THIRD QUARTER RESULTS

Unaudited Condensed Interim Consolidated
Financial Statements

Three and nine months ended March 31, 2016

May 10, 2016

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited 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 Canadian Institute of Chartered Accountants 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	March 31, 2016	June 30, 2015
Assets			
Current assets			
Cash and cash equivalents		$ 18,238	$ 12,777
Short-term investments	5	51,672	46,894
Accounts receivable		4,823	13,114
Income tax receivable		44	172
Inventories	6	24,805	22,948
Prepaid expenses		1,440	1,297
		101,022	97,202
Non-current assets			
Property, plant and equipment	8	21,376	20,011
Intangible assets	9	31,617	16,107
Investment tax credit		19,338	24,261
Deferred tax asset		11,052	10,491
		$ 184,405	$ 168,072
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ 9,041	$ 9,186
Provisions		664	716
Deferred revenue		3,506	2,264
Current portion of long-term debt	12	250	250
		13,461	12,416
Non-current liabilities			
Other long-term liabilities		58	63
Provisions		1,745	1,561
Long-term debt	12	2,521	2,708
		17,785	16,748
Shareholders' equity			
Share capital	13	581	488
Reserves		3,572	3,228
Retained earnings		162,467	147,608
		166,620	151,324
		$ 184,405	$ 168,072

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 March 31, 2016	Three months ended March 31, 2015	Nine months ended March 31, 2016	Nine months ended March 31, 2015
Sales	**19**	**$ 31,821**	$ 23,197	**$ 86,052**	$ 70,037
Cost of sales		**13,425**	10,049	**37,399**	33,049
Gross margin		**18,396**	13,148	**48,653**	36,988
Operating expenses					
Research and development		**3,136**	2,431	**7,917**	6,916
Sales and marketing		**1,892**	1,542	**4,432**	4,608
General and administrative		**4,251**	3,793	**11,585**	11,354
Impairment of intangible assets	**9**	**-**	1,035	**-**	1,035
Stock-based compensation	**13**	**114**	129	**364**	403
Other income	**14**	**16**	42	**(6)**	(333)
		9,409	8,972	**24,292**	23,983
Operating income		**8,987**	4,176	**24,361**	13,005
Finance income	**15**	**164**	169	**511**	431
Foreign exchange (loss) gain		**(1,169)**	437	**(69)**	1,733
Income before income taxes		**7,982**	4,782	**24,803**	15,169
Income tax expense	**16**	**1,993**	1,229	**6,251**	3,911
Net income and total comprehensive income		**$ 5,989**	$ 3,553	**$ 18,552**	$ 11,258
Net income per share					
Basic	**13**	**$ 0.27**	$ 0.16	**$ 0.83**	$ 0.50
Diluted	**13**	**$ 0.27**	$ 0.16	**$ 0.83**	$ 0.50
Weighted average number of common shares					
Shares outstanding - basic		**22,384,578**	22,350,958	**22,381,161**	22,340,292
Shares outstanding - diluted		**22,456,933**	22,418,410	**22,436,317**	22,396,352

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, 2014	$ 162	$ 2,817	$ 136,494	$ 139,473
Net income and total comprehensive income	-	-	11,258	11,258
Dividends	-	-	(3,016)	(3,016)
Shares issued by exercising options	207	(61)	-	146
Share-based payment expense	-	403	-	403
Balance as at March 31, 2015	$ 369	$ 3,159	$ 144,736	$ 148,264
Balance as at June 30, 2015	**$ 488**	**$ 3,228**	**$ 147,608**	**$ 151,324**
Net income and total comprehensive income	-	-	18,552	18,552
Dividends	-	-	(3,693)	(3,693)
Shares issued by exercising options	93	(20)	-	73
Share-based payment expense	-	364	-	364
Balance as at March 31, 2016	**$ 581**	**$ 3,572**	**$ 162,467**	**$ 166,620**

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 March 31, 2016	Three months ended March 31, 2015	Nine months ended March 31, 2016	Nine months ended March 31, 2015
Cash flows from operating activities					
Net income and total comprehensive income		**$ 5,989**	$ 3,553	**$ 18,552**	$ 11,258
Adjustments to reconcile net income to cash from operating activities	**17**	**4,147**	3,717	**10,913**	8,929
Increase (decrease) in other long-term liabilities		**-**	(19)	**(5)**	(62)
Increase in provisions		**20**	146	**132**	319
Increase in investment tax credit		**(45)**	(197)	**(154)**	(364)
Net change in non-cash working capital relating to operations	**18**	**5,394**	2,220	**7,657**	531
Interest paid		**(27)**	(36)	**(84)**	(107)
Interest received		**187**	190	**606**	520
Income tax received		**10**	-	**11**	-
Income tax paid		**-**	(158)	**(8)**	(621)
		15,675	9,416	**37,620**	20,403
Cash flows used in investing activities					
Purchase of property, plant and equipment	**8**	**(1,456)**	(542)	**(3,309)**	(2,023)
Proceeds from the sale of property, plant and equipment		**8**	13	**14**	16
Proceeds from the sale of assets held for resale		**-**	-	**-**	500
Purchase of short-term investments		**(7,188)**	(179)	**(21,578)**	(23,655)
Proceeds on sale of short-term investments		**16,800**	-	**16,800**	13,165
Deferred development costs	**9**	**(2,497)**	(1,953)	**(7,813)**	(6,399)
Purchase of indefinite and finite-life intangible assets	**9**	**(9)**	(1,346)	**(29)**	(1,361)
Business acquisition	**4**	**(13,483)**	-	**(13,483)**	-
		(7,825)	(4,007)	**(29,398)**	(19,757)
Cash flows used in financing activities					
Proceeds from shares issued through exercised options	**13**	**51**	59	**73**	146
Proceeds from government grants	**10**	**994**	-	**1,046**	-
Dividends paid		**(1,231)**	(1,006)	**(3,693)**	(3,016)
Repayment of long-term debt	**12**	**(62)**	(62)	**(187)**	(187)
		(248)	(1,009)	**(2,761)**	(3,057)
Increase (decrease) in cash during the period		**7,602**	4,400	**5,461**	(2,411)
Cash and cash equivalents, beginning of period		**10,636**	8,471	**12,777**	15,282
Cash and cash equivalents, end of period		**$ 18,238**	$ 12,871	**$ 18,238**	$ 12,871

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

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1. NATURE OF OPERATIONS

Vecima Networks Inc. ("Vecima" or the "Company") is a company continued under the Canadian Business Corporations Act ("CBCA") and commenced operations in 1988. The Company's registered office is located at 700 West George Street, 25th Floor, Vancouver, B.C., V7Y 1B3. 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.

Effective July 1, 2015, Vecima Networks Inc. amalgamated with its wholly owned subsidiary, YourLink Inc., and has continued as one corporation under the CBCA.

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 March 31, 2016. The Company's Board of Directors authorized its unaudited condensed interim consolidated financial statements for the three and nine month periods ending March 31, 2016 for issue on May 10, 2016.

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, 2015 except for the accounting for the business combination as described in Note 3 and 4. 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, 2015.

Accounting Standards Issued But Not Yet Applied:

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 is currently reviewing the standard to determine the potential impact on its consolidated financial statements.

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB published a new standard, IFRS 15 *Revenue from Contracts with Customers*. This

2. BASIS OF PRESENTATION continued

Accounting Standards Issued But Not Yet Applied: continued

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 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.

Amendments to IAS 1 - Presentation of Financial Statements

In May 2014, the IASB issued amendments to *IAS 1 Presentation of Financial Statements*. The amendments were issued to improve the effectiveness of presentation and disclosure in financial reports, with the objective of reducing immaterial note disclosures. The amendments are to be applied prospectively and are effective for annual periods beginning after January 1, 2016 with earlier application permitted. The Company is currently reviewing the amendments to determine the potential impact on its consolidated financial statements.

Amendments to IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets

In May 2014, the IASB issued amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*. The amendments clarify the factors to be considered in assessing the technical or commercial obsolescence and the resulting depreciation period of an asset and state that a depreciation method based on revenue is not appropriate. The amendments are to be applied prospectively and are effective for annual periods beginning after January 1, 2016 with earlier application permitted. The Company is currently reviewing the amendments to determine the potential impact on its consolidated financial statements.

Amendments to IFRS 11 - Joint Arrangements

In May 2014, the IASB issued amendments to IFRS 11 *Joint Arrangements*. The amendments clarify the accounting for the acquisition of interests in joint operations and require the acquirer to apply the principles of business combinations accounting in IFRS 3 *Business Combinations*. The amendments are to be applied prospectively and are effective for annual periods beginning after January 1, 2016 with earlier application permitted. The Company is currently reviewing the amendments to determine the potential impact on its consolidated financial statements.

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, 2015 except as described below:

(a) Allocation of Purchase Consideration to Acquired Assets and Assumed Liabilities

The Company determined and allocated the purchase price on the recent acquisition to the tangible and intangible assets acquired and liabilities assumed as of the business combination date in accordance with IFRS 3 *Business Combinations*. The purchase price allocation process requires the Company to use significant estimates and assumptions, including fair value estimates, as of the acquisition date.

While management uses their best estimates and assumptions as a part of the purchase price allocation process to accurately value assets acquired and liabilities assumed at the business combination date, the estimates and assumptions are inherently uncertain and subject to refinement. Accordingly, the measurement of the assets acquired and liabilities assumed may change upon finalization of the Company's valuations and completion of the purchase price allocation, both of which are expected to occur no later than August 30, 2016.

4. BUSINESS COMBINATION

On March 3, 2016, the Company completed an acquisition of substantially all of the net assets of Contigo Systems Inc. ("Contigo"). Contigo is a leading provider of turn-key GPS solutions for fleet management, asset tracking and personal safety for small to medium sized fleets. The transaction, valued at $13,483, subject to a post-closing net working capital adjustment, was financed through cash on hand. This acquisition complements the Company's own telematics business and adds greater presence in the service fleet industry.

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

4. BUSINESS COMBINATION continued

The acquisition was accounted for using the purchase method. As part of the Company's process for determining the fair value of the net assets acquired, we have engaged third-party valuation specialists. The preliminary allocation of the purchase price of Contigo is as follows, pending the finalization of the determination of the fair value of the net assets acquired:

Consideration paid		
Purchase price	$	13,483
		13,483
Net assets acquired		
Accounts receivable		298
Inventories		62
Prepaid expenses		105
Property, plant and equipment		783
Intangible assets		6,962
Goodwill		5,894
Deferred tax asset		(335)
Current liabilities		(286)
	$	**13,483**

The goodwill recognized is attributable to intangible assets that do not qualify for separate recognition and includes, amongst other things: expected synergies arising from the combination of Contigo and the Company's existing telematics business; expected growth in the underlying markets in which Contigo serves; and the strength of the assembled workforce. The goodwill arising from the acquisition is expected to be deductible for tax purposes.

Sales and net income for the three months ended March 31, 2016 include sales of $413 and net income of $144 attributable to the additional operations generated by the acquisition of Contigo.

Had the business combination been effective at July 1, 2015, the consolidated revenue of the Corporation would have been $89,313 and the net income would have been $19,175 for the nine months ended March 31, 2016. Management considers these "pro-forma" numbers to represent an approximate measure of the performance of the combined group and to provide a reference point for comparison in future periods. In determining these amounts, management has assumed that the fair value adjustments, determined on a preliminary basis, that arose on the acquisition date would have been the same, in all material respects, if the acquisition had occurred on July 1, 2015.

5. SHORT-TERM INVESTMENTS

Short-term investments are measured at fair value and changes are reported through the statement of comprehensive income. The fair value of the short-term investments were equal to their carrying value for the period ended March 31, 2016. Short-term investments are guaranteed investment certificates.

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

6. INVENTORIES

	March 31, 2016	June 30, 2015
Raw materials	**$ 8,461**	$ 9,706
Work in progress	**3,999**	4,423
Finished goods	**12,345**	8,819
	$ 24,805	$ 22,948

During the three months ended March 31, 2016, inventories of $11,959 (three months ended March 31, 2015 - $8,121) were expensed through cost of sales. Write-downs of inventory for the three months ended March 31, 2016 were $215 (three months ended March 31, 2015 - $688) and were included in cost of sales. Reversals of write-downs were $15 during the three months ended March 31, 2016 ($nil for the three months ended March 31, 2015). During the nine months ended March 31, 2016, inventories of $31,902 (nine months ended March 31, 2015 - $27,008) were expensed through cost of sales. Write-downs of inventory for the nine months ended March 31, 2016 were $215 (nine months ended March 31, 2015 - $1,736) and were included in cost of sales. Reversals of write-downs were $nil during the nine months ended March 31, 2016 ($2 for the nine months ended March 31, 2015). The carrying amount of inventory recorded at net realizable value was $904 at March 31, 2016 (June 30, 2015 - $1,357) with the remaining inventory recorded as cost.

7. DERIVATIVE FINANCIAL INSTRUMENTS TO MANAGE FOREIGN EXCHANGE RISK

As at March 31, 2016, the Company had $nil US dollars ("USD") in foreign currency forward contracts that have the effect of fixing the conversion of USD (March 31, 2015 - $6,000).

Changes in fair value of these instruments are included in foreign exchange gain in the current year. As at March 31, 2016, the Company has an unrealized net loss of $nil (June 30, 2015 - $nil net gain) on outstanding forward purchase contracts.

Derivative financial instruments are included in accounts payable (June 30, 2015 - accounts receivable) in the consolidated statement of financial position.

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

8. PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements & building	Lab, operating & production equipment	Other equipment	Total
Cost					
At July 1, 2015	$ 1,121	$ 9,859	$ 37,311	$ 14,011	$ 62,302
Additions	-	23	2,782	504	3,309
Additions through business acquisition	-	6	735	41	782
Government grant (see Note 10)	-	-	(747)	-	(747)
Disposals	-	(7)	(457)	(163)	(627)
At March 31, 2016	**$ 1,121**	**$ 9,881**	**$ 39,624**	**$ 14,393**	**$ 65,019**
Accumulated depreciation and impairment					
At July 1, 2015		$ 3,140	$ 27,450	$ 11,701	$ 42,291
Depreciation charge for the year		214	1,373	368	1,955
Disposals		(7)	(437)	(159)	(603)
At March 31, 2016		**$ 3,347**	**$ 28,386**	**$ 11,910**	**$ 43,643**
Carrying amount					
At June 30, 2015	$ 1,121	$ 6,719	$ 9,861	$ 2,310	$ 20,011
At March 31, 2016	**$ 1,121**	**$ 6,534**	**$ 11,238**	**$ 2,483**	**$ 21,376**

The following estimated useful lives have been applied to property, plant and equipment assets at March 31, 2016 and June 30, 2015:

	Estimated useful life
Land improvements and building	40 years
Lab, operating and production equipment	10 to 30 years
Other equipment(1)	1 to 30 years

(1)Other equipment includes furniture, computer hardware, automotive equipment, and an asset retirement obligation.

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

8. PROPERTY, PLANT AND EQUIPMENT continued

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

	Three months ended March 31, 2016	Three months ended March 31, 2015	Nine months ended March 31, 2016	Nine months ended March 31, 2015
Cost of sales	**$ 110**	$ 114	**$ 336**	$ 377
Research and development	**46**	54	**116**	150
General and administrative	**1,088**	610	**1,503**	1,733
	$ 1,244	$ 778	**$ 1,955**	$ 2,260

There were no impairment losses or recoveries during the three and nine months ended March 31, 2016 or 2015.

Other equipment includes a long-term asset retirement obligation, net of amortization, of $1,121 as at March 31, 2016 (June 30, 2015 - $972).

At March 31, 2016, the Company had other equipment under construction totaling $688 (June 30, 2015 - $183). These assets are not yet being depreciated because they are under construction and not yet in use.

9. INTANGIBLE ASSETS

	Indefinite-life intangible assets		Finite-life intangible assets				
	Goodwill	Spectrum and Other Licenses	Customer Contracts	Patents	Intellectual Property	Deferred Development Costs	Total
Cost							
At July 1, 2015	$ 99	$ 431	$ 142	$ 310	$ 1,342	$ 26,396	$28,720
Additions	-	-	-	29	-	7,813	7,842
Additions through business acquisition	5,894	-	5,149	28	1,785	-	12,856
Government grant (see Note 10)	-	-	-	-	-	(254)	(254)
Investment tax credits	-	-	-	-	-	(2,089)	(2,089)
At March 31, 2016	**$ 5,993**	**$ 431**	**$ 5,291**	**$ 367**	**$ 3,127**	**$ 31,866**	**$47,075**
Amortization and impairment							
At July 1, 2015	$ -	$ -	$ 142	$ 238	$ 67	$ 12,166	$12,613
Amortization recognized	-	-	29	30	211	2,575	2,845
At March 31, 2016	**$ -**	**$ -**	**$ 171**	**$ 268**	**$ 278**	**$ 14,741**	**$15,458**
Net book value							
At June 30, 2015	$ 99	$ 431	$ -	$ 72	1,275	$ 14,230	$16,107
At March 31, 2016	**$ 5,993**	**$ 431**	**$ 5,120**	**$ 99**	**$ 2,849**	**$ 17,125**	**$31,617**

9. INTANGIBLE ASSETS continued

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 March 31, 2016 is $4,249 (March 31, 2015 - $3,911). The aggregate amount of research and development expenditure during the nine months ending March 31, 2016 is $12,999 (March 31, 2015 - $11,267).

There were no impairment losses recorded during the three months ending March 31, 2016 (March 31, 2015 - $1,035. There were no impairment losses during the nine months ending March 31, 2016 (March 31, 2015 - $1,035).

10. GOVERNMENT GRANTS

Government grants and assistance are recognized where there is reasonable assurance that all conditions attached to the grant will be met and the grant or assistance claimed will be received. The claims are subject to review by the respective agencies before the funding can be released. When the grant or assistance relates to an expense item, it is recognized as income over the period necessary to match the grant or assistance on a systematic basis to the costs that it is intended to compensate. Where the grant or assistance relates to an asset, the grant or assistance reduces the carrying amount of the asset. The grant is then recognized as income over the useful life of a depreciable asset through a reduced depreciation charge.

In October 2015, the Company entered into a non-repayable contribution agreement with the National Research Council Canada as represented by its Industrial Research Assistance Program ("IRAP") for total funding of $254 to finance a research and development project. During the three months ending March 31, 2016, the Company recognized $98 in non-repayable government assistance relating to IRAP as a reduction to intangible assets. During the nine months ending March 31, 2016, the Company recognized $254 in non-repayable government assistance relating to IRAP as a reduction to intangible assets. At March 31, 2016, the Company had accounts receivable relating to IRAP of $nil.

During the period, the Company also recognized government assistance from Industry Canada's Connecting Canadians Program ("CCP"). The joint funding agreement totaling $4,601 is non-repayable and will be used to expand YourLink's network infrastructure in rural Saskatchewan over the next two years. YourLink is required to offer and maintain specific Internet connectivity speed at a capped price until November 27, 2022. During the three months ending March 31, 2016, the Company recognized $351 in non-repayable government assistance relating to this grant as a reduction to property, plant and equipment. During the nine months ending March 31, 2016, the Company recognized $747 in non-repayable government assistance relating to this grant as a reduction to property, plant and equipment. At March 31, 2016, the Company had accounts payable relating to CCP of $45.

11. CONTINGENT LIABILITY

The Company received a query from the Canada Revenue Agency ("CRA") regarding the Company's tax treatment of gains on the sale of spectrum licenses in 2012 to 2014. The CRA has expressed the view that that the gains on the sale of these spectrum licenses should be treated as active business income, which would result in additional income taxes and interest payable of $3,600.

The Company and advisors have reviewed the applicable tax law and believes its treatment of these gains was appropriate. During the period, the company provided further documentation to the CRA. 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.

12. LONG-TERM DEBT

	March 31, 2016	June 30, 2015
Term credit from a Canadian chartered bank, repayable in monthly installments of $21 principal and interest at prime, (2.70% at March 31, 2016), expiring in October 2017, collateralized by a general security agreement. The Company has an authorized loan amount of $3,792.	**$ 2,771**	$ 2,958
Less current portion	**(250)**	(250)
	$ 2,521	$ 2,708

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 current terms and conditions at renewal.

2016	$ 63
2017	250
2018	250
2019	250
2020	250
Remaining	1,708
	$ 2,771

13. 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 Company does not hold treasury shares, as all shares purchased are immediately cancelled. The table below provides details of common shares outstanding and their carrying value:

	Number of Shares	Carrying Value
Balance, July 1, 2015	22,377,065	$ 488
Shares issued by exercising options	12,908	93
Balance, March 31, 2016	**22,389,973**	**$ 581**

The Company issued 8,207 shares through the exercise of options during the three months ended March 31, 2016 (three months ended March 31, 2015 - 19,703) and 12,908 shares through the exercise of options during the nine months ended March 31, 2016 (nine months ended March 31, 2015 - 36,929).

13. SHARE CAPITAL continued

(in thousands of Canadian dollars except common share data)

(a) Share capital continued

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 March 31,		Nine months ended March 31,	
	2016	2015	**2016**	2015
Net income: basic and diluted	**$ 5,989**	$ 3,553	**$ 18,552**	$ 11,258
Weighted average number of shares outstanding:				
Basic	**22,384,578**	22,350,958	**22,381,161**	22,340,292
Dilutive stock options	**72,355**	67,452	**55,156**	56,060
Diluted	**22,456,933**	22,418,410	**22,436,317**	22,396,352
Net income per share: basic	**$ 0.27**	$ 0.16	**$ 0.83**	$ 0.50
Net income per share: diluted	**$ 0.27**	$ 0.16	**$ 0.83**	$ 0.50

Stock options could potentially dilute basic net income per share in the future. Options to purchase 139,503 common shares were vested and outstanding at March 31, 2016 (March 31, 2015 - 206,459). Dilutive stock options are calculated using the treasury stock method.

(b) Reserves

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

13. SHARE CAPITAL continued

(in thousands of Canadian dollars except common share data)

(c) Stock option plan

On September 15, 2005, the Company 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 nine months ended March 31, 2016 are as follows:

	Number of options	Weighted average exercise price
Outstanding, July 1, 2015	459,498	$ 8.23
Granted	35,000	10.78
Exercised	(12,908)	10.22
Expired and forfeited	(21,962)	6.53
Outstanding, March 31, 2016	**459,628**	**$ 8.49**
Vested and exercisable, March 31, 2016	**139,503**	**$ 7.90**

13. SHARE CAPITAL continued

(in thousands of Canadian dollars except common share data)

At March 31, 2016, the exercise prices range from $2.72 to $19.34 with the weighted average exercise price being $8.49. The options outstanding at March 31, 2016 have a weighted average contractual life of 4.45 years.

	Options Outstanding			Options Exercisable	
	Number	Weighted Average Remaining Life	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
$2.72 to $3.00	4,020	1.70	$ 2.72	4,020	$ 2.72
$3.01 to $7.00	27,910	1.68	4.22	24,160	4.17
$7.01 to $10.00	381,500	4.73	8.62	93,875	8.62
$10.01 to $19.34	46,198	4.07	10.55	17,448	10.35
	459,628	4.45	$ 8.49	139,503	$ 7.90

(d) Stock-based compensation

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 $114 for the three months ended March 31, 2016 (three months ended March 31, 2015 - $129). The stock-based compensation expense was $364 for the nine months ended March 31, 2016 (nine months ended March 31, 2015 - $403).

The weighted average estimated fair value for the common share options granted in the period was $nil.

14. OTHER INCOME

	Three months ended March 31,		Nine months ended March 31,	
	2016	2015	**2016**	2015
Loss on sale of property, plant and equipment	**(19)**	(36)	**(10)**	(162)
Gain on sale of intangible assets	**-**	-	**-**	493
Other	**3**	(6)	**16**	2
	$ (16)	$ (42)	**$ 6**	$ 333

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

15. FINANCE INCOME

	Three months ended March 31, 2016	Three months ended March 31, 2015	Nine months ended March 31, 2016	Nine months ended March 31, 2015
Interest income	**$ 186**	$ 191	**$ 598**	$ 520
Operating line fees	**(3)**	(4)	**(12)**	(9)
Revolving term credit interest	**(19)**	(23)	**(57)**	(70)
Finance lease interest	**(3)**	(4)	**(10)**	(13)
Unwinding of discount and changes in imputed interest	**3**	14	**(9)**	12
Other	**-**	(5)	**1**	(9)
	$ 164	$ 169	**$ 511**	$ 431

16. INCOME TAXES

	Three months ended March 31, 2016	Three months ended March 31, 2015	Nine months ended March 31, 2016	Nine months ended March 31, 2015
Current income tax	**$ 2,292**	$ 78	**$ 7,147**	$ 481
Deferred income tax (recovery)	**(299)**	1,151	**(896)**	3,430
	$ 1,993	$ 1,229	**$ 6,251**	$ 3,911

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

	Notes	Three months ended March 31, 2016	Three months ended March 31, 2015	Nine months ended March 31, 2016	Nine months ended March 31, 2015
Loss on sale of property, plant and equipment	**14**	**$ 19**	$ 36	**$ 10**	$ 162
Gain on sale of intangible assets	**14**	**-**	-	**-**	(493)
Impairment of intangible assets	**9**	**-**	1,035	**-**	1,035
Depreciation of property, plant and equipment	**8**	**728**	778	**1,955**	2,260
Amortization of deferred development costs	**9**	**1,341**	670	**2,575**	2,052
Amortization of finite-life intangible assets	**9**	**116**	9	**270**	32
Stock-based compensation	**13**	**114**	129	**364**	403
Current income tax	**16**	**2,292**	78	**7,147**	481
Deferred income tax (recovery)	**16**	**(299)**	1,151	**(896)**	3,429
Interest expense		**23**	22	**88**	88
Interest income	**15**	**(187)**	(191)	**(600)**	(520)
		$ 4,147	$ 3,717	**$ 10,913**	$ 8,929

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

18. 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 March 31,		Nine months ended March 31,	
	2016	2015	**2016**	2015
Decrease (increase) in current assets				
Accounts receivable	**$ 2,579**	$ (77)	**$ 8,548**	$ (2,091)
Inventories	**2,825**	(1,402)	**(1,795)**	1,910
Prepaid expenses	**(56)**	2	**(39)**	(136)
Income tax receivable	**142**	51	**143**	51
	5,490	(1,426)	**6,857**	(266)
Increase (decrease) in current liabilities				
Accounts payable and accrued liabilities	**(1,552)**	3,462	**(284)**	1,131
Deferred revenue	**1,456**	184	**1,084**	(334)
	(96)	3,646	**800**	797
	$ 5,394	$ 2,220	**$ 7,657**	$ 531

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

19. SEGMENTED FINANCIAL INFORMATION

The Company's operations are organized into business units based on its products and services and has two reportable segments. The product segment designs, develops and distributes electronic communications products to cable and telecommunication markets. The service segment provides cable television and Internet services in British Columbia and Saskatchewan. 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 March 31, 2016			
	Product	Services	Inter Segment Eliminations	Total
Sales - external customers	$ 28,058	$ 3,763	$ -	$ 31,821
Sales - inter-segment	(3)	1	2	-
Cost of sales	12,032	1,391	2	13,425
Gross margin	**16,023**	**2,373**	**-**	**18,396**
Operating expenses	5,469	1,755	-	7,224
Depreciation and amortization	1,739	446	-	2,185
Operating income	**8,815**	**172**	**-**	**8,987**
Finance income	164	-	-	164
Foreign exchange (loss) gain	(1,168)	(1)	-	(1,169)
Income before income taxes	**7,811**	**171**	**-**	**7,982**
Income tax expense	1,940	53	-	1,993
Net income and comprehensive income	**$ 5,871**	**$ 118**	**$ -**	**$ 5,989**
Total assets	**$ 152,706**	**$ 31,877**	**$ (178)**	**$ 184,405**
Total liabilities	**$ 13,551**	**$ 4,234**	**$ -**	**$ 17,785**

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

19. SEGMENTED FINANCIAL INFORMATION continued

	Three months ended March 31, 2015			
	Product	Services	Inter Segment Eliminations	Total
Sales - external customers	$ 19,689	$ 3,508	$ -	$ 23,197
Sales - inter-segment	2	64	(66)	-
Cost of sales	8,929	1,122	(2)	10,049
Gross margin	**10,762**	**2,450**	**(64)**	**13,148**
Operating expenses	5,728	1,845	(64)	7,509
Depreciation and amortization	1,010	446	-	1,456
Operating income	**4,024**	**159**	**-**	**4,183**
Finance income	152	10	-	162
Foreign exchange (loss) gain	436	1	-	437
Income before income taxes	**4,612**	**170**	**-**	**4,782**
Income tax expense	1,104	125	-	1,229
Net income and comprehensive income	**$ 3,508**	**$ 45**	**$ -**	**$ 3,553**
Total assets	**$ 160,972**	**$ 16,738**	**$ (10,885)**	**$ 166,825**
Total liabilities	**$ 15,068**	**$ 3,493**	**$ -**	**$ 18,561**

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

19. SEGMENTED FINANCIAL INFORMATION continued

	Nine months ended March 31, 2016			
	Product	Services	Inter Segment Eliminations	Total
Sales - external customers	$ 75,538	$ 10,514	$ -	$ 86,052
Sales - inter-segment	14	17	(31)	-
Cost of sales	33,088	4,342	(31)	37,399
Gross margin	**42,464**	**6,189**	**-**	**48,653**
Operating expenses	14,419	5,073	-	19,492
Depreciation and amortization	3,719	1,081	-	4,800
Operating income	**24,326**	**35**	**-**	**24,361**
Finance income	524	(13)	-	511
Foreign exchange (loss) gain	(73)	4	-	(69)
Income before income taxes	**24,777**	**26**	**-**	**24,803**
Income tax expense	6,234	17	-	6,251
Net income and comprehensive income	**$ 18,543**	**$ 9**	**$ -**	**$ 18,552**
Total assets	**$ 152,706**	**$ 31,877**	**$ (178)**	**$ 184,405**
Total liabilities	**$ 13,551**	**$ 4,234**	**$ -**	**$ 17,785**

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

19. SEGMENTED FINANCIAL INFORMATION continued

	Nine months ended March 31, 2015			
	Product	Services	Inter Segment Eliminations	Total
Sales - external customers	$ 59,282	$ 10,755	$ -	$ 70,037
Sales - inter-segment	57	64	(121)	-
Cost of sales	29,577	3,529	(57)	33,049
Gross margin	**29,762**	**7,290**	**(64)**	**36,988**
Operating expenses	14,830	4,873	(64)	19,639
Depreciation and amortization	3,050	1,294	-	4,344
Operating income	**11,882**	**1,123**	**-**	**13,005**
Finance income	429	2	-	431
Foreign exchange gain (loss)	1,726	7	-	1,733
Income before income taxes	**14,037**	**1,132**	**-**	**15,169**
Income tax expense	3,432	479	-	3,911
Net income and comprehensive income	**$ 10,605**	**$ 653**	**$ -**	**$ 11,258**
Total assets	**$ 160,972**	**$ 16,738**	**$ (10,885)**	**$ 166,825**
Total liabilities	**$ 15,068**	**$ 3,493**	**$ -**	**$ 18,561**

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

Geographical:

	Three months ended March 31,		Nine months ended March 31,	
	2016	2015	**2016**	2015
Sales to external customers				
United States	**$ 28,017**	$ 17,893	**$ 68,669**	$ 53,516
Canada	**3,521**	5,072	**15,949**	15,514
Other	**283**	232	**1,434**	1,007
	$ 31,821	$ 23,197	**$ 86,052**	$ 70,037

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

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

19. SEGMENTED FINANCIAL INFORMATION continued

	Three months ended March 31,		Nine months ended March 31,	
	2016	2015	**2016**	2015
Sales to major customers accounting for more than 10% of sales				
Customer A	**$ 13,438**	$ 12,562	**$ 32,953**	$ 20,470
Customer B	**4,693**	-	**8,078**	-
Customer C	**5,653**	-	**-**	-
	$ 23,784	$ 12,562	**$ 41,031**	$ 20,470

The sales to these major customers are within the product segment. Customer B was below 10% of sales in the three and nine months ended March 31, 2015 and the amounts are not shown. Customer C was below 10% of sales in the nine months ended March 31, 2016 and the three and nine months ended March 31, 2015 and the amounts are not shown.

20. COMMITMENTS AND GUARANTEES

The Company has entered into operating lease commitments for office equipment and for the lease of buildings. The equipment leases have an average life between two and three years with no renewal options included in the contract. The building leases have renewal terms of zero to fifteen years. No restrictions have been placed upon the Company by entering into these leases.

The Company has future minimum lease payment obligations under non-cancelable operating leases as follows:

	March 31, 2016	June 30, 2015
Within one year	**$ 1,551**	$ 1,503
After one year but not more than five years	**2,658**	3,477
More than five years	**-**	2
	$ 4,209	$ 4,982

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

21. RELATED PARTY TRANSACTIONS

Vecima is a publicly traded company on the Toronto Stock Exchange. Dr. Surinder Kumar, Chairman of the Board, directly or indirectly controls the majority of the outstanding common shares.

The consolidated financial statements include the accounts of the Company and its subsidiaries listed in the following table:

	% equity interest
Name	Participating voting shares
Spectrum Signal Processing (USA) Inc.	100
Vecima Telecom India Private Ltd.	95
6105971 Canada Inc.	100

The Company leases a building in Saskatoon under a ten-year lease from Dr. Surinder Kumar at the market rate at the commencement of the lease of $10.00 per square foot. The lease expires in 2019. The rental expense relating to this transaction was $71 for the three months ended March 31, 2016 (three months ended March 31, 2015 - $71). The rental expense relating to this transaction was $211 for the nine months ended March 31, 2016 (nine months ended March 31, 2015 - $211).

22. 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:

March 31, 2016

	Total	Level 1	Level 2	Level 3
Short-term investments	$ 51,672	$ 51,672	$ -	$ -

June 30, 2015

	Total	Level 1	Level 2	Level 3
Short-term investments	$ 46,894	$ 46,894	$ -	$ -

During the reporting periods ending March 31, 2016 and June 30, 2015, 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.

Derivative financial instruments are included in accounts payable (June 30, 2015 - accounts receivable) in the consolidated statement of financial position.

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

23. 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.

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. Deposits with credit unions are insured through credit union deposit insurance corporations in British Columbia and Alberta. This insurance exceeds the amounts otherwise covered under the federal deposit insurance for cash 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 March 31, 2016 of $47 (June 30, 2015 - $107). At March 31, 2016, the Company had three major customers (June 30, 2015 - three) who accounted for approximately 81% (June 30, 2015 - 71%) of the period-end accounts receivable balance.

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

	March 31, 2016	June 30, 2015
Current	**$ 4,897**	$ 12,170
31 to 60 days	**452**	495
61 to 90 days	**48**	203
Over 90 days	**35**	88
	$ 5,432	$ 12,956

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

23. 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 March 31, 2016, the remaining amount available to be drawn under this credit facility is $14,000.

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

		Payments due within		
	Carrying Amount of Liability	1 year	1-3 years	Thereafter
Accounts payable and accrued liabilities	$ 9,041	$ 9,041	$ -	$ -
Long-term debt obligations	2,771	250	750	1,771
Other long-term liabilities	58	-	58	-
	$ 11,870	$ 9,291	$ 808	$ 1,771

Currency Risk

Approximately 88% (March 31, 2015 - 85%) of the Company's sales are denominated in USD and 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.

As of March 31, 2016, the total gross notional amount of the Company's forward foreign exchange contracts was $6,000 USD (March 31, 2015 - $6,000). Changes in the fair value of these instruments are included in other income in the current year. For the three months ended March 31, 2016, the Company has an unrealized net loss of $nil (June 30, 2015 - unrealized net gain $nil) on outstanding purchase contracts.

For the three months ended March 31, 2016, 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 $200 (March 31, 2015 - $110) 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 $134 change to net income for the three months ended March 31, 2016 (March 31, 2015 - $101).

24. SUBSEQUENT EVENTS

On May 10, 2016, the Board of Directors declared a dividend of $0.055 per common share, payable on June 20, 2016 to shareholders of record as at May 26, 2016 consistent with its previously announced dividend policy.