

2011
Mitec Telecom Inc.
Third Quarter Report
For the 9-month period ending January 31, 2011



Management's Discussion and Analysis

Mitec Telecom Inc. ("Mitec" or the "Corporation") is a leading designer and provider of radio frequency ("RF") products and solutions 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, through the eyes of Mitec's management, on how the Corporation performed during the three-month (third quarter fiscal 2011) and the nine-month period ended January 31, 2011. It includes a review of the financial condition of Mitec and a review of operations for each of Mitec's operating segments for the third quarter fiscal 2011 as compared to the third quarter ended January 31, 2010 (third quarter fiscal 2010) and for the nine-month period ended on January 31, 2011 as compared to the same period ended January 31, 2010.

This MD&A supplements the interim unaudited consolidated financial statements for the period ended January 31, 2011 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, 2010. 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. This MD&A contains information available to February 28, 2011. 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 23, 2010.

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 consolidated financial statements and this MD&A.

OVERVIEW

Mitec Telecom Inc. was incorporated in 1972. Its activities, designing and manufacturing solutions that support various technologies in the ever-changing telecommunications industry, 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 solutions 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. Mitec works closely with its customers, including the largest and fastest growing telecom equipment providers as well as niche telecom operators, to design and manufacture solutions which will enable them to achieve their respective industry objectives. As a result of a change in the business landscape for some of Mitec's product lines which have become much more competitive and had impacted margins over the past several years, Mitec divested its wholly-owned facility in China which focused on RF conditioning after the end of the quarter. This transition to outsourced volume manufacturing through third parties allows Mitec to focus on its strength as a systems integrator and provider of niche product solutions to operators, while protecting its gross margins without the associated operational overhead and risks.

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 ("VSAT") networks. It also generates revenues from the sale of solid-state power amplifier ("SSPA") technologies which carry 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, with a stable infrastructure and a legacy of solid customer support, Mitec is well positioned to benefit from the growth in the communications industry and invests in research and development ("R&D") initiatives for new product lines in areas in which it predicts strong growth opportunities. 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 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. This technology has multiple applications and although military qualification can involve several levels of integration and long lead times for qualification, the opportunities relating to the sales cycle for this technology parallel a recurring revenue model over the long term once qualification and selection has

occurred. Over the past year, Keragis has begun to demonstrate that this division is maturing and is beginning to contribute to Mitec's overall profitability.

Mitec's headquarters are in Montreal, Canada and the Corporation has other operations in Suzhou (China) and Poway (U.S.A.). As at January 31, 2011, the Corporation's global workforce stood at 248 employees, however the divestiture of its China operations which took place on February 28, 2011 has reduced the employee count to 123.

Mitec announced at its annual meeting in fall, 2010 a strategy to further streamline its operations to ensure that (i) they will each demonstrate positive contribution margins going forward; and (ii) each will be managed separately to fully optimize their values based on their respective performance.

MAJOR EVENTS

The third quarter of fiscal 2011 confirmed that the long-planned shift in the Corporation's sales strategy, involving the introduction of a new series of product lines developed in prior years, demonstrated expected returns. Revenue for the third quarter of fiscal 2011 increased by 16% compared with revenue in the third quarter of fiscal 2010 and Mitec's gross margins increased by 24% during the same period.

Mitec's telecom product offering, comprised mainly of solutions that enhance bandwidth, has demonstrated appeal to a large base of current and new customers facing increased budget constraints yet under pressure to deliver the phenomenal demand for wireless broadband capacity taking place worldwide. Mitec has announced several new orders for these products over the past several months as noted below. Mitec is also competing for some larger scale, long-term opportunities which are showing encouraging progress.

These products include diplexers and tower mounted boosters ("TMB") and high power amplifier combinations as well as distributed antenna systems ("DAS") which are expected to contribute to wireless revenues going forward. As well, the Corporation continues to gain traction with the telecom operator market in North America to expand its customer-base and announced several contract wins with one of the world's fastest growing global telecom companies who has qualified Mitec for several large, long-term build-outs to establish 4G networks worldwide over the next several years. The same customer has also qualified Mitec to participate as its main supplier for point-to-point radios which provide greater speed and capacity transmission solutions to the telecom market, and as a main supplier of flexible waveguides.

Mitec's Satcom segment launched a series of product lines called MTX in the previous fiscal year and has now succeeded in penetrating the VSAT market with these new products, which have been accepted as the standard line of products going forward. This product line has differentiated the Corporation from its competition and revenues are ramping-up and generating margins in the mid-thirty percent range. Mitec's sales team continues to position these products by focusing on larger opportunities in developing areas around the globe where these solutions have appeal. It is encouraging to see that several new customers have begun to demonstrate a desire to learn more about Mitec's VSAT solutions.

The subsequent event sale of Mitec's RF conditioning business in Suzhou, China, described below, was a milestone event for the Corporation as it demonstrated that Mitec's previously announced strategy to carefully analyze its assets to establish the true value of Mitec's various divisions was sound. The \$4.1 million cash proceeds generated from the sale, which significantly strengthens Mitec's balance sheet and is non-dilutive to shareholders, represents almost two-thirds of Mitec's market capitalization of \$6.6 million on October 28, 2010 when the

strategy was unveiled at Mitec's annual meeting. Mitec's current market capitalization, at February 28, 2011, is approximately \$16.5 million, a 250% improvement.

Mitec continues to own its North American Wireless, Satcom, VSAT and military divisions and has entered into agreements to provide volume manufacturing for several of its product lines as part of the transaction with the purchaser of Mitec's China based assets.

On February 28, 2011, the Corporation announced that it had closed a transaction with HK Weishun Int'l Limited to sell its RF conditioning business and Suzhou, China based assets for proceeds of US \$4.1 million.

On February 9, 2011, the Corporation announced that it had been awarded a supply agreement valued at approximately \$1.0 million to provide flexible waveguides to one of the world's leading telecom companies involved in fixed, mobile and converged broadband networking.

On February 8, 2011, the Corporation announced that it had repaid the balance of a \$500,000 Term Loan facility arranged in October 2010 to support cash flow requirements at the time, but was not longer required.

Further to the initial announcement made on November 30, 2011, the Corporation announced on December 17, 2010 that it had been awarded a \$1.0 million dollar Canadian military from Lockheed Martin Corporation to provide components for various radio systems on board the Canadian navy's fleet of 12 patrol frigates. Revenues are expected to begin in the fourth quarter of fiscal year 2011 and completed by the second quarter of fiscal year 2012.

On December 16, 2010, the Corporation announced the first in a series of new orders for its Interference Mitigation filters, which are part of its Coverage Solution product line. The customer, one of the world's leading telecom providers, previous qualified these products for use in its network used in Africa.

On November 16, 2010, the Corporation announced that it had completed a private placement involving the issuance of 55,166,667 common shares of the Corporation at a price of \$0.01425 per common share for gross proceeds of \$786,126. In addition to participation from Jeffrey Mandel and Hubert Marleau through the Palos Merchant Bank L.P. (formerly the Palos Capital Pool L.P.), several institutional investors participated in the private placement. The majority of the net proceeds from this private placement was used to support Mitec' immediate cash requirements as a result of its increased backlog.

SELECTED QUARTERLY FINANCIAL INFORMATION

The Corporation's sales and results fluctuate from quarter to quarter, or year to year, based on customers' requirements and the timing of orders. The Corporation has experienced fluctuations in its quarterly operating results and anticipates that such fluctuations will continue. Fiscal 2010 proved to be an extraordinarily unpredictable period for the Corporation since it was an extremely volatile period for the global economy and capital and credit were very difficult to access for telecom providers and this instability remains in place in fiscal 2011 to an extent.

As well, some of the Corporation's revenues are subject to significant technology risk. As a result, the Corporation's financial reporting relies upon management's estimates of earned revenues and the costs required completing the orders. Although management's objective is to ensure long-term profitability, there can be no assurance that levels of profitability will not vary significantly among quarterly or annual periods.

The Corporation's expense levels are based in significant part on its expectations regarding future revenues relative to various programs which they are involved. Accordingly, the Corporation may not be able to adjust spending in a timely manner to compensate for any unexpected revenue shortfall and may have to increase spending in advance of a predicted revenue increase. Any significant revenue fluctuation could therefore have a material effect on the Corporation's results of operations.

Management's recently announced strategy to streamline its operations and separate its various divisions into separate business units may prove to mitigate some of these risks.

<i>(in thousands of dollars, except per share data)</i>	2011				2010		2009	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
		\$	\$	\$	\$	\$	\$	\$
Sales	5,983	7,024	5,771	6,358	5,161	7,198	6,707	6,927
Gross profit	1,270	1,796	809	955	861	817	1,035	1,083
Research & development expenses	638	720	714	777	1,031	683	1,068	1,137
Selling and administrative expenses	1,205	1,543	1,351	1,794	1,670	1,772	1,476	2,087
Net loss	(954)	(711)	(1,342)	(5,236)	(2,305)	(1,837)	(2,069)	(3,108)
Net loss per share:								
- Basic and diluted	(0.00)	(0.00)	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)	(0.01)
Non-recurrent items:								
- Impairment of property, plant and equipment	—	—	12	34	—	—	—	80
- Impairment of goodwill	—	—	—	1,991	—	—	—	1,607
- Impairment of intangible assets	—	—	—	724	—	—	—	50
Total assets	19,025	20,512	19,199	20,704	23,703	26,585	29,118	30,321
Long-term debt	1,910	1,882	1,268	1,157	1,041	955	1,316	1,215
Cash and short-term investments	707	1,090	822	2,067	2,217	2,458	3,344	4,666

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

	Telecom		Satcom		Consolidated amounts	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Sales	2,625	1,140	3,358	4,021	5,983	5,161
Cost of sales	2,480	1,293	2,233	3,006	4,713	4,299
Gross profit	145	(153)	1,125	1,015	1,270	862

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

	Telecom		Satcom		Consolidated amounts	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Sales	8,630	5,330	10,148	13,736	18,778	19,066
Cost of sales	7,654	5,394	7,250	10,959	14,904	16,353
Gross profit	976	(64)	2,898	2,777	3,874	2,713

RESULTS OF OPERATIONS FOR THE THIRD QUARTER AND FOR THE NINE-MONTH PERIOD ENDED JANUARY 31, 2011

Sales

For the three-month period ended January 31, 2011, consolidated sales were \$6.0 million, a 16% increase from the third quarter of the previous year. These sales are demonstrating an upward trend as market penetration of the new products in the wireless RF conditioning, VSAT, military and legacy sectors is gaining traction in their respective markets.

Shipments from the Telecom segment, which contributed \$2.6 million of total revenues, increased by \$1.5 million or 130%, during the third quarter as compared with the same period in the previous year. The Corporation benefited from increasing market penetration with its newly developed point-to-point radio diplexer product line which is also complimentary to its reliable flexible waveguide product. Although Satcom segment shipments, which contributed \$3.4 million of total revenues, a decrease of \$0.7 million, or 16%, compared to the third quarter of fiscal 2010, this area is expected to improve for the balance of 2011 and is delivering solid performance at the gross margin level.

For the nine-month period ended January 31, 2011, consolidated sales were \$18.8 million, a 2% decrease with the same period in the previous year. 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 and Mitec's product backlog continues to increase in all sectors.

	2011							
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
(in thousands of dollars, except percentages)		\$	\$	\$	\$	\$	\$	\$
Telecom	2,625	3,494	2,511	2,048	1,140	2,003	2,188	2,207
% of total sales	43.9	49.7	43.5	32.2	22.1	27.8	32.6	31.9
	%	%	%	%	%	%	%	%
Satcom	3,358	3,530	3,260	4,310	4,021	5,196	4,519	4,720
% of total sales	56.1	50.3	56.5	67.8	77.9	72.2	67.4	68.1
	%	%	%	%	%	%	%	%

Geographical Distribution

	North America	Europe	Asia	Other
2011 Q3	40%	37%	14%	9%
2010	49%	21%	15%	15%
2009	37%	17%	33%	13%

Gross Profit

Gross profit for the third quarter of fiscal 2011 was \$1.3 million, a 47% improvement from the third quarter of fiscal 2010. Mitec's coverage solutions, resolving network issues as the demand for wireless spectrum continues around the globe, delivered higher gross margins as compared with legacy products. The Corporation also continued to take advantage of its cost containment program initiated during the previous quarters and expects these savings to remain. Gross profit in the Telecom segment contributed margins of 6%, a reversal of negative margin reported in the same period in fiscal 2010. The divestiture of Mitec's China operations and legacy RF conditioning business and its transition to outsourced volume manufacturing is consistent with the Corporation's strategy to focus in niche products with sustainable and acceptable gross margins as Telecom margins for certain product lines continue to be pressured by competition in the marketplace. Satcom gross profit achieved targeted margins of 34% which is very

encouraging as traction continues to build in this sector. Keragis, Mitec's military division in Poway, California, contributed to these results through the fulfillment of its current large orders received from the development of 2 recently approved products designed to fulfill military applications at gross margins in excess of 40%.

<i>(in thousands of dollars, except percentages)</i>	2011				2010		2009	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
		\$	\$	\$	\$	\$	\$	\$
Telecom	145	525	306	(143)	(154)	(48)	138	(166)
<i>% of Telecom sales</i>	5.5%	15.0%	12.1%	(7.0%)	(13.4%)	(2.4%)	6.3%	(7.5%)
Satcom	1,125	1,271	503	1,098	1,015	865	897	1,247
<i>% of Satcom sales</i>	33.5%	36.0%	15.4%	25.5%	25.2%	16.6%	19.8%	26.4%

For the nine-month period ended January 31, 2011, Gross Profit was \$3.9 million or 21% of sales compared to \$2.7 million or 14% recorded in same period in the previous year. The Corporation's gross profit in the Telecom segment was \$0.9 million, or 11% of sales, as compared with negative \$0.1 million, or negative 1% recorded in same period in the previous year. For the nine-month period, gross profit in the Satcom sector was \$2.9 million, or 29% of sales, compared to \$2.7 million, or 14%, recorded in same period in the previous year, further validation that Mitec's products are strongly positioned in their respective markets.

Research and Development Expenses

R&D expenses net of investment tax credits for the third quarter of fiscal 2011 were \$0.6 million, a decrease of 38% from \$1.0 million as recorded in the third quarter of fiscal 2010 as the prior years' R&D efforts are now generating commercial sales. The Corporation continues to maintain R&D activities to promote the availability of new products servicing its coverage solutions, mobile or fixed wireless infrastructure markets as well as the VSAT and the military markets to ensure Mitec remains ahead of its competitors. For the nine-month period ended January 31, 2011, total R&D expenses reached \$2.1 million, representing 11% of total sales, as compared with \$2.8 million, or 15% of total sales, for the same period in the previous year. This trend of lowered R&D expense is expected to continue as part of the Corporation's overall strategy to streamline its operations and focus R&D on specific market sectors. As its balance sheet improves and it gains traction in the financial community, Mitec is also willing to consider the acquisition of technology, which would be accretive to earnings, when possible.

Selling and Administrative Expenses

The Corporation's selling and administrative expenses for the third quarter in fiscal 2011 were \$1.2 million, a decrease of 29% from \$1.7 million recorded in the third quarter of fiscal 2010. The decrease was due to the traction certain product lines have now achieved in various markets, which have reduced marketing expenses, as well as cost cutting initiatives implemented throughout the previous year. For the nine-month period ended January 31, 2011, selling and administrative expenses were \$4.1 million, a reduction of 17% as compared with \$4.9 million for the same period in the previous year.

Net Loss

The net loss for the third quarter of fiscal 2011 was \$1.0 million, or \$nil per share, as compared to \$2.3 million, or \$0.01 per share, for the same quarter of fiscal 2010, an improvement of 58% from the third quarter of fiscal 2010.

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, and investments. Interest is comprised of interest on credit facility and on long-term debt reduced by interest income. EBITDA is provided to assist readers in determining the ability of the Corporation to generate cash from operations. The Corporation also discloses the adjusted EBITDA from continuing operations to describe impacts from restructuring expenses, foreign exchange, stock-based compensation and the recovery of non-refundable tax credits. EBITDA does not have a standardized meaning prescribed by Canadian GAAP and is therefore unlikely to be comparable to similar measures presented by other companies.

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

<i>(in thousands of dollars)</i>	2011						2010	2009
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
		\$	\$	\$	\$	\$	\$	\$
Net loss	(954)	(711)	(1,342)	(5,236)	(2,305)	(1,837)	(2,069)	(3,108)
Income taxes	—	—	—	242	(39)	(39)	(39)	(523)
Amortization and gain and loss on disposal and impairment of property, plant and equipment, intangible assets, goodwill, and investments	342	338	277	3,183	420	370	464	2,214
Interest	75	54	49	54	52	109	31	27
EBITDA	(537)	(319)	(1,016)	(1,757)	(1,872)	(1,397)	(1,583)	(1,390)
Effect of foreign exchange and stock-based compensation	145	34	(101)	331	320	42	469	(425)
Adjusted EBITDA	(392)	(285)	(1,117)	(1,426)	(1,552)	(1,355)	(1,114)	(1,815)

LIQUIDITY AND CAPITAL RESOURCES

The Corporation had \$0.7 million of cash and short-term investments as of January 31, 2011, compared to \$2.1 million as of April 30, 2010. The Corporation had access to an additional \$1.0 million, determined by eligible accounts receivable as of January 31, 2011, from its established credit facility, supported by a strong working capital balance to support any third party financing, should it be required. As noted above, the Corporation completed a private placement during the third quarter of fiscal 2011 to ensure enough working capital to fulfill current backlog.

Working capital, excluding cash and short-term investments, decreased 39% to \$4.3 million at the end of the third quarter of fiscal 2011 compared to \$7.1 million at the end of the previous fiscal year.

Operating Activity Cash Flows

Cash flow used by operating activities was \$0.3 million in the third quarter of fiscal 2011, as compared with approximately the same amount used in the corresponding quarter of fiscal 2010. Improvement in sales and in gross margins combined with the cost containment program

discussed above were the main contributing factors offset by the changes in the changes in the non-cash working balances further to the increase in the accounts receivable.

Investing Activity Cash Flows

Cash flow used in investing activities was \$26,000 for the third quarter of fiscal 2011, a consequence of the acquisition of fixed assets to support volume production opportunities during the current period. During the corresponding quarter of fiscal 2010, cash flow from investing activities was \$35,000 for the same reason.

Financing Activity Cash Flows

Cash flow used in financing activities was \$49,000 in the third quarter fiscal 2011, following the withdrawal from the credit facility combined with the issuance of \$0.7 million common shares during the fiscal quarter. During the quarter ended January 31, 2010, cash flow used was \$35,000. Subsequent to the end of the quarter, the Corporation reimbursed \$0.5 million of secured debentures.

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. There have been no changes in the Corporation's capital management policy during the quarter. As at January 31, 2011, the composition of the Corporation's capital is as follows:

	2011
	\$
Long-term debt, including current portion	1,910
Shareholders' equity	10,668
	12,578

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 nine years and currently does not have the necessary financing in place to support continuing losses. The Corporation has accumulated a deficit of \$134,434,000 as at January 31, 2011. 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 dependent 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.

As of February 28, 2011, the following transactions, aimed at addressing the uncertainties described above, occurred:

- a. The Corporation began initial shipments for components designed for next generation, LTE 4G wireless networks to a major telecom company, which was expected to generate approximately \$1.7 million in revenue over the next several months and expected to continue for the balance of fiscal 2011 onward;
- b. The Corporation received an initial order for one of its innovative coverage solutions products, which combines existing hardware with boosters and amplifiers to enhance bandwidth, for delivery by the first quarter of fiscal 2011;
- c. The Corporation received an order worth approximately \$1.5 million for its low noise amplifiers to support a European telecom provider's network upgrade. The equipment will be delivered in the second quarter of fiscal year 2011;
- d. The Corporation received initial orders for high performance filters from a leading provider of satellite radio services in North America for a series of trials. The Corporation expects to receive a series of higher volume, follow-on orders in early 2011;
- e. The Corporation received the first in a series of orders from a large network operator for its new MTX series VSAT BUC. Deliveries are expected to take place in the second quarter of fiscal 2011 and additional orders are expected from this customer throughout the year;
- f. The Corporation received an order for its TMB which are part of Mitec's Coverage Solution product line and are available in both multi and single carrier format, used as a viable and effective solution for both in new and ongoing network rollouts;
- g. The Corporation received further orders for TMB at 850 MHz and 1800 MHz frequencies;
- h. The Corporation entered into a term loan facility of \$500,000;
- i. The Corporation completed a private placement involving the issuance of 55,166,667 common shares at a price of \$0.01425 per common share for gross proceeds of \$786,125;
- j. The Corporation sold its shares of Mitec Communications Ltd., a wholly owned subsidiary which owns all of the shares of Mitec Telecom (Suzhou) Co., Ltd, for gross proceeds of US\$ 4.1 million.

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

1. Approaching potential lenders and investors to secure additional debt and/or equity financing;
2. Exploring, under the guidance of its Mergers and Acquisitions Committee (comprised of management, directors and advisors of the Corporation), potential opportunities relating to the sale of selected business segments, divestiture of certain assets;
3. Investigating a range of alternatives to streamline its Telecom and Satcom business units and focus its efforts towards selected niche markets with the objective of ensuring the Corporation can generate sustainable, long-term profitability.

Given extreme challenges that face the Corporation internally as a growth technology company and externally as forces, such as the unprecedented worldwide financial crisis have impacted all facets of business around the globe, management and the Board of Directors of Mitec continually evaluate ways to ensure that the Corporation is able to continue to have the financial

strength to stay competitive and to achieve long-term profitability. Such explorations include developing niche product lines that generate solutions demanded by its growing customer base through R&D and marketing efforts, mergers and acquisitions activities, divestitures, joint ventures and strategic initiatives with both industry and financial partners.

The Corporation continues to evaluate several opportunities consistent with these objectives and expects that several milestones will be achieved in fiscal 2011 as it executes on one or more of them. It has raised gross proceeds of \$1.3 million and it has divested after the end of the quarter its China operations and RF conditioning business generating gross proceeds of \$4.1 million to date in fiscal 2011 to support this strategy.

Management believes that should the Corporation continue to be successful at securing additional funding and/or realigning its Telecom and Satcom business units and with the ongoing support of the Corporation's current shareholders and customers, the Corporation 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 permit the Corporation to continue to operate as a going concern.

SIGNIFICANT ACCOUNTING ESTIMATES AND PROVISIONS

The preparation of financial statements in accordance with generally accepted Canadian accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. The reported amounts and note disclosures in the consolidated financial statements are determined using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Significant items subject to estimates and assumptions include, 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, 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, however, may differ from the estimates used in the consolidated financial statements and such differences could be material. The Corporation's significant accounting policies are discussed in Note 2 of the audited consolidated financial statements; critical estimates inherent in the accounting policies are discussed in the following paragraphs.

Inventory Valuation

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

Impairment of Long-Lived Assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Management reviews the carrying value of the assets and considers whether an impairment charge should be recorded. The review is based on the assessment of technological changes; the Corporation's intended use and on the projected estimated future undiscounted

cash flows expected to be generated from the underlying assets. Any impairment results in an impairment of the assets and a charge to income during the year to the extent that the asset's carrying value exceeds its fair value, generally determined on a discounted cash flow basis or replacement cost basis. Management's estimate of future cash flows is subject to risks and uncertainties therefore it is reasonably possible that changes in circumstances could occur which may affect the recoverability of the Corporation's long-lived assets.

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.

Warranty Provision

The Corporation records a warranty provision on the sale of certain 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 provision at January 31, 2010 was considered adequate.

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.

Stock-Based Compensation

The Corporation estimates the fair value of stock options granted to employees, officers and directors. As at January 31, 2011, a total of 15,264,000 stock options were outstanding, of which 14,464,900 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.

FUTURE CHANGES IN ACCOUNTING POLICIES

Business Combinations

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 International Financial Reporting Standards (“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, International Accounting 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.

EIC 175 - Multiple Deliverable Revenue Arrangements

In December 2009, the CICA issued EIC 175, Multiple Deliverable Revenue Arrangements, replacing EIC142, Revenue Arrangements with Multiple Deliverables. This abstract was amended to: (1) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated and the consideration allocated; (2) require, in situations where a vendor does not have vendor-specific objective evidence (“VSOE”) or third-party evidence of selling price, that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (3) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (4) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance. The accounting changes summarized in EIC 175 are effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. If the Abstract is adopted early, in a reporting period that is not the first reporting period in the entity’s fiscal year, it must be applied retroactively from the beginning of the Corporation’s fiscal period of adoption. The Corporation is currently assessing the future impact of these amendments on its financial statements and has not determined the timing and method of its adoption.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, Canada’s Accounting Standards Board (“AcSB”) confirmed that Canadian GAAP, as used by publicly accountable enterprises, would be fully converged into IFRS, as issued by the International Accounting Standards Board (“IASB”). 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. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies which may significantly impact the Corporation’s processes and financial results. While the Corporation’s believe that the adoption of IFRS will not have a material impact

on Mitec's reported distributed cash from operations, it could have a material impact on Mitec's consolidated balance sheet and consolidated statement of operations and deficit.

Implementation plan

The implementation project consists of three (3) primary phases, which in certain cases will be process concurrently as IFRS is applied to specific areas from start to finish.

Phase 1: Scoping and Diagnostic phase:

This phase involved performing a detailed diagnostic comparing Canadian GAAP to IFRS and identifying key areas that may be impacted by the transition to IFRS. Phase 1 included:

- Performing a detailed analysis of our actual accounting policies and practices with all relevant IFRS standards and applicable interpretations;
- Identifying the different options available to the Corporation at the date of transition as well as the ongoing IFRS policy choices that could be applied to prepare subsequent IFRS financial statements.

Phase 2: Impact Analysis and Design Phase

In this phase, each area identified from the scoping and diagnostic phase is being addressed. Phase 2 includes:

- Making accounting policy choices, including those under IFRS 1 choices;
- Determining the changes required to existing accounting policies;
- Determining the changes or additions required to information technology and data systems, internal controls over financial reporting and disclosure controls;
- Evaluating and providing the training required for the key finance personnel and operational staff;
- Developing draft IFRS Financial statements.

Phase 3: Implementation and Review Phase

In this last phase, the Corporation will implement changes in accounting policies and practices to the different business processes, information systems and internal controls and ensure that all significant differences have been successfully resolved by the first quarter ending July 31, 2011.

Current status of the Corporation's IFRS changeover plan

The Scoping and Diagnostic phase has been completed and the Corporation is currently in Phase 2 of the process. Management is being helped in its implementation process by outside consultants.

During the quarter, the Corporation retained the services of additional consultants to complement its internal team and accelerate the implementation process. Like in the previous quarter, Management focused on evaluating and documenting the accounting policy choices, the changes required to existing accounting policies and on gathering additional information to make the appropriate choices under IFRS 1. During the next quarter, Mitec will continue its documentation process and analysis of all the areas described in Phase 2 above including the more detailed items within various standards.

Management expects to finalize the IFRS conversion process in time to be able to produce IFRS compliant statement for Mitec's July 31, 2011 first quarter reporting.

Potential impact of the Conversion

Management has identified that the following areas could have the highest impact on the Corporation's accounting standards but it is still in the process of assessing the impact that they will have on the financial statements. The list and comments should not be construed as a comprehensive list of changes that will result from transition to IFRS but rather highlights those areas of accounting differences the Company currently believes to be important.

Notwithstanding the above, the current IASB and International Financial Reporting Interpretations Committee ("IFRIC") projects are likely to significantly modify some of the actual IFRS requirements which might therefore ultimately impact the following identified preliminary differences.

First-time Adoption of IFRS (IFRS 1)

The adoption of IFRS requires application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS and outlines that, in general, an entity apply the principles under IFRS retrospectively and that adjustments arising on conversion from Canadian GAAP to IFRS be directly recognized in retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at the end of latest period covered by the first IFRS financial statements, that is April 30, 2012. Transitional adjustments relating to those standards where comparative figures are not required to be restated are only be made as of the first day of the year of adoption. IFRS also provides certain optional exemptions from retrospective application of certain IFRS requirements as well as mandatory exceptions that prohibit retrospective application of standards. The following are the optional exemptions available under IFRS 1, which Management believes are significant to Mitec and that Management expects to elect in preparing the Company's first financial statements under IFRS:

- Business combination: The Corporation will elect not to apply IFRS 3 – Business Combinations to all business combinations that occurred prior to the transition date;
- Cumulative translation difference: Mitec will elect to apply this exemption whereby cumulative translation differences for all foreign operations will be reset to zero at the date of transition to IFRS;
- Share based payment transaction: Mitec will elect to apply IFRS 2 to equity instruments that were granted after November 7, 2002 that had not vested by the date of transition;

Share based Payments (IFRS 2)

Under IFRS, when stock option awards vest gradually, each tranche is to be considered as a separate award while Canadian GAAP considers the gradually vested tranches as a single award. There are also differences in which forfeitures are accounted for. Therefore, the compensation expense will have to be recognized over the expected term of each vested tranche and takes into account the impact of the differences in accounting for forfeitures. Accordingly, this results in compensation expense being recognized at a faster rate than under Canadian GAAP. The Corporation is currently in the process of quantifying the impact of this adjustment.

Fixed assets and depreciation

Under IFRS, after the initial recognition, fixed assets can be measured using the cost model or the revaluation model while Canadian GAAP does not allow revaluation. The Corporation will continue to use the cost model in order to avoid balance sheet variations in the fair value of fixed assets and the corresponding impact on the income statements.

Impairment of assets (IAS 36)

Unlike Canadian GAAP, impairment testing under IFRS is performed by grouping assets in cash generating units (CGUs) and comparing the carrying value of each CGU to the higher of the value in use and the fair value less cost to sell. The application of this new standard could result

in discounted cash flow testing being applied to smaller group of assets and in more frequent recording of impairment, compared to Canadian GAAP where the carrying value of assets were accepted based on undiscounted cash flows. However, impairment charges under IFRS can be reversed subsequently for assets other than goodwill. In addition, under Canadian GAAP, indefinite life intangible assets are tested for impairment as individual assets, while under IFRS, intangible assets which do not generate cash-inflows on their own are tested as part of the CGU.

Foreign exchange translation (IAS 32)

Under IFRS, an entity measures its assets, liabilities, revenues and expenses in its functional currency, which is the primary economic environment in which it operates. For Mitec, there are various indicators to be considered in determining the appropriate functional currency for each one of its subsidiaries as well as for the Canadian operations.

Financial liabilities

Under IFRS the carrying amount of compound instruments such as convertible debentures is allocated between its debt and equity components so that the liability is recognized at its fair value and the equity component as the residual. Canadian GAAP permits this allocation to be made using the relative fair value method or by assigning the less easily measurable component (which may be, in certain circumstances, the liability component) as the residual.

Provisions, Contingent Liabilities (IAS 37)

Under IFRS, provisions and contingent liabilities are recorded base on a “probable” criterion while under Canadian GAAP, they are recorded if they are “more likely than not” to occur. In addition, under IFRS, provisions and contingent liabilities are recorded using the weighted average of probable values in the range, whereas under Canadian GAAP the low end of range is used. For the Corporation, some provisions and contingent liabilities may be recorded earlier, or recorded when they may not have been recorded at all under Canadian GAAP.

Presentation of Financial Statements (IAS 1)

IFRS requires significantly more disclosure than existing Canadian GAAP. In addition, classification and presentation may be different for some balance sheet and income statement items. The Corporation is analyzing the overall impact of the classification and presentation changes on its financial statements.

Impact on business activities

While the Corporation is still in its analysis and assessment phase of the process, it does not anticipate that the transition to IFRS will have a significant impact on its covenants, contracts, and other business activities. The Corporation’s incentive compensation is largely based upon attaining and exceeding budget and operational performance targets. There may need to be some re-evaluation commencing in fiscal 2012, when the impacts of changes brought about by the transition to IFRS are fully known.

Impact on financial reporting expertise

While the Corporation expect that the IFRS transition will require important changes to be made to its information systems and financial reporting expertise, these areas are nonetheless impacted as the Corporation needs to create the ability for information systems to:

- a) Track IFRS adjustments for the 2011 comparative year;
- b) Provide the necessary information to reflect the accounting policy changes;
- c) Create several new or modified reports to assist in preparing the increased note disclosures and different presentation required by IFRS. These report requirements may also require modifications to existing general ledger account structures.

Processes and controls will be put in place to ensure that the Corporation is making the appropriate judgments and is following the IFRS accounting policies selected.

Based upon the work completed to date, and since all potential changes to IFRS that will be effective as at April 30, 2012 are not yet known, the Corporation cannot reasonably determine the full impact that adopting IFRS may have on its financial position and future results. As a result of the transition, changes in accounting policies could have a material impact on the consolidated financial statements.

CONTINGENCIES

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.

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

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following is a summary, as at January 31, 2011, of the Corporation's material contracts obligations due per years:

	Credit facility	Accounts payable	Long-term debt	Operating leases	Total
	\$	\$	\$	\$	\$
1 year	537	3,246	1,910	427	5,620
2 – 3 years	—	—	—	—	296
Over 4 years	—	—	—	—	—
	537	3,246	1,910	723	5,916

COMMON SHARES, WARRANTS, AND STOCK OPTIONS

As of January 31, 2011, there were 276,666,756 common shares outstanding as well as 15,264,000 stock options. During the current quarter, the Corporation issued 55,166,667 common shares as part of a private placement and 833,333 common shares further to the conversion of convertible debentures.

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.

PROPOSED TRANSACTIONS

Mitec continually reviews opportunities for mergers, acquisitions and divestitures that could increase shareholder value as per the strategy demonstrated at the last Annual Shareholders meeting. Management, Directors and advisors continue to assess various opportunities with the objective of ensuring that the Corporation is able to continue to have the financial strength to stay competitive and to achieve long-term profitability.

On February 28, 2011, the Corporation completed a transaction involving the selling of its RF Conditioning business and China based assets for gross proceeds of US\$ 4.1 million in cash.

RELATED PARTY TRANSACTIONS

For the period of three-months ended January 31, 2011, consulting fees of \$50,000 (2010 - \$52,500) were invoiced by a company controlled by the Executive Chairman to perform his duties. The consulting agreement was measured at the exchange amount, which is the amount agreed upon between the related parties. No Director's fees were paid in addition to the consulting fees. For the period of nine-months ended January 31, 2011, these consulting fees amounted for \$150,000 (2010 - \$101,000).

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. 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.

With the introduction of its coverage solutions, fixed wireless and VSAT product lines, Mitec has chosen to invest on niche opportunities in very significant sized markets that its customers – among the largest and fastest growing wireless and satcom players worldwide – have indicated will generate significant opportunities to the Corporation.

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 has proven that its stated strategy to streamline its various divisions and embark on a careful analysis of its assets to establish the true value of its various divisions with the objective of unlocking Mitec's underlying assets is succeeding.

The \$4.1 million cash proceeds generated from the sale of Mitec's China operations and RF conditioning business significantly strengthens Mitec's balance sheet, is non-dilutive to shareholders and represents almost two-thirds of Mitec's market capitalization of \$6.6 million on October 28, 2010 when the strategy was unveiled at Mitec's annual meeting. Mitec's current market capitalization, at February 28, 2011, is approximately \$16.5 million, a 250% improvement.

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, 2010, 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 Canadian 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) during the three and nine-month periods ended January 31, 2011. 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 and nine-month periods ended January 31, 2011 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.

RISKS AND UNCERTAINTIES

Mitec operates in industry segments that have a variety of risk factors and uncertainties. In addition to the going concern uncertainty described above, 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.

Industry Risk

Mitec's success in the commercial wireless market depends in large part on investments by its customers in wireless infrastructure equipment. The Corporation's 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 Mitec's commercial wireless products may be sharply reduced or may fail to develop, which would adversely affect its 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 the Corporation's 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. One customer (2010 – one) accounted for 36% of sales for the three-month period ended January 31, 2011 (2010 – 12%). That customer represented 82% of Telecom sales for the three-month period ended January 31, 2011 (2010 – two customers represented 68% of Telecom sales). One customer (2010 – none) represented 14% of the Satcom sales for the three-month period ended January 31, 2011 (2010 – none)

For the nine-month period, two customers accounted for 39% of the sales (2010 – no one customer accounted for more than 10% of the sales). These two customers represented 84% of Telecom sales (2010 - 68%).

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

Production Risk

The Corporation's 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; the ability to obtain components and subassemblies from suppliers; and variations in manufacturing efficiencies. Any one of these factors could substantially affect the Corporation's results of operations for any particular fiscal quarter.

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

Other risks relating to the Corporation's 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 Mitec to seek alternative suppliers, could adversely affect Mitec's ability to deliver products to its customers. While it is unlikely that costs from Mitec's major suppliers will increase as costs are strictly managed through non-binding long-term agreements, if they did, the Corporation may suffer losses if it is unable to recover such cost increases under fixed price production commitments to its 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.

New Products and Technological Changes

The markets for the Corporation's products are characterized by rapidly changing technologies involving frequent new products introduction. The Corporation's success will depend upon market acceptance of its existing products and its ability to enhance its existing products and to introduce new products to meet changing customers' requirements. Mitec's R&D investment will remain an important element of our business, and will continue to be complemented by externally sourced technology. There can be no assurance that the Corporation will be successful in identifying, developing, manufacturing and marketing new products. In addition, there can be no assurance that products or technologies developed by others will not render Mitec's products or technologies non-competitive or obsolete.

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 a credit facility.

The Corporation's future operating results will substantially depend on the ability of its officers and key employees to manage changing business conditions, to implement its strategic plan and improve its operational, financial control and reporting systems.

Credit risk

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

The foreign trade receivables of the Canadian operation are guaranteed by the Export Development Corporation Canada ("EDC") and the Corporation's customer base comprises of many geographically dispersed customers. One customer (2010 – two) accounted for 36% of trade receivables as at January 31, 2010 (2010 – 48%).

The aging of the trade receivable as at January 31, 2011, is as follows:

	<u>2011</u>
	\$
Current	4,561
31 – 60 days	987
Over 61 days	872
Accounts receivable	<u>6,420</u>
Less: allowance for doubtful accounts	<u>(59)</u>
	<u>6,361</u>

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. 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. The Corporation has financed its expansion in losses in the last years mainly through equity offerings.

As at January 31, 2011, the Corporation had at its disposal working capital of \$5,032,000 (2010 -\$4,880,000). The Corporation has sufficient cash, and working capital available to meet its financial contractual obligations. The credit facility is also used to support the Corporation's working capital requirements. As at January 31, 2011, \$537,000 (2010 - \$1,229,000) has been drawn from the credit facility.

The following is a summary as at January 31, 2011 of the Corporation's material contractual obligations:

Year of expiry	Credit Facility \$	Accounts Payable \$	Long-term Debt \$	Operating leases \$	Total \$
Within 1 year	537	3,246	1,910	427	5,620
2 - 3 years	—	—	—	296	296
4 – 5 years	—	—	—	—	—
Over 5 years	—	—	—	—	—
	537	3,246	1,910	723	5,916

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.

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 does not have some hedging contracts to mitigate its exposure to currency fluctuations.

The Corporation is exposed to currency risk through its cash, accounts receivable and accounts payable and accrued liabilities denominated in U.S. dollars and Chinese Yuan (RMB), for which the Canadian dollar equivalent is, as at January 31, 2011, as follows:

	RMB	US\$
	\$	\$
Cash	96	293
Accounts receivable	2,973	2,832
Accounts payable and accrued liabilities	1,384	937

Based on the above net exposures as at January 31, 2011 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 \$387,000/(\$387,000).

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.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This MD&A was prepared as of February 28, 2011. Updated information on Mitec, including the annual information form, can be found on the SEDAR web site at www.sedar.com.

As of February 28, 2011, a total of 276,666,756 common shares were issued and outstanding as well as a total of 15,295,000 stock options.



MITEC TELECOM INC.
Interim Consolidated Financial Statements
For the three-month and nine-month periods ended
January 31, 2011
(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 January 31, 2011	As at April 30, 2010
	\$ Unaudited	\$ Audited
ASSETS		
Current		
Cash	525	1,886
Short-term investments	182	181
Trade receivables	6,361	5,732
Other receivables	159	288
Income tax recoverable	44	380
Inventories (note 4)	5,725	5,447
Prepaid expenses and other assets	393	493
Total current assets	13,389	14,407
Property, plant and equipment	4,113	4,510
Intangible assets	1,498	1,762
Investments	25	25
	19,025	20,704
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Credit facility (note 5)	537	733
Accounts payable and accrued liabilities	5,310	6,061
Deferred liabilities (note 6)	600	—
Current portion of the long-term debt (note 7)	1,910	—
Total current liabilities	8,357	6,794
Long-term debt (note 7)	—	1,157
Total liabilities	8,357	7,951
Shareholders' equity		
Common shares (note 8)	132,885	132,142
Warrants (note 8)	—	1,152
Equity component of convertible debentures	777	768
Contributed surplus	12,036	10,802
Deficit	(134,434)	(131,427)
Accumulated other comprehensive loss	(596)	(684)
Total shareholders' equity	10,668	12,753
	19,025	20,704

Nature of the business and going concern uncertainty (note 1)

Commitments and contingencies (note 9)

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

MITEC TELECOM INC.
INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

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

Unaudited

	For the three months ended		For the nine months ended	
		January 31,		January 31,
	2011	2010	2011	2010
			\$	\$
Sales	5,983	5,161	18,778	19,066
Cost of sales	4,713	4,299	14,904	16,353
Gross profit	1,270	862	3,874	2,713
Expenses				
Research and development	638	1,031	2,072	2,782
Selling and administrative	1,205	1,694	4,099	4,918
Financial expenses (note 12)	236	161	633	535
Foreign exchange loss	137	279	6	682
Gain on disposal and impairment of property, plant and equipment	—	—	(1)	(25)
Stock-based compensation	8	41	72	149
	2,224	3,206	6,881	9,041
Loss before income taxes	(954)	(2,344)	(3,007)	(6,328)
Income tax recovery	—	(39)	—	(117)
Net loss for the period	(954)	(2,305)	(3,007)	(6,211)
Net change in the unrealized gain (loss) on translating financial statements of self- sustaining foreign operations	30	(32)	88	(383)
Comprehensive loss for the period	(924)	(2,337)	(2,919)	(6,594)
Basic and diluted loss per outstanding common share	(0.00)	(0.01)	(0.01)	(0.03)
Weighted average number of outstanding common shares	267,010,959	220,666,756	236,114,824	220,666,756

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

MITEC TELECOM INC.
INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

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

Unaudited

	Common shares		Warrants		Equity component of convertible debentures	Contributed surplus	Deficit	Accumulated other comprehensive loss	Shareholders' equity
	# (000)	\$	# (000)	\$	\$	\$	\$	\$	\$
Note	8	8	8	8			(A)	(A)	
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	—	—	—	—	747	—	—	—	747
Expired warrants	—	—	(14,226)	(774)	—	774	—	—	—
Stock-based compensation	—	—	—	—	—	149	—	—	149
Other comprehensive loss for the period	—	—	—	—	—	—	—	(383)	(383)
Net loss for the period	—	—	—	—	—	—	(6,211)	—	(6,211)
Balance, January 31, 2010	220,666	132,142	23,603	1,151	747	10,787	(126,191)	(663)	17,973
Balance, April 30, 2010	220,666	132,142	23,603	1,152	768	10,802	(131,427)	(684)	12,753
Issued for cash (net of issue costs of \$94)	55,167	693	—	—	—	—	—	—	693
Issued upon conversion of convertible debentures	834	50	—	—	(21)	10	—	—	39
Issued under a convertible debenture financing	—	—	—	—	30	—	—	—	30
Expired warrants	—	—	(23,603)	(1,152)	—	1,152	—	—	—
Stock-based compensation	—	—	—	—	—	72	—	—	72
Other comprehensive gain for the period	—	—	—	—	—	—	—	88	88
Net loss for the period	—	—	—	—	—	—	(3,007)	—	(3,007)
Balance, January 31, 2011	276,667	132,885	—	—	777	12,036	(134,434)	(596)	10,668

(A): The total of deficit and accumulated other comprehensive loss is \$135,030 (2010 - \$126,854). Accumulated other comprehensive loss is comprised only of the unrealized gains and losses on translation of the financial statements of self-sustaining foreign operations.

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

MITEC TELECOM INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of Canadian dollars)

Unaudited	For the three months ended		For the nine months ended	
	2011	January 31, 2010	2011	January 31, 2010
			\$	\$
OPERATING ACTIVITIES				
Net loss for the period	(954)	(2,305)	(3,007)	(6,211)
Items not affecting cash				
Amortization	342	420	958	1,309
(Gain) on disposal and impairment of property, plant and equipment	—	—	(1)	(25)
Stock-based compensation	8	41	72	149
Accretion expense	128	93	373	308
Income tax recovery	—	(39)	—	(117)
	(476)	(1,790)	(1,605)	(4,587)
Changes in non-cash working capital balances related to operating activities (note 10)	164	1,606	(385)	2,198
Cash flows used in operating activities	(312)	(184)	(1,990)	(2,389)
INVESTING ACTIVITIES				
Additions to property, plant and equipment	(26)	(35)	(352)	(361)
Additions to intangible assets	—	(10)	—	(12)
Proceeds on disposal of property, plant and equipment	—	10	37	45
Purchases of short-term investments	—	—	(363)	(181)
Sales of short-term investments	—	—	362	181
Cash flows used in investing activities	(26)	(35)	(316)	(328)
FINANCING ACTIVITIES				
Secured debentures issued	—	(24)	500	1,679
Repayment of secured debentures	(50)	—	(50)	—
Issuance of common shares	693	—	693	—
Repayment of credit facility	(692)	—	(196)	(1,400)
Cash flows generated (used) by financing activities	(49)	(24)	947	279
Gain (loss) on foreign cash and cash equivalents held	4	2	(2)	(11)
Net decrease in cash and cash equivalents for the period	(383)	(241)	(1,361)	(2,449)
Cash, beginning of the period	908	2,277	1 886	4,485
Cash, end of the period	525	2,036	525	2,036

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

MITEC TELECOM INC.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2011

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

Unaudited

1. NATURE OF THE BUSINESS AND GOING CONCERN UNCERTAINTY

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 telecommunications and satellite communications markets.

The accompanying interim consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Corporation has a history of losses over the past nine years and currently does not have the necessary financing in place to support continuing losses. The Corporation has accumulated a deficit of \$134,434,000 at January 31, 2011. 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 dependent upon, amongst other things, attaining a satisfactory revenue level, the support of its customers, a return to profitable operations and the generation of cash from operations, the ability to secure new financing arrangements and new capital. These matters are dependent on a number of items outside of the Corporation's control and there is significant 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:

4. Approaching potential lenders and investors to secure additional debt and/or equity financing;
5. Exploring, under the guidance of its Mergers and Acquisitions Committee (comprised of management, directors and advisors of the Corporation), potential opportunities relating to the sale of selected business segments, divestiture of certain assets;
6. Investigating a range of alternatives to streamline its Telecom and Satcom business units and focus its efforts towards selected niche markets with the objective of ensuring the Corporation can generate sustainable, long-term profitability.

Management believes that should the Corporation be successful at securing additional funding and/or realigning 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 by management 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, 2010, 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, 2010. For a full description of accounting policies, please refer to those financial statements.

Subsequent events have been evaluated through March 9, 2011, 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").

MITEC TELECOM INC.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2011

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

Unaudited

3. NEW ACCOUNTING PRONOUNCEMENTS

Business Combinations

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 April 30, 2012 annual financial statements starting with its July 31, 2011 first quarter interim report.

EIC 175 - Multiple Deliverable Revenue Arrangements

In December 2009, the CICA issued EIC 175, Multiple Deliverable Revenue Arrangements, replacing EIC142, Revenue Arrangements with Multiple Deliverables. This abstract was amended to: (1) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated and the consideration allocated; (2) require, in situations where a vendor does not have vendor-specific objective evidence ("VSOE") or third-party evidence of selling price, that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (3) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (4) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance. The accounting changes summarized in EIC 175 are effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. If the Abstract is adopted early, in a reporting period that is not the first reporting period in the entity's fiscal year, it must be applied retroactively from the beginning of the Corporation's fiscal period of adoption. The Corporation is currently assessing the future impact of these amendments on its financial statements and has not determined the timing and method of its adoption.

MITEC TELECOM INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2011

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

Unaudited

4. INVENTORIES

	As at	As at
	January 31, 2011	January 31, 2010
		\$
Raw materials and purchased components	3,371	3,492
Work-in-progress	2,002	1,461
Finished goods	352	589
	5,725	5,542

Included in cost of sales for the three-month period is an inventory expense of \$3,525,000 (2010 - \$2,483,000) and \$10,873,000 (2010 - \$9,758,000) for the nine-month period.

5. CREDIT FACILITY

The credit facility permits maximum aggregate borrowings equal to the lesser of:

- i. \$2.5 million; or
- ii. 85% of the eligible accounts receivable.

As at January 31, 2011, the Corporation's borrowing capacity was \$1,472,000, of which \$537,000 was drawn. The credit facility bears interest at the applicable prime rate of the financial institution plus 2.5%. The effective interest rate for the period ended January 31, 2011 was 6.25%.

The credit facility is guaranteed by a movable hypothec in the amount of \$3.25 million affecting the assets of the Corporation ranking first with respect to trade receivables (with a carrying value of \$2,525,000 as at January 31, 2011) and inventory (with a carrying value of \$4,084,000 as at January 31, 2011) and of inferior ranking as to all other assets. The credit facility has an expiration date of one year with automatic renewable periods of one year each.

6. DEFERRED LIABILITIES

	As at	As at
	January 31, 2011	January 31, 2010
		\$
Deposit	600	—
	600	—

MITEC TELECOM INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2011

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

Unaudited

7. LONG-TERM DEBT

	As at January 31, 2011	As at January 31, 2010
		\$
a) Convertible debentures, bearing interest at 12%, repayable in October 2011	1,460	1,041
b) Secured debentures, bearing interest at 15%, repayable in April 2011	450	—
	1,910	1,041
Less: current portion	1,910	—
	—	1,041

In October 2010, the Corporation issued \$500,000 of secured debentures. These debentures bear interest at 15%, payable monthly and expire in April 2011. The debentures are guaranteed by a first-ranking hypothec on all assets except for the account receivables, the inventory and a registered hypothec of the shares of Keragis Corporation and Mitec Communications Ltd. During the quarter, \$50,000 of secured debentures were paid back. As a subsequent event, the Corporation decided to fully reimburse the secured debentures.

As at January 31, 2011, the nominal value of the convertible debentures was \$1,807,000 (2010 - \$1,857,000).

8. 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 Interim Consolidated Statement of Shareholders' Equity.

On November 15, 2010, the Corporation issued 55,166,167 common shares under a private placement at a price of \$0.1425 per share. The aggregate gross proceeds raised from the offering were \$0.8 million and were reduced by the issue costs of \$94,000.

Warrants

Warrants outstanding are as follows:

Exercise price	Expiry date	As at		As at	
		January 31, 2011	Expiry date	January 31, 2010	Expiry date
		# (000)		# (000)	
\$0.10	—	—	October 30, 2010	4,651	
\$0.22	—	—	October 30, 2010	18,952	
		—		23,603	

MITEC TELECOM INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2011

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

Unaudited

Earnings per share

Weighted average number of common shares is as follows:

	2011	As at January 31, 2010
Weighted average number of common shares outstanding	236,114,824	220,666,756
Net effect of dilutive stock options and warrants	—	—
Weighted average diluted number of common shares outstanding	236,114,824	220,666,756

For the periods ending January 31, 2011 and January 31, 2010, 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.

Stock-based compensation

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:

	January 31, 2011	January 31, 2010
Volatility	— %	104.6%
Risk-free interest rate	— %	2.66%
Dividend yield	— %	0%
Expected life, in years	—	5
Weighted average grand date fair value	\$ —	\$ 0.07

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

	As at January 31, 2011	As at January 31, 2010
Balance, beginning of the year	15,308,750	14,818,050
Granted	—	500,000
Expired	44,750	(9,300)
Balance, end of the period	15,264,000	15,308,080
Options exercisable, end of the period	14,464,900	12,765,850

9. COMMITMENTS AND CONTINGENCIES

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

	As at January 31, 2011
1 year	436
2 – 3 years	296
Over 3 years	—
	722

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

10. SUPPLEMENTARY CASH FLOW INFORMATION

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

MITEC TELECOM INC.**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2011

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

Unaudited

	For the three months ended		For the nine months ended	
	January 31,		January 31,	
	2011	2010	2011	2010
	\$	\$	\$	\$
Trade receivables and other receivables	612	1,531	(392)	610
Inventories	282	578	(278)	2,546
Prepaid expenses and other	(73)	13	100	(27)
Income tax recoverable	(6)	144	336	(171)
Accounts payable and accrued liabilities	(1,251)	(660)	(751)	(760)
Deferred liabilities	600	—	600	—
	164	1,606	(385)	2,198
Interest paid	95	3	247	152
Amortization of property, plant and equipment is included in:				
Cost of sales	211	209	571	613
Research and development expenses	4	2	36	9
Selling and administrative expenses	28	29	74	84
	243	240	681	706
Amortization of intangible assets is included in:				
Cost of sales	2	2	6	7
Research and development expenses	5	7	11	13
Selling and administrative expenses	92	219	260	583
	99	225	277	603

11. 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.

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.

MITEC TELECOM INC.**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2011

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

Unaudited

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

	Telecom		Satcom		Consolidated amounts	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Sales	2,625	1,140	3,358	4,021	5,983	5,161
Cost of sales	2,480	1,293	2,233	3,006	4,713	4,299
Gross profit	145	(153)	1,125	1,015	1,270	862
Expenses					2,224	3,206
Income tax recovery					—	(39)
Net loss for the period					(954)	(2,305)

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

	Telecom		Satcom		Consolidated amounts	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Sales	8,630	5,330	10,148	13,736	18,778	19,066
Cost of sales	7,654	5,394	7,250	10,959	14,904	16,353
Gross profit	976	(64)	2,898	2,777	3,874	2,713
Expenses					6,881	9,041
Income tax recovery					—	(117)
Net loss for the period					(3,007)	(6,211)

The following table presents assets by segments:

	As at January 31, 2011			As at January 31, 2010		
	Telecom	Satcom	Total	Telecom	Satcom	Total
	\$	\$	\$	\$	\$	\$
Current assets	4,810	7,744	12,554	3,476	8,151	11,627
Long-term assets	1,590	3,980	5,570	1,858	7,493	9,351
	6,400	11,724	18,124	5,334	15,644	20,978
Other			901			2,725
Total			19,025			23,703

(b) Enterprise-wide information

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

	For the three months ended		For the nine months ended	
	January 31,	January 31,	January 31,	January 31,
	2011	2010	2011	2010
	\$	\$	\$	\$
Canada	3,737	4,157	11,489	14,516
United States	630	409	1,340	1,120
China	2,388	913	7,551	4,305
Inter-country	(772)	(318)	(1,602)	(875)
	5,983	5,161	18,778	19,066

MITEC TELECOM INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2011

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

Unaudited

The following table presents sales by destination of product:

	For the three months ended		For the nine months ended	
	January 31,		January 31,	
	2011	2010	2011	2010
	\$	\$	\$	\$
Canada	255	144	748	1,447
United States	2,168	2,522	6,331	7,831
Europe	2,186	1,043	6,039	4,233
Asia	825	924	3,558	2,375
Other	549	529	2,102	3,179
	5,983	5,161	18,778	19,066

12. FINANCIAL EXPENSES

	For the three months ended		For the nine months ended	
	January 31,		January 31,	
	2011	2010	2011	2010
	\$	\$	\$	\$
Interest on long-term debt	76	55	188	203
Accretion expense	128	93	373	308
Bank charges and other fees	33	16	81	34
Interest income	(1)	(3)	(9)	(10)
	236	161	633	535

13. 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. There have been no changes in the Corporation's capital management policy during the period.

	As at January 31,	
	2011	2010
	\$	\$
Long-term debt, including current portion	1,910	1,041
Shareholders' equity	10,668	17,973
	12,578	19,014

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Unaudited

14. FINANCIAL INSTRUMENTS

The classification of financial instruments as at January 31 and their respective carrying values and fair values were as follows:

	As at January 31,	
	2011	2010
	\$	\$
Held for trading (at fair value)		
Cash	525	2,036
Available for sale (at fair value)		
Short-term investments	182	181
Investments in a private company	25	25
Loans, Receivables and other financial liabilities (at amortized cost)		
Trade receivables	6,361	4,849
Credit facility	537	—
Accounts payable and other liabilities	3,846	4,689
Long-term debt including convertible debentures	1,910	1,041

15. FINANCIAL RISK MANAGEMENT

The Corporation is exposed to certain financial risks, including credit risk, liquidity risk, foreign currency risk and interest rate risk. There is no change in the exposure to risk, nor its objectives, policies and process for managing the risk from the previous year.

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 manages its risks and risk exposures through a combination of sound business practices, derivative instruments and a system of internal and disclosure controls.

Credit risk

The Corporation is exposed to credit risk in its cash, short-term investments and trade 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 short-term investments 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. One customer (2010 – one) accounted for 36% of sales for the three-month period ended January 31, 2011 (2010 – 12%) and 44% of trade receivables as at January 31, 2011 (2010 – 15%). That customer represented 82% of Telecom sales for the three-month period ended January 31, 2011 (2010 – two customers represented 68% of Telecom sales). One customer (2010 – none) represented 14% of the Satcom sales for the three-month period ended January 31, 2011 (2010 – none)

For the nine-month period, two customers accounted for 39% of the sales (2010 – no one customer accounted for more than 10% of the sales). These two customers represented 84% of Telecom sales (2010 - 68%).

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The aging of the trade receivables is as follows:

	As at January 31,	
	2011	2010
	\$	\$
Current	4,561	3,037
31 – 60 days	987	1,675
Over 61 days	872	349
Trade receivables	6,420	5,061
Less: allowance for doubtful accounts	(59)	(212)
	6,361	4,849

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. 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. The Corporation has financed its expansion in losses in the last years mainly through equity offerings.

As at January 31, 2011, the Corporation had at its disposal working capital of \$5,032,000 (2010 - \$9,328,000). The Corporation has sufficient cash, and working capital available to meet its financial contractual obligations. The credit facility, as described in note 5, is also used to support the Corporation's working capital requirements. As of January 31, 2011, \$537,000 (2010 - nil) has been drawn from the credit facility.

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

Year of expiry	Credit Facility	Accounts Payable	Long-term debt	As at January 31, 2011	
				Operating leases	Total
	\$	\$	\$	\$	\$
Within 1 year	537	3,246	1,910	427	5,620
2 – 3 years	—	—	—	296	296
4 – 5 years	—	—	—	—	—
Over 5 years	—	—	—	—	—
	537	3,246	1,910	723	5,916

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 does not have some hedging contracts to mitigate its exposure to currency fluctuations.

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The Corporation is exposed to currency risk through its cash, accounts receivable and accounts payable and accrued liabilities denominated in U.S. dollars and Chinese Yuan (RMB), for which the Canadian dollar equivalent is as follows:

	As at January 31, 2011	
	RMB	US\$
	\$	\$
Cash and cash equivalents	96	293
Accounts receivable	2,973	2,832
Accounts payables and accrued liabilities	1,384	937

Based on the above net exposures as at January 31, 2011 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 \$387,000/(\$387,000).

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.

16. SUBSEQUENT EVENTS

As at February 8, 2011, the Corporation reimbursed \$450,000 of secured debentures. Also in February, the Corporation sold its shares of Mitec Communications Ltd., a wholly owned subsidiary which owns all of the shares of Mitec Telecom (Suzhou) Co., Ltd, for gross proceeds of US\$ 4.1 million.