
NOTICE TO READER

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

Additionally, Notes 5, 6 and 8 have been updated to include comparatives for the year ended June 30, 2021. We have added Note 19 to disclose related party transactions. We have added Note 20 to disclose that the prior year statements of Interim Condensed Consolidated Comprehensive Income (Loss) and Interim Condensed Consolidated Statements of Cash Flow have been reclassified to account for the discontinued business of our Content Agent business.

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

As at	Note	September 30, 2021	June 30, 2021
Assets			
Current assets			
Cash and cash equivalents		\$ 17,917	\$ 28,909
Accounts receivable	3	31,803	28,784
Income tax receivable		538	414
Inventories	4	23,335	15,578
Prepaid expenses		5,319	3,497
Contract assets		594	516
Total current assets		79,506	77,698
Non-current assets			
Property, plant and equipment	5	14,310	13,854
Right-of-use assets		3,296	3,660
Goodwill		14,771	14,542
Intangible assets	6	73,467	72,224
Other long-term assets		1,240	1,267
Investment tax credits		23,940	24,344
Deferred tax assets		9,156	7,143
Total assets		\$ 219,686	\$ 214,732
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 27,489	\$ 22,259
Provisions		1,486	1,439
Income tax payable		228	454
Deferred revenue		5,734	7,137
Dividends payable		1,269	-
Current portion of long-term debt	7	1,529	1,617
Total current liabilities		37,735	32,906
Non-current liabilities			
Provisions		414	397
Deferred revenue		2,470	2,398
Deferred tax liability		5	4
Long-term debt	7	3,809	4,107
Total liabilities		44,433	39,812
Shareholders' equity			
Share capital	8	7,641	7,299
Reserves		3,009	3,407
Retained earnings		164,785	165,312
Accumulated other comprehensive loss		(182)	(1,098)
Total shareholders' equity		175,253	174,920
Total liabilities and shareholders' equity		\$ 219,686	\$ 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)*

	Three months ended September 30,		
	Note	2021	2020
Sales	9, 13	\$ 32,395	\$ 27,323
Cost of sales		16,693	14,688
Gross profit		15,702	12,635
Operating expenses			
Research and development		8,008	6,265
Sales and marketing		4,101	2,976
General and administrative		4,686	4,693
Share-based compensation	10	688	239
Other expense (income)	11	6	(3)
Total operating expenses		17,489	14,170
Operating loss		(1,787)	(1,535)
Finance (expense) income		(42)	163
Foreign exchange gain (loss)		1,107	(222)
Loss before income taxes		(722)	(1,594)
Income tax recovery		(1,464)	(799)
Net income (loss) from continuing operations		742	(795)
Net loss from discontinued operations		-	(43)
Net income (loss)		\$ 742	\$ (838)
Other comprehensive income (loss)			
Item that may be subsequently reclassified to net income			
Exchange differences on translating foreign operations		916	(612)
Comprehensive income (loss)		\$ 1,658	\$ (1,450)
Net income (loss) per share			
Continuing operations – basic		\$ 0.03	\$ (0.04)
Discontinued operations – basic		0.00	(0.00)
Total basic net income (loss) per share	12	\$ 0.03	\$ (0.04)
Continuing operations – diluted		\$ 0.03	\$ (0.04)
Discontinued operations – diluted		0.00	(0.00)
Total diluted net income (loss) per share	12	\$ 0.03	\$ (0.04)
Weighted average number of common shares			
Shares outstanding – basic	12	23,054,011	22,482,015
Shares outstanding – diluted	12	23,095,102	22,482,015

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

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

	Note	Share capital	Reserves	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance as at June 30, 2020		\$ 3,161	\$ 3,838	\$ 170,665	\$ 2,098	\$ 179,762
Net loss		-	-	(838)	-	(838)
Other comprehensive loss		-	-	-	(612)	(612)
Dividends		-	-	(1,245)	-	(1,245)
Shares issued by exercising options		395	(102)	-	-	293
Share-based payment expense	10	-	239	-	-	239
Balance as at September 30, 2020		\$ 3,556	\$ 3,975	\$ 168,582	\$ 1,486	\$ 177,599
Balance as at June 30, 2021		\$ 7,299	\$ 3,407	\$ 165,312	\$ (1,098)	\$ 174,920
Net income		-	-	742	-	742
Other comprehensive income		-	-	-	916	916
Dividends		-	-	(1,269)	-	(1,269)
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	-	688	-	-	688
Balance as at September 30, 2021		\$ 7,641	\$ 3,009	\$ 164,785	\$ (182)	\$ 175,253

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)*

		Three months ended September,	
	Note	2021	2020
OPERATING ACTIVITIES			
Net income (loss) from continuing operations		\$ 742	\$ (795)
Adjustments for non-cash items:			
Loss on sale of property, plant and equipment		5	2
Depreciation and amortization	16	4,318	3,477
Share-based compensation		688	239
Income tax expense (recovery)		494	(577)
Deferred income tax recovery		(1,958)	(220)
Interest expense		50	57
Interest income		(8)	(89)
Net change in working capital	16	(8,625)	1,469
Decrease in other long-term assets		40	43
Increase in provisions		23	11
Increase in investment tax credits		(27)	(41)
Income tax paid		(275)	(124)
Interest received		8	89
Interest paid		(9)	(8)
Cash used in discontinued operations		-	(100)
Cash (used in) provided by operating activities		(4,534)	3,433
INVESTING ACTIVITIES			
Capital expenditures, net	16	(920)	(449)
Purchase of short-term investments		-	(84)
Proceeds from sale of short-term investments		-	339
Deferred development costs	6	(4,074)	(3,342)
Business acquisition		-	(6,401)
Cash used in discontinued operations		-	(106)
Cash used in investing activities		(4,994)	(10,043)
FINANCING ACTIVITIES			
Principal repayments of lease liabilities	7	(407)	(354)
Repayment of long-term debt	7	(42)	(63)
Issuance of shares through exercised options		329	293
Withholding taxes on PSUs		(1,073)	-
Cash used in discontinued operations		-	(21)
Cash used in financing activities		(1,193)	(145)
Net decrease in cash and cash equivalents		(10,721)	(6,755)
Effect of change in exchange rates on cash		(271)	(163)
Cash and cash equivalents, beginning of period		28,909	17,350
Cash and cash equivalents, end of period		\$ 17,917	\$ 10,432

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 months ended September 30, 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 months ended September 30, 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 November 9, 2021.

(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 Consolidated Financial Statements
Three months ended September 30, 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 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	September 30, 2021	June 30, 2021
Trade receivables	\$ 29,330	\$ 26,677
Less: allowance for doubtful accounts	(11)	(16)
	29,319	26,661
Goods and services tax	641	145
Government grants receivable	1,804	1,949
Other receivables	39	29
	\$ 31,803	\$ 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 months ended September 30, 2021 and 2020

*(in thousands of Canadian dollars except as otherwise noted)***4. INVENTORIES**

As at	September 30, 2021		June 30, 2021	
Raw materials	\$	10,368	\$	6,366
Work-in-progress		1,981		730
Finished goods		10,986		8,482
	\$	23,335	\$	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	-	397	296	223	916
Disposals	-	-	(12)	(46)	(58)
Effect of foreign exchange	-	21	192	33	246
At September 30, 2021	\$ 321	\$ 9,536	\$ 23,343	\$ 12,786	\$ 45,986
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	-	74	401	137	612
Disposals	-	-	(10)	(41)	(51)
Effect of foreign exchange	-	9	62	16	87
At September 30, 2021	\$ -	\$ 3,658	\$ 16,909	\$ 11,109	\$ 31,676
Net book value					
At June 30, 2021	\$ 321	\$ 5,543	\$ 6,411	\$ 1,579	\$ 13,854
At September 30, 2021	\$ 321	\$ 5,878	\$ 6,434	\$ 1,677	\$ 14,310

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

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

Three months ended September 30, 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	-	-	4	-	4,074	4,078	
Investment tax credits	-	-	-	-	(110)	(110)	
Effect of foreign exchange	1	399	87	185	399	1,071	
At September 30, 2021	\$ 104	\$ 20,062	\$ 839	\$ 10,821	\$ 75,112	\$ 106,938	
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	-	471	25	281	2,517	3,294	
Effect of foreign exchange	-	161	80	92	169	502	
At September 30, 2021	\$ -	\$ 9,096	\$ 539	\$ 5,674	\$ 18,162	\$ 33,471	
Net book value							
At June 30, 2021	\$ 103	\$ 11,199	\$ 314	\$ 5,335	\$ 55,273	\$ 72,224	
At September 30, 2021	\$ 104	\$ 10,966	\$ 300	\$ 5,147	\$ 56,950	\$ 73,467	

7. LONG-TERM DEBT

As at	September 30, 2021	June 30, 2021
Term credit facility	\$ 1,416	\$ 1,458
Lease liabilities	3,922	4,266
	\$ 5,338	\$ 5,724
Comprised of:		
Current portion of term credit facility and lease liabilities	\$ 1,529	\$ 1,617
Long-term portion of term credit facility and lease liabilities	3,809	4,107
	\$ 5,338	\$ 5,724

Term credit facility

The term credit facility is with a Canadian chartered bank. As at September 30, 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.

The term credit facility is recorded at amortized cost. The Company's term credit facility 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 Consolidated Financial Statements
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(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 September 30, 2021:

2022	\$	208
2023		250
2024		250
2025		250
2026		250
Thereafter		208
	\$	1,416

Lease liabilities

The following is a reconciliation of the Company's lease liabilities as at September 30, 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
Interest on lease liabilities		40
Principal repayments of lease liabilities		(407)
Effect of foreign exchange		23
At September 30, 2021	\$	3,922
Less: current portion		1,279
Long-term portion	\$	2,643

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

	September 30, 2021	June 30, 2021
Within one year	\$ 1,410	\$ 1,510
After one year but not more than five years	2,365	2,443
More than five years	431	637
Total contractual lease payments	\$ 4,206	\$ 4,590

8. SHARE CAPITAL

Changes in the number of shares and carrying value of the Company's share capital for the three months ended September 30, 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		22,921,376	\$ 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, September 30, 2021		23,076,376	\$ 7,641

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

Three months ended September 30, 2021 and 2020

*(in thousands of Canadian dollars except as otherwise noted)***9. REVENUE FROM CONTRACTS WITH CUSTOMERS**Disaggregated 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 September 30, 2021					
	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total	
Product sales	\$ 22,073	\$ 2,256	\$ 137	\$ 24,466	
Provision of services	2,222	4,510	1,197	7,929	
	\$ 24,295	\$ 6,766	\$ 1,334	\$ 32,395	
Three months ended September 30, 2020					
	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total	
Product sales	\$ 11,760	\$ 7,918	\$ 124	\$ 19,802	
Provision of services	1,772	4,546	1,203	7,521	
	\$ 13,532	\$ 12,464	\$ 1,327	\$ 27,323	

10. SHARE-BASED COMPENSATION

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

	Three months ended September 30,	
	2021	2020
Stock options	\$ 9	\$ 11
Performance share units	679	228
	\$ 688	\$ 239

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 option-pricing model. 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 three months ending September 30, 2021 are as follows:

(in number of units, except prices)	Number of options	Weighted average exercise price per option
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, September 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, September 30, 2021	99,875	\$ 10.01
Vested and exercisable, September 30, 2021	71,565	\$ 9.48

VECIMA NETWORKS INC.
Notes to the Consolidated Financial Statements
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(in thousands of Canadian dollars except as otherwise noted)

Performance share units (“PSUs”)

The Company’s PSU plan sets the maximum number of PSUs that can be issued at 4% of the outstanding common shares of the Company. At the time of the PSU plan’s approval by the shareholders of the Company on July 28, 2020, the maximum number of shares issuable under the PSU plan was set at 897,275. No further approval by the shareholders of the Company is required for any unallocated PSUs.

During the three months ended September 30, 2021, 187,487 PSUs vested (September 30, 2020 – nil); which had a fair value of \$976 (September 30, 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.

A summary of PSU activity during the three months ended September 30, 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 September 30, 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)

	Three months ended September 30,	
	2021	2020
Loss on sale of property, plant and equipment	\$ 5	\$ 2
Lease revenue	-	(6)
Other	1	1
	\$ 6	\$ (3)

12. NET INCOME (LOSS) PER SHARE

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

	Three months ended September 30,	
	2021	2020
Net income (loss): basic and diluted (in thousands of dollars)	\$ 742	\$ (838)
Weighed average number of shares outstanding:		
Basic	23,054,011	22,482,015
Dilution adjustment for stock options	41,091	-
Diluted	23,095,102	22,482,015
Net income (loss) per share: basic	\$ 0.03	\$ (0.04)
Net income (loss) per share: diluted	\$ 0.03	\$ (0.04)

VECIMA NETWORKS INC.**Notes to the Consolidated Financial Statements****Three months ended September 30, 2021 and 2020***(in thousands of Canadian dollars except as otherwise noted)*

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 September 30, 2021, there were 94,875 dilutive stock options, which resulted in a dilution adjustment of 41,091; with the remaining 5,000 outstanding stock options being anti-dilutive. For the three months ended September 30, 2020, any conversion effect of the 314,278 stock options were entirely anti-dilutive and have been excluded from the calculation of net income (loss) per share.

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

Three months ended September 30, 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. Inter-segment transactions take place at terms that approximate fair value. 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 September 30, 2021					
	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total	
Sales	\$ 24,295	\$ 6,766	\$ 1,334	\$ 32,395	
Cost of sales	12,839	3,367	487	16,693	
Gross profit	11,456	3,399	847	15,702	
Operating expenses	8,216	4,501	505	13,222	
Depreciation and amortization	2,511	1,572	184	4,267	
Operating income (loss)	729	(2,674)	158	(1,787)	
Finance expense				(42)	
Foreign exchange gain				1,107	
Income tax recovery				1,464	
Net income				742	
Total assets	\$ 157,926	\$ 48,825	\$ 12,935	\$ 219,686	
Total liabilities	\$ 30,251	\$ 12,886	\$ 1,296	\$ 44,433	

Three months ended September 30, 2020					
	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total	
Sales	\$ 13,532	\$ 12,464	\$ 1,327	\$ 27,323	
Cost of sales	7,644	6,584	460	14,688	
Gross profit	5,888	5,880	867	12,635	
Operating expenses	5,922	4,370	456	10,748	
Depreciation and amortization	1,526	1,703	193	3,422	
Operating (loss) income	(1,560)	(193)	218	(1,535)	
Finance income				163	
Foreign exchange loss				(222)	
Income tax recovery				799	
Net loss from continuing operations				(795)	
Net loss from discontinued operations				(43)	
Net loss				\$ (838)	
Total assets	\$ 140,825	\$ 55,546	\$ 12,929	\$ 209,300	
Total liabilities	\$ 16,856	\$ 13,782	\$ 1,063	\$ 31,701	

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

Three months ended September 30, 2021 and 2020

(in thousands of Canadian dollars except as otherwise noted)

Geographical region

	Three months ended September 30,	
	2021	2020
Sales to external customers:		
United States	\$ 25,031	\$ 22,282
Canada	2,820	3,225
Japan	2,734	1,079
Europe	980	443
Other	830	294
	\$ 32,395	\$ 27,323

	Three months ended September 30,	
	2021	2020
Non-current assets:		
United States	\$ 38,788	\$ 34,558
Canada	97,857	94,459
Japan	1,430	2,728
Europe	291	1,459
Mexico	1,287	1,586
China	527	-
	\$ 140,180	\$ 134,790

Sales to major customers

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

	Three months ended September 30,	
	2021	2020
Customer A	\$ 5,549	\$ 4,081
Customer B	6,792	5,672
Customer C	4,543	3,460
	\$ 16,884	\$ 13,213

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

14. FAIR VALUE HIERARCHY

Assets and liabilities measured at fair value in the 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 months ended September 30, 2021, there were no assets or liabilities measured at fair value according to the three-level hierarchy.

VECIMA NETWORKS INC.**Notes to the Interim Condensed Consolidated Financial Statements****Three months ended September 30, 2021 and 2020***(in thousands of Canadian dollars except as otherwise noted)*

15. FINANCIAL INSTRUMENTSAccounts receivable

As at September 30, 2021, the weighted average age of customer accounts receivable was 35 days (June 30, 2021 - 35 days); and the weighted average age of past-due accounts receivable approximated 65 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:

As at	September 30, 2021		June 30, 2021	
Current	\$	24,770	\$	23,051
31 to 60 days		2,100		1,922
61 to 90 days		1,140		736
Over 90 days		1,309		952
	\$	29,319	\$	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 September 30, 2021 of \$11 (June 30, 2021 - \$16).

Currency exposure

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 September 30, 2021, the Company had one forward contract at \$800 in an asset position of \$2 (June 30, 2021 - \$nil).

16. SUPPLEMENTAL INFORMATION

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

Depreciation and amortization – operating activities

	Three months ended September 30,		
	2021		2020
Depreciation of property, plant and equipment	\$	612	\$ 564
Depreciation of right-of-use assets		412	344
Amortization of deferred development costs		2,517	1,661
Amortization of finite-life intangible assets		777	908
Total depreciation and amortization – operating activities	\$	4,318	\$ 3,477

VECIMA NETWORKS INC.

Notes to the Interim Condensed Consolidated Financial Statements

Three months ended September 30, 2021 and 2020

(in thousands of Canadian dollars except as otherwise noted)

Net change in working capital – operating activities

	Three months ended September 30,	
	2021	2020
Accounts receivable	\$ (2,767)	\$ 1,614
Inventories	(7,582)	(700)
Prepaid expenses	(1,651)	522
Current tax asset	-	(3)
Contract assets	(24)	(31)
Accounts payable and accrued liabilities	4,871	171
Deferred revenue	(1,472)	(104)
Total change in net working capital	\$ (8,625)	\$ 1,469

Capital expenditures, net – investing activities

	Three months ended September 30,	
	2021	2020
Capital expenditures before proceeds of disposition:		
Property, plant and equipment	\$ (916)	\$ (369)
Intangible assets	(4)	(80)
Proceeds of disposition:		
Property, plant and equipment	-	-
Total capital expenditures, net	\$ (920)	\$ (449)

17. CONTRACTUAL OBLIGATION

The Nokia portfolio acquisition includes the assumption of a contract with a third-party supplier. As at September 30, 2021, the contractual obligation, based on forecasted commitments, is estimated to be \$11,577 (June 30, 2021 - \$5,518); of which, \$979 is deemed to be onerous (June 30, 2021 - \$952).

18. SUBSEQUENT EVENTS

(a) *Preliminary short form prospectus*

On October 14, 2021, 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 November 9, 2021, the Board of Directors declared a dividend of \$0.055 per common share, payable on December 20, 2021 to shareholders of record as at November 26, 2021 consistent with its previously announced dividend policy.

19. RELATED PARTY TRANSACTIONS

During the three months ended September 30, 2021, 80,766 PSUs awarded to key management personnel vested (September 30, 2020 – nil); which had a fair value of \$417 (September 30, 2020 - \$nil). Each vested PSU is settled for one common share of the Company.

VECIMA NETWORKS INC.**Notes to the Consolidated Financial Statements****Three months ended September 30, 2021 and 2020***(in thousands of Canadian dollars except as otherwise noted)*

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.