FIRST QUARTER RESULTS

Management's Discussion & Analysis

and

Unaudited Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2017

VECIMA NETWORKS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
November 9, 2017

This Management's Discussion and Analysis (MD&A) provides a review of significant developments that have affected the performance of Vecima Networks Inc. ("Vecima" or the "Company") during the three months ended September 30, 2017.

Our MD&A supplements, but does not form part of, our unaudited condensed interim consolidated financial statements and related notes for the three months ended September 30, 2017. Consequently, the following discussion and analysis of the financial condition and results of operations should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes for the three months ended September 30, 2017 and September 30, 2016 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Our MD&A also includes certain non-IFRS financial measures which we use as supplemental indicators of our operating performance and financial position, as well as for internal planning purposes.

The content of this MD&A contains forward-looking statements, which are subject to risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements. Forward-looking statements include, but are not limited to our expectations related to general economic conditions and market trends and their anticipated effects on our business segments, as well as our expectations related to customer demand. For additional information related to forward-looking statements and material risks associated with them, please see the "Additional Information" section of this MD&A.

Additional information regarding Vecima, including our Annual Information Form, can be found on SEDAR at www.sedar.com.

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Company Overview

Vecima Networks Inc. (TSX:VCM) is a Canadian company founded in 1988 with offices in Saskatoon, SK, Burnaby, BC and Victoria, BC. We also have a software development facility in Mangalore, India, operated through a majority owned subsidiary.

We are a globally recognized leader in creating breakthrough technology solutions that empower network service providers to connect people and enterprises to information and entertainment worldwide. Our products incorporate complex hardware and software developed within our research and development facilities. Our main products for the cable industry allow service providers a cost-effective Last Mile Solution® for both video and broadband access, especially in the demanding business services market segment.

Our business is organized into two segments: (1) Video and Broadband Solutions and (2) Telematics:

1. Video and Broadband Solutions include platforms and modules that process data from the cable network and deliver it in formats suitable to be consumed on televisions and Internet devices. Terrace and TerraceQAM are two key product families in this segment which meet the needs of the business services vertical including MDU (multi-unit dwellings) and Hospitality (including hotels, motels and resorts).
2. Telematics provides fleet managers with the key information and analytics they require to optimally manage their mobile and fixed assets under the Contigo, Nero Global Tracking, and FleetLynx brands.

We are focused on the development of next-generation platforms that respond to the major cable industry shift to distributed access architectures (DAA) under the new DOCSIS 3.1 standard. This standard unlocks gigabit broadband speeds over existing coaxial cable, making it comparable to the speed provided by fiber optic connections, but without the added infrastructure cost. According to the latest industry analysis, 80% of cable operators have committed to DAA deployment plans.

We are addressing this industry transition through the development of our next generation platform, Entra, which uses distributed access architectures.

Entra Distributed Access Platform

The Entra Distributed Access solution comprises three components:

- An access node that provides a modular platform for deployment of access technologies. The Access Node can operate as Remote PHY (R-PHY) or Remote MACPHY (R-MACPHY);
- A virtual controller software application for unified management of access nodes; and,
- A Legacy QAM Adapter that provides a simple solution to adapt existing video QAM infrastructure for distributed access.

Entra Access Switch

The Entra family also includes the Entra Access Switch, an 8 port x 10 GbE weatherproof switch capable of supporting Carrier Ethernet services in almost any deployment environment. It is designed to extend the capacity of networks with insufficient fibers while minimizing the use of expensive digital optics.

Ongoing customer engagement continues to validate our plan for the Entra family. The response from Tier 1 operators remains highly encouraging with Entra's high Ethernet capacity, full support for legacy digital video, and distributed architecture approach generating significant customer interest.

First Quarter 2018 Highlights

- Achieved significant progress on our new DOCSIS 3.1 Entra platform:
    - Demonstrated Entra Remote PHY node interoperability at industry events with the top two CCAP vendors.
    - Delivered Entra Legacy QAM solution into customer labs for evaluation.
- Began sales of the upgraded Digital Video Access Platform (DVAP) software upgrade enabling the platform to support distributed access architecture.
- Completed the sale of YourLink's Saskatchewan assets for proceeds of $8.7 million.
- Declared a quarterly dividend of $0.055 per share.
- Ended the quarter in a strong financial position, including record cash balances of $103.2 million.

Subsequent Events

Concurrent Acquisition

On October 16, 2017, we signed an agreement to acquire the assets of the video content and delivery business of Concurrent Computer Corporation (Concurrent) for US$29.0 million in cash subject to certain closing adjustments relating to working capital. Concurrent is a US-based software and solutions company operating in the Video on Demand and IP Video Content Delivery space and supplies its technologies to many of the same Tier One Cable MSOs that we service.

The business combination supports and accelerates our ability to respond to the rapidly growing demand for IP-driven technologies and multi-screen services. Our own organic development of gigabit Internet access platforms like Entra, together with Concurrent's industry-leading IPTV delivery platforms, unlock numerous synergistic opportunities in the evolving IP video space. Our two companies together will be aligned to serve a global footprint including the Americas, Europe and Asia.

BTR Diamond Technology Reviews Awards

On October 20, 2017, our Entra Access Switch was honoured with the top award in the Optical Transport/Carrier Ethernet category in BTR's (Broadband Technology Report) Diamond Technology Reviews. In addition, our Entra Distributed Access Platform and Terrace DVB product were named finalists in the CCAP Systems and the Video Distribution Systems categories, respectively.

AirIQ Inc. Purchase

On October 24, 2017 we purchased 5,582,000 common shares of AirIQ Inc. ("AirIQ"), a Canadian-based wireless asset management company operating in the fleet management space. As consideration for the AirIQ shares, we issued an aggregate of 96,443 common shares of Vecima, at a deemed value of $0.949 million. The shares were acquired for investment purposes and represent 21.3% of AirIQ.

Outlook

Vecima anticipates a year of transition in fiscal 2018 as the North American cable industry prepares for the DOCSIS 3.1 standard. Based on current customer feedback, field trials of various components of Vecima's new Entra family of DOCSIS 3.1 products are expected to commence in calendar year 2018. Management notes, however, that the plans and priorities of major MSOs continue to evolve, making it difficult to project timelines with certainty.

Demand for some of Vecima's legacy products is expected to taper off as market saturation is reached and customers focus on next generation products and technologies. Management expects fiscal 2018 to be a year of continued investment and development as it positions Vecima for industry leadership in the emerging DOCSIS 3.1 market and the IP video and content delivery space.

With a strong financial foundation, Vecima is well positioned to pursue its product strategies while also continuing to assess attractive acquisitions that provide significant accretion and give rapid access to technologies that will help drive the Company's growth and success.

Assets Held For Sale and Discontinued Operations

On July 13, 2017, we completed the second transaction on the sale of the telecommunication assets of the YourLink business in Saskatchewan for total consideration of $8.7 million. Assets connected with this transaction ($0.6 million) were previously classified as held for sale.

Financial results attributable to the disposal of all YourLink assets have been presented as discontinued operations.

Consolidated Results of Operations

Amounts are presented in thousands of Canadian dollars except percentages, employees, dividends and per share amounts. This information should be read in conjunction with our financial statements for the relevant periods, including the related notes, and the balance of this MD&A.

Consolidated Statements of Comprehensive Income Data	Three months ended September 30, 2017		2016	
Sales	**$ 14,882**	**100 %**	$ 20,886	100 %
Cost of sales	**6,404**	**43 %**	10,017	48 %
Gross profit	**8,478**	**57 %**	10,869	52 %
Operating expenses				
Research and development[1]	**3,163**	**21 %**	2,849	13 %
Sales and marketing	**1,108**	**7 %**	1,297	6 %
General and administrative	**2,610**	**18 %**	2,464	12 %
Stock-based compensation	**13**	**- %**	68	- %
Other (income) expense	**(82)**	**- %**	3	- %
	6,812	**46 %**	6,681	31 %
Operating income	**1,666**	**11 %**	4,188	21 %
Finance income	**298**	**2 %**	253	1 %
Foreign exchange (loss) gain	**(670)**	**(4)%**	483	2 %
Income before income taxes	**1,294**	**9 %**	4,924	24 %
Income tax expense	**330**	**2 %**	1,368	7 %
Net and comprehensive income from continuing operations	**964**	**7 %**	3,556	17 %
Net and comprehensive income from discontinued operations	**7,062**	**47 %**	487	2 %
Net and total comprehensive income	**$ 8,026**	**54 %**	$ 4,043	19 %
Net and total comprehensive income per share[2]				
Basic	**$ 0.36**		$ 0.18	
Basic from continuing operations	**$ 0.04**		$ 0.16	
Diluted	**$ 0.36**		$ 0.18	
Diluted from continuing operations	**$ 0.04**		$ 0.16	
Other Data				
Total research and development expenditures[3]	**$ 5,818**	**39 %**	$ 4,725	23 %
Adjusted EBITDA[4]	**$ 2,874**	**19 %**	$ 7,091	34 %
Adjusted earnings per share[5]	**$ 0.04**		$ 0.17	
Number of employees[6]	**334**		451	

(1) Net of investment tax credits and capitalized development costs

(2) Based on weighted average number of common shares outstanding

(3) See "Total Research and Development Expenditures"

(4) Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. See "Adjusted EBITDA"

(5) Adjusted EPS does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. See "Adjusted Earnings per Share"

(6) The number of employees is determined as of the end of the period

Consolidated Statements of Financial Position Data

(unaudited - in thousands of dollars except number of common shares)		**September 30, 2017**		June 30, 2017
Cash and cash equivalents	**$**	**34,297**	$	3,517
Short-term investments	**$**	**68,921**	$	85,675
Working capital	**$**	**116,342**	$	110,457
Total assets	**$**	**202,483**	$	193,995
Long-term debt	**$**	**2,167**	$	2,208
Shareholder's equity	**$**	**189,043**	$	182,242
Number of common shares outstanding(1)		**22,379,651**		22,402,904

(1) Based on weighted average number of common shares outstanding

Adjusted Earnings per Share

The following table reconciles net income for the period to adjusted net income as well as earnings per share to adjusted earnings per share. The term "adjusted net income" refers to net income or net loss as reported in the IFRS financial statements, excluding any amounts included in net income or net loss for gains and losses on sale of non-core property, plant and equipment ("PPE"), intangible assets, and assets held for resale, impairments of intangible assets, and the tax effect of these adjusted items. We believe that adjusted earnings and adjusted earnings per share provides supplemental information for management and our investors because it provides for the analysis of our results exclusive of certain items which do not directly correlate to our business of selling broadband access products or supplying Telematic services. Adjusted earnings and adjusted earnings per share do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

Calculation of Adjusted Earnings Per Share	**Three months ended September 30,**			
(unaudited - in thousands of dollars except per share amounts)		**2017**		2016
Net and comprehensive income	**$**	**8,026**	$	4,043
Gain on sale of non-core PPE, net of taxes		**(7,076)**		(345)
Adjusted net and comprehensive income	**$**	**950**	$	4,043
Earnings per share	**$**	**0.36**	$	0.18
Gain on sale of assets held for resale, net of taxes		**(0.32)**		(0.01)
Adjusted earnings per share	**$**	**0.04**	$	0.17

EBITDA and Adjusted EBITDA

The following table reconciles net income for the period to EBITDA and Adjusted EBITDA. The term "EBITDA" refers to net income or net loss as reported in the IFRS financial statements, excluding any amounts included in net income or net loss for income taxes, interest expense, and depreciation and amortization for property plant and equipment and intangible assets. The term "Adjusted EBITDA" refers to EBITDA adjusted for: gains and losses on sale of property, plant and equipment, intangible assets, and assets held for sale; impairment of property, plant, and equipment; impairment of deferred development costs; restructuring costs; and stock compensation expense. We believe that Adjusted EBITDA is useful supplemental information for management and for our investors because it provides for the analysis of our results exclusive of certain non-cash items and other items which do not directly correlate to our business of selling broadband access products or supplying Telematic services. Adjusted EBITDA is not a recognized measure under IFRS and, accordingly, investors are cautioned that Adjusted EBITDA should not be construed as an alternative to net income, determined in accordance with IFRS, or as an indicator of our financial performance or as a measure of our liquidity and cash flows.

Calculation of Adjusted EBITDA		Three months ended September 30, 2017		2016
Net and total comprehensive income	**$**	**8,026**	$	4,043
Income tax expense		**1,358**		1,367
Interest expense		**21**		28
Depreciation of property, plant and equipment		**404**		689
Amortization of deferred development costs		**907**		885
Amortization of finite-life intangible assets		**235**		334
EBITDA		**10,951**		7,346
Gain on sale of assets held for sale		**(8,109)**		(329)
Loss on sale of PPE		**19**		6
Stock-based compensation		**13**		68
Adjusted EBITDA	**$**	**2,874**	$	7,091
Adjusted EBITDA margin (%)		**19 %**		34 %

Total Research and Development Expenditures

The following table reconciles research and development expense reported in accordance with IFRS as shown on the consolidated statements of comprehensive income to our actual cash research and development expenditures.

Calculation of Research and Development Expenditures		Three months ended September 30, 2017		2016
Research and development per statement of income	**$**	**3,163**	$	2,849
Deferred development costs		**3,542**		2,846
Investment tax credits		**69**		34
Amortization of deferred development costs		**(907)**		(885)
Government grant		**(49)**		(119)
Total research and development expenditure	**$**	**5,818**	$	4,725
Percentage of sales		**39 %**		23 %

Summary of Quarterly Results of Operations

The following information has been derived from our consolidated financial statements for the three months ended September 30, 2017, fiscal 2017, and fiscal 2016 in accordance with IFRS. This information should be read in conjunction with those financial statements and their related notes as well as with the balance of this MD&A.

	2018	Fiscal Year 2017				Fiscal Year 2016		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales	**14,882**	14,629	15,718	20,227	20,886	21,868	28,637	24,561
Cost of sales	**6,404**	7,170	7,499	9,753	10,017	9,918	12,292	11,262
Gross profit	**8,478**	7,459	8,219	10,474	10,869	11,950	16,345	13,299
Operating expenses								
Research and development	**3,163**	3,074	2,969	2,857	2,849	2,939	3,136	2,383
Sales and marketing	**1,108**	1,423	1,404	1,161	1,297	1,429	1,807	1,146
General and administrative	**2,610**	2,514	2,453	2,444	2,464	2,116	2,567	1,974
Impairment of intangible assets	**-**	174	-	-	-	-	-	-
Impairment of PPE	**-**	-	-	-	-	337	-	-
Restructuring costs	**-**	986	-	-	-	-	-	-
Stock-based compensation	**13**	120	67	66	68	138	114	115
Other (income) expense	**(82)**	(157)	(163)	41	3	6	3	2
	6,812	8,134	6,730	6,569	6,681	6,965	7,627	5,620
Operating income (loss)	**1,666**	(675)	1,489	3,905	4,188	4,985	8,718	7,679
Finance income	**298**	771	48	62	253	370	157	177
Foreign exchange (loss) gain	**(670)**	(331)	150	493	483	134	(1,183)	499
Income (loss) before income taxes	**1,294**	(235)	1,687	4,460	4,924	5,489	7,692	8,355
Income tax expense	**330**	(89)	604	1,162	1,368	1,917	1,919	2,076
Net and comprehensive income (loss) from continuing operations	**964**	(146)	1,083	3,298	3,556	3,572	5,773	6,279
Net and comprehensive income (loss) from discontinued operations	**7,062**	3	9,292	475	487	(150)	216	236
Net and total comprehensive income (loss)	**$ 8,026**	$ (143)	$ 10,375	$ 3,773	$ 4,043	$ 3,422	$ 5,989	$ 6,515
Net and total comprehensive income (loss) per share								
Basic	**$ 0.36**	$ (0.01)	$ 0.46	$ 0.17	$ 0.18	$ 0.15	$ 0.27	$ 0.29
Diluted	**0.36**	(0.01)	0.46	0.17	0.18	0.15	0.27	0.29
Adjusted EBITDA as reported	**$ 2,874**	$ 2,415	$ 3,430	$ 7,360	$ 7,091	$ 7,745	$ 10,323	$ 10,106

Quarter-to-Quarter Sales Variances

There are many factors that contribute to the overall variances of our sales. One of the main factors is that we continually develop new products to replace products that are reaching the end of their lifecycle. The timing of development can vary based on the size of the projects. The timing of regulatory certification and customer acceptance of new products can also affect the timing of sales.

Within the industry, spending by cable operators is impacted by new technology adoption such as the planned industry migration to DOCSIS 3.1. The budgeting cycles of larger cable operators can also result in quarter to quarter variability in customer orders around their budgeting season and installation schedules.

We are currently experiencing a slowdown in demand for our legacy products as customers complete their digital networks and prepare to migrate to DOCSIS 3.1. We expect our sales to recover as our new products in the DOCSIS 3.1 Entra platform are commercialized.

Segmented Information

Sales

	Three months ended September 30,	
Segment	**2017**	2016
Video and Broadband Solutions	**$ 13,600**	$ 19,515
Telematics	**1,282**	1,371
Total sales	**$ 14,882**	$ 20,886

We generated total sales of $14.9 million in the first quarter of fiscal 2018 compared to $20.9 million in the same period last year and $14.6 million in Q4 fiscal 2017, representing a 29% decline and 2% increase respectively.

Video and Broadband Solutions sales were $13.6 million in the first quarter of fiscal 2018, compared to $19.5 million in the Q1 fiscal 2017 and $13.5 million in Q4 fiscal 2017.

- Sales of the Terrace family of products decreased 20% to $7.3 million, from $9.1 million in the first quarter of fiscal 2017 as customers neared completion of their network digital upgrades and sales of the TC1200 and TC600 slowed. On a sequential quarterly basis, sales of Terrace family products increased 15% from $6.4 million in Q4 fiscal 2017, reflecting strong purchasing activity by a Tier One MSO for the TC600E as part of a continued network-wide all-digital conversion.

- First quarter fiscal 2018 sales of TerraceQAM were $3.4 million, compared to $7.7 million in the first quarter of 2017, a 56% decrease. On a sequential quarterly basis, sales of TerraceQAM decreased 41% from $5.7 million in Q4 fiscal 2017. The lead MSO customer for TerraceQAM purchased significant quantities of new platforms and upgrades in the first half of fiscal 2017 and as expected, has subsequently been drawing down inventory. While we believe our customer's need for new systems is nearing saturation, we have delivered a further platform enhancement to the lead customer which frees up network capacity by supporting a new digital audio format. This latest enhancement, combined with our earlier transcoding upgrade, may result in further upgrade related sales in the future as the compression format rolls out, serving to partially offset the anticipated slowdown in system sales and upgrade kits.

- Digital Video Access Platform (DVAP) sales increased to $1.6 million in the first quarter of 2017, from $nil in both Q1 and Q4 fiscal 2017. The year-over-year and quarter-over-quarter increase reflects sales of a new software upgrade that prepares this platform to support distributed access architecture. Along with increased demand from our OEM customer, we expect this upgrade will increase the pace of DVAP deployment among MSOs as they prepare for distributed access architecture which cannot be supported by legacy devices.

Telematics sales were $1.3 million in the first quarter of fiscal 2018, compared to $1.4 million in Q1 fiscal 2017 and $1.2 million in Q4 fiscal 2017. Lower legacy product sales in the current year resulted in lower sales year-over-year. An accounting estimate change for deferred revenue introduced in Q4 fiscal 2017 accounts for the quarter-over-quarter change.

Cost of Sales

Cost of sales consists primarily of product manufacturing and assembly expenses, with component parts, employee and third-party supplier costs representing a significant portion of these costs. Costs associated with Video and Broadband Solutions sales include related overhead, compensation, final assembly, quality assurance and inventory management costs, as well as support costs and payments to contract manufacturers that perform printed circuit board assembly functions. Costs associated with Telematics sales consist of hardware amortization, inventory management costs, order fulfillment, wireless fees, server hosting services, and mapping licenses.

Gross Profit and Gross Margin

	Three months ended September 30,	
Segment	**2017**	2016
Video and Broadband Solutions	**$ 7,561**	$ 9,966
Telematics	**917**	903
Total gross profit	**$ 8,478**	$ 10,869
Video and Broadband Solutions	**55.6 %**	51.1 %
Telematics	**71.5 %**	65.9 %
Total gross margin	**57.0 %**	52.0 %

For the three months ended September 30, 2017, we achieved gross margin of 57%, providing a total gross profit of $8.5 million. This compares to a gross margin of 52% and a total gross profit of $10.9 million in the same period last year, and a gross margin of 51% and a total gross profit of $7.5 million in Q4 fiscal 2017.

Gross margin from the Video and Broadband Solutions segment increased to 56% (gross profit of $7.6 million) in the first quarter of fiscal 2018, from 51% (gross profit of $10.0 million) during the same period in fiscal 2017. Results from the segment were positively impacted by DVAP software sales, which carry a higher gross margin, as well as by operating efficiencies achieved as a result of an operational restructuring completed early in the quarter. On a quarter-over-quarter basis, Q1 fiscal 2018 gross margin was higher than the 48% gross margin achieved in Q4 fiscal 2017 for the same reasons noted above.

The Telematics segment achieved a gross margin of 72% (gross profit of $0.9 million) in the first quarter of fiscal 2018, up from a gross margin of 66% (gross profit of $0.9 million) in Q1 fiscal 2017. Sequentially, Telematics gross margin decreased from 86% in Q4 fiscal 2017 and gross profit was $0.1 million lower as a result of the change in estimate for the capitalized equipment amortization recorded in Q4 fiscal 2017.

Operating Expenses

	Three months ended September 30,	
Segment	**2017**	2016
Video and Broadband Solutions	**$ 5,973**	$ 5,803
Telematics	**839**	878
Total operating expense	**$ 6,812**	$ 6,681

For the three months ended September 30, 2017, total operating expenses increased slightly to $6.8 million, from $6.7 million last year, but decreased from $8.1 million in Q4 2017.

Video and Broadband Solutions operating expenses increased to $6.0 million in Q1 fiscal 2018, from $5.8 million in Q1 fiscal 2017. The year-over-year increase reflects a $0.2 million increase in research and development costs and a $0.2 million increase in G&A expenses as a result of higher acquisition-related costs in the current period, partially offset by a $0.1 million decrease in sales and marketing expenses reflecting higher inventory allowances in the prior-year period and also offset by $0.1 million increase in other income period-over-period. On a sequential quarterly basis, first quarter operating expenses were $1.3 million lower than the $8.1 million recorded in Q4 fiscal 2017, mainly representing onetime restructuring costs of $1.0 million and a $0.2 million impairment of intangibles, both of which were recorded in the Q4 fiscal 2017 period.

Telematics operating expenses decreased slightly to $0.8 million in Q1 fiscal 2018, from $0.9 million in Q1 fiscal 2017. Sequentially, Telematics operating expenses were $0.4 million lower than the $1.2 million recorded in Q4 2017 due to lower deferred development costs in Q4 fiscal 2017 and a one-time impairment of $0.2 million in prior deferred development costs.

*Research and development expense*s for the three months ended September 30, 2017 increased to $3.2 million, or 21% of sales, from $2.8 million, or 13% of sales in the same period of fiscal 2017. We continue to invest in research and development to support the launch of our new products. Until these products are in commercial production, the development costs are deferred to future periods. Total research and development costs before deferrals, amortization of deferred development costs and income tax credits for the three months ended September 30, 2017 increased to $5.8 million, or 39% of sales, from $4.7 million, or 23% of sales in Q1 fiscal 2017. The increase was primarily the result of higher subcontracting and prototyping costs in the current period. Research and development costs were up slightly from the $5.7 million at Q4 fiscal 2017.

Sales and marketing expenses decreased to $1.1 million, or 7% of sales in Q1 fiscal 2018, from $1.3 million, or 6% of sales last year. This decrease reflects higher allowances for slow moving finished goods inventory and warranty costs in the fiscal 2017 period. On a sequential quarterly basis, Q1 fiscal 2018 expenses were down from the $1.4 million recorded in Q4 2017, reflecting lower finished goods inventory allowances quarter over quarter.

General and administrative expenses increased to $2.6 million in Q1 fiscal 2018, from $2.5 million in Q1 and Q4 fiscal 2017. The increase reflects higher acquisition-related costs in the current period, partially offset by lower amortization and staffing costs.

*Stock-based compensation expens*e was $0.0 compared to $0.1 million in Q1 fiscal 2017.

Other income increased to $0.1 million for the three months ended September 30, 2017, from $0.0 in the same period last year. This increase represents increased lease income in the current period.

Operating Income

	Three months ended September 30,	
	2017	2016
Video and Broadband Solutions	**$ 1,588**	$ 4,163
Telematics	**78**	25
Total operating income	**$ 1,666**	$ 4,188

We generated operating income of $1.7 million in Q1 fiscal 2018, compared to operating income of $4.2 million in Q1 fiscal 2017. The 60% decrease was driven by lower sales and gross profit in the current period, together with an increase in total operating costs. On a sequential quarterly basis, operating income increased by $2.4 million from an operating loss of $0.7 million in Q4 2017. This mainly reflects higher gross profit quarter-over-quarter, together with lower operating expenses resulting from restructuring costs in the prior quarter.

First quarter Video and Broadband Solutions operating income declined to $1.6 million, from $4.2 million in Q1 fiscal 2017. The year-over-year change reflects the $5.9 million reduction in sales, the related $2.4 million decrease in gross profit and the $0.2 million increase in operating expenses. Sequentially, operating income was

$2.1 million higher than the operating loss of $0.5 million recorded in Q4 fiscal 2017, mainly reflecting higher gross profit of $0.1 million and the non-repeat of $1.0 million in restructuring costs incurred in Q4 fiscal 2017.

Telematics operating income increased to $0.1 million in Q1 fiscal 2018, a $0.1 million improvement from Q1 fiscal 2017. Slightly higher gross profit and operating expenses were the main reasons for the increase. Sequentially, operating income from the Telematics segment was up $0.3 million from an operating loss of $0.2 million in Q4 2017, reflecting the one-time impairment of deferred development costs recorded in Q4 2017.

Finance income was $0.3 million in Q1 fiscal 2018, consistent with results from the same period last year.

Foreign exchange (loss) gain was a loss of $0.7 million in Q1 fiscal 2018, compared to a gain of $0.5 million in Q1 fiscal 2017.

Income tax expense decreased to $0.3 million in Q1 fiscal 2018 from $1.4 million at Q1 fiscal 2017.

Net income from discontinued operations increased to $7.1 million in Q1 fiscal 2018 from $0.5 million in Q1 fiscal 2017. The current period reflects the gain on sale related to the second closing of the sale of YourLink operations in Saskatchewan. The prior year period primarily reflects the gain on sale related to the sale of YourLink BC. Discontinued operations represent the YourLink operations in Saskatchewan sold in Q3 fiscal 2017 and the YourLink operations in British Columbia sold in Q1 fiscal 2017.

Net and total comprehensive income for Q1 fiscal 2018 increased to $8.0 million or $0.36 per share, from net income of $4.0 million or $0.18 per share in Q1 fiscal 2017.

Cash from Operating Activities

For the three months ended September 30, 2017, cash flow from operating activities provided cash of $9.1 compared to cash of $11.0 million for the three months ended September 30, 2016. The $1.9 million decrease reflects a $4.3 million decrease in operating cash flow partially offset by the $2.3 million increase in cash flow from non-cash working capital.

Investing Activities

Cash flow provided by investing activities increased to $21.7 million in Q1 fiscal 2018 from cash used in investing activities of $12.3 million in Q1 fiscal 2017. The cash used by investing activities represents the net sale of short-term investments of $16.8 million (Q1 fiscal 2017 net purchase of short-term investments - $9.3 million), deferred development expenditures of $3.5 million (Q1 fiscal 2017 - $2.8 million), and purchase of property, plant and equipment of $0.2 million (Q1 fiscal 2017 – $0.4 million).

Financing Activities

For the three months ended September 30, 2017 we repaid $0.04 million of our long-term debt (Q1 fiscal 2017 - $0.06 million repaid). We received proceeds of government grants of $0.04 million (Q1 fiscal 2017 - $0.1 million).

Liquidity and Capital Resources

We manage our liquidity and capital resources to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. We believe we have the flexibility to obtain from internal sources the funds needed to fulfil our cash requirements during the following financial year. Our liquidity requirements are met primarily by funds generated from operations. In Q1 fiscal 2018, our liquidity requirements were also met as a result of the proceeds on the second closing of the sale of YourLink assets in Saskatchewan.

As at September 30, 2017, we had access to our full revolving loan facility of $14.0 million ($14.0 million at June 30, 2017), of which no amount was drawn as an operating line of credit (June 30, 2017 - $nil was drawn). We had term credit of $2.4 million as at September 30, 2017 (June 30, 2017 - $2.5 million). We believe that our current cash and short term investments of $103.2 million together with anticipated cash flow from operations will be sufficient to meet our working capital and capital expenditure requirements for the foreseeable future.

Capital expenditures for Q1 fiscal 2018 were $0.2 million compared to $0.3 million in Q1 fiscal 2017. Capital expenditures for fiscal 2018 are expected to be approximately $2.0 million.

Working Capital

Working capital represents our current assets less current liabilities. Our working capital increased to $116.3 million at September 30, 2017, from $110.5 million at June 30, 2017. This largely reflects proceeds received from the second closing of the sale of the YourLink assets in Saskatchewan. We note that working capital balances can also be subject to significant swings from quarter to quarter. Our product shipments are "lumpy", reflecting the requirements of our major customers. It is not unusual to ship $5 or $6 million of product in a one-week period. If this level of sales occurs in the first week of a succeeding quarter, we would expect to experience an increase in inventory levels and a drop in receivables in the prior quarter. Other timing issues, like contracts with greater than 30 day payment terms, also affect working capital, particularly if shipments are backend weighted for a quarter.

Accounts receivable balance decreased to $8.0 million at September 30, 2017 from $13.0 million at June 30, 2017. This decrease reflects the timing of sales, with more orders shipping earlier in the quarter. As a result, related accounts receivable were collected during the quarter.

Income tax receivable balance was flat at $2.0 million at June 30, 2017 compared to $2.0 million at September 30, 2017. This balance represents income tax paid in respect of a January 2017 CRA re-assessment (see Commitments below for details).

Inventory decreased by $0.5 million to $13.4 million at September 30, 2017 from $13.9 million as at June 30, 2017. Finished goods inventories were $6.4 million at September 30, 2017, compared to $8.1 million at June 30, 2017. Raw material inventory increased to $4.9 million at September 30, 2017, compared to $4.5 million at June 30, 2017. Work in process inventories increased to $2.1 million as at September 30, 2017 compared to $1.3 million at June 30, 2017. We manufacture and assemble products, with the result that inventory levels will be substantially higher than for other companies in the industry that outsource manufacturing and assembly.

Investment tax credits were $19.9 million at September 30, 2017 down from $20.1 million at June 30, 2017. For every dollar we spend on eligible research and development in Canada, we generate approximately fifteen cents in income tax credits. These credits are used to offset our income tax payable.

Accounts payable and accrued liabilities increased 22% to $7.8 million at September 30, 2017 representing 102 days for payables to be outstanding. This compares to $6.4 million at June 30, 2017, representing an average of 60 days for payables to be outstanding. This dollar increase reflects the timing of purchases in the quarter.

Long-term debt, including current portion, decreased to $2.4 million at September 30, 2017 from $2.5 million at June 30, 2017.

Dividends

Declaration Date	Dividend Amount (per share)	Record Date	Payable Date
November 8, 2016	$0.055	November 24, 2016	December 20, 2016
February 7, 2017	$0.055	February 27, 2017	March 20, 2017
May 8, 2017	$0.055	May 26, 2017	June 20, 2017
September 25, 2017	$0.055	October 13, 2017	November 3, 2017

Contractual Obligations

We have lease commitments for production equipment, service vehicles and facilities amounting to $1.3 million within one year, $3.1 million after one year but not more than five years and $nil thereafter.

Commitments

In January 2017, we received a re-assessment from the Canada Revenue Agency ("CRA") regarding our tax treatment of gains on the sale of radio spectrum licenses in 2012 to 2014. The CRA has re-assessed the gains on the sale of these radio spectrum licenses as active business income, which would result in additional income taxes, penalties and interest payable of approximately $4.1 million. We and our advisors have reviewed the applicable tax law and believe our original treatment of these sales as capital gains was appropriate. We filed a Notice of Objection in March 2017. The outcome of this matter cannot be determined at this time with reasonable certainty. No provision for this matter has been recognized in the financial statements. To avoid further penalties, 50% of the re assessment was paid.

In March 2017, we received a re-assessment from the CRA regarding the eligibility of certain Scientific Research and Experimental Development ("SR&ED") claims on our 2015 tax return. The CRA re-assessment would result in a reduction of SR&ED expenditures claimed of $1.3 million ($0.4 million tax affected). We and our advisors have reviewed the applicable tax law and believe our original treatment of these SR&ED claims was appropriate. We filed a Notice of Objection in regards to this matter in June 2017. The outcome of this matter cannot be determined at this time with reasonable certainty. No provision for this matter has been recognized in the financial statements.

Foreign Exchange

Approximately 95% of our revenues are denominated in U.S. dollars. We translate U.S. dollar sales to Canadian dollars on the date of delivery and subsequently when the account receivable is collected. If the U.S. dollar appreciates relative to the Canadian dollar after we collect the accounts receivable in U.S. dollars, we will receive more Canadian dollars when the U.S. dollars are converted to Canadian dollars in subsequent months. We also enjoy a natural hedge since the majority of our materials and components purchases are in U.S. dollars.

During the quarter, the exchange rate on the Canadian dollar weakened to $1.246 against the U.S. dollar as of September 30, 2017 from Canadian $1.296 against the U.S. dollar as at June 30, 2017. This $0.050 exchange difference decreased the value of our $30.8 million U.S. dollar net assets by approximately $1.5 million Canadian.

Effective March 3, 2017, we entered into a range bonus accumulator with a Canadian chartered bank. As at September 30, 2017, we received 16 of 26 weekly bonus payments for a total of $0.04 million. The contract ended on September 1, 2017.

Financial Instruments

We periodically enter into forward contracts to partially manage our exposure to currency fluctuations between Canadian and U.S. dollars. Forward contracts are entered into based on our projected requirements for converting U.S. to Canadian dollars. We do not recognize these contracts in the consolidated financial statements when they are entered into, nor do we account for them as hedges. Instead, the contracts are marked to fair value at each balance sheet date. Changes to fair value are recorded in income. The fair value of these contracts is included in accounts receivable when in an asset position or accounts payable when in a liability position.

As at September 30, 2017, we did not have any forward contracts (June 30, 2017 - $nil).

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial performance or financial conditions.

Transactions Between Related Parties

We lease a building in Saskatoon under a 10-year lease from Dr. Surinder Kumar, the Chairman of Vecima. The lease was entered into in 2010 at prevailing market rates at that time and expires in 2019. The rental expense from this transaction was $0.1 million for the three months ended September 30, 2017 (September 30, 2016 - $0.1 million).

Proposed Transactions

Other than those mentioned in this MD&A, there are no proposed asset or business acquisitions or dispositions that our Board of Directors have decided to proceed with or for which our senior management believes confirmation by the Board of Directors is probable.

Critical Accounting Estimates

The preparation of our unaudited interim condensed consolidated financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Use of judgment and estimates are disclosed in Note 3 of the unaudited condensed interim consolidated financial statements for the three months ended September 30, 2017.

Accounting Pronouncements

Amendments to IFRS 2 – Share-Based Payment

In June 2016, the IASB issued amendments to IFRS 2 *Share-Based Payment*. The amendments were issued to provide clarification on the classification and measurement of share-based transactions. The standard is effective for periods beginning on or after January 1, 2018 with earlier application permitted. The Company is currently reviewing the standard to determine the potential impact on its consolidated financial statements.

IFRS 9 Financial Instruments

In November 2009, the IASB issued guidance relating to the classification and measurement for financial assets followed by requirements for financial liabilities and derecognition which were added in 2010. IFRS 9 was amended in 2013 to add new general hedge accounting requirements. The standard must be applied retrospectively and is effective for annual periods beginning after January 1, 2018, with earlier application permitted. We have completed a preliminary review of the standard to determine the potential impact on our consolidated financial statements, and do not expect any material impacts.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB published a new standard, IFRS 15 Revenue from Contracts with Customers. This standard supersedes current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The standard may be applied retrospectively or with a modified transition approach and is effective for reporting periods beginning on or after January 1, 2018, with earlier application permitted. We have a plan to ensure compliance with IFRS 15 by the required adoption date, which includes identifying differences between existing policies and IFRS 15, ensuring the data collection process is sufficient and appropriate and communicating the changes with various stakeholders. We are currently executing on our transition plan and continue to assess the impact of this standard on the consolidated financial statements. We expect to apply the standard retrospectively with cumulative effect applied on adoption date, subject to permitted and elected practical expedients.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 Leases. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. The standard is effective for periods beginning on or after January 1, 2019 with earlier application permitted. We are currently reviewing the standard to determine the potential impact on our consolidated financial statements.

Disclosure Controls and Procedures

Our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have designed, or caused to be designed, disclosure controls and procedures to provide reasonable assurance that material information relating to Vecima is made known by us to others, particularly during the period in which annual filings are being prepared, and information required to be disclosed by us in our annual filings, interim filings or other reports filed or submitted by us under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Our CEO and CFO have evaluated the effectiveness of our disclosure controls and procedures as defined under rules adopted by the Canadian securities regulatory authorities. Based on that evaluation, our CEO and CFO have concluded that our disclosure controls and procedures were effective as at September 30, 2017.

Internal Control over Financial Reporting

Our CEO and CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS. There are inherent limitations to the effectiveness of any system of internal controls, including the possibility of human error and the circumvention or overriding of internal controls. Because of its inherent limitations, internal controls of financial reporting may not prevent or detect misstatements. Accordingly, even if internal controls are effective, they can only provide reasonable assurance of achieving their controls.

Our CEO and CFO have evaluated the effectiveness of the internal control over financial reporting as at September 30, 2017 in accordance with Internal Control - Integrated Framework (2013), published by The Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, our CEO and CFO have determined that the internal control over financial reporting is effective as at September 30, 2017.

Legal Proceedings

From time to time, we may be involved in certain claims and litigation arising out of the ordinary course and conduct of business. Management assesses such claims and, if considered likely to result in a loss and, when the amount of the loss is quantifiable, provisions for loss are made, based on management's assessment of the most likely outcome. We do not provide for claims for which the outcome is not determinable or claims where the amount of the loss cannot be reasonably estimated. Any settlements or awards under such claims are provided for when reasonably determinable.

If it becomes probable that we will be held liable for claims against our Company, we will recognize a provision during the period in which the change in probability occurs, which could be material to our consolidated statements of income or consolidated statements of financial position.

Risk and Uncertainties

Our financial performance, share price, business prospects and financial condition are subject to numerous risks and uncertainties, and are affected by various factors outside the control of management. Prior to making any investment decision regarding Vecima, investors should carefully consider, among other things, the risks described herein (including the factors outlined under the heading “Forward-Looking Information” below) and the risk factors set forth in our Annual Information Form for its most recently completed fiscal year, which are incorporated by reference herein. These risks and uncertainties are not the only ones that we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business. If any of such risks actually occur, our financial performance, share price, business prospects and financial condition could be materially adversely affected.

Outstanding Share Data

As at November 9, 2017, we had 22,475,294 common shares outstanding as well as options outstanding that are exercisable for an additional 449,891 common shares.

On October 25, 2016, we filed a notice of intention with the Toronto Stock exchange to acquire for cancellation, by way of normal course issuer bid, up to 600,000 common shares of the Company. We acquired 800 common shares of Vecima for cancellation during the first quarter of fiscal 2018. The normal course issuer bid expired on October 27, 2017.

Additional Information

Financial Governance

Our management is responsible for the preparation and presentation of the annual audited consolidated financial statements and notes thereto and the MD&A. Additionally, it is management's responsibility to ensure that we comply with the laws and regulations applicable to our activities.

Our management is accountable to the Board of Directors, each member of which is elected annually by the shareholders of the Company. The Board is responsible for reviewing and approving the annual audited consolidated financial statements and the MD&A, after receiving the recommendation of the Audit Committee, which is composed of two directors (one vacancy), both of whom are independent.

The auditors are appointed annually by the shareholders to conduct an audit of the annual consolidated financial statements in accordance with generally accepted auditing standards. The external auditors have complete access to the Audit Committee to discuss audit, financial reporting and related matters resulting from the annual audit, as well as to assist the members of the Audit Committee in discharging their responsibilities.

Forward-Looking Information

This MD&A contains "forward looking information" within the meaning of applicable securities laws. Forward looking information is generally identifiable by use of the words "believes", "may", "plans", "will", "anticipates", "intends", "could", "estimates", "expects", "forecasts", "projects" and similar expressions, and the negative of such expressions.

Forward looking information in this MD&A includes, but is not limited to statements that we believe that our current cash and short term investments of $103.2 million together with anticipated cash flow from operations will be sufficient to meet our working capital requirements and capital expenditure requirements for the foreseeable future. We are also strongly focused on development of next generation platforms that respond to the major cable industry shift to distributed access architectures (DAA) under the new DOCSIS 3.1 standard. Ongoing customer engagement continues to validate our plan for the Entra family. The response from Tier 1 operators remains highly encouraging with Entra's high Ethernet capacity, full support for legacy digital video, and distributed architecture approach generating significant customer interest. Capital expenditures for fiscal 2018 are expected to be approximately $2.0 million. Forward looking information also includes our Recent Industry Developments and our Outlook in this MD&A.

In connection with the forward looking information contained in this MD&A, we have made numerous assumptions, regarding, among other things: the strength of our balance sheet; the present or potential value of our core technologies, business operations and asset holdings; we are able to continue our relationships with a few key customers; we are able to deliver products associated with key contracts; we can manage our business and growth successfully; we can meet customers' requirements for manufacturing capacity; we are able to develop new products and enhance its existing products; we can expand current distribution channels and can develop new distribution channels; we are able to recruit and retain management and other qualified personnel crucial to our business; we are not required to change our pricing models to compete successfully; our third party suppliers and contract manufacturers upon which we rely continue to meet our needs; our intellectual property is not infringed upon; we are not subject to warranty or product liability claims that harm our business; we are able to successfully implement acquisitions; we are able to manage risks associated with our international operations; currency fluctuations do not adversely affect us; growth in our key markets continues; we are able to adapt to technological change, new products and standards; we are not subject to increased competition that has an adverse effect on our business; continued growth in the converged wired solutions market; we are not subject to competition from new or existing technologies that adversely affect our business; we are not subject to any material new government regulation of our products; and, no third parties allege that we infringe on their intellectual property. While we consider these assumptions to be reasonable, these assumptions are inherently subject to significant uncertainties and contingencies.

There are known and unknown risk factors which could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward looking information contained in this MD&A. Known risk factors include, among others: our statement of financial position, as well as the value of our core technologies, business operations and asset holdings may be significantly weaker than we currently estimate; our operating results are expected to fluctuate; we derive a substantial part of our revenue from a few key customers; we may be unable to deliver products associated with key contracts; failure to manage our business or growth successfully may adversely affect our operating results; if we cannot meet our customers' requirements for manufacturing capacity, sales may suffer; our success depends on our ability to develop new products and enhance our existing products; we are dependent on the expansion of our current distribution channels and the development of new distribution channels; the budgeting cycles of larger cable operators can also result in quarter to quarter variability in customer orders generally large in volume, while availability of parts and production capacity can influence the timing of product deliveries; our ability to recruit and retain management and other qualified personnel is crucial to our business; if we are required to change our pricing models to compete successfully, our margins and operating results may be adversely affected; our reliance on third party suppliers and contract manufacturers reduces our control over our performance; our revenues are substantially concentrated in a single market category; if our intellectual property is not adequately protected, we may lose our competitive advantage; successful warranty or product liability claims could harm our business; acquisitions could divert management's attention and financial resources, may negatively affect our operating results and could cause significant dilution to shareholders; risks associated with our international operations; currency fluctuations may adversely affect us; growth in our key markets may not continue; our inability to adapt to technological change, new products and standards could harm our business; increased competition could have an adverse effect on our business; our future success depends on growth in the converged wired solutions market; competition from new or existing technologies may adversely affect our business; government regulation of our products and new government regulation could harm our business; and, third parties may allege that we infringe on their intellectual property. A more complete discussion of the risks and uncertainties facing us is disclosed under the heading "Risks and Uncertainties" above and under the heading "Risk Factors" in our Annual Information Form for our most recently completed fiscal year, as well as in our continuous disclosure filings with Canadian securities regulatory authorities available at www.sedar.com. All forward looking information in this MD&A is qualified in its entirety by this cautionary statement and we disclaim any obligation to revise or update such forward looking information to reflect future results, events or developments, except as required by law.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of Vecima Networks Inc. (the "Company") have been prepared and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the CPA Canada Handbook for a review of interim financial statements by an entity's auditor.

VECIMA NETWORKS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited - in thousands of Canadian Dollars)

	Notes	September 30, 2017	June 30, 2017
Assets			
Current assets			
Cash and cash equivalents		$ 34,297	$ 3,517
Short-term investments		68,921	85,675
Accounts receivable		7,977	12,972
Income tax receivable		2,011	2,011
Inventories	5	13,360	13,928
Assets held for sale	4	-	641
Prepaid expenses		1,049	1,258
		127,615	120,002
Non-current assets			
Property, plant and equipment	6	10,901	11,109
Goodwill		6,111	6,111
Intangible assets	7	34,210	32,566
Investment tax credit		19,863	20,141
Deferred tax asset		3,783	4,066
		$ 202,483	$ 193,995
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ 7,765	$ 6,377
Dividends payable		1,231	-
Provisions		537	692
Deferred revenue		1,490	2,226
Current portion of long-term debt	9	250	250
		11,273	9,545
Non-current liabilities			
Long-term debt	9	2,167	2,208
		13,440	11,753
Shareholders' equity			
Share capital	10	803	803
Reserves		3,978	3,965
Retained earnings		184,262	177,474
		189,043	182,242
		$ 202,483	$ 193,995

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

VECIMA NETWORKS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited - in thousands of Canadian dollars except net income per share data)

	Notes	Three months ended September 30, 2017	2016
Sales	14	$ 14,882	$ 20,886
Cost of sales		6,404	10,017
Gross profit		8,478	10,869
Operating expenses			
Research and development		3,163	2,849
Sales and marketing		1,108	1,297
General and administrative		2,610	2,464
Stock-based compensation	10	13	68
Other (income) expense	11	(82)	3
		6,812	6,681
Operating income		1,666	4,188
Finance income		298	253
Foreign exchange (loss) gain		(670)	483
Income before income taxes		1,294	4,924
Income tax expense		330	1,368
Net income and comprehensive income from continuing operations		964	3,556
Net income and comprehensive income from discontinued operations	4	7,062	487
Net income and comprehensive income		$ 8,026	$ 4,043
Net income per share			
Continuing operations		0.04	0.16
Discontinued operations		0.32	0.02
Total basic net income per share	10	$ 0.36	$ 0.18
Continuing operations		0.04	0.16
Discontinued operations		0.32	0.02
Total diluted net income per share	10	$ 0.36	$ 0.18
Weighted average number of common shares			
Shares outstanding - basic	10	22,379,651	22,402,904
Shares outstanding - diluted	10	22,440,546	22,449,479

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

VECIMA NETWORKS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited - in thousands of Canadian dollars)

	Share Capital	Reserves	Retained Earnings	Total
Balance as at June 30, 2016	$ 739	$ 3,662	$ 164,642	$ 169,043
Net income and comprehensive income	-	-	4,043	4,043
Dividends	-	-	(1,232)	(1,232)
Shares issued by exercising options	4	(1)	-	3
Share-based payment expense	-	68	-	68
Balance as at September 30, 2016	$ 743	$ 3,729	$ 167,453	$ 171,925
Balance as at June 30, 2017	**$ 803**	**$ 3,965**	**$ 177,474**	**$ 182,242**
Net income and comprehensive income	-	-	8,026	8,026
Dividends	-	-	(1,231)	(1,231)
Shares repurchased and cancelled	-	-	(7)	(7)
Share-based payment expense	-	13	-	13
Balance as at September 30, 2017	**$ 803**	**$ 3,978**	**$ 184,262**	**$ 189,043**

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

VECIMA NETWORKS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited - in thousands of Canadian dollars)

	Notes	Three months ended September 30, 2017	2016
Cash flows from operating activities			
Net income and total comprehensive income		$ 964	$ 3,556
Adjustments to reconcile net income to cash from operating activities	12	1,610	2,877
Decrease in other long-term liabilities		-	(5)
(Decrease) increase in provisions		(154)	20
Increase in investment tax credit		(67)	(34)
Net change in non-cash working capital relating to operations	13	6,347	4,057
Interest paid		(21)	(22)
Interest received		319	242
Income tax received		-	11
Income tax paid		-	(13)
Net cash provided by continuing operations		8,998	10,689
Net cash provided by discontinued operations		75	396
Net cash provided by operations		9,073	11,085
Cash flows used in investing activities			
Purchase of property, plant and equipment	6	(218)	(388)
Proceeds from sale of property, plant and equipment		3	-
Purchase of short-term investments		(5,946)	(10,253)
Proceeds on sale of short-term investments		22,700	1,000
Deferred development costs	7	(3,542)	(2,846)
Purchase of indefinite and finite-life intangible assets	7	(22)	(16)
Net cash provided (used) by continuing operations		12,975	(12,503)
Net cash provided by discontinued operations		8,732	181
Net cash provided (used) by investing		21,707	(12,322)
Cash flows used in financing activities			
Proceeds from exercised stock options	10	-	4
Proceeds from government grants		41	112
Repayment of long-term debt	9	(41)	(62)
Net cash provided by continuing operations		-	54
Net cash provided by discontinued operations		-	660
Net cash provided by financing		-	714
Increase (decrease) in cash and cash equivalents during the period		30,780	(523)
Cash and cash equivalents, beginning of period		3,517	22,222
Cash and cash equivalents, end of period		$ 34,297	$ 21,699

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

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1. NATURE OF OPERATIONS

Vecima Networks Inc. ("Vecima" or the "Company") is a company continued under the Canadian Business Corporations Act ("CBCA") and commenced operations in 1988. The Company's registered office is located at 771 Vanalman Avenue, Victoria, B.C., V8Z 3B8. The Company's common shares are traded on the Toronto Stock Exchange under the trading symbol "VCM".

The Company designs, manufactures and sells products that enable broadband access to cable, wireless and telephony networks. Vecima hardware products incorporate embedded software developed by Vecima to meet the requirements of next-generation, high-speed digital networks. Vecima solutions allow service providers to bridge the final network segment that connects a system directly to end-users, commonly referred to as the "the last mile", by overcoming the bottleneck resulting from insufficient carrying capacity in legacy last-mile infrastructures.

2. BASIS OF PRESENTATION

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as set out in the CPA Canada Handbook. In the opinion of management, all adjustments and disclosures considered necessary for fair presentation have been included in these unaudited condensed interim consolidated financial statements.

These unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as of September 30, 2017 and were approved by the Company's Board of Directors on November 7, 2017.

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting as issued by the International Accounting Standards Board. The same accounting policies and methods of computation have been followed in these unaudited condensed interim consolidated financial statements as were followed in the annual audited financial statements for the year ended June 30, 2017. These unaudited condensed interim consolidated financial statements do not include all information required for annual statements and are therefore referred to as condensed and should be read in conjunction with Vecima's annual audited financial statements for the year ended June 30, 2017.

Accounting Standards Issued But Not Yet Applied:

Amendments to IFRS 2 – Share-Based Payment

In June 2016, the IASB issued amendments to IFRS 2 *Share-Based Payment*. The amendments were issued to provide clarification on the classification and measurement of share-based transactions. The standard is effective for periods beginning on or after January 1, 2018 with earlier application permitted. The Company is currently reviewing the standard to determine the potential impact on its consolidated financial statements.

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2. BASIS OF PRESENTATION continued

Accounting Standards Issued But Not Yet Applied: continued

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB published a new standard, IFRS 15 *Revenue from Contracts with Customers*. This standard supersedes current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The standard may be applied retrospectively or with a modified transition approach and is effective for reporting periods beginning on or after January 1, 2018, with earlier application permitted. The Company has a plan to ensure compliance with IFRS 15 by the required adoption date, which includes identifying differences between existing policies and IFRS 15, ensuring the data collection process is sufficient and appropriate and communicating the changes with various stakeholders. The Company is currently executing on its transition plan and continues to assess the impact of this standard on the consolidated financial statements. The Company expects to apply the standard retrospectively with cumulative effect applied on adoption date, subject to permitted and elected practical expedients.

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 *Leases*. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. The standard is effective for periods beginning on or after January 1, 2019 with earlier application permitted. The Company is currently reviewing the standard to determine the potential impact on its consolidated financial statements.

3. USE OF JUDGMENT AND ESTIMATES

The preparation of the Company's unaudited condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require material adjustments to the carrying amount of the affected asset or liability. In preparing these financial statements, the significant assumptions and judgments made by management were the same as those applied to the audited consolidated financial statements for the year ended June 30, 2017.

4. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

On January 9, 2017, the Company announced it entered into an agreement to sell the telecommunication assets of its YourLink business in Saskatchewan for total consideration of $28,732. The sale consists of two separate transactions. The sale transaction of operating assets closed on January 12, 2017 for consideration of $20,000. The second transaction for consideration of $8,732 closed on July 13, 2017. Assets connected with the second sale transaction of $641 were classified as held for sale as at June 30, 2017.

On September 30, 2016 the Company completed the sale of cable and telecommunication assets of its YourLink business in British Columbia for consideration of $1,422.

Financial results attributable to the YourLink business have been presented as discontinued operations. The non-current assets that were held for sale were recorded at the lower of the carrying amount or the fair market value less costs to sell. No impairment loss was recorded on assets held for sale.

(unaudited - in thousands of Canadian dollars except as otherwise noted)

4. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS continued

The results of the discontinued operations for the periods ended September 30, 2017 are as follows:

	Three months ended September 30, 2017	2016
Operating revenues	**$ -**	$ 3,127
Operating expenses	**(32)**	(2,931)
Other income (expense) and finance income (costs)	**13**	(6)
(Loss) income from discontinued operations before income taxes and gain on sale of assets	**(19)**	190
Income tax recovery (expense)	**5**	(48)
(Loss) income from discontinued operations before gain on sale of assets	**(14)**	142
Gain on sale of assets	**8,109**	330
Income tax (expense) recovery on gain on sale of assets	**(1,033)**	15
Income from discontinued operations, net of taxes	**$ 7,062**	$ 487

5. INVENTORIES

	September 30, 2017	June 30, 2017
Raw materials	**$ 4,936**	$ 4,515
Work in progress	**2,054**	1,324
Finished goods	**6,370**	8,089
	$ 13,360	$ 13,928

During the three months ended September 30, 2017, inventories of $5,668 (three months ended September 30, 2016 - $9,257) were expensed through cost of sales. Write-downs of inventory for the three months ended September 30, 2017 were $182 (three months ended September 30, 2016 - $144) and were included in cost of sales. Reversals of write-downs were $nil during the three months ended September 30, 2017 ($nil for the three months ended September 30, 2016). The carrying amount of inventory recorded at net realizable value was $923 at September 30, 2017 (June 30, 2017 - $822) with the remaining inventory recorded as cost.

(unaudited - in thousands of Canadian dollars except as otherwise noted)

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements & building	Lab, operating & production equipment	Other equipment[1]	Total
Cost					
At July 1, 2017	$ 621	$ 8,546	$ 18,030	$ 10,358	$ 37,555
Additions	-	20	185	13	218
Disposals	-	-	(64)	(3)	(67)
At September 30, 2017	**$ 621**	**$ 8,566**	**$ 18,151**	**$ 10,368**	**$ 37,706**
Accumulated depreciation and impairment					
At July 1, 2017		$ 2,725	$ 14,116	$ 9,605	$ 26,446
Depreciation charge for the year		67	274	63	404
Disposals		-	(45)	-	(45)
At September 30, 2017		**$ 2,792**	**$ 14,345**	**$ 9,668**	**$ 26,805**
Carrying amount					
At June 30, 2017	$ 621	$ 5,821	$ 3,914	$ 753	$ 11,109
At September 30, 2017	**$ 621**	**$ 5,774**	**$ 3,806**	**$ 700**	**$ 10,901**

The following estimated useful lives have been applied to property, plant and equipment assets at September 30, 2017 and June 30, 2017:

	Estimated useful life
Land improvements and building	40 years
Lab, operating and production equipment	7 to 30 years
Other equipment[1]	1 to 30 years

[1]Other equipment includes furniture, computer hardware, and automotive equipment.

Depreciation of property, plant and equipment included in cost of sales, research and development, general and administrative expenses and discontinued operations is as follows:

	Three months ended September 30, 2017	Three months ended September 30, 2016
Cost of sales	**$ 135**	$ 204
Research and development	**72**	69
General and administrative	**197**	163
Depreciation from continuing operations	**404**	436
Depreciation from discontinued operations	**-**	253
	$ 404	$ 689

There were no impairment losses or recoveries during the three months ended September 30, 2017 or 2016.

(unaudited - in thousands of Canadian dollars except as otherwise noted)

7. INTANGIBLE ASSETS

	Indefinite-life intangible assets	Finite-life intangible assets				
	Spectrum and Other Licenses	**Customer Contracts**	**Patents**	**Intellectual Property**	**Deferred Development Costs**	**Total**
Cost						
At July 1, 2017	$ 60	$ 4,909	$ 438	$ 3,290	$ 35,226	$43,923
Additions	4	-	18	-	3,542	3,564
Government grant	-	-	-	-	(49)	(49)
Investment tax credits	-	-	-	-	(729)	(729)
At September 30, 2017	**$ 64**	**$ 4,909**	**$ 456**	**$ 3,290**	**$ 37,990**	**$46,709**
Amortization and impairment						
At July 1, 2017	$ -	$ 637	$ 339	$ 762	$ 9,619	$11,357
Amortization recognized	-	124	15	96	907	1,142
At September 30, 2017	**$ -**	**$ 761**	**$ 354**	**$ 858**	**$ 10,526**	**$12,499**
Net book value						
At June 30, 2017	$ 60	$ 4,272	$ 99	2,528	$ 25,607	$32,566
At September 30, 2017	**$ 64**	**$ 4,148**	**$ 102**	**$ 2,432**	**$ 27,464**	**$34,210**

Amortization of subscriber acquisition costs and patents is recognized in general and administrative expenses. Amortization of deferred development costs is recognized in research and development expenses.

The aggregate amount of research and development expenditure during the three months ending September 30, 2017 is $5,818 (September 30, 2016 - $4,725).

There were no impairment losses or recoveries recorded during the three months ending September 30, 2017 or September 30, 2016.

8. CONTINGENT LIABILITY

In January 2017, the Company received a re-assessment from the Canada Revenue Agency ("CRA") regarding the tax treatment of gains on the sale of radio spectrum licenses in 2012 to 2014. The CRA has re-assessed the gains on the sale of these spectrum licenses as active business income, which would result in additional income taxes, interest and penalties payable of approximately $4.1 million. The Company and its advisors have reviewed the applicable tax law and believe the original treatment of these gains was appropriate. The Company was required to pay $2.0 million towards this re-assessment in Q3 fiscal 2017. The Company filed a Notice of Objection in Q3 fiscal 2017. The outcome of this matter cannot be determined at this time with reasonable certainty. No provision for this matter has been recognized in the financial statements.

(unaudited - in thousands of Canadian dollars except as otherwise noted)

8. CONTINGENT LIABILITY continued

In March 2017, the Company received a re-assessment from the CRA regarding the eligibility of certain Scientific Research and Experimental Development ("SR&ED") claims on its 2015 tax return. The CRA re-assessment would result in a reduction of SR&ED expenditures claimed of $1,289. The Company and its advisors have reviewed the applicable tax law and believe its original treatment of these SR&ED claims was appropriate. The Company filed a Notice of Objection in Q4 fiscal 2017 in regards to this matter. The outcome of this matter cannot be determined at this time with reasonable certainty. No provision for this matter has been recognized in the financial statements.

9. LONG-TERM DEBT

	September 30, 2017	**June 30, 2017**
Term credit facility	**$ 2,417**	$ 2,458
Less current portion	**(250)**	(250)
	$ 2,167	$ 2,208

The term credit facility is from a Canadian chartered bank, repayable in monthly installments of $21 principal and interest at prime, (3.20% at September 30, 2017), expires in October 2018 and is collateralized by a general security agreement. The Company has an authorized loan amount of $3,792.

Long-term debt is recorded at amortized cost. The Company's long-term debt is at an interest rate that floats based on prime and the carrying value of the principal is considered to be fair value.

Future principal payments for the fiscal years ending are as follows assuming that the existing payment terms are the same as renewal.

2018	$ 188
2019	250
2020	250
2021	250
2022	250
Remaining	1,229
	$ 2,417

10. SHARE CAPITAL

(in thousands of Canadian dollars except common share data)

(a) Share capital

The Company has the following authorized share capital: an unlimited number of common shares with no par value and an unlimited number of preferred shares with no par value. The table below provides details of common shares outstanding and their carrying value:

	Number of Shares	Carrying Value
Balance at July 1, 2017	22,379,651	$ 803
Shares repurchased and cancelled	(800)	-
Balance at September 30, 2017	**22,378,851**	**$ 803**

The Company did not issue any shares through the exercise of options during the three months ended September 30, 2017 (three months ended September 30, 2016 - 779).

Each holder of a common share is entitled to one vote per share at shareholder meetings and to receive dividends, as and when declared by the Board of Directors. There are no pre-emptive, retraction, surrender, redemption, repurchase for cancellation or conversion rights attached to the common shares.

Preferred shares may be issued from time to time with designation, rights, privileges, restrictions and conditions, which will be determined by the Board of Directors at the time of issue (none issued).

The following table sets forth the calculation of basic and diluted net income per share:

	Three months ended September 30, 2017	2016
Net income: basic and diluted	**$ 8,026**	$ 4,043
Weighted average number of shares outstanding:		
Basic	**22,379,651**	22,402,904
Dilutive stock options	**60,895**	46,575
Diluted	**22,440,546**	22,449,479
Net income per share: basic	**$ 0.36**	$ 0.18
Net income per share: diluted	**$ 0.36**	$ 0.18

Stock options could potentially dilute basic net income per share in the future. Options to purchase 422,136 common shares were vested and outstanding at September 30, 2017 (September 30, 2016 - 324,729). Dilutive stock options are calculated using the treasury stock method.

10. SHARE CAPITAL continued

(in thousands of Canadian dollars except common share data)

(b) Reserves

Reserves within shareholders' equity represent equity settled employee benefits reserves.

(c) Stock option plan

The Company has established a stock option plan pursuant to which options to acquire common shares may be issued to officers, directors and employees of the Company. The term, vesting period, exercise price, and number of common shares, relating to each option will be determined by the Company's Board of Directors at the time options are granted, but will not be more favourable than those permitted under applicable securities legislation and/or regulation. Typically, options are granted for six years with vesting based on either time-based service or performance and are equity settled. The Company's stock option plan is subject to the rules and policies of any stock exchange on which the common shares are listed. The total number of common shares of the Company that will be issued pursuant to the Company's stock option plan will not exceed 10% of the issued and outstanding shares of the Company at any given time. Options granted under the Company's stock option plan are not assignable.

The changes in options and the number of options outstanding for the three months ended September 30, 2017 are as follows:

	Number of options	Weighted average exercise price
Outstanding, July 1, 2017	451,701	$ 8.78
Outstanding, September 30, 2017	**451,701**	**$ 8.78**
Vested and exercisable, September 30, 2017	**422,136**	**$ 8.67**

For all stock options granted, the Company determined compensation expense based on the estimated fair values at the grant date of the stock options using the Black-Scholes and binomial option-pricing models. The estimated fair value of the stock options is amortized to stock-based compensation over the vesting period of the options. The stock-based compensation expense was $13 for the three months ended September 30, 2017 (three months ended September 30, 2016 - $68).

11. OTHER (INCOME) EXPENSE

	Three months ended September 30, 2017	2016
Loss on sale of property, plant and equipment	**$ 19**	$ 6
Lease revenue	**(100)**	-
Other	**(1)**	(3)
	$ (82)	$ 3

(unaudited - in thousands of Canadian dollars except as otherwise noted)

12. ADJUSTMENTS TO RECONCILE NET INCOME TO CASH FROM OPERATING ACTIVITIES

	Notes	Three months ended September 30, 2017	2016
Loss on sale of property, plant and equipment	11	$ 19	$ 6
Depreciation of property, plant and equipment	6	404	436
Amortization of deferred development costs	7	907	885
Amortization of finite-life intangible assets	7	235	334
Stock-based compensation	10	13	68
Current income taxes		47	656
Deferred income taxes		283	712
Interest expense		21	22
Interest income		(319)	(242)
		$ 1,610	$ 2,877

13. NET CHANGE IN NON-CASH WORKING CAPITAL RELATING TO OPERATIONS

Details of net change in each element of non-cash working capital relating to operations are as follows:

	Three months ended September 30, 2017	2016
Decrease (increase) in current assets		
Accounts receivable	$ 4,818	$ (183)
Inventories	568	2,160
Prepaid expenses	205	(82)
Income tax receivable	-	2,989
	5,591	4,884
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	1,492	(215)
Deferred revenue	(736)	(612)
	756	(827)
	$ 6,347	$ 4,057

(unaudited - in thousands of Canadian dollars except as otherwise noted)

14. SEGMENTED FINANCIAL INFORMATION

The Company's operations are organized into business units based on how the business is managed and has three reportable segments. The Video and Broadband Solutions segment designs, develops and distributes electronic communications products to cable and telecommunication markets. The Telematics segment designs, develops and distributes fleet management products. The Discontinued Operations segment represents the YourLink business which provided cable television and internet services in British Columbia and Saskatchewan. YourLink was sold in the prior year (Note 4). Inter-segment transactions take place at terms that approximate fair values. Almost all of the Company's operations, employees and assets are located in Canada. The following highlights key financial information for the operation of these segments.

	Three months ended September 30, 2017				
	Video and Broadband Solutions	Telematics	Discontinued Operations	Inter Segment Eliminations	Total
Sales - external customers	$ 13,600	$ 1,282	$ -	$ -	$ 14,882
Cost of sales	6,039	365	-	-	6,404
Gross profit	**7,561**	**917**	**-**	**-**	**8,478**
Operating expenses	4,773	591	-	-	5,364
Depreciation and amortization	1,200	248	-	-	1,448
Operating income	**1,588**	**78**	**-**	**-**	**1,666**
Finance income	298	-	-	-	298
Foreign exchange loss	(645)	(25)	-	-	(670)
Income before income taxes	**1,241**	**53**	**-**	**-**	**1,294**
Income tax expense	316	14	-	-	330
Net income and comprehensive income from continuing operations	**925**	**39**	**-**	**-**	**964**
Net income and comprehensive income from discontinued operations	**-**	**-**	**7,062**	**-**	**7,062**
Net income and comprehensive income	**$ 925**	**$ 39**	**$ 7,062**	**$ -**	**$ 8,026**
Total assets	**$ 188,179**	**$ 14,485**	**$ -**	**$ (181)**	**$ 202,483**
Total liabilities	**$ 12,713**	**$ 727**	**$ -**	**$ -**	**$ 13,440**

(unaudited - in thousands of Canadian dollars except as otherwise noted)

14. SEGMENTED FINANCIAL INFORMATION continued

	Three months ended September 30, 2016				
	Video and Broadband Solutions	Telematics	Discontinued Operations	Inter Segment Eliminations	Total
Sales - external customers	$ 19,515	$ 1,371	$ -	$ -	$ 20,886
Cost of sales	9,549	468	-	-	10,017
Gross profit	**9,966**	**903**	**-**	**-**	**10,869**
Operating expenses	4,729	508	-	-	5,237
Depreciation and amortization	1,074	370	-	-	1,444
Operating income	**4,163**	**25**	**-**	**-**	**4,188**
Finance income	253	-	-	-	253
Foreign exchange gain	473	10	-	-	483
Income before income taxes	**4,889**	**35**	**-**	**-**	**4,924**
Income tax expense	1,359	9	-	-	1,368
Net income and comprehensive income from continuing operations	**3,530**	**26**	**-**	**-**	**3,556**
Net income and comprehensive income from discontinued operations	**-**	**-**	**487**	**-**	**487**
Net income and comprehensive income	**$ 3,530**	**$ 26**	**$ 487**	**$ -**	**$ 4,043**
Total assets	**$ 161,295**	**$ 14,406**	**$ 13,081**	**$ (213)**	**$ 188,569**
Total liabilities	**$ 12,975**	**$ 504**	**$ 3,165**	**$ -**	**$ 16,644**

Inter-segment elimination of total assets represents the fair value adjustment of assets acquired in previous years' acquisitions.

Geographical:

	Three months ended September 30,	
	2017	2016
Sales to external customers		
United States	**$ 13,816**	$ 18,535
Canada	**998**	2,101
Other	**68**	250
	$ 14,882	$ 20,886

There are no non-current assets located outside of Canada. Geographic location is based on shipping location and customer knowledge.

(unaudited - in thousands of Canadian dollars except as otherwise noted)

14. SEGMENTED FINANCIAL INFORMATION continued

	Three months ended September 30, 2017	2016
Sales to major customers accounting for more than 10% of sales		
Customer A	**$ 4,652**	$ 10,891
Customer B	**4,862**	-
Customer C	**1,556**	-
	$ 11,070	$ 10,891

The sales to these major customers are within the Video and Broadband Solutions segment. Customers B and C were below 10% in the three months ended September 30, 2016 and the amounts are not shown.

15. FAIR VALUE HIERARCHY

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities,

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices),

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company held the following financial instruments measured at fair value:

September 30, 2017

	Total	Level 1	Level 2	Level 3
Short-term investments	$ 68,921	$ 68,921	$ -	$ -

June 30, 2017

	Total	Level 1	Level 2	Level 3
Short-term investments	$ 85,675	$ 85,675	$ -	$ -

During the periods ending September 30, 2017 and June 30, 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

16. FINANCIAL INSTRUMENTS RISK MANAGEMENT

Financial Risks

The Company is exposed in varying degrees to a variety of financial risks from its use of financial instruments: credit risk, liquidity risk, currency risk and interest rate risk. The source of risk exposure and how each is managed is outlined below.

(unaudited - in thousands of Canadian dollars except as otherwise noted)

16. FINANCIAL INSTRUMENTS RISK MANAGEMENT continued

Credit Risk

Cash and cash equivalents are placed with major Canadian financial institutions rated in the two highest grades by nationally recognized ratings agencies. Concentration of credit risk exists with respect to the Company's cash and cash equivalents, as all amounts are held at major Canadian financial institutions. Credit risk is also managed by maintaining short-term investments (short-term deposits in cashable Guaranteed Investment Certificates) with Canadian financial institutions rated in the two highest grades by nationally recognized ratings agencies and British Columbia Credit Unions. Deposits with credit unions are insured through the Credit Union Deposit Insurance Corporation. This insurance exceeds the amounts otherwise covered by the Canadian Deposit Insurance Corporation for bank deposits.

Credit risk also arises from the possibility that a customer would fail to fulfil its financial obligations, therefore the Company's credit risk lies in the collectability of its accounts receivable. Trade accounts receivable are recognized initially at fair value and subsequently measured at amortized cost less allowance for doubtful accounts. An allowance for doubtful accounts is established when there is a reasonable expectation that the Company will not be able to collect all amounts due according to the original terms of the receivable. The carrying amount of the trade accounts receivable is reduced through the use of the allowance account, and the amount of any increases in the allowance is recognized in the statement of income. The Company manages its credit risk related to its trade receivables through a credit management program and all customer accounts are reviewed. Credit approval policies and procedures are in place guiding the granting of credit to new customers. The Company has an allowance for doubtful accounts at September 30, 2017 of $32 (June 30, 2017 - $35). At September 30, 2017, the Company had three major customers (June 30, 2017 - three) who accounted for approximately 75% (June 30, 2017 - 82%) of the period-end accounts receivable balance.

The aging of trade receivables that are not considered to be impaired are as follows:

	September 30, 2017	June 30, 2017
Current	**$ 6,784**	$ 12,126
31 to 60 days	**548**	473
61 to 90 days	**235**	23
Over 90 days	**162**	24
	$ 7,729	$ 12,646

(unaudited - in thousands of Canadian dollars except as otherwise noted)

16. FINANCIAL INSTRUMENTS RISK MANAGEMENT continued

Liquidity Risk

Liquidity risk arises from the Company's general funding needs and in the management of its assets, liabilities and capital. The Company manages its liquidity risk to maintain sufficient liquid financial resources to fund its operations and meet its commitments and obligations in a cost-effective manner. The Company currently holds a significant balance of cash and short-term investments which helps to mitigate this risk. The Company has access to a credit facility in the amount of $14,000 with a Canadian chartered bank. As of September 30, 2017, the remaining amount available to be drawn under this credit facility is $14,000.

The table below presents a maturity analysis of the Company's financial liabilities:

		Payments due within		
	Carrying Amount of Liability	1 year	1-3 years	Thereafter
Accounts payable and accrued liabilities	$ 12,981	$ 12,981	$ -	$ -

Currency Risk

Approximately 95% (September 30, 2016 - 96%) of the Company's sales are denominated in US$. The Company periodically enters into forward foreign exchange contracts to manage foreign currency exchange risk related to exposures of the exchange rates for the Canadian dollar. These contracts are considered "held for trading" instruments. Changes in the value of these contracts are recorded as an element of foreign exchange gain.

Effective March 3, 2017, the Company entered into a range bonus accumulator with a Canadian chartered bank. As at September 30, 2017, the Company had received sixteen of twenty-six weekly bonus payments for a total of $40. This contract ended on September 1, 2017.

Changes in fair value of these instruments are included in foreign exchange gain in the current year. As at September 30, 2017, the Company has an unrealized net gain of $nil (June 30, 2017 - $nil net gain) on outstanding forward purchase contracts.

For the three months ended September 30, 2017, if the Canadian dollar had weakened or strengthened by 1% against the US dollar with all other variables held constant, net income before income taxes would have been $95 (September 30, 2016 - $132) higher or lower.

Interest Rate Risk

The Company is exposed to floating interest rate risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates. This risk is limited to the line of credit and long-term debt. The Company is also exposed to changes in interest rates related to its short-term investments, as the income received from these investments fluctuates based on interest rates received when the investments are made. A 1% movement in the interest rate received would have resulted in a $187 change to net income before income taxes for the three months ended September 30, 2017 (September 30, 2016 - $135).

17. SUBSEQUENT EVENTS

On November 7, 2017, the Board of Directors declared a dividend of $0.055 per common share, payable on December 18, 2017 to shareholders of record as at November 24, 2017 consistent with its previously announced dividend policy.

On October 13, 2017, the Company entered into an agreement with Concurrent Computer Corporation ("Concurrent") to acquire all of the assets of its Content Delivery and Storage Business for US$29,000 in cash subject to working capital and other adjustments. The proposed transaction is subject to various terms and conditions, including approval by Concurrent shareholders, and is anticipated to close by the end of calendar year 2017.

On October 24, 2017, the Company entered into a definitive agreement with Donald Gibbs and 2202671 Ontario Inc. to acquire an aggregate of 5,582,000 common shares of AirIQ Inc. ("AirIQ"), representing 19.3% of the issued and outstanding shares of AirIQ. As consideration for the AirIQ shares, the Company issued an aggregate of 96,443 common shares of Vecima, at a deemed value of $949. Following the transaction, the Company holds 6,152,500 AirIQ shares, representing 21.3% of the issued and outstanding shares of AirIQ.