Mitec Telecom Inc.

Consolidated Financial Statements

For the years ended April 30, 2010 and 2009

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Auditors' Report

To the Shareholders of
Mitec Telecom Inc.

We have audited the consolidated balance sheets of Mitec Telecom Inc. as at April 30, 2010 and 2009 and the consolidated statements of loss and comprehensive loss, shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

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

Chartered Accountants
Montréal, Québec

July 23, 2010

[1] CA auditor permit No. 10589

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Mitec Telecom Inc.
Consolidated Balance Sheets

(in thousands of Canadian dollars)

As at April 30		**2010**		2009
Assets				
Current				
Cash	**$**	**1,886**	$	4,485
Short-term investments, consisting of money market funds (Note 11 b)		**181**		181
Trade receivables		**5,732**		5,592
Other receivables (Note 5)		**288**		126
Income taxes recoverable		**380**		323
Inventories (Note 6)		**5,447**		8,088
Prepaid expenses and other assets		**493**		629
		14,407		19,424
Property, plant and equipment (Note 7)		**4,510**		5,493
Intangible assets (Note 8)		**1,762**		3,263
Goodwill (Note 9)		—		1,991
Investments (Note 10)		**25**		25
Future income tax (Note 14)		—		125
	$	**20,704**	$	30,321
Liabilities and Shareholders' Equity				
Current				
Credit facility (Note 11)	**$**	**733**	$	—
Accounts payable and accrued liabilities		**6,061**		5,449
Current portion of long-term debt (Note 12)		—		1,215
		6,794		6,664
Long-term debt (Note 12)		**1,157**		—
		7,951		6,664
Shareholders' equity				
Common shares (Note 13)		**132,142**		132,142
Warrants (Note 13)		**1,152**		1,925
Equity component of convertible debentures (Note 12)		**768**		14
Contributed surplus		**10,802**		9,836
Deficit		**(131,427)**		(119,980)
Accumulated other comprehensive loss		**(684)**		(280)
		12,753		23,657
	$	**20,704**	$	30,321

Nature of the Business and Going Concern Uncertainty (Note 1)
Commitments and Contingencies (Note 15)

On behalf of the Board

Signed Robert Boisjoli
Robert Boisjoli, Director

Signed Jeffrey Mandel
Jeffrey Mandel, Director

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

Mitec Telecom Inc.
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	2010	2009
Sales (Note 17)	$ **25,424**	$ 40,348
Cost of sales (Notes 16 and 17)	**21,756**	31,836
	3,668	8,512
Expenses (Note 16)		
Research and development (Note 14)	**3,559**	4,369
Selling and administrative	**6,712**	7,510
Financial expenses (Note 18)	**834**	853
Foreign exchange loss (gain)	**969**	(1,706)
Gain on disposal and impairment of property, plant and equipment (Note 7)	**8**	470
Impairment of intangible assets (Note 8)	**724**	50
Impairment of goodwill (Note 9)	**1,991**	1,607
Stock-based compensation (Note 13)	**193**	607
	14,990	13,760
Loss before income taxes	**(11,322)**	(5,248)
Income tax expense (recovery) (Note 14)	**125**	(640)
Net loss for the year	$ **(11,447)**	$ (4,608)
Net change in the unrealized (loss) gain on translating financial statements of self-sustaining foreign operations	**(404)**	614
Comprehensive loss for the year	$ **(11,851)**	$ (3,994)
Basic and diluted loss per outstanding common share	$ **(0.05)**	$ (0.02)
Weighted average number of outstanding common shares (Note 13)	**220 666 756**	220,658,990

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

Mitec Telecom Inc.
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
	# (000s)	$	# (000s)	$	$	$	$	$	$
							(A)	(A)	
Balance, April 30, 2008	220,312	132,097	38,016	1,931	46	9,223	(115,372)	(894)	27,031
Issued upon conversion of convertible debentures	354	45	—	—	(32)	—	—	—	13
Expired warrants	—	—	(187)	(6)	—	6	—	—	—
Stock-based compensation	—	—	—	—	—	607	—	—	607
Other comprehensive profit for the year	—	—	—	—	—	—	—	614	614
Net loss for the year	—	—	—	—	—	—	(4,608)	—	(4,608)
Balance, April 30, 2009	220,666	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	**220,666**	**132,142**	**23,603**	**1,152**	**768**	**10,802**	**(131,427)**	**(684)**	**12,753**

(A): The total of deficit and accumulated other comprehensive loss is $132,111 (2009 - $120,260). Accumulated other comprehensive loss is comprised only of the unrealized gains and losses on translation of the financial statements of self-sustaining foreign operations.

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

Mitec Telecom Inc.
Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

For the years ended April 30	2010	2009
Cash flows from operating activities		
Net loss for the year	**$ (11,447)**	$ (4,608)
Items not affecting cash		
Amortization	**1,714**	2,327
Gain on disposal and impairment of property, plant and equipment (Note 7)	**8**	470
Impairment of intangible assets (Note 8)	**724**	50
Impairment of goodwill (Note 9)	**1,991**	1,607
Income tax charge (recovery) (Note 14)	**125**	(640)
Stock-based compensation	**193**	607
Accretion expense	**448**	636
	(6,244)	449
Changes in non-cash working capital balances related to operating activities (Note 16)	**2,787**	435
	(3,457)	884
Cash flows from investing activities		
Additions to property, plant and equipment	**(166)**	(786)
Additions to intangible assets	**(10)**	(3)
Proceeds on disposal of property, plant and equipment	**31**	15
Purchases of short-term investments	**(181)**	(516)
Sales of short-term investments	**181**	412
	(145)	(878)
Cash flows from financing activities		
Convertible debentures issued (Note 12)	**1,678**	—
Repayment of long-term debt	**(1,400)**	(458)
Credit facility	**733**	
	1,011	(458)
(Loss) gain on foreign cash held	**(8)**	153
Net decrease in cash	**(2,599)**	(299)
Cash, beginning of year	**4,485**	4,784
Cash, end of year	**$ 1,886**	$ 4,485

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

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 $131,427,000 at April 30, 2010. 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 statements, significant adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses, and the balance sheet classifications used.

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

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

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

2. Significant Accounting Policies

These 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, Mitec Communications Ltd., Mitec Telecom (Suzhou) Co., Ltd. and Keragis Corporation, 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.

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, goodwill and intangibles with an indefinite life, future income taxes, investment tax credits, revenue recognition, the measurement and determination of stock-based compensation and warrants, discount rate on convertible debentures, legal liabilities, warranty provision, bad debt expense, and allowance for doubtful accounts. Actual results 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
Automobiles	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 or patent-pending technology and trademarks	10 to 17 years straight line
Non-patented technology	5 to 10 years straight line
Customer relationships	5 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.

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., Mitec Telecom (Suzhou) Company, Ltd. and Keragis Corporation, are translated into Canadian dollars using the current rate method. Under this method, assets and liabilities are translated at the exchange rates prevailing at the end of the period and revenues and expenses are translated at the average exchange rates during the period. The adjustment arising from the translation of these accounts has been recorded in the accumulated other comprehensive 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 is classified as "Financial Assets Held for Trading" and is 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 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 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.

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 13. 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 Accounting Policies

Effective May 1, 2009, the Corporation adopted the following recently introduced CICA Handbook Sections:

Goodwill and Intangible Assets and Financial Statement Concepts

In February 2008, the CICA released new Handbook Section 3064 “Goodwill and Intangible Assets”, replacing Handbook Section 3062 “Goodwill and Intangible Assets” and Handbook Section 3450 “Research and Development costs.” The CICA also amended Handbook Section 1000 “Financial Statements Concepts” to provide consistency with this new standard. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. This section clarifies that costs can be deferred only when they relate to an item that meets the definition of an asset and as a result start-up costs must be expensed as incurred. The provisions relating to the definition and initial recognition of intangible assets, including internally generated intangible assets, are equivalent to the corresponding provisions of International Financial Reporting Standards (“IFRS”) IAS 38 “Intangible Assets”. Upon adoption, there was no impact on the Corporation’s consolidated financial statements.

Credit Risk and the Fair Value of Financial Assets and Liabilities

On January 20, 2009, the Emerging Issues Committee ("EIC") issued Abstract EIC-173 "Credit Risk and the Fair Value of Financial Assets and Liabilities". This abstract is to be applied retroactively, without restatement, to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The Corporation has taken into account the consensus reached in this abstract in preparing its April 30, 2010 financial statements. The new requirement has no impact on the Corporation's financial results.

Financial Instruments – Disclosures

In June 2009, the CICA amended Section 3862 "Financial Instruments – Disclosures" to require enhance disclosures about financial instruments, in particular, the classification of the financial instruments measured at a fair value hierarchy according to the significance of the inputs to fair value measurements and the entities' exposure to liquidity risk. The new requirements apply to annual financial statements for fiscal years ending after September 30, 2009. The Corporation applied this standard in its April 30, 2010 annual financial statements. The Corporation is exempt from providing comparative information in the year of adoption. The application of these new amendments had no effect on the Corporation's statements of earnings, balance sheet and cash flows. These amendments aim specifically the disclosure. (See Note 20 "Financial Instruments".)

4. New Accounting Pronouncements

Business Combinations

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

Consolidated Financial Statements

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

International Financial Reporting Standards

In February 2008, Canada's Accounting Standards Board confirmed that Canadian GAAP, as used by publicly accountable enterprises, would be fully converged into IFRS, as issued by the International Accounting Standards Board. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Therefore, the Corporation will be required to report under IFRS for its April 30, 2012 annual financial statements starting with its July 31, 2011 first quarter interim report.

Accounting Changes

In June 2009, the CICA issued amendments to CICA Handbook Section 1506 – "Accounting Changes". Section 1506 was amended to exclude from its scope changes in accounting policies upon the complete replacement of an entity's primary basis of accounting. The amendments are effected for annual and interim financial statements relating to years beginning on or after July 1, 2009. The adoption of IFRS is not expected to quality as an accounting change under Section 1506.

EIC 175 - Multiple Deliverable Revenue Arrangements

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

5. Other Receivables

	2010	2009
Commodity taxes receivables	**$ 247**	$ 115
Other	**41**	11
	$ 288	$ 126

6. Inventories

	2010	2009
Raw materials and purchased components	**$ 3,206**	$ 5,343
Work-in-progress	**1,600**	1,946
Finished goods	**641**	799
	$ 5,447	$ 8,088

Included in cost of sales is an inventory expense of $14,138,000 (2009 - $22,985,000). Also included in cost of sales is an impairment of inventories of $331,000 (2009 - $714,000).

7. Property, Plant and Equipment

	As at April 30, 2010		
	Cost	**Accumulated Amortization**	**Net Carrying Value**
Machinery and equipment	**$ 13,933**	**$ 10,804**	**$ 3,129**
Land and buildings	**975**	**406**	**569**
Leasehold improvements	**590**	**304**	**286**
Furniture and fixtures	**1,893**	**1,679**	**214**
Tools and dies	**349**	**171**	**178**
Computer equipment	**1,243**	**1,109**	**134**
	$ 18,983	**$ 14,473**	**$ 4,510**

	As at April 30, 2009		
	Cost	Accumulated Amortization	Net Carrying Value
Machinery and equipment	$ 14,367	$ 10,535	$ 3,832
Land and buildings	975	382	593
Leasehold improvements	552	197	355
Furniture and fixtures	1,927	1,643	284
Tools and dies	539	311	228
Computer equipment	1,283	1,088	195
Automobiles	46	40	6
	$ 19,689	$ 14,196	$ 5,493

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 $34,000 (2009 –

$431,000) were written off. A gain on disposal of property, plant and equipment with a carrying value of $26,000 (2009 – loss of $39,000) was recognized during the year.

8. Intangible Assets

	As at April 30, 2010		
	Cost	**Accumulated Amortization**	**Net Carrying Value**
Software	**$ 4,099**	**$ 3,825**	**$ 274**
Patented technology, patent-pending technology and trademarks	**1,968**	**616**	**1,352**
Non-patented technology	**1,891**	**1,755**	**136**
	$ 7,958	**$ 6,196**	**$ 1,762**

	As at April 30, 2009		
	Cost	Accumulated Amortization	Net Carrying Value
Software	$ 4,117	$ 3,733	$ 384
Patented technology, patent-pending technology and trademarks	2,324	387	1,937
Non-patented technology	1,891	1,473	418
Customer relationships	7,314	6,790	524
	$ 15,646	$ 12,383	$ 3,263

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, 2010 using a cost approach to determine the fair value. The valuation was performed by an independent valuator. The Corporation determined that the carrying value of certain intangible assets resulting from the acquisition of Keragis were no longer recoverable. Consequently, customer relationships with a carrying value of $369,000 and patented technology with a carrying value of $355,000 were written off. In 2009, an impairment of $50,000 on the value of its trademarks was recorded.

9. Goodwill

The annual impairment test of the goodwill resulting from the acquisition of Keragis was completed on April 30, 2010. Following the completion of an independent valuation, an impairment of $1,991,000 (2009 – $1,607,000) was required.

10. Investments

	2010	2009
Common shares of a private company	$ 25	$ 25

The cost of the investment was $750,000. In 2008, the Corporation recorded an impairment of $725,000.

11. 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. $2.5 million; or
ii. 85% of the eligible accounts receivable.

As at April 30, 2010, the Corporation's borrowing capacity was $1,159,000, of which $733,000 was drawn. The credit facility bears interest at the applicable prime rate of the financial institution plus 2.5%. The effective interest rate for the year ended April 30, 2010 was 6.5%.

The credit facility is guaranteed by a movable hypothec in the amount of $3.25 million affecting the assets of the Corporation ranking first with respect to trade receivables (with a carrying value of $3,383,000 as at April 30, 2010) and inventory (with a carrying value of $4,107,000 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.

b) At April 30, 2010, the Corporation had credit facilities available for its corporate credit cards in the amount of $55,000 and for a standby letter of credit to support contingent liability with a landlord in the amount $100,000 with a major Canadian bank institution. These credit facilities are short term in nature and are due on demand. The interest rates on the credit card facilities are standard rates and fees while the interest rates on the stand-by letter of credit are 1.5% (2009 – 1.5%). The Corporation has provided security interests in the form of short-term deposits in the amount of $175,000 which have been included in

short-term investments. At April 30, 2010, there were no borrowings on the available facilities (2009 – nil).

12. Long-term Debt

	2010	2009
a) Convertible debentures, bearing interest at 10%, repaid in October 2009	**$ —**	$ 1,215
b) Convertible debentures, bearing interest at 12%, repayable in October 2011	**1,157**	—
	1,157	1,215
Less: current portion	—	1,215
	$ 1,157	$ —

Convertible Debentures

In October 2009, the Corporation issued $1.9 million of convertible unsecured debentures ("convertible debentures"). Financing charges of $179,000 were incurred which are presented as a reduction of the long-term debt and equity components. The convertible debentures bear interest at 12% per annum, payable quarterly, mature in October 2011 and the indebtedness ranks equally with all other indebtedness of the Corporation 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 $445,000 if the convertible 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, 2010, the nominal value of the convertible debentures was $1,857,000.

In accordance with Canadian GAAP, the convertible debentures were accounted for on the basis of their substance and were presented in their component parts of debt and equity. The 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 111%, and risk-free interest rate of 1.26% resulting in a value estimated at $827,000 at the date of issuance. Using the residual method, the residual component of the convertible debentures, the debt component, was measured at $1,029,000, 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%.

13. 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:

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

During the year, the Corporation decided to extend the expiry date of 4,651,000 warrants until October 30, 2010 and also extended the expiry date for 18,952,279 warrants by 12 months. The modification had no impact on the value of the warrants. The Corporation may oblige the exercise of the 18,952,279 warrants expiring on October 30, 2010 if the closing price of the Corporation's common shares is equal to or exceeds $0.35 for a period of 20 consecutive trading days. Additional gross proceeds would amount to $4.2 million.

Loss per share

Weighted average number of common shares is as follows:

	2010	2009
Weighted average number of common shares outstanding	**220,666,756**	220,658,990
Net effect of dilutive stock options, warrants and convertible debentures	—	74,899
Weighted average diluted number of common shares outstanding	**220,666,756**	220,733,889

For the years ending April 30, 2010 and 2009, the potentially dilutive common shares relating to stock options, warrants and convertible debentures totaling 68,129,662 (2009 – 62,973,385) 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, 2010, there were 4,691,250 (2009 - 5,181,950) 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, 2010		As at April 30, 2009	
	Number	**Weighted Average Exercise Price**	Number	Weighted Average Exercise Price
Balance, beginning of year	**14,818,050**	**$ 0.19**	14,533,950	$ 0.25
Changes during the year:				
Granted	**500,000**	**0.07**	1,380,000	0.07
Forfeited	—	—	(527,900)	0.31
Expired	**(9,300)**	**4.51**	(568,000)	1.36
Balance, end of year	**15,308,750**	**$ 0.18**	14,818,050	$ 0.19
Options exercisable at end of year	**13,578,050**	**$ 0.19**	10,770,000	$ 0.21

The weighted average grant date fair value of options granted in 2010 was $0.07 (2009 - $0.07).

The fair value of options granted was determined using the Black-Scholes option pricing model with a weighted average volatility of 105% (2009 - 98%), risk-free interest rate of 2.7% (2009 - 2.4%), dividend yield of nil and an expected life of five years.

Additional information concerning stock options outstanding as at April 30, 2010 is as follows:

	Options Outstanding			Options Exercisable	
Exercise Price	**Number**	**Weighted Average Exercise Price**	**Weighted Average Years to Expiry**	**Number**	**Weighted Average Exercise Price**
$0.07 to $0.10	**1,840,000**	**$ 0.07**	**7.5**	**1,336,000**	**$ 0.07**
$0.11 to $0.16	**6,623,000**	**0.14**	**7.0**	**5,798,800**	**0.14**
$0.17 to $0.25	**6,255,000**	**0.17**	**6.6**	**5,852,500**	**0.17**
$0.26 to $0.39	**286,000**	**0.33**	**5.1**	**286,000**	**0.33**
$0.80 to $1.20	**35,000**	**0.80**	**2.7**	**35,000**	**0.80**
$1.21 to $1.80	**100,000**	**1.61**	**3.9**	**100,000**	**1.61**
$1.81 to $2.71	**138,250**	**1.91**	**3.2**	**138,250**	**1.91**
$2.72 to $3.75	**31,500**	**3.45**	**1.6**	**31,500**	**3.45**
	15,308,750	**$ 0.18**	**6.8**	**13,578,050**	**$ 0.19**

The total expenses relating to stock-based compensation amortized to consolidated statements of loss were $193,000 (2009 – $607,000) for the year.

14. Income Taxes and Government Assistance

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

	2010	2009
Current		
Income tax expense before the following:	**$ —**	$ 665
Benefit of a tax holiday in a foreign country	**—**	(665)
Current income tax expense	**$ —**	$ —
Future		
Impact of recognized benefit of losses	**$ —**	$ (640)
Adjustment to the benefit of losses	**125**	—
Future income tax expense (recovery)	**$ 125**	$ (640)

b) The income tax expense (recovery) 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:

	2010	2009
Loss before income taxes	**$ (11,322)**	$ (5,248)
Statutory income tax rate	**30.57%**	30.90%
Expected income tax recovery	**$ (3,461)**	$ (1,622)
Adjustments		
Tax effect of non-deductible stock option compensation	**59**	188
Tax effect of permanent differences	**922**	1,030
Tax effect of non-deductible intangible asset amortization	**22**	36
Difference in tax rate of a foreign subsidiary	**332**	(282)
Tax credits and other amounts not taxable in Québec	**(24)**	(15)
Change in valuation allowance	**2,275**	690
Benefit of a tax holiday in a foreign country	**—**	(665)
Income tax expense (recovery)	**$ 125**	$ (640)

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

	2010	2009
Future income tax liabilities		
Carrying values of property, plant and equipment in excess of tax basis	**$ 14**	$ 19
Temporary differences of acquisition-related intangible assets	**—**	359
Total future income tax liabilities	**$ 14**	$ 378
Future income tax assets		
Net operating losses carried forward	**$ 10,315**	$ 9,092
Research and development expenditures carried forward	**6,251**	5,562
Tax basis of capital assets in excess of carrying value	**3,492**	3,244
Unrealized capital loss on write down of investments	**1,683**	1,683
Share issue costs and other	**318**	589
Total future income tax assets	**22,059**	20,170
Valuation allowance	**(22,045)**	(19,667)
Total future income tax assets	**14**	503
Net future income tax assets	**$ —**	$ 125

The Corporation also has available federal (Canada) and provincial research and development expenditures of approximately $20,500,000 and $28,800,000 respectively (2009 - $18,500,000 and $23,350,000 respectively). These expenditures are available to reduce taxable income and have an unlimited carry-forward period. The Corporation has losses carried forward of $33,539,000 in Canada for federal purposes and $32,199,000 for provincial purposes. The Corporation has losses carried forward of approximately $3,251,000 in the United States federally and $3,193,000 for state purposes. The Corporation has losses carried forward of approximately $1,443,000 in China. The losses expire as indicated below:

Year of expiry	Canada - Federal	Provincial	China	United States - Federal	State
2011	$ —	$ —	$ —	$ —	$ 1
2012	—	—	—	—	15
2013	—	—	—	—	41
2014	1,504	1,274	—	—	—
2015	6,775	6,775	1,443	—	90
2017	—	—	—	—	1,015
2018	—	—	—	—	425
2025	—	—	—	7	—
2026	8,080	8,310	—	—	—
2027	9,080	8,436	—	1,067	—
2028	5,368	4,976	—	460	—
2029	—	—	—	935	882
2030	2,732	2,428	—	782	724
	$ 33,539	$ 32,199	$ 1,443	$ 3,251	$ 3,193

In addition, the Corporation has allowable capital losses in Canada of approximately $20,300,000 (2009 - $20,500,000) which have not been recognized in the future income tax assets described above. The Corporation also has available unrecognized investment tax credits of approximately $5,500,000 (2009 - $4,500,000), which expire in the years 2021 through 2030 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	127
	$ 5,472

The Corporation was audited by the Canada Revenue Agency ("CRA") with respect to 2001 and 2002 research and development services provided by the US 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 US 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 $565,000 (2009 - $323,000) was recorded as income taxes recoverable at end of year. The investment tax credits, recorded as a reduction of research and development expenses, were $200,000 (2009 - $125,000).

15. 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:

2011	$	418
2012		349
2013		138
	$	905

b) The Board of Directors has mandated its Executive Chairman to review various merger and acquisition opportunities and to actively pursue related financing activities. The Board verbally agreed on compensating the Executive Chairman should he be successful with any of these initiatives. For the year ended April 30, 2010, consulting fees in the amount of $167,000 (2009 - $37,500) were paid to a company controlled by the Executive 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.

c) 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.

16. Supplementary Information

a) Consolidated statements of cash flows

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

	2010	2009
Trade and other receivables	**$ (338)**	$ 4,949
Accounts payable and accrued liabilities	**405**	(5,652)
Income taxes recoverable	**(57)**	516
Inventories	**2,641**	671
Prepaid expenses and other assets	**136**	(49)
	$ 2,787	$ 435
Interest paid	**$ 370**	$ 179

b) Consolidated statements of loss

	2010	2009
Amortization of property, plant and equipment is included in:		
Cost of sales	**$ 815**	$ 766
Selling and administrative and research and development	**116**	230
	$ 931	$ 996
Amortization of intangible assets is included in:		
Cost of sales	**$ 9**	$ 10
Research and development	**17**	59
Selling and administrative	**757**	941
	$ 783	$ 1,010

17. 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, China and the United States.

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

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

Information pertaining to each segment for the years ended April 30:

	Telecom		**Satcom**		**Consolidated Amounts**	
	2010	2009	**2010**	2009	**2010**	2009
Sales	**$ 7,378**	$ 19,774	**$ 18,046**	$ 20,574	**$ 25,424**	$ 40,348
Cost of sales	**7,585**	16,900	**14,171**	14,936	**21,756**	31,836
Gross profit	**(207)**	2,874	**3,875**	5,638	**3,668**	8,512
Expenses					**14,990**	13,760
Income tax expense (recovery)					**125**	(640)
Net loss for the year					**$ (11,447)**	$ (4,608)

The income tax expense (recovery) relates to the Satcom segment.

The following table presents assets by segment:

	As at April 30, 2010		
	Telecom	**Satcom**	**Total**
Current assets	**$ 4,213**	**$ 7,966**	**$ 12,179**
Long-term assets	**1,795**	**4,477**	**6,272**
	6,008	**12,443**	**18,451**
Other			**2,253**
Total			**$ 20,704**

	As at April 30, 2009		
	Telecom	Satcom	Total
Current assets	$ 5,739	$ 10,351	$ 16,090
Long-term assets	2,666	8,207	10,873
	8,405	18,558	26,963
Other			3,358
Total			$ 30,321

Property, plant and equipment by segment are as follows:

	Telecom		Satcom		Consolidated Amounts	
	2010	2009	**2010**	2009	**2010**	2009
Property, plant and equipment	**$ 1,388**	$ 1,882	**$ 3,122**	$ 3,611	**$4,510**	$5,493
Additions	**76**	347	**90**	439	**166**	786
Amortization	**447**	554	**484**	442	**931**	996
Loss on disposal	**25**	(39)	**1**	—	**26**	(39)
Impairment on property, plant and equipment	**(30)**	(397)	**(4)**	(34)	**(34)**	(431)

Intangible assets and goodwill by segment are as follows:

	Telecom		Satcom		Consolidated Amounts	
	2010	2009	**2010**	2009	**2010**	2009
Intangible assets and goodwill	**$ 407**	$ 784	**$ 1,481**	$ 4,470	**$1,888**	$5,254
Additions	**(10)**	(3)	—	—	**(10)**	(3)
Amortization	**384**	193	**399**	817	**783**	1,010
Impairment of intangible assets and goodwill	—	(50)	**(2,715)**	(1,607)	**(2,715)**	(1,657)

b) Enterprise-wide information

The following table presents sales by destination of the product.

	2010	2009
Canada	**$ 1,595**	$ 1,198
United States	**10,780**	13,805
Europe	**5,471**	6,730
Asia	**3,704**	13,242
Other	**3,874**	5,373
	$ 25,424	$ 40,348

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

		2010		2009
Sales				
Canada	**$**	**19,027**	$	21,231
United States		**1,596**		1,605
China		**6,206**		18,916
Inter-country		**(1,405)**		(1,404)
	$	**25,424**	$	40,348
Assets				
Canada	**$**	**15,039**	$	22,778
United States		**891**		948
China		**4,774**		6,595
	$	**20,704**	$	30,321
Property, plant and equipment, goodwill and intangible assets				
Canada	**$**	**5,008**	$	9,065
China		**1,067**		1,445
United States		**197**		237
	$	**6,272**	$	10,747

18. Financial Expenses

Financial expenses consist of:

		2010		2009
Interest on long-term debt	**$**	**—**	$	18
Interest on convertible debentures		**258**		140
Accretion expense		**448**		636
Bank charges and other		**139**		89
Interest income		**(11)**		(30)
	$	**834**	$	853

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.

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.

	2010	2009
Long-term debt, including current portion	**$ 1,157**	$ 1,215
Shareholders' equity	**12,753**	23,657
	$ 13,910	$ 24,872

20. Financial Instruments

The classification of financial instruments as of April 30, 2010 and April 30, 2009 and their respective carrying values and fair values are as follows:

	2010	2009
Held for trading (at fair value)		
Cash	**$ 1,886**	$ 4,485
Available for sale (at fair value)		
Short-term investments	**181**	181
Investments in a private company	**N/A**	N/A
Loans, receivables and other financial liabilities (at amortized cost)		
Trade receivables	**5,732**	5,592
Credit facility	**733**	—
Accounts payable	**3,687**	2,643
Long-term debt including convertible debentures	**1,157**	1,215

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, short–term investments, trade receivables, investments, credit facility, accounts payable and long-term debt including convertible debentures.

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

The fair value of trade receivables, credit facility and accounts payable is approximately equal to their carrying values due to their short-term maturity.

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, 2010, the Company had cash 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, 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:

	2010	2009
Allowance for doubtful accounts, beginning of year	**$ 270**	$ 204
Increases in allowance	**8**	212
Written off against allowance	**(214)**	(146)
	$ 64	$ 270

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 (2009 – two) accounted for more than 10% of sales for the year ended April 30, 2010 (2009 – 42%) and two customers (2009 – two) accounted for 36% of trade receivables as at April 30, 2010 (2009 – 27%). The same two customers represented 47% of Telecom sales for the year ended April 30, 2010 (2009 – two customers represented 86% of Telecom sales).

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

Current	$	**4,527**
31 – 60 days		**754**
Over 61 days		**515**
Accounts receivable		**5,796**
Less: allowance for doubtful accounts		**(64)**
	$	**5,732**

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, 2010, the Corporation had at its disposal working capital of $7,613,000 (2009 - $12,760,000). 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. On March 2, 2010, the Corporation approved terms and conditions of a receivables financing facility in the amount of $2.5 million – which can be increased up to $5 million at the Corporation’s option and under certain terms and conditions – from a Canadian financial institution specializing in servicing the needs of small and medium sized businesses entering growth phases. The facility, which remains subject to standard conditions, will be used to support the Corporation’s working capital requirements and growth opportunities. As of April 30, 2010, $733,000 (2009 – N/A) has been drawn from the credit facility.

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

	Within 1 year	2 years	3 years	Over 4 years	Total
Credit facility	$ 733	$ —	$ —	$ —	$ 733
Accounts payable	3,687	—	—	—	3,687
Convertible debentures	—	1,857	—	—	1,857
Operating leases	418	349	138	—	905
	$ 4,838	$ 2,206	$ 138	$ —	$ 7,182

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 some hedging contracts to mitigate its exposure to currency fluctuations for which it has not elected to use hedge accounting. As at April 30, 2010, the Corporation held various forward contracts with nominal values ranging from $100,000 to $200,000, strike prices ranging from 0.975 to 1.095, and expiry dates ranging from May 24, 2010 to September 10, 2010 for a total value of $900,000. The unrealized gains relating to these contracts included in the statement of loss and comprehensive loss as at April 30, 2010 was $20,797.

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

	As at April 30, 2010	
	RMB	US$
Cash	197	1,324
Accounts receivable	2,071	3,566
Accounts payables and accrued liabilities	1,528	1,365

Based on the above net exposures as at April 30, 2010 and assuming that all other variables remain constant, a 10% depreciation of the Canadian dollar or a 10% appreciation of the Canadian dollar against the U.S. dollar and the Chinese Yuan would result in an increase/(decrease) in net profit and comprehensive income of $426,000/($426,000).

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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, 2010, the variation of 1% in the interest rate would result in an increase/decrease in net profit and comprehensive income of $7,000/($7,000). The Corporation is not exposed to interest rate risk with its long-term debt since it considers a fixed interest rate.

22. Comparative Figures

Certain comparative figures for 2009 have been reclassified to conform to the presentation adopted in 2010.