MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2017

September 28, 2017

Dear Fellow Shareholders,

Fiscal 2017 was a year of major development for Vecima as we continue to move forward in fulfilling our strategic objectives. Throughout the year we implemented significant changes to our business to build upon our present successes and pave the way for our future.

Financially, we ended FY2017 with $89.2 million in cash, a more than 20% increase over 2016, achieved in part by our divestiture of our YourLink business in both B.C. and Saskatchewan, which we sold for collective proceeds of $30.2 million. This marks the completion of our strategy to monetize non-core assets that included past sales of excess real estate and radio spectrum licenses. Subsequent to year end, a further $8.73 million in cash was received as we completed the second closing of the YourLink sale.

Over the year, we made significant progress on the development of Entra, our award-winning DOCSIS 3.1 Distributed Access Architecture (DAA) Platform solution, and two related products which add DOCSIS Remote PHY and 10 GbE Ethernet Access Switching to our product lines. As you may recall, early in the first quarter, Broadband Technology Report awarded Entra a ranking of 4.5 out of 5 Diamonds in its Diamond Technology Review. Shortly thereafter, we successfully demonstrated Entra's multi-gigabit broadband speeds at the SCTE Cable-Tec Expo, while at the CableLabs Winter Conference we demonstrated our MAC-PHY Access Node and Ethernet Access Switch. Since then, we have shipped our first Entra Distributed Access Node for customer lab testing and initiation with a Tier 1 MSO. Most recently, we were shortlisted for a DAA RFP at another major Tier 1 MSO with interoperability testing underway.

In our Telematics business, we continued to benefit from last year's acquisition of Contigo Systems, growing the segment into a contributor of strong recurring revenue and earnings. We continue to look for good opportunities to develop the scale of the Telematics business.

At Vecima, innovation is at the core of our business and I'm delighted to see our efforts in R&D paying off. Our next-generation product family, Entra, is attracting industry attention and gaining the momentum that will reach broadly into different segments of the vast global market. Recent additions to our leadership team in the areas of marketing and operations and our continued investment in developing cutting-edge technologies have been critical to our strategy of setting up a strong foundation that will secure our position as a leading vendor for the transformation taking place across the cable and broadband industry. With a solid balance sheet, a robust product portfolio, and a highly promising R&D direction, we are meeting the needs of Tier One cable MSO customers across multiple product lines and platforms.

The DOCSIS 3.1 Cable Network Transformation

2017 marked the start of a technical evolution for the North American cable industry as a whole. The major shift to DOCSIS 3.1 is being described as a "once-in-a-lifetime" network transformation event and Vecima is well positioned to capitalize on it.

DOCSIS 3.1 represents the next major technology transition in cable and broadband. This new standard is designed to support consumer demand for gigabit Internet speeds and IP video across multiple screens. Importantly, it will do this by unlocking gigabit broadband speeds over existing coaxial cables without the added infrastructure cost of a wholesale network rebuild to take fiber to the home. DAA solutions are essential for the continued competitiveness of cable MSOs, but they require a fundamental shift in network architecture.

One of the distinguishing features of a distributed access approach is that instead of centralizing processing intelligence at the hub of the network, the new architecture pushes intelligence out to the nodes, close to home and businesses. That is crucial to alleviating the space and power constraints that MSOs are currently experiencing in the central network. The Entra eco-system we have been developing accommodates this shift with three products that broadly address the market.

The first product is our Entra Access Switch, which debuted at ANGA COM 2017. With its rugged, weatherproof design capable of supporting Ethernet services in any environment, it extends the capacity of networks with insufficient fibers while minimizing the use of expensive long-haul digital optics.

Our second product is the Entra Remote-PHY Access Node, which distributes a layer of processing to the node. This moves the cable network architecture away from costly analog optics to commodity Ethernet optics, while also reducing hub space and providing scalable multi-gigabit broadband access.

Our third product is the Entra MAC-PHY Access Node, which provides benefits beyond Remote-PHY. It does this by moving more processing to the edge to deliver a more cost-effective and space-efficient solution while also eliminating the CCAP chassis in the space-constrained hub. This approach to the control and management of the system allows network hardware functions to be accessed and operated "virtually" through an off-site data centre.

Entra's distributed architecture, full support for Legacy Digital and IP video and high capacity Ethernet centric approach are generating significant attention and momentum within the cable industry.

Looking Ahead to 2018

With cable MSOs pushing forward with their remaining digital network conversions and preparing for DOCSIS 3.1, we anticipate a year of ongoing transition for Vecima in fiscal 2018.

We expect demand for some of our legacy products will continue to taper off as domestic operators near completion of their all-digital conversions and shift their focus to next generation products and technologies. In the near term, orders of our TC600E are expected to pick up following completion of a major industry merger that temporarily reduced demand for this product last year. In addition, we see opportunities to supply new network video platforms in support of key customers' transition to IP centric platforms, and the recent introduction of the Terrace DVB provides new opportunities for our TerraceQAM product family in international markets.

At the same time, we will be readying our Entra family of products for field trials. Based on customer feedback, we expect these to get underway in calendar 2018, however, exact timing remains difficult to predict as the major MSOs are still refining their own plans and priorities.

Fiscal 2018 looks to be a year of continued investment and development as we position Vecima for industry leadership in gigabit-class IP-driven networks. Through Entra, we are unlocking greater broadband capacity and supporting advances in IP technologies that our customers need to remain competitive in a rapidly changing digital environment. We are also continuing to seek out attractive acquisition opportunities that give us access to assets and technologies that help drive our growth and success, while also offering significant accretion. We are excited about Vecima's future and look forward to telling you more about our progress in 2018 as we celebrate our 30th year in business.

On behalf of the Board of Directors, I want to thank our employees and our shareholders for their continued support and commitment to Vecima.

Sincerely,

Sumit Kumar
President and CEO

VECIMA NETWORKS INC.
Management's Discussion and Analysis
September 25, 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 year ended June 30, 2017.

Our management's discussion and analysis supplements, but does not form part of, our audited consolidated financial statements and related notes for the year ended June 30, 2017. Consequently, the following discussion and analysis of the financial condition and results of operations should be read in conjunction with the audited consolidated financial statements and accompanying notes for the years ended June 30, 2017 and June 30, 2016 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Our management's discussion and analysis 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. For additional information related to forward-looking statements and material risks associated with them, please see the "Forward-Looking 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.

Our growth strategy focuses on the development of our core technologies, including next generation platforms such as our new DOCSIS 3.1 platform, Entra. We intend to pursue profitable growth both organically and when appropriate, through value-enhancing strategic acquisitions.

Fiscal 2017 Highlights

- Achieved revenue of $71.5 million and a gross margin of 52%, in line with our fiscal Q3 guidance of revenue of $70.0 to $72.0 million and gross margin of 51% to 54%.
- Achieved net income of $18.0 million (Earnings per Share $0.81).
- Adjusted EBITDA of $20.3 million was in line with our guidance of $19.5 million to $21.5 million.
- Made significant progress on Entra, our DOCSIS 3.1 distributed access solution, and two related family platforms which add DOCSIS Remote PHY and direct 10 GbE Ethernet access architectures to the Entra ecosystem.
- Demonstrated our Distributed Access Node and Switch at the CableLabs Winter Conference.
- Shipped our first Entra Distributed Access Node for customer lab testing.
- Launched the Entra 10GB Access Switch at ANGA COM 2017 in Cologne, Germany.
- Made rapid progress on our new DOCSIS Remote PHY Distributed Access Node with interoperability testing now underway.
- Completed lab trials with a lead customer for an upgrade to Terrace QAM that adds additional audio transcode functionality.
- Commenced lab trials with a large European MSO for the Terrace DVB Commercial Video Gateway, a global version of Terrace QAM.
- Completed an upgrade to our Digital Video Access Platform (DVAP) that prepares the platform to support distributed access architecture.
- Released Telematics product upgrades with new in-demand functionality for municipal government customers, including a map-based winter operations module with intuitive snow removal control systems for proper road maintenance.
- Divested YourLink assets for proceeds of $30.2 million.
- Ended the fiscal year in a strong financial position, including $89.2 million in cash.

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 "EBITDA and Adjusted EBITDA".

Recent Industry Developments

The cable industry's move to distributed access architectures (DAA) under the new DOCSIS 3.1 standard is expected to rollout with top tier players in calendar 2017, 2018 and 2019. Released by CableLabs in 2014, DOCSIS 3.1 unlocks gigabit broadband speeds over existing coaxial cable by allowing data transmission up to 10 Gigabits per second (Gbps) for download speed and 3 Gbps upload speed, making DOCSIS 3.1 comparable to the speed provided by fiber optic connections, but without the added infrastructure cost. Global cable operators expect to benefit from a flexible migration given that DOCSIS 3.1 modems can coexist with older versions and build on top of the previously deployed capacity. The higher efficiency of DOCSIS 3.1 technology also enables significant cost per bit reductions relative to DOCSIS 3.0 network solutions. According to the latest industry analysis, 80% of cable operators have committed to DAA deployment plans.

We have been focused on addressing this industry transition through the development of our next generation platform, Entra, which uses distributed access architectures. The Entra Distributed Access Platform is Vecima's realization of the next generation of HFC nodes as optical transport moves away from analog RF distribution to all-digital Ethernet.

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 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.

Outlook

We anticipate a year of transition for Vecima in fiscal 2018 as the North American cable industry prepares for the new DOCSIS 3.1 standard. Based on current customer feedback, we expect field trials of various components of our new Entra family of products to commence in calendar year 2018. However, we note that the plans and priorities of the major MSOs continue to evolve, making it difficult to project timelines with certainty.

While we expect demand for some of our legacy products will continue to taper off as market saturation is reached and customers focus on next generation products and technologies, we continue to see areas of strength. Orders for our Terrace 600E products are picking up following completion of a major industry merger that temporarily reduced demand for this product last year. The update to our DVAP platform to support DAA has progressed and the OEM customer has taken delivery of their first set of upgrade licenses. In addition, we see opportunities to supply new network video platforms in support of key customers' transition to IP centric platforms, and the recent introduction of the Terrace DVB provides new opportunities for us in international markets.

Overall, we expect fiscal 2018 to be a year of continued investment and development as we position Vecima for industry leadership in both our existing markets and the emerging DOCSIS 3.1 space. With our strong financial position, including a cash balance of $89.2 million, we are well positioned to pursue our product strategies, while also continuing to assess attractive acquisitions that provide significant accretion and give us rapid access to technologies that will help drive our growth and success.

Assets Held For Sale and Discontinued Operations

On January 9, 2017, we entered into an agreement to sell the telecommunication assets of our YourLink business in Saskatchewan for total consideration of $28.73 million. The sale consisted of two separate transactions. The sale of operating assets closed on January 12, 2017 for consideration of $20 million. The second transaction for consideration of $8.73 million closed subsequent to June 30, 2017 on July 13, 2017. Assets connected with the second sale transaction are classified as held for sale ($0.6 million).

On September 30, 2016 we completed the sale of cable and telecommunication assets of its YourLink business in British Columbia for consideration of $1.4 million.

Financial results attributable to the YourLink business have been presented as discontinued operations. The non-current assets that are held for sale are 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.

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 with the balance of this MD&A.

Consolidated Statements of Comprehensive Income Data	Years ended June 30,					
	2017		2016		2015	
Sales	**$ 71,460**	**100 %**	$ 98,347	100 %	$ 80,275	100 %
Cost of sales	**34,439**	**48 %**	44,125	45 %	39,025	49 %
Gross profit	**37,021**	**52 %**	54,222	55 %	41,250	51 %
Operating expenses						
Research and development(1)	**11,749**	**17 %**	10,856	11 %	9,337	12 %
Sales and marketing	**5,285**	**7 %**	5,622	6 %	5,829	7 %
General and administrative	**9,875**	**14 %**	8,743	9 %	7,967	11 %
Impairment of intangible assets	**174**	**- %**	-	- %	1,192	1 %
Impairment of property, plant and equipment	**-**	**- %**	337	- %	-	- %
Restructuring costs	**986**	**1 %**	-	- %	-	- %
Stock-based compensation	**321**	**1 %**	502	1 %	502	1 %
Other (income) expense	**(276)**	**- %**	6	- %	3	- %
	28,114	**40 %**	26,066	27 %	24,830	31 %
Operating income	**8,907**	**12 %**	28,156	28 %	16,420	20 %
Finance income	**1,134**	**2 %**	894	1 %	627	1 %
Foreign exchange gain	**795**	**1 %**	46	- %	1,782	2 %
Income before income taxes	**10,836**	**15 %**	29,096	29 %	18,829	23 %
Income tax expense	**3,045**	**4 %**	7,862	8 %	5,167	6 %
Net income and comprehensive income from continuing operations	**7,791**	**11 %**	21,234	21 %	13,662	17 %
Net income and comprehensive income from discontinued operations	**10,257**	**14 %**	735	1 %	1,475	2 %
Net income and total comprehensive income	**$ 18,048**	**25 %**	$ 21,969	22 %	$ 15,137	19 %
Net income and total comprehensive income per share(2)						
Basic	**$ 0.81**		$ 0.98		$ 0.68	
Basic from continuing operations	**$ 0.35**		$ 0.95		$ 0.61	
Diluted	**$ 0.80**		$ 0.98		$ 0.68	
Diluted from continuing operations	**$ 0.35**		$ 0.95		$ 0.61	
Dividends/distributions	**$ 4,924**		4,935		4,023	
Other Data						
Total research and development expenditures(3)	**$ 21,066**	**29 %**	$ 18,104	18 %	$ 15,677	20 %
Adjusted EBITDA(4)	**$ 20,296**	**28 %**	$ 37,810	38 %	$ 29,025	36 %
Adjusted earnings per share(5)	**$ 0.35**		$ 0.99		$ 0.73	
Number of employees(6)	**352**		509		489	

(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 fiscal year end

Consolidated Statements of Financial Position Data	As at June 30,		
(unaudited - in thousands of dollars except number of common shares)	**2017**	2016	2015
Cash and cash equivalents	**$ 3,517**	$ 22,222	$ 12,777
Short-term investments	**$ 85,675**	$ 51,872	$ 46,894
Working capital	**$ 110,457**	$ 93,222	$ 84,786
Total assets	**$ 193,995**	$ 186,245	$ 168,072
Long-term debt	**$ 2,208**	$ 2,458	$ 2,708
Shareholder's equity	**$ 182,242**	$ 169,043	$ 151,324
Number of common shares outstanding(1)	**22,385,574**	22,384,877	22,348,093

(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 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 Telematics 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	Years ended June 30,		
(unaudited - in thousands of dollars except per share amounts)	**2017**	2016	2015
Net income	**$ 18,048**	$ 21,969	$ 15,137
Loss (gain) on sale of spectrum licenses, net of taxes	**71**	-	(247)
(Gain) loss on sale of non-core PPE, net of taxes	**(10,609)**	42	144
Impairment of intangible assets, net of taxes	**130**	-	883
Impairment of PPE, net of taxes	**-**	250	339
Adjusted net income	**$ 7,640**	$ 22,261	$ 16,256
Earnings per share	**$ 0.81**	$ 0.98	$ 0.68
Gain on sale of spectrum licenses, net of taxes	**-**	-	(0.01)
(Gain) loss on sale of non-core PPE, net of taxes	**(0.47)**	0.01	0.01
Impairment of intangible assets, net of taxes	**0.01**	-	0.04
Impairment of PPE, net of taxes	**-**	-	0.01
Adjusted earnings per share	**$ 0.35**	$ 0.99	$ 0.73

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; 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	Years ended June 30,		
	2017	2016	2015
Net income and total comprehensive income	**$ 18,048**	$ 21,969	$ 15,137
Income tax expense	**4,263**	8,115	5,652
Interest expense	**110**	106	103
Depreciation of property, plant and equipment	**2,202**	2,822	3,060
Amortization of deferred development costs	**3,686**	3,502	2,932
Amortization of finite-life intangible assets	**1,044**	409	109
EBITDA	**29,353**	36,923	26,993
Loss on disposal of intangibles	**71**	-	209
Gain on sale of assets held for sale	**(346)**	-	(493)
Loss (gain) on sale of property, plant and equipment	**(10,263)**	48	165
Impairment loss of property, plant and equipment	**-**	337	457
Impairment of intangible assets	**174**	-	1,192
Restructuring costs	**986**	-	-
Stock-based compensation	**321**	502	502
Adjusted EBITDA	**$ 20,296**	$ 37,810	$ 29,025

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 for the year ended June 30, 2017 and 2016 to our actual cash research and development expenditures.

Calculation of Research and Development Expenditures	Years ended June 30,		
	2017	2016	2015
Research and development per statement of income	**$ 11,749**	$ 10,856	$ 9,337
Deferred development costs	**12,950**	11,163	8,807
Investment tax credits	**342**	(10)	465
Amortization of deferred development costs	**(3,686)**	(3,502)	(2,932)
Government grant	**(289)**	(403)	-
Total research and development expenditure	**$ 21,066**	$ 18,104	$ 15,677
Percentage of sales	**29 %**	18 %	17 %

Summary of Quarterly Results of Operations

The following information has been derived from our consolidated financial statements for 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.

	Fiscal Year 2017				Fiscal Year 2016			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Sales	**14,629**	**15,718**	**20,227**	**20,886**	21,868	28,637	24,561	23,281
Cost of sales	**7,170**	**7,499**	**9,745**	**10,025**	9,918	12,292	11,262	10,653
Gross profit	**7,459**	**8,219**	**10,482**	**10,861**	11,950	16,345	13,299	12,628
Operating expenses								
Research and development	**3,074**	**2,969**	**2,857**	**2,849**	2,939	3,136	2,383	2,398
Sales and marketing	**1,423**	**1,404**	**1,161**	**1,297**	1,429	1,807	1,146	1,240
General and administrative	**2,514**	**2,453**	**2,449**	**2,459**	2,116	2,567	1,974	2,086
Impairment of intangible assets	**174**	**-**	**-**	**-**	-	-	-	-
Impairment of PPE	**-**	**-**	**-**	**-**	337	-	-	-
Restructuring costs	**986**	**-**	**-**	**-**	-	-	-	-
Stock-based compensation	**120**	**67**	**66**	**68**	138	114	115	135
Other (income) expense	**(157)**	**(163)**	**38**	**6**	6	3	2	(5)
	8,134	**6,730**	**6,571**	**6,679**	6,965	7,627	5,620	5,854
Operating (loss) income	**(675)**	**1,489**	**3,911**	**4,182**	4,985	8,718	7,679	6,774
Finance income	**771**	**48**	**63**	**252**	370	157	177	190
Foreign exchange (loss) gain	**(331)**	**150**	**493**	**483**	134	(1,183)	499	596
(Loss) income before income taxes	**(235)**	**1,687**	**4,467**	**4,917**	5,489	7,692	8,355	7,560
Income tax expense	**202**	**426**	**1,151**	**1,266**	1,917	1,919	2,076	1,950
Net and comprehensive (loss) income from continuing operations	**(437)**	**1,261**	**3,316**	**3,651**	3,572	5,773	6,279	5,610
Net and comprehensive income (loss) from discontinued operations	**294**	**9,114**	**457**	**392**	(150)	216	236	433
Net and total comprehensive (loss) income	**$ (143)**	**$ 10,375**	**$ 3,773**	**$ 4,043**	$ 3,422	$ 5,989	$ 6,515	$ 6,043
Net and total comprehensive (loss) income per share								
Basic	**$ (0.01)**	**$ 0.46**	**$ 0.17**	**$ 0.18**	$ 0.15	$ 0.27	$ 0.29	$ 0.27
Diluted	**(0.01)**	**0.46**	**0.17**	**0.18**	0.15	0.27	0.29	0.27
Adjusted EBITDA as reported	**$ 2,415**	**$ 3,430**	**$ 7,360**	**$ 7,091**	$ 7,745	$ 10,323	$ 10,106	$ 9,636

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 experiencing a slowdown in demand for our existing products as the market reaches saturation. We expect sales to recover as our products in the DOCSIS 3.1 Entra platform are commercialized.

Segmented Information

Sales

Segment	Three months ended June 30, 2017		2016	Years ended June 30, 2017		2016
Video and Broadband Solutions	$	**13,473**	$ 20,478	$	**66,053**	$ 95,999
Telematics		**1,156**	1,390		**5,407**	2,348
Total sales	$	**14,629**	$ 21,868	$	**71,460**	$ 98,347

Three-Month Sales

For the three months ended June 30, 2017, we generated total sales of $14.6 million in the fourth quarter of fiscal 2017. This compares to total sales of $21.9 million in the same period last year, and $15.7 million in Q3 fiscal 2017, representing a 33% and 7% decline respectively.

Video and Broadband Solutions sales were $13.5 million in the fourth quarter of fiscal 2017, compared to $20.5 million in Q4 2016 and $14.3 million in Q3 fiscal 2017.

- Fourth quarter sales of the Terrace family of products decreased 37% to $6.4 million, from $10.0 million in Q4 fiscal 2016. The year-over-year change reflects the temporary slowdown in ordering activity following the merger of two Tier 1 operators in the third quarter, as well as a reduction in demand for the TC600E as some customers near the end of their digital network conversions. On a sequential quarterly basis, fourth quarter sales of Terrace family products increased 31% from $4.9 million in Q3 fiscal 2017 as the merger of the two Tier 1 operators was completed and demand levels began to regain momentum.

- Fourth quarter fiscal 2017 sales of TerraceQAM were $5.7 million, compared to $1.9 million in the fourth quarter of 2016, a 194% increase. On a sequential quarterly basis, sales of TerraceQAM decreased 24% from $7.5 million in Q3 fiscal 2017. As expected, sales of new platforms to the lead MSO customer were strongest in the first half of fiscal 2017 and have decreased in the second half as the customer works through inventory. The impact of this decrease was partially offset by the rollout out of a platform upgrade in the fourth quarter. The enhancement, which frees up network capacity by supporting a new digital audio format, is expected to result in higher upgrade related sales in the future.

- As anticipated, we had no Digital Video Access Platform (DVAP) sales in the fourth quarter of 2017, following completion of contract purchases by our lead OEM customer in Q4 fiscal 2016. We have now completed a software upgrade that prepares this platform to support distributed access architecture and subsequent to the year-end, received customer approval testing and initial orders. 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 decreased 17% to $1.2 million in the fourth quarter of fiscal 2017, from $1.4 million in Q4 fiscal 2016. On a sequential quarterly basis, Telematics sales decreased 20% from $1.4 million in Q3 fiscal 2017. The reduction in sales reflects a change in accounting estimate that led to an increase in deferred revenue during the period. Had the accounting change not been made, sales would have been comparable quarter-over-quarter.

Twelve-Months Sales

For the twelve months ended 2017, we generated total sales of $71.5 million, a 27% decrease from the $98.3 million generated in fiscal 2016.

Video and Broadband Solutions sales were $66.1 million in fiscal 2017, a 31% decline from sales of $96.0 million last year.

- Sales of Terrace family of products decreased 35% to $29.0 million in fiscal 2017, from $44.9 million in the fiscal 2016. This year-over-year change reflects lower TC600 and TC600E sales in fiscal 2017.

- Sales of TerraceQAM decreased slightly to $27.1 million, from $28.2 million in fiscal 2016.

- We had no Digital Video Access Platform (DVAP) sales in fiscal 2017. This compares to sales of $14.6 million in fiscal 2016.

Telematics sales increased significantly to $5.4 million in fiscal 2017, from $2.3 million in fiscal 2016. This increase reflects the impact of the Contigo Systems acquisition, with the new operations contributing 12 months of revenue in fiscal 2017, compared to four months of revenue in fiscal 2016.

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 June 30,		Years ended June 30,	
Segment	**2017**	2016	**2017**	2016
Video and Broadband Solutions	**$ 6,460**	$ 11,003	**$ 33,292**	$ 53,468
Telematics	**999**	947	**3,729**	754
Total gross profit	**$ 7,459**	$ 11,950	**$ 37,021**	$ 54,222
Video and Broadband Solutions	**48.0 %**	54.0 %	**50.0 %**	56.0 %
Telematics	**86.0 %**	68.0 %	**69.0 %**	32.0 %
Total gross margin	**51.0 %**	55.0 %	**52.0 %**	55.0 %

Three-Month Results

For the three months ended June 30, 2017, our operations achieved a gross margin of 51%, providing a total gross profit of $7.5 million. This compares to a gross margin of 55% and a total gross profit of $12.0 million in the fourth quarter of fiscal 2016. Gross margin in the Q4 2017 period was negatively impacted by lower sales and a weaker average U.S dollar compared to the Canadian dollar year-over-year. On a sequential quarterly basis, fourth quarter gross margin of 51% was lower than the 52% achieved in Q3 2017, reflecting the lower sales in the current period.

Gross margin from the Video and Broadband Solutions segment was 48%, providing a gross profit of $6.5 million in the fourth quarter of fiscal 2017. This compares to a gross margin of 54% and a gross profit of $11.0 million during the same period in fiscal 2016. The decline in gross margin from the Video and Broadband Solutions segment reflects lower sales in the Q4 2017 period, product mix, and the negative impact of a weaker average U.S dollar compared to the Canadian dollar year-over-year. On a quarter-to-quarter basis, Q4 fiscal 2017 gross margin was down from the 52% gross margin achieved in Q3 fiscal 2017 for the same reasons noted above.

The Telematics segment achieved a gross margin of 86% in the fourth quarter of fiscal 2017, providing a gross profit of $1.0 million. This compares to a gross margin of 69%, providing a gross profit of $1.0 million in Q4 fiscal 2016. This increase is a result of an adjustment due to a change in estimate for capitalized equipment amortization. Gross margin in the future is expected to return to prior quarter's gross margin. Telematics gross margin increased from 60% in Q3 fiscal 2017 and gross profit was $0.1 million higher as a result of lower equipment amortization in Q4 fiscal 2017 compared to Q3 fiscal 2017.

Twelve-Month Results

For fiscal 2017, our operations realized a gross margin of 52%, providing a total gross profit of $37.0 million. This compares to a gross margin of 55% and a total gross profit of $54.2 million in fiscal 2016. Gross margin in the current year was negatively impacted by lower sales and a weaker average U.S dollar compared to the Canadian dollar year-over-year.

Gross margin from the Video and Broadband Solutions segment was 50%, providing a gross profit of $33.3 million in fiscal 2017. This compares to a gross margin of 56% and a gross profit of $53.5 million in the same period of fiscal 2016. The year-over-year change in gross margin reflects lower sales, product mix, and the negative impact of a weakening in the U.S dollar compared to the Canadian dollar.

Telematics achieved a gross margin of 69% in fiscal 2017, providing a gross profit of $3.7 million. This compares to a gross margin of 32.0% in fiscal 2016, providing a gross profit of $0.8 million. Gross profit results for fiscal 2017 include a full 12 months of Contigo operations, compared to just four months in fiscal 2016. The higher gross margin in fiscal 2017 also reflects the absence of inventory allowances that negatively impacted 2016 fiscal results.

Operating Expenses

	Three months ended June 30,		Years ended June 30,	
Segment	**2017**	2016	**2017**	2016
Video and Broadband Solutions	**$ 6,942**	$ 6,288	**$ 24,468**	$ 24,243
Telematics	**1,192**	678	**3,646**	1,823
Total operating expense	**$ 8,134**	$ 6,966	**$ 28,114**	$ 26,066

Three-Month Results

For the three months ended June 30, 2017, total operating expenses increased to $8.1 million, from $7.0 million in Q4 fiscal 2016 and $6.7 million in Q3 2017.

Video and Broadband Solutions operating expenses increased to $6.9 million in the fourth quarter of fiscal 2017, from $6.3 million in Q4 fiscal 2016. The year-over-year increase primarily reflects the $0.9 million in restructuring costs. On a sequential quarterly basis, fourth quarter Video and Broadband Solutions operating expenses increased by $0.9 million from $6.0 million in Q3 fiscal 2017. This mainly represents the $0.9 million in restructuring costs.

Telematics operating expenses increased to $1.2 million in Q4 fiscal 2017, from $0.7 million in Q4 fiscal 2016. This increase is a due to an adjustment that had the effect of reducing the amount of deferred development from the Contigo operations and the one-time $0.2 million impairment of prior deferred development costs. Sequentially, Telematics operating expenses were higher than the $0.8 million recorded in Q3 2017 for the same reasons noted above.

Twelve-Month Results

For the twelve months ended June 30, 2017, total operating expenses increased to $28.1 million, from $26.1 million in fiscal 2016.

Video and Broadband Solutions operating expenses increased to $24.5 million in fiscal 2017 from $24.2 million in fiscal 2016. The year-over-year change primarily reflects the $0.9 million in restructuring costs offset by $0.4 million in higher finished goods inventory allowances in fiscal 2016 and $0.3 million impairment of property, plant and equipment in fiscal 2016.

Telematics operating expenses increased to $3.6 million in fiscal 2017, from $1.8 million in fiscal 2016. This increase primarily reflects the inclusion of 12 months of operating expenses from the Contigo operations, compared to four months in fiscal 2016.

Research and development expenses for the three months ended June 30, 2017 increased to $3.1 million, or 21% of sales, from $3.0 million, or 13% of sales in the same period of fiscal 2016. For the year ended June 30, 2017, research and development expenses increased to $11.7 million or 17% of sales, from $10.9 million, or 11% of sales in the prior year. 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 June 30, 2017 increased to $5.7 million, or 39% of sales, from $5.1 million, or 23% of sales in Q4 fiscal 2016. This increase reflects increased subcontracting, staffing costs, and prototype costs in the current period. Research and development costs were up from the $5.3 million in Q3 2017 which was a result of increased prototype costs. For the year ended June 30, 2017, total research and development costs before deferrals, amortization of deferred development costs and income tax credits increased to $21.1 million, or 29% of sales, from $18.1 million, or 18% of sales in fiscal 2016. This increase reflects additional subcontracting, staffing costs, and prototyping costs in the fiscal 2017 period, offset by IP software costs incurred in fiscal 2016 which were not repeated in fiscal 2017.

Sales and marketing expenses remained flat at $1.4 million, or 10% of sales in Q4 fiscal 2017, compared to $1.4 million, or 7% of sales last year. On a sequential quarterly basis, Q4 fiscal 2017 expenses were also flat with the $1.4 million recorded in Q3 2017. For the year ended June 30, 2017, sales and marketing expenses decreased to $5.3 million, or 7% of sales, from $5.6 million, or 6% of sales in fiscal 2016. This decrease reflects higher inventory allowances for slow moving finished goods inventory in the prior year, partially offset by additional expenses related to a full year of Contigo operations in the current year.

General and administrative expenses increased to $2.5 million in Q4 fiscal 2017, compared to $2.1 million in Q4 fiscal 2016. This increase reflects lower overheads applied to cost of sales and inventory due to lower production levels in the current period. Sequentially, fourth quarter general and administrative expenses were flat with Q3 2017 levels. For the year ended June 30, 2017, general and administrative expenses increased to $9.9 million, from $8.7 million in fiscal 2016. This increase reflects 12 months of Contigo operations in fiscal 2017, compared to four months in fiscal 2016.

Restructuring costs were $0.9 million and represent severance costs related to management's reorganization of the manufacturing operations.

Stock-based compensation expense was flat year over year at $0.1 million. For the year ended June 30, 2017 stock-based compensation was $0.3 million, down from $0.5 million in fiscal 2016.

Other income was $0.2 million for the three months ended June 30, 2017, up from $nil for the three months ended June 30, 2016. Other income was $0.3 million for fiscal 2017, up from $nil in fiscal 2016. These increases represent additional lease income from real estate in the current fiscal year.

Operating Income

	Three months ended June 30,		Years ended June 30,	
	2017	2016	**2017**	2016
Video and Broadband Solutions	**$ (482)**	$ 4,715	**$ 8,824**	$ 29,225
Telematics	**(193)**	269	**83**	(1,069)
Total operating (loss) income	**$ (675)**	$ 4,984	**$ 8,907**	$ 28,156

For the three months ended June 30, 2017, we reported an operating loss of $0.7 million, compared to operating income of $5.0 million in the same period in fiscal 2016. The decrease in operating income 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 decreased by $2.2 million from $1.5 million in Q3 2017. This mainly reflects lower sales and gross profit quarter-over-quarter, together with higher operating expenses. For the 12 months ended June 30, 2017, operating income was $8.9 million, down from $28.2 million in fiscal 2016. The decrease in operating income was driven by lower sales and gross profit in the current period, together with an increase in total operating costs.

The Video and Broadband Solutions segment reported an operating loss of $0.5 million in Q4 2017, compared to operating income of $4.7 million in Q4 fiscal 2016. The year-over-year decrease reflects the $7.0 million reduction in sales, the related $4.5 million decrease in gross profit and the $1.2 million increase in operating expenses. Sequentially, operating income was $1.8 million lower than the $1.3 million generated in Q3 fiscal 2017, reflecting lower sales and gross profit quarter-over-quarter, together with higher operating expenses. For the year ended June 30, 2017, Video and Broadband Solutions operating income of $8.8 million was down 70% from $29.2 million in fiscal 2016. This change was driven by lower sales and gross margin, and an increase in total operating costs.

Telematics reported an operating loss of $0.2 million in Q4 fiscal 2017, a $0.5 million decrease from operating income of $0.3 million in Q4 fiscal 2016. Higher research and development expenses related to less deferred development and the $0.2 million impairment of deferred development costs in the current quarter were the main factors in this change. Sequentially, operating income from the Telematics segment was down $0.3 million compared to Q3 2017, reflecting higher research and development costs and the impairment of deferred development costs as previously described. For the year ended June 30, 2017 operating income was $0.1 million, up significantly from a loss of $1.1 million in the same period of fiscal 2016. The addition of the Contigo operations in the current year and higher inventory write-downs in fiscal 2016 were the main contributors to this improvement.

Finance income was $0.8 million in Q4 fiscal 2017, up from $0.4 million in the same period in fiscal 2016. This increase is a result of a $0.4 million gain on sale of investments in the quarter (we had recognized $0.3 million in losses prior to this quarter). For the year ended June 30, 2017, finance income of $1.1 million was up from $0.9 million in the prior year. Interest income was up $0.1 million due to higher cash balances year-over-year offset by lower interest yield and a gain on sale of investments of $0.1 million in fiscal 2017.

Foreign exchange (loss) gain was a loss of $0.3 million in Q4 fiscal 2017, compared to a gain of $0.1 million in Q4 fiscal 2016. The main reason for the loss was the weakening of the Canadian dollar to the U.S. dollar at the end of Q4 fiscal 2017 compared to Q3 fiscal 2017. For the year ended June 30, 2017, foreign exchange gain increased to $0.8 million from $nil million in fiscal 2016.

Income tax expense was $0.2 million in Q4 fiscal 2017 compared to $1.9 million in Q4 fiscal 2016. For the year ended June 30, 2017, income tax expense decreased to $3.0 million, from $7.9 million in fiscal 2016.

Net income from discontinued operations was $0.3 in Q4 fiscal 2017, compared to a loss of $0.4 million in Q4 fiscal 2016. For the year ended June 30, 2017, net income from discontinued operations increased to $10.3 million, from $0.7 million in fiscal 2016. 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 (loss) income for Q4 fiscal 2017 was $(0.1) million or $(0.01) per share, compared to net income of $3.4 million or $0.15 per share in Q4 fiscal 2016. For the year ended June 30, 2017, net income was $18.0 million, or $0.81 per share, compared to $22.0 million or $0.98 per share in fiscal 2016.

Cash from Operating Activities

For the three months ended June 30, 2017, cash flow from operating activities provided cash of $1.9 compared to $10.8 million for the three months ended June 30, 2016. The $8.9 million decrease reflects the $5.7 million decrease from operating cash flow.

For the year ended June 30, 2017, cash flow from operating activities provided cash of $14.0 million, compared to $48.2 million in fiscal 2016. The $34.2 million decrease reflects a $10.6 million reduction in cash flow from non-cash working capital and a $23.6 million decrease from operating cash flow.

Investing Activities

Cash flow used by investing activities decreased to $3.4 million in Q4 fiscal 2017 from $5.7 million in Q4 fiscal 2016. The cash used by investing activities represents deferred development expenditures of $3.3 million (Q4 fiscal 2016 - $3.4 million), net sale of short-term investments of $0.3 million (Q4 fiscal 2016 - $0.2 million), and purchase of property, plant and equipment of $0.2 million (Q4 fiscal 2016 – $0.9 million).

For the year ended June 30, 2017, cash flow used by investing activities decreased to $28.9 million, from $34.9 million in fiscal 2016. The cash used by investing activities in fiscal 2017 represents deferred development expenditures of $13.0 million (fiscal 2016 $11.2 million), net purchase of short-term investments of $33.8 million (fiscal 2016 $5.0 million), purchase of property, plant and equipment of $1.6 million (fiscal 2016 – $2.9 million) and proceeds on the sale of assets of YourLink of $21.3 million. The acquisition of the assets of Contigo Systems occurred in the third quarter of fiscal 2016 for a purchase price of $13.5 million.

Financing Activities

For the three months ended June 30, 2017 we paid dividends of $1.2 million (Q4 fiscal 2016 - $1.2 million) and repaid $0.1 million of our long-term debt (Q4 fiscal 2016 - $0.1 million repaid). We received proceeds from government grants of $0.1 million in Q4 fiscal 2017 (Q4 fiscal 2016 - $0.1 million).

For the year ended June 30, 2017 we paid dividends of $4.9 million (fiscal 2016 - $4.9 million) and repaid $0.3 million of our long-term debt (fiscal 2016 - $0.3 million repaid). We received proceeds from government grants of $0.4 million in 2017 (fiscal 2016 - $0.4 million). We repurchased commons shares for $0.3 million (fiscal 2016 - $nil).

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.

As at June 30, 2017, we had access to our full revolving loan facility of $14.0 million ($14.0 million at June 30, 2016), of which no amount was drawn as an operating line of credit (June 30, 2016 - $nil million was drawn). We had term credit of $2.5 million as at June 30, 2017 (June 30, 2016 - $2.7 million). We believe that our current cash and short term investments of $89.2 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 Q4 fiscal 2017 were $0.2 million compared to $0.9 million in Q4 fiscal 2016. For the year ended June 30, 2017 capital expenditures were $1.6 million compared to $2.9 million in fiscal 2016. 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 remained strong in the fiscal 2017, increasing to $110.6 million at June 30, 2017, from $93.2 million at June 30, 2016. Working capital balances can 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 back-end weighted for a quarter. The proceeds from the sale of the YourLink assets in Saskatchewan were a major reason for the increase in working capital from June 30, 2016.

Accounts receivable balance increased to $13.0 million at June 30, 2017 from $4.7 million at June 30, 2016. This increase reflects the timing of sales, with more orders shipping late in the quarter. As a result, related accounts receivable were not collected during the quarter.

Income tax receivable balance decreased from $3.0 million at June 30, 2016 to $2.0 as at June 30, 2017. This decrease represents collection of cash refundable provincial investment tax credits in Q1 fiscal 2017 offset by income tax paid in respect of a January 2017 CRA re-assessment (see Commitments below for details).

Inventory decreased by $8.3 million to $13.9 million at June 30, 2017 from $22.2 million as at June 30, 2016. Finished goods inventories were $8.1 million at June 30, 2017, compared to $11.9 million at June 30, 2016. Raw material inventory decreased to $4.5 million at June 30, 2017, compared to $7.0 million at June 30, 2016. Work in process inventories decreased to $1.3 million as at June 30, 2017 compared to $3.2 million at June 30, 2016. 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 $20.1 million at June 30, 2017 up slightly from $20.0 million at June 30, 2016. 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 decreased 27% to $6.4 million at June 30, 2017 representing 60 days for payables to be outstanding. This compares to $8.7 million at June 30, 2016, representing an average of 70 days for payables to be outstanding. The year-over-year decrease in accounts payable and accrued liabilities reflects the timing of purchases.

Long-term debt, including current portion, decreased to $2.5 million at March 31, 2017 from $2.7 million at June 30, 2016.

Dividends

Declaration Date	Dividend Amount (per share)	Record Date	Payable Date
September 23, 2016	$0.055	October 12, 2016	November 2, 2016
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

Contractual Obligations

We have lease commitments for production equipment, service vehicles and facilities amounting to $1.3 million within one year and $3.4 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 $4.2 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 96% of our revenues are denominated in US dollars. We translate US dollar sales to Canadian dollars on the date of delivery and subsequently when the account receivable is collected. If the US dollar appreciates relative to the Canadian dollar after we collect the accounts receivable in US dollars, we will receive more Canadian dollars when the US 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 US dollars.

During fiscal 2017, the exchange rate on the Canadian dollar weakened slightly to Canadian $1.296 against the U.S. dollar as of June 30, 2017, from Canadian $1.292 against the U.S. dollar as of June 30, 2016. This exchange difference of $0.004 had a negligible impact on the value of our $12.2 million U.S. dollar net assets.

Effective March 3, 2017, we entered into a range bonus accumulator with a Canadian chartered bank. As at June 30, 2017, we received fifteen of seventeen weekly bonus payments for a total of $0.04 million.

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.

At June 30, 2017, we did not have any forward contracts (2016 - $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 the financial performance or financial conditions of Vecima.

Transactions Between Related Parties

We lease a building in Saskatoon under a ten-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 $0.3 million for the year ended June 30, 2017 (June 30, 2016 - $0.3 million).

Proposed Transactions

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 the our annual audited 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 audited consolidated financial statements for the year ended June 30, 2017.

Accounting Pronouncements

Amendments to IAS 7 – Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The standard is effective for periods beginning on or after January 1, 2017 with earlier application permitted. The Company has completed a preliminary review of the standard to determine the potential impact on our consolidated financial statements, and does not expect any material impacts.

Amendments to IAS 12 – Income Taxes

In January 2016, the IASB issued amendments to IAS 12 *Income Taxes*. The amendments were issued to clarify the requirements on recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value, The standard is effective for periods beginning on or after January 1, 2017 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.

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. 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. 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 June 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 June 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 June 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 our 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 September 25, 2017, we had 22,379,651 common shares outstanding as well as options outstanding that are exercisable for an additional 451,701 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 34,500 common shares of Vecima for cancellation during the second quarter of fiscal 2017. No further common shares have been acquired to September 25, 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 three directors, all 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 $89.2 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. Our growth strategy focuses on the development of our core technologies, including next generation platforms such as our new DOCSIS 3.1 platform, Entra. We intend to pursue profitable growth both organically and when appropriate, through value-enhancing strategic acquisitions. The cable industry's move to distributed access architectures (DAA) under the new DOCSIS 3.1 standard is expected to rollout with top tier players in calendar 2017, 2018 and 2019. 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. We are experiencing a slowdown in demand for our existing products as the market reaches saturation and we expect sales to recover as our products in the DOCSIS 3.1 Entra platform are commercialized. Fourth quarter Terrace Family sales were also affected by the merger of two large Tier 1 operators, which created a temporary slowdown in ordering activity but going forward, we believe this customer's requirement for this product will resume. The latest enhancement in TerraceQAM which frees up network capacity by supporting a new digital audio format, is expected to result in higher upgrade related sales in the future. We have now completed a software upgrade on our DVAP product that prepares this platform to support distributed access architecture and subsequent to the year-end, received customer approval testing and initial orders. 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. Gross margin in the future is expected to return to prior quarter's gross margin. 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.