Amortization of intangible assets	327	364	462	559	789	923
Expenses					7,518	8,483
Income tax recovery					(117)	—
Net loss for the period					(1,500)	(4,670)

The following table presents assets by segments:

	As at January 31, 2009		
	Telecom	Satcom	Total
	\$	\$	\$
Current Assets	7,416	11,516	18,932
Long-term assets	3,245	9,877	13,122
	10,661	21,393	32,054
Other			4,190
			36,244

6. SEGMENTED INFORMATION (continued)

(b) Segmented assets enterprise-wide information

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

	For the three months ended		For the nine months ended	
	2009	January 31, 2008	2009	January 31, 2008
	\$	\$	\$	\$
Canada	4,753	5,610	16,527	16,777
United States	342	351	1,186	354
China	2,917	4,126	17,012	8,800
Inter-country	(90)	(258)	(1,304)	(521)
	7,922	9,829	33,421	25,410

The following table presents sales by destination of product

	For the three months ended		For the nine months ended	
	2009	January 31, 2008	2009	January 31, 2008
	\$	\$	\$	\$
Canada	403	427	939	819
United States	3,553	2,990	10,215	8,378
Europe	2,168	1,521	4,534	6,040
Asia	1,130	3,678	13,121	6,955
Other	668	1,213	4,612	3,218
	7,922	9,829	33,421	25,410

7. FINANCIAL EXPENSES

	For the three months ended		For the nine months ended	
	2009	January 31, 2008	2009	January 31, 2008
	\$	\$	\$	\$
Interest on long-term debt	3	16	18	58
Interest on convertible debentures	5	38	105	48
Accretion expense	287	253	532	304
Bank charges and other fees	15	13	42	37
	310	320	697	447

8. CAPITAL MANAGEMENT

The Corporation's capital is composed of its shareholders' equity and its long-term debt. The Corporation manages its capital to safeguard the Corporation's ability to continue as a going-concern and to provide financial flexibility to fund organic growth and selective acquisitions, as well as allow the Corporation to respond to changes in economic and/or marketplace conditions. In order to maintain or adjust its capital structure, the Corporation could issue new shares, raise debt or enter into new capital leases.

The Corporation has not historically paid dividends to its shareholders. The Corporation is required to comply with certain covenants with respect to its long-term loan.

9. FINANCIAL INSTRUMENTS

The classification of financial instruments as of January 31, 2009 and April 30, 2008 and their respective carrying values and fair values were as follows:

	Held-for- trading \$	Available- for-Sale \$	Loans and receivables \$	Other financial liabilities \$	Carrying Value \$	Fair value \$
As at January 31, 2009						
Cash and cash equivalents	3,861				3,861	3,861
Short-term investments		179			179	179
Trade receivables			7,678		7,678	7,678
Other receivables			1,203		1,203	1,203
Investments		25			25	25
Account payable and accrued liabilities				7,446	7,446	7,446
Long-term debt and convertible debentures				1,116	1,116	1,116
As at April 30, 2008						
Cash and cash equivalents	4,784				4,784	4,784
Short-term investments		77			77	77
Trade receivables			10,036		10,036	10,036
Other receivables			630		630	630
Investments		25			25	25
Accounts payable and accrued liabilities				11,373	11,373	11,373
Long-term debt and convertible debentures				1,124	1,124	1,124

Fair value

Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The Corporation uses the following methods and assumptions to establish the fair value for each class of financial instruments for which their carrying amounts are included in the unaudited interim balance sheet as follows:

- **Held-for-trading**

Cash and cash equivalents – the carrying amount is recorded at the fair market value.

- **Available-for-sale**

Short-term investments and investments – the carrying amount is recorded at the fair market value determined using quote market prices when available; investments in private companies are recorded at cost as reliable fair market value is not available for such investments.

- **Loans and receivables**

Trade receivables and other receivables – the carrying amount is a reasonable approximation of fair value due to the short-term nature of these financial instruments.

- **Other financial liabilities**

Accounts payable and accrued liabilities, long-term debt and convertible debentures – the carrying amounts included on the balance sheet are measured at amortized cost which approximates fair value due to the short-term nature of accounts payable and accrued liabilities. The carrying value of the debt component of the convertible debentures approximates its fair value as interest rates have not changed significantly since they were issued and the carrying value is being accreted to its face value over the term of the debentures such that they will be recorded at their full value when they become due and payable.

Risk arising from financial instruments

The Corporation does not use financial derivatives.

9. FINANCIAL INSTRUMENTS (continued)

Credit risk

The Corporation is exposed to credit risk in its cash and cash equivalents, accounts receivables and to the credit risk of its derivative financial instrument counterparties if they do not meet their obligations. The Corporation does not use credit derivatives or similar instruments to mitigate this risk and, as such, the maximum exposure is the full carrying value or face value of the value of the financial instrument. The Corporation minimizes credit risk on cash and cash equivalents and derivative instruments by depositing or engaging in derivative instruments with only reputable financial institutions.

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 (2008 – one) accounted for 27% of sales for the three-month period ended January 31, 2009 (2008 – 30%) and 27% of trade receivables as at January 31, 2009 (January 31, 2008 – 29%). For the nine-month period ended January 31, 2009, two customers accounted for 47% of sales (2008 - 31%). One customer (2008 – one) represented 68% of Telecom sales for the three-month period ended January 31, 2009 (2008 – 68%). Two customers (2008 – one) represented 53% of Telecom sales for the nine-month period ended January 31, 2009 (2008 – 34%).

Liquidity risk

Liquidity risk is the risk the Corporation will not be able to meet its financial obligations as they come due. The Corporation currently settles all of its financial obligations out of cash and cash equivalents. The ability to do so is dependent on the Corporation collecting its accounts receivable in a timely manner and by maintaining sufficient cash and cash equivalents in excess of anticipated needs.

Foreign currency risk

The Corporation operates internationally and a substantial portion of the expenses is incurred in U.S. dollars. A significant change in the currency exchange rate between the Canadian dollar relative to the U.S. dollar could have a material effect on our results of operations, financial position or cash flows. The corporation has not hedged its exposure to currency fluctuations. As at January 31, 2009, the Corporation is exposed to currency risk through its cash, accounts receivable and accounts payable and accrued liabilities denominated in U.S. dollars and Chinese yuan (RMB) as follows:

	As at January 31, 2009	
	RMB	US\$
Cash and cash equivalents	11,187,912	1,141,874
Accounts receivable	17,383,151	3,539,166
Accounts payables and accrued liabilities	17,529,623	1,261,102

Based on the above net exposures as at January 31, 2009 and assuming that all other variables remain constant, a 10% depreciation of the Canadian dollar or a 10% appreciation of the Canadian dollar against the U.S. dollar and the Chinese yuan would result in increases/(decreases) in net profit and comprehensive profit of \$543/(\$543).