



Management's Discussion and Analysis

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

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

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

FORWARD-LOOKING STATEMENTS

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

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

APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

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

OVERVIEW

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

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

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

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

MAJOR EVENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

SELECTED QUARTERLY FINANCIAL INFORMATION

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

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

RESULTS OF OPERATIONS FOR THE FOURTH QUARTER

Sales

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

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

Gross profit

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

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

Research and Development Expenses

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

Selling and Administrative Expenses

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

Loss from continuing operations and net loss

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

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

In addition to discussing earnings measures in accordance with Canadian GAAP, this MD&A provides earnings before interest, income taxes, depreciation and amortization ("EBITDA") as a supplementary measure. Depreciation and amortization include write-down of property, plant and equipment, intangibles assets, deferred charges and investments. Interest considers interest on bank indebtedness and interest on long-term debt reduced by interest income. EBITDA is provided to assist readers in determining the ability of the Corporation to generate cash from operations. The Corporation also discloses the adjusted EBITDA from continuing operations to consider impacts from the restructuring expenses, the foreign exchange, the

stock-based compensation and the recovery of non-refundable tax credits. EBITDA does not have a standardized meaning prescribed by Canadian GAAP and is therefore unlikely to be comparable to similar measures presented by other companies.

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

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

SELECTED ANNUAL FINANCIAL INFORMATION

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

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

RESULTS OF OPERATIONS

Fluctuations in operating results

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

Sales

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

Geographical Distribution

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

Gross profit

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

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

Research and Development Expenses

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

Selling and Administrative Expenses

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

Financial Expenses

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

Amortization of Intangible Assets

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

Stock-based compensation

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

Write-down of Property, Plant and Equipment

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

Write-down of Intangible Assets

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

Income Tax

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

Loss from continuing operations

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

Net Loss

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

LIQUIDITY AND CAPITAL RESOURCES

Operating Activity Cash Flows

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

Investing Activity Cash Flows

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

Financing Activity Cash Flows

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

RISKS AND UNCERTAINTIES

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

Going concern uncertainty

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

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

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

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

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

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

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

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

Industry Risk

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

Dependence on a Few Customers

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

Customers' Business

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

Production Risk

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

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

Other risks relating to our reliance on sole suppliers include reduced control over production costs, delivery schedules, reliability and quality of materials. Any inability to obtain timely deliveries of acceptable quality materials, or any other circumstances that would require us to seek alternative suppliers, could adversely affect our ability to deliver products to our customers.

While it is unlikely that costs from our major suppliers will increase as costs are strictly managed through non-binding long-term agreements, if they did, we may suffer losses if we are unable to recover such cost increases under fixed price production commitments to our customers.

Operational Risk

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

Technological Changes

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

Senior Management and other key employees

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

Cash Repatriation from Foreign Subsidiary

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

General Economic Conditions

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

Interest Rate

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

Foreign Currency Translation

a. Canadian operations

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

b. Foreign operations

The financial statements of the Corporation's self-sustaining foreign subsidiaries, Mitec Communications Ltd., Mitec Telecom (Suzhou) Company, Ltd. and Keragis Corporation, are translated into Canadian dollars using the current rate method. Under this method, assets and liabilities are translated at the exchange rates prevailing at the end of the period and

revenue and expenses are translated at the average exchange rates during the period. The adjustment arising from the translation of these accounts has been recorded in the accumulated other comprehensive profit (loss) in shareholders' equity. When there is a reduction in the net investment of a self-sustaining foreign subsidiary, a proportionate amount of deferred translation gains and losses is recognized in net income/loss.

Foreign Exchange Rates

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

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

Environmental Matters

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

Stock Price Fluctuation

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

CONTINGENCIES

In January 1997, the Corporation received notice from attorneys for the residents of a house in Williston, Vermont, of a potential claim alleging property damage and personal injury arising from the presence of certain contaminants in the groundwater beneath their property. The notice alleged that the contaminants came from sources located on a lot leased in the past by Mitec Systems Inc. In 1999, they filed a lawsuit in Vermont against the Corporation and two related

companies claiming unspecified personal injuries and diminution in value for their residential property. The Corporation settled this legal action for approximately \$240,000 (US \$175,000) and recorded the settlement and associated legal fees in 2004. The Corporation is seeking restitution from its insurance company and the insurance company has claimed recoupment of certain fees from the Corporation. On February 1, 2007, the Superior Court entered judgment in favour of the insurance company in the amount of \$189,073 plus interest from February 1, 2007. The Corporation believes it has several strong arguments and appealed to the Vermont Supreme Court. The outcome is presently not determinable and therefore no provision has been made in the accounts.

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

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

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

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

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

All data as at April 30, 2008

OFF-BALANCE SHEET ITEMS

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

CHANGES IN ACCOUNTING POLICIES

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

Financial Instruments – Recognition and Measurement

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

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

The Corporation has implemented the following classifications:

- Cash and cash equivalents are classified as held for trading and are measured at fair value.
- Short-term investments and Investments are classified as available-for-sale and are measured at fair value.

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

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

Financial Instruments – Disclosure and Presentation

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

Comprehensive income and Equity

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

FUTURE CHANGES IN ACCOUNTING POLICIES

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

Inventories

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

Capital Disclosures

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

Financial Instruments

The CICA issued two new accounting standards, Section 3862, "Financial Instruments – Disclosures", and Section 3863, "Financial Instruments – Presentation", which apply to interim

and annual financial statements relating to fiscal years beginning on or after October 1, 2007. These new standards revise and enhance the disclosure requirements, and carry forward, substantially unchanged, the presentation requirements. These new standards emphasize the significance of financial instruments to the entity's financial position and performance, the nature and extent of risks arising from financial instruments, and how these risks are managed. The Corporation will adopt this standard beginning May 1, 2008.

Goodwill and Intangible Assets

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

General standards on financial statements presentation

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

International Financial Reporting Standard

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

SIGNIFICANT ACCOUNTING ESTIMATES AND PROVISIONS

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

Inventory Valuation

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

Impairment of Long-Lived Assets

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

Goodwill

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

Allowance for Doubtful Accounts

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

Future Income Taxes Assets

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

Warranty Provision

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

Stock-Based Compensation

The Corporation estimates the fair value of stock options granted to employees, officers and Directors. As at April 30, 2008, a total of 14,533,950 stock options were outstanding, of which 6,520,517 were exercisable. The Corporation uses the fair value method to account for stock options granted to employees, directors and consultants. Options issued to employees, officers

and directors are recognized as an expense over the vesting period. The fair value is determined using the Black-Scholes option pricing model. Any consideration paid by employees, officers and directors on exercise of stock options or purchase of stock is credited to share capital.

Contingencies and commitments

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

PROPOSED TRANSACTIONS

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

RELATED PARTY TRANSACTIONS

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

OUTLOOK

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

DISCLOSURE CONTROLS AND PROCEDURES

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

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

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

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

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