2010
Mitec Telecom Inc.
Second Quarter Report
For the 6-month period ending October 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, enabling end user communications around the world. Headquartered in Montreal, Canada, the Corporation also operates facilities in the 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, from the perspective of Mitec's management, on corporate performance for the 3-month and 6-month periods ended October 31, 2009 (second quarter fiscal 2010). It includes a review of the financial condition of Mitec and a review of operations for each of Mitec's operating segments for the second quarter fiscal 2010 as compared to the second quarter ended October 31, 2008 (second quarter fiscal 2009) and for the six-month period ended October 31, 2009 compared to the six-month period ended October 31, 2008.

This MD&A supplements the interim unaudited consolidated financial statements for the period ended October 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, 2009. 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 December 1, 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 28, 2009.

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

APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

Prior to publication, the Board of Directors, on the recommendation of the audit committee, approved Mitec Telecom's 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 some of the core broadband capabilities in today's fast growing multimedia communications area.

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 ("SSPA") technologies, which carries a variety of intellectual property rights and are patent protected, mainly to government and large military system integrators for military radar and communication systems.

As an established and recognized supplier in the satellite and wireless fields, Mitec is well positioned to benefit from future growth in the communications industry, still in its infancy. Mitec uses its scalability and engineering expertise in order to address the demand for bandwidth, speed, capacity and reliability as telecom companies worldwide continue to require solutions for the rapid adoption of wireless telecommunications.

Mitec clearly holds a competitive advantage in the military industry with its patented Keragis SSPA technology as it grows this business unit to address a billion dollar market for military applications requiring microwave or radar communications that demand power efficiency and large bandwidth in addition to physical and electrical integration.

Mitec's headquarters are in Montreal, Canada and the Corporation has other operations in Suzhou (China) and Poway (U.S.A.). As at October 31, 2009, the Corporation's global workforce stood at 282 employees.

MAJOR EVENTS

On October 29, 2009, Mitec announced that it had completed a private placement of convertible debentures with both new and existing shareholders, including Mitec's largest institutional investors. Proceeds were used to redeem debt which matured on October 17, 2009, and for working capital purposes. The debentures are convertible into Mitec common shares at $.06 per share, and pay interest at a rate of 12 percent per annum for a period of two years.

On October 26, 2009, Mitec announced that it had begun deliveries of a new high-powered pulse amplifier designed for a U.S. military customer as part of a large communications program. The initial deliveries were valued at over $400,000 and involved the Corporation's Keragis subsidiary.

On October 21, 2009, Mitec announced that it had extended the term of 4,650,000 common share purchase warrants that were issued as part of a private placement which closed on October 18, 2006 (originally extended on October 3, 2009 and again on March 16, 2009 at an exercise price of $0.10) and 18,952,279 common share purchase warrants that were issued as part of a private placement which closed on March 30, 2007 (originally extended on March 16, 2009 at an exercise price of $0.22) for a further twelve months until October 30, 2010.

On September 17, 2009, the Corporation announced that it had entered into a Letter of Intent to purchase all of the issued and outstanding shares of a privately-held North American company, which provides wireless hardware components to major telecom equipment providers worldwide. The acquisition was expected to close in fall 2009.

On August 27, 2009, Mitec announced that it had received two new orders from a customer in Africa for equipment from the recently launched VSAT MTX Block-Up Converter line which enables cellular network expansion. It also received an order for a large earth station switching network that will be used in a satellite uplink expansion program taking place in Asia.

On August 6, 2009, Mitec announced that it had received approximately $1.0 million in new orders for a niche product line it had developed, resulting in an exciting new approach for telecom companies looking to enhance their network bandwidth and reduce operating costs. The project involved using some of Mitec's core technologies to upgrade an existing telecommunication system located in Dryden, Ontario which was suffering from performance issues. Mitec's equipment resolved these issues and along with support from Dryden Municipal Telephone System/Dryden Mobility, successfully demonstrated that existing networks can be upgraded to state-of-the-art networks demanded by today's telecom users. According to market research, there are over 1,000 such markets in North America which can benefit from Mitec's solution. This upgrade represents a major new market opportunity and resolves major infrastructure challenges relating to coverage loss.

On July 29, 2009, Mitec announced that it had received customer commitments for Keragis' patented SSPA technology which will likely amount to almost C$3.0 million in revenue, including a US$700,000 purchase order from the U.S. Department of Defense and qualification to participate in a US$2.0 million program led by a major U.S. systems integrator also in the military industry.

On May 26, 2009, Mitec launched a new Mandarin language website. This new website reflects Mitec's commitment to its China presence and allows the Corporation to service the local market more effectively.

SELECTED FINANCIAL INFORMATION

The following table is derived from the Corporation's unaudited interim financial statements and presents selected financial information for each of the last eight quarters.

	2010					2009		2008
(in thousands of dollars except per share data)	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	$	$	$	$	$	$	$	$
Sales	**7,198**	6,707	6,927	7,922	10,568	14,931	10,766	9,829
Gross profit	**817**	1,035	1,083	1,897	2,366	3,166	2,399	1,959
Research & development expenses	**678**	1,064	1,122	1,039	1,136	1,013	1,300	1,041
Selling and administrative expenses	**1,647**	1,260	1,891	1,430	1,714	1,534	1,577	1,563
Net profit (loss)	**(1,837)**	(2,069)	(3,108)	(360)	(1,195)	55	(1,751)	(1,352)
Net profit (loss) per share – basic and diluted	**(0.01)**	(0.01)	(0.01)	(0.00)	(0.01)	0.00	(0.01)	(0.01)
Total assets	**26,585**	29,118	30,321	36,244	39,230	44,027	40,043	40,602
Long-term debt	**955**	1,316	1,215	1,116	1,057	1,067	1,124	1,464
Cash and cash equivalents and short-term investments	**2,458**	3,344	4,666	4,040	5,255	3,324	4,861	5,164

The information pertaining to each segment for the three-month periods ended October 31 is as follows:

	Telecom		**Satcom**		**Consolidated amounts**	
	2009	2008	**2009**	2008	**2009**	2008
	$	$	**$**	$	**$**	$
Sales	**2,003**	4,073	**5,196**	6,495	**7,198**	10,568
Cost of sales	**2,050**	3,502	**4,330**	4,700	**6,381**	8,202
Gross profit	**(48)**	571	**865**	1,795	**817**	2,366

The information pertaining to each segment for the six-month periods ended October 31 is as follows:

	Telecom		**Satcom**		**Consolidated amounts**	
	2009	2008	**2009**	2008	**2009**	2008
	$	$	**$**	$	**$**	$
Sales	**4,190**	14,467	**9,715**	11,032	**13,905**	25,499
Cost of sales	**4,101**	11,811	**7,952**	8,156	**12,053**	19,967
Gross profit	**90**	2,656	**1,763**	2,876	**1,852**	5,532

RESULTS OF OPERATIONS FOR THE SECOND QUARTER AND FOR THE SIX-MONTH PERIOD ENDED OCTOBER 31, 2009

Sales

For the second quarter ended October 31, 2009, consolidated sales were $7.2 million, a 32% decrease from the second quarter of the previous year. The decrease in the Corporation's sales is attributable to a previously anticipated decline of sales to major OEM customers and the reduction of CAPEX spending as a result of industry and global economic conditions.

In response to the global economic crisis that began in 2008 and the unprecedented changes in the world economy which have had an effect on all global infrastructure providers, the Corporation anticipated that OEM sales would likely be impacted in 2009 and quickly refocused its strategy to address various niche market opportunities in both the Telecom and Satcom segments which could deliver predicable and sustainable growth.

Consequently, during the quarter ended October 31, 2009, the Corporation introduced a new Coverage Solution product line for the North American Wireless Operator market. These product launches, combined with the first commercial sales to the military sector for the Corporation's Keragis line of SSPA, helped mitigate the reduction in infrastructure spending as a result of the global economic recession and are expected to continue assist the Corporation in achieving its financial objectives.

Shipments from the Telecom segment, which contributed $ 2.0 million of total revenues, decreased by $2.1 million as compared with the same period in the previous year but were consistent with revenue recorded in the previous quarter ended July 31 2009. As part of its long term strategy and to mitigate the effects of the economic conditions which began in 2008, the Corporation anticipated a decrease in OEM Sales in fiscal 2010 and had started to address how its Coverage Solution product line could resolve specific needs at the Telecom Operator level, which it had identified as a sector experiencing industry growth. The result of this analysis was the launch of new products for the North American Wireless Operator market such as a new generation of boosters that improve bandwidth, speed, capacity and reliability for wireless devices. The Corporation also targeted the Fixed and Mobile Wireless sectors as areas experiencing industry growth and has both developed its own suite of products for this market and is exploring other ways to increase its footprint in this area by offering a more integrated solution to its customer base. The Corporation intends to become a dominant player in both the Telecom Operator and Fixed and Mobile Wireless markets.

Satcom segment shipments, which contributed $5.2 million of total revenues, decreased by $1.3 million as compared with the same period in the previous year,. The decrease is attributable to a lower than anticipated level of sales to North America satellite system integrators. The launch of a new MTX product line from the Corporation's VSAT product line combined with the first commercial sales to the military sector for the Corporation's Keragis line of SSPA technologies, helped mitigate the reduction in infrastructure spending as a result of the global economic recession. While gross margins associated with new products are impacted upon introduction, the Corporation expects they will improve as the product lines become recognized and customer order flow reaches anticipated levels. These to continue assist the Corporation in achieving its financial objectives. The Corporation has also identified that the military market is interested in exploring additional opportunities with Mitec to exploit its Keragis line of SSPA technologies through strategic relationships with both the government and private sector.

	2010					2009		2008
(in thousands of dollars, except percentages)	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	$	$	$	$	$	$	$	$
Telecom	**2,003**	2,188	2,206	3,101	4,073	10,394	5,360	4,362
% of total revenues	***27.8%***	32.6%	*31.8%*	*39.1%*	*38.5%*	*69.6%*	*49.8%*	*44.4%*
Satcom	**5,196**	4,519	4,721	4,821	6,495	4,537	5,406	5,467
% of total revenues	***72.2%***	67.4%	*68.2%*	*60.9%*	*61.5%*	*30.4%*	*50.2%*	*55.6%*

For the six-month period ended October 31, 2009, consolidated sales were $13.9 million, a 45% decrease with the same period in the previous year. The decrease in the Corporation's sales is attributable to the predicted sharp decline in the demand from OEM Wireless customers as a result of worldwide economic conditions. The Corporation has begun to demonstrate that its new products, which target specific niche opportunities in large and sustainable markets, will resolve many of the current issues its customers are facing.

Gross Profit

Gross profit for the second quarter of fiscal 2010 was $0.8 million, a decrease of $1.5 million from $2.4 million in the second quarter of fiscal 2009.

Gross Profit in the Telecom segment was negative $0.1 million in the second quarter of fiscal 2010, a decrease of $0.6 million as compared with the same period in the previous year. Although the Corporation was able to initiate a cost containment program during the quarter, gross profit was also impacted by lower overhead absorption resulting from a continued reduction in orders as a result of the economic climate.

Despite economic conditions, the Corporation continued with its launch of new products, and focused on marketing its Coverage Solutions product line to local telecom operators, initially in North America. New product introductions initially result in lower margins as a result of several factors, including one time set-up costs for manufacturing these new products, volume based issues such as cost of materials as well as supply chain management issues which are resolved when optimization levels are achieved.

New customers continue to explore these new products with the Corporation and management is confident that these market opportunities will generate sufficient industry interest to generate acceptable optimization and Gross Profit levels. Gross Profit was also impacted by a one-time non-recurring charge relating to warranty costs.

Satcom Gross Profit was $0.9 million in the second quarter of fiscal 2010, a decrease of $0.9 million with the same period in the previous year. The decrease was the result of a number of factors, including lower overhead absorption as a result of lower revenues, the appreciation of the Canadian dollar against the U.S. dollar (which is the dominant currency in which the Corporation generates revenue), a higher proportion of sales in the Legacy sector carrying a higher percentage of material content and the launch of the new MTX line that reached a fairly large production level in a very short time frame without being able to benefit from large scale savings and optimization. Gross profit in the military sector was in line with expectations.

		2010				2009		2008
(in thousands of dollars, except percentages)	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	$	$	$	$	$	$	$	$
Telecom	**(48)**	138	(166)	382	571	2,087	903	867
% of Telecom sales	***(2.4%)***	6.3%	*(7.5%)*	*12.3%*	*14.0%*	*20.1%*	*16.8%*	*19.9%*
Satcom	**865**	897	1,247	1,515	1,795	1,081	1,496	1,091
% of Satcom sales	***16.6%***	19.8%	*26.4%*	*31.4%*	*27.6%*	*23.8%*	*27.7%*	*20.0%*

For the six month period ended October 31, 2009, Gross Profit was $1.9 million or 13% of sales compared to $5.5 million or 22% recorded in same period in the previous year. The Corporation's Gross Profit in the Telecom segment was $0.1 million, or 2% of sales, as compared with $2.7 million, or 18% recorded in same period in the previous year. For the six-month period, gross profit in the Satcom sector decreased to $1.8 million, or 18% of sales, compared to $2.9 million, or 26% of the Satcom sales, recorded in same period in the previous year.

Research and Development Expenses

Research and development expenses ("R&D") net of investment tax credits for the second quarter of fiscal 2010 were $0.7 million, a decrease of 40% from $1.1 million in the second quarter of fiscal 2009. This reduction is related to the completion of some R&D projects, which are now entering into commercial sales phases, however, some of which still require custom commercialization. The Corporation continues its commitment to R&D to ensure Mitec remains ahead of its competitors and has maintained its R&D spending by investing in various product lines in order to promote the availability of new products servicing the Telecom Operators, Mobile and Fixed Wireless infrastructure markets as well as the VSAT and military markets. For the six-month period ended October 31, 2009, total R&D expenses reached $1.7 million, representing 12.5% of total sales, as compared with $3.2 million, or 12.7% of total sales, for the same period in the previous year.

Selling and Administrative Expenses

The Corporation's selling and administrative expenses ("SG&A") for the second quarter in fiscal 2010 were $1.6 million as compared with $1.7 million in the second quarter of fiscal 2009. The decrease is the result of reduced administrative expenses and a reduction in both commissions and other related variable sales expenses. For the six-month period, selling and administrative expenses were $2.9 million, a reduction of 14% as compared with $3.2 million for the same period in the previous year.

Net Loss

The net loss for the second quarter of fiscal 2010 was $1.8 million, or $0.01 per share, as compared with a loss of $1.2 million, or $0.01 per share, for the same quarter of fiscal 2009. Mitec's net loss for the quarter continues to be largely attributable to the unprecedented worldwide recession that resulted in an immediate lower demand for worldwide communications capital equipment, mainly as a result of the credit crisis and the inability for telecom infrastructure providers to continue to access funds for capital expenditures. The Corporation has initiated a cost containment program to preserve cash. It has also refocused its product line to ensure that it is able to serve large and sustainable market opportunities which are expected to generate both revenues and gross margins that will ensure it's ongoing viability, in light of the massive change in worldwide capital spending in the telecom and satcom sectors.

Earnings before Interest, 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 is comprised of interest on bank indebtedness and 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 to describe impacts from foreign exchange and stock-based compensation. 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 consolidated statements of earnings of actual and most recent quarterly reports. It also reconciles the adjusted EBITDA.

	2010					2009		2008
(in thousands of dollars)	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	$	$	$	$	$	$	$	$
Net Profit (Loss)	**(1,837)**	(2,069)	(3,108)	(360)	(1,195)	55	(1,751)	(1,352)
Income taxes	**(39)**	(39)	(523)	(89)	(14)	(14)	(97)	—
Amortization and loss on disposal and impairment of property, plant and equipment, intangible assets, deferred charges and investments	**370**	464	2,214	515	972	753	1,305	1,248
Interest	**109**	31	27	(1)	65	37	36	302
EBITDA	**(1,397)**	(1,583)	(1,390)	65	(172)	831	(507)	198
Effect of foreign exchange and stock-based compensation	**42**	469	(425)	(673)	(95)	94	472	(297)
Adjusted EBITDA	**(1,355)**	(1,114)	(1,815)	(608)	(267)	925	(35)	(99)

LIQUIDITY AND CAPITAL RESOURCES

Operating Activity Cash Flows

Cash flow used in operating activities decreased by $3.7 million from $2.2 million in the second of fiscal 2009 to negative $1.4 million for the current fiscal quarter. Last year during the second quarter, cash flow used in operating activities was positively impacted by a change in the non-cash working capital balances related to operating activities because of the larger volume of sales in the previous quarter of that year. For the six-month period, cash flows used from operations increased to $2.2 million, a change of $3.2 million, compared to cash flows provided from operations of $0.9 million recorded in the previous year.

Investing Activity Cash Flows

Cash flow used in investing activities was $0.1 million for the period ended on October 31, 2009, a consequence of the acquisition of fixed assets to support expanded operations made during the current period. In the second quarter of fiscal 2009, cash flow from investing activities was negative $0.2 million for the same reason. For the six-month period, cash flows used in investing activities were $0.3 million compared to a cash flow deficit of $0.3 million recorded in the previous year.

Financing Activity Cash Flows

During the quarter ended October 31, 2009, the Corporation closed a private placement of convertible debentures which resulted in a net cash inflow of $1.7 million. The proceeds relating to these debentures were primarily used for repayment of $1.4 million of existing convertible debt, due for repayment in October 2009. In the corresponding second quarter of fiscal 2009, there was a net cash outflow of $0.2 million for the reimbursement of long-term debt. For the six-month period ended October 31, 2009, the amounts were similar to those for the current quarter.

Convertible Debenture

In October 2009, the Corporation issued $1.9 million of convertible unsecured debentures ("Convertible debentures"). Financing charges of $183,000 were incurred which are presented as a reduction of the long-term debt and equity components. The convertible debentures bear interest at 12% per annum, payable quarterly, mature in October 2011 and the indebtedness ranks equally with all other indebtedness of the Corporation. The convertible debenture holders have the option to convert the principle amount of the convertible debentures into common shares at the price of $0.06 per common share, at any time in the two-year term of the convertible debenture. Interest paid on the convertible debentures, over the two-year term will total $453,000 if the convertible debentures are held to maturity. Subject to regulatory approval, the accrued interest could be paid in shares, upon debenture holders' request, based on the equivalent value based on the same terms as the conversion price. As of October 31, 2009, the nominal value of the convertible debentures was $1,885,000.

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 the Black-Scholes model using the following assumptions: expected life of two years, fair value of common shares on date of the grant at $0.06, dividend yield of nil, volatility factor of 111%, and risk-free interest rate of 1.26%. The fair value of the conversion option associated with the convertible debenture on the date of issuance was estimated at $839,000, resulting in an effective interest rate of 32.6% using a discount rate of 15%. These components, individually valued as described above, were adjusted on a prorated basis, to arrive to each component. The difference between the debt component and the face value of the convertible debentures is classified as equity. The debt component is accreted to its face value through a charge to earnings over its term using the effective interest rate method. Issue costs have been allocated between the debt and the equity components of the convertible debentures and are being deferred and amortized over the life of the debentures based on the effective interest method.

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. The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. 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's capital is composed of long-term debt and shareholders' equity which includes capital stock and has no external restrictions.

RISKS AND UNCERTAINTIES

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

Going Concern Uncertainty

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

The Corporation has a history of losses over the past eight years and currently does not have the necessary financing in place to support continuing losses. The Corporation has accumulated a deficit of $123,886,000 as at October 31, 2009. 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, among other things, attaining a satisfactory revenue 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 consolidated financial statements do not reflect any adjustments that would be necessary if the going concern basis was not appropriate. If the going concern basis was not appropriate for these consolidated statements, significant adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used.

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

1. Approaching potential lenders to secure operational financing;
2. Investigating a range of alternatives to expand its Telecom and Satcom business units operate with the objective of ensuring the Corporation can generate sustainable, long-term profitability;
3. Exploring, under the guidance of its Mergers and Acquisitions Committee (comprised of management, directors and advisors to the Corporation), potential opportunities relating its expansion and growth.

During the second quarter of fiscal 2010, the following transactions, aimed at addressing the uncertainties described above, occurred:

a. The Corporation developed an alternative solution to transform existing telecom infrastructure in rural areas to state of the art technology to enhance their network bandwidth and reduce operating costs.
b. The Corporation received two new orders for equipment in the VSAT MTX BUC line which enables network expansion as well as an order for a large earth station switching network that will be used in a satellite uplink expansion program taking place in Asia.
c. The Corporation extended the term of 4,650,000 common share purchase warrants and 18,952,279 common share purchase warrants for a further twelve months until October 30, 2010.
d. The Corporation announced that its Keragis subsidiary had begun deliveries of a new high-powered pulse amplifier designed for a U.S. military customer as part of a large communications program.
e. The Corporation announced that it had completed a private placement of convertible debentures. Proceeds were used to redeem debt which matured on October 17, 2009, and for working capital purposes.

Management believes that should the Corporation be successful at securing operational funding or expanding its Telecom and Satcom business units and with the continued support of the Corporation's current shareholders and customers, they will be able to continue operating as a going concern in the foreseeable future. There can, however, be no assurance that such plans will be sufficient to continue to operate as a going concern.

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 revenues. In addition, the need to invest in the engineering, research and development and marketing required to penetrate markets and maintain service support capabilities limits our ability to reduce expenses during downturns.

Dependence on a Few Customers
The Corporation has exposure due to its reliance on certain large contracts and customers. In second quarter of fiscal 2010, the Corporation's largest customer accounted for 10% of its sales. Although the Corporation invests considerable effort in maintaining its relationships with its customers, there can be no assurance that Mitec will be able to sell to such customers on an advantageous basis in the future, or that such customers will continue to buy from Mitec. Any changes in their business strategies, changes in timing, or marketing issues, could have a material financial impact on Mitec. Mitec is putting increasing emphasis on growing its customer base, and diversifying its sales channels into each business sector, to mitigate this risk. Additionally, Mitec will pursue a strategy of balanced growth, mainly to exploit the counter-cyclical nature of the Telecom and Satcom businesses.

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

Production Risk
Our quarterly results have varied significantly in the past and are likely to continue to vary significantly. These fluctuations are due to a number of factors, including the following: timing, cancellation or rescheduling of customer estimates for product; customer orders and shipments; pricing and mix of products sold; introduction of new products; our ability to obtain components and subassemblies from suppliers; and variations in manufacturing efficiencies. Any one of these factors could substantially affect our results of operations for any particular fiscal quarter.
Also, in some cases, we rely on sole suppliers or limited groups of suppliers to provide us with services and materials necessary for the manufacture of our products. If we are not able to obtain sufficient allocations of these components, our production and shipment of product will be delayed, we may lose customers and our profitability may be affected.

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

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

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

Senior Management and Other Key Employees
The Corporation's success is, to a significant extent, attributable to the leadership and experience of its senior management and other key employees. The unexpected loss of 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 laws, regulations and government policies and could be restricted.

General Economic Conditions
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.

Interest Rate
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. However, a variation of interest rate would not affect results or equity of the Corporation.

Credit Risk
The Corporation is exposed to credit risk in its cash and cash equivalents, short-term investments, trade receivables and other receivables. 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 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. No customer (2008 – two) accounted for more that 10% of sales for the three-month period ended October 31, 2009 (2008 – 32%) nor 10% of trade receivables as at October 31, 2009 (2008 – 40%). For the six-month period ended October 31, 2009, no customer accounted for more than 10% of sales (2008 - 53%). No customer represented more than 10% of Telecom sales for the three-month period ended October 31, 2009 (2008 – 84%) but one customer represented 24% of Telecom sales for the six-month period ended October 31, 2009 (2008 – 92%).

As at October 31, 2009, the aging of the trade receivables is as follows:

(in thousands of dollars)	**$**
Current	**4,151**
31 – 60 days	**1,384**
Over 61 days	**797**
Trade receivables	**6,332**
Less: allowance for doubtful accounts	**(186)**
Total	**6,147**

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 Corporation's approach in managing liquidity is to ensure as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damages to the actual and budgeted cash flows. Also, the Board of Directors reviews and approves the Corporation's operating and capital budgets, as well as any material transactions out of the ordinary course of business, including proposals on mergers and acquisitions or other major investments or divestitures. In recent years, the Corporation has financed its expansion and sales growth mainly through equity offerings.

As at October 31, 2009, the Corporation had at its disposal working capital of $11,176,000 (2008 - $14,231,000). The Corporation has sufficient cash and cash equivalents, and working capital available to meet its financial contractual obligations. Accounts payable, accrued liabilities and convertible debentures are all due within the current operating period.

Foreign Currency Translation

a. Canadian operations

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

b. Foreign operations

The financial statements of the Corporation's self-sustaining foreign subsidiaries, Mitec Communications Ltd., Mitec Telecom (Suzhou) Company, Ltd. and Keragis Corporation, are translated into Canadian dollars using the current rate method. Under this method, assets and liabilities are translated at the exchange rates prevailing at the end of the period and revenues 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 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 during the first fiscal quarter of fiscal 2010, but has it has started to protect itself from the risk of losses should the value of the Canadian dollar decline compared to the foreign currency by using forward contracts to fix the exchange rate of a portion of its expected U.S. dollar inflows. As at October 31, 2009, the Corporation is exposed to currency risk through its cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities denominated in U.S. dollars and Chinese Yuan (RMB) as follows:

	As at October 31, 2009	
	RMB	**US$**
Cash and cash equivalents	**4,502,000**	**392,000**
Accounts receivable	**3,671,000**	**4,686,000**
Accounts payable and accrued liabilities	**3,625,000**	**1,572,000**

Based on the above net exposures as at October 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 an increase/(decrease) in net profit and comprehensive profit of $399,000/($399,000).

Environmental Matters

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

Stock Price Fluctuation

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

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following is a summary of the Corporation's material contracts obligations due per years:

(in thousands of dollars)	Long-term debt	Operating leases
	$	$
1 year	—	431
2 – 3 years	1,885	630
4 – 5 years	—	26
Over 5 years	—	—
Total	1,885	1,087

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 does not expect to enter into any other such arrangements outside of the ordinary course of our business in the near future.

COMMON SHARES, WARRANTS, AND STOCK OPTIONS

As of December 1, 2009, there were 220,666,756 common shares and 23,602,279 warrants outstanding as well as 15,318,050 stock options.

In fiscal 2009, the Corporation announced its intention to proceed with a normal course issuer bid to purchase up to 18,471,135 common shares of the Corporation representing 5% of the issued shares of such class at November 27, 2008. The bid commenced in December 2008 and may continue to December 2009. In accordance with TSX requirements, a maximum daily repurchase of 10% of previous six month's average daily trading volume may be made, or 313,453 shares as at October 31, 2009. The number of shares purchased and the timing of any such purchases will be determined by the Corporation. All shares purchased by the Corporation will be cancelled.

As at October 31, 2009, the Corporation had not purchased any common shares.

CHANGES IN ACCOUNTING POLICIES

Effective May 1, 2008, the Corporation adopted the following recently introduced Canadian Institute of Chartered Accountants ("CICA") Handbook Sections:

Goodwill and intangible assets and Research and development costs

The Corporation adopted the new CICA Handbook Section 3064, Goodwill and Intangible Assets which replaced 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. The adoption of the standard did not have an effect on the Corporation's interim consolidated financial statements.

Credit Risk and Fair Value of Financial Assets and Liabilities

In January 2009, the CICA's Emerging Issue Committee ("EIC") issued Abstract EIC-173, Credit Risk and the Fair Value of Financial Assets and Liabilities, which requires entities to take both counterparty credit risk into account when measuring the fair value of financial assets and liabilities, including derivatives. The adoption of the new recommendations had no impact on the Corporation’s interim consolidated financial statements.

FUTURE CHANGES IN ACCOUNTING POLICIES

Business Combination

Section 1582, Business Combinations, replaces Section 1581, Business Combinations. The section establishes standards for the accounting for a business combination. It provides the Canadian equivalent to the IFRS standard, IFRS 3 (Revised), Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The Corporation is currently evaluating the impact of the adoption of this new section on the Corporation’s consolidated financial statements.

Consolidated Financial Statements

Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests, together replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27 (Revised), Consolidated and Separate Financial Statements. The sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. The Corporation is currently evaluating the impact of the adoption of these new sections on the consolidated financial statements.

International Financial Reporting Standards

In February 2008, Canada’s Accounting Standards Board confirmed that Canadian GAAP, as used by publicly accountable enterprises, would be fully converged into IFRS, as issued by the International Accounting Standards Board. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Therefore, the Corporation will be required to report under IFRS for its 2012 annual financial statements starting with its July 31, 2011 first quarter interim report. The Corporation initiated the process of IFRS conversion during the third quarter of 2009. The Corporation is in its detailed assessment phase, analyzing the impact that the adoption of IFRS will have on its consolidated financial statements.

SIGNIFICANT ACCOUNTING ESTIMATES AND PROVISIONS

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to estimates and assumptions include, but are not limited to, the estimated useful life of assets, inventory obsolescence, impairment of long-lived assets, goodwill and intangibles with an indefinite life, future income taxes, investment tax credits, revenue recognition, fair value of assets and liabilities acquired in a business combination, the measurement and determination of stock-based compensation and warrants, discount rate on convertible debentures, legal liabilities, warranty provision, bad debt expense, and allowance for doubtful accounts. Actual results could differ from those estimates. Significant changes in the assumptions with respect to future business plans and cash flows could result in impairment of goodwill, intangible assets and property and equipment. The financial statements have, in management’s opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies 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 and more frequently if events or circumstances indicate that the asset might be impaired, the Corporation subjects goodwill to an impairment test based upon a comparison of the carrying amount to the fair value of the reporting unit. Any impairment in the carrying amount of goodwill is charged to operations in the period such impairment is identified.

Allowance for Doubtful Accounts

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

Future Income Taxes Assets

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

Warranty Provision

The Corporation records a warranty provision on the sale of certain VSAT products, which contain active components. This estimate is based on historical repair frequency and related costs. Management reviews the provision on an on-going basis and the provisions at April 30, 2009 and 2008 were considered adequate.

Stock-Based Compensation

The Corporation estimates the fair value of stock options granted to employees, officers and Directors. As at October 31, 2009, a total of 15,318,050 stock options were outstanding, of which

12,765,850 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.

OUTLOOK

As an established and recognized presence in the satellite and wireless fields, Mitec is well positioned to benefit from future growth in the communications industry, still in its infancy. Mitec uses its scalability and engineering expertise in order to address the demand for bandwidth, speed, capacity and reliability as telecom companies worldwide continue to require solutions for the rapid adoption of wireless telecommunications.

Mitec clearly holds a competitive advantage in the military industry with its patented Keragis solid state power amplifier technology as it grows this business unit to address a billion dollar market for military applications requiring microwave or radar communications that demand power efficiency and large bandwidth in addition to physical and electrical integration.

The Corporation's management, board of directors, advisors and consultants continue to work together to ensure that Mitec succeeds in becoming a dominant player in those markets in which it has identified will deliver sustained profitability to the Corporation.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure Controls

The Corporation maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, accurate, reliable and timely. The disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in its various reports are recorded, processed, summarized and reported accurately.

The President and Chief Executive Officer and the Chief Financial Officer of the Corporation have evaluated, or caused the evaluation of, under their direct supervision, the effectiveness of the Corporation's disclosure controls and procedures (as defined in National Instrument 52–109 – Certification of Disclosure in Issuer's Annual and Interim Filings) as at April 30, 2009, and have concluded that such disclosure controls and procedures were designed and operating effectively.

Internal Control over Financial Reporting
Management is responsible for establishing and maintaining adequate 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 has evaluated the design and effectiveness of its internal controls and procedures over financial reporting (as defined in National Instrument 52–109 - Certification of Disclosure in Issuer's Annual and Interim Filings) for the three month period and six-month periods ended October 31, 2009. The evaluation was based on the "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This evaluation was performed by the President and Chief Executive Officer and the Chief Financial Officer of the Corporation with the assistance of other Management and staff members to the extent deemed necessary. Based on this evaluation, the President and Chief Executive Officer and the Chief Financial Officer concluded that the internal controls and procedures over financial reporting were appropriately designed and operating effectively.

The Corporation did not make any material changes to the design of internal controls over financial reporting during the three-month period and six-month period ended October 31, 2009 that have had a material effect on the Corporation's internal controls over financial reporting. In spite of its evaluation, Management does recognize that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance and not absolute assurance of achieving the desired control objectives. In the unforeseen event that lapses in the disclosure of internal controls and procedures occur and/or mistakes happen of a material nature, the Corporation intends to take the steps necessary to minimize the consequences thereof.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This MD&A was prepared as of December 1, 2009. Updated information on Mitec, including the annual information form, can be found on the SEDAR web site at www.sedar.com.

As of December 1, 2009, there were 220,666,756 common shares and 23,602,279 warrants outstanding as well as 15,318,050 stock options.

MITEC TELECOM INC.
Interim Consolidated Financial Statements
For the three month and six month periods ended
October 31, 2009
(unaudited)

The Interim Consolidated Financial Statements included in this report have not been subject to a review by the Corporation's external auditors.

MITEC TELECOM INC.
INTERIM CONSOLIDATED BALANCE SHEETS
(In thousands of Canadian dollars)

	As at October 31, 2009	As at April 30, 2009
	$	$
	Unaudited	Audited
ASSETS		
Current		
Cash and cash equivalents	**2,277**	4,485
Short-term investments	**181**	181
Trade receivables	**6,147**	5,592
Other receivables	**579**	126
Income tax recoverable	**551**	323
Inventories (note 5)	**6,121**	8,088
Prepaid expenses and other	**669**	629
Total current assets	**16,525**	19,424
Property, plant and equipment	**4,982**	5,493
Intangible assets	**2,860**	3,263
Goodwill	**1,991**	1,991
Investments	**25**	25
Future income tax	**202**	125
	26,585	30,321
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**5,349**	5,449
Current portion of long-term debt (note 6)	**—**	1,215
Total current liabilities	**5,349**	6,664
Long-term debt (note 6)	**955**	—
	6,304	6,664
Shareholders' equity		
Common shares (note 7)	**132,142**	132,142
Warrants (note 7)	**1,151**	1,925
Equity component of convertible debentures (note 6)	**758**	14
Contributed surplus	**10,747**	9,836
Deficit	**(123,886)**	(119,980)
Accumulated other comprehensive loss	**(631)**	(280)
Total shareholders' equity	**20,281**	23,657
	26,585	30,321

Nature of the Business and Going Concern Uncertainty (note 1)
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 October 31,		For the six months ended October 31,	
	2009	2008	**2009**	2008
	$	$	**$**	$
Sales	**7,198**	10,568	**13,905**	25,499
Cost of sales	**6,381**	8,202	**12,053**	19,967
Gross profit	**817**	2,366	**1,852**	5,532
Expenses				
Research and development	**678**	1,136	**1,742**	2,149
Selling and administrative	**1,647**	1,714	**2,857**	3,248
Amortization of intangible assets	**154**	273	**374**	578
Financial expenses (note 10)	**222**	196	**376**	375
Foreign exchange	**(8)**	(342)	**403**	(450)
Impairment of property, plant and equipment	**(50)**	351	**(25)**	351
Stock-based compensation	**50**	247	**109**	449
	2,693	3,575	**5,836**	6,700
Loss before income taxes	**(1,876)**	(1,209)	**(3,984)**	(1,168)
Income tax recovery	**(39)**	(14)	**(78)**	(28)
Net loss for the period	**(1,837)**	(1,195)	**(3,906)**	(1,140)
Unrealized gain (loss) on translating financial statements of self-sustaining foreign operations	**(7)**	233	**(351)**	255
Comprehensive loss for the period	**(1,844)**	(962)	**(4,257)**	(885)
Basic and diluted loss per common share	**(0.01)**	(0.01)	**(0.02)**	(0.01)
Weighted average number of outstanding common shares	**220,666,776**	220,666,776	**220,666,776**	220,651,370

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 compre-hensive loss	Share-holders' equity
	# (000s)	$	# (000s)	$	$	$	$	$	$
Note	7	7	7	7					
Balance, April 30, 2008	220,312	132,097	38,016	1,931	46	9,223	(115,372)	(894)	27,031
Issued under conversion of convertible debentures	354	61	—	—	(10)	14	—	—	65
Expired warrants	—	—	(187)	(6)	—	6	—	—	—
Stock-based compensation	—	—	—	—	—	449	—	—	449
Other comprehensive gain the period	—	—	—	—	—	—	—	255	255
Net loss for the period	—	—	—	—	—	—	(1,140)	—	(1,140)
Balance, October 31, 2008	220,666	132,158	37,829	1,925	36	9,692	(116,512)	(639)	26,660
Balance, April 30, 2009	**220,666**	**132,142**	**37,829**	**1,925**	**14**	**9,836**	**(119,980)**	**(280)**	**23,657**
Issued upon conversion of convertible debentures	**—**	**—**	**—**	**—**	**(14)**	**28**	**—**	**—**	**14**
Issued under a convertible debentures financing	**—**	**—**	**—**	**—**	**758**	**—**	**—**	**—**	**758**
Expired warrants	**—**	**—**	**(14,226)**	**(774)**	**—**	**774**	**—**	**—**	**—**
Stock-based compensation	**—**	**—**	**—**	**—**	**—**	**109**	**—**	**—**	**109**
Other comprehensive loss the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(351)**	**(351)**
Net loss for the period	**—**	**—**	**—**	**—**	**—**	**—**	**(3,906)**	**—**	**(3,906)**
Balance, October 31, 2009	**220,666**	**132,142**	**23,603**	**1,151**	**758**	**10,747**	**(123,886)**	**(631)**	**20,281**

See accompanying notes

MITEC TELECOM INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of Canadian dollars)
Unaudited

	For the three months ended	October 31,	For the six months ended	October 31,
	2009	2008	**2009**	2008
	$	$	**$**	$
OPERATING ACTIVITIES				
Net loss for the period	**(1,837)**	(1,195)	**(3,906)**	(1,140)
Add items not affecting cash				
Amortization of property, plant and equipment, intangible assets and deferred charges	**420**	619	**889**	1,373
Impairment of property, plant and equipment	**(50)**	351	**(25)**	351
Stock-based compensation	**50**	247	**109**	449
Accretion expense	**105**	118	**215**	246
Income tax recovery	**(39)**	(14)	**(78)**	(28)
	(1,351)	126	**(2,796)**	1,251
Changes in non-cash working capital balances related to operating activities (note 8)	**(85)**	2,113	**591**	(306)
Cash flows provided (used) in operating activities	**(1,436)**	2,239	**(2,205)**	945
INVESTING ACTIVITIES				
Additions to property, plant and equipment and intangible assets	**73**	(152)	**(290)**	(301)
Purchase of short-term investments	**(181)**	—	**(181)**	(79)
Sale of short-term investments	**181**	—	**181**	77
Cash flows used in investing activities	**73**	(152)	**(290)**	(303)
FINANCING ACTIVITIES				
Convertible debentures issued (note 6)	**1,702**	—	**1,702**	—
Repayment of long-term debt	**(1,400)**	(156)	**(1,400)**	(250)
Cash flows used by financing activities	**302**	(156)	**(302)**	(250)
Loss on foreign cash and cash equivalents held	**(6)**	—	**(15)**	—
Net increase (decrease) in cash and cash equivalents for the period	**(1,067)**	1,931	**(2,208)**	392
Cash and cash equivalents, beginning of the period	**3,344**	3,245	**4,485**	4,784
Cash and cash equivalents, end of the period	**2,277**	5,176	**2,277**	5,176

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 Corporations 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 its 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 eight years and currently does not have the necessary financing in place to support continuing losses. The Corporation has accumulated a deficit of $123,886,000 at October 31, 2009. 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 dependant 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:
Approaching potential lenders to secure operational financing;
Investigating a range of alternatives to expand its Telecom and Satcom business units;
Exploring, under the guidance of its Mergers and Acquisitions Committee (comprised of management, directors and advisors of the Corporation), potential opportunities relating to its expansion and growth.

Management believes that should the Corporation be successful at securing operational funding or expanding its Telecom and Satcom business units and with the continued support of the Corporation's current shareholders and customers, they will be able to continue operating as a going concern in the foreseeable future. There can, however, be no assurance that such plans will be sufficient to continue to operate as a going concern.

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, 2009, except as described in Note 3 hereafter, including that certain of the comparative amounts have been reclassified to conform with the presentation adopted currently. The notes presented in these interim consolidated financial statements include only significant events and transactions and are not fully inclusive of all matters normally disclosed in the Corporation's annual audited financial statements. As a result, these interim consolidated financial statements should be read in conjunction with the Corporation audited consolidated financial statements for the year ended April 30, 2009. For a full description of accounting policies, please refer to those financial statements.

Subsequent events have been evaluated through December 8, 2009, the date which these interim consolidated financial statements were issued by electronically filing them with the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR").

3. CHANGES IN ACCOUNTING POLICIES

Effective May 1, 2009, the Corporation adopted the following recently introduced Canadian Institute of Chartered Accountants ("CICA") Handbook Sections:

Goodwill and intangible assets and Research and development costs
The Corporation adopted the new CICA Handbook Section 3064, Goodwill and Intangible Assets which replaced 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. The adoption of the standard did not have an effect on the Corporation's interim consolidated financial statements.

Credit risk and Fair value of Financial Assets and Liabilities
In January 2009, the CICA's Emerging Issue Committee ("EIC") issued Abstract EIC-173, Credit Risk and the Fair Value of Financial Assets and Liabilities, which requires entities to take both counterparty credit risk into account when measuring the fair value of financial assets and liabilities, including derivatives. The adoption of the new recommendations had no impact on the Corporation's interim consolidated financial statements.

4. NEW ACCOUNTING PRONOUNCEMENTS

Business Combination
Section 1582, Business Combinations, replaces Section 1581, Business Combinations. The section establishes standards for the accounting for a business combination. It provides the Canadian equivalent to the IFRS standard, IFRS 3 (Revised), Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The Corporation is currently evaluating the impact of the adoption of this new section on the Corporation's consolidated financial statements.

Consolidated Financial Statements
Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests, together replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27 (Revised), Consolidated and Separate Financial Statements. The sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. The Corporation is currently evaluating the impact of the adoption of these new sections on the consolidated financial statements.

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

International Financial Reporting Standards

In February 2008, Canada's Accounting Standards Board confirmed that Canadian GAAP, as used by publicly accountable enterprises, would be fully converged into IFRS, as issued by the International Accounting Standards Board. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Therefore, the Corporation will be required to report under IFRS for its 2012 annual financial statements starting with its July 31, 2011 first quarter interim report. The Corporation initiated the process of IFRS conversion during the third quarter of 2009. The Corporation is in its detailed assessment phase, analyzing the impact that the adoption of IFRS will have on its consolidated financial statements.

5. INVENTORIES

	As at October 31, 2009	As at October 31, 2008
		$
Raw materials and purchased components	**3,759**	5,428
Work-in-progress	**1,608**	1,836
Finished goods	**753**	900
	6,121	8,164

Included in cost of sales for the three-month period is an inventory expense of $3,787,000 (2008 - $5,628,000) and $7,275,000 (2008 - $16,179,000) for the six-month period.

6. LONG-TERM DEBT

	As at October 31, 2009	As at October 31, 2008
		$
a) Investissement Québec term loan, bearing interest at prime plus 3.5%, repayable in 60 monthly payments of capital and interest of $62,500, repaid in February 2009	**—**	172
b) Convertible debentures, bearing interests at 10%, repaid in October 2009	**—**	885
c) Convertible debentures, bearing interests at 12%, repayable in October 2011	**955**	—
	955	1,057
Less: current portion	**—**	1,057
	955	—

Convertible Debentures

In October 2009, the Corporation issued $1.9 million of convertible unsecured debentures ("convertible debentures"). Financing charges of $183,000 were incurred which are presented as a reduction of the long-term debt and equity components. The convertible debentures bear interest at 12% per annum, payable annually, mature in October 2011 and the indebtedness ranks equally with all other indebtedness of the Corporation. The convertible debenture holders have the option to convert the principle amount of the convertible debentures into common shares at the price of $0.06 per common share, at any time in the two-year term of the convertible debenture. Interest paid on the convertible debentures, over the two-year term will total $453,000 if the convertible debentures are held to maturity. The accrued interest could be paid, upon debentures holders' request, in shares based on the equivalent value based on the same terms as the conversion price. As of October 31, 2009, the nominal value of the convertible debentures was $1,885,000.

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 the Black-Scholes model using the following assumptions: expected life of two years, fair value of common shares on date of the grant at $0.06, dividend yield of nil, volatility factor of 111%, and risk-free interest rate of 1.26%. The fair value of the conversion option associated with the convertible debenture on the date of issuance was estimated at $839,000, resulting in an effective interest rate of 56.8% using a discount rate of 15%. These components, individually valued as described above, were adjusted on a prorated basis, to arrive to each earnings over its term using the effective interest rate method. Issue costs have been allocated between the debt and the equity components of the convertible debentures and are being deferred and amortized over the life of the debentures based on the effective interest method.

7. SHARE CAPITAL

Authorized

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

Unlimited number of common shares.

Issued and outstanding common shares

The issued and outstanding common shares are disclosed in the Consolidated Statement of Shareholders' Equity.

Warrants

Warrants outstanding are as follows:

	As at October 31, 2009		As at October 31, 2008	
Exercise price	**Expiry date**	**# (000)**	Expiry date	# (000)
$0.10	**October 30, 2010**	**4,651**	April 3, 2009	4,651
$0.18	—	—	October 17, 2009	13,888
$0.22	**October 30, 2010**	**18,952**	March 30, 2009	19,290
		23,603		37,829

Earnings per share

Weighted average number of common shares is as follows:

	As at October 31,	
	2009	2008
	#	#
Weighted average number of common shares outstanding	**220,666,776**	220,651,370
Net effect of dilutive stock options and warrants	**—**	150,000
Weighted average diluted number of common shares outstanding	**220,666,776**	220,801,370

For the periods ending October 31, 2009 and October 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.

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

The Corporation accounts for the stock-based compensation using the fair value method of accounting. The following weighed average assumptions were utilized in the Black-Scholes model to estimate the fair value of the options granted in each of the periods ended:

		October 31, 2009		October 31, 2008
Volatility		**105%**		97%
Risk-free interest rate		**2.7%**		3%
Dividend yield		**0%**		0%
Expected life, in years		**5**		5
Weighted average grand date fair value	**$**	**0.07**	$	0.085

7. SHARE CAPITAL (continued)

Stock-based compensation

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

	As at October 31, 2009		As at October 31, 2008	
		$		$
Balance, beginning of the period	**14,818,050**	**0.19**	14,533,950	0.41
Granted	**500,000**	**0.07**	150,000	0.09
Forfeited	—	—	(359,900)	0.25
Expired	—	—	(568,000)	1.36
Balance, end of the period	**15,318,080**	**0.19**	13,756,050	0.20
Options exercisable, end of the period	**12,765,850**	**0.20**	9,422,167	0.20

Normal Course Issuer Bid

In 2009, the Corporation announced its intention to proceed with a normal course issuer bid to purchase up to 11,033,337 common shares of the Corporation representing 5% of the issued shares of such class at November 27, 2008. The bid commenced in December 2008 and may continue to December 2009. In accordance with TSX requirements, a maximum daily repurchase of 10% of previous six months average daily trading volume may be made, presenting 313,435 shares as at October 31, 2009. The number of shares purchased and the timing of any such purchases will be determined by the Corporation. All shares purchased by the Corporation will be cancelled.

As at October 31, 2009, the Corporation had not purchased any common shares.

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

8. SUPPLEMENTARY CASH FLOW INFORMATION

Changes in non-cash working capital balances related to operating activities are:

	For the three months ended October 31,		For the six months ended October 31,	
	2009	2008	**2009**	2008
	$	$	**$**	$
Trade receivables and other receivables	**(278)**	5,755	**(1,008)**	(734)
Inventories	**1,281**	590	**1,968**	595
Prepaid expenses and other	**265**	(160)	**(41)**	(53)
Income tax recoverable	**(197)**	(25)	**(228)**	200
Accounts payable and accrued liabilities	**(1,569)**	(4,047)	**(100)**	(314)
	(85)	2,113	**591**	(306)
Interest paid	**145**	147	**149**	161
Amortization of property, plant and equipment is included in:				
Cost of sales	**209**	157	**423**	348
Research and development	**2**	6	**7**	12
Selling and administrative	**52**	53	**81**	114
	264	216	**511**	474
Amortization of intangible assets is including in:				
Cost of sales	**2**	—	**5**	—
Selling and administrative expenses and research and development	**154**	273	**373**	578
	156	273	**378**	578
Amortization of deferred charges is included in:				
Cost of sales	**—**	79	**—**	195
Selling and administrative expenses	**—**	26	**—**	61
Research and development expenses	**—**	25	**—**	65
	—	130	**—**	321

9. 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 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. It also generates revenues from the sale of Solid-State Power Amplifier technologies, which carries a variety of intellectual property rights and are patent protected, mainly to government and large military system integrators for military radar and communication systems.

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

9. 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 October 31 is as follows:

	Telecom		**Satcom**		**Consolidated amounts**	
	2009	2008	**2009**	2008	**2009**	2008
	$	$	**$**	$	**$**	$
Sales	**2,003**	4,073	**5,196**	6,495	**7,198**	10,568
Cost of sales	**2,050**	3,502	**4,330**	4,700	**6,381**	8,202
Gross profit	**(48)**	571	**865**	1,795	**817**	2,366
Expenses					**2,693**	3,575
Income tax recovery					**(39)**	(14)
Net loss for the period					**(1,837)**	(1,195)

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

	Telecom		**Satcom**		**Consolidated amounts**	
	2009	2008	**2009**	2008	**2009**	2008
	$	$	**$**	$	**$**	$
Sales	**4,190**	14,467	**9,715**	11,032	**13,905**	25,499
Cost of sales	**4,101**	11,811	**7,952**	8,156	**12,053**	19,967
Gross profit	**90**	2,656	**1,763**	2,876	**1,852**	5,532
Expenses					**5,836**	6,700
Income tax recovery					**(78)**	(28)
Net loss for the period					**(3,906)**	(1,140)

The following table presents assets by segments:

	As at October 31, 2009			As at October 31, 2008		
	Telecom	**Satcom**	**Total**	Telecom	Satcom	Total
	$	$	**$**	$	**$**	$
Current assets	**3,735**	**10,643**	**14,378**	9,072	12,978	22,050
Long-term assets	**2,270**	**7,804**	**10,074**	2,940	9,958	12,898
	6,005	**18,447**	**24,452**	12,012	22,936	34,948
Other			**2,133**			4,282
Total			**26,585**			39,230

(b) Enterprise-wide information

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

	For the three months ended October 31,		**For the six moths ended October 31,**	
	2009	2008	**2009**	2008
	$	$	**$**	$
Canada	**5,545**	6,392	**10,359**	11,774
United States	**550**	709	**711**	844
Asia	**1,466**	3,836	**3,392**	14,095
Inter-country	**363**	(369)	**(557)**	(1,214)
	7,198	10,568	**13,905**	25,499

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

9. SEGMENTED INFORMATION (continued)

The following table presents sales by destination of product:

	For the three months ended October 31,		**For the six months ended October 31,**	
	2009	2008	**2009**	2008
	$	$	**$**	$
Canada	**840**	394	**1,301**	536
United States	**2,354**	4,574	**5,264**	6,662
Europe	**1,958**	1,414	**3,190**	2,366
Asia	**820**	1,326	**1,452**	11,991
Other	**1,226**	2,860	**2,698**	3,944
	7,198	10,568	**13,905**	25,499

10. FINANCIAL EXPENSES

	For the three months ended October 31,		**For the six months ended October 31,**	
	2009	2008	**2009**	2008
	$	$	**$**	$
Interest on long-term debt	**—**	6	**—**	13
Interest on convertible debentures	**113**	65	**147**	1(
Accretion expense	**105**	118	**215**	246
Bank charges and other fees	**8**	13	**21**	27
Interest income	**(4)**	(6)	**(7)**	(13)
	222	196	**376**	373

11. 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. The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. 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's capital is composed of long-term debt and shareholders' equity which includes capital stock and has no external restrictions.

	As at October 31,	
	2009	2008
	$	$
Long-term debt, including current portion	**955**	1,057
Shareholders' equity	**20,281**	26,660
	21,236	27,717

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

12. FINANCIAL INSTRUMENTS

The classification of financial instruments as of October 31, 2009 and October 31, 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 October 31, 2009						
Cash and cash equivalents	**2,277**	—	—	—	**2,277**	**2,277**
Short-term investments	—	**181**	—	—	**181**	**181**
Trade receivables	—	—	**6,147**	—	**6,147**	**6,147**
Other receivables	—	—	**579**	—	**579**	**579**
Investments	—	**25**	—	—	**25**	**25**
Account payable and accrued liabilities	—	—	—	**5,349**	**5,349**	**5,349**
Convertible debentures	—	—	—	**955**	**955**	**955**
As at October 31, 2008						
Cash and cash equivalents	5,176	—	—	—	5,176	5,176
Short-term investments	—	79	—	—	79	79
Trade receivables	—	—	10,854	—	10,854	10,854
Other receivables	—	—	739	—	739	25
Investments	—	25	—	—	25	N/A
Account payable and accrued liabilities	—	—	—	11,026	11,026	11,026
Long-term debt and convertible debentures	—	—	—	1,057	1,057	1,057

13. FINANCIAL RISK MANAGEMENT

The Corporation is exposed to certain financial risks, including credit risk, liquidity risk, foreign currency risk and interest risk.

Risk factors

The Corporation's risk management program seeks to minimize potential adverse effects on the Corporation's financial performance and ultimately shareholder value. The Corporation managements its risks and risk exposure through a combination of sound business practices, derivative instruments and a systems of internal and disclosure controls.

Credit risk

The Corporation is exposed to credit risk in its cash and cash equivalents, short-term investments, trade receivables and other receivables. 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 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.

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

13. FINANCIAL RISK MANAGEMENT (continued)

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. No customer (2008 – two) accounted for more that 10% of sales for the three-month period ended October 31, 2009 (2008 – 32%) nor 10% of trade receivables as at October 31, 2009 (October 31, 2008 – 40%). For the six-month period ended October 31, 2009, no customer accounted for more than 10% of sales (2008 - 53%). No customer represented more than 10% of Telecom sales for the three-month period ended October 31, 2009 (2008 – 84%) but one customer represented 24% of Telecom sales for the six-month period ended October 31, 2009 (2008 – 92%).

The aging of the trade receivable is as follows:

	As at October 31,	
	2009	2008
	$	$
Current	**4,151**	6,127
31 – 60 days	**1,384**	3,835
Over 61 days	**797**	1,126
Accounts receivable	**6,332**	11,089
Less: allowance for doubtful accounts	**(186)**	(234)
	6,147	10,854

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 Corporation's approach in managing liquidity is to ensure as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damages to the actual and budgeted cash flows. Also, the Board of Directors reviews and approves the Corporation's operating and capital budgets, as well as any material transactions out of the ordinary course of business, including proposals on mergers and acquisitions or other major investments or divestitures. In recent years, the Corporation has financed its expansion and sales growth mainly through equity offerings.

As at October 31, 2009, the Corporation had at its disposal working capital of $11,176,000 (2008 - $14,231,000). The Corporation has sufficient cash and cash equivalents, and working capital available to meet its financial contractual obligations. Accounts payable, accrued liabilities and convertible debentures are all due within the current operating period.

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

	As at October 31, 2009	
	Long-term debt	**Operating leases**
Year of expiry	**$**	**$**
Within 1 year	**—**	**431**
2 – 3 years	**1,885**	**630**
4 – 5 years	**—**	**26**
Over 5 years	**—**	**—**
	1,215	**1,087**

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

13. FINANCIAL RISK MANAGEMENT (continued)

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 October 31, 2009, the Corporation is exposed to currency risk through its cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities denominated in U.S. dollars and Chinese Yuan (RMB) as follows:

	As at October 31, 2009	
	RMB	**US$**
Cash and cash equivalents	**4,502,000**	**392,000**
Accounts receivable	**3,671,000**	**4,686,000**
Accounts payables and accrued liabilities	**3,625,000**	**1,572,000**

Based on the above net exposures as at October 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 an increase/(decrease) in net profit and comprehensive profit of $399/($399).

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. However, a variation of interest rate would not affect results or equity of the Corporation.