FIRST QUARTER RESULTS

Management's Discussion & Analysis

Three months ended September 30, 2016

November 10, 2016

VECIMA NETWORKS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
November 10, 2016

This management's discussion and analysis (MD&A) provides a review of significant developments that have affected the performance of Vecima Networks Inc. ("Vecima" or the "Company") during the three months ended September 30, 2016.

Our management's discussion and analysis supplements, but does not form part of, our unaudited condensed interim consolidated financial statements and related notes for the three months ended September 30, 2016. Consequently, the following discussion and analysis of the financial condition and results of operations should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes for the three months ended September 30, 2016 and September 30, 2015, 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 2017 outlook and 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 "Cautionary Note Concerning Factors That May Affect Future Results" 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. Vecima also has 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 three segments: (1) Video and Broadband Solutions; (2) YourLink; and (3) Telematics:

1. Video and Broadband Solutions include families of 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. They are designed to meet the needs of the business services vertical including MDU (multi-unit dwelling) and hotels, motels, and other hospitality sector customers.
2. YourLink operates a large wireless service provider in rural Saskatchewan that provides fixed broadband wireless data and telephone access to both residential and business subscribers.
3. 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 is tied to the development of next generation platforms such as Entra, as well as strategic acquisitions.

First Quarter 2017 Highlights

- First quarter net income and earnings per share increased sequentially from Q4 2016
- Our cash balances grew by $8.7 million to $82.8 million
- Telematics sales increased $1.2 million year-over-year, reflecting the positive impact of the newly acquired Contigo Systems business
- We made significant progress on our next generation platforms led by Entra, our DOCSIS 3.1 distributed access solution
- Broadband Technology Report awarded Entra a ranking of 4.5 out of 5 Diamonds in its Diamond Technology Review
- We successfully demonstrated Entra's multi-gigabit broadband speeds at the SCTE Cable-Tec Expo held in Philadelphia in September
- We successfully completed the sale of certain cable distribution and telecommunications operating assets and liabilities located in British Columbia for proceeds of $1.4 million
- Subsequent to the quarter end, 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 Vecima.
- Our Board of Directors declared a dividend of $0.055 per share. The dividend will be payable on December 20, 2016 to shareholders of record on November 24, 2016.

Recent Industry Developments

The cable industry is currently undergoing a major shift under the new DOCSIS 3.1 standard. Released by CableLabs in 2014, DOCSIS 3.1 unlocks gigabit broadband speeds over existing coaxial cable. Data transmission of 10 Gigabits per second (Gbps) for download speed and 1 Gbps upload speed, make DOCSIS 3.1 comparable to the speed provided by fiber optic connections but without the added infrastructure cost. Global cable operators have started to embrace DOCSIS 3.1 as an evolution of DOCSIS technology. It provides a flexible migration for cable operators, with the ability for DOCSIS 3.1 modems to 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

We have been focused on addressing this industry transition through the development of our next-generation platform, Entra, which uses distributed access architectures. Technologies we are developing as part of the Entra platform include:

- Full spectrum DOCSIS 3.1 to 1.2 GHz allowing cable operators to utilize maximum throughput capability of up to 10 Gbps downstream and up to 3.2 Gbps aggregate upstream in the Access Node.

- A virtual controller for unified management of Access Nodes which allows rapid dynamic provisioning of services and facilitates transition towards network function virtualization (NFV) and software defined networking (SDN).
- A high-capacity 10 Gigabit Ethernet switch which allows for provisioning of direct Ethernet and PON services at the node.

Initial feedback from Tier One customers has been encouraging with Entra's high Ethernet capacity, full support for legacy digital video, and distributed architecture approach generating significant customer interest. This feedback reinforces the recognition provided by the Broadband Technology Report, which awarded Entra an excellent 4.5 out of 5 Diamond rating as part of its technology review in September. Also in September, we for the first time demonstrated multi-gigabit broadband speeds using DOCSIS 3.1 at the SCTE Cable-Tec Expo. We remain on track to move Entra into lab and field trials in 2017.

Outlook

Based on our current visibility into customer demand, both domestically and internationally, our outlook for fiscal 2017 remains unchanged and anticipates:

- Sales to be in the range of $85.0 million to $95.0 million;
- gross margin in the range of 54% to 58%; and
- Adjusted EBITDA in the range of $23 million and $28 million.

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".

Discontinued Operations

Effective September 30, 2016, the Company sold certain cable distribution and telecommunications operating assets and liabilities located in British Columbia for $1.4 million. The assets were previously classified as assets held for sale and the liabilities had been classified as liabilities associated with assets held for sale. Financial results for the current year, and comparative periods attributable to the disposal group, have been presented as discontinued operations. The noncurrent assets that were held for sale were recorded at the lower of the carrying amount or the fair market value less costs to sell. No impairment loss was recorded on assets held for sale. As a result of presenting discontinued operations, prior quarters and years have been restated to conform to the current year presentation.

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	Three months ended September 30, 2016		2015	
Sales	**$ 23,382**	**100 %**	$ 25,815	100 %
Cost of sales	**10,792**	**46 %**	11,149	43 %
Gross profit	**12,590**	**54 %**	14,666	57 %
Operating expenses				
Research and development[1]	**2,849**	**12 %**	2,398	9 %
Sales and marketing	**1,385**	**6 %**	1,292	5 %
General and administrative	**3,641**	**16 %**	3,375	13 %
Stock-based compensation	**68**	**- %**	135	1 %
Other income	**(32)**	**- %**	(6)	- %
	7,911	**34 %**	7,194	29 %
Operating income	**4,679**	**20 %**	7,472	29 %
Finance income	**214**	**1 %**	182	1 %
Foreign exchange gain	**483**	**2 %**	600	2 %
Income before income taxes	**5,376**	**23 %**	8,254	33 %
Income tax expense	**1,384**	**6 %**	2,126	8 %
Net income and comprehensive income from continuing operations	**3,992**	**17 %**	6,128	24 %
Net income (loss) and comprehensive income (loss) from discontinued operations	**51**	**- %**	(80)	- %
Net income and total comprehensive income	**$ 4,043**	**17 %**	$ 6,048	23 %
Net income and total comprehensive income per share[2]				
Basic	**$ 0.18**		$ 0.27	
Basic from continuing operations	**$ 0.18**		$ 0.27	
Diluted	**$ 0.18**		$ 0.27	
Diluted from continuing operations	**$ 0.18**		$ 0.27	
Other Data				
Total research and development expenditures[3]	**$ 4,725**	**20 %**	$ 5,038	20 %
Adjusted EBITDA[4]	**$ 7,091**	**30 %**	$ 9,636	37 %
Adjusted earnings per share[5]	**$ 0.17**		$ 0.27	
Number of employees[6]	**451**		470	

(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 "EBITDA and 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 period end

Consolidated Statements of Financial Position Data		As at		
		September 30,		June 30,
(unaudited - in thousands of dollars except number of common shares)		2016		2015
Cash and cash equivalents	$	21,699	$	22,222
Short-term investments	$	61,125	$	51,872
Working capital	$	95,605	$	93,222
Total assets	$	188,569	$	186,246
Long-term debt	$	2,396	$	2,458
Shareholder's equity	$	171,925	$	169,043
Number of common shares outstanding[1]		22,402,904		22,384,877

[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, 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 the our results exclusive of certain items which do not directly correlate to our business of selling broadband access products, providing rural cable/Internet services, or supplying telematic services. Adjusted earnings and adjusted earnings per share do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

Calculation of Adjusted Earnings Per Share		Three months ended September 30,		
(unaudited - in thousands of dollars except per share amounts)		2016		2015
Net income	$	4,043	$	6,048
Gain on sale of assets and liabilities held for resale, net of tax		(245)		-
Adjusted net income	$	3,798	$	6,048
Earnings per share	$	0.18	$	0.27
Gain on sale of assets and liabilities held for resale, net of taxes		(0.01)		-
Adjusted earnings per share	$	0.17	$	0.27

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, providing rural cable/internet services, or supplying telematic services. Adjusted EBITDA is not a recognized measure under IFRS and, accordingly, investors are cautioned that Adjusted EBITDA should not be construed as an alternative to net income, determined in accordance with IFRS, or as an indicator of our financial performance or as a measure of our liquidity and cash flows.

Calculation of Adjusted EBITDA	**Three months ended September 30,**	
	2016	2015
Net income and total comprehensive income	**$ 4,043**	$ 6,048
Income tax expense	**1,367**	2,099
Interest expense	**28**	33
Depreciation of property, plant and equipment	**689**	624
Amortization of deferred development costs	**885**	623
Amortization of finite-life intangible assets	**334**	78
EBITDA	**7,346**	9,505
Gain on sale of assets held for sale	**(329)**	-
Loss (gain) on sale of property, plant and equipment	**6**	(4)
Stock-based compensation	**68**	135
Adjusted EBITDA	**$ 7,091**	$ 9,636
Adjusted EBITDA margin (%)	**30 %**	37 %

Total Research and Development Expenditures

The following table reconciles research and development expense reported in accordance with IFRS as shown on the unaudited condensed interim consolidated statements of comprehensive income for the three months ended September 30, 2016 and 2015 to our actual cash research and development expenditures.

Calculation of Research and Development Expenditures	**Three months ended September 30,**	
	2016	2015
Research and development per statement of income	**$ 2,849**	$ 2,398
Deferred development costs	**2,846**	3,234
Investment tax credits	**34**	29
Amortization of deferred development costs	**(885)**	(623)
Government grant	**(119)**	-
Total research and development expenditure	**$ 4,725**	$ 5,038
Percentage of sales	**20 %**	20 %

Summary of Quarterly Results of Operations

The following information has been derived from our September 30, 2016 unaudited interim condensed consolidated financial statements 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.

	2017	Fiscal Year 2016				Fiscal Year 2015		
	Q1	**Q4**	**Q3**	**Q2**	Q1	Q4	Q3	Q2
Sales	**23,382**	**24,372**	**31,198**	**27,036**	25,815	23,244	22,420	22,929
Cost of sales	**10,792**	**10,612**	**12,928**	**11,922**	11,149	9,474	9,614	10,936
Gross profit	**12,590**	**13,760**	**18,270**	**15,114**	14,666	13,770	12,806	11,993
Operating expenses								
Research and development	**2,849**	**2,939**	**3,135**	**2,383**	2,398	2,428	2,431	2,383
Sales and marketing	**1,385**	**1,580**	**1,885**	**1,225**	1,292	1,510	1,536	1,774
General and administrative	**3,641**	**3,789**	**3,838**	**3,174**	3,375	3,211	3,374	3,394
Impairment of intangible assets	**-**	**-**	**-**	**-**	-	157	1,035	-
Impairment of property, plant and equipment	**-**	**337**	**-**	**-**	-	-	-	-
Stock-based compensation	**68**	**138**	**114**	**115**	135	99	129	271
Other income	**(32)**	**28**	**21**	**(6)**	(6)	206	36	(407)
	7,911	**8,811**	**8,993**	**6,891**	7,194	7,611	8,541	7,415
Operating income	**4,679**	**4,949**	**9,277**	**8,223**	7,472	6,159	4,265	4,578
Finance income	**214**	**365**	**160**	**169**	182	326	170	162
Foreign exchange gain (loss)	**483**	**152**	**(1,169)**	**499**	600	60	437	286
Income before income taxes	**5,376**	**5,466**	**8,268**	**8,891**	8,254	6,545	4,872	5,026
Income tax expense	**1,384**	**1,914**	**2,066**	**2,214**	2,126	1,978	1,252	1,250
Net income and comprehensive income from continuing operations	**3,992**	**3,552**	**6,202**	**6,677**	6,128	4,567	3,620	3,776
Net income (loss) and comprehensive income (loss) from discontinued operations	**51**	**(136)**	**(214)**	**(163)**	(80)	(687)	(67)	(85)
Net income and total comprehensive income	**$ 4,043**	**$ 3,416**	**$ 5,988**	**$ 6,514**	$ 6,048	$ 3,880	$ 3,553	$ 3,691
Net income and total comprehensive income per share								
Basic	**$ 0.18**	**$ 0.15**	**$ 0.27**	**$ 0.29**	$ 0.27	$ 0.17	$ 0.16	$ 0.17
Diluted	**0.18**	**0.15**	**0.27**	**0.29**	0.27	0.17	0.16	0.16
Adjusted EBITDA as reported	**$ 7,091**	**$ 7,745**	**$ 10,323**	**$ 10,106**	$ 9,636	$ 8,317	$ 7,460	$ 6,260

Quarter-to-Quarter Sales Variances

There are many factors that contribute to the overall variances of our sales. One of the main factors is our product development cycle, where we continually develop new products to replace products that are reaching the end of their lifecycle. Since our new products are at the leading edge of technology, the timing of development can vary as can the timing of regulatory certification and customer acceptance of new products.

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, while availability of parts and production capacity can influence the timing of product deliveries.

Segmented Information

Sales

		Three months ended September 30,		
Segment		**2016**		2015
Video and Broadband Solutions	**$**	**19,513**	$	23,126
YourLink		**2,496**		2,532
Telematics		**1,373**		157
Total sales	**$**	**23,382**	$	25,815

In line with our expectations, we generated total sales of $23.4 million in the first quarter of fiscal 2017, a 9% decrease from the $25.8 million generated in the same period of last year.

We achieved Video and Broadband Solutions sales of $19.5 million in the first quarter of fiscal 2017, a 16% decrease from $23.1 million in the first quarter of fiscal 2016.

- The Terrace Family of products decreased 24% to $9.1 million in the first quarter of fiscal 2017, from $11.9 million in the first quarter of fiscal 2016. This decrease was a result of lower TC600 and TC600E sales in the current period. The fluctuations in quarterly sales reflect the different stages of network conversion activity by various MSO customers. We expect our lead MSO customer to continue to: deploy in the network fill-in phase in early fiscal 2017; to slowdown in the second half while inventory is drawn down; and to recover thereafter. Of the two Tier 1 MSOs deploying TC600E across their networks, the first MSO is currently transitioning to a modest network fill-in phase, while we expect the second will continue its all-digital conversion roll out through the year.

- First quarter 2017 sales of TerraceQAM were $7.7 million, compared to $8.2 million in the first quarter of 2016, a 6% decrease. On a sequential quarterly basis, sales of TerraceQAM were up significantly from $1.9 million in Q4 fiscal 2016 after rebounding from a pullback in Q4. As expected, the lead MSO customer for TerraceQAM has continued to purchase steadily, but sales are expected to decrease in the second half of fiscal 2017 as inventory is drawn down. In mid-September we delivered another platform enhancement to the lead customer which frees up still more network capacity by supporting a new digital audio format. This latest enhancement, taken together with Vecima's earlier transcoding upgrade is expected to result in higher upgrade-related sales in the second half of fiscal 2017 serving to partially offset the temporary slowdown in system sales.

- Sales of our Digital Video Access Platform (DVAP) declined to $nil in the first quarter of 2017, from $0.6 million first quarter of 2016, following completion of contract purchases by our lead OEM customer. This customer has now engaged us to develop software that prepares the platform to support distributed access architecture. While the software upgrade will be available in Q3 fiscal 2017, sales are expected to commence mid-calendar 2017 following customer approval testing.

YourLink sales for the first quarter of 2017 remained flat at $2.5 million, compared to the first quarter of 2016. Sales results from both periods have been adjusted to exclude contributions from BC Cable, which we sold on September 30, 2016.

Telematics sales increased significantly to $1.4 million in the first quarter of 2017, from $0.2 million in the first quarter of 2016. This significant quarter-over-quarter improvement reflects the positive impact of the Contigo Systems acquisition, with the new operations contributing revenues of $1.2 million in Q1 2017.

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 YourLink sales consist of back-haul costs for connection to the internet, ethernet costs and the costs of operating the wireless infrastructure. Costs associated with Telematics sales consist of hardware amortization, inventory management costs, order fulfillment, wireless fees, server hosting services, and mapping licenses.

Gross Profit and Gross Margin

	Three months ended September 30,	
Segment	**2016**	2015
Video and Broadband Solutions	**$ 9,964**	$ 12,660
YourLink	**1,721**	2,036
Telematics	**905**	(30)
Total gross profit	**$ 12,590**	$ 14,666
Video and Broadband Solutions	**51 %**	55 %
YourLink	**69 %**	80 %
Telematics	**66 %**	(19)%
Total gross margin	**54 %**	57 %

For the three months ended September 30, 2016, our operations achieved a gross margin of 54%, providing a total gross profit of $12.6 million. This compares to a gross margin of 57% and a total gross profit of $14.7 million in the first quarter of fiscal 2016. Gross margin in the Q1 2017 period was negatively impacted by lower sales quarter-over-quarter and by YourLink investments in future capacity as it undertakes for a major network upgrade over the next two years.

Gross margin from the Video and Broadband Solutions segment was 51%, providing a gross profit $10.0 million in the first quarter of fiscal 2017. This compares to a gross margin of 55% and a gross profit of $12.7 million in first quarter of fiscal 2016. The year-over-year change in gross margin reflects lower sales in the Q1 2017 period together with the negative impact of a weaker average U.S dollar compared to the Canadian dollar year-over-year.

YourLink achieved a first quarter fiscal 2017 gross margin of 69%, providing a gross profit of $1.7 million. This compares to a gross margin of 80% and gross profit of $2.0 million in the first quarter of fiscal 2016. Equipment expenses increased as YourLink added capacity as part of its major network upgrade.

Telematics achieved a gross margin of 66% in the first quarter of fiscal 2017, providing a gross profit of $0.9 million. This compares to a small loss in Q1 fiscal 2016.

Operating Expenses

	Three months ended September 30,	
Segment	**2016**	2015
Video and Broadband Solutions	**$ 5,812**	$ 5,375
YourLink	**1,267**	1,450
Telematics	**832**	369
Total operating expense	**$ 7,911**	$ 7,194

For the three months ended September 30, 2016, total operating expenses increased to $7.9 million from $7.2 million in Q1 fiscal 2016.

Video and Broadband Solutions operating expenses increased to $5.8 million, from $5.4 million in Q1 fiscal 2016. The year-over-year increase mainly reflects a $0.5 million increase in research and development costs in Q1 fiscal 2017.

YourLink operating expenses decreased to $1.3 million in the first three months of fiscal 2017, from $1.5 million in Q1 fiscal 2016. Operating expenses in the current period were favourably impacted by labour capitalized on the DC150 project.

Telematics operating expenses increased to $0.8 million in Q1 fiscal 2017, from $0.4 million in Q1 fiscal 2016. The increase reflects the addition of operating expenses from the Contigo operations, offset by a decrease in FleetLynx sales and marketing expenses.

Research and development expenses for the three months ended September 30, 2016 increased to $2.8 million, or 12% of revenue, from $2.4 million, or 9% of revenue in the same period of fiscal 2016. We continue to invest in research and development to support the launch of our new products. Until these products are in commercial production, the development costs are deferred to future periods. Total research and development costs before deferrals, amortization of deferred development costs and income tax credits for the three months ended September 30, 2016 decreased to $4.7 million, or 20% of sales, from $5.0 million, or 20% of sales in Q1 fiscal 2016. The decrease reflects the purchase of intellectual property of $1.4 million in the prior year quarter and current year government assistance offset by the addition of R&D personnel and subcontracting in the current year quarter.

Sales and marketing expenses increased to $1.4 million, or 6% of sales in Q1 fiscal 2017, from $1.3 million, or 5% of sales in Q1 fiscal 2016. This increase reflects the additional expenses of the Contigo operations in the current year.

General and administrative expenses increased to $3.6 million in Q1 fiscal 2017, from $3.4 million in Q1 fiscal 2016. This increase reflects additional expenses related to the Contigo operation.

Stock-based compensation expense was flat year-over-year at $0.1 million.

Other income was $nil in both Q1 fiscal 2017 and Q1 fiscal 2016.

Operating Income

	Three months ended September 30,			
		2016		2015
Video and Broadband Solutions	**$**	**4,152**	$	7,285
YourLink		**454**		586
Telematics		**73**		(399)
Total operating income	**$**	**4,679**	$	7,472

Operating income was $4.7 million in Q1 fiscal 2017, a 38% decrease from operating income of $7.5 million in Q1 fiscal 2016. The year-over-year change was driven by the lower sales and gross margin, together with an increase in total operating costs.

Video and Broadband Solutions operating income declined to $4.2 million in Q1 fiscal 2017 from $7.3 million in Q1 fiscal 2016. Lower gross margin and the $0.5 million increase in research and development expenses were the key factors in this change.

YourLink operating income of $0.5 million for Q1 fiscal 2017 decreased $0.1 million from $0.6 million in the same period in fiscal 2016. The year-over-year decrease reflects the lower gross margin partially offset by lower operating expenses.

Telematics recorded operating income of $0.1 million for Q1 fiscal 2017, a $0.5 million improvement compared to Q1 fiscal 2016. Higher sales and gross margin related to the new Contigo operations partially offset by higher amortization of the Contigo purchased assets were the key factors in this improvement.

Finance income remained flat at $0.2 million in the first three months of fiscal 2017, compared to $0.2 million in the same period of fiscal 2016.

Foreign exchange gain decreased to $0.5 million in Q1 fiscal 2017 from $0.6 million in Q1 fiscal 2016.

Income tax expense increased to $1.4 million in Q1 fiscal 2017 from $2.1 million in Q1 fiscal 2016.

Net income (loss) from discontinued operations increased to $0.1 million in Q1 fiscal 2017 compared to a net loss of $(0.1) million in Q1 fiscal 2016. Discontinued operations represent the YourLink operations in British Columbia that were sold in Q1 fiscal 2017.

Net income for Q1 fiscal 2017 was $4.0 million or $0.18 per share, compared to net income of $6.0 million or $0.27 per share in Q1 fiscal 2016.

Cash from Operating Activities

For the three months ended September 30, 2016, cash flow from operating activities provided cash of $11.5 million compared to $10.3 million for the three months ended September 30, 2015. The $1.2 million increase reflects the $3.5 million increase in cash flow from non-cash working capital partially offset by the $2.3 million decrease from operating cash flow.

Investing Activities

Cash flow used by investing activities decreased to $12.3 million in Q1 fiscal 2017 from $7.8 million in Q1 fiscal 2016. The largest use of cash was a net purchase of short-term investments of $9.3 million (Q1 fiscal 2016 - $4.2 million). Other investing activity represents deferred development expenditures of $2.8 million (Q1 fiscal 2016 - $3.2 million) and the purchase of property, plant and equipment of $1.5 million (Q1 fiscal 2016 – $0.4 million).

Financing Activities

For the three months ended September 30, 2016 we repaid $0.1 million of our long-term debt (Q1 fiscal 2016 - $0.1 million repaid).

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 September 30, 2016, 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 $2.6 million as at September 30, 2016 (June 30, 2016 - $2.7 million). We believe that our current cash and short-term investments of $82.8 million and anticipated cash flow from operations will be sufficient to meet our working capital and capital expenditure requirements for the foreseeable future.

Capital expenditures for Q1 fiscal 2017 were $1.5 million compared to $0.4 million in Q1 fiscal 2016. This large increase is related to YourLink capital expenditures for our extensive network expansion project.

Working Capital

Working capital represents our current assets less current liabilities. Our working capital remained strong in Q1 fiscal 2017 increasing to $95.6 million at September 30, 2016, up 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.

Accounts receivable balance decreased 2% to $4.6 million at September 30, 2016 compared to $4.7 million at June 30, 2016. This decrease reflects the year-over-year decrease in first quarter sales.

Income tax receivable balance decreased from $3.0 million at June 30, 2016 to $nil as at September 30, 2016. This decrease represents collection of cash refundable provincial investment tax credits in Q1 fiscal 2017.

Inventory decreased by $2.4 million to $19.8 million at September 30, 2016 from $22.2 million as at June 30, 2016. Finished goods inventories were $10.7 million at September 30, 2016, compared to $11.9 million at June 30, 2016. The finished goods inventory turnover rate was 3.8 times per year at September 30, 2016 compared to 4.5 times at September 30, 2015. Raw material inventory increased to $7.3 million at September 30, 2016, compared to $7.0 million at June 30, 2016. Work in process inventories decreased to $1.7 million as at September 30, 2016 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 September 30, 2016 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 5% to $8.5 million at September 30, 2016 representing 74 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. This dollar decrease is a result of timing of purchases in the quarter.

Long-term debt, including current portion, decreased to $2.6 million at September 30, 2016 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

Contractual Obligations

We have lease commitments for production equipment, service vehicles and facilities amounting to $1.6 million within one year and $1.9 million after one year but not more than five years. Our lease commitments thereafter are currently $nil.

Commitments

In January, 2016, we received a query from the Canada Revenue Agency ("CRA") regarding our tax treatment of gains on the sale of spectrum licenses in 2012 to 2014. The CRA has expressed the view 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 approximately $3.6 million. We and our advisors have reviewed the applicable tax law and believe our original treatment of these gains was appropriate. During the fourth quarter of fiscal 2016, we 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.

Foreign Exchange

Approximately 86% 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 the quarter, the exchange rate on the Canadian dollar weakened to Canadian $1.312 against the U.S. dollar as of September 30, 2016 from Canadian $1.292 against the U.S. dollar as of June 30, 2016. This $0.020

exchange difference increased the value of our $17.5 million U.S. dollar net assets by approximately $0.4 million Canadian year over year.

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 September 30, 2016, we did not have any forward contracts (June 30, 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 $0.1 million for the three months ended September 30, 2016 (September 30, 2015 - $0.1 million).

Proposed Transactions

There are no proposed asset or business acquisitions or dispositions that our Board of Directors has 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 unaudited condensed interim consolidated financial statements for the three months ended September 30, 2016.

Accounting Pronouncements

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 are currently reviewing the standard to determine the potential impact on our 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 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. We are currently reviewing the standard to determine the potential impact on our consolidated financial statements.

Internal Control over Financial Reporting

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

Our CEO and CFO have evaluated the effectiveness of the internal control over financial reporting as at September 30, 2016 in accordance with Internal Control – Integrated Framework (2013), published by The Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, our CEO and CFO have determined that the internal control over financial reporting is effective as at September 30, 2016.

Legal Proceedings

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

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

Risk and Uncertainties

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

Outstanding Share Data

As at November 10, 2016, we had 22,380,825 common shares outstanding as well as options outstanding that are exercisable for an additional 444,166 common shares.

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. The Audit Committee is comprised of three financially literate directors two of whom are independent. Until the next annual general meeting of the Company to take place December 16, 2016, the Company relies on exemption as set out in section 3. 5 of National Instrument 52-110.

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 in fiscal 2017 we believe that our current cash and short-term investments of $82.8 million and anticipated cash flow from operations will be sufficient to meet our working capital requirements and capital expenditure requirements for the foreseeable future. We believe our growth may be tied to the: development of next generation platforms such as Entra (currently in development); from strategic acquisitions; and from platform enhancements for a major customer (this latest enhancement taken together with the transcoding version is expected to lead to higher upgrade related sales in the second half of fiscal 2017). We believe that there could be decreased demand for our legacy products compared to fiscal 2016; demand for TerraceQAM could be reduced; and that overall revenue and adjusted EBITDA could be somewhat lower than in fiscal 2016. 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.