



Mitec Telecom Inc.
2011 ANNUAL REPORT



CHAIRMAN'S MESSAGE

A series of challenges continued to present themselves to Mitec during fiscal 2011. Customers were frequently adjusting their sale strategies and capital expenditure plans, suppliers were becoming more stringent with payment terms and, though worldwide demand for wireless solutions increased, Mitec's competition was increasing as well, particularly in developing markets. This impacted margins as reduced product pricing was the only viable action to remain competitive.

Despite all this, Mitec continued to support its customer base, having weathered the economic and financial storms that took place during 2008-2010. However, it became clear that we needed to explore new strategies to demonstrate sustained profitability and avoid competing for revenue at the expense of reduced margins—a reality that had plagued some of our competitors and resulted in several business failures.

In October, 2010, Mitec announced an initiative to separate its business divisions with the objective of unlocking their respective value and providing more opportunity and ability to explore alternatives for creating shareholder returns.

In early 2011, Mitec divested its Radio Frequency (RF) conditioning business in China for US \$4.1 million. This division was an example of how quickly the landscape can change when local suppliers take control of opportunities that historically have gone to incumbent suppliers. Mitec continues to have access to volume manufacturing in China through a supply agreement that was part of the sale of the RF conditioning business. Had the company chosen not to divest its RF business, the division would likely have ceased operations and generated no return to shareholders.

In May 2011, shortly after yearend Mitec completed the sale of its Passive Satcom division for gross proceeds of \$2.9 million. We had been harvesting revenue from this division for years, and it was not positioned for long-term growth. As a consequence of separating it from the rest of Mitec's business units, a credible offer was received and accepted.

Following these divestitures, Mitec evaluated its remaining business units, taking industry and market factors into account along with its overall corporate structure. One of the considerations being recommended to shareholders is the transfer of the Corporation's principal operations into a newly created direct, wholly-owned subsidiary.

The purpose of this transfer is to make Mitec a holding company which will permit greater flexibility in the management of existing and future business operations. This approach follows on the strategy whereby Mitec separated its business units in order to allow the divestiture of divisions that were generating substantial, non-dilutive cash proceeds. Transferring the Corporation's operations to a wholly-owned subsidiary will provide additional shareholder benefits, such as attracting investment partners who would otherwise not be able to participate in some of the opportunities the Corporation is cultivating.

In addition to the actions described above, Mitec continues to explore ways to position itself to benefit from the growth of wireless technology. For example, wireless use is becoming widespread in the healthcare industry where it can play a key role in the areas of patient monitoring, infection control, post operative care and drug delivery, among others. Mitec's recent strategic investment in Covalon Technologies Inc. (TSX-V: COV) allows the company to participate in new market opportunities, mitigate execution risk and position itself as a major investor in an under-valued opportunity that has the potential to generate substantial returns to Mitec shareholders.

Working together, Mitec and Covalon have identified a number of ways in which we can support Covalon's product lines through the use of wireless technology. Mitec is able to quickly position itself in a growth market which includes access to intellectual property, proven management and value-added support.

Mitec intends to continue to focus on these kinds of initiatives in 2012 and beyond. We are encouraged by the opportunities we have seen and are hopeful that we will soon be able to demonstrate to our shareholders that our strategies have generated the value that we are confident will emerge.



JEFFREY A. MANDEL

President, CEO and Chairman of the Board
Mitec Telecom Inc.

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 a facility in the United States. 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, 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 year ended April 30, 2011 as compared to the year ended on April 30, 2010.

This MD&A supplements the consolidated financial statements for the year ended April 30, 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, 2011. Mitec's financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts in this MD&A are in thousands of Canadian dollars unless otherwise indicated. This MD&A contains information available to July 27, 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 27, 2011.

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 yearly 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 that are used in 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 competitive multimedia communications area. Mitec works closely with its customers to design and manufacture solutions which will enable them to achieve their respective industry objectives. Consequently, Mitec has achieved preferred vendor status with several global telecom players.

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 valuable knowledge base, Mitec positions itself to benefit from the growth in various markets which demand wireless support and invests in research and development (“R&D”) initiatives for new product lines to service these areas. 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 in a variety of different sectors.

Mitec holds a competitive advantage in the military industry with its patented Keragis SSPA technology to address the 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.

Mitec’s headquarters are in Montreal, Canada and the Corporation has another operation in Poway, California (U.S.A.). As at April 30, 2011, the Corporation’s global workforce stood at 116 employees.

YEAR IN REVIEW AND MAJOR EVENTS

The period encompassing 2010 and 2011 continued to be challenging worldwide for companies in Mitec’s industry. Manufacturers are constantly revisiting their sales strategies to adapt to constantly changing requirements from customers having to deal with reduced capital expenditures plans, resulting in a lack of continuity with their suppliers. Moreover, worldwide competition increased rapidly driven by reduced prices, newly developed technologies or capabilities and vertical integration. Although the Corporation’s operations resulted in a continued financial loss, it continued its long-term commitment to remain competitive and design state-of-the-art solutions. Mitec continues to support its customer base however since it became clear that a continued shortfall in revenues in the Telecommunications sector is now an established trend, mainly because of the competitiveness in pricing, it became very difficult for Mitec to achieve its objective of operating in these markets because they did not demonstrate sustained profitability. From a financial perspective, having weathered the economic and financial upheaval over the past 2 years, the Corporation has been able to shift its R&D strategy to build innovative and affordable niche products and solutions to support its customers’ needs and continues to explore other sectors where wireless technology is demanded so that it can position itself to achieve its objective of long-term sustained profitability.

In October 2010, Mitec’s Board of Directors announced an initiative to separate its various business divisions with the objective of unlocking their respective value and would allow Mitec more opportunity and ability to explore alternatives to create shareholder value.

These actions have provided the Corporation with a mechanism to extract shareholder value and have successfully generated significant non-dilutive cash as the Passive Satcom and China RF divisions were divested. The expectation is that Mitec will continue to evaluate its remaining business divisions and provide shareholders with a viable strategy to achieve its objective of allocating its resources in areas that provide long-term sustainable profitability.

The sale of Mitec’s RF conditioning business in Suzhou, China in February, 2011 was a milestone event for the Corporation as it demonstrated that Mitec’s previously announced strategy was sound. US\$4.1 million cash proceeds were generated from the sale. It became clear that the sale of this business was a pragmatic decision as many of the customers that Mitec was servicing have continued to pressure other suppliers, resulting in several business failures over the past year.

Shortly after year end on May 16, 2011, Mitec completed the sale of its Passive Satcom division for gross proceeds in cash of \$2.9 million. This transaction further strengthened Mitec’s balance sheet. Mitec continues to own its North American Wireless, 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 July 11, 2011, Mitec announced that it had been selected to participate in the newest phase of the Kativik Regional Government’s (“KRG”) infrastructure development program by supplying components to support network infrastructure and services in the Inuit villages of Nunavik, the northernmost region of Quebec. Financial contributors to this phase of the regional infrastructure development program are Industry Canada, the government of Québec, Telesat and the KRG. Deliveries are expected to take place in the second quarter of the fiscal 2012.

On April 13, 2011, Mitec announced that Jeffrey A. Mandel, currently Chairman of the Corporation, had also been appointed President and Chief Executive Officer. Mr. Mandel replaced Daniel Piergentili who had tendered his resignation and would no longer serve on Mitec’s Board of Directors. Mr. Piergentili had agreed to assist Mitec during the transition phase.

As indicated above 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 in Suzhou, China 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 \$0.5 million Term Loan facility arranged in October 2010 to support cash flow requirements which was no 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 began in the fourth quarter of fiscal year 2011.

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, previously 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 \$0.8 million. In addition to the participation of Jeffrey Mandel and Hubert Marleau through the Palos Merchant Bank L.P (formerly the Palos Capital Pool L.P), two of Mitec's Board members, several institutional investors participated in the private placement. The majority of the net proceeds from this private placement was used to support Mitec's immediate cash requirements as a result of its increased backlog.

On October 20, 2010, the Corporation announced that it had received additional orders for its next generation Long Term Evolution ("LTE") 4G components from a major global telecom supplier. These orders are a continuation of a previously announced supply agreement and were delivered for network trial purposes.

On October 14, 2010, Mitec announced that it had entered into a term loan facility of \$0.5 million to support immediate cash flow requirements. Participants included Mitec's President and CEO, Daniel Piergentili, Executive Chairman, Jeffrey Mandel, Palos Capital Pool LP and a Montreal-based private investment company. The Corporation also announced that it had engaged Palos Management Inc. as exclusive financial advisor to provide capital raising services.

On September 8, 2010, Mitec announced that it had received orders for its Tower Mount Boosters ("TMBs") both at 850 MHz and 1800 MHz frequencies. TMBs, which are part of Mitec's Coverage Solution product line and are available in both multi and single carrier format, are used both in new and ongoing network rollouts.

On August 25, 2010 Mitec announced an initial order from the same customer noted above at 850 MHz frequency.

On August 3, 2010, Mitec announced that it had received the first in a series of orders from a large network operator for its new MTX series VSAT block upconverter ("BUC"). Deliveries took place in Q2, fiscal 2011 and additional orders are expected from this customer throughout the year. The customer was involved in a network expansion project in Africa, where there was significant demand for 2-way satellite communication to support the growth of multimedia, voice and data services in geographically challenging areas.

On July 20, 2010, Mitec announced that it had received initial orders for high performance filters from a leading provider of satellite radio services in North America for a series of trials in their mobile broadcast network. Upon successful completion of these trials, the Corporation expected to receive follow-on orders in early 2011, which will be manufactured at the Corporation's China facility.

On July 15, 2010, Mitec announced that it had received an order worth approximately \$1.5 million to support a European telecom provider's network upgrade. The equipment was manufactured at the Corporation's Chinese facility and was delivered in the second quarter of fiscal year 2011.

On July 7, 2010, Mitec announced that it had received an initial order for one of its innovative coverage solution products for delivery by July 31, 2010. The customer, a Canadian telecom company was a new customer to Mitec. This Mitec 3G network solution enables an operator to reduce operational costs while allowing delivery of next generation services at a lower cost than present network architectures.

On June 15, 2010, Mitec announced that it had begun initial shipments for components designed for next generation LTE 4G wireless networks to a major global telecom company. This shipment, which generated approximately \$1.7 million in revenue in is part of a larger initiative which is expected to continue for the balance of fiscal 2011 and onward.

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:

	2011	2010	2009
	\$	\$	\$
<i>(in thousands of dollars, except per share data)</i>			
Sales	15,690	19,218	21,432
Gross profit	3,790	3,992	5,687
Research & development expenses	1,716	2,888	3,616
Selling and administrative expenses	4,802	5,615	5,879
Net loss from continuing operations	(4,704)	(9,301)	(5,380)
Net loss for the year	(3,372)	(11,447)	(4,608)
Loss per share – Basic and diluted			
Continuing operations	(0.02)	(0.04)	(0.02)
Net Loss	(0.01)	(0.05)	(0.02)
Total assets	16,805	20,704	30,321
Current and long-term debt	1,578	1,157	1,215
Cash, cash in escrow and short-term investments	2,521	1,733	2,720

RESULTS OF OPERATIONS FOR THE 12-MONTH PERIOD ENDING APRIL 30, 2011

Sales

For the twelve-month period ended April 30, 2011, consolidated sales from continuing operations reached \$15.7 million, a decrease of 18%, or \$3.5 million, from \$19.2 million in the previous year. The decrease in the Corporation's sales is largely attributable to a \$3.6 million decrease in the Satcom segment during the first half of fiscal 2011, as compared with the same period in the previous year. The main reason for this shortfall can be attributed to the difficult cash position that Mitec found itself in during the first half of fiscal 2011, which resulted in the inability for Mitec to bid on various projects. After resolving these issues, first by raising capital internally through a bridge loan and second by succeeding with an equity financing, Mitec was able to begin to re-establish itself.

During the same time, Mitec faced increased competition both in the VSAT and passive markets as the competition introduced more advanced technology, compared with Mitec's portfolio. The military division experienced a 28% increase of its revenue during the current fiscal year as a result of the qualification of 2 more products into U.S. defence programs.

Revenue for the Wireless segment increased by \$50, or 4% compared to the previous fiscal year, a small increase caused mostly by delayed orders until field trials completion. These results do not consider sales from the RF conditioning segment in China since the business unit was sold during the current fiscal year and the results are disclosed as a discontinued operation. The wireless products are being deployed into field trials both in the United States and in India and results are expected in the second quarter of 2012.

The shift in Mitec's wireless sales strategy, introducing a new series of coverage solution product lines developed in prior years began to gain traction in the latter part of fiscal 2011 and Mitec has succeeded in qualifying several of its coverage solutions with large, international telecom operators and network providers.

After positive results from various trials presently taking place in India and in North America have successfully concluded, Mitec expects that volume orders will follow.

The Corporation's new product lines were developed to address the always increasing demand in bandwidth as well as to resolve network interference issues with both wireless original equipment manufacturers and operators as well as to ensure the Corporation was successful in differentiating itself against increased worldwide competition. These products include single and multi-carrier TMBs and diplexers and high power amplifiers ("TMAs") combinations as well as Distributed Antenna Systems ("DAS").

Revenue for the Satcom segment decreased by \$3.6 million to \$14.5 million, or 20% compared to the previous fiscal year. As mentioned above, competitiveness in pricing made it very difficult for Mitec to achieve its objective of operating in markets that would provide sustained profitability. In addition, the difficult cash position that Mitec found itself in during the first half of fiscal 2011 resulted in the inability for Mitec to bid on various projects. Finally, the strengthening Canadian dollar compared to the US dollar has had, on its own, a negative impact of approximately \$0.6 million. Despite these challenges, the Corporation was successful in increasing its penetration into the VSAT military sector with the launch of new products, which have generated significant interest and have been accepted as the standard line of products going forward. This product line has differentiated the Corporation from its competition and although significant R&D and marketing expenses were recorded during the period, impacting initial profitability as they were launched, the Corporation anticipates solid long-term support for these products going forward.

Geographical Distribution

	North America	Europe	Asia	Other
2011	52%	13%	14%	21%
2010	61%	22%	10%	7%
2009	36%	17%	33%	14%

Gross profit

Gross profit from continuing operations for fiscal 2011 was \$3.8 million, a decrease of \$0.2 million from \$4.0 million in fiscal 2010. The nominal change in gross profit of negative \$0.2 million as compared with the significant reduction in overall revenue of \$3.3 million is further evidence that Mitec has succeeded in focusing in areas that generate acceptable gross margin returns. Telecom gross profit for fiscal 2011 was negative \$0.1 million, a decrease of \$0.2 million from \$0.1 million for fiscal 2010. Satcom gross profit for fiscal 2011 remained the same for fiscal year 2011 at \$3.9 million.

Keragis military market space, where the Corporation experiences stronger margins over its other product lines, as well as the benefits of volume production which the flexible waveguide division generated, delivered acceptable gross profit during the year. The shift in Mitec's wireless sales strategy, introducing a new series of coverage solution product lines developed in prior years, has not yet achieved the anticipated milestones which are expected to deliver acceptable gross profit levels in fiscal 2012.

	2011	2010	2009
(in thousands of dollars, except percentages)	\$	\$	\$
Telecom	(67)	117	49
% of Telecom revenue	(5.4%)	10.0%	5.7%
Satcom	3,857	3,875	5,638
% of Satcom revenue	26.7%	21.5%	27.4%

Research and Development Expenses

R&D expenses, net of investment tax credits, for fiscal 2011 were \$1.7 million compared with \$2.9 million in fiscal 2010. This decrease is attributable to lower investments in the wireless sector as products enter final stages of approval through field trials in both North America and India. The decrease was also somewhat offset by an increase in R&D from the new products being developed by the Corporation's military product line associated with its U.S. based Keragis division. The Corporation intends to support R&D either directly or indirectly, to ensure these expenditures result in acceptable long-term profitability, but will remain focused on ensuring that gross margins are acceptable and will not support those product lines which, because of increased competition, market shifts or other variables, will not provide evidence of acceptable long-term profitability. During the last two quarters, several new product lines were introduced and are now entering into commercial sales phases, however, since some opportunities require custom commercialization, additional R&D may be required. The Corporation continues its commitment to R&D to ensure Mitec remains competitive and has maintained its R&D spending by investing in various product lines in order to promote the availability of new products servicing Telecom Operators, Mobile and Fixed Wireless infrastructure markets as well as the VSAT and military markets.

Selling and Administrative Expenses

Selling and Administrative ("S&A") expenses were \$4.8 million for fiscal 2011 compared with \$5.6 million in fiscal 2010. The decrease was a result of further cost cutting initiatives throughout the organization implemented during the course of the year combined with the reduction of amortization of intangible assets following the impairment taken in 2010.

Financial Expenses

Financial expenses remained unchanged at \$0.8 million for fiscal 2011 as compared with \$0.8 million in fiscal 2010.

Stock-based compensation

The amount of the expense totalled \$0.1 million in fiscal 2011, a decrease of \$0.1 million as compared with fiscal 2010. The Corporation did not issue any stock options during fiscal 2011 as compared with 500,000 during the previous year. The Corporation estimates the fair value of stock options granted to employees, officers and directors. As at April 30, 2011, a total of 14,039,000 stock options were outstanding, of which 13,558,400 were exercisable.

Loss on disposal and impairment of Property, Plant and Equipment

Management periodically reviews the property, plant and equipment carrying value in light of the Corporation's strategic plan and general business environment. During the year, the Corporation determined that the carrying value of certain assets consisting mostly of machinery and equipment and furniture and fixtures were no longer recoverable. Consequently, property, plant and equipment with a carrying value of \$70 (2010 – \$30) were written off. A loss on disposal with a carrying value of \$10 (2010 – gain of \$30) was recorded during the exercise.

Impairment of Intangible Assets

Management periodically reviews the carrying value of the intangible asset portfolio whenever there is an indication of impairment. During the year, the Corporation concluded that the decrease in the Corporation's market capitalization was an event indicating the carrying amount of certain of the Corporation's intangible assets may not be recoverable. Consequently, non-patent technology with a carrying value of \$70, software with a carrying value of \$20 and patented technology with a carrying value of \$90 were written off. In 2010, customer relationships with a carrying value of \$30 and patented technology with a carrying value of \$30 were written off.

Income Tax

The Corporation did not record any income tax expense during fiscal 2011 as compared to the income tax expense of \$0.1 million in fiscal 2010 relating to the previously recorded benefits of losses.

Discontinued Operations

As a result of the transaction, the operations of Mitec Communications Ltd. and Mitec Telecom (Suzhou) Company Ltd., which was included in the Telecom statement, have been reported as discontinued activities. Revenue increased by \$2.1 million, or 35% to \$8.4 million, compared to the previous fiscal year. The increase was a consequence of large orders received from a Chinese customer. Gross profit improved by \$1.3 million from negative \$0.3 million to \$1.0 million as a consequence of a mix of sales that considered large orders of mature products. The loss from discontinued operations decreased by \$2.0 million as a consequence of the increase of the gross margins combined with the fact that direct R&D and S&A costs were considered only for 10 months during the current fiscal year.

Net Loss

The net loss from continuing operations for the year ended April 30, 2011 was \$4.4 million, or \$0.02 per share, an improvement of \$4.9 million compared to a loss of \$9.3 million, or \$0.04 per share, for the year ended April 30, 2010. Management is confident that its new product lines, cost containment programs in place and the general improvement in business conditions, combined with the Corporation's mandate to further identify and assess various opportunities in the wireless market provide the basis for improved results.

SELECTED QUARTERLY FINANCIAL INFORMATION

The Corporation's sales and results fluctuate from quarter to quarter, or year to year, based on customers' requirements, the timing of orders and the ability to access capital to support its operations. The Corporation has experienced fluctuations in its quarterly operating results and anticipates that such fluctuations will continue. Fiscal 2011 proved to continue to be an extraordinarily unpredictable period similar to fiscal 2010 for the Corporation since the global economy continued with extreme volatility and capital and credit were very difficult to access for telecom providers. 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.

	2011							2010
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
(in thousands of dollars, except per share data)	\$	\$	\$	\$	\$	\$	\$	\$
Sales	4,464	3,595	3,677	3,954	4,456	4,249	5,732	4,781
Gross profit	796	1,028	1,337	629	1,105	970	1,061	856
Research & development expenses	22	495	609	590	659	859	510	860
Selling and administrative expenses	1,397	1,031	1,268	1,107	1,538	1,489	1,400	1,188
Net loss from continuing operations	(1,876)	(863)	(774)	(1,191)	(4,677)	(1,817)	(1,068)	(1,739)
Net loss for the period	(365)	(953)	(712)	(1,342)	(5,237)	(2,305)	(1,837)	(2,068)
Net loss per share – basic and diluted:								
- Continuing operations	(0.01)	(0.00)	(0.00)	(0.01)	(0.02)	(0.01)	—	(0.01)
- Net loss	(0.00)	(0.00)	(0.00)	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)
Non-recurrent items:								
- Impairment of property, plant and equipment	70	—	—	—	34	—	—	—
- Impairment of goodwill	—	—	—	—	1,991	—	—	—
- Impairment of intangible assets	92	—	—	—	724	—	—	—
Total assets	16,805	19,025	20,512	19,199	20,704	23,714	26,485	28,954
Current and long-term debt	1,578	1,460	1,382	1,268	1,157	1,136	1,057	1,317
Cash, cash in escrow and short-term investments	2,521	607	877	521	1,733	1,782	1,648	1,873

The information pertaining to each segment for the three-month periods ended April 30 is as follows:

	Telecom		Satcom		Consolidated amounts	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Sales	148	146	4,316	4,310	4,464	4,456
Cost of sales	310	139	3,358	3,212	3,668	3,351
Gross profit (loss)	(162)	7	958	1,098	796	1,105

The information pertaining to each segment for the twelve-month periods ended April 30 is as follows:

	Telecom		Satcom		Consolidated amounts	
	2010	2009	2010	2009	2010	2009
	\$	\$	\$	\$	\$	\$
Sales	1,225	1,172	14,465	18,046	15,690	19,218
Cost of sales	1,292	1,055	10,608	14,171	11,900	15,226
Gross profit (loss)	(67)	117	3,857	3,875	3,790	3,992

RESULTS OF OPERATIONS FOR THE FOURTH QUARTER

Sales

For the three-month period ended April 30, 2011, consolidated sales were \$4.5 million, a nominal increase of less than 1% over the corresponding period ended April 20, 2010. Satcom experienced its best quarter of the last 6 quarters. Keragis sales for the last quarter increased to \$0.7 million from \$0.5 million a year earlier as a result of the qualification of 2 addition products into U.S. defence programs during the year. On the other hand, the VSAT sector experienced a small decrease of \$0.2 million to \$3.6 million from \$3.8 million caused mostly by the weakened US dollar compared to the Canadian dollar. Telecom sales were \$0.1 million for the last quarter ended April 30, 2011 compared to \$0.1 million for the same quarter a year earlier. This sector experienced no change but Mitec succeeded in qualifying several of its coverage solutions with large, international telecom operators and network providers.

	Q4	Q3	Q2	2011			2010	
				Q1	Q4	Q3	Q2	Q1
(in thousands of dollars, except percentages)	\$	\$	\$	\$	\$	\$	\$	\$
Telecom	148	235	147	695	146	227	537	262
% of total sales	3.3%	6.5%	4.0%	17.6%	3.3%	5.3%	9.4%	5.5%
Satcom	4,316	3,359	3,530	3,260	4,310	4,021	5,196	4,519
% of total sales	96.7%	93.5%	96.0%	82.4%	96.7%	94.7%	90.6%	94.5%

Gross profit

Gross profit for the fourth quarter of fiscal 2011 was \$0.8 million, a decrease of \$0.3 million from \$1.1 million in the fourth quarter of fiscal 2010. While margins are improving in the military sector, the VSAT sector continues to experience lower margins than in the previous years as the overall volume remains low and overhead costs represent a large component of cost of sales. In addition, VSAT is also negatively impacted by the strengthening Canadian dollar as most of the manufacturing is done in Canada. The telecom sector experienced a difficult quarter as the new product lines were introduced and specific opportunities required custom commercialization and additional R&D. Gross profit was further impacted in this sector by low volume and a strong Canadian dollar.

	Q4	Q3	Q2	2011			2010	
				Q1	Q4	Q3	Q2	Q1
(in thousands of dollars, except percentages)	\$	\$	\$	\$	\$	\$	\$	\$
Telecom	(162)	(97)	67	125	7	(45)	196	(41)
% of total sales	(110.9%)	41.3%	45.6%	18.0%	4.8%	19.8%	36.5%	(15.6%)
Satcom	958	1,125	1,271	503	1,098	1,015	865	897
% of total sales	22.2%	33.5%	36.0%	15.4%	25.5%	25.2%	16.6%	19.9%

Research and Development Expenses

R&D expenses net of investment tax credits for the fourth quarter of fiscal 2011 were \$22, a decrease of 98% from \$0.7 million in the fourth quarter of fiscal 2010. During the quarter, Mitec recorded tax credits related to prior years which explains the large decrease in net R&D. Despite challenging economic conditions, the Corporation continues its commitment to supporting its various product lines where those products prove they can provide sustained, long-term profitability. This trend is expected to continue as part of the Corporation's overall strategy to focus R&D on targeted market sectors and consider other alternatives such as the acquisition of technology, and outsourcing when possible.

Selling and Administrative Expenses

The Corporation's S&A expenses for the fourth quarter in fiscal 2011 were \$1.4 million, a decrease of 9% from \$1.5 million in the fourth quarter of fiscal 2010. The decrease was primarily due to cost cutting initiatives that were pursued throughout the year.

Net Loss

The net loss from continuing operations for the fourth quarter of fiscal 2011 was \$1.9 million, or \$0.01 per share, as compared to \$4.7 million, or \$0.02 per share, for the same quarter of fiscal 2010. The loss from continuing operations in the fourth quarter of 2010 included an accounting charge of \$2.7 million for goodwill and intangible assets impairment associated with the prior acquisition of the Corporation's US operations.

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

	Q4	Q3	Q2	2011			2010	
				Q1	Q4	Q3	Q2	Q1
(in thousands of dollars)	\$	\$	\$	\$	\$	\$	\$	\$
Net loss from continuing operations	(1,876)	(863)	(774)	(1,191)	(4,677)	(1,817)	(1,068)	(1,739)
Income taxes	—	—	—	—	242	(39)	(39)	(39)
Amortization and loss on disposal and impairment of property, plant and equipment, intangible assets, goodwill, and investments	370	267	258	219	3,076	364	339	364
Interest	185	228	203	182	287	153	214	149
EBITDA	(1,321)	(368)	(313)	(790)	(1,072)	(1,339)	(554)	(1,265)
Effect of foreign exchange and stock-based compensation	803	131	28	(76)	297	319	38	454
Adjusted EBITDA	(518)	(231)	(281)	(866)	(775)	(1,020)	(516)	811

LIQUIDITY AND CAPITAL RESOURCES

The Corporation had \$2.5 million of cash, cash in escrow, and short-term investments as of April 30, 2011, compared to \$1.7 million as of April 30, 2010, which might not be sufficient to cover its operating requirements and its capital expenditures under its current operating structure. The Corporation is pursuing various strategies aimed at ensuring that it continues operating as a going concern in the foreseeable future. Please refer to the "Going concern" section below for a more detailed analysis of the Corporation's strategy with regards to liquidity and capital resources.

Working capital decreased 7% to \$7.1 million at the end of fiscal 2011 compared to \$7.6 million at the end of the previous fiscal year. However, when we exclude the working capital of the discontinued operations of the Chinese division, working capital actually increased by \$1.4 million.

Operating Activity Cash Flows

Cash flow from operating activities was \$2.9 million in fiscal 2011, an increase of \$1.0 million from \$1.9 million cash flow used by operating activities in fiscal 2010. Decline in gross margins and in the cost containment program discussed above were the main contributing factors. Following the sale the Chinese division, Mitec reduced its payables significantly which had a negative impact on the net cash flow from operating activities.

Investing Activity Cash Flows

Cash flow from investing activities was \$3.0 million for fiscal 2011, a consequence of the net proceeds realized on the sale of the Chinese division. Acquisitions of property, plant and equipment were not significant. During fiscal 2010, cash flow used in investing activities was \$0.1 million.

Financing Activity Cash Flows

Financing activities resulted in a net cash outflow of \$40 in fiscal 2011. 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 net proceeds of \$0.7 million which was offset by the reimbursement of the credit facility in the amount of \$0.7 million. Mitec also raised additional financing through a \$0.5 million term loan facility which it reimbursed from the proceeds of the sale of the Chinese division. In fiscal 2010, net cash outflows from financing activities were \$1.0 million, following the issuance of net proceeds of \$1.7 million, convertible debentures and the repayment of \$1.4 million of expired long-term debt as well as an inflow of \$0.7 million from a recently authorized credit facility.

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 year.

	2011	2010
	\$	\$
Long-term debt, including current portion	1,578	1,157
Shareholders' equity	11,180	12,753
	12,758	13,910

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 \$134.8 million as at April 30, 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 financial statements, significant adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used.

During the year, the following transactions, aimed at addressing the uncertainties described above, occurred:

- a. The Corporation entered into a term loan facility of \$0.5 million;
- b. 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 net proceeds of \$0.7 million;
- c. 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;
- d. Following the above mentioned transaction, the Corporation reimbursed its credit facility and its term loan that had outstanding balances of \$0.7 million and \$0.5 million respectively;
- e. On May 16, 2011, Mitec concluded the sale of certain assets relating to Mitec's legacy Satcom business to a Quebec-based provider of microwave components. Gross proceeds of \$2.9 million in cash were generated from this sale.

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

1. Exploring, with the Board of Directors, potential opportunities relating to the sale of selected business segments, divestiture of certain assets or the acquisition of complementary and synergetic assets or businesses;
2. 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 and long-term profitability;
3. Approaching potential lenders and investors to secure additional debt and/or equity financing.

The Corporation continues to evaluate several opportunities consistent with these objectives and expects that several milestones will be achieved in fiscal 2012 as it executes on one or more of them.

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, 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 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.

Income Tax and Government Assistance

The Corporation estimates income tax payable using non-consolidated tax returns for each subsidiary and assesses if any amount should be included as recoverable or payable. Management reviewed various notice of assessments and notice of reassessment as of April 30, 2011 and concluded that the provision was adequate.

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 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 April 30, 2011 was considered adequate.

Revenue Recognition

The Corporation recognizes revenue from the sale of products when persuasive evidence of an arrangement exists, when products are shipped to customers, when the risks and rewards related to the ownership of the product are assumed by the customer, when collection is considered reasonably assured and when the sales price is fixed or determinable.

The Corporation generates revenue from the sale of telecommunication and satellite equipment. Revenues from the sale of equipment are recognized upon shipment and when all significant contractual obligations have been satisfied and collection is reasonably assured. Accruals for warranty costs, sales returns and other allowances at the time of shipment are based upon contract terms and anticipated claims.

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. (until divestiture on February 28, 2011), Mitec Telecom (Suzhou) Company, Ltd. (until divestiture on February 28, 2011), 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 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 April 30, 2011, a total of 14,039,000 stock options were outstanding, of which 13,558,400 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.

CHANGES IN AND RECENTLY ISSUED ACCOUNTING POLICIES

Accounting changes

During the period, the corporation adopted the accounting standard amendment of Section 1506 that was issued by the Canadian Institute of Chartered Accountants (“CICA”). Section 1506 was amended to exclude from its scope changes in accounting policies upon complete replacement of an entity’s primary basis of accounting. The adoption of this new standard had no impact on the Corporation’s consolidated financial statements.

Business combinations

In October of 2008, the CICA issued Handbook Section 1582, Business Combinations (“Section 1582”), concurrently with Handbook Section 1601, Consolidated Financial Statements (“Section 1601”), and Handbook Section 1602, Non-controlling Interests (“Section 1602”). Section 1582, which replaces CICA Handbook Section 1581, Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. Section 1601, which replaces CICA Handbook Section 1600, carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests. Section 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. These new standards are effective for the Corporation’s interim and annual consolidated financial statements commencing on January 1, 2011 with earlier adoption permitted as of the beginning of a fiscal year. As the new standards are substantially equivalent to IFRS3 as revised, the Corporation will adopt the new standard within its changeover to International Financial Reporting Standards (“IFRS”).

Multiple deliverable revenue arrangements

In December 2009, the EIC issued EIC-175, Multiple Deliverable Revenue Arrangements to amend 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 deliverable; (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 disclosure regarding significant judgments made in applying this guidance. This abstract is to be applied prospectively to revenue arrangements with multiple deliverables entered into or materially modified in the first annual fiscal period beginning on or after January 1, 2011. Early adoption is permitted and should be applied retroactively from the beginning of the entity’s fiscal period of adoption. EIC-142 is effective until adoption of EIC-175. The Corporation is assessing the impact of the new standard on its consolidated financial statements.

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that the adoption of IFRS will be mandatory for profit-oriented publicly accountable enterprises for fiscal periods beginning on or after January 1, 2011. IFRS will be effective for the Corporation’s first quarter of 2011 and these consolidated financial statements will include restated 2010 annual and interim financial information to be consistent with the new IFRS basis, as well as reconciliations of equity and net earnings for the previously reported Canadian GAAP amounts.

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.

Implementation plan

To address the changeover process, the Company established a project plan and allocated specific resources to the project. The Company’s IFRS convergence project was modified during the last quarter to expand phase 2 “Impact Analysis and Design” and the process now includes four steps: diagnostic and planning, detailed analysis, design, and implementation.

Phase One: Diagnostic Phase – This phase involves establishing a project plan for IFRS convergence and the initial identification of differences between Canadian GAAP and IFRS.

Phase Two: Detailed Analysis – This phase involves a comprehensive assessment of the differences between IFRS and the Company’s current accounting policies in order to evaluate the impact on the Company, the selection of IFRS policies, and the assessment and selection of IFRS 1 exemptions and choices for the first-time adoption of IFRS standards. In addition, the detailed analysis will identify training requirements, and determine eventual changes to business processes and information systems.

Phase Three: Design – This phase will focus on the preparation of draft IFRS financial statements and the accompanying notes, the quantification of the effect of changes on the Company's financial statements and employee training. In addition, it is during this phase that changes to the business processes and the information systems are designed as well as changes to internal controls over financial reporting that result from the accounting policy conversion.

Phase Four: Implementation – This phase involves implementing changes to systems, business processes and internal controls, parallel accounting under Canadian GAAP and IFRS and preparing detailed reconciliations between Canadian GAAP and IFRS financial statements.

Current status of the Company's IFRS changeover plan

The Company completed the Diagnostic Phase and the Detailed Analysis Phase and has made significant progress in the third phase, Design, including the quantification of various differences as described below.

During this period, specific project milestones completed include progression or completion of the following activities:

- a detailed analysis of the differences between IFRS and Canadian GAAP;
- an analysis of the accounting policy choices available under IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1") and other individual IFRS standards that are relevant to the Company;
- the quantification of impact of the conversion to IFRS on the financial statements on certain differences;
- the preparation of IFRS financial statement disclosure requirements;
- the creation of accounting policies; and
- the execution of some changes in information systems and business processes.

Management is being assisted in the conversion process by a full time professional and by outside consultants and has begun the implementation phase of its plan. Although this fourth phase is not yet completed, the Company does not expect any significant changes in its business activities as a result of the IFRS transition and 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 significant IFRS policy decisions and accounting differences seem to have the highest impact on the Company's accounting standards but it does not expect that the changes to IFRS will have a significant impact on the Company's business. The list and comments should not be construed as a comprehensive list of changes that will result from the transition to IFRS but rather highlights those areas of accounting differences that the Company currently believes to be important.

Notwithstanding the above, the current IASB and International Financial Reporting Interpretations Committee ("IFRIC") projects may modify some of the actual IFRS requirements which might therefore ultimately impact the following identified preliminary differences. Furthermore, given the progress of the project and outcomes identified, we could change our intentions between the time of communicating these key milestones and the changeover date. Finally, changes in regulation or economic conditions at the date of the changeover or throughout the project could result in changes to the transition plan being communicated here.

First-time Adoption of IFRS

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 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 which 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:

IFRS 1 Optional Exemptions

- **Business combination:**
IFRS 1 provides an exemption that allows an entity to elect not to retrospectively restate business combinations prior to May 1, 2010 (the "Transition Date") in accordance with IFRS 3, "Business Combinations". The Company elected not to retrospectively restate those business combinations that occurred prior to the Transition Date.
- **Cumulative translation difference:**
Retrospective application of IAS 21, The Effects of Changes in Foreign Exchange Rates, would require the Company to determine cumulative currency translation differences from the date a foreign subsidiary was formed or acquired. IFRS 1 allows an entity to elect not to calculate the translation difference retrospectively. Where this election is made, the cumulative translation balance for all foreign operations is deemed to be NIL at the Transition Date. The Company's US subsidiary and its Chinese subsidiary were determined to have a functional currency different than that of the parent. As the Company elected to use this exemption, it did not retrospectively calculate the cumulative translation balances and all cumulative translation balance is reset to zero on the Transition Date. There is no impact to total shareholders' equity as a result of this election as the balance of the cumulative translation in the amount \$0.7 million at the date transition under Canadian GAAP will be applied against retained earnings.

- 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.

IFRS 1 Mandatory Exemptions

Estimates previously determined under Canadian GAAP cannot be revised due to the application of IFRS except where necessary to reflect differences in accounting policies.

In addition to the IFRS 1 exceptions and exemptions, the following are the differences between our Canadian GAAP accounting policies and those under IFRS that we believe are applicable and significant to the Company based on our analysis to date:

ACCOUNTING POLICY	KEY DIFFERENCES IN ACCOUNTING TREATMENT	POTENTIAL KEY IMPACTS
Share based Payments (IFRS 2)	Under IFRS, when stock option awards vest gradually, each tranche is to be considered as a separate award while under Canadian GAAP, companies can make a policy choice to consider gradually vested tranches as a single award. Similarly, the IFRS standard requires that forfeiture estimates be established at the time of the initial fair value assessment of share-based payments rather than to account for the forfeitures as they occur. Therefore, the compensation expense will have to be recognized over the expected term of each tranche and take 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 Company has determined on a preliminary basis that the impact of this new accounting treatment is not material and no adjustment is required. There could be adjustments to compensation expense for the remainder of 2011 but the final amount has not yet been determined.
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 or fair value less cost to sell 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.	The Company has determined that there are 5 CGUs but none of them contain goodwill. Because there were indicators of impairment in each one of the CGU's, an impairment test at the transition date was performed for each of these. The Company concluded on a preliminary basis that none of the CGUs was impaired as at the transition date.
Fixed assets and depreciation (IAS 16)	Under IFRS, When an item of property, plant and equipment comprises individual components for which different depreciation methods or rates are appropriate, each component is accounted for separately (component accounting). For Mitec, the building was found to comprise separate components for which different rates of amortization and useful life were appropriate.	The Company has performed its assessment of the various components and concluded that one of the components had a shorter useful life. On transition, this difference resulted in an increase of depreciation of approximately \$184.

ACCOUNTING POLICY	KEY DIFFERENCES IN ACCOUNTING TREATMENT	POTENTIAL KEY IMPACTS
Foreign exchange translation (IAS 21)	<p>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. IFRS requires that in making the assessment of functional currency for each of the parent company and its subsidiaries, greater weighting be placed on certain criteria.</p> <p>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.</p>	<p>The Company has performed its assessment of the functional currency of each of its entities and concluded that the functional currency of its US subsidiary (Keragis Corporation) is the US dollar; the functional currency of its Chinese subsidiary Mitec Telecom (Suzhou) Company, Ltd. is the Chinese Yuan (RMB). The Canadian operation and parent's functional currency is the Canadian dollar which is also the reporting currency.</p> <p>On transition, there is no impact as the carrying value of the non-monetary assets of the US and of the Chinese subsidiaries was previously recorded at the exchange rates prevailing at the end of the period. The outstanding balance of the cumulative translation adjustment in the amount of \$684, will be applied against retained earnings.</p>
Financial Instruments (IAS 32 and IAS 39)	<p>Convertible debenture</p> <p>Under IFRS, entities with Compound Instruments such as convertible debentures are required to measure the fair value of the liability component first, with the residual allocated to the equity component. Canadian GAAP allows the "reverse residual method" whereby the fair value of the equity component is measured first with the residual allocated to the debt component upon initial recognition.</p>	<p>The Company issued \$1.9 million convertible unsecured debentures bearing interest at 12% that can be converted into common shares at a price of \$0.06 per share. Under Canadian GAAP, the Company had determined the fair value of the conversion option first and allocated the residual of the proceeds to the debt component.</p> <p>Based on comparable debts and with the assistance of valuation specialists, Management has determined that an effective interest rate between 27%-32% was appropriate to value the debt. As a result no actual adjustment to the components was required since the effective interest rate of 31% that resulted from the Canadian GAAP falls within an acceptable range.</p>
Provisions, Contingent Liabilities and Contingent Assets (IAS 37)	<p>Under IFRS, provisions and contingent liabilities are recorded when it is probable (more likely than not) that an outflow of resources will be required to settle the obligation. Under GAAP, the threshold is higher. Provisions are recognized under Canadian GAAP, if the outflow of resources is likely. In addition, measurement differences also exist. For example, under IFRS, provisions are measured at the midpoint of a range when no signal estimate is the "best estimate". Under Canadian GAAP, the low end of range is used.</p>	<p>Though our analysis is not totally finished, we have concluded on a preliminary basis that no additional provision needs to be recorded at the Transition Date. It is possible that additional provisions will be recognized once our work is completed.</p>
Presentation of Financial Statements (IAS 1)	<p>A number of financial statement presentation differences exist between IFRS and Canadian GAAP including the classification of the statement of operations by function or by nature.</p>	<p>The Company has decided to adopt a statement of operations presentation based on function. As a result, impairment will be reallocated to the various functions.</p>
Income taxes (IAS 12)	<p>The recognition of deferred income taxes for temporary differences arising from intercompany transfers of property and from foreign exchange fluctuations on non-monetary items are prohibited under Canadian GAAP. There are no similar exceptions under IFRS. In addition, other significant differences may include accounting for uncertain tax positions, backwards tracing and differences relating to presentation and disclosure. We will also be impacted by the potential income tax effect of the other IFRS changes noted above.</p>	<p>The detailed analysis and the quantification of the impacts remain to be completed.</p>

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.

Impact on business activities

The Corporation 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. These targets are determined on an annual basis and in accordance with Canadian GAAP for fiscal 2011, for which Canadian GAAP standards and reporting will still apply. 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 does 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 are being put in place to ensure that the Corporation is making the appropriate judgments and is following the IFRS accounting policies selected.

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 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 of the Corporation's material contractual obligations due per year:

	Accounts payable \$	Long-term debt \$	Operating Leases \$	Total \$
1 year	1,937	1,857	323	4,117
2 - 3 years	—	—	210	210
Over 4 years	—	—	2	2
	1,937	1,857	535	4,329

COMMON SHARES, WARRANTS, AND STOCK OPTIONS

As of April 30, 2011, there were 276,666,756 common shares as well as 14,039,000 stock options outstanding.

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.

RELATED PARTY TRANSACTIONS

The Board of Directors has mandated its Chairman to review various merger and acquisition opportunities and to actively pursue related financing activities. For the year ended April 30, 2011, consulting fees in the amount of \$199 (2010 -\$167) were paid to a company controlled by the Chairman of the Board. This transaction was in the normal course of operations and was measured at the exchange amount, which is the amount agreed upon between the related parties. The Corporation also paid for professional expenses to arrange equity and debt financing as well as assisting the Corporation with executing its corporate finance objectives in the amount of \$154 (2010 – nil) to a company of which 3 directors of Mitec may influence decisions. These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount agreed upon between the related parties.

OUTLOOK

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

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.

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, 2011, and have concluded that such disclosure controls and procedures were designed and operating effectively.

Internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Management has evaluated the design and effectiveness of its internal controls and procedures over financial reporting (as defined in National Instrument 52-109 -Certification of Disclosure in Issuer's Annual and Interim Filings) for the year ended April 30, 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 twelve months ended April 30, 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. In fiscal 2011, the Corporation had no customer who accounted for more than 10% of its sales. Although the Corporation invests considerable effort in maintaining its relationships with its customers, there can be no assurance that Mitec will be able to sell to such customers on an advantageous basis in the future, or that such customers will continue to buy from Mitec. Any changes in their business strategies, changes in timing, or marketing issues, could have a material financial impact on Mitec. 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 countercyclical 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 our 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 extend, 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. This risk substantially decreased further to the sale of subsidiaries.

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 records impairment losses on its trade receivables separately from gross receivables. The movements on this allowance account during the year are summarized below:

	2011
	\$
Allowance for doubtful accounts, beginning of year	64
Increases in allowance	168
Written off against allowance	(13)
	219

The foreign trade receivables of the Canadian operation are guaranteed by the Export Development Corporation Canada ("EDC") and the Corporation's customer base comprises of many geographically dispersed customers. No customer (2010 – none) accounted for more than 10% of sales for the year ended April 30, 2011 and no customer (2010 – two) accounted for more than 10% of trade receivables as at April 30, 2011 (2010 – 36%). Two customers represented 45% of Telecom sales for the year ended April 30, 2011 (2010 – two customers represented 47% of Telecom sales).

As at April 30, 2011, the aging of the trade receivable is as follows:

	2011
	\$
Current	3,221
31 – 60 days	689
Over 61 days	1,189
Accounts receivable	5,099
Less: allowance for doubtful accounts	(219)
	4,880

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 April 30, 2011, the Corporation had at its disposal working capital of \$7.1 million (2010 -\$7.6 million). The Corporation has sufficient cash, and working capital available to meet its financial contractual obligations. Accounts payable and accrued liabilities are all due within the current operating period. As of April 30, 2011, \$0 (2010 – \$0.7 million) had been drawn from the credit facility.

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. The Corporation is exposed to such variation since its credit facility considers a floating interest rate. Based

on the credit facility as of April 30, 2011, the variation of 1% in the interest rate would not result in an increase/decrease in net profit and comprehensive income since \$0 was drawn. The Corporation is not exposed to interest rate risk with its long-term debt since it considers a fixed interest rate.

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

	As at April 30, 2011
	US \$
Cash	1,611
Accounts receivable	2,697
Accounts payable and accrued liabilities	1,263

Based on the above net exposures as at April 30, 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 would result in an increase/(decrease) in net profit and comprehensive income of \$304/(\$304).

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.

SUBSEQUENT EVENT

Subsequent to year end, on May 16, 2011, the Corporation sold certain assets relating to Mitec's legacy Satcom business, consisting of inventories, property, plant and equipment and intangible assets with an estimated carrying amount of \$2.5 million, for gross proceeds of \$2.9 million, resulting in a gain of \$0.1 million net of related expenses.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This MD&A was prepared as of July 27, 2011. Updated information on Mitec, including the annual information form, can be found on the SEDAR web site at www.sedar.com.

As of July 27, 2011, a total of 282,666,756 common shares were issued and outstanding, as well as a total of 13,796,000 stock options.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED APRIL 30, 2011 AND 2010

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of the Corporation. The consolidated financial statements were prepared in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect management's best estimates and judgments. Where alternative accounting methods exist, management has chosen those methods deemed most appropriate in the circumstances. Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements within reasonable limits of materiality, and for the consistency of financial data included in the text of the Management's Discussion and Analysis with the data contained in the consolidated financial statements.

To assist management in the discharge of these responsibilities, the Corporation maintains a system of internal controls over financial reporting as described in the Management's Discussion and Analysis.

The Company's Audit Committee is appointed by the Board of Directors annually and is comprised exclusively of outside, independent directors. The Audit Committee meets with management as well as with the external auditors to satisfy itself that management is properly discharging its financial reporting responsibilities and to review the consolidated financial statements. The Audit Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for presentation to the shareholders. The Audit Committee considers, for review by the Board of Directors and approval by the shareholders, the engagement or reappointment of the independent auditors. The external auditors, BDO Canada LLP/s.r.l. / s.e.n.c.r.l., have direct access to the Audit Committee of the Board of Directors.

The consolidated financial statements have been independently audited by BDO Canada LLP/s.r.l. / s.e.n.c.r.l., Chartered Accountants, on behalf of the shareholders, in accordance with Canadian generally accepted auditing standards. Their report outlines the nature of their audit and expresses their opinion on the consolidated financial statements of the Corporation.



JEFFREY A. MANDEL

President and Chief Executive Officer
August 4, 2011



BRUNO DUMAIS, CA

Vice-President and Chief Financial Officer
August 4, 2011

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Mitec Telecom Inc.

We have audited the accompanying consolidated financial statements of Mitec Telecom Inc. and its subsidiaries, which comprise the consolidated balance sheets as at April 30, 2011 and 2010, and the consolidated statements of loss and comprehensive loss, shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mitec Telecom Inc. and its subsidiaries as at April 30, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Corporation has a deficit amounting to \$134,799,000 at April 30, 2011 and a loss from continuing operations in the amount of \$4,704,000 for the year then ended. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern.

(signed) BDO Canada LLP/s.r.l./S.E.N.C.R.L.¹

CHARTERED ACCOUNTANTS

Montréal, Québec
July 27, 2011

¹ CA auditor permit No. 10589

BDO Canada s.r.l./S.E.N.C.R.L., une société canadienne à responsabilité limitée/société en nom collectif à responsabilité limitée, est membre de BDO International Limited, société de droit anglais, et fait partie du réseau international de sociétés membres indépendantes BDO.

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

CONSOLIDATED BALANCE SHEETS

(in thousands of Canadian dollars)

As at April 30	2011 \$	2010 \$
Assets		
Current		
Cash	2,000	1,552
Cash held in escrow (Note 4)	339	—
Short-term investments, consisting of money market funds (Note 10 b)	182	181
Trade receivables	4,880	3,619
Other receivables (Note 5)	521	288
Income taxes recoverable	276	455
Inventories (Note 6)	4,195	4,282
Prepaid expenses and other assets	291	323
Current assets related to discontinued operations (Note 4)	—	3,707
	12,684	14,407
Property, plant and equipment (Note 7)	2,871	3,467
Intangible assets (Note 8)	1,250	1,738
Investments	—	25
Long-term assets related to discontinued operations (Note 4)	—	1,067
	16,805	20,704
Liabilities and Shareholders' Equity		
Current		
Credit facility (Note 10)	—	733
Accounts payable and accrued liabilities	4,047	4,261
Current portion of long-term debt (Note 11)	1,578	—
Current liabilities related to discontinued operations (Note 4)	—	1,800
	5,625	6,794
Long-term debt (Note 12)	—	1,157
	5,625	7,951
Shareholders' equity		
Common shares (Note 12)	132,896	132,142
Warrants (Note 12)	—	1,152
Equity component of convertible debentures (Note 11)	786	768
Contributed surplus	12,033	10,802
Deficit	(134,799)	(131,427)
Accumulated other comprehensive gain (loss)	264	(684)
	11,180	12,753
	16,805	20,704

Nature of the Business and Going Concern Uncertainty (Note 1)

Commitments and Contingencies (Note 14)

Subsequent Event (Note 22)

On behalf of the Board,


Robert Boisjoli, Director


Jeffrey Mandel, Director

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

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(in thousands of Canadian dollars, except share data and per share amounts)

For the years ended April 30	2011 \$	2010 \$
Sales (Note 16)	15,690	19,218
Cost of sales (Notes 15 and 16)	11,900	15,226
	3,790	3,992
Expenses (Note 15)		
Research and development (Note 13)	1,716	2,888
Selling and administrative	4,802	5,615
Financial expenses (Note 17)	821	834
Foreign exchange loss (Note 4)	807	915
Loss on disposal and impairment of property, plant and equipment (Note 7)	82	8
Loss on disposal and impairment of intangible assets (Note 8)	162	724
Impairment of goodwill (Note 9)	—	1,991
Impairment of investments	25	—
Stock-based compensation (Note 12)	79	193
	8,494	13,168
Loss from continuing operations before income taxes	(4,704)	(9,176)
Income tax expense - future (Note 13)	—	125
Net loss from continuing operations for the year	(4,704)	(9,301)
Loss from discontinued operations, net of income taxes (Note 4)	(166)	(2,146)
Gain on disposal of the discontinued operations, net of income taxes (Note 4)	1,498	—
Earnings (loss) from discontinued operations	1,332	(2,146)
Net loss for the year	(3,372)	(11,447)
Net change in the unrealized gain on translating financial statements of self-sustaining foreign operations	136	248
Net change in the unrealized gain on translating financial statements of discontinued operations	19	(652)
Unrealized cumulative translation loss on disposition of self-sustaining foreign operations transferred to earnings during the year (Note 4)	793	—
Other comprehensive gain (loss)	948	(404)
Comprehensive loss for the year	(2,424)	(11,851)
Basic and diluted earnings (loss) per outstanding common share		
- continuing operations	(0.02)	(0.04)
- discontinued operations	0.01	(0.01)
- net loss	(0.01)	(0.05)
Weighted average number of outstanding common shares (Note 12)	246,002,829	220,666,756

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands of Canadian dollars, except share data and per share amounts)

	Common shares		Warrants		Equity component of convertible debentures	Contributed surplus	Deficit	Accumulated other comprehensive loss	Shareholders' equity
	# (000)	\$	# (000)	\$	\$	\$	\$	\$	\$
							(a)	(a)	
Balance, April 30, 2009	220,667	132,142	37,829	1,925	14	9,836	(119,980)	(280)	23,657
Issued under a convertible debenture financing	—	—	—	—	754	—	—	—	754
Expired warrants	—	—	(14,226)	(773)	—	773	—	—	—
Stock-based compensation	—	—	—	—	—	193	—	—	193
Other comprehensive loss for the year	—	—	—	—	—	—	—	(404)	(404)
Net loss for the year	—	—	—	—	—	—	(11,447)	—	(11,447)
Balance, April 30, 2010	220,667	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 under a convertible debenture financing	833	61	—	—	18	—	—	—	79
Expired warrants	—	—	(23,603)	(1,152)	—	1,152	—	—	—
Stock-based compensation	—	—	—	—	—	79	—	—	79
Other comprehensive gain for the year	—	—	—	—	—	—	—	948	948
Net loss for the year	—	—	—	—	—	—	(3,372)	—	(3,372)
Balance, April 30, 2011	276,667	132,896	—	—	786	12,033	(134,799)	264	11,180

(a) The total of deficit and accumulated other comprehensive loss is \$134,535 (2010 - \$132,111). Accumulated other comprehensive gain (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 consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)

For the years ended April 30	2011 \$	2010 \$
Cash flows from operating activities		
Net loss from continuing operations for the year	(4,704)	(9,301)
Items not affecting cash		
Amortization	845	1,420
Loss on disposal and impairment of property, plant and equipment (Note 7)	82	8
Loss on disposal and impairment of intangible assets (Note 8)	162	724
Impairment of investment	25	—
Impairment of goodwill (Note 9)	—	1,991
Future income tax charge (Note 13)	—	125
Unrealized cumulative translation loss on disposition of self-sustaining foreign operations	793	—
Unrealized exchange loss	—	290
Stock-based compensation	79	193
Accretion expense	501	448
	(2,217)	(4,102)
Changes in non-cash working capital balances related to operating activities (Note 15)	(668)	2,193
	(2,885)	(1,909)
Cash flows from investing activities		
Net proceeds on disposal of the discontinued operations, net of cash and incremental costs (Note 4)	3,067	—
Cash held in escrow (Note 4)	(339)	—
Additions to property, plant and equipment	(18)	(107)
Proceeds on disposal of property, plant and equipment	3	26
Purchases of short-term investments	(364)	(181)
Sales of short-term investments	363	181
	2,712	(81)
Cash flows from financing activities		
Convertible debentures issued (Note 11)	—	1,678
Issuance of shares	693	—
Repayment of long-term debt	—	(1,400)
Credit facility (Note 10)	(733)	733
Issuance of term loan	500	—
Repayment of term loan	(500)	—
	(40)	1,011
Discontinued operations (Note 4)	335	(1,612)
Loss on foreign cash held	(8)	(8)
Net increase (decrease) in cash	114	(2,599)
Cash , beginning of year	1,552	2,539
Cash , beginning of year related to discontinued operations	334	1,946
Cash , end of year related to discontinued operations	—	334
Cash , end of year	2,000	1,552

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

APRIL 30, 2011 AND 2010

(all amounts are in thousands of Canadian dollars, except per share and share data, unless otherwise stated)

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 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 \$134,799 at April 30, 2011 and a loss from continuing operations in the amount of \$4,704 for the year then ended. 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 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 financial statements, significant adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses, and the balance sheet classifications used.

During the year, the Corporation addressed some of the uncertainties described above with the following transactions:

1. The Corporation raised additional financing in the amount of \$500 through a term-loan facility;
2. 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 net proceeds of \$693;
3. The Corporation sold Mitec Communications Ltd. and Mitec Telecom (Suzhou) Company, Ltd. for a cash consideration of \$3,983 that generated a gain of \$1,498 (Note 4);
4. Following the above-mentioned transaction, the Corporation reimbursed its credit facility and its term loan that had outstanding balances of \$733 and \$500 respectively (Note 10);
5. Subsequent to year-end, the Corporation sold certain assets relating to the Corporation's legacy Satcom business for a cash consideration of \$2,900 (Note 22).

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

1. Exploring potential opportunities relating to the sale of selected business segments, divestiture of certain assets of the acquisition of complementary and synergetic assets or businesses;
2. 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;
3. Approaching potential lenders and investors to secure additional debt and/or equity financing.

Management believes that should the Corporation be successful at realigning its Telecom and Satcom business units and/or securing additional funding 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 consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”), the more significant of which are outlined below:

BASIS OF CONSOLIDATION

These consolidated financial statements include the accounts of the Corporation and its wholly-owned self-sustaining subsidiaries, Keragis Corporation, Mitec Communications Ltd. (until divestiture on February 28, 2011) and Mitec Telecom (Suzhou) Co. Ltd. (until divestiture on February 28, 2011), using the purchase method. All significant inter-company balances and transactions have been eliminated on consolidation. The Corporation has no interest in variable interest entities.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

USE OF ESTIMATES AND MEASUREMENT OF UNCERTAINTY

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to estimates and assumptions include, but are not limited to, the estimated useful life of assets, inventory obsolescence, impairment of long-lived assets, 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, and allowance for doubtful accounts. Actual results could differ from those estimates. Significant changes in the assumptions with respect to future business plans and cash flows could result in impairment of goodwill, intangible assets and property, plant and equipment. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

INVESTMENT TAX CREDITS

The Corporation incurs research and development expenditures, which are eligible for investment tax credits. The investment tax credits recorded are based on management's estimates of amounts expected to be recovered and are subject to audit by taxation authorities.

Investment tax credits for scientific research and experimental development are reflected as a reduction of the expenses to which they relate when there is a reasonable assurance of their realization.

INVENTORIES

Inventories are measured at the lower of cost and net realizable value. Raw materials inventory costs include all costs incurred to bring the materials to their current state and location, including the purchase price, duties, non-refundable taxes and freight. Work-in progress and finished goods include, in addition to the cost of the raw materials incorporated into their manufacture, the costs of labour incurred directly in their manufacture and an allocation of indirect variable overhead, fixed overhead and depreciation on plant and equipment. Costs are assigned to inventory on a first-in, first-out basis. In determining net realizable value, the Corporation considers factors such as current selling price, product lifecycle and future sales volumes. Allowances for slow-moving or obsolete inventory are recorded when considered appropriate.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost less applicable investment tax credits and are amortized over their estimated useful lives using the following methods and rates:

Machinery and equipment	10% to 20% declining balance
Buildings	20 years straight line
Leasehold improvements	Term of the lease, straight line
Furniture and fixtures	20% declining balance
Tools and dies	5 years straight line
Computer equipment	30% declining balance

INTANGIBLE ASSETS

Intangible assets are recorded at cost and are amortized over their useful lives using the following methods and rates:

Software	30% declining balance
Patented technology	10 years straight line
Non-patented technology	10 years straight line

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.

GOODWILL

Goodwill represents the excess at the date of acquisition of the cost of the acquired business over the fair values attributed to the underlying net tangible assets and the identifiable intangible assets. Goodwill is not subject to amortization.

On at least an annual basis and more frequently if events or circumstances indicate that the asset might be impaired, the Corporation subjects goodwill to an impairment test based upon a comparison of the carrying amount to the fair value of the reporting unit. Any impairment in the carrying amount of goodwill is charged to operations in the period such impairment is identified.

Impairment is identified by comparing the fair value of the reporting unit to which the goodwill relates to its carrying value. To the extent a reporting unit's carrying amount exceeds its fair value, the Corporation measures the amount of impairment by the excess of carrying value over the implied fair value of goodwill. The impairment is charged to income in the period in which it is determined.

PRODUCT WARRANTY

The Corporation records a warranty provision on the sale of certain products. This estimate is based on historical repair frequency and related costs. Management reviews the provision on an on-going basis.

REVENUE RECOGNITION

The Corporation recognizes revenue from the sale of products when persuasive evidence of an arrangement exists, when products are shipped to customers, when the risks and rewards related to the ownership of the product are assumed by the customer, when collection is considered reasonably assured and when the sales price is fixed or determinable.

The Corporation generates revenue from the sale of telecommunication and satellite equipment. Revenues from the sale of equipment are recognized upon shipment and when all significant contractual obligations have been satisfied and collection is reasonably assured. Accruals for warranty costs, sales returns and other allowances at the time of shipment are based upon contract terms and anticipated claims.

RESEARCH AND DEVELOPMENT

Research costs, net of related investment tax credits, are expensed as incurred. Development costs are charged to operations as incurred unless such costs meet all criteria under GAAP for deferral and amortization. No development costs have been deferred to date.

INCOME TAXES

The Corporation uses the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future tax assets or liabilities are expected to be realized or settled. A valuation allowance is provided to the extent that it is more likely than not that the future income tax assets will not be realized.

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 dates. 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 at the time of the transaction. 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. (until divestiture on February 28, 2011), Mitec Telecom (Suzhou) Company, Ltd. (until divestiture on February 28, 2011), 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 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.

FINANCIAL INSTRUMENTS

The Corporation classifies financial assets and liabilities as held-for-trading, available-for-sale, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are all recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount in accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3840, Related Party Transactions.

The Corporation has classified its financial assets and liabilities as follows:

- Cash and cash in escrow are classified as "Financial Assets Held-for-Trading" and are measured at fair value with gains and losses recognized in net income/loss;
- Short-term investments and investments are classified as "Financial Assets Available-for-Sale" and are measured at fair value with unrealized gains and losses being recognized as other comprehensive income/loss until realized. Investments in private companies are recorded at cost as reliable fair market value is not available for such investments. If an unrealized loss is considered other than temporary, the unrealized loss is recorded in net income/loss;
- Trade receivables and other receivables (excluding commodity taxes receivable) are classified as "Loans and Receivables". After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method; and
- Credit facility, accounts payable, accrued liabilities and long-term debt are classified as "Other Financial Liabilities". After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Corporation has elected to account for transaction costs related to the issuance of financial instruments as a reduction of the carrying value of the related financial instruments, except for transaction costs related to financial instruments designated as held-for-trading which are expensed as incurred.

The fair value of these financial instruments is described in Note 20.

STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS

The Corporation has a stock-based compensation plan, which is described in Note 12. The Corporation uses the fair value method to account for stock granted to employees, directors and consultants. Options issued to employees, directors and consultants are recognized as an expense over the vesting period. The fair value is determined using the Black-Scholes option pricing model. Any consideration paid on exercise of stock options or purchase of stock is credited to share capital. Forfeitures are recognized in the period an employee is terminated or voluntarily leaves the employment of the Corporation.

EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is calculated using the weighted average number of shares outstanding during the year. Diluted earnings (loss) per share is calculated using the treasury stock method, giving effect to the exercise of all dilutive factors. The treasury stock method assumes that any proceeds that could be obtained upon the exercise of options or warrants or conversion of the convertible debt would be used to purchase common shares at the average market price during the period.

3. CHANGES IN AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

ACCOUNTING CHANGES

During the year, the Corporation adopted the accounting standard amendment of Section 1506 that was issued by the Canadian Institute of Chartered Accountants ("CICA"). Section 1506 was amended to exclude from its scope changes in accounting policies upon complete replacement of an entity's primary basis of accounting. The adoption of this new standard had no impact on the Corporation's consolidated financial statements.

BUSINESS COMBINATIONS

In October of 2008, the CICA issued Handbook Section 1582, Business Combinations ("Section 1582"), concurrently with Handbook Section 1601, Consolidated Financial Statements ("Section 1601"), and Handbook Section 1602, Non-controlling Interests ("Section 1602"). Section 1582, which replaces CICA Handbook Section 1581, Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. Section 1601, which replaces CICA Handbook Section 1600, carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests. Section 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. These new standards are effective for interim and annual consolidated financial statements commencing on January 1, 2011 with earlier adoption permitted as of the beginning of a fiscal year. As the new standards are substantially equivalent to IFRS 3 as revised, the Corporation will adopt the new standard within its changeover to IFRS.

MULTIPLE DELIVERABLE REVENUE ARRANGEMENTS

In December 2009, the CICA issued EIC-175, Multiple Deliverable Revenue Arrangements, replacing EIC-142, 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 deliverable; (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 disclosure regarding significant judgments made in applying this guidance. This abstract is to be applied prospectively to revenue arrangements with multiple deliverables entered into or materially modified in the first annual fiscal period beginning on or after January 1, 2011. Early adoption is permitted and should be applied retroactively from the beginning of the entity's fiscal period of adoption. EIC-142 is effective until adoption of EIC-175. The Corporation is assessing the impact of the new standard on its consolidated financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that the adoption of IFRS will be mandatory for profit-oriented publicly accountable enterprises for fiscal periods beginning on or after January 1, 2011. IFRS will be effective for the Corporation's first quarter of 2012 and these consolidated financial statements will include restated 2011 annual and interim financial information to be consistent with the new IFRS basis, as well as reconciliations of equity and net earnings for the previously reported Canadian GAAP amounts.

4. DISCONTINUED OPERATIONS

On February 28, 2011, the Corporation sold Mitec Communications Ltd. and Mitec Telecom (Suzhou) Company, Ltd. for a cash consideration at closing of \$3,644 and a cash portion of \$339 held in escrow until approval from the Chinese taxation authorization of a change of the registered capital of Mitec Telecom (Suzhou) Company Ltd. The carrying value of the assets and liabilities disposed on February 28, 2011 was \$2,239. In relation to this transaction, an unrealized cumulative translation loss of \$793 was realized and included in the foreign exchange loss in the statements of loss and comprehensive loss. In addition, the Corporation incurred incremental direct costs of \$246 in relation to the disposal resulting in a gain of \$1,498 recorded in the consolidated statement of loss and comprehensive loss. The approval of the change of the registered capital took place in July 2011 and the funds were removed from escrow.

As a result of the transaction, the operations of Mitec Communications Ltd. and Mitec Telecom (Suzhou) Company, Ltd. which was included in the Telecom segment have been reported as discontinued activities in the consolidated statements of loss and are summarized below:

	2011	2010
	\$	\$
Sales	8,368	6,206)
Gross profit (loss)	1,013	(324)
Loss from discontinued operations, net of income taxes of nil (2010 – nil)	(166)	(2,146)

Amortization relating to property and equipment included in discontinued operations was \$234 (2010 – \$284) and amortization relating to intangibles was \$10 (2010 – \$10).

The carrying values of assets and liabilities as of the date of the transaction are summarized below:

	\$
Current assets (includes cash of \$669)	4,468
Property and equipment	1,068
Intangible assets	20
Current liabilities	(3,317)
	2,239

The cash flows related to discontinued activities are summarized below:

	2011	2010
	\$	\$
Operating activities	620	(1,485)
Investing activities	(285)	(127)
Financing activities	—	—
Increase (decrease) in cash related to discontinued activities	335	(1,612)

5. OTHER RECEIVABLES

	2011	2010
	\$	\$
Commodity taxes receivables	254	247
Other (Note 10a)	267	41
	521	288

6. INVENTORIES

	2011 \$	2010 \$
Raw materials and purchased components	2,478	2,459
Work-in-progress	1,158	1,332
Finished goods	559	491
	4,195	4,282

Included in cost of sales is an inventory expense of \$14,010 (2010 - \$14,138). Also included in cost of sales is an impairment of inventories of \$nil (2010 - \$331).

7. PROPERTY, PLANT AND EQUIPMENT

As at April 30, 2011	Cost \$	Accumulated Amortization \$	Net Carrying Value \$
Machinery and equipment	11,183	9,243	1,940
Land and buildings	975	430	545
Leasehold improvements	335	197	138
Furniture and fixtures	1,735	1,631	104
Tools and dies	103	28	75
Computer equipment	521	452	69
	14,852	11,981	2,871

As at April 30, 2010	Cost \$	Accumulated Amortization \$	Net Carrying Value \$
Machinery and equipment	11,578	9,217	2,361
Land and buildings	975	406	569
Leasehold improvements	378	165	213
Furniture and fixtures	1,744	1,610	134
Tools and dies	103	18	85
Computer equipment	990	885	105
	15,768	12,301	3,467

Management periodically reviews the property, plant and equipment carrying value in light of the Corporation's strategic plan and general business environment. During the year, the Corporation determined that the carrying value of certain assets consisting mostly of machinery and equipment and furniture and fixtures were no longer recoverable. Consequently, property, plant and equipment with a carrying value of \$70 (2010 – \$34) were written off. A loss on disposal of property, plant and equipment of \$12 (2010 – gain of \$26) was recognized during the year.

8. INTANGIBLE ASSETS

As at April 30, 2011	Cost \$	Accumulated Amortization \$	Net Carrying Value \$
Software	1,709	1,617	92
Patented technology	1,960	802	1,158
	3,669	2,419	1,250

As at April 30, 2010	Cost \$	Accumulated Amortization \$	Net Carrying Value \$
Software	3,930	3,680	250
Patented technology, patent-pending technology and trademarks	1,968	616	1,352
Non-patented technology	1,891	1,755	136
	7,789	6,051	1,738

Management periodically reviews the carrying value of the intangible asset portfolio whenever there is an indication of impairment. During the year, the Corporation concluded that the decrease in the Corporation's market capitalization was an event indicating the carrying amount of certain of the Corporation's intangible assets may not be recoverable. Management performed an impairment analysis as at April 30, 2011 using a cost approach to determine the fair value. The Corporation determined based on management's valuation that the carrying value of certain intangible assets were no longer recoverable. Consequently, non-patent technology with a carrying value of \$72 and software with a carrying value of \$20 were written off. In 2010, customer relationships with a carrying value of \$369 and patented technology with a carrying value of \$355 were written off. A loss of disposal of software with a carrying value of \$70 (2010 – \$nil) was also recorded.

9. GOODWILL

In 2010, following the annual impairment test of the goodwill resulting from the acquisition of Keragis, the Corporation incurred an impairment charge of \$1,991.

10. CREDIT FACILITY

a) On March 2, 2010, the Corporation entered into a loan and receivables servicing agreement with a Canadian financial institution for an operating line of credit.

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

- i. \$2,500; or
- ii. 85% of the eligible accounts receivable.

As at April 30, 2011, the Corporation's borrowing capacity was \$1,140 (2010 – \$1,159), of which \$0 (2010 – \$733) 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 year ended April 30, 2011 was 7.25% (2010 – 6.5%).

The credit facility is guaranteed by a movable hypothec in the amount of \$3,250 affecting the assets of the Corporation ranking first with respect to trade receivables (with a carrying value of \$4,369 as at April 30, 2011 and \$3,383 as at April 30, 2010) and inventory (with a carrying value of \$4,195 as at April 30, 2011 and \$4,107 as at April 30, 2010) 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. Subsequent to year-end, the Corporation decided to terminate the agreement and all amounts owed to the Corporation included in other receivables were received.

b) At April 30, 2011, the Corporation had credit facilities available for its corporate credit cards in the amount of \$55 and for a standby letter of credit to support contingent liability with a landlord in the amount \$100 with a major Canadian bank institution. These credit facilities are short term in nature and are due on demand. The interest rate and fees on the credit card facilities are standard while the interest rates on the stand-by letter of credit is 1.5% (2010 – 1.5%). The Corporation has provided security interests in the form of short-term deposits in the amount of \$175 (2010 – \$175) which have been included in short-term investments. At April 30, 2011, there were no borrowings on the available facilities (2010 – nil).

c) In September 2010, the Corporation entered into a term-loan facility of \$500 bearing interest at 15% guaranteed by a movable hypothec on all assets of the Corporation including the shares of Keragis Corp. and Mitec Communications Ltd. except for accounts receivable and inventory. The loan is repayable within six months from the date of the draw-down of the facility. The loan was reimbursed in February 2011.

11. LONG-TERM DEBT

	2011 \$	2010 \$
a) Convertible debentures, bearing interest at 12%, repayable in October 2011	1,578	1,157
Less: current portion	1,578	
	—	1,157

CONVERTIBLE DEBENTURES

In October 2009, the Corporation issued \$1,900 of convertible unsecured debentures ("convertible debentures"). Financing charges of \$179 were incurred which are presented as a reduction of the long-term debt and equity components. The convertible debentures bear interest at 12% per annum, payable quarterly, mature in October 2011 and the indebtedness ranks equally with all other indebtedness of the Corporation except for the credit facilities. The convertible debenture holders have the option to convert the principle amount of the convertible debenture into common shares at the price of \$0.06 per common share, at any time in the two-year term of the convertible debentures. Interest paid on the convertible debentures, over the two-year term will total \$445 if the convertible

11. LONG-TERM DEBT (continued)

debentures are held to maturity. Subject to regulatory approval, the accrued interest could be paid, upon the convertible debenture holders' request, in shares based on the equivalent value based on the same terms as the conversion price. As of April 30, 2011, the nominal value of the convertible debentures was \$1,807 (2010 - \$1,857).

In accordance with Canadian GAAP, the convertible debentures, upon issuance, were accounted for on the basis of their substance and were presented in their component parts of debt and equity. The fair value of the conversion option associated with the convertible debentures, the equity component, was measured using the Black-Scholes model with the following assumptions: expected life of two years, fair value of common shares on date of the grant at \$0.05, dividend yield of nil, volatility factor of 11.1%, and risk-free interest rate of 1.26% resulting in a value estimated at \$827 at the date of issuance. Using the residual method, the residual component of the convertible debentures, the debt component, was measured at \$1,029, as the difference between the face value of the debt and the fair value of the equity component. The debt component is accreted to its face value through a charge to earnings over its term using the effective interest rate method with an effective interest rate of 31.1%.

During the year, \$50 (2010 – nil) of convertible debentures were converted into 833,333 common shares.

12. SHARE CAPITAL

AUTHORIZED

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

Unlimited number of common shares.

ISSUED AND OUTSTANDING COMMON SHARES

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

WARRANTS

Warrants outstanding are as follows:

Exercise Price	Expiry Date	As at April 30, 2011 #(000)	Expiry Date	As at April 30, 2010 # (000)
\$0.10	–	–	October 30, 2010	4,651
\$0.22	–	–	October 30, 2010	18,952
		–		23,603

LOSS PER SHARE

Weighted average number of common shares is as follows:

	2011	2010
Weighted average number of common shares outstanding	246,002,829	220,666,756
Net effect of dilutive stock options, warrants and convertible debentures	—	—
Weighted average diluted number of common shares outstanding	246,002,829	220,666,756

For the years ending April 30, 2011 and 2010, the potentially dilutive common shares relating to stock options, warrants and convertible debentures totaling 44,155,000 (2010 – 68,129,662) were not included in the computation of loss per share because their effect was anti-dilutive.

STOCK OPTION PLAN

The Corporation has in place a Stock Option Plan (the "Plan") for the benefit of key employees, directors and officers of the Corporation. The number of common shares granted to a beneficiary and the vesting period is determined at the discretion of the Board of Directors, which is normally no longer than five years.

The exercise price of any option granted under the Plan is fixed by the Board of Directors at the time of the grant based on the closing price per common share. The term of an option cannot exceed ten years from the date of the grant. Options are not transferable and can only be exercised while the beneficiary remains an employee, director or officer of the Corporation.

As at April 30, 2011, there were 13,627,676 (2010 - 4,691,250) options available for issue under the Plan.

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

	As at April 30, 2011		As at April 30, 2010	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of year	15,308,750	0.18	14,818,050	0.19
Changes during the year:				
Granted	—	—	500,000	0.07
Forfeited	(1,238,750)	0.33	—	—
Expired	(31,000)	2.10	(9,300)	4.51
Balance, end of year	14,039,000	0.17	15,308,750	0.18
Options exercisable at end of year	13,558,400	0.17	13,578,050	0.19

The weighted average grant date fair value of options granted in 2011 was nil (2010 - \$0.07) as there were no options granted in 2011 (2010 – 500,000 options granted).

The fair value of options granted in 2010 was determined using the Black-Scholes option pricing model with a weighted average volatility of 105%, risk-free interest rate of 2.7%, dividend yield of nil and an expected life of five years.

Additional information concerning stock options outstanding as at April 30, 2011 is as follows:

Exercise Price	Number	Options Outstanding		Options Exercisable	
		Weighted Average Exercise Price \$	Weighted Average Years to Expiry	Number	Weighted Average Exercise Price \$
\$0.07 to \$0.10	1,815,000	0.07	6.4	1,489,000	0.07
\$0.11 to \$0.16	6,178,000	0.14	6.1	6,082,400	0.14
\$0.17 to \$0.25	5,765,000	0.18	5.5	5,706,000	0.17
\$0.26 to \$0.39	131,000	0.33	4.4	131,000	0.33
\$0.80 to \$1.20	20,000	0.80	2.0	20,000	0.80
\$1.21 to \$1.80	45,000	1.68	2.5	45,000	1.68
\$1.81 to \$2.71	65,000	1.85	3.0	65,000	1.85
\$2.72 to \$3.75	20,000	3.43	0.6	20,000	3.43
	14,039,000	0.17	6.8	13,558,400	0.17

The total expenses relating to stock-based compensation amortized to consolidated statements of loss were \$79 (2010 – \$193) for the year.

13. INCOME TAXES AND GOVERNMENT ASSISTANCE

a) Significant components of the income tax expense consist of the following:

	2011	2010
	\$	\$
Future		
Adjustment to the benefit of losses	—	125
Future income tax expense	—	125

13. INCOME TAXES AND GOVERNMENT ASSISTANCE (continued)

b) The income tax expense reported differs from the amount computed by applying Canadian income tax rates to income before income taxes. The reasons for the difference and the related tax effects are as follows:

	2011 \$	2010 \$
Loss from continuing operations before income taxes	(4,704)	(9,176)
Statutory income tax rate	29.40%	30.57%
Expected income tax recovery	(1,383)	(2,805)
Adjustments		
Tax effect of non-deductible stock option compensation	23	59
Tax effect of permanent differences	527	916
Tax effect of non-deductible intangible asset amortization	10	22
Difference in tax rate of a foreign subsidiary	(36)	(83)
Tax credits and other amounts not taxable in Québec	(20)	(24)
Write down of future tax asset	1,017	—
Other	21	—
Change in valuation allowance	(159)	2,040
Income tax expense	—	125

c) The tax effects of temporary differences and net operating losses that give rise to future income tax assets and liabilities are as follows:

	2011 \$	2010 \$
Future income tax liabilities		
Carrying values of property, plant and equipment in excess of tax basis	6	9
Total future income tax liabilities	6	9
Future income tax assets		
Net operating losses carried forward	11,429	9,639
Research and development expenditures carried forward	6,604	6,521
Tax basis of capital assets in excess of carrying value	2,570	3,492
Unrealized capital loss on write down of investments	670	1,683
Share issue costs and other	105	197
Total future income tax assets	21,378	21,532
Valuation allowance	(21,372)	(21,523)
Total future income tax assets	6	9
Net future income tax assets	—	—

The Corporation also has available federal (Canada) and provincial research and development expenditures of approximately \$20,652 and \$29,465 respectively (2010 \$20,500 and \$28,800 respectively). These expenditures are available to reduce taxable income and have an unlimited carry-forward period. The Corporation has losses carried forward of \$39,833 in Canada for federal purposes and \$38,848 for provincial purposes. The Corporation has losses carried forward of approximately \$3,203 in the United States federally and \$3,317 for state purposes.

The losses expire as indicated below:

Year of expiry	Canada Federal \$	Canada Provincial \$	United States Federal \$	United States State \$
2012	—	—	—	4
2013	—	—	—	38
2014	1,504	1,274	—	—
2015	6,775	6,775	—	76
2017	—	—	—	950
2018	—	—	—	397
2025	—	—	6	—
2026	8,080	8,310	—	—
2027	9,080	8,436	941	—
2028	5,368	4,976	406	—
2029	—	—	824	826
2030	2,269	2,727	684	684
2031	6,757	6,350	342	342
	39,833	38,848	3,203	3,317

In addition, the Corporation has allowable capital losses in Canada of approximately \$21,340 (2010 - \$20,300) which have not been recognized in the future income tax assets described above. The Corporation also has available unrecognized investment tax credits of approximately \$5,748 (2010 - \$5,500), which expire in the years 2021 through 2031 as indicated below:

Year of expiry	\$
2021	1,082
2022	1,110
2023	472
2024	485
2025	413
2026	578
2027	657
2028	184
2029	364
2030	288
2031	59
	5,748

The Corporation was audited by the Canada Revenue Agency (“CRA”) with respect to 2001 and 2002 research and development services provided by the U.S. subsidiary to the Corporation. The Corporation was also audited by the CRA with respect to the 1999 to 2004 taxation years in respect of imputed interest on loans made to foreign subsidiaries. In 2008, the Corporation received notices of reassessments from the CRA.

Subsequent to a CRA audit in April 2009 the CRA issued the Corporation notices of reassessment for the 2003 to 2004 taxation years. These reassessments relate primarily to R&D services provided by the U.S. subsidiary to the Corporation as well as management services deemed to have been provided by the Corporation to certain subsidiaries.

These matters are under discussion with the CRA. The Corporation believes it has taken adequate reserves to address these issues through the use of investment tax credits, net operating losses and research and development expenditures carried forward. The Corporation believes that certain of the proposed changes are unfounded and it has filed Notices of Objection with the CRA. The ultimate resolution could result in material adjustments to the reserves provided.

GOVERNMENT ASSISTANCE

The Corporation incurred research and development expenditures some of which are eligible for refundable investment tax credits. The investment tax credits recorded are based on management’s estimates of amounts expected to be recovered and are subject to audit by the taxation authorities and, accordingly, these amounts may vary. An amount of \$276 (2010 \$565) is included in income taxes recoverable at end of year. The investment tax credits, recorded as a reduction of research and development expenses, were \$637 (2010 - \$200).

14. 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:

	\$
2012	323
2013	186
2014	24
2015	2
	535

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.

15. SUPPLEMENTARY INFORMATION

a) Consolidated statements of cash flows

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

	2011 \$	2010 \$
Trade and other receivables	(752)	134
Income taxes recoverable	179	(57)
Inventories	87	2,458
Prepaid expenses and other assets	32	22
Accounts payable and accrued liabilities	(214)	(364)
	(668)	2,193
Interest paid	283	370

b) Consolidated statements of loss

	2011 \$	2010 \$
Amortization of property, plant and equipment is included in:		
Cost of sales	327	544
Research and development	134	7
Selling and administrative	58	95
	519	646
Amortization of intangible assets is included in:		
Cost of sales	9	—
Research and development	30	17
Selling and administrative	287	757
	326	774

16. SEGMENTED INFORMATION

a) Segmented information used by management

Management organizes the Corporation into two principal operating segments for making operating decisions and assessing performance. The operating segments are Wireless Telecommunications (“Telecom”) and Satellite and Terrestrial Telecommunications (“Satcom”). The Corporation currently operates in Canada and the United States.

Telecom is involved in research, design, development, manufacturing and sale of components, subsystems and multifunction subsystems for the wireless and cellular markets.

Satcom is involved in research, design, development, manufacturing and sale of components, subsystems and multifunction subsystems for satellite earth stations.

Management evaluates 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.

The information pertaining to the discontinued operations, which were previously part of the Telecom segment, are included in Note 4.

Information pertaining to the active segments for the years ended April 30:

	Telecom		Satcom		Consolidated Amounts	
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
Sales	1,225	1,172	14,465	18,046	15,690	19,218
Cost of sales	1,292	1,055	10,608	14,171	11,900	15,226
	(67)	117	3,857	3,875	3,790	3,992
Expenses					8,494	13,168
Income tax expense					—	125
Net loss from continuing operations for the year					(4,704)	(9,301)

The income tax expense relates to the Satcom segment.

The following table presents assets by segment:

	Telecom		Satcom		As at April 30, 2011	
	\$	\$	\$	\$	Total	\$
Current assets	504		8,992		9,496	
Long-term assets	265		3,811		4,076	
	769		12,803		13,572	
Other						3,233
Total						16,805

	Telecom		Satcom		As at April 30, 2010	
	\$	\$	\$	\$	Total	\$
Current assets	506		7,966		8,472	
Long-term assets	728		4,477		5,205	
	1,234		12,443		13,677	
Other						7,027
Total						20,704

16. SEGMENTED INFORMATION (continued)

Property, plant and equipment by segment are as follows:

	Telecom		Satcom		Consolidated Amounts	
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
Property, plant and equipment	274	345	2,597	3,122	2,871	3,467
Additions	3	5	16	102	19	107
Amortization	68	163	451	483	519	646
Loss on disposal	—	25	12	1	12	26
Impairment on property, plant and equipment	25	30	45	4	70	34

Intangible assets and goodwill by segment are as follows:

	Telecom		Satcom		Consolidated Amounts	
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
Intangible assets and goodwill	6	383	1,244	1,355	1,250	1,738
Additions	—	—	—	—	—	—
Amortization	93	374	233	400	326	774
Impairment of intangible assets and goodwill	82	—	10	2,715	92	2,715

b) Enterprise-wide information

The following table presents sales by destination of the product.

	2011 \$	2010 \$
Canada	1,141	1,595
United States	7,017	9,447
France	849	1,291
Other European Union	1,170	2,466
China	1,569	804
Asia outside China	702	1,150
Sudan	843	272
Africa outside Sudan	851	935
South America	935	300
Other	613	958
	15,690	19,218

The following tables present sales, assets and property, plant and equipment, and intangible assets based on geographic location of production.

	2011	2010
	\$	\$
Sales		
Canada	13,638	17,622
United States	2,052	1,596
	15,690	19,218
Assets		
Canada	15,753	15,039
United States	1,052	891
China	—	4,774
	16,805	20,704
Property, plant and equipment, goodwill and intangible assets		
Canada	3,967	5,008
United States	154	197
	4,121	5,205

17. FINANCIAL EXPENSES

Financial expenses consist of:

	2011	2010
	\$	\$
Interest on convertible debentures	221	258
Accretion expense	501	448
Bank charges and other	106	139
Interest income	(7)	(11)
	821	834

18. RELATED PARTY TRANSACTIONS

The Board of Directors has mandated its Chairman to review various merger and acquisition opportunities and to actively pursue related financing activities. The Board verbally agreed on compensating the Chairman should he be successful with any of these initiatives. For the year ended April 30, 2011, consulting fees in the amount of \$199 (2010 — \$167) were paid to a company controlled by the Chairman of the Board. This transaction was in the normal course of operations and was measured at the exchange amount, which is the amount agreed upon between the related parties.

The Corporation also paid for professional expenses to arrange equity and debt financing as well as assisting the Corporation with executing its corporate finance objectives in the amount of \$154 (2010 — nil) to a company of which 3 directors of Mitec may influence decisions. These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount agreed upon between the related parties.

19. 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.

19. CAPITAL MANAGEMENT (continued)

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 year.

	2011 \$	2010 \$
Long-term debt, including current portion	1,578	1,157
Shareholders' equity	11,180	12,753
	12,758	13,910

20. FINANCIAL INSTRUMENTS

The classification of financial instruments as of April 30, 2011 and April 30, 2010 and their respective carrying values and fair values are as follows:

	2011 \$	2010 \$
Held for trading (at fair value)		
Cash held in escrow	2,000	1,886
Cash	339	—
Available for sale (at fair value)		
Short-term investments	182	181
Investments	—	N/A
Loans, receivables and other financial liabilities (at amortized cost)		
Trade receivables	4,880	3,619
Other receivables	267	41
Credit facility	—	733
Accounts payable and accrued liabilities	4,047	4,261
Long-term debt including convertible debentures	1,578	1,157

FAIR VALUE

Fair value is the amount at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on present value and other valuation techniques using rates that reflect those that the Corporation could currently obtain, on the market, for financial instruments with similar terms, conditions and maturities.

The Corporation's financial instruments include cash, cash in escrow, short-term investments, trade receivables, other receivables, investments, credit facility, accounts payable and accrued liabilities and long-term debt including convertible debentures.

The fair value of short-term investments is determined using quoted market prices when available.

The fair value of long-term debt including convertible debentures is estimated based on market interest rates for financial instruments with similar terms and risks. Their fair value approximates their carrying value. The carrying value of the convertible debentures is being accreted to its face value over the term of the debentures such that they will be recorded at their full value when they become due and payable in less than a year.

The following table provides an analysis of financial instruments that are measured at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are not observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

As at April 30, 2011 and 2010, the Corporation had cash and cash in escrow measured at fair value – Level 1 classified as “Financial Assets Held-for-Trading” and short-term investments are measured at fair value – Level 1 classified as “Available-for-Sale”. There were no transfers between levels during the year.

21. 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, cash in escrow, short-term investments, other receivables 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, cash in escrow, short-term investments and other receivables 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 records impairment losses on its trade receivables separately from gross receivables. The movements on this allowance account during the year are summarized below:

	2011 \$	2010 \$
Allowance for doubtful accounts, beginning of year	64	270
Increases in allowance	168	8
Written off against allowance	(13)	(214)
	219	64

The foreign trade receivables of the Canadian operation are guaranteed by the Export Development Corporation Canada ("EDC") and the Corporation's customer base comprises of many geographically dispersed customers. No customer (2010 – none) accounted for more than 10% of sales for the year ended April 30, 2011 and no customer (2010 – two) accounted for more than 10% of trade receivables as at April 30, 2011 (2010 – 36%). Two customers represented 45% of Telecom sales for the year ended April 30, 2011 (2010 – two customers represented 47% of Telecom sales).

As at April 30, 2011 and 2010, the aging of the trade receivable is as follows:

	2011 \$	2010 \$
Current	3,221	2,594
31 – 60 days	689	597
Over 61 days	1,189	492
Accounts receivable	5,099	3,683
Less: allowance for doubtful accounts	(219)	(64)
	4,880	3,619

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 the last years mainly through equity offerings and issuance of debt.

As at April 30, 2011, the Corporation had at its disposal working capital of \$7,059 (2010 \$7,613). The Corporation has sufficient cash, and working capital available to meet its financial contractual obligations. Accounts payable and accrued liabilities are all due within the current operating period.

21. FINANCIAL RISK MANAGEMENT (continued)

The following is a summary of the Corporation's material contractual obligations as at April 30, 2011 and 2010:

	Within 1 year	2 years	3 years	Over 4 years	2011 Total
Accounts payable	1,937	—	—	—	1,937
Convertible debentures	1,857	—	—	—	1,857
Operating leases	323	186	24	2	535
	4,117	186	24	2	4,329

	Within 1 year	2 years	3 years	Over 4 years	2010 Total
Credit facility	733	—	—	—	733
Accounts payable	2,791	—	—	—	2,791
Convertible debentures	—	1,857	—	—	1,857
Operating leases	328	290	138	—	756
	3,852	2,147	138	—	6,137

FOREIGN CURRENCY RISK

The Corporation operates internationally and a substantial portion of the expenses is incurred in U.S. dollars. A significant change in the currency exchange rate between the Canadian dollar relative to the U.S. dollar could have a material effect on our results of operations, financial position or cash flows. The Corporation has no 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 for which the Canadian dollar equivalent is as follows:

	As at April 30, 2011 \$	As at April 30, 2010 \$
Cash and cash in escrow	1,611	1,173
Accounts receivable	2,697	3,485
Accounts payables and accrued liabilities	1,263	1,343

Based on the above net exposures as at April 30, 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 would result in an increase/(decrease) in net profit and comprehensive income of \$304/(\$304) (2010 – \$331/(\$331)).

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. The Corporation is exposed to such variation since its credit facility considers a floating interest rate. Since the Corporation has not borrowed any money from the credit facility as of April 30, 2011, there is no exposure directly linked with the variation in the interest rate. The Corporation is not exposed to interest rate risk with its long-term debt since it considers a fixed-interest rate.

22. SUBSEQUENT EVENT

Subsequent to year-end, on May 16, 2011, the Corporation sold certain assets relating to Mitec's legacy Satcom business, consisting of inventories, property, plant and equipment and intangible assets with an estimated carrying amount of \$2,465, for gross proceeds of \$2,900, resulting in a gain of \$100 net of related expenses.

23. COMPARATIVE FIGURES

Certain comparative figures for 2010 have been reclassified to conform to the presentation adopted in 2011.

CORPORATE INFORMATION

DIRECTORS:

Jeffrey A. Mandel
Noah Billick
Robert Boisjoli
Hubert R. Marleau
David B. Parkes

OFFICERS:

Jeffrey A. Mandel
President, CEO and Chairman of the Board
Bruno Dumais
Vice-President, Finance and Chief Financial Officer

INVESTOR INFORMATION:

Auditors:

BDO Canada LLP

Legal Counsel:

Fraser Milner Casgrain LLP

Transfer Agent and Registrar:

Canadian Stock Transfer Company Inc.
as administrative agent
for CIBC Mellon Trust Company

INVESTOR RELATIONS:

Jeffrey A. Mandel
President, CEO and Chairman of the Board
T: 1.514.694.9000
investor-relations@mitectelecom.com

GENERAL MEETING

Friday, October 28, 2011, 11:00 AM

Holiday Inn Express & Suites Montreal Airport

Merchants Villa Room
10888 Côte-de-Liesse
Dorval, Québec H8T 1A6

STOCK SYMBOL:

MTM

LISTING OF STOCK:

Toronto Stock Exchange

YEAR END:

April 30, 2011

SHARES OUTSTANDING:

276,666,756 as at April 30, 2011

CORPORATE HEAD OFFICE:

3299 Jean-Baptiste-Deschamps
Lachine, Québec H8T 3E4
Canada

T: 1.514.694.9000

F: 1.514.630.8600

www.mitectelecom.com



3299 Jean-Baptiste-Deschamps
Lachine, Québec H8T 3E4
Canada

T: 1.514.694.9000
F: 1.514.630.8600

www.mitectelecom.com