FIRST QUARTER RESULTS

Unaudited Condensed Interim Consolidated Financial Statements

Three months ended September 30, 2011

December 9, 2011

SUMMARY OF OPERATING RESULTS

(CAD dollars in millions except percentage and per share data)	Q1 2012	Q4 2011	Q1 2011
Revenue	20.0	21.1	26.3
Gross Margin	37%	34%	38%
EBITDA	1.7	(2.1)	6.2
Net (loss) / income	(0.7)	(2.3)	1.8
(Loss) / earnings per share (based on weighted average number shares outstanding)	(0.03)	(0.10)	0.08
Cash and cash equivalents	7.8	5.1	(4.9)

Dear Shareholders:

Vecima's first quarter fiscal 2012 revenue of $20.0 million decreased by 5% as compared to the fourth quarter of fiscal 2011. This decline was almost entirely because of further weakening in legacy product orders. In spite of the decrease in sales, our gross margin in the quarter improved, rising to 37% from 34% in Q4 FY2011. We also saw strong improvement in our EBITDA compared to last quarter. This mainly reflects the expense reduction measures the Company took earlier in the calendar year and better production efficiency we achieved this quarter.

We are excited to see growing demand for recently introduced products. These are products that typically are widely deployed, leading edge and have been launched in the last two years. For example, since its introduction in 2009, Terrace A has generated more than $56.0 million in sales and I am proud to say that Vecima is a world leader in this product.

As we have reported in the past, the company is continually investing in the research and development of new products to replace products that are reaching the end of their lifecycle. Since our products are at the leading edge of technology, the timing of development can vary as well as the timing of certification and customer acceptance of the product. Over the past year, we have been challenged by delays in the launch of several new products that are one of the key components of our growth strategy. However we continue to believe in the sales potential of these products and we are driving hard toward market readiness.

Overall, our loss per share narrowed from the fourth quarter of fiscal 2011 to the first quarter of fiscal 2012, despite posting lower revenue in the current quarter.

Vecima's drive to return to profitability is showing positive momentum. We will continue our diligent focus on order execution and careful attention to containing expenses.

PROGRESS ON PRODUCTS

Recently Introduced Products

The following two products are registering strong customer demand. While sales from these products may fluctuate from quarter to quarter depending on customer demand and the timing of customer purchase decisions, over a longer time horizon, we expect to see positive trending revenue:

Terrace A

Compared to Q4 FY2011, revenue from Terrace A, the first member of our Terrace family of products, increased by 33%. Vecima is the world leader in this technology which is being deployed by the major MSOs in the world as they convert a cable network to all-digital. We have seen continued run rate demand from our lead MSO customer as they continue their ongoing all-digital project. Further, our product has been selected by other large MSOs who have started to convert to all digital.

OEM QAM Module

While the quarter over quarter revenue from this product declined by 22%, sales have risen by 92% since the first quarter of 2011. We predict growth in module revenues as our customer gains traction with its platform product that contains our modules. The deployment of these platforms is driven when certain network topologies are used for higher speed internet as well as general HDTV and digital video channel deployment.

New Products

These new products are in the initial stage of market introduction and we expect sales orders to ramp up over the next four quarters:

TerraceQAM

We continued to make good progress in concluding approval testing of the second phase of TerraceQAM with our lead MSO customer in Q1. Meanwhile, the first phase generated initial revenue as the MSO began to ramp up its own sales efforts of TerraceQAM to the hospitality marketplace.

Concierge

While sales for Concierge have not yet ramped up, we have been optimizing the product's final design in response to customer testing and feedback. We are starting to see positive results from these efforts that are expected to generate strong revenue growth starting in Q2 to Q3 fiscal 2012 with some of the larger players in this segment of the hospitality market.

Fleet Management

We shipped our fleet management product in Q1 and the first customer continued to perform field trials and conduct its initial launch in multiple fleets.

Legacy Products

Vecima's revenue continues to be affected by reductions in legacy product orders. Over the quarter, combined revenue for our OEM return path demodulator product and CableVista declined by more than $3.0 million.

BROADBAND WIRELESS AND SERVICE SEGMENT

Broadband wireless revenue for the three months ended September 31, 2011 was $2.7 million, an increase of 97% over Q4 fiscal 2011 broadband wireless revenue of $1.4 million. The sequential improvement in broadband wireless revenue resulted from a recovery in Software Defined Radio (SDR) products, which experienced unusually low sales in Q4.

YourLink revenue was $3.2 million for Q1 FY2012, compared to $3.3 million last quarter.

OPERATIONAL HIGHLIGHTS

Vecima employed 603 staff at September 30, 2011, representing a 4% decrease from 629 employees at June 30, 2011. We expect our employee count to slightly increase in the period ahead.

Vecima's cash position was $7.8 million at quarter end, up from $5.1 million at the end of the fourth quarter of FY2011.

In fiscal 2011, we announced the $8.0 million sale of 3.5 GHz radio spectrum. We continue to expect the deal to close before December 31, 2011.

OUTLOOK

We expect revenue for fiscal 2012 to be in the $90 million to $100 million range and gross margins to be at the high end of our targeted 30% to 40% range. The Company will be steadfast in our commitment to monitor operating expenses. We will prudently add additional resources as necessary to meet our revenue growth objectives and ensure operational profitability.

I would like to thank Vecima's shareholders for their continued support during this transitional time in the Company's history and I look forward to future opportunities to outline in detail the progress we are making to deliver long-term value.

Sincerely,

Dr. Surinder Kumar
Chairman and CEO

VECIMA NETWORKS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 9, 2011

Management's discussion and analysis (MD&A) provides a review of significant developments that have affected Vecima's performance during the three months ended September 30, 2011. Factors that could affect future operations are also discussed. These factors may be affected by known and unknown risks and uncertainties that may cause the actual future results to be materially different from those expressed or implied in this discussion.

Management's discussion and analysis supplements, but does not form part of, the unaudited condensed interim consolidated financial statements of Vecima and related notes for the three months ended September 30, 2011. Consequently, the following discussion and analysis of the financial condition and results of operations for the Company should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes for the three months ended September 30, 2011 and September 30, 2010, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) unless otherwise stated.

Additional information regarding the Company, including its Annual Information Form, can be found on SEDAR at www.sedar.com.

Adoption of International Financial Reporting Standards

The Company's unaudited condensed interim consolidated financial statements reflect the adoption of IFRS, with effect from July 1, 2010. Periods prior to July 1, 2010 have not been restated and were in accordance with Canadian generally accepted accounting principals (GAAP) which was applied during the periods prior to the effective date of the company's adoption of IFRS. The Company's financial statements subsequent to this report will be prepared in accordance with IFRS.

Note 10 to the unaudited condensed interim consolidated financial statements contains a detailed description of our conversion to IFRS, including a reconciliation of key components of our financial statements previously prepared under Canadian GAAP to those under IFRS as at and for the three months ended September 30, 2010, for the year ended June 30, 2011 and as at July 1, 2010.

Although the adoption of IFRS resulted in adjustments to our financial statements, it did not materially impact the underlying cash flows or profitability trends of our operating performance, debt covenants or compensation arrangements.

Financial Governance

Vecima's management is responsible for the preparation and presentation of the first quarter unaudited condensed interim consolidated financial statements and notes thereto, MD&A and other information contained in this first quarter report. Additionally, it is management's responsibility to ensure that the Company complies with the laws and regulations applicable to its activities.

The Company's 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 first quarter unaudited condensed interim consolidated financial statements and the MD&A, after receiving the recommendation of the Audit Committee, which is composed of three directors, all of whom are independent of management.

The auditors are appointed annually by the shareholders to conduct an audit of the 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. The external auditors have not performed a review of the first quarter unaudited condensed interim consolidated financial statements.

About forward-looking information

Our MD&A includes statements and information about our expectations for the future. When we discuss our strategy, plans and expectations for future financial and operating performance, or other things that have not yet taken place, we are making statements considered to be forward-looking information under Canadian securities laws.

Key things to understand about the forward-looking information in this MD&A:

- it typically includes words and phrases indicating the future, such as: anticipate, expect, plan, intend, predict, goal, target, project, potential, strategy and outlook;
- it represents our current views, and can change significantly;
- although it is based on what management believes to be reasonable assumptions, including those listed below under the heading “Risk Factors”, those assumptions may prove to be incorrect;
- actual results and events may be significantly different from what we currently expect, due to the risks associated with our business. The risks we regard as material are set out in this MD&A under the heading “Risk Factors”.
- forward-looking information is designed to help you understand management’s current views of our near and longer term prospects, and it may not be appropriate for other purposes. We will not necessarily update this information except as required by securities laws.

Forward-looking information included in this MD&A includes statements with respect to among other things:

- We are working to drive gross margins towards the top end of our 30 – 40% target range.
- Vecima expects revenue for fiscal 2012 to be between $90 - $100 million.
- Capital expenditures are expected to be between $3.5 - $4.2 million.

The achievement of our expectations in those areas and others is subject to a number of risks, including those relating to the potential for deterioration in general economic conditions, future sales and revenue expectations, unexpected increases in expenses, the risk of loss of a key customer, failure to meet customer expectations or successfully to develop new products, slower than anticipated growth in our key markets, and other factors noted below under “Risk Factors”.

Disclosure Controls and Procedures

Our disclosure controls and procedures are designed or caused to be designed under the supervision of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the CEO, the President and the CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure.

The CEO and the CFO have evaluated the effectiveness of the Company’s disclosure controls as defined under rules adopted by the Canadian securities regulatory authorities. Based on that evaluation, the CEO and CFO have concluded that the Company’s disclosure controls and procedures were effective as at September 30, 2011.

Internal Control over Financial Reporting

Our internal control over financial reporting are designed or caused to be designed under the supervision of the CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. However, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis.

The CEO and CFO have assessed the effectiveness of the Company's internal control over financial reporting as at September 30, 2011 in accordance with Internal Control – Integrated Framework, published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO). There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on this assessment, the CEO and CFO have determined that the Company's internal control over financial reporting is effective, with the exceptions noted below, as at September 30, 2011.

During the design and operating effectiveness assessment, certain material weaknesses in internal controls over financial reporting were identified, as follows:

> The Company does not have full-time in-house personnel to address all complex financial and non-routine tax issues that may arise. It is not deemed as economically feasible at this time to have such personnel. The Company relies on external experts for review and advice on complicated financial issues and for tax planning, tax provision and compilation of corporate tax returns;
>
> Certain areas within the Company's information systems are subject to general control deficiencies including a lack of effective controls over spreadsheets, access and documentation. The Company expects that some deficiencies will continue into the future; and

Management is of the opinion that none of these control deficiencies has resulted in a material misstatement to the financial statements. However, these deficiencies are considered a material weakness resulting in a more than remote likelihood that a material misstatement of the Company's annual or condensed interim consolidated financial statements would not be prevented or detected. At the present time, the CEO, CFO, and the Vice President Finance oversee all material transactions and related accounting records. In addition, the Audit Committee reviews the financial statements and key risks of the Company and queries management about significant transactions on a quarterly basis.

Changes in Internal Control over Financial Reporting

The conversion to IFRS from Canadian GAAP impacts the way we present our financial results. We have evaluated the impact of the conversion on our accounting and financial reporting systems and updated the requisite systems to enable our reporting of historical Canadian GAAP information related to our initial IFRS adoption and for future periods to be reported under IFRS. Our internal and disclosure control processes have not required significant modification as a result of our adoption of IFRS. As a result, there has been no change in our internal control over financial reporting during the quarter ended September 30, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Company Overview

Vecima Networks Inc. is a Canadian company, originally founded in Saskatoon, Saskatchewan in 1988. The Company completed the initial public offering of its Common Shares and their concurrent listing on the Toronto Stock Exchange in November 2005. Vecima has expanded across the country with offices in, Saskatoon, Calgary, Burnaby and Victoria. Vecima also has a software development facility in Mangalore, India. We sell our products to original equipment manufacturers (OEMs), system integrators, cable operators (also known as Multiple Service Operators or MSOs), and other service providers. YourLink's services (cable, internet and telephony) are sold to residential and business subscribers in a number of communities in Western Canada.

Vecima's business is built on the design and manufacturing of products that provide solutions to customers for the transfer of data and digital video on cable and wireless networks. Its hardware products incorporate embedded software developed by Vecima to meet the complex requirements of high-speed digital networks. Service providers use Vecima's solutions to deliver services to a converging worldwide broadband market, including what are commonly known as "triple play" (voice, video and data) and "quadruple play" (voice, video, data and wireless) services. Vecima's cost-effective solutions allow service providers to bridge the final network segment that connects a system directly to end-users, commonly referred to as "the last mile", by overcoming the bottleneck resulting from insufficient capacity carrying in legacy last-mile infrastructures.

Consumer demand for bandwidth and digital video streaming, brought about in part by the emergence of High Definition digital video, IPTV, social networking, file sharing and increasingly personalized television offerings, has generated a necessity for advanced infrastructure products for digital television and data-over-cable services. Cable operators and the OEMs that supply them are under increased pressure to meet growing demand for bandwidth across their hybrid fibre-coaxial networks while competing with expanded offerings from traditional telcos wanting to leverage multibillion dollar investments in new all-fibre optic networks. This has in turn translated into very high demand for high-speed internet-over-cable data transmitter modules and our return path demodulator (for processing communications between subscribers and the digital cable infrastructure) from our OEM customers and strong sales of edge devices to MSOs. Hurried and insatiable growth in demand for bandwidth along with the race to roll out leading High Definition video offerings has led to a mass exodus to all-digital networks by the largest US MSOs. Our Terrace Multiple Dwelling Unit (MDU) Gateway is a mainstay of the all-digital transition, providing a breakthrough technology which allows MSOs to deliver premium, tailored content as well as preserve traditional analog services to high average revenue per unit (ARPU) hospitality and MDU accounts while realizing a 10-fold increase in bandwidth capacity gained from transitioning the network to all-digital.

During the ongoing global economic recovery, MSOs are actively seeking incremental sources of revenue through products that address new markets. Vecima's new Concierge and TerraceQAM Pro:IdiomTM enabled products provide MSOs with opportunities to address the hospitality services market, a segment previously dominated by direct broadcast satellite providers.

Late in the third quarter of fiscal 2011, the first phase of TerraceQAM was successfully approved by our lead MSO customer with initial deployments of the first phase and field trials for the subsequent phase currently under way. The second phase, which adds new features intended to enhance positioning in the hospitality HD market for the MSO's service offering, is currently under approval testing by the MSO. Our new OEM customer for TerraceQAM has also completed its evaluation and is in the process of launching a thorough sales effort for the product as the level of interest is strong from other MSOs who intend to compete with incumbent hospitality video providers. Vecima continues to receive indication from both customers that the demand for TerraceQAM remains strong and expects revenue growth for the product through fiscal 2012 as deployment of HD services into hospitality accounts accelerates.

Vecima has made high-speed internet-over-cable data transmitters for more than 13 years. These devices are made to the standards of the Data over Cable Service Interface Specification (DOCSIS®), a

set of standards developed by the cable industry that allows products from various manufacturers to interoperate effectively and therefore to provide lower product prices through competition among many manufacturers. Since 2001, Vecima has been the sole supplier of DOCSIS® 2.0 transmitter modules to a major OEM that has consistently dominated the world market with a 50% to 65% market share for cable modem termination systems (CMTSs).

The DOCSIS® 2.0 standard provides about 38 Mbps of data transmission to subscribers with 30 Mbps upstream from subscribers in its maximum bandwidth configuration. In the early days of the internet, MSOs provisioned one 38 Mbps channel for up to 2,500 subscribers. The predominant usage was for e-mail, which is not bandwidth-intensive. With the rapidly increasing demand for bandwidth and digital video streaming, MSOs have increased the number of channels available and now provision a 38 Mbps channel for as few as 50 subscribers. DOCSIS® 2.0 systems have been installed around the world and operators are continuously adding transmitters to provide additional bandwidth. We expect DOCSIS 2.0 transmitter deployments to slow in fiscal 2012 as more operators utilize DOCSIS 3.0 for new deployments.

The current state of the art technology used to provide high speed data on cable networks is based on DOCSIS 3.0 standards. As compared to DOCSIS 2.0, DOCSIS 3.0 provides for the bonding together of several 38 Mbps channels providing 150 Mbps of bandwidth to subscribers as well as increased symmetry with higher upstream bandwidth enabled for file sharing and video streaming. These services can compete very effectively with data provided via fibre to the home by telcos, allowing cable operators to retain their position as the pre-eminent suppliers of broadband. The consistent increase in demand for bandwidth is proven and will lead to further deployment of DOCSIS 3.0 transmitters as service providers respond to consumer level consumption of broadband connectivity. Vecima introduced its first DOCSIS®3.0 devices in 2008 and has announced in recent periods that we have secured agreements for DOCSIS 3.0 modules with leading OEM CMTS manufacturers, who maintain a dominant market share, for certain of their platforms in this market. The first customer has continued to purchase run-rate volumes of these modules and forecasts show continued demand with slight increases in upcoming quarters. The second OEM customer is in the process of expanding its sales efforts for the end product in a highly competitive environment.

Vecima has developed strong competencies in modern electronic manufacturing. We continually invest in automated test jigs, manufacturing technologies and computer-controlled process to reduce our manufacturing costs. This facility has successfully completed the extremely stringent qualification requirements to allow us to directly manufacture product for Cisco Systems, one of our largest OEM customers.

One of Vecima's key operational strengths is the significant number of subsystem designs we have developed over the years. These subsystems perform numerous functions for data processing, digital video transformation and RF signal manipulation. We regularly package various combinations of subsystems from this library of designs to rapidly develop new products to meet the needs defined by our customers. We then employ our sophisticated computer-managed production processes to manufacture products in various form factors and with the various options desired. The internally-developed manufacturing processes provide specific sequences of testing, calibration and parameter establishment.

The internally-developed manufacturing processes improve production efficiencies and protect our intellectual property. Modern electronic devices can be reverse engineered, although it has become more tedious and time-consuming with multi-level printed circuit boards. However, replication of our production process is more difficult since the manufacturing processes are not part of the embedded software in devices; the intelligence stays in the factory, it is not shipped with the product. Copyists face the difficult iterative task imposed by the myriad of permutations and combinations of levels, parameters and test settings from dozens of subsystems contained in a device. Without access to the manufacturing processes, reverse engineering becomes an extremely daunting exercise. Vecima's IP in manufacturing process is also a source of our competitive differentiation in the marketplace. Meeting technology performance to specification in complex, multi-subsystem designs while producing in high volume

requires sophisticated calibration and compensation techniques to manage natural variability in components and to support the operational temperature range. This sophisticated process and its proven success in the marketplace has led in part to our competitive edge.

Historically, almost all of our sales were derived directly or indirectly from sales of our products to the Data over Cable, Broadband Wireless and Digital Video markets. In 2003, we acquired, through our YourLink subsidiary, companies that operate cable and wireless service provision businesses in Western Canada. These businesses provide us with locations to deploy and test new equipment designed by us as well as stable, recurring revenue streams. YourLink revenue represented 16% of total Vecima revenue in the three months ended September 30, 2011.

Sources of Sales and Expenses

Sales

We generate product sales principally from sales of our Converged Wired Solutions and Broadband Wireless products to OEMs, system integrators, MSOs, distributors and other service providers around the world. We generate service revenue in YourLink from subscribers to voice, video and data services.

Cost of Sales

Cost of sales consists primarily of costs of manufacturing and assembly of products. A substantial portion of these costs is composed of components and compensation costs for the manufacture and assembly of products. Cost of product revenue also includes related overhead, compensation, final assembly, quality assurance, inventory management, support costs and payments to contract manufacturers that perform printed circuit board stuffing functions. Cost of service revenue consists of the costs of purchased program content, back-haul costs for connection to the Internet and the costs of operating the cable and wireless infrastructure.

Operating Expenses

Research and development expenses consist primarily of salaries and related expenses for engineering personnel, the costs of prototypes and consumables and the costs of amortizing previously deferred development costs.

Sales and marketing expenses consist primarily of costs relating to personnel and to our sales and marketing activities, including salaries and related expenses, advertising, trade shows and other promotional activities and materials.

General and administrative expenses consist primarily of costs relating to the maintenance of our buildings, administrative and finance functions, legal and other professional fees, insurance, the operating costs of YourLink systems and other corporate and overhead expenses.

Selected Consolidated Financial Information and Other Data

The following selected financial information for the periods ended September 30, 2011 and 2010 has been derived from our fiscal 2012 first quarter unaudited condensed interim consolidated financial statements, a copy of which is included in this report. You should read the following information in conjunction with those financial statements and the related notes and with the balance of "Management's Discussion and Analysis" included in this quarterly report.

Condensed Interim Consolidated Statements of Comprehensive Income Data: (unaudited - in thousands of dollars except percentages, employees and per-share amounts)	**Three months ended September 30,**			
	2011		**2010**	
Sales	**$19,981**	**100%**	$26,333	100%
Cost of sales	**12,677**	**63%**	16,235	62%
Gross margin	**7,304**	**37%**	10,098	38%
Operating expenses				
Research and development[1]	**2,764**	**14%**	2,832	11%
Sales and marketing	**1,182**	**6%**	1,446	5%
General and administrative	**5,040**	**25%**	4,741	18%
Stock-based compensation	**22**	**0%**	52	0%
Other (income)	**(310)**	**(2%)**	(1,463)	(6%)
	8,698	**44%**	7,608	29%
Operating (loss) income	**(1,394)**	**(7%)**	2,490	9%
Finance cost	**136**	**1%**	119	0%
Finance income	**534**	**3%**	203	1%
(Loss) income before income taxes	**(996)**	**(5%)**	2,574	10%
Income tax (recovery) expense	**(275)**	**(1%)**	740	3%
Net (loss) income and total comprehensive (loss) income	**($721)**	**(4%)**	$1,834	7%
Net (loss) income per share [2]				
Basic and diluted	**($0.03)**		$0.08	
Other Data (unaudited)				
Total research and development expenditures	**$3,762**		$4,822	
Percentage of sales	**19%**		18%	
EBITDA[3]	**$1,704**		$6,173	
EBITDA margin (%)	**9%**		23%	
Number of employees	**603**		854	

[1] *Net of investment tax credits and capitalized development costs*

[2] *Based on weighted average number of Common Shares outstanding*

Consolidated Statement of Financial Position Data:

(in thousands of dollars except number of Common Shares)	As at September 30, 2011	As at June 30, 2011
Cash and cash equivalents	**$7,771**	$5,095
Working capital	**40,784**	41,994
Total assets	**147,567**	146,146
Total long-term debt	**-**	-
Shareholders' equity	**$126,196**	$126,895
Number of Common Shares outstanding[(1)]	**22,316,767**	22,316,767

(1) Based on weighted average number of Common Shares outstanding

The following table reconciles net income for the period to EBITDA. The term "EBITDA" refers to net income or net loss before discontinued operations as reported in the IFRS financial statements, including that net income or net loss related to any non-controlling interest, excluding any amounts included in net income or net loss for income taxes, interest expense, and amortization and impairment charges for capital assets. We believe that EBITDA is useful supplemental information as it provides an indication of the revenue generated by our main business activities before the costs of consuming capital assets, financing and taxes. EBITDA is not a recognized measure under IFRS and, accordingly, investors are cautioned that EBITDA should not be construed as an alternative to net income, determined in accordance with IFRS, as an indicator of our financial performance or as a measure of our liquidity and cash flows.

Calculation of EBITDA (in thousands of dollars except percentages)	Three months ended September 30, 2011	Three months ended September 30, 2010
Net income	**$ (721)**	$ 1,834
Income taxes	**(275)**	740
Interest expense	**136**	119
Amortization of property, plant and equipment	**1,283**	1,406
Amortization of deferred development costs	**1,240**	2,038
Amortization of finite-life intangible assets	**41**	36
EBITDA	**$ 1,704**	$ 6,173
EBITDA margin (%)	**9%**	23%

The following table reconciles research and development expense reported in accordance with IFRS as shown on the income statement for the quarters ended September 30, 2011 and 2010 to our actual research and development expenses.

Calculation of Total R&D expense (in thousands of dollars except percentages)	**Three months ended September 30,** **2011**	 **2010**
(Unaudited)		
R&D expense as shown on income statement	**$ 2,764**	$ 2,832
Deferred development	**2,205**	3,796
Investment tax credits	**33**	232
Technology Partners Canada contribution	**-**	-
Amortization of deferred development costs	**(1,240)**	(2,038)
Total research and development expense	**$ 3,762**	$ 4,822
Percentage of sales	**19%**	18%

Selected Quarterly Consolidated Financial Information and Other Data
(in thousands of dollars except for net income per share data)

The following selected financial information for the periods ended September 30, 2011 and 2010 has been derived from our fiscal 2012 first quarter unaudited condensed interim consolidated financial statements, a copy of which is included in this report. You should read the following information in conjunction with those financial statements and the related notes and with the balance of "Management's Discussion and Analysis" included in this quarterly report. In the following table, quarterly results for the fiscal year 2010 are based on previous Canadian GAAP and are referenced only in a broader trend discussion.

	Fiscal year 2012	Fiscal Year 2011				Fiscal Year 2010		
(Unaudited)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales	**$19,981**	$21,130	$17,004	$ 20,066	$ 26,333	$ 26,804	$ 30,006	$ 28,017
Cost of sales	**12,677**	13,948	14,733	14,135	16,235	19,297	19,736	17,408
Gross Margin	**7,304**	7,182	2,271	5,931	10,098	7,507	10,270	10,609
Operating expenses								
Research and development	**2,764**	4,335	3,322	3,567	2,832	5,627	$ 3,386	$ 2,752
Sales and marketing	**1,182**	1,725	1,955	1,657	1,446	2,547	1,835	1,622
General and administrative	**5,040**	6,300	6,507	5,030	4,741	4,037	5,214	4,781
Stock-based compensation	**22**	1	52	62	52	12	14	45
Other (income)	**(310)**	(489)	(1,100)	(14,280)	(1,463)	34	(1,145)	(2,901)
	8,698	11,872	10,736	(3,964)	7,608	12,257	9,304	6,299
Operating income	**(1,394)**	(4,690)	(8,465)	9,895	2,490	(4,750)	966	4,310
Finance cost	**136**	132	98	172	119	77	205	48
Finance income	**534**	80	(42)	(51)	203	807	197	(197)
Income before income taxes	**(996)**	(4,742)	(8,605)	9,672	2,574	(4,020)	958	4,065
Income tax (recovery) expense	**(275)**	(2,475)	(2,459)	2,796	740	348	241	1,226
Net (loss) income	**$ (721)**	$ (2,267)	$ (6,146)	$ 6,876	$ 1,834	$ (4,368)	$ 717	$ 2,839
Net (loss) income per share								
Basic and diluted	**$ (0.03)**	$ (0.10)	$ (0.28)	$ 0.31	$ 0.08	$ (0.20)	$ 0.03	$ 0.13

First Quarter Financial Highlights

Revenue

Vecima reports revenues broken down into three overall market segments: Converged Wired Solutions, Broadband Wireless and YourLink (service provision).

Converged Wired Solutions

Cable operators have introduced and are expanding into digital video, voice and data services in addition to offering traditional analog video services. As a broadband access alternative, *converged wired solutions* have the following advantages for cable service providers:

- *Creates Additional Revenue Streams.* High-speed Internet service can be delivered to an existing base of customers already served with video and pay-per-view entertainment programming. Existing billing systems and technical resources can be used to deliver this service to existing subscribers.

- *Reduces Churn.* By offering bundled packages of broadband services, cable service providers are seeking to gain a competitive advantage over telcos and DBS providers while retaining their traditional video subscribers.

- *Provides Low-Cost Market Entry.* High-speed Internet service can be delivered economically to the consumer with the installation of an inexpensive cable modem, now available for less than $45 per unit.

Broadband Wireless

Broadband wireless technology has evolved to provide cost-effective broadband communication for business and residential subscribers. Standards-based wireless technology is expected to accelerate and extend worldwide wireless broadband communications. Along with offering the same high-speed access as other broadband access solutions, broadband wireless offers the following additional advantages for network service providers:

- *Enables Rapid Deployment.* Service can be initiated quickly because there is no need to install copper wire, cable or optical fibre past every home before service can commence.

- *Provides Low-Cost Market Entry.* Service can be delivered economically with one base station and a small number of initial subscribers.

- *Offers Scalability.* Subscribers can be added rapidly and cost-effectively, since each installed base station can support thousands of subscribers and the subscriber equipment are supplied only to customers who subscribe for service.

YourLink

YourLink operates seven small cable television service providers in British Columbia and several broadband video and Internet service providers in Saskatchewan. As at September 30, 2011, these systems provide video services and or broadband Internet access to approximately 18,567 subscribers. Through these service providers, which can deliver content to a large number of subscribers at a relatively low cost, we are able to demonstrate how our products can be deployed to augment and extend the delivery of voice, video and data services to subscribers. YourLink also gives Vecima the opportunity to test and improve new products in a variety of operating environments prior to their general introduction to the market, while providing stable, recurring revenue. We account for YourLink as a special purpose entity and consolidate YourLink's financial results with ours.

Variability of Revenue

There are many factors that contribute to the overall variances of Vecima's revenue. One of the main factors is our product development cycle. Vecima is continually researching and developing new products to replace products that are reaching the end of their lifecycle. Since our products are at the leading edge of technology the timing of development can vary as well as the timing of certification and the customer acceptance of the product. Vecima expects new products to drive future sales growth.

Vecima is also affected by the budgeting cycles of larger cable operators which generally results in variability from quarter to quarter for Vecima. Other factors that can affect the timing of revenue include availability of parts and production capacity.

Revenue by Core Market:	Three months ended September 30,					
(in thousands of dollars except percentages)		**2011**			**2010**	
		Sales	**% of Sales**		**Sales**	**% of Sales**
(Unaudited)						
Converged Wired Solutions	**$**	**14,083**	**71%**	$	18,672	71%
Broadband Wireless		**2,653**	**13%**		3,865	15%
YourLink		**3,245**	**16%**		3,796	14%
Total Revenue	**$**	**19,981**	**100%**	$	26,333	100%

Our total sales decreased 24% to $20.0 million for the three months ended September 30, 2011 compared with $26.3 million for the three months ended September 30, 2010.

Sales in Converged Wired Solutions decreased 25% to $14.1 million for the three months ended September 30, 2011. Revenue growth in our newer Terrace A and OEM QAM Module products did not fully offset the declining revenue of our legacy OEM return path demodulator and OEM DOCSIS 2.0 internet over cable module products.

Broadband Wireless sales decreased 31% to $2.7 million for the three months ended September 30, 2011 compared with $3.9 million for the three months ended September 30, 2010. Approximately $0.9 million is attributable to lower sales across BWIN, WiMax and Waverider products.

YourLink revenue was $3.2 million for the three months ended September 30, 2011, compared to $3.8 million in the three months ended September 30, 2010. In the prior year, YourLink had a major tower construction project that added approximately $0.6 million in revenue to that quarter.

Gross margin

Vecima's gross margin dropped slightly to 37% for the quarter, providing a gross profit of $7.3 million, compared with a gross margin of 38% for the three months ending September 30, 2010 that provided a gross profit of $10.1 million. The Company has taken steps to significantly reduce its production workforce and increase production efficiencies. We are working to drive gross margins towards the top end of our 30 – 40% target range.

Operating expenses

Research and development expenses for the three months ended September 30, 2011 remained at $2.8 million, or 14% of revenue, compared with $2.8 million, or 11% of revenue, for the three months ended September 30, 2010. Vecima continues to invest in research and development to support the launch of

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, 2011 were $3.8 million, or 19% of sales, a decrease from $4.8 million, or 18% of sales, for the three months ended September 30, 2010. The decrease is primarily a result of lower total labour costs and less spending on parts and equipment during Q1 2012.

Sales and marketing expenses decreased to $1.2 million, or 6% of sales, for the three months ended September 30, 2011, comparable to $1.4 million, or 5% of sales for the three months ended September 30, 2010. The decrease is a result of a reduction of sales and marketing overhead.

General and administrative expenses for the three months ended September 30, 2011 increased $0.3 million to $5.0 million, compared with $4.7 million in the three months ending September 30, 2010. During Q1 2012, one time charges related to severance amounted to $0.4 million.

Stock-based compensation expenses for the three months ended September 30, 2011 were $0.02 million, compared to $0.05 million for the three months ended September 30, 2010. The expense reflects the ongoing amortization of the stock options issued in the current and prior periods.

Other income for the three months ended September 30, 2011 was $0.3 million, compared with $1.4 million in the three months ending September 30, 2010. In fiscal 2011, the Company recorded a $1.5 million gain on the sale of a building.

Operating loss was $1.4 million for the three months ended September 30, 2011, compared to an operating income of $2.5 million, in the first quarter of fiscal 2010.

Finance cost remained consistent year over year at $0.1 million for the three months ended September 30, 2011 and the three months ended September 30, 2010.

Finance income increased to $0.5 million for the three months ended September 30, 2011 compared to $0.2 million for the three months ended September 30, 2010.

Income taxes recovery for the three months ended September 30, 2011 were $0.3 million, compared with an income tax expense of $0.7 million for the three months ended September 30, 2010.

Net loss for the first fiscal quarter of 2012 was $0.7 million or $0.03 per share, compared with a net income of $1.8 million or $0.08 per share in the three months ended September 30, 2010

Cash from Operating Activities

For the three-month period ended September 30, 2011, cash flow from operating activities generated $4.7 million compared to cash generation of $3.9 million in the three-month period ended September 30, 2010. EBITDA for the three month period ended September 30, 2011 was $1.7 million which was a decrease of $4.5 million as compared to EBITDA of $6.2 million for the three month period ended September 30, 2010. Gain on the sale of property, plant and equipment for the period ended September 30, 2011 was $0.01 million compared to $1.5 million for the three month period ended September 30, 2010 which was an increase of $1.5 million to items not requiring cash. Working capital generated $3.3 million in the current quarter compared to cash outflow from working capital of $0.03 million in the same period in fiscal 2011.

Investing Activities

Cash used in investing activities was $2.0 million in the three months ending September 30, 2011, compared to cash use of $2.8 million in the three months ending September 30, 2010. The cash was

used to purchase $1.0 million in property, plant and equipment and $1.3 million for development costs, net of investment tax credits.

Financing Activities

In the three-month period ended September 30, 2011, the Company repaid $0.1 million of its long term debt. In the three-month period ended September 30, 2010 the Company repaid $0.1 million of its long term debt.

As at September 30, 2011, the Company's revolving loan facility amounted to $15.0 million, of which no amount was drawn as an operating line of credit (September 30, 2010 – $4.9 million was drawn). The Company has mortgages on real property of $3.9 million as at September 30, 2011 (September 30, 2010 - $4.1). We believe that our current cash and short-term investments and anticipated cash flow from operations will be sufficient to meet our working capital and capital expenditure requirements for the foreseeable future.

Liquidity and Capital Resources

The Company manages its liquidity and capital resources to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. The Company believes it has the flexibility to obtain from internal sources, the funds needed to fulfill its cash requirements during the following financial year. The liquidity requirements of the Company's business are met primarily by funds generated from operations and the sale of non-core assets. Cash provided from these sources is used primarily for operating expenses.

Working Capital

Working capital represents the Company's current assets less current liabilities. Vecima's working capital remained strong at $40.8 million at September 30, 2011, down from $42.0 million at June 30, 2011. Working capital balances are also 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 a run-up of inventory and a drop in receivables in the prior quarter. Other timing issues, like contractual terms of greater than 30 day payment terms, also affect working capital, particularly if shipments are back-end weighted for a quarter.

Accounts receivable balance decreased 13% to $14.0 million in the period ended September 30, 2011 compared to $16.0 million at June 30, 2011. The decrease is due to lower sales in the quarter.

Inventory increased by $0.3 million to $32.8 million at September 30, 2011. Finished goods inventories were $7.6 million at September 30, 2011, compared to $9.6 million at June 30, 2011. The finished goods inventory turn rate of 6.7 times per year at September 30, 2011 compared to 6.2 times at June 30, 2011. Raw material inventory increased to $17.6 million at September 30, 2011, compared to $16.7 million at June 30, 2011. In the first quarter fiscal 2012, work in process inventories increased to $7.6 million, compared to $6.8 million at June 30, 2011. Vecima manufactures its own products, with the result that inventory levels will be substantially higher than for other companies in our industry that outsource manufacturing.

Investment tax credits increased by $1.1 million to $26.9 million at September 30, 2011 compared to $25.8 million at June 30, 2011. For every dollar the Company spends on research and development in Canada, it generates approximately thirty two cents in income tax credits. These credits were used to offset the Company's income tax payable to Canadian tax authorities.

Accounts payable and accrued liabilities increased 13% to $12.1 million at September 30, 2011, representing 81 days for payables to be outstanding, from $10.6 million at June 30, 2011, representing an

average of 66 days for payables to be outstanding. This increase is a result of the timing of issuance of payments.

Long-term debt, including current portion, was $3.9 million at September 30, 2011, compared to $4.0 million at June 30, 2011. The Company's long-term debt is due in March 2012 and has therefore been reclassified as a current liability.

Normal Course Issuer Bid

Vecima announced a normal course issuer bid on December 21, 2010. Under the bid, Vecima may acquire up to 490,000 common shares, representing 2.2% of current issued and outstanding shares as at December 21, 2010. The bid commenced December 23, 2010 and will end on December 22, 2011. No shares were purchased during the first quarter of fiscal 2012.

Outstanding Share Data

As at September 30, 2011, the Company had outstanding a total of 22,316,767 common shares, together with options granted to directors, officers and employees of the Company under the Company's stock option plan to purchase a further 745,273 shares, of which 589,828 were vested and exercisable.

Contractual Obligations

The Company has lease commitments for production equipment and facilities of $2.0 million within one year and $3.0 million after one year but not more than five years and $0.1 million thereafter.

Foreign Exchange

Approximately 81% of our revenues are denominated in US dollars. An appreciation of the Canadian dollar results in increased expenses for foreign currency transactions. We convert US dollar sales to Canadian dollars on the date of delivery. If the US dollar appreciates relative to the Canadian dollar, we will receive more Canadian dollars when the receivable is collected in subsequent months. We enjoy a substantial natural hedge against part of this potential expense since a significant portion of our purchases of materials and components are in US dollars that become relatively more valuable in Canadian dollars. We intend to continue our hedging policy in the future and to manage our foreign exchange exposure having regard to the volatility in the rates of exchange between the Canadian dollar and US dollar at that time.

Significant Accounting Estimates

The preparation of the Company's unaudited condensed interim consolidated financial statements in conformity with IFRS requires management to make 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. Actual consolidated results could differ from those estimates. Key areas of estimation where management has made difficult, complex or subjective judgments, often as a result of matters that are inherently uncertain, are the allowances for doubtful accounts, allowances for inventory obsolescence, the capitalization of overhead, useful lives of capital assets, the valuation of goodwill, revenue recognition, stock-based compensation, the recoverability of tangible and intangible assets, the recoverability of deferred costs, asset retirement obligations, provisions, the ability to realize deferred income tax assets, and contingent liabilities.

Recent Accounting Pronouncements

Refer to Note 2 to the unaudited condensed interim consolidated financial statements for information pertaining to accounting changes effective in the fiscal year 2012, and Notes 2 to the unaudited

condensed interim consolidated financial statements for information on issued accounting pronouncements that will be effective in future periods.

We applied IFRS as of July 1, 2010 and retrospectively applied all effective IFRS, meaning that the comparative financial information provided uses the same accounting policies throughout all periods. The changes in our reported results were the result of our adoption of IFRS and not an underlying change in our business. We also applied certain optional and mandatory exemptions as outlined in Note 10 in the Company's unaudited condensed interim consolidated financial statements.

Outlook

Our growth strategy is to remain focused on the introduction of new products as well as accessing new markets and new customers for our existing products.

Vecima expects revenue for fiscal 2012 to be between $90 - $100 million. Capital expenditures are expected to be between $3.5 - $4.2 million.

Sales orders are growing and we have been working through challenges to ramp production back up to higher sales levels.

Risk Factors

The following is a brief discussion of those distinctive or special characteristics of Vecima's operations and industry which may have a material impact on, or constitute risk factors in respect of, Vecima's future financial performance. The risks and uncertainties below are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business operations and cause the price of our Common Shares to decline. If any of the following actually occurs, our business may be harmed and our financial condition and results of operations may suffer significantly. In that event, the trading price of our Common Shares could decline.

Our operating results are expected to fluctuate.

We have experienced fluctuations in our operating results on a quarterly and annual basis. We expect that operating results will continue to fluctuate in the foreseeable future due to a variety of factors, including:

- changes in general economic conditions and specific market conditions in the communications and Internet industries, including fluctuations in demand for existing products, the rate of development of new products and the degree of market acceptance of new products;
- the timing, size and contractual terms of significant orders for product or the entering into of new major contracts, and the lack of certainty that existing customer contracts will be renewed upon expiry;
- competition;
- our ability to maintain existing strategic relationships and to create new ones; and
- the timing and magnitude of operating expenses, capital expenditures and expenses relating to the expansion of sales, marketing, operations and acquisitions, if any, of related or complementary businesses and assets.

Any of the foregoing factors, or other factors discussed elsewhere in the Company's Annual Information Form, could have a material adverse effect on our business, results of operations or financial condition. Although we have generally experienced quarterly revenue growth, that growth pattern is not necessarily indicative of future operating results.

We derive a substantial part of our revenue from a few key customers.

A key element of our business strategy is to expand the market for our products by expanding our relationships with major OEMs in the Converged Wired Solutions and Broadband Wireless. In order to implement that strategy, we will have to foster our existing relationships, and to form new OEM and other corporate relationships with leading companies. There can be no assurance that we will be able to develop additional relationships; that existing relationships will continue or be successful in achieving their purposes; or that such companies will not form competing relationships.

In addition, while we have a diverse and expanding customer list, our relationships with three major customers together accounted for 62% of our sales for the fiscal year ended June 30, 2011. For the fiscal year ended June 30, 2010, our relationships with three major customers accounted for 64% of our total sales. If any one or more of our key customers discontinues its relationship with us for any reason, or reduces or postpones current or expected purchases of our products, our business, results of operations and financial condition could be materially adversely affected.

We may be unable to deliver products associated with key contracts.

We have entered into important supply contracts with a few key customers. Our right to receive revenue under these contracts depends upon our ability to manufacture and supply products that must meet defined specifications. In order to realize the benefit of these agreements, we will have to successfully manage the following risks:

- *Lack of Sufficient Resources.* If we are unable to commit the necessary resources or to deliver our products as required by the terms of those contacts, customers may cancel the contracts. In that event, any costs incurred by us may not be recovered and we may incur additional costs as penalties.

- *Delivery.* If we fail to meet a delivery deadline or a customer determines that the products we have delivered do not meet the agreed-upon specifications, we may have to reduce the price we can charge for our products or may be liable to pay damages to the customer. Our delivery may also miss the market window resulting in reduced realization of revenues. Engineering of complex technologies always carries certain uncertainties, and while we make continual and deliberate efforts to minimize these risks, there are no guarantees of success or timely delivery.

- *Production Costs.* We price all client orders on the basis of our estimates of future production costs. If we incur higher costs than anticipated, our gross margins on those contracts could decline.

Some major customers are also entitled to terminate their contracts with us by giving us written notice. If we are unable to manage those risks successfully or to meet required deadlines in connection with one or more of those key contracts, our reputation could be harmed and our margins and revenues may decrease.

Failure to manage our business or our growth successfully may adversely affect our operating results.

Our ability to manage our business will be substantially dependent upon our ability to efficiently and effectively allocate resources to conduct research and development, product introduction, sales and marketing activities, financial management and customer support services. Accordingly, our future results of operations will depend on the continuing ability of our officers and other key employees to conduct business effectively and to improve operations. We will need to continue to improve our operational, financial and management systems. Our business has also grown rapidly. Our ability to support the growth of our business will be substantially dependent on having in place highly-trained employees and sufficient internal and third-party resources. Planned expansion of our business may increase the strain upon our management resources, and there can be no assurance that we will be able to manage any

future expansion successfully. Failure to manage successfully any such expansion or any business shortfalls may have a material adverse effect on our business, results of operations and financial condition.

About 16% of our revenues in the year ended June 30, 2011 were derived from our YourLink subsidiary.

Accordingly, our future results of operations will depend in part on our ability to conduct the business of YourLink effectively, while not having voting control over YourLink. Furthermore, YourLink is controlled by certain of our senior officers, whose attention may be diverted from the operation of our primary business. Some or all of these factors related to YourLink could have a material adverse effect on our business, results of operations and financial condition.

If we cannot meet customers' requirements for manufacturing capacity, sales may suffer.

The markets in which we operate generally require us to produce a high volume of products in a short period of time. As a result of our major supply agreements with key customers such as Cisco, Motorola, and Comcast and continued expected growth in the Company's business, we may need to increase our manufacturing capacity. If we cannot successfully manufacture our products in the future at volumes, yields or cost levels necessary to meet our customers' needs, we may lose customers and sales may suffer. In addition, there is no assurance that we will be able to obtain a sufficient amount of high-volume orders to absorb the capital costs incurred in increasing our manufacturing capacity.

Our success depends on our ability to develop new products and enhance our existing products.

To keep pace with technological developments, satisfy increasingly sophisticated customer requirements and achieve market acceptance of our products, we must enhance and improve existing products and we must also continue to introduce new products and services. If we are unable successfully to develop new products or enhance and improve our existing products or if we fail to position and/or price our products to meet market demand, our business and operating results will be adversely affected.

Accelerated product introductions and short product life-cycles require high levels of expenditures for research and development that could adversely affect our operating results. Further, any new products we develop could require long development and testing periods and may not be introduced in a timely manner or may not achieve the broad market acceptance necessary to generate significant revenue. As we develop new products, many of our older products will reach the end of their lives. As we discontinue the manufacturing and sale of these older products, we must manage the liquidation of inventory, supplier commitments and customer expectations. If we are unable to manage properly the discontinuation of these older products, it could have a material adverse effect on our business, financial condition and results of operations.

We are dependent on the expansion of our current, and development of new, distribution channels.

We sell our OEM products directly to OEM customers and to parties with whom we have strategic relationships. We expect to continue to utilize these relationships to sell to companies that will incorporate our products into their products and services. Accordingly, our success will be dependent in large part on our ability to continue existing relationships and to develop new OEM and other third-party relationships.

A material loss of any OEM customers or strategic partners, either as a result of competitive products offered by other companies or products developed internally by our OEM customers and strategic partners, or their inability to penetrate their respective market segments, could have a material adverse effect on our business, financial condition and results of operations. There can be no assurance that we can continue to attract OEM customers, dealers and strategic partners and any inability to do so could materially adversely affect our business, financial condition and results of operations. While we plan to

continue expanding our distribution channels, there can be no assurance that such expansion will be successfully completed, that the cost of such expansion will not exceed the revenues generated, or that our sales and marketing organization will be able to compete successfully against the more extensive and well-funded sales and marketing operations of many of our current or potential competitors. Our inability to manage effectively our distribution expansion could have a material adverse effect on our business, financial condition and results of operations.

Our ability to recruit and retain management and other qualified personnel is crucial to our ability to develop market and support our products.

Our success is largely dependent on the abilities, dedication and experience of our executive officers and other key employees. Competition for highly-skilled management, technical, research and development and other employees is intense in the Converged Wired Solutions and Broadband Wireless markets.

There can be no assurance that we can retain our current key employees or attract and retain additional key employees as needed. The loss of certain key employees could have a material effect on our business, results of operations and financial condition.

If we are required to change our pricing models to compete successfully, our margins and operating results may be adversely affected.

We generally price our products based on our estimate of future production costs. If actual production costs are higher than anticipated, our gross margins will decrease. In addition, competitive pressures may force us to lower product prices, which may further decrease our margins if we are unable to offset that effect by cost-reduction measures. If gross margins are reduced with respect to an important product line or if sales of lower-margin products exceed sales of higher-margin products, our profitability may decrease and our business could suffer.

Our reliance on third-party suppliers and contract manufacturers reduces our control over our performance.

We rely on third-party suppliers, in some cases sole suppliers or limited groups of suppliers, to provide us with materials necessary for the manufacture of our products. As a result of worldwide demand for and shortage of components, some suppliers have from time to time limited the number of components we may purchase. These components include chips and other components necessary for the production of our products. If we are unable to obtain sufficient allocations of these components, our production and shipment of products will be delayed, we may lose customers and our profitability will be affected.

Reliance on suppliers also reduces our control over production costs, delivery schedules, reliability and quality of materials. Any inability to obtain timely deliveries of acceptable-quality materials, or any other circumstances that would require us to seek alternative suppliers, could adversely affect our ability to deliver products to our customers. In addition, we outsource some aspects of the manufacture of some of our products to contract manufacturers and a significant increase in the price of the services provided by these manufacturers, or delays in their deliveries, could have a material adverse effect on our business, results of operations and financial condition.

Our revenues are substantially concentrated in a single market category.

Sales of our products for the Converged Wired Solutions market accounted for 78% of our sales for the year ended June 30, 2011. While we expect sales of our products for the Broadband Wireless market to increase in the future, sales from the Converged Wired Solutions product line will continue to account for a significant portion of our sales in the foreseeable future. A decline in demand for these products as a result of competition, technological change or other factors could have a material adverse effect on our business, results of operations and financial condition.

If our intellectual property is not adequately protected, we may lose our competitive advantage.

We rely on a combination of contractual provisions, copyright, trademarks, trade secrets, licences and patent protection to establish and protect our proprietary rights. Despite our best efforts to protect our intellectual property rights, unauthorized parties may attempt to copy aspects of our products or to obtain information we regard as proprietary. Policing unauthorized use of our proprietary technology, if required, may be difficult, time-consuming and costly. There can be no assurance that our means of protecting our proprietary rights will be adequate. Failure to protect our proprietary rights could have a material adverse effect on our business, results of operations and financial condition.

Successful warranty or product liability claims could harm our business.

We provide product warranties that typically run for two years, as is standard in the industry. If our products fail to perform as warranted and we are unable to resolve product quality or performance issues in a timely manner, we may lose sales or be forced to pay damages. In addition, because our products are sold and marketed in different countries, the products must function in and meet the requirements of many different communication environments and be compatible with various communication systems and products. Any failure of our products to meet these requirements could have a negative impact on sales and a material adverse effect on our business, results of operations and financial condition. Further, there is a risk that customers may uncover latent design defects in our products that were not apparent at the time the product was sold. This type of defect may be discovered before or after the warranty period has expired. Performance failure due to a design defect may cause loss of customers, damage to our reputation for delivering high-quality products, delay in or loss of market acceptance and additional warranty expense or costs associated with product recall.

Acquisitions could divert management's attention and financial resources, may negatively affect our operating results and could cause significant dilution to shareholders.

We may expand operations by acquiring additional complementary businesses, products or technologies. There can be no assurance that we will be able to identify, acquire or profitably manage additional businesses or successfully integrate any acquired businesses, products or technologies into Vecima without substantial expenses, delays or other operational or financial problems. Furthermore, acquisitions may involve a number of special risks, including diversion of management's attention, expenses of amortizing the acquired company's intangible assets, failure to retain key personnel, unanticipated events or circumstances and legal liabilities, some or all of which could have a material adverse effect on our business, results of operations and financial condition. Acquisitions could also result in potentially dilutive issuance of equity securities. Any failure to manage our acquisition strategy successfully could have a material adverse effect on our business, results of operations and financial condition.

There are risks associated with our international operations.

We derive a significant portion of our revenues from international sales. We plan to continue to expand our international sales and marketing efforts. There are a number of risks inherent in our international business activities, including unexpected changes in Canadian, United States or other government policies concerning the import and export of goods, services and technology and other regulatory requirements, tariffs and other trade barriers, costs and risks of localizing products for foreign countries, higher credit risks, potentially adverse tax consequences, limits on repatriation of earnings and the burdens of complying with a wide variety of foreign laws. Fluctuations in currency exchange rates could materially adversely affect sales denominated in currencies other than the Canadian dollar and cause a reduction in revenues derived from sales in a particular country. Financial instability in foreign markets could also affect our international sales. There can be no assurance that such factors will not materially adversely affect the revenues from our future international sales and, consequently, our results of operations. In addition, revenues that we earn abroad may be subject to taxation by more than one jurisdiction, which could materially adversely affect our earnings. Each of these factors could have an adverse effect on our business, financial condition and results of operations.

Currency fluctuations may adversely affect us.

Our financial results are reported in Canadian dollars. For the year ended June 30, 2011, approximately 79% of our revenues and a portion of our costs were denominated in United States dollars. Any fluctuation in the value of the Canadian dollar relative to the United States dollar may result in variations in our sales and earnings expressed in Canadian dollars as a result of the geographic mix of our customers, and may have a material effect on our business, results of operations and financial condition.

Growth in our key markets may not continue.

The overall market for voice, video and data communications equipment has experienced significant growth.. There can be no assurance that the market for our products will continue to grow, that firms within the industries will adopt our products to deliver their services or that we will be able independently to establish additional markets for our products. If the various markets in which our products compete fail to grow or grow more slowly than we currently anticipate, or if we were unable to establish markets for our products, our business, results of operations and financial condition could be materially adversely affected.

Our inability to adapt to technological change, new products and standards could harm our business.

The Converged Wired Solutions and Broadband Wireless markets are characterized by rapidly changing technology and evolving industry standards. Our products embody complex technology and these products may not always be compatible with current and evolving technical standards and products developed by others. Our ability to anticipate changes in technology, technical standards and product offerings will be a significant factor in our ability to compete. There can be no assurance that we will be successful in identifying, developing, manufacturing and marketing products that will respond to technological change or evolving service-provider standards or requirements. In addition, there can be no assurance that the products or technologies developed by others will not render our products or technologies non-competitive or obsolete. Failure or delays by Vecima to meet or comply with evolving industry or user standards or to anticipate changes in technology and product offerings, or failure of our products to gain market acceptance, could have a material adverse effect on our business, results of operations and financial condition.

Part of the success of the Converged Wired Solutions market is contingent on content providers, such as movie studios, permitting their content to be licensed for use in this market. Because of concerns regarding marketing or illegal duplication of the content, or both, content providers may limit the extent to which they provide content to the Converged Wired Solutions market. The limitation of content for the Converged Wired Solutions market would indirectly limit the market for our Converged Wired Solutions products.

Increased competition could have an adverse effect on our business.

The markets for our products are highly competitive. As some of these markets continue to develop, additional competitors with more established and larger marketing and technical resources than Vecima may enter the market and competition may intensify. In addition, current competitors may develop products that are comparable or superior to our products or achieve greater market acceptance due to pricing, sales channels or other factors. In addition, OEMs and system integrators could develop greater internal capabilities and manufacture these products exclusively in-house, rather than outsourcing them. Such developments would have a material adverse effect on our business, results of operations and financial condition.

Our future success depends on growth in the Converged Wired Solutions market.

Some of the markets in which we sell products have only recently begun to develop. Digital video and broadband wireless access technologies are relatively new and unproven in the marketplace. Because the market for these technologies is new, it is difficult to predict the rate at which they will grow, if at all, and the technologies may prove unsuitable for widespread commercial deployment. Further, many of our customers are system integrators who use our products as part of data systems for networks operated by third parties. System integrators may not have or devote the financial, marketing and other resources necessary to ensure that their solutions succeed in the marketplace. In such circumstances, we may not be able to generate enough sales of our Converged Wired Solutions and Broadband Wireless products to sustain our current rate of growth.

Competition from new or existing technologies may adversely affect our business.

Cable and broadband wireless access solutions compete with other high-speed solutions such as DSL, optical fibre and satellite. These alternative technologies have existing installed infrastructure and have achieved significant market acceptance and penetration. We expect cable and broadband wireless access technologies to face significant competition from both current and future alternative technologies. In light of these factors, the market for data over cable access solutions may fail to grow or, in the case of broadband wireless, may fail to develop or may develop more slowly than expected. Any of these outcomes could have a material adverse effect on our business, results of operations and financial condition.

Government regulation of our products and new government regulation could harm our business.

Our products are subject to certain mandatory regulatory approvals and are incorporated into cable and wireless communication systems that are regulated in Canada by Industry Canada, in the United States by the Federal Communications Commission (FCC) and internationally by other government agencies.

Although we have all necessary Industry Canada and FCC approvals for products we currently sell, there can be no assurance that such approvals can be obtained for future products on a timely basis, or at all.

Regulatory changes could also negatively affect our business by restricting development efforts by our customers, making our current products obsolete or increasing the potential for additional competition.

Our business, results of operations and financial condition could be adversely affected if our products fail to comply with all applicable domestic and international regulations. Further, delays inherent in the governmental approval process have in the past caused, and may in the future cause, cancellation, postponement or rescheduling of the installation of communication systems by our customers. This in turn may have a negative impact on the sale of our products to those customers, and hence have a material adverse effect on our business, results of operations and financial condition.

Third parties may allege that we infringe on their intellectual property.

The industries in which we compete have many participants, who own, or claim to own, intellectual property. Although we have conducted prudent reviews of our products to ensure that we do not knowingly use unlicensed intellectual property, third parties may allege that Vecima infringes on their intellectual property. Should such an allegation be made, the outcome of any litigation is impossible to predict and, should the outcome be unfavourable to us, we may not be able to negotiate acceptable, or indeed any, licensing terms. Such an event could materially adversely affect our business, results of operations and financial condition.

Our share price will fluctuate.

The market price of our Common Shares may be volatile and could be subject to wide fluctuations due to a number of factors, including:

- actual or anticipated fluctuations in our results of operations;
- changes in estimates of our future results of operations by us or securities analysts;
- announcements of technological innovations or new products by us or our competitors; or
- other events or factors.

In addition, the financial markets have experienced significant price and value fluctuations that have particularly affected the market prices of equity securities of many technology companies and that sometimes have been unrelated to the operating performance of these companies. Broad market fluctuations, as well as economic conditions generally and in the software industry specifically, may adversely affect the market price of our Common Shares.

We may not pay significant, or any, cash dividends on our Common Shares in the future. Our current policy is to use our earnings to finance expansion and to develop, license and acquire new software products and otherwise to reinvest in the Company. We do not have a policy of paying regular dividends to shareholders. Our dividend policy will be reviewed from time to time by our Board of Directors in the context of our earnings, financial condition and other relevant factors. If the Board concludes that we have funds in excess of our requirements and the payment of either a special dividend or regular dividends would be an appropriate use of the Company's cash resources, we may choose to declare one or more dividends. Until we pay dividends, which we may never do, our shareholders will not be able to receive a return on their Common Shares unless they sell them.

Future sales of Common Shares by our existing shareholders could cause our share price to fall.

The Company's Chief Executive Officer and its Chief Operating Officer (the "Principal Shareholders") agreed with the underwriters for the Company's initial public offering on certain restrictions on their ability to sell Common Shares held by them in the 12 months ended November 13, 2006. Those restrictions have now expired. The Principal Shareholders have advised us that they intend to reduce their shareholdings in the Company over time through gradual sales in the market. If our Principal Shareholders sell substantial amounts of our Common Shares in the public market, the market price of our Common Shares could fall. The perception among investors that these sales will occur could also produce this effect.

A small number of our shareholders control the Company.

Our officers, directors, Principal Shareholders and their affiliates beneficially own or control, directly or indirectly, approximately 78% of our outstanding Common Shares. As a result, if some of these persons or entities act together, they will likely have the ability to control all matters submitted to our shareholders for approval, including the election and removal of directors, amendments to our articles of incorporation and bylaws and the approval of any business combination. This may delay or prevent an acquisition or cause the market price of our shares to decline. Some of these persons or entities may have interests different from yours. For example, because these shareholders purchased their shares at prices substantially below the price at which shares were sold in Vecima's initial public offering and have held their shares for a relatively longer period, they may be more interested than other investors in selling Vecima to an acquirer, or may want us to pursue strategies that are different from the wishes of other investors.

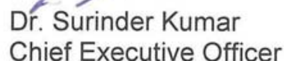
vecima networks

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

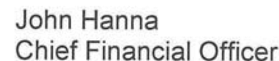
December 9, 2011

The consolidated financial statements of Vecima Networks Inc. have been prepared by management and approved by the Board of Directors. Management of Vecima Networks Inc. is responsible for the preparation, objectivity and integrity of the information contained in these financial statements and other sections of this report. The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, consistently applied. Management maintains the necessary systems of internal controls, policies and procedures to provide assurance that assets are safeguarded and that financial records are reliable and form a proper basis for the preparation of financial statements.

The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control through an Audit Committee which is composed of non-management directors. This committee, which reports to the Board of Directors, meets with the independent auditors and reviews the consolidated financial statements.



Dr. Surinder Kumar
Chief Executive Officer



John Hanna
Chief Financial Officer

vecima
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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

December 9, 2011

The accompanying unaudited condensed interim consolidated financial statements of 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.

Dr. Surinder Kumar
Chief Executive Officer

John Hanna
Chief Financial Officer

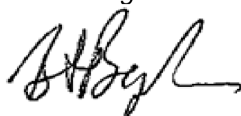
VECIMA NETWORKS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited - in thousands of Canadian dollars)

	Notes	September 30, 2011	June 30, 2011	July 1, 2010
Assets				
Current assets				
Cash and cash equivalents		$ 7,771	$ 5,095	$ -
Marketable securities		4	4	795
Accounts receivable		13,996	16,001	27,999
Income tax receivable		4,879	4,879	2,754
Inventories	4	32,776	32,526	36,702
Current portion of leases receivable		-	239	281
Prepaid expenses		862	836	864
Other current assets		-	12	12
		60,288	59,592	69,407
Non-current assets				
Leases receivable		-	-	214
Property, plant and equipment	6	31,986	32,474	35,879
Intangible assets		11,470	11,538	12,180
Investment tax credit asset		26,874	25,805	24,829
Deferred tax asset		16,949	16,737	12,665
		$ 147,567	$ 146,146	$ 155,174
Liabilities				
Current liabilities				
Bank indebtedness		$ -	$ -	$ 5,934
Accounts payable and accrued liabilities		12,052	10,632	14,509
Provisions		1,098	695	550
Deferred revenue		2,458	2,313	2,452
Current portion of long-term debt		3,896	3,958	250
		19,504	17,598	23,695
Non-current liabilities				
Other long-term liabilities		498	528	25
Provisions		1,369	1,125	1,065
Long-term debt		-	-	3,958
		21,371	19,251	28,743
Shareholders' equity				
Share capital	7	34,482	34,482	34,482
Contributed surplus		2,700	2,678	2,511
Retained earnings		89,014	89,735	89,438
		126,196	126,895	126,431
		$ 147,567	$ 146,146	$ 155,174

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

The financial statements on pages 29 to 32 were approved by the Board of Directors on
December 6, 2011 and were signed on its behalf by:

Barry A Baptie
Director



Reg Bird
Director

VECIMA NETWORKS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited - in thousands of Canadian dollars except net income per share data)

	Notes	Three months ended September 30, 2011	2010
Sales	8	$ **19,981**	$ 26,333
Cost of sales		**12,677**	16,235
Gross margin		**7,304**	10,098
Operating expenses			
Research and development		**2,764**	2,832
Sales and marketing		**1,182**	1,446
General and administrative		**5,040**	4,741
Stock-based compensation	7	**22**	52
Other (income)		**(310)**	(1,463)
		8,698	7,608
Operating (loss) income		**(1,394)**	2,490
Finance costs		**136**	119
Finance income		**534**	203
(Loss) income before income taxes		**(996)**	2,574
Income tax (recovery) expense		**(275)**	740
Net (loss) income and total comprehensive (loss) income		$ **(721)**	$ 1,834
Net (loss) income per share			
Basic and diluted	7	$ **(0.03)**	$ 0.08
Weighted average number of Common Shares outstanding - basic and diluted		**22,316,767**	22,316,767

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

VECIMA NETWORKS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(unaudited - in thousands of Canadian dollars except net income per share data)

	Share Capital	Contributed Surplus	Retained Earnings	Total
Balance as at July 1, 2010	$ 34,482	$ 2,511	$ 89,438	$ 126,431
Net income and total comprehensive income	-	-	1,834	1,834
Share-based payment expense	-	55	-	55
Balance as at September 30, 2010	$ 34,482	$ 2,566	$ 91,272	$ 128,320
Balance as at June 30, 2011	$ 34,482	$ 2,678	$ 89,735	$ 126,895
Net loss and total comprehensive loss	-	-	(721)	(721)
Share-based payment expense	-	22	-	22
Balance as at September 30, 2011	$ 34,482	$ 2,700	$ 89,014	$ 126,196

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

VECIMA NETWORKS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited - in thousands of Canadian dollars)

	Notes	Three months ended September 30, 2011	Three months ended September 30, 2010
Cash flows from operating activities			
Net (loss) income and total comprehensive (loss) income		$ **(721)**	$ 1,834
Add (deduct) items not requiring cash			
Gain on the sale of property, plant and equipment		**(13)**	(1,519)
Gain on sale of intangible assets		**(79)**	-
Amortization of property, plant and equipment	*6*	**1,283**	1,406
Amortization of deferred development costs		**1,240**	2,038
Amortization of finite-life intangible assets		**41**	36
Stock-based compensation		**22**	52
Deferred tax asset		**63**	270
Interest expense		**136**	119
Income tax (recovery) expense		**(275)**	740
Increase in other long-term liabilities		**244**	68
Increase in provisions		**640**	15
Increase in investment tax credit asset		**(1,069)**	(1,023)
Net change in non-cash working capital relating to operations		**3,271**	(28)
Interest paid		**(129)**	(111)
		4,654	3,897
Cash flows used in investing activities			
Purchase of property, plant and equipment	*6*	**(921)**	(1,131)
Proceeds from the sale of property, plant and equipment		**139**	750
Proceeds from the sale of intangible assets		**150**	-
Deferred development costs, net of investment tax credits		**(1,270)**	(2,429)
Purchase of finite-life intangible assets		**(14)**	(8)
		(1,916)	(2,818)
Cash flows used in financing activities			
Repayment of long-term debt		**(62)**	(59)
		(62)	(59)
Increase in cash during the period		**2,676**	1,020
Cash (bank indebtedness), beginning of period		**5,095**	(5,934)
Cash (bank indebtedness), end of period		$ **7,771**	$ (4,914)

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

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1. NATURE OF OPERATIONS

Vecima Networks Inc. ("Vecima Networks" or the "Company") is a company incorporated under the Canadian Business Corporations Act and commenced operation in 1988. Its registered office is located at 771 Vanalman Avenue, Victoria, BC. 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 Networks' hardware products incorporate embedded software developed by Vecima Networks to meet the requirements of next-generation, high-speed digital networks. Vecima Networks solutions allow service providers to bridge the final network segment that connects a system directly to end-users, commonly referred to as "the last mile", by overcoming the bottleneck resulting from insufficient carrying capacity in legacy last-mile infrastructures. The Company's special purpose entity ("SPE"), YourLink Inc. ("YourLink"), operates several small cable and broadband wireless service providers and owns certain licences to commercial spectrum.

2. BASIS OF PRESENTATION

The Company previously prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") as set out in Part V of the Handbook of the Canadian Institute of Chartered Accountants. In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and required publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, these unaudited condensed interim consolidated financial statements are based on IFRS, as issued by the International Accounting Standards Board. In these unaudited condensed interim consolidated financial statements, the term "Canadian GAAP" refers to the Canadian GAAP before the Company's adoption of IFRS.

As these financial statements represent the Company's initial presentation of its financial position, financial performance and cash flows under IFRS, they have been prepared in accordance with International Accounting Standard ("IAS") 34 - Interim Financial Reporting, and IFRS 1 - First-Time Adoption of International Financial Reporting Standards ("IFRS 1"). Subject to certain transition elections disclosed in Note 10, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position as at July 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 10 discloses the impact of the transition to IFRS on the Company's reported financial position and financial performance, including the nature and effect of significant changes in accounting policies from those used in its Canadian GAAP consolidated financial statements for the year ended June 30, 2011.

These unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as of December 6, 2011, the date the Company's Board of Directors approved the statements and the policies the Company plans to adopt in its annual consolidated financial statements for the year ending June 30, 2012. The Company will ultimately prepare its opening statement of financial position and financial statements for years ending June 30, 2011 and 2012 by applying existing IFRS with an effective date of June 30, 2012 or prior. Accordingly, the opening statement of financial position and financial statements for June 30, 2011 and 2012 may differ from these financial statements.

These unaudited condensed interim consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries and SPE; however, they do not include all disclosures normally provided in annual consolidated financial statements and should be read in conjunction with the 2011 annual consolidated financial statements. Certain information and note disclosures which are considered material to the understanding of the Company's unaudited condensed interim consolidated financial statements and which are normally included in annual consolidated financial statements prepared in accordance with IFRS are provided below and in Note 10, along with reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on financial performance and financial position. The unaudited condensed interim consolidated financial statements include all adjustments

(consisting solely of normal recurring adjustments) necessary to fairly present such information. Interim results are not necessarily indicative of the results expected for the fiscal year.

The consolidated financial statements have been prepared in accordance with IFRS and include the following measurement bases and significant accounting policies:

IFRS Accounting Policies

a) Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, WaveCom Electronics (2003) Inc., Vecima Networks Pacific Pty., Spectrum Signal Processing (USA) Inc., Spectrum Signal Processing (UK) Ltd., Vecima Telecom India Private Ltd. and YourLink Inc., a special purpose entity.

b) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short-term investments, consisting of short-term deposits that have an original maturity of less than 90 days, net of outstanding bank overdrafts.

c) Revenue Recognition

The Company earns revenue from the sale of goods and the rendering of services. Revenue is measured at the fair value of the consideration received or receivable for these goods supplied and services rendered excluding taxes, freight, rebate, estimated returns or trade discounts. When a sale consists of multiple components where delivery is at different points in time or over different periods of time, the Company separates the arrangement into its component accounting units. The consideration of the arrangement is allocated to the separate identifiable components based on the relative fair value of each component. The appropriate revenue recognition policy, outlined below, is applied to each component.

Revenue from product sales

Revenue from the sale of goods is recognized when significant risk and rewards of ownership have transferred which occurs when the following criteria are met:

- the Company has no ongoing involvement or control over the goods,
- the amount of revenue can be measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the Company, and
- the cost incurred or to be incurred can be measured reliably.

This typically occurs upon shipment of the goods provided that all contractual obligations have been met.

Revenue from rendering of service

Services comprise of cable and internet services, after-sales support, consulting, construction contracts and rental income. Service revenue is recognized as revenue when the following criteria have been met:

- the amount of revenue can be measured reliably,
- it is probable that economic benefits associated with the transaction will flow to the Company,
- the stage of completion can be measured reliably, and
- the related costs can be measured reliably.

Service revenues from cable and internet are recognized in the period the customer receives the service. Subscriber connection fees received from the customers are deferred and amortized on a straight-line basis over four years. The cost of connecting a home is capitalized and amortized over the same four-year period. After sales support is deferred and recognized over the period during which the service is performed on a straight-line basis. Revenue from consulting is recognized when the services are provided, by reference to the stage of completion, also known as the percentage-of-completion method of accounting. Construction contracts consisting of customized systems are within the scope of IAS 11 - Construction Contracts where revenue is recognized using the percentage-of-completion method, using the costs incurred to date compared to the total estimated costs to determine the stage of completion. Revenue received in advance of the product being delivered or service being provided is recognized as deferred

revenue.

Rental income
Rental income from operating leases on properties is accounted for on a straight-line bases over the lease terms.

d) Inventories
Inventories consist of raw materials, work-in-progress and finished goods. Inventories of raw materials, which consist of parts and components, are recorded at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis. Work-in-progress inventory is recorded at the lower of cost and replacement cost. Finished goods inventory, which consists of finished products and subscriber equipment, is recorded at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis and manufactured products include direct materials, direct labour and a reasonable allocation of overhead costs. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated cost necessary to make the sale.

e) Property, plant and equipment
Property, plant and equipment are recorded at cost less accumulated amortization and related government assistance received. Costs include expenditures that are directly attributable to the acquisition of the asset, including any financing expense for capital investment projects under construction. When significant components of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives. Amortization is provided generally on a declining-balance basis over the estimated useful lives, with a half year of amortization provided in the year of acquisition, assuming no residual value. Residual value is the amount that would be received currently for the asset if the asset were already at the end of its useful life. Both the residual value and the useful lives of property, plant and equipment are reviewed annually. Repairs and maintenance expenditures are charged to operating expenses as incurred.

f) Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. Subsequent to initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and are expensed in the year in which the expenditure is incurred. Intangible assets are assessed as either indefinite-life or finite-life assets.

(i) Indefinite-life Intangible Assets
Indefinite-life intangible assets consist of spectrum licences, goodwill and other licenses.

Spectrum licences and other licenses are recorded at cost, which represents the fair market value at the date of acquisition. Goodwill is an indefinite life intangible asset that is acquired as part of business acquisitions and recorded at the excess of the consideration transferred over the fair value of the net identifiable assets acquired.

Spectrum licences and other licenses are granted for a period of 10 years by the relevant government agency. There is the option of renewal for little to no cost to the Company. It is expected that the demand and use for these licenses will continue to grow in the foreseeable future. As a result, these assets are assessed as having indefinite lives and as such, are not subject to amortization.

(ii) Finite-life Intangible Assets
Subscriber acquisition costs, acquired in business acquisitions, are amortized on a straight-line basis over their estimated useful lives of ten years. Patents are amortized on a straight-line basis over their estimated useful lives of five years.

g) Research and Development
Research costs are expensed in the year in which they are incurred. Development costs are capitalized and deferred when the Company can demonstrate:

- technical feasibility of completing the development so that it will be available for use or sale,
- its intention to complete and its ability to use or sell the asset,
- how the asset will generate future economic benefits,

- the availability of resources to complete the asset, and
- the ability to reliably measure the expenditure during development.

Deferred development costs are amortized on a straight-line basis which ranges from two to five years, representing the estimated average life cycle of the associated products.

The Company develops new electronic communications products for the cable and telecommunication markets. Development costs include direct salaries, materials and an allocation of general and administrative overhead, which relates to products being developed less applicable government assistance and investment tax credits claimed.

Costs relating to projects which are not commercialized or which cease to be marketable are charged against income in the year in which this determination is made.

The Company earns investment tax credits on eligible Scientific Research and Experimental Development ("SR&ED") expenses incurred. These investment tax credits are recorded in the accounts as a reduction of the costs to which they relate and are released to amortization expense over the same period as the deferred development costs are amortized.

h) Employee Benefits

The Company contributes three to five percent of employees' annual salary to a deferred profit sharing plan on behalf of the employee. The contributions do not vest until the employee completes one full year of employment. The current period expense is equal to the Company's contribution during the period.

i) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. A lease is an arrangement that conveys a right to use an asset for an agreed period of time in return for a payment or a series of payments. A finance type lease transfers substantially all the risks and benefits of ownership from the lessor to the lessee. All other leases are operating leases.

(i) Obligations under Leases

Leases that transfer substantially all the benefits to the Company are recorded as finance leases. The leased asset is recognized at the inception of the lease at the lower of the fair value of the leased asset and the present value of the lease payments, plus incidental payments, if any. A corresponding amount is recognized as a finance lease liability. The capitalized value of the leased asset is amortized on a declining-balance basis over its estimated useful life. The finance lease liability is reduced by rental payments net of imputed interest, which is charged against income.

Operating lease payments are recognized as an expense over the lease term.

(ii) Leases Receivable

Assets leased under terms that transfer substantially all of the benefits and risks of ownership to the customer are accounted for as finance leases and are included in leases receivable at the present value of the lease payments. Interest related to lease payments is recognized in the year in which it is earned, based on a constant rate of return on the finance lease.

Leases where substantially all of the risks and benefits of ownership are not transferred to the lessee are classified as operating leases. The initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, qualifying assets, are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

To the extent the funds are borrowed specifically for the purpose of obtaining qualifying assets, the Company capitalizes the actual borrowing costs incurred on that borrowing during the period. To the extent the funds are from general borrowings, the Company determines borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset.

All other borrowing costs are recognized in net income in the period in which they are incurred.

k) Impairment

The Company reviews at each reporting date whether there are any indications that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount, which is the higher of the fair value less cost to sell and its value in use. Value in use is the estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment is recognized when the carrying amount of an asset or cash-generating unit (“CGU”) is greater than the recoverable amount. Where an asset or CGU is determined to be impaired, it is written down to its recoverable amount. Impairment losses are recognized in the period in which it occurs in the expense categories consistent with the function of the impaired asset.

Indefinite-life intangible assets are assessed for impairment in the fourth quarter of every year and when events or changes in circumstances indicate that an asset might be impaired.

Finite-life intangible assets are assessed for impairment indicators at each reporting date. In addition, intangible assets with a finite-life which are not yet available for use, such as deferred development costs for products still under development, are tested for impairment at least annually.

Goodwill representing the excess of purchase price over fair value of the net identifiable assets of acquired businesses is tested for impairment annually or more frequently when an event or circumstance occurs that indicates that goodwill might be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than its carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

For assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indications exist, the Company estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversals are recognized in the period in which it occurs in the expense categories consistent with the function of the asset.

l) Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Deferred income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses and Investment Tax Credits available to be carried forward to future years for tax purposes that are more likely than not to be realized. The amounts recognized in respect of deferred income tax assets and liabilities are based upon the expected timing of the reversal of temporary differences or usage of tax losses and application of the substantively enacted tax rates at the time of reversal or usage.

The Company accounts for changes in substantively enacted tax rates affecting deferred income tax assets and liabilities in full in the period in which the changes were substantively enacted; the Company has selected this method as its emphasis on the statement of financial position is more consistent with the liability method of accounting for income taxes. The Company accounts for the changes in the estimates of prior year(s) tax balances as estimate revisions in the period in which the change in estimate arose; the Company has selected this method as its emphasis on the statement of financial position is more consistent with the liability method of accounting for income taxes.

The Company incurs research and development expenditures which are eligible for investment tax credits. The recorded investment tax credits are based on management's estimates of amounts expected to be recovered and are subject to audit by taxation authorities. The investment tax credits for research and development, are reflected as a reduction in the cost of the assets or expenses to which it relates.

m) Foreign Currency Translation

The Company's consolidated financial statements are presented in Canadian dollars, which is also the parent entity's functional currency. Each entity of the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. Non-monetary items measures at cost are translated using the historical exchange rate. Non-monetary items measured at fair value are translated using the exchange rates at the date when the fair value was determined. Revenues and expenses are translated using average rates for the period, except for amortization, which is translated on the same basis as the related asset. Exchange gains and losses are reflected in net income.

n) Financial Instruments

The Company uses derivative financial instruments to manage risks from fluctuations in exchange rates. The most frequently used derivative products are foreign currency forward purchase contracts. The Company's policy is not to utilize financial instruments for trading or speculative purposes. Derivative financial instruments are held for trading and are recognized on the balance sheet at their fair value, with changes in fair value recognized in net income (loss).

The Company's financial liabilities include trade and other payables, bank overdrafts and long-term debt. These financial liabilities are carried at amortized cost.

Financial assets and financial liabilities are recognized initially at fair value, normally being the transaction price plus directly attributable transaction costs. Transaction costs related to financial assets or financial liabilities classified as held for trading are recognized immediately in income. Regular way purchases and sales of financial assets are accounted for on the trade date.

Financial assets carried at amortized cost are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset is impaired. Individually significant receivables are considered impaired when they are past due and there is objective evidence that the counterparty may default. The receivables that are not individually significant are reviewed for impairment in groups, based on historical rates. The impaired amount is recorded through the allowance for doubtful accounts into general and administrative expense.

o) Fair Value of Financial Instruments

The fair value of financial instruments is generally determined as follows:

The fair value of long-term debt with fixed rates of interest is estimated using discounted cash flows based on current rates of interest for similar lending arrangements. The fair value of leases receivable are estimated using discounted cash flows based on the current rate of interest for similar lending arrangements. The fair values of derivatives are based on values quoted by the counterparties to the agreements.

p) Provisions

Provisions are recorded when the Company has a present legal or constructed obligation as a result of a past event, it is probable, more likely than not, that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset when the reimbursement is virtually certain.

(i) Warranty Provision

The warranty provision consists of estimated parts and labour costs expected to be incurred for future product repairs provided under the Company's one-year and two-year warranty obligations. The provisions are accrued when the product is sold and are based on contract terms, current sales levels and current information about prior claims and returns for all products sold. As new products incorporating complex technologies are continuously introduced, changes in these estimates could result in additional allowances or changes to recorded allowances in future periods.

(ii) Asset Retirement Obligations

The asset retirement obligations are legal and constructive obligations that arose from the construction of communication towers on private land. The retirement obligation costs are provided at the present value of the expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a risk-free rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The unwinding of the present value discount is expensed as incurred and recognized in the income statement as a finance cost. The estimated future costs of retirement are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset and liability.

q) Stock-based Compensation

The Company has a stock option plan for directors, officers, and employees of the Company. The options to purchase shares must be issued at not less than the fair value at the date of grant. Any consideration paid on the exercise of stock options, together with any contributed surplus recorded at the date the options vested, is credited to share capital. The Company calculates the fair value of stock-based compensation awarded to employees using the Black-Scholes option-pricing model. The cost of the options granted is recognized and expensed over the vesting period in which service conditions are fulfilled. When an employee leaves the company, their vested options expire in 90 days. Forfeitures are estimated throughout the vesting period based on past experience and future expectations, and adjusted upon actual option vesting. No expense is recognized for options that do not ultimately vest.

r) Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration is recognized within equity. Treasury shares are immediately cancelled upon acquisition.

Recent Accounting Pronouncements

IFRS 9 - Financial Instruments

In November 2009, the IASB issued guidance relating to the classification and measurement of financial assets. Financial assets will generally be measured initially at fair value plus particular transaction costs. Financial assets will subsequently be measured at either amortized cost or fair value. In October 2010, the IASB issued additions to IFRS 9 relating to accounting for financial liabilities. Under the new requirements, an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The standard must be applied retrospectively and is effective for periods commencing on or after January 1, 2013, with earlier application permitted. The Company is currently reviewing the standard to determine the potential impact on its consolidated financial statements.

IFRS 10 - Consolidated Financial Statements

In May 2011, the IASB issued guidance establishing principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 (which supersedes IAS 27 and Standing Interpretations Committee ("SIC") 12) builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to

assess. The standard is to be applied retrospectively, in most circumstances, and will be effective for annual periods commencing on or after January 1, 2013, with earlier application permitted. The Company is currently reviewing the standard to determine the potential impact on its consolidated financial statements.

IFRS 11 - Joint Arrangements
In May 2011, the IASB issued guidance establishing principles for financial reporting by parties to a joint arrangement. IFRS 11 (which supersedes IAS 31 and SIC 13) requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved, either a joint operation or a joint venture, by assessing its rights and obligations arising from the arrangement. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated and under IFRS 11, equity accounting is mandatory for participants in joint ventures. The standard is to be applied prospectively and will be effective for annual periods commencing on or after January 1, 2013, with earlier application permitted. The Company is currently reviewing the standard to determine the potential impact, if any, on its consolidated financial statements.

IFRS 12 - Disclosure of Interest in Other Entities
In May 2011, the IASB issued guidance relating to the disclosure requirements of interests in other entities. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interest in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is to be applied prospectively and is effective for annual periods commencing on or after January 1, 2013, with earlier application permitted. The Company is currently reviewing the standard to determine the potential impact, if any, on its consolidated financial statements.

IFRS 13 - Fair Value Measurement
In May 2011, the IASB issued guidance establishing a single source for fair value measurement. IFRS 13 defines fair value, sets out a framework for measuring fair value and introduces consistent requirements for disclosures on fair value measurements. It does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value, with limited exceptions. The standard is to be applied prospectively and will be effective for annual periods commencing on or after January 1, 2013, with earlier application permitted. The Company is currently reviewing the standard to determine the potential impact, if any, on its consolidated financial statements.

Amendments to IAS 1 - Presentation of Financial Statements
In June 2011, the IASB issued amendments to IAS 1 requiring items within OCI that may be reclassified to the profit or loss section of the income statement to be grouped together. The amendments are to be applied retrospectively and will be effective for annual periods commencing on or after July 1, 2012, with earlier application permitted. The Company is currently reviewing these amendments to determine the potential impact, if any, on its consolidated financial statements.

Amendments to IAS 19 - Employee Benefits
In June 2011, the IASB issued amendments to IAS 19 relating to the recognition and measurement of post-employment defined benefit expense and termination benefits, and to the disclosures for all employee benefits. The amendments are to be applied retrospectively, except for changes to the carrying value of assets that include capitalized employee benefit costs, which are to be applied prospectively. The amendments will be effective for annual periods commencing on or after January 1, 2013, with earlier application permitted. The Company is currently reviewing these amendments to determine the potential impact on its consolidated financial statements.

3. USE OF JUDGEMENT AND ESTIMATES

The preparation of the Company's unaudited interim condensed consolidated financial statements in conformity with IFRS requires management to make judgements, 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 asset or liability affected in future periods.

(a) Use of Judgement

Finance lease commitments as lessee
The Company has entered into equipment leases, including automobile and operating equipment leases. The Company has determined, based on an evaluation of the terms and conditions of the arrangement that substantially all the risks and rewards of ownership of these leased assets have transferred to the Company. These leases are accounted for as finance leases.

Special purpose entity
In December 2004, the Company undertook transactions resulting in the Company holding 100 percent of the non-voting participating shares in Yourlink. The CEO and COO of the Company hold the voting non-participating shares. However, the non-voting participating shares owned by the Company in substance have the rights to obtain all the benefits from operations and retains all the residual value related to YourLink. Based on these facts and circumstances, management concluded that the Company controls this entity and, therefore, consolidates the entity in its financial statements.

Property, plant and equipment
The Company owns property that is being held for future development as well as dual use properties. Dual use properties are used for operations with the unused sections rented out under operating type leases. Management has determined the classification of these properties between property, plant and equipment and investment properties. Based on management’s intended use of these properties, all properties have been classified as property, plant and equipment.

(b) *Use of Estimates*

Impairment of non-financial assets
Impairment exists when the carrying value of a tangible asset, intangible asset or cash-generating unit, including goodwill, exceeds its recoverable amount, which is the higher of its fair value less cost to sell and its value in use. The value in use calculation is based on a discounted cash flow model, where the cash flow is derived from the budget over the next three to five years, exclusive of restructuring activities or significant future investments to enhance the assets performance. The recoverable amount is most sensitive to the discount rate used as well as the expected future cash inflows and growth rate used to extrapolate beyond the three to five years. The assumptions used to determine recoverable amounts are discussed further in Note 10.

Stock-based compensation
The Company measures the cost of stock based compensation transactions with employees by reference to the fair value of the options issued at the date they were granted. Estimated fair value for stock based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model included the expected life of the share option and the volatility. The assumptions and models used for estimating fair value for stock based compensation are disclosed in Note 7.

Taxes
Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the

amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Further details on taxes are disclosed in the 2011 annual consolidated financial statements.

Deferred development costs
Development costs are capitalized in accordance with the accounting policy in Note 2. Initial capitalization of costs is based on management's judgment that technological and economical feasibility is confirmed, usually when the research project is approved to begin development by the Company's Department of Research and Development. In determining the amount to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discounted rates to be applied and the expected period of benefits. Further details on deferred development costs are disclosed in the 2011 annual consolidated financial statements.

Deferred Revenue
Deferred revenue consists of service contracts and upfront customer activation and connection fees where billings are recorded and received prior to rendering of the associated service. Billings for services are recognized as revenue in the period in which the service are provided. Upfront customer activation and connection fees are recognized over the expected term of the customer relationship.

Other areas
Other key areas of estimation where management has made difficult, complex or subjective judgments, often as a result of matters that are inherently uncertain, are the allowances for doubtful accounts, allowances for inventory obsolescence, the capitalization of overhead, useful lives of property, plant and equipment, useful lives of intangible assets, valuation of goodwill, revenue recognition, asset retirement obligations, provisions, investment tax credits, contingent liabilities and the fair value of financial assets.

4. INVENTORIES

		September 30, 2011		June 30, 2011		July 1, 2010
Raw materials	**$**	**17,591**	$	15,209	$	16,101
Work in progress		**7,617**		7,726		6,771
Finished goods		**7,568**		9,591		13,830
	$	**32,776**	$	32,526	$	36,702

During the three months ended September 30, 2011 inventories of $7,933 (three months ended September 30, 2010 - $12,479) were expensed through cost of goods sold. Write-downs of inventory for three months ended September 30, 2011 were $423 (three months ended September 30, 2010 - $508) and were included in cost of goods sold. No reversals of write-downs were recorded during three months ended September 30, 2011. The carrying amount of inventory recorded at net realizable value was $793 at September 30, 2011 (June 30, 2011 - $486, July 1, 2010 - $1,158) with the remaining inventory recorded at cost.

5. DERIVATIVE FINANCIAL INSTRUMENTS TO MANAGE FOREIGN EXCHANGE RISK

As of September 30, 2011, the Company has foreign currency forward contracts that have the effect of fixing the conversion of USD $8 million (September 30, 2010 - USD $10 million) at rates ranging from of $0.994 to $1.035 CDN per US dollar at varying terms up to November 30, 2011. Changes in fair value of these instruments are included in finance income in the current period. In the three month period ending September 30, 2011, the Company has an unrealized net loss of $242 (September 30, 2010 - $340 net gain) on outstanding forward purchase contracts.

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements and building	Lab, operating & production equipment	Other equipment	Total
Cost					
At July 1, 2010	$ 2,738	$ 19,812	$ 33,507	$ 11,368	$ 67,425
Additions	-	(21)	3,595	669	4,243
Disposals	-	(1,818)	(816)	(19)	(2,653)
At June 30, 2011	2,738	17,973	36,286	12,018	69,015
Additions	-	-	475	448	923
Disposals	-	(161)	(116)	(5)	(282)
At September 30, 2011	**$ 2,738**	**$ 17,812**	**$ 36,645**	**$ 12,461**	**$ 69,656**
Depreciation					
At July 1, 2010		$ 4,266	$ 18,608	$ 8,672	$ 31,546
Depreciation charge for the year		1,410	3,512	994	5,916
Disposals		(69)	(852)	-	(921)
At June 30, 2011		5,607	21,268	9,666	36,541
Depreciation charge for the year		356	763	164	1,283
Disposals		(35)	(116)	(3)	(154)
At September 30, 2011		**$ 5,928**	**$ 21,915**	**$ 9,827**	**$ 37,670**
Carrying amount					
At July 1, 2010	**$ 2,738**	**$ 15,546**	**$ 14,899**	**$ 2,696**	**$ 35,879**
At June 30, 2011	**$ 2,738**	**$ 12,366**	**$ 15,018**	**$ 2,352**	**$ 32,474**
At September 30, 2011	**$ 2,738**	**$ 11,884**	**$ 14,730**	**$ 2,634**	**$ 31,986**

	Estimated useful life
Land and building	40 years
Lab, operating & production equipment	10 to 30 years
Other equipment	1 to 5 years

Other equipment includes furniture, computer hardware, software and automotive equipment.

Depreciation and amortization of property, plant and equipment included in cost of goods sold, research and development and in general and administrative expenses for the three months ended September 30, 2011 was $142 (September 30, 2010 - $158), $294 (September 30, 2010 - $333) and $847 (September 30, 2010 - $915) respectively. There were no impairment losses or recoveries during the period.

Other equipment includes an asset retirement obligation asset, net of amortization, of $976 September 30, 2011 (June 30, 2011 - $746, July 1, 2010 - $743).

7. SHARE CAPITAL

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 available but unissued with no par value authorized. The Company did not purchase any common shares for cancellation under the normal course issuer bid during the three months ended September 30, 2011 or three months ended September 30, 2010. 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 in thousands dollars:

	Number of Shares		Carrying Value
Balance, July 1, 2010	22,317	$	34,482
Shares issued by exercising options	-		-
Shares repurchased and cancelled	-		-
Balance, June 30, 2011	22,317	$	34,482
Shares issued by exercising options	-		-
Shares repurchased and cancelled	-		-
Balance, September 30, 2011	22,317	$	34,482

The Company did not issue shares through the exercise of options during the three months ended September 30, 2011 or the three months ended September 30, 2010.

Each holder of the Common Shares is entitled to one vote per share at shareholder meetings, to receive dividends if any, as and when declared by the Board of Directors. There are no pre-emptive, retraction, surrender, redemption, repurchase for cancellation or conversion rights attaching to the Common Shares. The preferred shares may be issued from time to time with designation, rights, privileges, restrictions and conditions, which will be determined by the Board or Directors at the time of issue.

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

	Three months ended, September 30,			
		2011		2010
Net (loss) income: basic and diluted	**$**	**(721)**	$	1,834
Weighted average number of shares outstanding: basic and diluted		**22,317**		22,317
Net (loss) income per share: basic and diluted	**$**	**(0.03)**	**$**	0.08

Stock options could potentially dilute basic earnings per share in the future. Options to purchase 589,828 common shares were vested and outstanding at September 30, 2011 (September 30, 2010 – 673,737). Of these options vested and outstanding, 589,828 were excluded in the calculation of diluted income per common share because the

exercise price of the options was greater than the weighted average market value of the common shares during the period.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

(b) 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. Typically, options are granted for six years with graded vesting based on service and are equity settled. The Company's stock option plan will be 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 options outstanding for the three months ended September 30, 2011 and the year ended June 30, 2011 are as follows:

	Number of options	Weighted average exercise	
Outstanding, July 1, 2010	924,973	$	8.21
Granted	99,659		4.06
Expired & Forfeited	(148,501)		8.54
Outstanding, June 30, 2011	**876,131**		**7.68**
Expired & Forfeited	**(130,858)**		**7.27**
Outstanding, September 30, 2011	**745,273**	**$**	**7.75**
Vested and exercisable	**589,828**	**$**	**8.50**

(c) Stock-based compensation

For all stock options granted, the Company determined compensation costs based on the estimated fair values at the grant date of the share options using the Black-Scholes option pricing model. The estimated fair value of the stock options is amortized to stock-based compensation expense over the options' vesting period. The stock-based compensation expense was $22 for the three months ended September 30, 2011 (three months ended September 30, 2010 - $52).

There were no options issued during the three month period ending September 30, 2011.

8. 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 Ontario, Saskatchewan, Alberta and British Columbia. Inter-segment transactions take place at terms that approximate fair values. The majority of the Company's operations, employees and assets are located in Canada. The following highlights key financial information for the operations of these segments.

	Three months ended September 30, 2011			
	Product	**Services**	**Inter Segment Eliminations**	**Total**
Sales - External customers	$ 16,736	$ 3,245	$ -	$ 19,981
Sales - Inter-segment	199	-	(199)	-
Cost of sales	11,860	1,017	(200)	12,677
Gross margin	**5,075**	**2,228**	**1**	**7,304**
Depreciation	2,043	521	-	2,564
Operating expenses	4,369	1,765	-	6,134
Operating loss	**(1,337)**	**(58)**	**1**	**(1,394)**
Finance costs	120	16	-	136
Finance income	534	-	-	534
Loss before income taxes	**(923)**	**(74)**	**1**	**(996)**
Income tax recovery	(254)	(21)	-	(275)
Net loss	**$ (669)**	**$ (53)**	**$ 1**	**$ (721)**
Total Assets	**$ 133,559**	**$ 24,049**	**$ (10,041)**	**$ 147,567**
Total Liabilities	**$ 16,158**	**$ 5,213**	**$ -**	**$ 21,371**

	Three months ended September 30, 2010			
	Product	Services	Inter Segment Eliminations	Total
Sales - External customers	$ 22,537	$ 3,796	$ -	$ 26,333
Sales - Inter-segment	118	-	(118)	-
Cost of sales	14,647	1,344	244	16,235
Gross margin	**8,008**	**2,452**	**(362)**	**10,098**
Depreciation	2,913	567	-	3,480
Operating expenses	2,730	1,398	-	4,128
Operating income	**2,365**	**487**	**(362)**	**2,490**
Finance costs	106	13	-	119
Finance income	203	-	-	203
Income (loss) before income taxes	**2,462**	**474**	**(362)**	**2,574**
Income tax expense	602	138	-	740
Net income (loss)	**$ 1,860**	**$ 336**	**$ (362)**	**$ 1,834**
Total Assets	**$ 142,812**	**$ 21,773**	**$ (9,741)**	**$ 154,844**
Total Liabilities	**$ 22,324**	**$ 4,200**	**$ -**	**$ 26,524**

Geographical:

	Three months ended September 30,	
	2011	**2010**
Sales to external customers		
Canada	$ **7,480**	$ 6,928
United States	**8,421**	14,785
Thailand	**3,340**	4,347
Other	**740**	273
	$ **19,981**	$ 26,333

There are no non-current assets located outside of Canada. There were no impairment losses or recoveries during the period.

	Three months ended September 30,	
	2011	**2010**
Sales to major customers accounting for more than 10% of sales		
Customer A	$ **3,152**	$ 6,898
Customer B	**3,022**	3,474
Customer C	**2,653**	3,124
Customer D	**2,491**	-
	$ **11,318**	$ 13,496

The sales to these major customers are within the product segment.

9. RELATED PARTY TRANSACTIONS

The Company leases a building under a ten-year lease from Dr. Surinder Kumar (CEO) at the then market rate of $10.00 per square foot. The lease expires in 2020. The rental expense relating to this transaction was $70 for the quarter ended September 30, 2011 (three months ended September 30, 2010 - $70)

10. TRANSITION TO IFRS

The Company adopted IFRS on July 1, 2011 with effect from July 1, 2010. The Company's financial statements for the year ended June 30, 2012 will be the first annual consolidated financial statements that comply with IFRS and these unaudited interim condensed consolidated financial statements were prepared as described in Note 2 including the application of IFRS 1. Accordingly, the Company will make an unreserved statement of compliance with IFRS beginning with its June 30, 2012 annual consolidated financial statements.

Initial Elections upon adoption

Most adjustments required on transition to IFRS will be made retrospectively against opening retained earnings as of the date of the first comparative statements of financial position presented, July 1, 2010. IFRS 1 provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to

the general requirement for full retrospective application of IFRS. The most significant IFRS 1 exemptions that are expected to apply to the Company upon adoption are summarized below.

IFRS 1 Exemption Options

Business Combinations
Choice: The Company may elect, on transition to IFRS, to either restate all past business combinations in accordance with IFRS 3 - "Business Combinations", or to apply an elective exemption from applying IFRS 3 to past business combinations.
Policy selection: If the elective exemption is chosen, specific requirements must be met, such as maintaining the classification of the acquirer and the acquiree, recognizing or derecognizing certain acquired assets or liabilities as required under IFRS and remeasuring certain assets and liabilities at fair value. The Company will elect, on transition to IFRS, to apply the elective exemption such that transactions entered into prior to the transition date will not be restated.
Exemption Taken: Yes

Fair Value as Deemed Cost
Choice: The Company may elect to report items of property, plant and equipment in its opening statement of financial position on the transition date at a deemed cost instead of the actual cost that would be determined under IFRS. The deemed cost of an item may be either its fair value at the date of transition to IFRS or an amount determined by a previous revaluation under Canadian GAAP (as long as that amount was close to its fair value, cost or adjusted cost). The exemption can be applied on an asset-by-asset basis.
Policy selection: The Company will not elect to use the fair values as the deemed cost for its property plant and equipment.
Exemption Taken: No

Share-based Payments
Choice: The Company may elect not to apply IFRS 2 - Share-Based Payments, to equity instruments granted on or before November 7, 2002 or which vested before the Company's date of transition to IFRS.
Policy selection: The Company will elect not to apply IFRS 2 to equity instruments granted on or before November 7, 2002 or which vested before its date of transition to IFRS.
Exemption Taken: Yes

Decommissioning Liabilities
Choice: In accounting for changes in obligations to dismantle, remove and restore items of property, plant and equipment (asset retirement obligations), the guidance in IFRS requires changes in such obligations to be added to or deducted from the cost of the asset to which they relate. The adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. Rather than recalculating the effect of all such changes throughout the life of the obligation, the Company may elect to measure the liability and the related depreciation effects at the date of transition to IFRS.
Policy selection: The Company will elect to measure any asset retirement obligations and the related depreciation effects at the date of transition to IFRS.
Exemption Taken: Yes

Compound financial instruments
Choice: The Company may elect to not split a debt equity compound financial instrument between its component parts for compound financial instruments where the liability is no longer outstanding.
Policy selection: The Company will elect to not separately disclose the liability balance of compound financial instruments where the liability is no longer outstanding.
Exemption Taken: Yes

Borrowing costs.
Choice: The Company may elect to apply IFRS 23 - Borrowing costs, which requires the capitalization of borrowing costs for qualifying assets, prospectively from the date of transition rather than retrospectively.

Policy selection: The Company will elect to apply IAS 23 - Borrowing Costs prospectively.
Exemption Taken: Yes

IFRS 1 Mandatory Exceptions

IFRS 1 prohibits retrospective application of some aspects of other IFRS. As a result, the following mandatory exceptions from full retrospective application of IFRS will be applied and are relevant on transition to IFRS:

- The Company's estimates in accordance with IFRS at the date of transition to IFRS will be consistent with estimates made for the same date in accordance with Canadian GAAP (after adjustments to reflect any difference in accounting policies).
- The Company will not reflect in its opening IFRS statements of financial position financial assets or financial liabilities that were previously derecognized under Canadian GAAP prior to the date of transition.

Reconciliations from Canadian GAAP to IFRS
Reconciliation of Shareholders' Equity

		July 1, 2010			
		Share Capital	Contributed Surplus	Retained earnings	Total
Shareholders' Equity - Canadian GAAP		$ 34,482	$ 2,392	$ 89,699	$ 126,573
IFRS adjustments to Shareholders' Equity					
Property, plant and equipment	(d)	-	-	(69)	(69)
Provisions - changes in decommissioning costs	(b)	-	-	(125)	(125)
Provisions - additional provision	(b)	-	-	(50)	(50)
Stock based compensation	(a)	-	119	(119)	-
Income taxes - tax effect of above differences		-	-	102	102
Shareholders' Equity - IFRS		$ 34,482	$ 2,511	$ 89,438	$ 126,431

September 30, 2010

		Share Capital	Contributed Surplus	Retained earnings	Total
Shareholders' Equity - Canadian GAAP		$ 34,482	$ 2,440	$ 91,562	$ 128,484
IFRS adjustments to Shareholders' Equity					
Property, plant and equipment	(d)	-	-	(74)	(74)
Provisions - changes in decommissioning costs	(b)	-	-	(125)	(125)
Provisions - additional provision	(b)	-	-	(80)	(80)
Stock based compensation	(a)	-	126	(126)	-
Income taxes - tax effect of above differences		-	-	115	115
Shareholders' Equity - IFRS		$ 34,482	$ 2,566	$ 91,272	$ 128,320

June 30, 2011

		Share Capital	Contributed Surplus	Retained earnings	Total
Shareholders' Equity - Canadian GAAP		$ 34,482	$ 2,534	$ 89,991	$ 127,007
IFRS adjustments to Shareholders' Equity					
Property, plant and equipment	(d)	-	-	(33)	(33)
Provisions - changes in decommissioning costs	(b)	-	-	(129)	(129)
Provisions - additional provision	(b)	-	-	(50)	(50)
Stock based compensation	(a)	-	144	(144)	-
Income taxes - tax effect of above differences		-	-	100	100
Shareholders' Equity - IFRS		$ 34,482	$ 2,678	$ 89,735	$ 126,895

Reconciliation of Net Income

		Year to date June 30, 2011	Three months ended, September 30, 2010
Net and Comprehensive Income - Canadian GAAP		$ 292	$ 1,863
IFRS adjustments to Net Income			
Property, plant and equipment	(d)	36	(4)
Provisions - changes in decommissioning costs	(b)	(4)	(1)
Provisions - additional provision	(b)	-	(30)
Stock based compensation	(a)	(25)	(7)
Income taxes - tax effect of above differences		(2)	13
Net and total comprehensive income - IFRS		$ 297	$ 1,834

Adjusted Financial Statements
Adjustments to Consolidated Statement of Financial Position at July 1, 2010

	Reference	Canadian GAAP	IFRS Adjustment	IFRS Reclassification	IFRS
Assets					
Current assets					
Cash and cash equivalents		$ -	$ -	$ -	$ -
Marketable securities		795	-	-	795
Accounts receivable		27,999	-	-	27,999
Income tax receivable		2,754	-	-	2,754
Inventories		36,702	-	-	36,702
Current portion of leases receivable		281	-	-	281
Prepaid expenses		864	-	-	864
Other current assets		12	-	-	12
Current deferred tax asset	**(e)**	1,316	-	(1,316)	-
		70,723	-	(1,316)	69,407
Non-current assets					
Leases receivable		214	-	-	214
Property, plant and equipment	**(b), (d)**	35,631	248	-	35,879
Intangible assets		12,180	-	-	12,180
Investment tax credit asset		24,829	-	-	24,829
Deferred tax asset	**(e)**	11,247	102	1,316	12,665
		$ 154,824	$ 350	$ -	$ 155,174
Liabilities					
Current liabilities					
Bank indebtedness		$ 5,934	$ -	$ -	$ 5,934
Accounts payable and accrued liabilities		14,509	-	-	14,509
Warranty accrual	**(f)**	500	-	(500)	-
Provisions	**(b), (f)**		50	500	550
Deferred revenue		2,452	-	-	2,452
Current portion of long-term debt		250	-	-	250
		23,645	50	-	23,695
Non-current liabilities					
Other long-term liabilities	**(f)**	648	-	(623)	25
Provisions	**(b), (f)**		442	623	1,065
Long-term debt		3,958	-	-	3,958
		28,251	492	-	28,743
Shareholders' equity					
Share capital		34,482	-	-	34,482
Contributed surplus	**(a)**	2,392	119	-	2,511
Retained earnings		89,699	(261)	-	89,438
		126,573	(142)	-	126,431
		$ 154,824	$ 350	$ -	$ 155,174

Adjustments to Consolidated Statement of Financial Position at June 30, 2011

	Reference	Canadian GAAP	IFRS Adjustment	IFRS Reclassification	IFRS
Assets					
Current assets					
Cash and cash equivalents		$ 5,095	$ -	$ -	$ 5,095
Marketable securities		4	-	-	4
Accounts receivable		16,001	-	-	16,001
Income tax receivable		4,879	-	-	4,879
Inventories		32,526	-	-	32,526
Current portion of leases receivable		239	-	-	239
Prepaid expenses		836	-	-	836
Other current assets		12	-	-	12
Current deferred tax asset	**(e)**	633	-	(633)	-
		60,225	-	(633)	59,592
Non-current assets					
Leases receivable		-			-
Property, plant and equipment	**(b), (d)**	32,193	281	-	32,474
Intangible assets		11,538	-	-	11,538
Investment tax credit asset		25,805	-	-	25,805
Deferred tax asset	**(e)**	16,004	100	633	16,737
		$ 145,765	$ 381	$ -	$ 146,146
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	**(f)**	$ 10,707	$ -	$ (75)	$ 10,632
Warranty accrual	**(f)**	570	-	(570)	-
Provisions	**(b), (f)**		50	645	695
Deferred revenue		2,313	-	-	2,313
Current portion of long-term debt		3,958	-	-	3,958
		17,548	50	-	17,598
Non-current liabilities					
Other long-term liabilities	**(f)**	1,210	-	(682)	528
Provisions	**(b), (f)**		443	682	1,125
		18,758	493	-	19,251
Shareholders' equity					
Share capital		34,482	-	-	34,482
Contributed surplus	**(a)**	2,534	144	-	2,678
Retained earnings		89,991	(256)	-	89,735
		127,007	(112)	-	126,895
		$ 145,765	$ 381	$ -	$ 146,146

Adjustments to Consolidated Statement of Comprehensive Income Year ended June 30, 2011

	Reference	Canadian GAAP	IFRS Adjustments	IFRS Reclassifications	**IFRS**
Sales		$ 84,533	$ -	$ -	$ 84,533
Cost of sales		59,051	-	-	59,051
Gross margin		25,482	-	-	25,482
Operating expenses					
Research and development		14,056	-	-	14,056
Sales and marketing		6,783	-	-	6,783
General and administrative	**(b), (d)**	22,597	(19)	-	22,578
Stock-based compensation	**(a)**	142	25	-	167
Foreign exchange (gain)/loss	**(g)**	(17)	-	17	-
Other (income)	**(d), (g)**	(17,457)	(48)	173	(17,332)
		26,104	(42)	190	26,252
Operating loss		(622)	42	(190)	(770)
Finance costs	**(b), (g)**	-	35	486	521
Finance income	**(g)**	-	-	190	190
Interest expense	**(g)**	486	-	(486)	-
Loss before income taxes		(1,108)	7	-	(1,101)
Income tax recovery		(1,400)	2	-	(1,398)
Net income and Comprehensive income		$ 292	$ 5	$ -	$ 297
Net income per share					
Basic and diluted		$ 0.01			$ 0.01
Weighted average number of Common Shares outstanding - basic and diluted		22,316,767			22,316,767

Adjustments to Consolidated Statement of Comprehensive Income three months ended September 30, 2010

	Reference	Canadian GAAP	IFRS Adjustments	IFRS Reclassifications	**IFRS**
Sales		$ 26,333	$ -	$ -	$ 26,333
Cost of sales		16,235	-	-	16,235
Gross margin		10,098	-	-	10,098
Operating expenses					
Research and development		2,832	-	-	2,832
Sales and marketing		1,446	-	-	1,446
General and administrative	**(b), (d)**	4,715	26	-	4,741
Stock-based compensation	**(a)**	45	7	-	52
Foreign exchange (gain)/loss	**(g)**	(174)	-	174	-
Other (income)	**(g)**	(1,492)	-	29	(1,463)
		7,372	33	203	7,608
Operating income		2,726	(33)	(203)	2,490
Finance costs	**(b), (g)**	-	9	110	119
Finance income	**(g)**	-	-	203	203
Interest expense	**(g)**	110	-	(110)	-
Income before income taxes		2,616	(42)	-	2,574
Income tax expense		753	(13)	-	740
Net income and Comprehensive income		$ 1,863	$ (29)	$ -	$ 1,834
Net income per share					
Basic and diluted		$ 0.08			$ 0.08
Weighted average number of Common Shares outstanding - basic and diluted		22,316,767			22,316,767

The Company's consolidated statements of cash flows were not materially affected by the transition to IFRS.

Changes in Accounting Policies

The key areas where the Company has identified that accounting policies will differ or where accounting policy decisions were necessary that may impact its consolidated financial statement are set out in the following table. Note that this does not include impact of transition policy choices made under IFRS 1, described above.

Accounting Policy area	Impact of Policy Adoption
(a) Share-Based Payments	**Choices**: There are no policy choices available under IFRS. **Differences from previous Canadian GAAP**: IFRS 2 - Share-Based Payments, requires that when a company issues options that vest in instalments over the vesting period, the company must value each instalment separately because each instalment has a different vesting period. Whereas Canadian GAAP also allows the use of the straight-line approach, which allows the options to be valued as a single award and expensed straight-line. **Transition impact**: In relation to the Company's options that were previous valued using the straight-line method that were not included in the IFRS 1 Share-based Payment exemption, the equity line Contributed Surplus will increase by $144 at June 30, 2011 (July 1, 2010 - increase $119), with the offset a decrease to the equity line Retained Earnings. Net income for the year ending June 30, 2011 will decrease by $25. For the three months ending September 30, 2010, net income will decrease by $7.
(b) Provisions (including Asset Retirement Obligations)	**Choices**: There are no policy choices available under IFRS **Differences from previous Canadian GAAP**: IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, requires a provision to be recognized when: there is a present obligation (legal or constructive) as a result of past transaction or event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the obligation. "Probable" in this context means more likely than not. Under Canadian GAAP, constructive obligations were recognized only if required by a specific standard, and the criterion for recognition in the financial statements was "likely", which is a higher threshold than "probable". Therefore, it is possible that there may be some contingent liabilities not recognized under Canadian GAAP which would require a provision under IFRS. Other differences between IFRS and Canadian GAAP exist in relation to the measurement of provisions, such as the methodology for determining the best estimate where there is a range of equally possible outcomes (IFRS uses the midpoint of the range whereas Canadian GAAP used the low end), and the requirement under IFRS for provisions to be discounted where material. In relation to asset retirement obligations, measurement under IFRS will be based on management's best estimate, while measurement under Canadian GAAP was based on the fair value of the obligation (which takes market assumptions into account). Under IFRS, the full asset retirement obligation is remeasured each period using the current discount rate. Under Canadian GAAP, cash flow estimates associated with asset retirement obligations were discounted using historical discount rates. Changes in the discount rate alone did not result in a remeasurement of the liability. Changes in estimates that decreased the liability were discounted using the discount rate applied upon initial recognition of the liability. When changes in estimates increased the liability, the additional liability was discounted using the current discount rate. IFRS require the Company's asset retirement obligations to be discounted using a risk-free rate. Under Canadian GAAP, asset retirement obligations were discounted using a

	credit-adjusted risk-free rate. Under IFRS, the increase in the measurement of an asset retirement obligation due to the passage of time (unwinding of the discount) is classified as a finance expense. Under Canadian GAAP, this amount was classified as an operating expense. **Transition impact**: Using the IFRS 1, Decommissioning Liability election (which governs the asset retirement obligation) to measure the liability, at June 30, 2011 property, plant and equipment will increase by $314 (July 1, 2010 – increase $317), current provisions will increase by $50 (July 1, 2010 – increase $50), long term provisions will increase by $443 (July 1, 2010 – increase $442), the equity line Retained Earnings will decrease buy $179 (July 1, 2010 – decrease $175). Net income for the year ended June 30, 2011 will decrease by $4. For the three months ending September 30, 2010, net income will decrease by $31.
(c) Consolidation	**Choices**: There are no policy choices available under IFRS. **Differences from previous Canadian GAAP**: The IFRS approach to consolidation is principles-based whereby consolidation is required for all entities which are controlled. Unlike the Canadian GAAP two-step model, which first required consideration as to whether an entity was a VIE, the IFRS guidance on consolidation is a single-step model -the control model. IFRS do bring in the concepts of risk and rewards where the existence of control is not apparent, although not in the same rules-based manner as under Canadian GAAP. **Transition impact**: None.
(d) Property, Plant and Equipment	**Choices:** Either a historical cost model or a revaluation model can be used to value property, plant and equipment. **Policy selection:** The Company will value property, plant and equipment using the historical cost model. Differences from previous Canadian GAAP: Under IFRS, where part of an item of property, plant and equipment has a cost that is significant in relation to the cost of the item as a whole, it must be depreciated separately from the remainder of the item. Canadian GAAP was similar in this respect; however, the componentization concept was not often applied to the same extent due to practicality and/or materiality. **Transition impact:** As at June 30, 2011 property, plant and equipment will decrease by $33 (July 1, 2010 – decrease $69, September 30, 2010 – decrease $74) with the offset a decrease to the equity line Retained Earnings. Net income for the year ending June 30, 2011 will increase by $36. For the three months ending September 30, 2010, net income will decrease by $4.
(e) Deferred tax assets	**Choices:** There are no policy choices available under IFRS. **Differences from previous Canadian GAAP:** IAS 12 - Income Taxes, prohibits classifying deferred tax assets, formerly called future tax assets under Canadian GAAP, as current. Canadian GAAP required classifying the future tax assets between current and non-current based on the classification of the assets or liabilities to which the relate. **Transition impact:** As at June 30, 2011, $633 (July 1, 2010 - $1,316) of current deferred tax assets will be reclassified to non-current deferred tax assets
(f) Provisions	**Choices:** There are no policy choices available under IFRS. **Presentation requirements:** IAS 1 - Presentation of Financial Statements, requires, when material, presenting the aggregate carrying amount of the entity's provisions in the statement of financial position.

	Transition impact: As at June 30, 2011, $570 (July 1, 2010 - $500) of warranty accrual and $75 (July 1, 2010 - $nil) of accounts payable and accrued liabilities has been reclassified to current provisions. As at June 30, 2011, $682 (July 1, 2010 - $623) of long term provisions have been reclassified from other long term liabilities.
(g) Finance income and finance cost	**Choices:** There are no policy choices available under IFRS. **Presentation requirements:** IAS 1 - Presentation of Financial Statements, requires, as a minimum, certain line items to be included in the statement of comprehensive income. Included in this list are finance costs and finance income. **Transition impact:** As a result of the required new lines items, for the year ended June 30, 2011 foreign exchange gains of $17 (three months ended September 30, 2010 - $174) and interest income from other (income) of $173 (three months ended September 30, 2010 - $29) has been reclassified to finance income. For the year ended June 30, 2011 $486 (three months ended September 30, 2010 - $110) of interest expense has been reclassified to finance costs.
(h) Impairment	**Choices**: There are no policy choices available under IFRS. **Differences from previous Canadian GAAP:** IAS 36 - Impairment of Assets, uses a one-step approach for both testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). Canadian GAAP generally used a two-step approach to impairment testing, first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists, and then measuring any impairment by comparing asset carrying values with fair values. This difference may potentially result in more impairments where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis. In addition, IAS 36 requires the reversal of any previous impairment losses (to the amounts the assets would now be carried at had depreciation continued) where circumstances have changed such that the impairments have been reduced. Canadian GAAP prohibited reversal of impairment losses. **Transition impact**: The Company has not identified any asset impairment losses that would be reversed nor are there any items that are impaired under IFRS that were not impaired under Canadian GAAP.
(i) Borrowing costs	**Choices:** There are no policy choices available under IFRS. **Differences from previous Canadian GAAP:** Under IFRS, borrowing costs are capitalized to qualifying assets which take a substantial amount of time to develop or construct using a capitalization rate based on the weighted average interest rate on all of the Company's outstanding third-party debt. Under the Company's Canadian GAAP there was a policy choice to capitalize interest or expense interest for certain qualifying assets. The Company's policy was to expense interest. **Transition impact:** None, the Company elected, under IFRS 1, to apply IAS 23 - Borrowing Costs prospectively with no qualifying assets purchased or constructed during the 2011 fiscal year.
(j) Leases	**Choices:** There are no policy choices available under IFRS. **Differences from previous Canadian GAAP:** Under IFRS there are no quantitative guidelines to determine whether leases will be recorded as operating leases or capital lease. Instead it takes a strict substance over form approach, leases are classed as financing leases when the risks and rewards of ownership have transferred. Canadian GAAP has quantitative guidelines that are followed in determining whether a lease is a

	capital lease or operating lease. **Transition impact:** None, the Company did not have any operating leases under Canadian GAAP that would be reclassified as a finance lease under IFRS.
(k) Statement of cash flows	**Choices:** Either the direct or indirect method may be presented. Dividends paid, interest paid, interest received and dividends received can be presented as operating, investing or financing activities. **Policy selection:** The Company will use the indirect method. Dividends paid will be presented as financing activities. Interest and dividends received will be presented as operating activities. Interest paid will be presented as operating activities except where it has been capitalized to property, plant and equipment, in which case it will be presented as investing activities. **Differences from previous Canadian GAAP:** None. **Transition impact:** None.

Additional Annual Disclosures under IFRS

Certain disclosures are required in annual financial statements under IFRS that were no required under Canadian GAAP. Where such annual information is considered material to an understanding of the current interim period, it has been disclosed below. Amounts included in the Company's 2011 annual consolidated financial statements are not repeated herein. The following IFRS annual disclosures for the year ended June 30, 2011 are included below.

PROVISIONS

	Warranty	Asset Retirement	Other	Total
At July 1, 2010	$ 500	$ 1,065	$ 50	$ 1,615
Additions during the year	570	24	534	1,128
Amounts utilized	(500)		(459)	(959)
Unwinding of discount and imputed interest		36		36
At June 30, 2011	$ 570	$ 1,125	$ 125	$ 1,820
Less current portion	570		125	695
Long term provision	$ -	$ 1,125	$ -	$ 1,125

Forward-looking statements

This document may contain forward-looking statements relating to our operations or to the environment in which we operate, which are based on our operations, estimates, forecasts and projections. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict, and/or are beyond our control. A number of important factors could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. These factors include those set forth under the heading "Risk Factors" in the Company's Annual Information Form dated September 28, 2011, a copy of which is available at www.sedar.com. Consequently, readers should not place undue reliance on such forward-looking statements. In addition, these forward-looking statements relate to the date on which they are made. Vecima disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Investor relations

John Hanna
Chief Financial Officer
Phone (250) 881-1982
Facsimile (250) 881-1974
e-mail invest@vecima.com

Susan Enefer
Investor Relations Officer
Phone (250) 881-1982
Facsimile (250) 881-1974
e-mail invest@vecima.com

Listing

The common shares of Vecima Networks Inc. are traded on the Toronto Stock Exchange under the symbol "VCM".

Transfer Agent

Computershare Investor Services Inc.

Auditors

Deloitte & Touche LLP, Saskatoon

Solicitors

Bull, Housser & Tupper LLP, Vancouver