



Interim Condensed Consolidated Financial Statements of

VECIMA NETWORKS INC.

For the three and six months ended December 31, 2021 and 2020

(unaudited)



NOTICE TO READER

These financial statements have been refiled to remove the notice of no auditor review of interim financial statements.

VECIMA NETWORKS INC.
Interim Condensed Consolidated Statements of Financial Position
(unaudited – in thousands of Canadian dollars)

As at	Note	December 31, 2021	June 30, 2021
Assets			
Current assets			
Cash and cash equivalents		\$ 10,341	\$ 28,909
Accounts receivable	3	40,484	28,784
Income tax receivable		648	414
Inventories	4	24,967	15,578
Prepaid expenses		8,295	3,497
Contract assets		760	516
Total current assets		85,495	77,698
Non-current assets			
Property, plant and equipment	5	15,652	13,854
Right-of-use assets		3,079	3,660
Goodwill		14,763	14,542
Intangible assets	6	73,932	72,224
Other long-term assets		1,355	1,267
Investment tax credits		24,110	24,344
Deferred tax assets		7,415	7,143
Total assets		\$ 225,801	\$ 214,732
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 33,030	\$ 22,259
Provisions		798	1,439
Income tax payable		209	454
Deferred revenue		7,440	7,137
Current portion of long-term debt	7	1,540	1,617
Total current liabilities		43,017	32,906
Non-current liabilities			
Provisions		415	397
Deferred revenue		3,525	2,398
Deferred tax liability		4	4
Long-term debt	7	3,427	4,107
Total liabilities		50,388	39,812
Shareholders' equity			
Share capital	8	7,641	7,299
Reserves		3,074	3,407
Retained earnings		164,989	165,312
Accumulated other comprehensive loss		(291)	(1,098)
Total shareholders' equity		175,413	174,920
Total liabilities and shareholders' equity		\$ 225,801	\$ 214,732

Contractual obligation – Note 17; Subsequent events – Note 18

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

VECIMA NETWORKS INC.**Interim Condensed Consolidated Statements of Comprehensive Income (Loss)***(unaudited – in thousands of Canadian dollars, except per share amounts)*

Periods ended December 31,	Note	Three months		Six months	
		2021	2020	2021	2020
Sales	9, 13	\$ 43,587	\$ 29,673	\$ 75,982	\$ 56,996
Cost of Sales		21,767	14,964	38,460	29,652
Gross Profit		21,820	14,709	37,522	27,344
Operating expenses					
Research and development		8,352	7,044	16,360	13,309
Sales and marketing		4,554	3,474	8,655	6,450
General and administrative		5,498	4,560	10,184	9,253
Share-based compensation	10	65	1,210	753	1,449
Other expense	11	13	3	19	-
Total operating expenses		18,482	16,291	35,971	30,461
Operating income (loss)		3,338	(1,582)	1,551	(3,117)
Finance (expense) income		(46)	2	(88)	165
Foreign exchange (loss) gain		(111)	(1,218)	996	(1,440)
Income (loss) before income taxes		3,181	(2,798)	2,459	(4,392)
Income tax expense (recovery)		1,708	432	244	(367)
Net income (loss) from continuing operations		1,473	(3,230)	2,215	(4,025)
Net income from discontinued operations		-	112	-	69
Net income (loss)		\$ 1,473	\$ (3,118)	\$ 2,215	\$ (3,956)
Other comprehensive (loss) income					
Item that may be subsequently reclassified to net income					
Exchange differences on translating foreign operations		(110)	(1,538)	807	(2,150)
Comprehensive income (loss)		\$ 1,363	\$ (4,656)	\$ 3,022	\$ (6,106)
Net income (loss) per share					
Continuing operations - basic		\$ 0.06	\$ (0.14)	\$ 0.10	\$ (0.18)
Discontinued operations - basic		0.00	0.00	0.00	0.00
Total basic net income (loss) per share	12	\$ 0.06	\$ (0.14)	\$ 0.10	\$ (0.18)
Continuing operations – diluted		\$ 0.06	\$ (0.14)	\$ 0.10	\$ (0.18)
Discontinued operations – diluted		0.00	0.00	0.00	0.00
Total diluted net income (loss) per share	12	\$ 0.06	\$ (0.14)	\$ 0.10	\$ (0.18)
Weighted average number of common shares					
Shares outstanding - basic	12	23,076,376	22,733,716	23,065,194	22,607,863
Shares outstanding - diluted	12	23,110,051	22,733,716	23,102,412	22,607,863

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

VECIMA NETWORKS INC.**Interim Condensed Consolidated Statements of Change in Equity***(unaudited – in thousands of Canadian dollars)*

	Note	Share capital	Reserves	Retained earnings	Accumulated other comprehensive (loss) income	Total
Balance as at June 30, 2020		\$ 3,161	\$ 3,838	\$ 170,665	\$ 2,098	\$ 179,762
Net loss		-	-	(3,956)	-	(3,956)
Other comprehensive loss		-	-	-	(2,150)	(2,150)
Dividends		-	-	(2,500)	-	(2,500)
Shares issued by exercising options		3,016	(783)	-	-	2,233
PSUs settled in common shares		2,498	(2,498)	-	-	-
Withholding taxes on PSUs		(750)	-	-	-	(750)
Share-based payment expense	10	-	1,449	-	-	1,449
Balance as at December 31, 2020		\$ 7,925	\$ 2,006	\$ 164,209	\$ (52)	\$ 174,088
Balance as at June 30, 2021		\$ 7,299	\$ 3,407	\$ 165,312	\$ (1,098)	\$ 174,920
Net income		-	-	2,215	-	2,215
Other comprehensive income		-	-	-	807	807
Dividends		-	-	(2,538)	-	(2,538)
Shares issued by exercising options		439	(110)	-	-	329
PSUs settled in common shares		976	(976)	-	-	-
Withholding taxes on PSUs		(1,073)	-	-	-	(1,073)
Share-based payment expense	10	-	753	-	-	753
Balance as at December 31, 2021		\$ 7,641	\$ 3,074	\$ 164,989	\$ (291)	\$ 175,413

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

VECIMA NETWORKS INC.**Interim Condensed Consolidated Statements of Cash Flows***(unaudited – in thousands of Canadian dollars)*

Periods ended December 31,	Note	Three months		Six months	
		2021	2020	2021	2020
OPERATING ACTIVITIES					
Net income (loss) from continuing operations		\$ 1,473	\$ (3,230)	\$ 2,215	\$ (4,025)
Adjustments for non-cash items:					
Loss on sale of property, plant and equipment		13	7	18	9
Depreciation and amortization	16	4,142	3,806	8,460	7,284
Share-based compensation		65	1,210	753	1,449
Income tax expense (recovery)		(13)	231	481	(346)
Deferred income tax (recovery) expense		1,721	199	(237)	(21)
Interest expense		46	56	96	113
Interest income		-	(59)	(8)	(147)
Net change in working capital	16	(5,085)	(2,496)	(13,710)	(1,027)
Increase in other long-term assets		(123)	(337)	(83)	(294)
(Decrease) increase in provisions		(679)	32	(656)	43
Increase in investment tax credits		(33)	(29)	(60)	(70)
Income tax received		164	174	164	174
Income tax paid		(304)	(370)	(579)	(494)
Interest received		2	60	10	148
Interest paid		(9)	(11)	(19)	(19)
Cash provided by discontinued operations		-	269	-	168
Cash provided by (used in) operating activities		1,380	(488)	(3,155)	2,945
INVESTING ACTIVITIES					
Capital expenditures, net	16	(2,036)	(833)	(2,956)	(1,282)
Purchase of short-term investments		-	(57)	-	(141)
Proceeds from sale of short-term investments		-	7,082	-	7,421
Deferred development costs	6	(3,692)	(3,728)	(7,765)	(7,070)
Business acquisition		-	-	-	(6,401)
Cash (used in) discontinued operations		-	(104)	-	(210)
Cash (used in) provided by investing activities		(5,728)	2,360	(10,721)	(7,683)
FINANCING ACTIVITIES					
Principal repayments of lease liabilities	7	(380)	(470)	(787)	(824)
Repayment of long-term debt	7	(83)	(62)	(125)	(125)
Dividends paid		(2,538)	(2,500)	(2,538)	(2,500)
Issuance of shares through exercised options		-	1,940	329	2,233
Withholding taxes on performance share units		-	(750)	(1,073)	(750)
Cash used in discontinued operations		-	(21)	-	(42)
Cash used in financing activities		(3,001)	(1,863)	(4,194)	(2,008)
Net (decrease) increase in cash and cash equivalents		(7,349)	9	(18,070)	(6,746)
Effect of change in exchange rates on cash		(227)	428	(498)	265
Cash and cash equivalents, beginning of period		17,917	10,432	28,909	17,350
Cash and cash equivalents, end of period		\$ 10,341	\$ 10,869	\$ 10,341	\$ 10,869

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

VECIMA NETWORKS INC.**Notes to the Interim Condensed Consolidated Financial Statements**

Three and six months ended December 31, 2021 and 2020

(in thousands of Canadian dollars except as otherwise noted)

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VECIMA NETWORKS INC.**Notes to the Interim Condensed Consolidated Financial Statements****Three and six months ended December 31, 2021 and 2020*****(in thousands of Canadian dollars except as otherwise noted)***

1. NATURE OF THE BUSINESS

Vecima Networks Inc. ("Vecima" or the "Company") is a company continued under the Canadian Business Corporations Act ("CBCA") and commenced operations in 1988. The Company's registered office is located at 771 Vanalman Avenue, Victoria, B.C., V8Z 3B8. The Company's common shares are traded on the Toronto Stock Exchange under the trading symbol "VCM".

The Company's Video and Broadband Solutions business designs, manufactures and sells products for the cable industry that allow service providers a cost-effective "last mile" solution for both video and broadband access, especially in the business services market segment. The Company's Content Delivery and Storage business includes solutions and software for industries and customers that focus on storing, protecting, transforming, and delivering high-value media assets. The Company's Telematics business provides fleet managers key information and analytics they require to optimally manage their business.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(a) Statement of compliance**

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") under International Accounting Standard 34 – *Interim Financial Reporting* (IAS 34). These interim condensed consolidated financial statements do not include all the information required for a complete set of annual financial statements and should be read in conjunction with the consolidated financial statements of the Company for the year ended June 30, 2021.

(b) Basis of presentation

These interim condensed consolidated financial statements have been prepared using the same basis of presentation, accounting policies and methods of computation as outlined in Note 2, Summary of Significant Accounting Policies in our consolidated financial statements for the year ended June 30, 2021, except as noted below.

The interim condensed consolidated financial statements of the Company were approved by the Board of Directors and authorized for issue on February 8, 2022.

(c) Estimation uncertainty

Throughout the COVID-19 pandemic, the Company has been closely monitoring related developments and the impact on our business. We continue to serve customers through our available platforms. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impact on the Company's future earnings and cash flows cannot be estimated at this time. Due to the uncertainty surrounding the duration and potential outcomes of the COVID-19 pandemic, and the unpredictable and continuously changing impacts and related government responses, there is more uncertainty associated with our assumptions, expectations, and estimates. The most significantly affected estimates relate to the Company's determination of impairment of non-financial assets, the assessment of the carrying values of allowances for doubtful accounts and inventory obsolescence, and provisions.

(d) Accounting standards issued but not yet applied**Amendments to IAS 1 – Presentation of financial statements (IAS 1)**

On January 23, 2020, the IASB issued amendments to IAS 1 in respect of the classification of liabilities as current or non-current. The amendments aim to promote consistency in applying the requirements by helping entities determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments become effective for annual reporting periods beginning on or after January 1, 2023.

VECIMA NETWORKS INC.**Notes to the Interim Condensed Consolidated Financial Statements****Three and six months ended December 31, 2021 and 2020***(in thousands of Canadian dollars except as otherwise noted)*

Amendments to IAS 12 – Income taxes (IAS 12)

On May 7, 2021, the IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*, clarifying how entities account for deferred tax on transactions that, at the time of the transaction, give rise to equal taxable and deductible temporary differences. In specific situations, entities are exempt from recognizing deferred tax when recognizing assets or liabilities for the first time. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. This may be the case for transactions such as leases and decommissioning, restoration and similar obligations. Entities are required to recognize deferred tax on such transactions. The amendments become effective for annual reporting periods beginning on or after January 1, 2023.

Amendments to IAS 16 – Property, plant and equipment – proceeds before intended use (IAS 16)

On May 14, 2020, the IASB issued amendments to IAS 16, which prohibits deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments become effective for annual reporting periods beginning on or after January 1, 2022.

IFRS 17 – Insurance contracts (IFRS 17)

IFRS 17 is a new standard that replaces IFRS 4 – *Insurance contracts*. IFRS 17 aims to provide consistency and transparency in the application of accounting for insurance contracts. This standard becomes effective for annual reporting periods beginning on or after January 1, 2023.

Amendments to IAS 37 – Provisions (IAS 37)

On May 14, 2020 the IASB issued *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*, amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. These amendments are effective for annual reporting periods beginning on or after January 1, 2022, with early application permitted. We are assessing the impacts, if any, the amendments will have on our consolidated financial statements.

We do not expect IFRS 17 will have an effect on our consolidated financial statements. We are assessing the impacts, if any, the remaining standards or amendments will have on our consolidated financial statements.

3. ACCOUNTS RECEIVABLE

As at	December 31, 2021		June 30, 2021	
Trade receivables	\$	38,503	\$	26,677
Less: allowance for doubtful accounts		(7)		(16)
		38,496		26,661
Goods and services tax		303		145
Government grants receivable		1,641		1,949
Other receivables		44		29
	\$	40,484	\$	28,784

All trade receivables are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the receivables.

VECIMA NETWORKS INC.
Notes to the Interim Condensed Consolidated Financial Statements
Three and six months ended December 31, 2021 and 2020
(in thousands of Canadian dollars except as otherwise noted)
4. INVENTORIES

As at	December 31, 2021		June 30, 2021	
Raw materials	\$	11,055	\$	6,366
Work-in-progress		2,199		730
Finished goods		11,713		8,482
	\$	24,967	\$	15,578

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements & building	Lab, operating & production equipment	Other equipment ⁽¹⁾	Total
At cost					
At June 30, 2020	\$ 336	\$ 9,108	\$ 19,340	\$ 12,201	\$ 40,985
Additions	1	140	1,447	568	2,156
Disposals	(16)	(52)	(309)	(52)	(429)
Business acquisition	-	-	2,980	-	2,980
Effect of foreign exchange	-	(78)	(591)	(141)	(810)
At June 30, 2021	\$ 321	\$ 9,118	\$ 22,867	\$ 12,576	\$ 44,882
Additions	-	1,100	1,422	407	2,929
Disposals	-	-	(150)	(94)	(244)
Effect of foreign exchange	-	18	213	25	256
At December 31, 2021	\$ 321	\$ 10,236	\$ 24,352	\$ 12,914	\$ 47,823
Accumulated depreciation and amortization					
At June 30, 2020	\$ -	\$ 3,329	\$ 15,262	\$ 10,593	\$ 29,184
Depreciation	-	304	1,562	490	2,356
Disposals	-	(32)	(190)	(31)	(253)
Effect of foreign exchange	-	(26)	(178)	(55)	(259)
At June 30, 2021	\$ -	\$ 3,575	\$ 16,456	\$ 10,997	\$ 31,028
Depreciation	-	152	849	280	1,281
Disposals	-	-	(134)	(86)	(220)
Effect of foreign exchange	-	8	59	15	82
At December 31, 2021	\$ -	\$ 3,735	\$ 17,230	\$ 11,206	\$ 32,171
Net book value					
At June 30, 2021	\$ 321	\$ 5,543	\$ 6,411	\$ 1,579	\$ 13,854
At December 31, 2021	\$ 321	\$ 6,501	\$ 7,122	\$ 1,708	\$ 15,652

⁽¹⁾ Other equipment includes furniture, computer hardware, and automotive equipment.

VECIMA NETWORKS INC.
Notes to the Interim Condensed Consolidated Financial Statements
Three and six months ended December 31, 2021 and 2020
(in thousands of Canadian dollars except as otherwise noted)
6. INTANGIBLE ASSETS

	Indefinite-life intangible assets		Finite-life intangible assets			Total
	Spectrum and other licenses	Customer Contracts	Patents	Intellectual property	Deferred development costs	
At cost						
At June 30, 2020	\$ 107	\$ 21,529	\$ 736	\$ 10,600	\$ 61,125	\$ 94,097
Additions	-	-	122	493	16,537	17,152
Disposals	-	(337)	-	(281)	(583)	(1,201)
Business acquisition	-	-	-	505	-	505
Investment tax credits	-	-	-	-	(760)	(760)
Writedown, fully amortized	-	(20)	-	-	(4,689)	(4,709)
Effect of foreign exchange	(4)	(1,509)	(110)	(681)	(881)	(3,185)
At June 30, 2021	\$ 103	\$ 19,663	\$ 748	\$ 10,636	\$ 70,749	\$ 101,899
Additions	-	-	28	-	7,765	7,793
Investment tax credits	-	-	-	-	(201)	(201)
Effect of foreign exchange	1	382	9	182	411	985
At December 31, 2021	\$ 104	\$ 20,045	\$ 785	\$ 10,818	\$ 78,724	\$ 110,476
Accumulated amortization						
At June 30, 2020	\$ -	\$ 6,939	\$ 448	\$ 4,479	\$ 13,031	\$ 24,897
Amortization	-	2,141	75	1,189	7,679	11,084
Disposals	-	(90)	-	(106)	(130)	(326)
Writedown, fully amortized	-	(20)	-	-	(4,689)	(4,709)
Effect of foreign exchange	-	(506)	(89)	(261)	(415)	(1,271)
At June 30, 2021	\$ -	\$ 8,464	\$ 434	\$ 5,301	\$ 15,476	\$ 29,675
Amortization	-	940	46	564	4,890	6,440
Effect of foreign exchange	-	159	3	92	175	429
At December 31, 2021	\$ -	\$ 9,563	\$ 483	\$ 5,957	\$ 20,541	\$ 36,544
Net book value						
At June 30, 2021	\$ 103	\$ 11,199	\$ 314	\$ 5,335	\$ 55,273	\$ 72,224
At December 31, 2021	\$ 104	\$ 10,482	\$ 302	\$ 4,861	\$ 58,183	\$ 73,932

7. LONG-TERM DEBT

As at	December 31, 2021		June 30, 2021	
Term credit facility	\$	1,333	\$	1,458
Lease liabilities		3,634		4,266
	\$	4,967	\$	5,724
Comprised of:				
Current portion of term credit facility and lease liabilities	\$	1,540	\$	1,617
Long-term portion of term credit facility and lease liabilities		3,427		4,107
	\$	4,967	\$	5,724

Term credit facility

The term credit facility is with a Canadian chartered bank. As at December 31, 2021, the facility is repayable in monthly instalments of \$21 principal and interest at prime of 2.45% (June 30, 2021 - \$21, and 2.45%, respectively), expires in October 2022 and is collateralized by a general security agreement. The Company has an authorized loan amount of \$3,792 and annually renews this facility with the bank.

Long-term debt is recorded at amortized cost. The Company's long-term debt is at an interest rate that floats based on prime and the carrying value of the principal is considered to be fair value.

VECIMA NETWORKS INC.**Notes to the Interim Condensed Consolidated Financial Statements****Three and six months ended December 31, 2021 and 2020***(in thousands of Canadian dollars except as otherwise noted)*

Assuming that the existing payment terms are the same at the renewal date, the following are the future principal repayments for the term credit facility as at December 31, 2021:

2022	\$	125
2023		250
2024		250
2025		250
2026		250
Thereafter		208
	\$	1,333

Lease liabilities

The following is a reconciliation of the Company's lease liabilities as at December 31, 2021:

At June 30, 2020	\$	4,603
Net additions during the year		1,551
Interest on lease liabilities		184
Principal repayments of lease liabilities		(1,621)
Disposals		(98)
Effect of foreign exchange		(353)
At June 30, 2021	\$	4,266
Less: current portion		1,367
Long-term portion	\$	2,899

At June 30, 2021	\$	4,266
Net additions during the period		119
Interest on lease liabilities		77
Principal repayments of lease liabilities		(787)
Effect of foreign exchange		(41)
At December 31, 2021	\$	3,634
Less: current portion		1,290
Long-term portion	\$	2,344

The contractual lease payments related to the lease liabilities are as follows:

As at	December 31, 2021		June 30, 2021	
Within one year	\$	1,400	\$	1,510
After one year but not more than five years		2,135		2,443
More than five years		409		637
Total contractual lease payments	\$	3,944	\$	4,590

VECIMA NETWORKS INC.**Notes to the Interim Condensed Consolidated Financial Statements**

Three and six months ended December 31, 2021 and 2020

*(in thousands of Canadian dollars except as otherwise noted)***8. SHARE CAPITAL**

Changes in the number of shares and carrying value of the Company's share capital, for the six months ended December 31, 2021, are as follows:

	Note	Number of shares	Carrying value
Balance, June 30, 2020		22,462,082	\$ 3,161
Shares issued by exercising options		269,313	3,154
Subscription for common shares		50,000	713
Performance Share Units settled in common shares		199,798	1,038
Shares withheld for taxes to settle performance share units		(59,826)	(767)
Balance, June 30, 2021		22,921,367	\$ 7,299
Shares issued by exercising options	10	31,000	439
Performance Share Units settled in common shares	10	187,487	976
Shares withheld for taxes to settle performance share units	10	(63,478)	(1,073)
Balance, December 31, 2021		23,076,376	\$ 7,641

9. REVENUE FROM CONTRACTS WITH CUSTOMERSDisaggregated revenue

In the following table, gross revenue from contracts with customers is disaggregated by reporting segment and type. Refer to Note 13 for additional segmented financial information.

Three months ended December 31, 2021					
	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total	
Product sales	\$ 24,876	\$ 11,268	\$ 168	\$ 36,312	
Provision of services	2,339	3,696	1,240	7,275	
	\$ 27,215	\$ 14,964	\$ 1,408	\$ 43,587	
Three months ended December 31, 2020					
	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total	
Product sales	\$ 14,980	\$ 7,125	\$ 140	\$ 22,245	
Provision of services	1,551	4,645	1,232	7,428	
	\$ 16,531	\$ 11,770	\$ 1,372	\$ 29,673	
Six months ended December 31, 2021					
	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total	
Product sales	\$ 46,950	\$ 13,524	\$ 305	\$ 60,779	
Provision of services	4,559	8,207	2,437	15,203	
	\$ 51,509	\$ 21,731	\$ 2,742	\$ 75,982	
Six months ended December 31, 2020					
	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total	
Product sales	\$ 26,740	\$ 15,043	\$ 264	\$ 42,047	
Provision of services	3,323	9,191	2,435	14,949	
	\$ 30,063	\$ 24,234	\$ 2,699	\$ 56,996	

VECIMA NETWORKS INC.**Notes to the Interim Condensed Consolidated Financial Statements**

Three and six months ended December 31, 2021 and 2020

*(in thousands of Canadian dollars except as otherwise noted)***10. SHARE-BASED COMPENSATION**

The following table summarizes the share-based compensation expense included in the consolidated statements of comprehensive income (loss):

Periods ended December 31,	Three months		Six months	
	2021	2020	2021	2020
Stock options	\$ 7	\$ (2)	\$ 16	\$ 9
Performance share units	58	1,212	737	1,440
	\$ 65	\$ 1,210	\$ 753	\$ 1,449

Stock options

For all stock options granted, the Company determined compensation expense based on the estimated fair values at the grant date of the stock options using the Black-Scholes and binomial option-pricing models. The estimated fair value of the stock options is amortized to share-based compensation over the vesting period of the options.

Changes in the stock option plan for the six months ended December 31, 2021 are as follows:

(in number of units, except prices)	Number of options	Weighted average exercise price
Outstanding, June 30, 2020	393,125	\$ 9.01
Granted	9,000	13.18
Cancelled	(6,937)	9.80
Exercised	(269,313)	8.70
Outstanding, June 30, 2021	125,875	\$ 9.93
Vested and exercisable, June 30, 2021	96,628	\$ 9.83
Outstanding, June 30, 2021	125,875	\$ 9.93
Granted	5,000	16.00
Exercised	(31,000)	10.61
Outstanding, December 31, 2021	99,875	\$ 10.01
Vested and exercisable, December 31, 2021	78,192	\$ 9.54

Performance share units ("PSUs")

The Company's Performance Share Unit Plan ("PSU Plan") set the maximum number of PSUs at 4% of the outstanding common shares. At the time of the PSU Plan's resolution approval by the shareholders on July 28, 2020, the maximum number of shares issuable under the PSU Plan was set at 897,275. The approval of the PSU Plan resolution does not require further approval by the shareholders for any unallocated PSUs.

During the three months ended December 31, 2021, nil PSUs vested (December 31, 2020 – nil); which had a fair value of \$nil (December 31, 2020 - \$nil). During the six months ended December 31, 2021, 187,487 PSUs vested (December 31, 2020 – nil); which had a fair value of \$976 (December 31, 2020 - \$nil). Each vested PSU is settled for one common share of the Company. The Company withheld 63,478 common shares at an aggregate market value of \$1,073 to settle withholding tax obligations on the issuance of the common share awards. This was accounted for as a reduction to equity. These PSUs have five year terms, and vest in three tranches upon the achievement of certain closing market trading prices of the Company's common shares for a period of twenty consecutive business days.

VECIMA NETWORKS INC.**Notes to the Interim Condensed Consolidated Financial Statements****Three and six months ended December 31, 2021 and 2020***(in thousands of Canadian dollars except as otherwise noted)*

A summary of PSU activity for the six months ended December 31, 2021 is as follows:

	Number of PSUs
PSUs outstanding as at June 30, 2020	-
Granted	616,737
Forfeited	(26,924)
Settled	(199,798)
PSUs outstanding as at June 30, 2021	390,015
Granted	-
Forfeited	-
Settled	(187,487)
PSUs outstanding as at December 31, 2021	202,528

The fair value of the PSUs were determined using a Monte Carlo simulation. On grant, the Company estimated the achievement dates of each performance condition, and the cost of the PSUs is expensed on a straight-line basis over the period from the grant date to the expected market condition achievement date. The Company estimated forfeitures of PSUs at 10% on grant, and adjusts the amount recognized in expense upon vesting.

11. OTHER EXPENSE (INCOME)

Periods ended December 31,	Three months		Six months	
	2021	2020	2021	2020
Loss on sale of property, plant and equipment	\$ 13	\$ 7	\$ 18	\$ 9
Lease revenue	-	(6)	-	(13)
Other	-	2	1	4
	\$ 13	\$ 3	\$ 19	\$ -

VECIMA NETWORKS INC.**Notes to the Interim Condensed Consolidated Financial Statements****Three and six months ended December 31, 2021 and 2020***(in thousands of Canadian dollars except as otherwise noted)***12. NET INCOME (LOSS) PER SHARE**

The following table sets forth the calculation of basic and diluted net income (loss) per share:

Periods ended December 31, 2021	Three months		Six months	
	2021	2020	2021	2020
Net income (loss): basic and diluted (in thousands of dollars)	\$ 1,473	\$ (3,118)	\$ 2,215	\$ (3,956)
Weighed average number of shares outstanding:				
Basic	23,076,376	22,733,716	23,065,194	22,607,863
Dilution adjustment for stock options	33,675	-	37,218	-
Diluted	23,110,051	22,733,716	22,102,412	22,607,863
Net income (loss) per share: basic	\$ 0.06	\$ (0.14)	\$ 0.10	\$ (0.18)
Net income (loss) per share: diluted	\$ 0.06	\$ (0.14)	\$ 0.10	\$ (0.18)

Stock options could potentially dilute basic net income (loss) per share in the future. Dilutive stock options are calculated using the treasury stock method. For the three months ended December 31, 2021, there were 94,875 dilutive stock options, which resulted in a dilution adjustment of 33,375; with the remaining 5,000 outstanding stock options being anti-dilutive. For the six months ended December 31, 2021, there were 94,875 dilutive stock options, which resulted in a dilution adjustment of 37,218; with the remaining 5,000 outstanding stock options being anti-dilutive. For the three and six months ended December 31, 2020, any conversion effect of stock options was anti-dilutive and have been excluded from the calculation of diluted net loss per share.

VECIMA NETWORKS INC.**Notes to the Interim Condensed Consolidated Financial Statements**

Three and six months ended December 31, 2021 and 2020

*(in thousands of Canadian dollars except as otherwise noted)***13. SEGMENTED FINANCIAL INFORMATION**

The Company's operations are organized into business units based on how the business is managed and has three reportable segments. The Video and Broadband Solutions segment designs, develops and distributes electronic communications products to cable and telecommunications markets. The Content Delivery and Storage segment develops advanced applications focused on storing, protecting, and transforming and delivering visual media. The Telematics segment designs, develops and distributes fleet management products. The majority of the Company's operations, employees and assets reside in Canada and the United States. The following tables highlight key financial information by segment and geographical region:

Segments

Three months ended December 31, 2021					
	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total	
Sales	\$ 27,215	\$ 14,964	\$ 1,408	\$ 43,587	
Cost of sales	14,468	6,862	437	21,767	
Gross profit	12,747	8,102	971	21,820	
Operating expenses	8,915	4,963	462	14,340	
Depreciation and amortization	2,372	1,552	218	4,142	
Operating income	1,460	1,587	291	3,338	
Finance expense				(46)	
Foreign exchange loss				(111)	
Income tax expense				(1,708)	
Net income from continuing operations				1,473	
Net income from discontinued operations				-	
Net income				\$ 1,473	
Total assets	\$ 156,262	\$ 56,359	\$ 13,180	\$ 225,801	
Total liabilities	\$ 32,152	\$ 16,908	\$ 1,328	\$ 50,388	

Three months ended December 31, 2020					
	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total	
Sales	\$ 16,531	\$ 11,770	\$ 1,372	\$ 29,673	
Cost of sales	9,389	5,157	418	14,964	
Gross profit	7,142	6,613	954	14,709	
Operating expenses	7,607	4,447	484	12,538	
Depreciation and amortization	1,898	1,653	202	3,753	
Operating (loss)	(2,363)	513	268	(1,582)	
Finance income				2	
Foreign exchange loss				(1,218)	
Income tax expense				(432)	
Net loss from continuing operations				(3,230)	
Net income from discontinued operations				112	
Net loss				\$ (3,118)	
Total assets	\$ 139,011	\$ 53,928	\$ 13,006	\$ 205,945	
Total liabilities	\$ 16,147	\$ 14,469	\$ 1,241	\$ 31,857	

VECIMA NETWORKS INC.**Notes to the Interim Condensed Consolidated Financial Statements**

Three and six months ended December 31, 2021 and 2020

(in thousands of Canadian dollars except as otherwise noted)

Six months ended December 31, 2021				
	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total
Sales	\$ 51,509	\$ 21,731	\$ 2,742	\$ 75,982
Cost of sales	27,306	10,229	925	38,460
Gross profit	24,203	11,502	1,817	37,522
Operating expenses	17,131	9,475	1,000	27,606
Depreciation and amortization	4,882	3,113	370	8,365
Operating income	2,190	(1,086)	447	1,551
Finance expense				(88)
Foreign exchange gain				996
Income tax expense				(244)
Net income from continuing operations				2,215
Net income from discontinued operations				-
Net income				\$ 2,215
Total assets	\$ 156,262	\$ 56,359	\$ 13,180	\$ 225,801
Total liabilities	\$ 32,152	\$ 16,908	\$ 1,328	\$ 50,388

Six months ended December 31, 2020				
	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total
Sales	\$ 30,063	\$ 24,234	\$ 2,699	\$ 56,996
Cost of sales	17,033	11,741	878	29,652
Gross profit	13,030	12,493	1,821	27,344
Operating expenses	13,529	8,813	941	23,283
Depreciation and amortization	3,424	3,360	394	7,178
Operating loss	(3,923)	320	486	(3,117)
Finance income				165
Foreign exchange loss				(1,440)
Income tax recovery				367
Net loss from continuing operations				(4,025)
Net income from discontinued operations				69
Net loss				\$ (3,956)
Total assets	\$ 139,011	\$ 53,928	\$ 13,006	\$ 205,945
Total liabilities	\$ 16,147	\$ 14,469	\$ 1,241	\$ 31,857

Geographical region

Periods ended December 31,	Three months		Six months	
	2021	2020	2021	2020
Sales to external customers:				
United States	\$ 33,766	\$ 21,576	\$ 58,797	\$ 44,097
Canada	7,000	3,329	9,820	6,555
Japan	1,084	3,013	1,782	4,096
Europe	658	476	1,636	622
Other	1,079	1,279	3,947	1,626
	\$ 43,587	\$ 29,673	\$ 75,982	\$ 56,996

VECIMA NETWORKS INC.

Notes to the Interim Condensed Consolidated Financial Statements

Three and six months ended December 31, 2021 and 2020

(in thousands of Canadian dollars except as otherwise noted)

As at	December 31, 2021		June 30, 2021	
Non-current assets:				
United States	\$	37,939	\$	35,487
Canada		98,927		97,776
Japan		1,288		1,506
Europe		66		259
Mexico		1,236		1,468
China		850		538
	\$	140,306	\$	137,034

Sales to major customers

Sales to major customers accounting for more than 10% of total sales are as follows:

Periods ended December 31,	Three months		Six months	
	2021	2020	2021	2020
Customer A	\$ 8,209	\$ 4,567	\$ 13,758	\$ 8,648
Customer B	5,316	4,386	10,108	10,058
Customer C	5,662	4,416	12,205	7,876
	\$ 19,187	\$ 13,369	\$ 36,071	\$ 26,582

Sales to these customers are from the Video and Broadband Solutions and Content Delivery and Storage segments.

14. FAIR VALUE HIERARCHY

Assets and liabilities measured at fair value in the condensed consolidated statements of financial position, or where fair value disclosures are required, are classified based on a three-level hierarchy as follows:

Level 1: determined by reference to quoted prices in active markets for identical assets and liabilities;

Level 2: determined by using inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: determined using inputs that are not based on observable market data.

During the three and six months ended December 31, 2021, there were no assets or liabilities measured at fair value according to the three-level hierarchy.

During the three and six months ended December 31, 2021, there were no transfers between the hierarchy levels.

15. FINANCIAL INSTRUMENTS

Accounts receivable

As at December 31, 2021, the weighted average age of customer accounts receivable was 33 days (June 30, 2021 - 35 days); and the weighted average age of past-due accounts receivable approximated 68 days (June 30, 2021 - 66 days). Accounts are considered to be past due when customers have failed to make the required payments by their contractually agreed upon due date. The aging of trade receivables that are not considered to be impaired are as follows:

VECIMA NETWORKS INC.**Notes to the Interim Condensed Consolidated Financial Statements****Three and six months ended December 31, 2021 and 2020***(in thousands of Canadian dollars except as otherwise noted)*

As at	December 31, 2021		June 30, 2021	
Current	\$	36,134	\$	23,051
31 to 60 days		727		1,922
61 to 90 days		338		736
Over 90 days		1,297		952
	\$	38,496	\$	26,661

The Company maintains allowances for lifetime expected credit losses related to the allowance for doubtful accounts. Current economic conditions, forward-looking information, historical information, and reasons for the accounts being past due are all considered when determining whether to make allowances for past due accounts. The same factors are considered when determining whether to write-off amounts charged to the allowance for doubtful accounts against the customer accounts receivable. The Company has an allowance for doubtful accounts at December 31, 2021 of \$7 (June 30, 2021 - \$16).

Currency exposures

Approximately 97% (June 30, 2020 - 97%) of the Company's sales are denominated in U.S. dollars ("USD"). The Company periodically enters into forward foreign exchange contracts to manage foreign currency exchange risk related to exposures to the exchange rates for the Canadian dollar. Forward contracts are entered into based on projected requirements for converting U.S. to Canadian dollars. The Company does not recognize these contracts in the consolidated financial statements when they are entered into, nor accounts for them as hedges. Instead, the contracts are marked to fair value at each balance sheet date. Changes in fair value are recorded in the consolidated statements of comprehensive income (loss) in foreign exchange gain (loss). The fair value of these contracts is included in accounts receivable when in an asset position or accounts payable when in a liability position.

As at December 31, 2021, the Company had no forward contracts (June 30, 2021 - \$nil).

16. SUPPLEMENTAL INFORMATION

The following tables provide details of the Company's supplemental cash flow information for continuing operations:

Depreciation and amortization – operating activities

Periods ended December 31,	Three months		Six months	
	2021	2020	2021	2020
Depreciation of property, plant and equipment	\$ 669	\$ 629	\$ 1,281	\$ 1,193
Depreciation of right-of-use assets	327	361	739	705
Amortization of deferred development costs	2,373	1,923	4,890	3,584
Amortization of finite-life intangible assets	773	893	1,550	1,802
Total depreciation and amortization – operating activities	\$ 4,142	\$ 3,806	\$ 8,460	\$ 7,284

Net change in working capital – operating activities

Periods ended December 31,	Three months		Six months	
	2021	2020	2021	2020
Accounts receivable	\$ (8,936)	\$ (4,371)	\$ (11,703)	\$ (2,757)
Inventories	(1,618)	1,078	(9,200)	378
Prepaid expenses	(2,900)	(454)	(4,551)	68
Contract assets	(27)	(96)	(51)	(127)
Current tax assets	(1)	-	(1)	(3)
Accounts payable and accrued liabilities	5,616	(257)	10,487	(86)
Deferred revenue	2,781	1,604	1,309	1,500
Total change in net working capital	\$ (5,085)	\$ (2,496)	\$ (13,710)	\$ (1,027)

VECIMA NETWORKS INC.**Notes to the Interim Condensed Consolidated Financial Statements**

Three and six months ended December 31, 2021 and 2020

*(in thousands of Canadian dollars except as otherwise noted)***Capital expenditures, net – investing activities**

Periods ended December 31,	Three months		Six months	
	2021	2020	2021	2020
Capital expenditures before proceeds of disposition:				
Property, plant and equipment	\$ (2,013)	\$ (806)	\$ (2,929)	\$ (1,175)
Intangible assets	(24)	(27)	(28)	(107)
Proceeds of disposition:				
Property, plant and equipment	1	-	1	-
Total capital expenditures, net	\$ (2,036)	\$ (833)	\$ (2,956)	\$ (1,282)

17. CONTRACTUAL OBLIGATION

The Nokia portfolio acquisition includes the assumption of a contract with a third-party supplier. As at December 31, 2021, the contractual obligation, based on forecasted commitments, is estimated to be \$12,582 (June 30, 2021 - \$5,518); of which, \$179 is deemed to be onerous (June 30, 2021 - \$952).

18. SUBSEQUENT EVENTS**(a) Preliminary short form prospectus**

On January 12, 2022, the Company filed a preliminary short form base shelf prospectus with the securities regulatory authorities in each of the provinces of Canada, excluding Quebec. The prospectus offers for sale from time to time, during the 25-month period that the prospectus remains effective, the securities of the Company, including one or more series or issuances of common shares, warrants, subscription receipts, units, debt securities, and share purchase contracts, with a total offering price of such securities, in the aggregate, of up to \$150,000.

The securities may be offered and issued in consideration for the acquisition of other businesses, assets or securities by the Company or a subsidiary of the Company. The consideration for any such acquisition may consist of any of the securities separately, a combination of securities or any combination of, among other things, securities, cash and the assumption of liabilities.

(b) Dividend declared

On February 8, 2022, the Board of Directors declared a dividend of \$0.055 per common share, payable on March 28, 2022 to shareholders of record as at February 25, 2022 consistent with its previously announced dividend policy.

19. RELATED PARTY TRANSACTIONS

During the three months ended December 31, 2021, no PSUs were awarded to key management personnel vested (three months ended December 31, 2020 – 80,766); which had a fair value of \$nil (December 31, 2020 - \$417). Each vested PSU is settled for one common share of the Company.

During the six months ended December 31, 2021, 80,766 PSUs awarded to key management personnel vested (December 31, 2020 – 80,766); which had a fair value of \$417 (December 31, 2020 - \$417). Each vested PSU is settled for one common share of the Company.

20. RECLASSIFICATION OF PRIOR YEAR AMOUNTS

The Company reclassified amounts related to the sale of the Content Agent business for the previous year to discontinued operations in our interim condensed consolidated statements of comprehensive income (loss) and interim condensed consolidated statements of cash flows to make them consistent with the presentation for the current year.