



FIRST QUARTER RESULTS

Unaudited Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2017



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.

VECIMA NETWORKS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Three months ended September 30, 2017
(unaudited - in thousands of Canadian dollars except as otherwise noted)

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VECIMA NETWORKS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Three months ended September 30, 2017
(unaudited - in thousands of Canadian dollars except as otherwise noted)

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.

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. The Company has completed a preliminary review of the standard to determine the potential impact on its consolidated financial statements, and does not expect any material impacts.

VECIMA NETWORKS INC.
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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.

VECIMA NETWORKS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Three months ended September 30, 2017
(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,	June 30,
	2017	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.

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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	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.

VECIMA NETWORKS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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7. INTANGIBLE ASSETS

	Indefinite-life intangible assets		Finite-life intangible assets				Total
	Spectrum and Other Licenses	Customer Contracts	Patents	Intellectual Property	Deferred Development Costs		
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.

VECIMA NETWORKS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Three months ended September 30, 2017
(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

VECIMA NETWORKS INC.
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(unaudited - in thousands of Canadian dollars except as otherwise noted)

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.

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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

VECIMA NETWORKS INC.
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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

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Three months ended September 30, 2017
(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					Total
	Video and Broadband Solutions	Telematics	Discontinued Operations	Inter Segment Eliminations		
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

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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.

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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.

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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

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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:

	Carrying Amount of Liability	Payments due within		
		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.

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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.