



Miranda Technologies Inc.

Management's Discussion and Analysis

For the three-month and nine-month periods ended September 30, 2011

INTRODUCTION

This management's discussion and analysis ("MD&A") comments on the financial results and the financial situation of Miranda Technologies Inc. (the "Company") for the three-month and nine-month periods ended September 30, 2011 and 2010. This MD&A should be read in conjunction with our condensed consolidated interim financial statements for the three-month and nine-month periods ended September 30, 2011 and with our consolidated audited financial statements and the accompanying notes thereto and MD&A as at December 31, 2010. Additional information on Miranda Technologies Inc. can be obtained on SEDAR at www.sedar.com, as well as the Company's website at www.miranda.com. Unless otherwise indicated, all references to the terms "we", "us", "our", "Miranda", "enterprise" and "Company" refer to Miranda Technologies Inc. and its subsidiaries.

In this MD&A, financial information for the three-month and nine-month periods ended September 30, 2011 and 2010 is based on the condensed consolidated interim financial statements of the Company, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), and are presented in Canadian dollars unless otherwise specified. In accordance with its terms of reference, the Audit Committee of the Company's Board of Directors reviews the contents of the MD&A and recommends its approval to the Board of Directors. The Board of Directors has approved this MD&A, on November 3, 2011. Disclosure contained in this document is current to that date, unless otherwise noted.

On January 1, 2011, as issued by the International Accounting Standards Board ("IASB"), IFRS became the basis of preparation of financial statements for publicly accountable enterprises in Canada. The information presented in this MD&A, including information relating to comparative periods in 2010, is presented in accordance with IFRS unless otherwise noted as being presented under Canadian generally accepted accounting principles ("Canadian GAAP") and not IFRS. For more information regarding the conversion to IFRS, refer to the "International Financial Reporting Standards" section of this MD&A and in note 14 of the condensed consolidated interim financial statements.

FORWARD-LOOKING STATEMENTS

Certain comments and statements contained in this MD&A may constitute forward-looking statements that reflect Miranda's objectives, estimates and expectations. These statements may include the use of terms such as "believe", "anticipate", "estimate", "looking ahead" and "expect", as well as the use of verbs in the conditional and future tenses. By their nature, these forward-looking statements involve certain risks and uncertainties. As a consequence, results could differ materially from the Company's expectations. The MD&A for the year ended December 31, 2010, as well as our Annual Information Form under the heading Risk Factors – available on SEDAR at www.sedar.com – deals with risks which could cause significant differences between the results contained herein and Miranda's expectations. The forward-looking statements contained in this MD&A reflect our current assumptions and, accordingly, are subject to change. However, we disclaim all intentions and assume no obligation to update or revise the forward-looking statements, whether based on new information, events or other factors, unless required to do so by applicable securities' laws.

ADJUSTED FINANCIAL MEASURES

We use earnings before interest, taxes, depreciation and amortization ("EBITDA") to compare our operating results from one period to another. EBITDA is an adjusted financial measure related to cash earnings and is defined as net profit before interest expense less interest income, taxes, depreciation and amortization. Our method for calculating EBITDA may differ from that used by other companies under the same designation. Readers are advised that EBITDA should not be substituted for net profit as an indicator of operating results in line with IFRS, neither for cash flows from operating and investing activities as a measure of liquidity and cash flows. A reconciliation of net profit to EBITDA is presented in the section "Selected Consolidated Interim Financial Information".

BUSINESS OVERVIEW

Miranda is a worldwide provider of infrastructure, playout and monitoring systems for the television broadcast, cable, satellite and IPTV industry. Our products are used by professionals throughout the broadcast chain, including content creators (production and post-production companies), content packagers (broadcasters and specialty channels) and television service providers ("TVSPs"): cable, satellite and telecommunication companies. A good number of our clients are industry leaders such as ABC/Disney/ESPN, BBC, Canal+, CBC/Radio-Canada, CBS, Discovery, Dish Network, Fox News, Gannett, Middle East Broadcast Center, NBC Universal, RAI, Sky, Telmex, Turner, Comcast and Time Warner.

Our solutions for the television broadcast industry include the following: i) infrastructure products that use digital technology to allow transmission signals to be converted to multiple standards, including high definition formats; ii) media playout and automation products that allow television broadcasters to manage playout of live, pre-recorded and graphics content to air; iii) monitoring and control products that let users manage a large number of broadcast signals across geographically disparate infrastructures; and iv) routers that provide the core video and audio switching fabric within a broadcast facility so that any incoming signal can be delivered to any destination. Our solutions enable and enhance the transition to a multi-channel digital and HD broadcast environment. With this equipment, customers can generate additional revenue, while reducing their costs through more effective distribution and content management, as well as automating manual processes.

On September 30, 2011, the Company employed 690 employees. Approximately 360 employees are located at the Head Office in Montreal, where research & development ("R&D") and manufacturing is also carried out. Final assembly, testing and product development of our router products is carried out in Grass Valley (California, USA). The Company has development and sales and support centres in Grass Valley (California, USA), Loughborough (UK), Reading (UK) and Paris (France). Miranda also has sales and support offices in Denver (Colorado, USA), Tokyo (Japan), Dubai (United Arab Emirates), Kuala Lumpur (Malaysia), Singapore, Beijing (China) and Hong Kong. In addition, the Company has a worldwide network of distributors and dealers.

KEY PERFORMANCE INDICATORS

The Company measures its performance by using key performance indicators that include revenue, gross profit, working capital, net profit and earnings per share. We also consider EBITDA as a key measure of our performance.

SELECTED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The following tables set out selected financial information for the three-month and nine-month periods ended September 30, 2011 and 2010. This information has been derived from the condensed consolidated interim financial statements for the three-month and nine-month periods ended September 30, 2011 and 2010 and the notes thereto.

| (In thousands of Canadian dollars, except share and per share amounts) (unaudited) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|------------|---------------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| Revenue | 48,815 | 37,749 | 131,793 | 98,788 |
| EBITDA | 15,675 | 7,976 | 28,636 | 14,729 |
| Net profit | 13,230 | 6,029 | 19,084 | 7,922 |
| Earnings per share: | | | | |
| Basic | 0.61 | 0.27 | 0.88 | 0.35 |
| Diluted | 0.60 | 0.27 | 0.87 | 0.35 |
| Weighted average number of common shares: | | | | |
| Basic | 21,759,620 | 21,931,976 | 21,741,498 | 22,498,720 |
| Diluted | 21,898,573 | 22,091,983 | 21,893,559 | 22,650,934 |
| Total assets | 231,152 | 215,981 | 231,152 | 215,981 |
| Total loans and borrowings | 17,000 | 26,327 | 17,000 | 26,327 |
| Cash dividend | - | - | - | - |
| Key ratios (% of revenue): | | | | |
| Gross profit | 62% | 58% | 61% | 59% |
| Selling, general and administrative expenses | 31% | 34% | 35% | 36% |
| Research and development expenses | 14% | 18% | 16% | 19% |
| Research and development expenses, net of tax credits | 12% | 8% | 13% | 13% |
| EBITDA | 32% | 21% | 22% | 15% |

Reconciliation of Net Profit to EBITDA

| (In thousands of Canadian dollars) (unaudited) | Three Months Ended September 30, | | Nine Months Ended September 30 | |
|--|----------------------------------|-------|--------------------------------|--------|
| | 2011 | 2010 | 2011 | 2010 |
| Net profit | 13,230 | 6,029 | 19,084 | 7,922 |
| Interest expense (income) | 108 | 2 | 403 | (40) |
| Income taxes (recovery) expense | (102) | (256) | 1,531 | 640 |
| Depreciation of property, plant and equipment | 1,071 | 983 | 2,949 | 2,859 |
| Amortization of intangible assets | 1,368 | 1,218 | 4,669 | 3,348 |
| EBITDA | 15,675 | 7,976 | 28,636 | 14,729 |

Third Quarter 2011 Financial Summary

Revenue increased by 29% to \$48.8 million, compared to \$37.7 million for the corresponding period in 2010. Excluding the effects of foreign exchange, revenue grew by 34% over last year. During the quarter, revenue increased across all geographies with Canada, United States, United Kingdom and Other Countries growing by 106%, 6%, 150% and 25%, respectively.

Gross profit, as a percentage of revenue, was 62% for the third quarter of 2011, a four percentage point increase compared to the same period in 2010.

SG&A expenses increased by 21% in the quarter to \$15.3 million compared to \$12.7 million for the same period in 2010. SG&A expenses, as a percentage of revenue, were 31% for the third quarter of 2011 compared to 34% for the same period in 2010.

R&D expenses remained static at \$6.8 million for the third quarters of 2011 and 2010. R&D expenses, as a percentage of revenue, were 14% in the third quarter of 2011 compared to 18% for the same period in 2010.

R&D expenses, net of tax credits for the quarter increased by 83% compared to same period in 2010 and represented 12% of revenue for the third quarters of 2011 compared to 8% for the corresponding period in 2010. Excluding a one-time adjustment of \$2.4 million recorded in 2010, the increase in R&D expenses, net of tax credits for the quarter was 3%.

Net profit was \$13.2 million in the quarter, translating into fully diluted earnings per share of \$0.60, compared to \$0.27 for the corresponding period in 2010. Excluding one-time adjustments of \$3.0 million and \$1.3 million to income taxes for the third quarters ended September 30, 2011 and 2010, respectively, as well as a one-time adjustment of \$2.4 million in R&D tax credits for the third quarter ended September 30, 2010, adjusted fully diluted EPS were \$0.47 and \$0.10, respectively for the three-month periods ended September 30, 2011 and 2010.

EBITDA increased by 97% to \$15.7 million, representing 32% of revenue, compared to \$8.0 million and 21% for the same period last year.

Net cash flows generated from operating activities were \$11.1 million for the third quarter of 2011, compared to \$0.6 million for the corresponding period last year.

Cash and cash equivalents and temporary investments were \$40.1 million compared to \$35.5 million as at December 31, 2010. During the quarter, the Company repaid loans and borrowings of \$0.8 million and invested \$2.9 million in property, plant and equipment.

OPERATING RESULTS

Revenue

Segmented Geographic Information

Segmented revenue by geographic locations for the three-month and nine-month periods ended September 30, 2011 and 2010 were as follows:

| (In thousands of Canadian dollars) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|------------------------------------|----------------------------------|--------|---------------------------------|--------|
| | 2011 | 2010 | 2011 | 2010 |
| Canada | 5,216 | 2,535 | 12,873 | 6,695 |
| United States | 16,534 | 15,535 | 49,151 | 38,594 |
| United Kingdom | 5,062 | 2,027 | 13,498 | 5,602 |
| Other Countries | 22,003 | 17,652 | 56,271 | 47,897 |
| | 48,815 | 37,749 | 131,793 | 98,788 |

Revenue for the third quarter was \$48.8 million, up 29% from \$37.7 million during the same period in 2010, driven by the acquisition of OmniBus in September 2010 and by stronger revenue across all geographies. When excluding the impact of foreign exchange, revenue increased by 34% over the same period in 2010.

Compared to the third quarter of 2010, revenue from Canada was up 106% to \$5.2 million; United States was up 6% to \$16.5 million; United Kingdom was up 150% to \$5.1 million; and Other Countries was up 25% to \$22.0 million.

The distribution of revenue in the third quarter of 2011 was 11% in Canada, 34% in the United States, 10% in the United Kingdom and 45% in Other Countries. In 2010, the distribution was 7% in Canada, 41% in the United States, 5% in the United Kingdom and 47% in Other Countries.

For the nine-month period ended September 30, 2011, revenue was \$131.8 million, up 33% compared to the same period in 2010, driven by the acquisition of OmniBus in September 2010 and by strong organic growth across all geographies. Excluding the impact of foreign exchange, revenue increased by 39% for the nine-month period ended September 30, 2011 compared to the corresponding period in 2010.

For the nine-month period ended September 30, 2011, revenue from Canada was up 92% to \$12.9 million; United States was up 27% to \$49.1 million; United Kingdom was up 141% to \$13.5 million; and Other Countries was up 17% to \$56.3 million compared to the nine-month period ended September 30, 2010.

The distribution of revenue for the nine-month period ended September 30, 2011 was 10% in Canada, 37% in the United States, 10% in the United Kingdom and 43% in Other Countries compared to 7% in Canada, 39% in the United States, 6% in the United Kingdom and 48% in Other Countries for the same period in 2010.

There are no individual countries within Other Countries that accounted for more than 10% of revenue in either the three-month or nine-month periods ended September 30, 2011 or 2010. In addition, no customer accounted for more than 10% of total revenue for the three-month or nine-month periods ended September 30, 2011 and 2010.

Gross Profit

Gross profit is calculated by deducting the cost of sales from revenue. Cost of sales consists primarily of costs incurred to manufacture and assemble products. It also includes related overheads, such as depreciation, certain costs related to final assembly, inventory management costs, sub-contractors and costs for servicing and commissioning.

The following table shows gross profit in dollars as well as a percentage of revenue for the three-month and nine-month periods ended September 30, 2011 and 2010:

| (In thousands of Canadian dollars) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|------------------------------------|----------------------------------|--------|---------------------------------|--------|
| | 2011 | 2010 | 2011 | 2010 |
| Gross profit | 30,231 | 22,041 | 79,871 | 58,156 |
| Gross profit as % of revenue | 62% | 58% | 61% | 59% |

Gross profit as a percentage of revenue was 62% for the third quarter of 2011 compared to 58% for the same period in 2010. The increase in the third quarter of 2011 was due to higher margins related to IT-based solutions, the favourable impact of foreign exchange and both product and customer mix.

For the nine-month period ended September 30, 2011 and 2010, gross margins were 61% and 59%, respectively. The increase was due to higher margins related to IT-based solutions and the favourable impact of foreign exchange.

Selling, General and Administrative Expenses

SG&A expenses for the three-month and nine-month periods ended September 30, 2011 and 2010 were as follows:

| (In thousands of Canadian dollars) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|--------|---------------------------------|--------|
| | 2011 | 2010 | 2011 | 2010 |
| Selling, general and administrative expenses | 15,336 | 12,662 | 45,509 | 36,047 |
| Selling, general and administrative expenses as % of revenue | 31% | 34% | 35% | 36% |

SG&A expenses amounted to \$15.3 million in the third quarter of 2011, an increase of \$2.7 million or 21% compared to the corresponding period in 2010. The increase over 2010 is largely due to the addition of OmniBus and an increase in selling expenses. SG&A expenses as a percentage of revenue were 31% for the third quarter of 2011 compared to 34% for the corresponding period in 2010.

For the nine-month periods ended September 30, 2011 and 2010, SG&A expenses were \$45.5 million and \$36.0 million, respectively, representing 35% and 36% of revenue. The increase in SG&A expenses were mainly due to the addition of OmniBus, an increase in selling expenses and an increase in amortization of intangible assets acquired in the OmniBus acquisition.

SG&A expenses for the three-month and nine-month periods ended September 30, 2011 included \$0.7 million and \$2.4 million of amortization of intangible assets compared to \$0.6 million and \$1.7 million for the three-month and nine-month periods ended September 30, 2010.

Research and Development Expenses

R&D expenses and R&D expenses, net of tax credits for the three-month and nine-month periods ended September 30, 2011 and 2010 were as follows:

| (In thousands of Canadian dollars) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|-------|---------------------------------|--------|
| | 2011 | 2010 | 2011 | 2010 |
| Research and development expenses | 6,835 | 6,806 | 21,394 | 19,213 |
| Research and development expenses as % of revenue | 14% | 18% | 16% | 19% |
| Research and development expenses, net of tax credits | 5,633 | 3,086 | 17,471 | 12,366 |
| Research and development expenses, net of tax credits as % of revenue | 12% | 8% | 13% | 13% |

Research and development expenses

R&D expenses were \$6.8 million in both third quarters of 2011 and 2010. R&D as a percentage of revenue was 14% for the third quarter of 2011, down from 18% for the corresponding period in 2010 due to higher revenue.

For the nine-month periods ended September 30, 2011 and 2010, R&D expenses were \$21.4 million and \$19.2 million, respectively, representing 16% and 19% of revenue. The year over year increase in R&D expenses is mainly due to the addition of OmniBus and an increase in the amortization of intangible assets acquired in the OmniBus acquisition.

Research and development expenses, net of tax credits

R&D expenses, net of tax credits reached \$5.6 million in the third quarter of 2011, up 83% from \$3.1 million compared to the corresponding period in 2010. R&D expenses, net of tax credits represented 12% of revenue for the third quarter of 2011 compared to 8% of revenue for the corresponding period in 2010. The increase in R&D expenses, net of tax credits over 2010 is largely due to a \$2.4 million favourable adjustment to R&D tax credits recorded in the third quarter of 2010, relating to the resolution of previous years' matters. When excluding this adjustment for the three-month period ended September 30, 2010, R&D expenses, net of tax credits were \$5.5 million.

For the nine-month periods ended September 30, 2011 and 2010, R&D expenses, net of tax credits were \$17.5 million and \$12.4 million, respectively, representing 13% of revenue for both periods. The increase in R&D expenses, net of tax credits over 2010 is due to the reasons outlined above. In addition, the third quarter of 2010 included a favourable \$2.4 million adjustment to R&D tax credits outlined above. When excluding this adjustment R&D expenses, net of tax credits were \$14.8 million for the nine-month period ending September 30, 2010.

R&D expenses for the three-month and nine-month periods ended September 30, 2011 included \$0.7 million and \$2.3 million of amortization of intangible assets compared to \$0.6 million and \$1.6 million for the three-month and nine-month periods ended September 30, 2010.

A portion of the Company's R&D expenditures do not qualify for tax credits.

Net Finance (Income) Expense

Net finance (income) expense is the sum of finance income and finance costs. Finance income consists of interest income, foreign exchange gains and income resulting from the remeasurement of the liabilities related to share-based payments for the non-dilutive restricted share unit ("RSU") plans, non-dilutive deferred share unit ("DSU") plan and non-dilutive stock appreciation right ("SAR") plan. Finance costs consist of interest expense, foreign exchange losses and expenses resulting from the remeasurement of liabilities related to the RSU plans, DSU plan, SAR plan and financial charges.

Net finance (income) expense for the three-month and nine-month periods ended September 30, 2011 and 2010 were as follows:

| (In thousands of Canadian dollars) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|-------|---------------------------------|---------|
| | 2011 | 2010 | 2011 | 2010 |
| Finance income | (4,017) | (152) | (4,913) | (1,499) |
| Finance costs | 151 | 672 | 1,189 | 2,680 |
| Net finance (income) expense | (3,866) | 520 | (3,724) | 1,181 |
| Net finance (income) expense as % of revenue | 8% | 1% | 3% | 1% |

In the third quarter of 2011, net finance income was \$3.9 million, an increase of \$4.4 million over a net finance expense of \$0.5 million recorded in the corresponding period of 2010. This increase was mainly due to fluctuations in foreign currencies and a decrease in the remeasurement of liabilities related to the RSU plans, DSU plan and SAR plan as a result of changes in the value of the Company's shares as at September 30, 2011. The Company realizes a significant portion of its transactions in foreign currencies and the fluctuation of these currencies against the Canadian dollar resulted in a gain of \$3.4 million, compared to a loss of \$0.6 million for the same period last year. In addition, the remeasurement of liabilities related to share-based payments resulted in income of \$0.5 million, compared to \$0.1 million for the same period in 2010.

For the nine-month periods ended September 30, 2011 and 2010, net finance income was \$3.7 million compared to net finance expense of \$1.2 million for the same period in 2010 due mainly to foreign exchange gains. The Company recognized a foreign exchange gain of \$4.2 million for the nine-month period in 2011 compared to a foreign exchange loss of \$1.4 million for the same period in 2010. The 2011 year to date foreign exchange gain was partially offset by an increase in interest expense of \$0.4 million and an increase in the remeasurement of liabilities related to share-based payments of \$0.4 million.

Income Taxes Expense

Income taxes expense for the three-month and nine-month periods ended September 30, 2011 and 2010 were as follows:

| (In thousands of Canadian dollars) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|-------|---------------------------------|------|
| | 2011 | 2010 | 2011 | 2010 |
| Income taxes (recovery) expense | (102) | (256) | 1,531 | 640 |
| Income taxes (recovery) expense as % of profit (loss) before income tax | 1% | 4% | 7% | 7% |

The Company recorded an income taxes recovery of \$0.1 million in the third quarter of 2011 compared to \$0.3 million for the same quarter in 2010. The effective tax rate was lower for the third quarters of 2011 and 2010 compared to the Company's applicable statutory rate of 28.4% and 29.9%, respectively, due mainly to adjustments related to the resolution of matters pertaining to prior years.

Management's Discussion and Analysis
For the three-month and nine-month periods ended September 30, 2011

For the nine-month periods ended September 30, 2011 and 2010, the Company recorded an income tax expense of \$1.5 million and \$0.6 million, respectively, translating to an effective tax rate of 7% for both periods. The lower effective tax rate for the nine-month periods ended September 30, 2011 and 2010 were mainly due to adjustments related to the resolution of matters pertaining to prior years.

The following table reconciles the statutory taxes to the effective taxes for the three-month and nine-month periods ended September 30, 2011 and 2010:

| (In thousands of Canadian dollars) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|--------------|---------------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| Income taxes based on the combined federal and provincial (Quebec) basic income tax rate of 28.4% in 2011 and 29.9% in 2010 | 3,728 | 1,726 | 5,855 | 2,560 |
| Changes due to the following items: | | | | |
| Differences in tax rates in subsidiaries | (185) | 158 | (44) | 388 |
| Non-taxable tax credits | (55) | (43) | (174) | (149) |
| Non-taxable, foreign exchange (gains) losses | (866) | 72 | (780) | 392 |
| Other ¹ | (2,843) | (2,072) | (3,433) | (2,464) |
| Permanent differences and other | 119 | (97) | 107 | (87) |
| | (102) | (256) | 1,531 | 640 |

¹ Comprise adjustments related to the resolution of matters pertaining to prior years including recognized tax benefits.

Net Profit

Net profit for the three-month and nine-month periods ended September 30, 2011 and 2010 was as follows:

| (in thousands of Canadian dollars, except per share amounts) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|------------|---------------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| Net profit | 13,230 | 6,029 | 19,084 | 7,922 |
| Basic earnings per share | 0.61 | 0.27 | 0.88 | 0.35 |
| Diluted earnings per share | 0.60 | 0.27 | 0.87 | 0.35 |
| Basic weighted average number of common shares | 21,759,620 | 21,931,976 | 21,741,498 | 22,498,720 |
| Diluted weighted average number of common shares | 21,898,573 | 22,091,983 | 21,893,559 | 22,650,934 |

Net profit for the third quarter of 2011 was \$13.2 million resulting in fully diluted earnings per share of \$0.60, up from \$0.27 in 2010.

For the nine-month periods ended September 30, 2011 and 2010, net profit was \$19.1 million compared to \$7.9 million for the corresponding period in 2010. This translates into fully diluted earnings per share of \$0.87, up from \$0.35 in 2010.

For the three-month and nine-month periods ended September 30, 2011, there was an income taxes recovery adjustment of \$3.0 million and \$3.6 million, respectively, relating to the resolution of previous years matters. When excluding these adjustments, earnings per share would have been lowered by \$0.13 and \$0.16, respectively, resulting in fully diluted earnings per share of \$0.47 and \$0.71.

For the three-month and nine-month periods ended September 20, 2010, there were favourable adjustments of \$2.4 million to R&D tax credits and an income taxes recovery adjustment of \$1.3 million, both relating to the resolution of previous years matters. When excluding these adjustments, earnings per share would have been lowered by \$0.17 and \$0.16, respectively, resulting in fully diluted earnings per share of \$0.10 and \$0.19, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Operating activities generated \$11.1 million of cash flows during the third quarter of 2011, resulting from net profit of \$13.2 million, inflows of \$1.0 million for non-cash items and outflows for working capital and income taxes paid of \$3.1 million. In the third quarter of 2010, \$0.6 million of cash flows were generated, resulting from net profit of \$6.0 million, inflows of \$2.1 million for non-cash items and outflows of \$7.5 million for working capital and income taxes paid.

For the nine-month period ended September 30, 2011, cash flows from operating activities generated \$17.0 million of cash flows resulting from \$19.1 million of net profit, inflows of \$8.3 million for non-cash items and \$10.4 million of outflows for working capital and income taxes paid. For the nine-month period ended September 30, 2010, \$7.0 million of cash flows were generated, resulting from net profit of \$7.9 million, inflows of \$7.2 million for non-cash items and outflows of \$8.1 million for working capital and income taxes paid.

Investing Activities

Investing activities consist of additions to property, plant and equipment, additions to intangible assets, business acquisitions, changes in temporary investments and interest received.

Investing activities consumed \$3.0 million of cash flows in the third quarter of 2011 mainly from additions to property, plant and equipment. In the third quarter of 2010, investing activities consumed \$26.2 million of cash flows, including \$40.7 million for the acquisition of OmniBus and \$0.6 million for additions to property, plant and equipment, partially offset by proceeds of \$15.0 million from the sale of temporary investments.

For the nine-month period ended September 30, 2011, investing activities consumed \$0.2 million of cash flows, including \$5.3 million for additions to property, plant and equipment and to intangible assets, offset by proceeds of \$5.0 million from the sale of temporary investments. For the nine-month period ended September 30, 2010, \$28.4 million of cash flows were used for investing activities consisting mainly of \$40.7 million for the acquisition of OmniBus and \$2.7 million for the additions to property, plant and equipment, partially offset by proceeds of \$14.9 million from the sale of temporary investments.

Financing Activities

Financing activities include the increase and repayment of loans and borrowings, proceeds from the exercise of share options, redemption of shares and interest paid.

In the third quarter of 2011, financing activities consumed \$0.9 million of cash flows mainly to repay loans and borrowings. In the third quarter of 2010, the Company generated \$21.9 million of cash flows consisting mainly of \$25.0 million from the draw down from its credit facilities used to finance the OmniBus acquisition, partially offset by \$3.1 million for the redemption of shares resulting from the normal course issuer bid program ("NCIB program").

For the nine-month period ended September 30, 2011, financing activities consumed \$8.8 million of cash flows, including \$8.4 million for the repayment of loans and borrowings and \$0.5 million for interest paid. For the nine-month period ended September 30, 2010, the Company generated \$19.3 million of cash flows, including \$25.0 million from the draw down from its credit facilities used to finance the OmniBus acquisition, partially offset by \$5.7 million for the redemption of shares resulting from the NCIB program.

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION DATA

The following table shows key statement of financial position items and ratios:

| (In millions of Canadian dollars) | September 30, 2011 | December 31, 2010 |
|--|--------------------|-------------------|
| Cash, cash equivalents and temporary investments | 40.1 | 35.5 |
| Working capital | 70.8 | 58.5 |
| <i>Working capital ratio</i> | 3.0 | 2.7 |
| Trade and other receivables | 37.0 | 29.5 |
| <i>Days sales outstanding in trade and other receivables</i> | 60 | 48 |
| Inventories | 21.5 | 20.4 |
| <i>Inventory turnover</i> | 3.3 | 3.0 |
| Long-term assets | 125.3 | 124.5 |
| Loans and borrowings (includes current portion) | 17.0 | 25.4 |

Working Capital

As at September 30, 2011, the Company had working capital of \$70.8 million compared to \$58.5 million at December 31, 2010. The increase in working capital was mainly due to cash generation of \$4.6 million and the increase in trade and other receivables of \$7.5 million.

Trade and other receivables increased by \$7.5 million during the first nine months of 2011 to \$37.0 million compared to \$29.5 million at December 31, 2010. The increase in trade and other receivables was mainly due to higher sales during the third quarter of 2011 compared to the fourth quarter of 2010. The average days of sales outstanding in trade and other receivables increased to 60 days as at September 30, 2011 compared to 48 days as at December 31, 2010 due to timing and increased credit terms associated with large contracts.

Inventories increased by \$1.1 million during the period to \$21.5 million due to the Company's normal business cycle. In addition, the Company continued to maintain increased raw material inventory levels to adjust to lead times required by certain suppliers. Inventory turnover remained relatively stable, coming in at 3.3 times for the period ending September 30, 2011, compared to 3.0 times as at December 31, 2010. Inventory levels are constantly monitored to ensure they are sufficient to respond to forecasted demand, without exposing the Company to undue obsolescence risks.

We believe that our cash and cash equivalents and anticipated cash flows from operations will be sufficient to meet the Company's working capital, capital expenditures and corporate development program requirements for the foreseeable future. In addition, the Company has authorized but unused bank credit facilities of CA\$46.0 million and £0.4 million, subject to certain margin and other conditions.

Property, Plant and Equipment

Property, plant and equipment less accumulated amortization increased by \$2.2 million in the first nine months of 2011 to reach \$33.1 million. The increase in property, plant and equipment for the nine-month period ending September 30, 2011 is mainly due to additions of \$5.1 million, partially offset by depreciation of \$2.9 million. During the quarter the Company acquired a new production line at its main operating facility in Montreal and moved its European headquarters to Reading, UK.

Share Capital Structure

The authorized share capital consists of an unlimited number of common shares without par value.

| | September 30, 2011 | December 31, 2010 |
|--|--------------------|-------------------|
| Common shares | 21,759,981 | 21,724,096 |
| Stock options granted and outstanding ¹ | 933,277 | 1,069,912 |

¹ Options granted under our employees' stock option plan. Each option granted entitles its holder to purchase one common share.

On November 26, 2010, the Company initiated a new NCIB program to redeem up to 1,694,937 common shares for cancellation between November 26, 2010 and November 25, 2011. As at September 30, 2011, no common shares were purchased under the program.

Subsequent to September 30, 2011 and up to November 3, 2011 inclusively, no common shares were issued pursuant to the exercise of stock options and no common shares were purchased under the 2010/2011 NCIB program.

Contractual Obligations

There were no material changes that affected our capital obligations during the three-month and nine-month period ended September 30, 2011, other than the partial repayment of a term loan that was used to partially finance the acquisition of OmniBus in the amount of \$0.8 million and \$7.3 million for the three-month and nine-month periods ended September 30, 2011 and the full repayment of a term loan in the amount of \$1.1 million (£0.7 million) in May 2011.

Off-Balance Sheet Arrangements

All of the Company's off-balance sheet arrangements are disclosed under the "Contractual Obligations" and "Financial Instruments" sections of this MD&A, and in our MD&A presented for the year ended December 31, 2010.

Related Party Transactions

The Company has a related party relationship with its wholly-owned subsidiaries. All transactions between the Company and its subsidiaries are eliminated upon consolidation.

The Company also has a related party relationship with its key management personnel. The key management personnel of the Company are the members of the Board of Directors and certain officers which are the chief operating decision makers ("CODM").

The CODM participate in the Company's stock option plan, RSU plans, DSU plan and SAR plan.

Key management personnel compensation comprised of short-term benefits and share-based payments was \$0.6 million and \$0.9 million in the third quarters of 2011, and 2010 and \$3.0 million and \$2.5 million for the nine-month periods ended September 30, 2011 and 2010.

Financial Instruments

The Company's financial instruments include, cash and cash equivalents, temporary investments, trade and other receivables, as well as trade and other payables. The book values of these financial instruments approximate the fair values due to the short time to maturity of these instruments.

The Company has determined that the fair value of its loans and borrowings corresponds to their book value as a result of the variable interest rates associated with these liabilities.

We may also use derivative financial instruments to manage the risks associated with fluctuations in the US dollar and the Euro. Our corporate policy is to avoid using such instruments for speculative purposes. These instruments have not been designated as a hedge against foreign currency fluctuations and, as a result, are marked to market. Gains and losses resulting from the changes in the fair values of the instruments are recorded to profit. As at September 30, 2011, the Company did not enter into any derivative financial instruments. As at September 30, 2010, the total amount contracted for currency sales was US\$2.0 million and it had a favourable value of \$81 thousand.

International Financial Reporting Standards

The Company's March 31, 2011 condensed consolidated interim financial statements were the Company's first consolidated interim financial statements prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"). The Company's September 30, 2011 condensed consolidated interim financial statements continue to be prepared in accordance with IAS 34. The comparative periods included in these condensed consolidated interim financial statements have been restated to IFRS and the Company has applied IFRS 1, *First-time Adoption of International Financial Reporting Standards*. The Company's previously issued interim and annual financial reports for periods prior to and including the year-ended December 31, 2010, were prepared in accordance with Canadian GAAP.

The following table provides a reconciliation of the Company's equity for the comparative period as at September 30, 2010 under Canadian GAAP to that reported under IFRS:

| (in thousands of Canadian dollars) | Total equity As at September 30, 2010 |
|--|---|
| Equity under Canadian GAAP | 139,611 |
| Adjustments: | |
| IFRS 3, <i>Business Combination</i> | (595) |
| IAS 16, <i>Property, Plant and Equipment and</i> IAS 23, <i>Borrowing Costs</i> | (779) |
| IAS 37, <i>Provisions, Contingent Liabilities and Contingent Assets</i> | 119 |
| IFRS 2, <i>Share-based Payments</i> | (113) |
| IAS 12, <i>Income Taxes</i> | 1,773 |
| Equity under IFRS | 140,016 |

Management's Discussion and Analysis
For the three-month and nine-month periods ended September 30, 2011

The following table provides a reconciliation of the Company's total comprehensive income for the three-month and nine-month comparative periods ended September 30, 2010 under Canadian GAAP to those reported for the three-month and nine-month periods ended September 30, 2010 under IFRS:

| (in thousands of Canadian dollars) | Total comprehensive income | |
|--|---|--|
| | Three-month period ended September 30, 2010 | Nine-month period ended September 30, 2010 |
| Comprehensive income under Canadian GAAP | 6,979 | 8,779 |
| Adjustments: | | |
| IFRS 3, <i>Business Combination</i> | (595) | (595) |
| IAS 16, <i>Property, Plant and Equipment and</i> IAS 23, <i>Borrowing Costs</i> | (18) | (58) |
| IAS 37, <i>Provisions, Contingent Liabilities and Contingent Assets</i> | 45 | 161 |
| IFRS 2, <i>Share-based Payments</i> | (39) | (112) |
| IAS 12, <i>Income Taxes</i> | (14) | 76 |
| Comprehensive income under IFRS | 6,358 | 8,251 |

For detailed information on the Company's conversion to IFRS, including optional exemptions elected, refer to the "International Financial Reporting Standards" section of the March 31, 2011 MD&A.

Future Accounting Changes

A number of new standards, interpretations and amendments to existing standards were issued by the International Accounting Standards Board ("IASB") or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory but not yet effective for the three-month and nine-month periods ended September 30, 2011, and have not been applied in preparing these condensed consolidated interim financial statements.

The following standards and interpretations have been issued by the IASB and the IFRIC with effective dates relating to the annual periods starting on or after the effective dates as follows:

| International Accounting Standards (IAS/IFRS) | Effective Date |
|---|-----------------|
| IFRS 7, <i>Financial Instruments: Disclosures</i> | January 1, 2012 |
| IFRS 9, <i>Financial Instruments</i> | January 1, 2013 |
| IFRS 10, <i>Consolidated Financial Statements</i> | January 1, 2013 |
| IFRS 11, <i>Joint Arrangements</i> | January 1, 2013 |
| IFRS 12, <i>Disclosure of Interests in Other Entities</i> | January 1, 2013 |
| IFRS 13, <i>Fair Value Measurement</i> | January 1, 2013 |
| IAS 12, <i>Income Taxes</i> | January 1, 2012 |
| IAS 1, <i>Presentation of Financial Statements</i> | January 1, 2013 |
| IAS 19, <i>Employee Benefits</i> | January 1, 2013 |

The amendments to IFRS 7, *Financial Instruments: Disclosures* increase the disclosure requirements for transactions involving transfers of financial assets.

IFRS 9, *Financial Instruments* ("IFRS 9") applies to the classification and measurement of financial assets and liabilities. It is the first of three phases of a project to develop standards to replace IAS 39, *Financial Instruments: Recognition and Measurement* and was initiated in response to the crisis in financial markets.

IFRS 10, *Consolidated Financial Statements* ("IFRS 10") establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12, *Consolidation – Special Purpose Entities* and IAS 27, *Consolidated and Separate Financial Statements*.

IFRS 11, *Joint Arrangements* ("IFRS 11") provides a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form as is currently the case. IFRS 11 replaces SIC-13, *Jointly Controlled Entities – Non-Monetary Contributions by Venturers* and IAS 31, *Interests in Joint Ventures*.

IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12") is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.

IFRS 13, *Fair Value Measurements* ("IFRS 13") provides new guidance on fair value measurement and disclosure requirements.

The amendments to IAS 12, *Income Taxes* ("IAS 12"), relate to the measurement of deferred taxes for investment property, property, plant and equipment and intangible assets carried at fair value.

Amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1"), which are effective for annual periods beginning on or after July 1, 2012 and are to be applied retroactively. Early adoption is permitted. The amendments require that an entity present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss.

The amendments to IAS 19, *Employee Benefits* ("IAS 19") relate to eliminating the corridor approach to recognizing actuarial gains and losses. Entities will also need to segregate changes in defined benefit obligation and in the fair value of plan assets into three components: service costs, net interest on the net defined benefit liabilities (assets) and remeasurements of the net defined benefits liabilities (assets). The amendments also enhance disclosure about the risks arising from defined benefit plans. The amendments to IAS 19 must be applied retrospectively (with certain exceptions) for annual periods beginning on or after January 1, 2013, with early adoption permitted.

The extent of the impact of adoption of these standards and interpretations on the consolidated financial statements of the Company has not been determined.

Critical Accounting Policies and Estimates

The condensed consolidated interim financial statements are prepared in accordance with IFRS. Management made estimates in determining transaction amounts and statement of financial position balances in preparing the condensed consolidated interim financial statements for the three-month and nine-month periods ended September 30, 2011 and 2010. Certain policies have more importance than others. We consider them critical if their application entails a substantial degree of judgement or if they result from a choice between numerous accounting alternatives and the choice has a strong material impact on reported results of operation or financial position. The following are the Company's most significant accounting policies and the items for which critical estimates were made in the consolidated financial statements should be read in conjunction with the notes to the condensed consolidated interim financial statements for the three-month and nine-month periods ended September 30, 2011 and 2010.

Use of Estimates and Judgement

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, contingent assets and liabilities, income and expenses during the reporting period. Consequently, actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management applying the Company's accounting policies and the key sources of estimating uncertainties

are expected to be the same as those to be applied in the first consolidated annual financial statements under IFRS.

The key judgements made in applying accounting policies that have the most significant effect on the amounts recognised in these condensed consolidated interim financial statements are related to the estimation of the fair value of the assets acquired and liabilities assumed for the OmniBus acquisition and the determination of the provision for inventory obsolescence as well as the evaluation and recoverability of the deferred tax assets and research and development tax credits. The Company uses its best estimate to determine which R&D expenses qualify for R&D tax credits and in what amounts. The Company recognizes the tax credits once it has reasonable assurance that they will be realized. Recorded tax credits are subject to review and approval by tax authorities and therefore, could be different from the amounts recorded.

Other areas of judgement and uncertainty relate to estimating the useful life of property, plant and equipment and intangible assets for the determination of depreciation and amortization expense, evaluation of the recoverability of property, plant and equipment, intangible assets and goodwill and the fair value of financial instruments.

Revenue Recognition

Revenue is derived primarily from the sale of equipment, software and services. The Company also enters into arrangements with multiple deliverables which are separated into units of accounting. These deliverables include sale of equipment, software and related services, such as training and commissioning.

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable and net of returns. Revenue is recognized upon delivery of equipment, provided that title to the goods is transferred to the customer, that the significant risks and rewards of ownership have been transferred to the buyer, there are no significant uncertainties surrounding product acceptance, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, the amount of revenue can be measured reliably and collectability is reasonably assured.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of transfers of risks and rewards varies depending on the individual terms of the contract of sale. For sales of equipment, usually transfer occurs when the equipment is received at the customer's warehouse; however, for some international shipments transfer occurs upon loading the goods onto the relevant carrier at the port of the seller.

The Company provides software solutions that can be specifically customized to each customer. These contracts specify a fixed price for the license, development and installation of software solutions.

When the outcome can be assessed reliably, contract revenue and associated costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date. Revenue is measured at the fair value of consideration received or receivable in relation to that activity.

When the Company cannot measure the outcome of a contract reliably, revenue is recognised only to contract costs incurred, to the extent that such contracts costs are recoverable and contract costs are recognised in the period in which they are incurred. An expected loss on a contract is recognised immediately in profit or loss.

Service revenue is recognized as services are performed. Amounts billed under contracts entered into with customers for services not yet rendered are recognized as deferred revenue.

Inventories

Inventories consist of raw materials, work in progress and finished goods. Raw materials, work in progress and finished goods are stated at the lower of cost and net realizable value. The cost of inventories is based on the average cost principle and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in process, cost includes an appropriate share of overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Impairment of Assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, and the disappearance of an active market for a security.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is reviewed. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated annually on November 30.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects

the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit ("group of units") on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Income Taxes

Income taxes expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is possible that an outflow of economic benefits will be

required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance expense.

Share-based payment transactions

The grant date fair value of options granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognized as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are met.

The fair value of the amount payable to employees in respect of the non-dilutive restricted share unit ("RSU") plans, the non-dilutive deferred share unit ("DSU") plan and the non-dilutive stock appreciation right ("SAR") plan, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to the payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as financial expense in profit or loss.

Share-based payment arrangements in which the Company receives goods and services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

Business combinations

Acquisitions on or after January 1, 2010

For acquisitions on or after January 1, 2010, the Company measures goodwill at the acquisition date as the fair value of the consideration transferred less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

Acquisitions prior to January 1, 2010

As part of its transition to IFRS, the Company elected to restate only those business combinations that occurred on or after January 1, 2010. In respect of acquisitions prior to January 1, 2010, goodwill represents the amount recognised under the Company's previous accounting framework, the Canadian GAAP.

Disclosure Controls, Procedures and Internal Control over Financial Reporting

Miranda's management, including the Chief Executive Officer and Chief Financial Officer, have designed disclosure controls and procedures ("DC&P") to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared, and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. Also, Miranda's management, have designed internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's IFRS.

The control framework the management used to design the Company's ICFR is the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

The Company entered into a business combination with OmniBus on September 8, 2010. The Company has designed and tested the effectiveness of the disclosure controls, procedures and internal controls over financial reporting of OmniBus during the first quarter of 2011. Based on the results of these tests, management has concluded that internal controls over financial reporting of OmniBus are effective.

There were no changes made to our disclosure controls, procedures and internal control over financial reporting during the three-month and nine-month periods ended September 30, 2011, except for OmniBus as discussed above, that would have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

RISKS AND UNCERTAINTIES

The Company operates in an industry segment subject to various risks and uncertainties that could have a material adverse effect on the Company, its financial position and its operating results. There have been no material changes in risks and uncertainties for the three-month and nine-month periods ended September 30, 2011 compared to December 31, 2010. We have provided detailed explanations of these risks and uncertainties in the MD&A and the Annual Information Form for December 31, 2010 which can be obtained on SEDAR at www.sedar.com, as well as the Company's website at www.miranda.com.

OUTLOOK

Television markets have remained strong in several parts of the world. We are seeing solid traction for our established products and growing interest for our new IT-based playout and monitoring platforms. We continue to be optimistic about the future and expect television markets to be underpinned by key events, such as the 2012 Olympics and US elections. With an expanding portfolio of innovative solutions and a strong balance sheet, we believe the Company is well positioned to deliver continued financial progress and outpace addressable market growth.

Due to continued business strength, the Company is revising its gross margin target to be within the 57% to 61% range. The Company is targeting annualized EBITDA of 20% to 25%.

QUARTERLY CONSOLIDATED FINANCIAL INFORMATION

The Company's main financial information is presented in the following tables for each of the last eight quarters. The financial information presented below for all periods in 2010 and 2011 were prepared in accordance with IFRS. The financial information prepared for 2009 was prepared in accordance with Canadian GAAP. The operating results for one quarter can in no way be used as an indication of results for future periods.

| (In thousands of Canadian dollars, except per share amount and ratios) (unaudited) | 2011 | | | | 2010 | | | 2009 ² |
|---|--------------------|---------|---------|---------|--------------------|---------|---------|-------------------|
| | Sep. 30, | Jun. 30 | Mar. 31 | Dec. 31 | Sep. 30 | Jun. 30 | Mar. 31 | Dec. 31 |
| Revenue | 48,815 | 43,181 | 39,797 | 44,885 | 37,749 | 32,066 | 28,973 | 35,710 |
| Gross profit | 30,231 | 25,683 | 23,957 | 26,714 | 22,041 | 19,384 | 16,731 | 18,962 |
| Selling, general and administrative expenses | 15,336 | 15,089 | 15,084 | 15,199 | 12,662 | 12,330 | 11,055 | 10,445 |
| Research and development expenses | 6,835 | 6,957 | 7,602 | 6,829 | 6,806 | 6,074 | 6,333 | 4,854 |
| Research and development expenses, net of tax credits | 5,633 | 5,650 | 6,188 | 5,552 | 3,086 ¹ | 4,175 | 5,105 | 3,692 |
| Other ³ | - | - | - | - | - | - | - | 1,721 |
| Results from operating activities | 9,262 | 4,944 | 2,685 | 5,963 | 6,293 | 2,879 | 571 | 3,104 |
| Finance income | (4,017) | (421) | (475) | (47) | (152) | (1,187) | (160) | - |
| Finance costs | 151 | 517 | 521 | 1,267 | 672 | 42 | 1,966 | - |
| Net finance expense (income) | (3,866) | 96 | 46 | 1,220 | 520 | (1,145) | 1,806 | - |
| Profit (loss) before income taxes | 13,128 | 4,848 | 2,639 | 4,743 | 5,773 | 4,024 | (1,235) | 3,104 |
| Income taxes expense (recovery) | (102) ¹ | 1,316 | 317 | 1,411 | (256) ¹ | 530 | 366 | 1,012 |
| Net profit (loss) | 13,230 | 3,532 | 2,322 | 3,332 | 6,029 | 3,494 | (1,601) | 2,092 |
| Net earnings (loss) per share: | | | | | | | | |
| Basic | 0.61 | 0.16 | 0.11 | 0.15 | 0.27 | 0.15 | (0.07) | 0.09 |
| Diluted | 0.60 | 0.16 | 0.11 | 0.15 | 0.27 | 0.15 | (0.07) | 0.09 |
| Key ratios (% of revenue): | | | | | | | | |
| Gross profit | 62% | 59% | 60% | 60% | 58% | 60% | 58% | 53% |
| Selling, general and administrative expenses | 31% | 35% | 38% | 34% | 34% | 38% | 38% | 29% |
| Research and development expenses | 14% | 16% | 19% | 15% | 18% | 19% | 22% | 14% |
| Research and development expenses, net of tax credits | 12% | 13% | 16% | 12% | 8% | 13% | 18% | 14% |
| EBITDA | 32% | 17% | 14% | 18% | 21% | 19% | 2% | 15% |

¹ Comprises adjustments related to the resolution of matters pertaining to prior years including recognized tax benefits.

² Financial information presented for 2009 is under Canadian GAAP.

³ In 2009, interest income and expenses were included in other under Canadian GAAP.

Management's Discussion and Analysis
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Reconciliation of Net Profit to EBITDA

| (In thousands of Canadian dollars) (unaudited) | 2011 | | | 2010 | | | 2009 ² | |
|--|--------------------|--------------|--------------|--------------|--------------------|--------------|-------------------|--------------|
| | Sep. 30, | Jun. 30 | Mar. 31 | Dec. 31 | Sep. 30 | Jun. 30 | Mar. 31 | Dec. 31 |
| Net profit (loss) | 13,230 | 3,532 | 2,322 | 3,332 | 6,029 | 3,494 | (1,601) | 2,092 |
| Interest expense (income) | 108 | 141 | 154 | 185 | 2 | (30) | (12) | (3) |
| Income taxes expense (recovery) | (102) ¹ | 1,316 | 317 | 1,411 | (256) ¹ | 530 | 366 | 1,012 |
| Depreciation of property, plant and equipment | 1,071 | 934 | 944 | 1,119 | 983 | 1,016 | 860 | 1,024 |
| Amortization of intangible assets | 1,368 | 1,499 | 1,802 | 1,825 | 1,218 | 1,027 | 1,103 | 1,073 |
| EBITDA | 15,675 | 7,422 | 5,539 | 7,872 | 7,976 | 6,037 | 716 | 5,198 |

¹ Comprises adjustments related to the resolution of matters pertaining to prior years including recognized tax benefits.

² Financial information presented for 2009 is under Canadian GAAP.

Revenue is subject to fluctuations and first quarter revenue is normally lower. Revenue is spread more evenly over the remaining quarters.