



Miranda Technologies Inc.

Management's Discussion and Analysis

For the Third Quarter ended September 30, 2009

INTRODUCTION

This report comments on the financial results and the financial situation of Miranda Technologies Inc. for the three-month and nine-month periods ended September 30, 2009 and 2008. These comments should be read in conjunction with the selected consolidated financial information contained in this report and with our consolidated audited financial statements as at December 31, 2008 and the accompanying notes thereto. Additional information on Miranda Technologies Inc. can be obtained on SEDAR at www.sedar.com as well as the Company's web site at www.miranda.com.

In this report, the terms "we", "us", "our", "Miranda", "enterprise" and "Company" refer to Miranda Technologies Inc. and its subsidiaries. The consolidated financial statements for Miranda were prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). The Company reports its results in Canadian dollars and all amounts stated in this report are in Canadian dollars, unless specified otherwise.

This report is based on information available to management on October 29, 2009.

FORWARD-LOOKING STATEMENTS

Certain comments and statements contained in this report constitute forward-looking statements that reflect Miranda's objectives, estimates and assumptions. These statements may include the use of terms such as "believe", "anticipate", "estimate", "looking ahead" and "expect", as well as the use of verbs in the conditional and future tenses. By their nature, these forward-looking statements involve certain risks and uncertainties. As a consequence, results could differ materially from the Company's expectations. This report, as well as our Annual Information Form under the heading Risk Factors – available on SEDAR at www.sedar.com – deals with risks which could cause significant differences between the results contained herein and Miranda's expectations. The forward-looking statements contained in this report reflect our current assumptions and, accordingly, are subject to change. However, we disclaim all intentions and assume no obligation to update or revise the forward-looking statements, whether based on new information, events or other factors, unless required to do so by applicable securities' laws.

NON-GAAP FINANCIAL MEASURES

We use EBITDA (earnings before interest, taxes, depreciation and amortization) to compare our operating results from one period to another. EBITDA is a non-GAAP financial measure related to cash earnings and is defined as operating income plus amortization, depreciation, interest expenses less interest income. Our method for calculating EBITDA may differ from that used by other companies under the same designation. Readers are advised that EBITDA should not be substituted for net income as an indicator of operating results in line with GAAP, neither for cash flows from operating and investing activities as a measure of liquidity and cash flows. The financial indicator that conforms to GAAP and is the closest to EBITDA is net income.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables set out selected consolidated financial information for the three-month and nine-month periods ended September 30, 2009 and 2008. This information has been derived from the interim unaudited consolidated financial statements for the three-month and nine-month periods ended September 30, 2009 and 2008 and the notes thereto. The following information should be read in conjunction with our interim unaudited financial statements and the related notes.

(In thousands of Canadian dollars, except per share data and ratios)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Sales	31,768	37,649	96,041	97,306
Gross margin	17,395	23,306	55,856	58,186
Selling, general and administrative	9,671	8,886	32,923	26,456
Research and development	5,107	4,326	16,945	13,137
Research and development tax credits	(1,156)	(1,143)	(2,940)	(3,241)
Other expenses (revenues)	2,374	(390)	5,348	(1,504)
Income before income taxes	1,399	11,627	3,580	23,338
Income taxes expenses	329	3,881	152	8,019
Net income	1,070	7,746	3,428	15,319
Net earnings per share:				
Basic	0.05	0.32	0.15	0.62
Diluted	0.05	0.32	0.15	0.62
Total assets	170,860	160,874	170,860	160,874
Long-term debt	142	-	142	-
Key ratios (% of sales):				
Gross margin	55%	62%	58%	60%
Selling, general and administrative	30%	24%	34%	27%
Research and development (before tax credits)	16%	11%	18%	14%
EBITDA	10%	32%	10%	25%

Reconciliation of Net Income to EBITDA

(In thousands of Canadian dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Net income	1,070	7,746	3,428	15,319
Interest expense (income)	(42)	(435)	441	(1,850)
Income taxes expense	329	3,881	152	8,019
Amortization of property, plant and equipment	859	592	2,568	1,723
Amortization of intangible assets	1,069	448	3,202	1,342
EBITDA	3,285	12,232	9,791	24,553

BUSINESS OVERVIEW

Miranda develops, manufactures and markets high-performance hardware and software for the television broadcast industry. Our products are used by professionals throughout the broadcast value chain, including content creators (production and post-production companies), content packagers (broadcasters and specialty channels) and television service providers (cable, satellite and telecommunication companies). A good number of our clients are industry leaders such as ABC/Disney/ESPN, BBC, Canal+, CBC/Radio-Canada, CBS, Discovery, Dish Network, Fox News, Gannett, Middle East Broadcast Center, NBC Universal, RAI, Sky, Telmex and Turner.

Our solutions for the television broadcast industry include the following: i) infrastructure products that use digital technology to allow transmission signals to be converted to multiple standards, including high definition formats; ii) media playout products that allow television broadcasters to manage content and to generate live graphics to air (such as branding and dynamic text), iii) monitoring and control products that let users manage a large number of broadcast signals across geographically disparate infrastructures and iv) routers that provide the core video and audio switching fabric within a broadcast facility so that any incoming signal can be delivered to any destination. Our products help our clients to generate additional revenue, while reducing their costs through a more effective distribution and content management, as well as automating manual processes.

On September 30, 2009, the Company employed approximately 560 employees. Over half of these employees are located at the Head Office in Montreal, where we carry out research & development (R&D) and manufacturing. We also manufacture and develop products in Grass Valley (California, USA), and have development centres in Wallingford (UK) and Paris (France). Currently Miranda has sales offices located in Wallingford (UK), Grass Valley (California, USA), Springfield (New Jersey, USA), Paris (France), Tokyo (Japan), Zaltbommel (The Netherlands), Dubai (United Arab Emirates), Beijing (China) and Hong Kong, in addition to a worldwide network of distributors and dealers.

CURRENT ECONOMIC CONDITIONS

Our operations have been affected by weak broadcast market conditions and the uncertainty over credit markets. During the third quarter of 2009, market conditions remained soft in the United States and Canada, where we had a 43% and 27% sales decline respectively versus last year. In other markets, conditions improved with revenues increasing 27% over 2008.

The economic pressures being faced by many of our clients has resulted in projects being delayed or deferred, thus impacting our current results. We expect these conditions to continue in the short-term. This situation could also lead to greater delays and defaults in payments or debt collection, which could have a negative impact on earnings. Therefore, additional emphasis has been put on credit review and collections in order to minimize our exposure to credit risk. Also inventories were reduced to current operating levels to limit the risk of obsolescence.

Third-Quarter Highlights

- Sales of \$31.8 million, versus \$37.6 in 2008
- Net income of \$1.1 million compared to \$7.7 million for the third quarter of 2008
- EBITDA of \$3.3 million, representing 10% of sales versus \$12.2 million and 32% of sales for the same period last year
- Fully diluted EPS of \$0.05 for the third quarter, compared to \$0.32
- Excluding restructuring charges, the Company achieved quarterly net income of \$1.3 million, fully diluted EPS of \$0.06 and EBITDA of \$3.6 million

Third-Quarter 2009 Business Review

Total sales were down 16% for the third quarter compared to the third quarter of 2008. Sales declines continued to be driven by a challenging economic environment, which is negatively impacting broadcaster spending. Quarterly sales in Canada and the United States were down 27% and 43% respectively. Sales in other countries performed much better increasing 27% over 2008.

Gross margin, as a percentage of sales, was 55% for the third quarter of 2009, a decrease of seven percentage points compared to the same period in 2008.

Selling, general and administrative expense (SG&A) increased by 9% in the quarter to \$9.7 million, compared to \$8.9 million in 2008. The main increase in selling and administrative costs relates to the operations of NVISION that were not included during the corresponding period in 2008. SG&A expenses, as a percentage of sales, were 30%. The increase over last year is largely due to lower sales volumes, reflecting the global economic slowdown.

Quarterly research and development (R&D) investments grew 18% over last year, driven by the NVISION acquisition. R&D as a percentage of sales was 16%, versus 11% last year, largely due to the lower sales levels.

EBITDA was \$3.3 million for the third quarter of 2009, compared to \$12.2 million for the same period in 2008, a decrease of 73%.

Net income for the period was \$1.1 million, compared to \$7.7 million in the same period last year. This translated into fully diluted EPS of \$0.05, compared to \$0.32 for the corresponding period in 2008.

During the third quarter, the Company incurred additional restructuring costs, mainly severance payments, related to on-going cost containment initiatives.

When excluding charges for restructuring activities of \$0.4 million and \$1.3 million for the three-month and nine-month periods ended September 30, 2009, net income for the periods would have been \$1.3 million and \$4.3 million, translating into fully diluted EPS of \$0.06 and \$0.19 and adjusted EBITDA of \$3.6 million and \$11.1 million.

OPERATING RESULTS

Sales

Segmented Geographic Information

Segmented sales by geographic locations for the three-month and nine-month periods ended September 30, 2009 and 2008 were as follows:

(In thousands of Canadian dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Canada	1,506	2,073	6,112	8,542
United States	12,350	21,490	43,323	46,886
Other countries	17,912	14,086	46,606	41,878
	31,768	37,649	96,041	97,306

Sales for the third quarter of 2009 were \$31.8 million, down 16% from the \$37.6 million achieved during the same period in 2008. Sales in Canada and the United States decreased by 27% and 43% respectively, while sales in Other countries grew by 27% over the same period of 2008. Excluding the favourable impact of foreign exchange, sales volume was down 18% for the quarter.

For the nine-month periods ended September 30, 2009 and 2008 sales were \$96.0 million, down 1% from the same period in 2008. Sales in the United States and Other countries represented 45% and 49% of the Company's total sales, compared to 48% and 43% for the same period in 2008. Excluding the favourable impact of foreign exchange, sales volume was down 11% for the nine-month period ended September 30, 2009 compared to the same period in 2008.

Gross Margin

Gross margin is calculated by deducting the cost of sales from sales. Cost of sales consists primarily of costs incurred to manufacture and assemble products. It also includes related overheads, such as amortization, certain costs related to final assembly, inventory management, sub-contractors, costs for servicing and commissioning and an allocation of general manufacturing costs.

The following table shows gross margin in dollars as well as a percentage of sales for the three-month and nine-month periods ended September 30, 2009 and 2008:

(In thousands of Canadian dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Gross margin	17,395	23,306	55,856	58,186
Gross margin as % of sales	55%	62%	58%	60%

Gross margin as a percentage of sales was 55% for the third quarter of 2009 compared to 62% for the same period in 2008. This quarter's margin was negatively impacted by 3 percentage points, due to certain adjustments relating to the second quarter of 2009. Excluding this, the gross margin for the current quarter was 58%, which would have been the resulting margin in Q2 2009, if the adjustments had been booked then. The decrease in gross margin versus the previous year is partly explained by the aforesaid quarterly adjustments, along with an unfavourable foreign exchange impact on the timing of the purchases of raw material (3.4 percentage points), partially offset by a favourable foreign exchange impact on revenues (1.4 percentage points). The remaining 2 percentage point decrease in gross margin was caused by the unfavourable impacts of pricing and product & customer mix.

For the nine-month periods ended September 30, 2009 and 2008, gross margins were 58% and 60% respectively.

Selling, General and Administrative Expenses

SG&A for the three-month and nine-month periods ended September 30, 2009 and 2008 were as follows:

(In thousands of Canadian dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Selling, general and administrative	9,671	8,886	32,923	26,456
Selling, general and administrative as % of sales	30%	24%	34%	27%

For the third quarter of 2009, SG&A expenses were \$9.7 million or 30% of sales compared to \$8.9 million or 24% of sales in the same period for 2008. The increase in SG&A expenses are mainly attributable to administrative costs associated with the addition of NVISION's operations, partially offset by lower provisions for incentive bonuses.

For the nine-month periods ended September 30, 2009 and 2008, SG&A expenses were \$32.9 million and \$26.5 million, respectively, representing 34% and 27% of sales for each period. The increase in SG&A expenses are mainly attributable to administrative costs associated with the addition of NVISION's operations.

Research and Development

R&D expenses for the three-month and nine-month periods ended September 30, 2009 and 2008 were as follows:

(In thousands of Canadian dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Research & development	5,107	4,326	16,945	13,137
Gross R&D as % of sales	16%	11%	18%	14%

Investment in R&D reached \$5.1 million in the third quarter of 2009, 18% more than the amount invested during the same period in 2008. Investments in R&D represented 16% and 11% of sales for the third quarters of 2009 and 2008, respectively. The increase in R&D reflects the higher R&D expenses associated with the addition of NVISION, as well as, our intention to accelerate development of new products and platforms which are expected to support future growth. At this time, the Company is prepared to maintain a higher level of investment in R&D, such that it is well positioned when broadcast markets improve.

For the nine-month periods ended September 30, 2009 and 2008, R&D expenses were \$16.9 million and \$13.1 million, up \$3.8 million or 29% for the same period in 2008.

The Company recorded \$1.2 million of R&D tax credits during the period, compared with \$1.1 million during the same period in 2008.

For the nine-month period ended September 30, 2009 the Company recorded \$2.9 million in R&D tax credits compared to \$3.2 million in 2008. The decrease is mainly due to a \$0.7 million adjustment recorded in Q2-2009 relating to fiscal 2008 R&D tax credits.

Note that the additional R&D expenses in 2009 that are related to the newly acquired US based NVISION do not qualify for R&D tax credits.

Other Expenses

Other expenses consist of interest, foreign exchange gains or losses, stock-based compensation, other stock-based compensation and amortization of intangible assets.

For the three-month and nine-month periods ended September 30, 2009 and 2008, these expenses were as follows:

(In thousands of Canadian dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Interest expense (income)	(42)	(435)	441	(1,850)
Foreign exchange loss (gain)	981	(775)	858	(2,271)
Stock-based compensation	125	339	548	1,022
Other stock-based compensation	241	33	299	253
Amortization of intangible assets	1,069	448	3,202	1,342
	2,374	(390)	5,348	(1,504)

Interest

Interest is the net result of interest expense and interest income. Compared to the third quarter of 2008, the reduction of interest income was mainly due to \$0.1 million of interest expense incurred on the long-term debt and lower interest rates on cash balances and short-term instruments.

For the nine-month period ended September 30, 2009, interest expense totalled \$0.4 million compared to \$1.9 million of income in 2008. The variation from interest income to interest expense was due to \$0.5 million of interest expense incurred on the long-term debt for the NVISION acquisition and lower interest rates on cash balances and short-term investments.

Foreign Exchange

Foreign exchange is the result of realized and unrealized gains or losses on transactions contracted in foreign currencies, unrealised gains or losses on derivative financial instruments held and the translation of integrated foreign operations. In the third quarter of 2009, the Company recorded a \$1.0 million loss related to currency fluctuations, compared to a \$0.8 million gain for the same period for 2008.

For the nine-month periods ended September 30, 2009 the Company recorded a \$0.9 million foreign exchange loss, compared to a \$2.3 million foreign exchange gain for the same period of 2008.

Stock-Based Compensation

Canadian GAAP requires corporations to record a compensation expense for stock options awarded to employees and directors. The fair value of stock options is determined using the Black and Scholes model and a compensation expense is charged to income over the vesting period.

In the third quarter of 2009, the Company recorded a stock-based compensation expense of \$0.1 million, a decrease of \$0.2 million over the same period for 2008. The decrease is attributable to less costs being charged to expenses as some of the stock options became fully vested and the related expenses have been recorded in previous periods.

For the nine-month periods ended September 30, 2009 and 2008, stock-based compensation totalled \$0.5 million compared to \$1.0 million in 2008.

Other Stock-Based Compensation

Canadian GAAP requires corporations to record other compensation expense for other stock-based payments awarded to employees and directors. The fair value of the non-dilutive restricted shares units plan ("RSUs") and non-dilutive deferred share units plan ("DSUs") are determined using the market price of the stock and a compensation expense is charged to income over the vesting period.

In the third quarter of 2009, the Company recorded other stock-based compensation expense of \$0.2 million, an increase of \$0.2 million over the same period for 2008. The increase is mostly attributable to the improvement of the share price in the period and the additional number of units outstanding at the end of the period compared. During the same period of 2008, we had a reduction in the share price and a lower number of outstanding units.

For the nine-month periods ended September 30, 2009 and 2008, other stock-based compensation totalled \$0.3 million compared to \$0.3 million in 2008.

Amortization of Intangible Assets

Amortization of intangible assets is the result of allocating the cost of intangible assets over the expected useful life of these assets. In the third quarter of 2009, the Company recorded an amortization of intangible assets of \$1.1 million compared to \$0.4 million for the same period for 2008. The increase in amortization expense is due to the amortization of technologies, brand name and customer relationships acquired in the NVISION's acquisition.

For the nine-month periods ended September 30, 2009 and 2008, amortization of intangible assets totalled \$3.2 million compared to \$1.3 million in 2008.

Income Taxes

Income taxes (recovery) expense for the three-month and nine-month periods ended September 30, 2009 and 2008 were as follows:

(In thousands of Canadian dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Current income taxes	588	3,597	1,070	7,432
Future income taxes	(259)	284	(918)	587
	329	3,881	152	8,019

The Company recorded an income tax expense of \$0.3 million in the third quarter of 2009 compared to \$3.9 million of income tax expense for the same period in 2008. The effective tax rate for the quarter is below the Company's applicable statutory rate of 31%. The lower tax percentage relative to income is mainly due to the impact of a non-deductible exchange loss of \$0.2 million on the translation of integrated subsidiaries, a \$0.2 million adjustment to tax assets and liabilities related to 2008 and the difference in tax rates in subsidiaries, offset by the impact of non-deductible expenses.

When excluding the above items, the effective tax rate for the quarter stands at 30.9%, which is in line with the statutory rate. For the same period in 2008, the tax rate was 33%, with an effective tax rate of 32% once adjusted for the non-deductible and not-taxable items of that period.

For the nine-month periods ended September 30, 2009 and 2008, income taxes expense was \$0.2 million compared to \$8.0 million of income taxes expense in 2008. The tax rate for the nine-month period was also affected similarly by the above-mentioned items resulting in an effective tax rate for the nine-month period of 31%, same for the corresponding period in 2008.

Net Income

The table titled Selected Consolidated Financial Information, which appears on page 3, refers to the net income and net earnings per share.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents are held in low risk financial instruments or at primary chartered financial institutions. The Company has no exposure to any non-bank asset-backed securities.

Operating Activities

Operating activities generated \$1.0 million of cash flows during the third quarter of 2009 compared to generated cash flows of \$13.7 million for the same period in 2008. In both periods, cash flows relating to operating activities were generated from net income and were impacted by changes in working capital elements of (\$1.3) Million and \$ 4.4 million respectively.

For the nine-month periods ended September 30, 2009 and 2008, cash flows from operating activities amounted to \$8.2 million and \$19.8 million, respectively.

Financing Activities

Financing activities consumed \$20.3 million in third quarter of 2009 compared to \$4.7 million for the same period in 2008. In the third quarter of 2009, the repayment of the credit facility consumed \$20.3 million. For the same period in 2008, the \$4.7 million of cash flows were consumed by the purchase of shares through the Normal Course Issuer Bid Program (NCIB), partially offset by \$2 thousand of cash flows generated from the issuance of common shares.

For the nine-month periods ended September 30, 2009 and 2008, cash flows used in financing activities amounted to \$25.2 million and \$6.5 million, respectively. For the nine-month period ended September 30, 2009, the cash flows included \$3.4 million used in the purchase of shares through the NCIB and \$21.8 million used for the repayment of credit facility. For the same period in 2008, \$6.5 million of cash flows were consumed by the purchase of shares through the NCIB and offset by \$45 thousand of cash flows generated from the issuance of common shares.

Investing Activities

Investing activities consumed \$3.8 million for the third quarter of 2009 and \$0.7 million in 2008. The cash outlay largely related to the purchase of property, plant and equipment for the expansion of the Montreal facility.

For the nine-month periods ended September 30, 2009 and 2008, cash flows generated from investing activities amounted to \$20.4 million and \$22.7 million, respectively.

CONSOLIDATED BALANCE SHEET DATA

The following table shows the key balance sheet items and ratios.

(In millions of Canadian dollars, except for ratios and days)	September 30, 2009	December 31, 2008
Cash and cash equivalents and temporary investments	48.4	48.5
Working capital	74.2	71.7
<i>Working capital ratio</i>	4.2	3.2
Accounts receivable	22.7	24.4
<i>Days sales outstanding in accounts receivable</i>	49	53
Inventories	16.6	23.8
<i>Inventory turnover-average</i>	2.8	3.0
Long-term assets	73.7	98.2
Long-term debt	0.1	21.6

Working Capital

As at September 30, 2009, the Company had working capital of \$74.2 million compared to \$71.7 million at the end of December 31, 2008. The decrease in cash and cash equivalents and temporary investments during the period was mostly caused by the full repayment of the USD credit facility for an amount of \$20.3 million (USD \$18.8 million).

Accounts receivable increased by \$1.3 million during the third quarter of 2009 compared to the second quarter of 2009. The increase in accounts receivable balance is mostly due to refundable sales taxes. The average days sales outstanding in accounts receivable was 49 days as at September 30, 2009, a reduction of 4 days from the 53 days shown at the end of 2008.

Inventories decreased by \$1.8 million during the third quarter of 2009 to close at \$16.6 million as at September 30, 2009. Inventory levels decreased over the December 31, 2008 balance as the Company adjusted purchases of raw materials to align with the lower production volumes. Inventory turnover was 2.8 for the period ended September 30, 2009 compared to 3.0 for the period ended December 31, 2008. The Company constantly monitors inventory levels to ensure they are sufficient to respond to forecasted demand, without exposing the Company to undue obsolescence risks.

We believe that our cash and cash equivalents, and anticipated cash flows from operations will be sufficient to meet the Company's working capital, capital expenditures and corporate development program requirements for the foreseeable future. In addition the Company has authorized bank credit facilities of CDN\$9.0 million, US\$32.0 million and £350,000, subject to certain margin requirements.

Property, Plant and Equipment

Property, plant and equipment less accumulated depreciation, increased by \$2.0 million in the third quarter of 2009 to reach \$30.2 million compared to the second quarter of 2009. Additions to property, plant and equipment for the third quarter were \$3.8 million (\$0.7 million in 2008). The main additions made in the quarter consist of costs relating to the continued expansion of the Montreal facility.

Share Capital Structure

The authorized share capital consists of an unlimited number of common shares without par value.

	September 30, 2009	December 31, 2008
Common shares	22,817,648	23,429,048
Stock options ¹		
Granted and outstanding	1,101,901	1,109,901
Underlying common shares	1,101,901	1,109,901

¹ Options granted under our employees' stock option plan.

Under the normal course issuer bid (NCIB) program announced in 2008, the Company reached the 2,000,000 common shares purchase limit on May 15, 2009 for a total consideration paid of \$13.5 million and an average cost of \$6.77 per common share.

During the quarter, the Company announced a new NCIB program, permitting it to purchase up to 1,799,662 common shares for cancellation. The NCIB lasts for one year, ending on August 25, 2010 or on such earlier dates as the Company has purchased the maximum shares permissible. To date, no shares have been purchased for cancellation in connection with the program, nor is the Company required to purchase any shares over its life. Subsequent to September 30, 2009 and up to October 29, 2009 inclusively, there was no transaction affecting share capital.

Contractual Obligations

The Company's cash flow from operations is dependent on a number of factors, including fluctuations in operating results and management of working capital. As a result, the future impact of contractual obligations on liquidity and capital resources should be analyzed in conjunction with these factors.

No material changes affected our contractual obligations during the period.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements, except for those disclosed under the Contractual Obligations and Financial Instruments sections in the 2008 Annual Report.

Transactions with Related Parties

There were no transactions with related parties during the three-month and nine-month periods ended September 30, 2009 and 2008.

Financial Instruments

The Company has access to numerous financial instruments, namely cash and cash equivalents, accounts receivable as well as accounts payable and accrued liabilities and long-term debt. The book value of these financial instruments approaches their fair value because of the short time to maturity with the exception of long-term debt which is periodically adjusted to fair value.

We also have recourse to derivative financial instruments to manage the risks associated with fluctuations in the US dollar and the Euro. Our corporate policy is to avoid using such instruments for speculative purposes. For accounting purposes, these instruments have not been designated as a hedge against foreign

currency fluctuations and, as a result, are marked to market. Gains and losses resulting from the changes in the fair values of the instruments are recorded to income. As at September 30, 2009, the total amount committed to currency sales was €1.5 million.

We benefit from natural hedging against part of the potential foreign exchange risks as we purchase a significant portion of our material and components in US dollars. Gains and losses, both realized and not realized, are recorded as currency exchange gains and losses in the financial statements. As at September 30, 2009, our derivative instruments had a negative value of \$0.1 million, compared with a positive value of \$0.1 million at September 30, 2008.

Critical Accounting Policies and Estimates

The financial statements are prepared in accordance with Canadian GAAP. The main policies and accounting methods used in preparing the financial statements are described in note 1 of the Company's consolidated financial statements for the year ended December 31, 2008. Certain policies have more importance than others. We consider them critical if their application entails a substantial degree of judgement or if they result from a choice between numerous accounting alternatives and the choice has a strong material impact on reported results or the financial position. The critical accounting estimates identified by management according to this definition are described in detail in our 2008 Annual Report available on SEDAR and on Miranda's website.

Changes in Accounting Policies

On January 1, 2009, we adopted new section 3064 of the CICA Handbook.

Handbook Section 3064, *Goodwill and Intangible Assets ("HB 3064")*, provides guidance on the recognition of intangible assets in accordance with the definition of an asset and the criteria for asset recognition as well as clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or internally developed. This new standard supersedes Handbook Section 3062. The adoption of this standard did not have a significant impact on the consolidated statement of income.

Transition to International Financial Reporting Standards

In 2005, the Accounting Standards Board of Canada announced that accounting standards in Canada are to converge with International Financial Reporting Standards ("IFRS"). In February 2008, the CICA confirmed the change over date from current Canadian "GAAP" to IFRS to be January 1, 2011. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy which must be addressed. IFRS on the date of adoption is also expected to differ from current IFRS due to new IFRS standards and pronouncements that are expected to be issued before the changeover date. The Company plans to prepare its financial statements in accordance with IFRS for periods commencing as of January 1, 2011.

The Company's transition process from Canadian GAAP to IFRS commenced in the third quarter of 2008. To ensure adequate management of the process, the Company has established an IFRS Steering Committee, comprised of finance staff, senior management as well as representatives from various areas of the organization. Progress reporting to the Audit Committee on the status of the IFRS implementation will be provided on a quarterly basis.

The transition to IFRS consists of three phase:

- *Initial Assessment Phase* – This phase involves performing a high-level assessment to identify and rank areas of accounting differences and their impact (high, medium or low priority) that may arise from the transition to IFRS and an assessment of potential consequences on financial reporting, business processes, internal controls and information systems.
- *Detailed Assessment and Design Phase* – In this phase, each area of accounting differences identified in the initial phase will be further assessed in order of descending priority, with project teams established appropriately. This phase involves specification of changes required to existing accounting policies, information systems, and business processes, together with an analysis of policy alternatives allowed under IFRS and impacts on drafting of financial statements under IFRS. The analysis and decisions made during this phase will be included in IFRS memos and approved by the External Auditors, which will then be submitted to the Audit Committee.
- *Implementation and Testing Phase* – This phase includes execution of changes to information systems and business processes, completing formal authorization processes to approve recommended accounting policy changes and training programs for the Company's finance and other staff, as necessary. It will culminate in the collection of financial information necessary to compile IFRS-compliant financial statements, embedding IFRS in business processes, elimination of any unnecessary data collection processes and Audit Committee approval of IFRS financial statements. Implementation also involves further training to staff as revised systems begin to take effect.

The Company has completed the Initial Assessment Phase in September 2009, and the IFRS team is currently focusing on the *Detailed Assessment and Design Phase*.

The Company is monitoring the impact of the transition on its business practices, systems and internal controls over financial reporting. A detailed analysis of the differences between IFRS and the Company's accounting policies, as well as an assessment of the impact of the various alternatives, are in progress. Changes in accounting policies are likely and may materially impact the Company's consolidated financial statements.

At this time, the comprehensive impact of the changeover on the Company's future financial position and results of operations is not yet determinable. The Company continues to monitor and assess the impact of evolving differences between Canadian GAAP and IFRS, since the IASB is expected to continue issuing new accounting standards during the transition period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the applicable IFRS standards are known.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Management of Miranda, including the Chief Executive Officer and Chief Financial Officer, have designed disclosure controls and procedures and internal controls over financial reporting to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared, and disclosed in public documents pursuant to the requirements of National Instrument 52-109 of the Canadian Securities Administrators.

No changes were made in our internal control over financial reporting during the quarter ended September 30, 2009 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

RISKS AND UNCERTAINTIES

The Company operates in industry segments subject to various risks and uncertainties that could have a material, adverse effect on the Company, its financial situation and its operating results. We provide detailed explanations of these risks and uncertainties in the Annual Information Form published on SEDAR at www.sedar.com.

OUTLOOK

While, markets remain well below last year's levels, we are beginning to see an increase in sales activity. However, it is still too early to predict a recovery and we remain cautious about our short term growth expectations. Nevertheless, supported by a solid balance sheet and a strengthening product portfolio, we will continue to position ourselves for growth, targeting acquisition opportunities, investing strategically and maintaining disciplined cost controls.

QUARTERLY CONSOLIDATED FINANCIAL INFORMATION

The Company's main financial information is presented in the following tables for each of the last nine quarters. Management believes that this information was prepared using the same method as the audited consolidated financial statements and related notes for the year ended December 31, 2008. The operating results for one quarter can in no way be used as an indication of results for future periods. Furthermore, sales are subject to seasonal fluctuations.

(In thousands of Canadian dollars, except per share data and ratios)	2009			2008				2007	
	Sept 30,	June 30,	March 31,	Dec 31,	Sept 30,	June 30,	March 31,	Dec 31,	Sept 30,
Sales	31,768	31,063	33,210	32,655	37,648	34,167	25,491	31,702	31,681
Gross margin	17,395	18,825	19,636	20,622	23,306	20,128	14,753	17,749	17,737
Selling, general and administrative	9,671	10,853	12,399	10,198	8,886	9,457	8,113	10,065	7,930
Research and development	5,107	5,795	6,043	4,621	4,326	4,506	4,305	3,606	3,673
Research and development tax credits	(1,156)	(301)	(1,483)	(2,571)	(1,143)	(998)	(1,100)	(894)	(832)
Other expenses (revenues)	2,374	2,037	937	(1,185)	(390)	410	(1,525)	341	1,529
Income before income taxes	1,399	441	1,740	9,559	11,627	6,753	4,960	4,631	5,437
Income taxes (recovery) expense	329	(830)	653	2,141	3,881	2,635	1,504	1,376	2,107
Net income	1,070	1,271	1,087	7,418	7,746	4,118	3,456	3,255	3,330
Net earnings per share:									
Basic	0.05	0.06	0.05	0.31	0.32	0.17	0.14	0.13	0.13
Diluted	0.05	0.06	0.05	0.31	0.32	0.16	0.14	0.13	0.13
Key ratios (% of sales):									
Gross margin	55%	61%	59%	63%	62%	59%	58%	56%	56%
Selling, general and administrative	30%	35%	37%	32%	24%	28%	32%	32%	25%
Research and development (before tax credits)	16%	19%	18%	14%	11%	13%	17%	11%	12%
EBITDA	10%	9%	12%	31%	32%	21%	21%	15%	18%

Reconciliation of Net Income to EBITDA

(In thousands of Canadian dollars)	2009			2008				2007	
	Sept 30,	June 30,	March 31,	Dec 31,	Sept 30,	June 30,	March 31,	Dec 31,	Sept 30,
Net income	1,070	1,271	1,087	7,418	7,746	4,118	3,456	3,255	3,330
Interest expense (income)	(42)	362	121	(576)	(435)	(746)	(669)	(702)	(666)
Income taxes (recovery) expense	329	(830)	653	2,141	3,881	2,635	1,504	1,376	2,107
Amortization of property, plant and equipment	859	847	862	704	592	588	543	513	554
Amortization of intangible assets	1,069	1,022	1,111	584	448	447	447	447	447
EBITDA	3,285	2,672	3,834	10,271	12,232	7,042	5,281	4,889	5,772