THIRD QUARTER RESULTS

Management's Discussion and Analysis and

Interim Condensed Consolidated Financial Statements of

VECIMA NETWORKS INC.

For the three and nine months ended March 31, 2025 and 2024

(unaudited)

Vecima Networks Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
May 13, 2025

This Management's Discussion and Analysis ("MD&A") provides a review of significant developments that have affected the performance of Vecima Networks Inc. ("Vecima" or the "Company") during the three and nine months ended March 31, 2025.

Our MD&A supplements, but does not form part of, our interim condensed consolidated financial statements and related notes for the three and nine months ended March 31, 2025 and 2024. Consequently, the following discussion and analysis of the financial condition and results of operations should be read in conjunction with the interim condensed consolidated financial statements and accompanying notes for the three and nine months ended March 31, 2025 and 2024, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Our MD&A also includes certain non-IFRS financial measures which we use as supplemental indicators of our operating performance and financial position, as well as for internal planning purposes.

The content of this MD&A contains forward-looking statements, which are subject to risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements. Forward-looking statements include, but are not limited to, our expectations related to general economic conditions and market trends and their anticipated effects on our business segments and our expectations related to customer demand. For additional information related to forward-looking statements and material risks associated with them, please see the "Additional Information - Forward-Looking Information" section of this MD&A.

Additional information regarding Vecima, including our Annual Information Form, can be found on SEDAR at www.sedarplus.ca.

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1. Company Overview

Vecima Networks Inc. (“TSX: VCM”) is a Canadian company founded in 1988 in Saskatoon, Saskatchewan. Today, Vecima has a global presence with offices in Victoria, Burnaby, Duluth, Raleigh, San Jose, Qingdao, Shanghai, Tokyo, Gdynia, and Amsterdam, and manufacturing and research and development (“R&D”) facilities in Saskatoon. Vecima's corporate head office is located in Victoria, British Columbia.

Vecima is a global leader focused on developing integrated hardware and scalable software solutions for broadband access, content delivery, and telematics. We enable the world's leading innovators to advance, connect, entertain, and analyze. We build technologies that provide internet video delivery and storage (IPTV) and next-generation high-speed broadband network access.

Vecima’s products incorporate sophisticated hardware and software developed within our R&D facilities. Examples of the types of technologies incorporated within our solutions include content workflow processing, content delivery networks, video storage, video transcoding, edge caching, high-speed digital signal processing, control, and digital modulation. In addition to these technologies, Vecima’s embedded software also facilitates the implementation of other network functions, such as media access control, traffic management and embedded system management.

Vecima’s diverse array of products across its business segments allows for strategic alignment with a broad array of global customers.

Vecima's business is organized into three segments:

1) **Video and Broadband Solutions** (“VBS”) includes platforms that process data from the cable network and deliver high-speed internet connectivity to homes over cable and fiber as well as adapt video services to formats suitable to be consumed on televisions in commercial properties.

   a. Our next-generation Entra™ family of products and platforms addresses the network migration to a Distributed Access Architecture (as described below under Industry Developments). The Entra Distributed Access Architecture platform is Vecima's realization of the next generation of hybrid fiber coaxial (“HFC”) and fiber to the home (“FTTH”) nodes as optical transport moves away from analog distribution to fully digital distribution. Our goal is to provide the market’s most flexible and complete portfolio of broadband access infrastructure products driving the future of ultra high-speed networks to multi-gigabit per third symmetrical access.

      The Entra Distributed Access Architecture (“DAA”) family of products is divided into the following core categories:

      - EntraPHY – Multiple variants of the Entra Access Node that can operate as Remote PHY, providing a modular highly interoperable platform for deployment of access technologies, leveraging billions of dollars of investment in coaxial cable;
      - EntraMAC – Multiple variants of the Entra Access Node that can operate as Remote MAC-PHY, providing the full next-generation access network within the Entra digital node, leveraging billions of dollars of investment in coaxial cable;
      - EntraOptical – Consists of both chassis and node based FTTH access technologies in areas of the service provider network where FTTH is practical and advantageous;
      - EntraCloud – An open, interoperable set of software applications to centralize orchestration, management, control, and virtualized data plane across all Entra products which include:
      - The cloud-native Entra vCMTS virtual cable access core that allows broadband service providers to transform their networks for next-generation broadband access and designed to maximize performance while minimizing space, power, and cost through virtualization. Includes the Entra vCMTS virtual cable access core that allows broadband service providers to transform their networks for next-generation broadband access and is designed to maximize performance while minimizing space, power, and cost through virtualization;
        - The Entra Remote PHY Monitor (“RPM”), which offers unified control software for management, service assurance and monitoring of access nodes;
        - The Entra Video QAM Manager (“VQM”), which allows for the integration of video in a DAA environment, leveraging existing video generation infrastructure by providing a direct pathway for video through to the Entra node; and
        - The Entra Access Controller (“EAC”) virtualizes all of the control components allowing for the distribution of the data processing to the edge and into the Entra MAC and Entra Optical nodes.

- EntraVideo – a suite of products facilitating the migration from legacy architectures to next-generation distributed access architectures:
    - The Entra Legacy QAM Adapter (“LQA”) and DV-12, which provide a simple solution to adapt existing video QAM infrastructure for distributed access; and
    - The Entra Interactive Video Controller (“IVC”), which supports essential two-way network connectivity for legacy set-top boxes that are heavily deployed and in service today.

b. Our Terrace, Terrace QAM and Terrace IQ product families meet the unique needs of the business services vertical, including MDU (“multi-dwelling units”) and hospitality (including hotels, motels, and resorts) by adapting video services to the individual business requirements and leveraging existing televisions in rooms.

2) **Content Delivery and Storage** (“CDS”) includes solutions and software, under the MediaScale brand, for service providers and content owners that focus on ingesting, producing, storing, delivering and streaming video for live linear, Video on Demand (“VOD”), network Digital Video Recorder (“nDVR”) and time-shifted services over the internet.

MediaScale

- Transcode: transforms live and OnDemand content utilizing state-of-the-art GPU technology, creating beautiful, cost-effective content for any device;
- Origin: packages and secures video for streaming over-the-top (“OTT”) or through a service provider managed network, regardless of network technology;
- Storage: captures live, OnDemand, and DVR content, holds it indefinitely, and allows for future streaming, rewind, fast-forward and pause;
- Cache: highly scalable, streaming platform, providing the ability to serve content to all IP and legacy devices, including Streaming Video Alliance Open Cache technology to allow operators to cache and monetize OTT content. Strategically geographically located to minimize network latency and optimize the end user streaming experience;
- Dynamic Content: provides dynamic ad insertion, content replacement, blackout, simultaneous substitution, official alert insertion, and other content personalization on a stream-by-stream basis at the edge of the customer network; and
- Open CDN: Streaming Video Technology Alliance standards-compliant Open Caching solution aimed at operator monetization of OTT content via partnerships with OTT content owners.
- dh/KeyFrame: Elevates video quality while simultaneously reducing required bitrates. This patented technology not only ensures true 1080p and 4K, including denoising and artifact removal, spatial and temporal anti-aliasing, and artifact-free upscaling, it also significantly lowers streaming costs by up to 80 percent.

3) **Telematics** provides fleet managers with the key information and analytics they require to optimally manage their mobile and fixed assets under the Contigo and Nero Global Tracking brands. Vecima’s Telematics solutions allow fleets and high-value assets to be tracked, managed, reported on, and optimized over a subscription-based cloud portal serving commercial and municipal government customers.

2. Industry Developments

Video and Broadband Solutions

Over the last several years, the cable industry has been transitioning towards DAA under the latest data over cable system interface specification ("DOCSIS") standards. Multiple top-tier and mid-tier players have initiated a roll-out of this new platform with further large-scale deployments anticipated over the next several years. DAA is a critical evolution for the industry in that it unlocks gigabit broadband speeds over existing coaxial cable by allowing data transmission up to 10 Gigabits per second ("Gbps") for download speed and 3 Gbps for upload speed today and growing to 6 Gbps upload in the future. The speed provided by DAA using coaxial cable is comparable to that of fiber optic connections, thereby allowing cable operators to leverage their systems without the significant added infrastructure costs of building fiber to the home. Global cable operators expect to benefit from a flexible migration given that DOCSIS 3.1 and 4.0 modems can coexist with older versions and build on top of their previously deployed capacity. The higher efficiency of DAA technology also enables significant cost-per-bit reductions and network resiliency enhancements relative to legacy DOCSIS network solutions.

The cable market began its broad shift towards DAA in 2020 as more operators recognized its suitability for market needs in terms of speed, agility, user experience and cost savings. The impacts of the COVID-19 pandemic further increased demands on network bandwidth, and accelerated the push towards distributed access solutions.

Cable Television Laboratories or CableLabs, a not-for-profit innovation and research and development lab that works in cooperation with cable companies and cable equipment manufacturers, has subsequently released the DOCSIS 4.0 specifications, which include full duplex DOCSIS ("FDX") and extended spectrum DOCSIS ("ESD"), allowing multi-system operators ("MSO") to significantly increase their total capacity while leveraging their past coaxial infrastructure investment.

Increasingly, service providers are strategically extending their networks with an all-fiber architecture using cable specific fiber to the home ("10G EPON") technology. Further, government funding is being made available to subsidize wide-scale fiber network build-outs with an emphasis on rural areas that are currently unserved or underserved. Operators have favoured architectures and products that allow them to cohesively orchestrate both coaxial cable and fiber access networks over a common cloud management platform.

Content Delivery and Storage

Global demand for Internet Protocol ("IP") video content delivery and storage is growing, driven by the rapidly increasing consumption of IP video as consumers turn to streaming services, and cable operators make vast arrays of new IP video content available to subscribers. Service providers are also pursuing new DVR opportunities that shift delivery and storage away from traditional set-top storage to cloud-based models.

Content owners and broadcasters are also leveraging IPTV technologies to deliver services directly to subscribers using OTT business models. Open cache technology, such as that being standardized by the streaming video alliance is aimed at consolidating IPTV traffic utilizing strategically placed cache capacity that reduces cost and network latency.

Telematics

Traditional vehicle telematics is widely available for commercial fleets, but operations managers increasingly demand additional value to improve productivity of personnel and investment in the entire asset base. This has created additional opportunities to leverage asset tracking technology used in the Internet of Things to cost-effectively monitor mobile or fixed assets in the field, particularly in service-based industries where asset utilization can drive a stronger profit margin. Managers in these asset-intensive industries can use key information and analytics to optimally manage their mobile and fixed assets using subscription-based cloud portals.

Our Strategy

Our growth strategy focuses on the development of our core technologies, including next-generation platforms such as our Entra DAA platform, as well as our IP video storage and distribution technologies being sold and deployed under the MediaScale brand within the Content Delivery and Storage segment. We will continue to pursue profitable growth both organically and when appropriate, through value-enhancing strategic acquisitions.

3. Third Quarter Fiscal 2025 Highlights

Financial and Corporate

- Generated third quarter revenue of $64.0 million, compared to $80.1 million in Q3 fiscal 2024 and $71.2 million in Q2 fiscal 2025.
- Gross profit of $30.5 million, compared to $38.8 million in Q3 fiscal 2024 and $25.9 million in Q2 fiscal 2025.
- Gross margin of 47.7%, compared to 48.4% in Q3 fiscal 2024 and 36.4% in Q2 fiscal 2025.
- Adjusted EBITDA of $9.4 million, compared to $17.2 million in Q3 fiscal 2024 and $1.1 million in Q2 fiscal 2025.
- Earnings per share of $0.05 and adjusted earnings per share of $0.02, compared to loss per share and adjusted loss per share of $(0.32) and $(0.25), respectively, in Q2 fiscal 2025.
- Working capital of $60.3 million at March 31, 2025, compared to $84.9 million at June 30, 2024.

Video and Broadband Solutions (VBS)

- The Video and Broadband Solutions segment generated sales of $47.7 million, a decrease of 30% year-over-year (Q3 fiscal 2024 - $68.2 million; Q2 fiscal 2025 - $59.3 million).

  DAA (Entra Family)

  - Entra product sales of $43.5 million decreased from $56.2 million in Q2 fiscal 2025, reflecting temporary delays on customer DAA rollouts.
  - Total customer engagements of 127 MSOs worldwide, compared to 113 a year earlier. Sixty-three of these customers are ordering Entra products as broader DAA deployment progresses.
  - Subsequent to the quarter, on April 15, 2025, Cox Communications, a leading Tier 1 North American MSO, chose Vecima's Entra vCMTS to modernize and enhance its DOCSIS network. The Entra vCMTS solution is part of the Company's Entra Cloud platform of open interoperable, cloud-native applications, which enables operators to transform their networks for next-generation broadband access, maximizing performance while minimizing space, power and cost through virtualization. The multi-year agreement with Cox firmly positions Vecima in the rapidly growing global market for vCMTS and represents just one of multiple customers advancing towards vCMTS deployment with Vecima's solution. During the quarter, Entra vCMTS lab trials continued with several operators both in North America and globally.
  - Made significant forward progress on the Entra DOCSIS 4.0 RPD platform which provides a critical pathway to unlocking next-generation multi-gigabit speed on our customers' platforms.
  - Achieved excellent progress with Vecima's new Falcon V Principal Core technology with the lead Tier 1 customer increasing license uptake. Additional uptake is anticipated in the fourth quarter as the Principal Core advances toward placement in the production cable access network environment. Vecima sees strong ongoing opportunities for Principal Core as a key enabler of multi-access network convergence and multi-vendor interoperability for customers. Interest also continues to grow in the new Falcon V Test Suite technology which accelerates DAA deployments by ensuring customers can fully test new software in a multi-core, multi-vendor environment.
  - For the fourth consecutive year, Dell'Oro Group, a respected industry market research firm, named Vecima the global market share leader in two DAA segments for 2024: Remote Optical Line Terminals (R-OLT) for FTTH and Remote MACPHY cable access nodes.

  Commercial Video (Terrace Family)

  - Commercial Video product sales were in line with expectations at $4.2 million (Q3 fiscal 2024 - $7.2 million, Q2 fiscal 2025 $3.0 million). The decrease was primarily due to significant sales of the TC600E platform to our lead customer in Q3 fiscal 2024 and also reflects the continued transition to next-generation platforms and the impact of some of Vecima's newer DAA-driven Commercial Video solutions being accounted for as part of Entra family sales.

Content Delivery and Storage (CDS)

- The Content Delivery and Storage segment increased sales by 38% to $14.1 million, from $10.2 million in both Q3 fiscal 2024 and Q2 fiscal 2025.
  - Achieved a very strong CDS gross margin of 70.0% (Q3 fiscal 2024 - 63.4%; Q2 fiscal 2025 - 56.5%), reflecting a significant percentage of high-margin software sales in the product mix.
  - Undertook a major modification and unification of a leading Tier 1 customer's Video On Demand (VOD) network, which not only expanded market share for Vecima, but also positioned the customer with significant new IPTV capacity and capabilities within its legacy VOD network.
  - Acceleration of IPTV customer subscriber growth, with significant further migration from QAM to IPTV, underpinned by Vecima's MediaScale platforms.
  - Continued to advance deployments of the MediaScale Dynamic Ad Insertion platform with new customers.
  - Continued progress and development of the standards-driven MediaScale Open CDN platform.
  - Following Q2 agreement with Digital Harmonic to exclusively resell its innovative dh/KeyFrame Media Optimization Solution, showcased the technology's ability to significantly elevate video quality while reducing content bit rates at the NAB Show in April 2025.

Telematics

- Telematics segment sales grew 32% year-over-year to $2.2 million (Q3 fiscal 2024 - $1.7 million; Q2 fiscal 2025 - $1.7 million). The significant sales increase reflects ongoing growth in recurring revenue from net new subscriptions and asset tracking as well as an accounting adjustment in the period for certain mobile asset tracking products that added a one-time revenue increase for the quarter.
  - Added 15 new customers for the NERO asset tracking platform, including a single contract for over 1,200 vehicle subscriptions and 20,000 asset tags, representing a large new customer win.
  - Secured additional deployments in high-value verticals, including municipal governments and moveable asset sectors such as the restoration industry.
  - Achieved strong gross margin percentage of 65.4%.

4. Outlook

We anticipate a continuation of demand volatility through the balance of fiscal 2025, particularly in the VBS segment, as a result of customer project timing. Delays to date have primarily reflected ongoing system level field qualifications, which are typically challenging for customers undertaking very large system upgrades. Vecima’s technology continues to perform exceptionally well through these qualification processes, and we anticipate increased product rollouts once qualifications are completed.

Trade actions between the U.S. and other countries have added further uncertainty to our outlook, although to date, impacts on the 90% of our sales made to the US have been negligible. With our manufacturing predominantly domiciled in Canada and thus far exempt from tariff actions under USMCA agreements, our current position potentially gives us an advantage over competitors with greater exposure to offshore product manufacturing. We continue to closely monitor tariff-related risks and we have a long track record of responding quickly and successfully to changing business conditions as required. We are confident in our ability to adapt effectively to changes in the macroeconomic environment.

While the combination of current trade and customer timing uncertainties make accurate forecasting more difficult in the near and medium term, Vecima’s global market leadership in the high-growth DAA and IPTV markets and long track record of providing innovative technology solutions to world’s most sophisticated cable and broadcast providers continue to position us for sustained long-term growth.

Operators worldwide have a compelling need to upgrade their cable, fiber, and IPTV networks to expand capacity, respond to increasing competition, and meet customers’ expectations for ever-faster internet speeds and enhanced services. A number of Tier 1 customers are in the process of implementing major DAA network rollouts supported by Vecima's next-generation solutions. At the same time, the industry is beginning to coalesce around Unified DOCSIS 4.0 solutions, leading to upcoming opportunities for Vecima's highly interoperable platforms.

Our entry into the vCMTS software market represents a significant, additional growth driver for Vecima, underscored by our recent win of a multi-year vCMTS contract with Cox Communications and our continued progress on lab trials with additional MSOs. As these and other opportunities begin to converge, and as a broader range of MSOs worldwide begin to undertake their own DAA rollouts, we are well positioned to realize the rewards of our multi-year investment into the world's most comprehensive DAA portfolio.

While the transition to the US$42.5 billion BEAD program as a source of supplemental funding for network expansion into underserved rural areas has been slower than expected, we anticipate solid support for our fiber access products from operators accessing the existing Rural Digital Opportunity Fund (RDOF) and longer-term continue to see the BEAD program providing significant opportunities for our fiber access portfolio.

In the nearer term, and in our VBS segment, volume deployments of our new EN9000 Generic Access Platforms are expected to provide further significant revenue contribution as we move into the fourth quarter, helping to offset the impact of project timing challenges on other products. As previously noted, the EN9000 is a pivotal platform technology that carries a lower margin when fulfilled on a standalone basis but ultimately helps to drive higher overall margins as software driven access modules are sold and populated within the node.

Commercial Video sales, which include TerraceQAM and Terrace Family products, are expected to remain lower year-over-year as customers continue to transition to our next-generation TerraceIQ solution and as a portion of our Commercial Video solutions become DAA-driven and are accounted for as part of Entra family sales.

In our Content Delivery and Storage segment, we anticipate continued strong sales performance through the balance of fiscal 2025, with gross margin percentage returning to more typical levels following the favorable product mix attained in Q3. Our outlook for the segment is supported by an increase in existing and new customers' IPTV upgrades and expansions, the roll out of our new Dynamic Ad Insertion products with more customers, and additional opportunities created by our new dh/KeyFrame reselling agreement with Digital Harmonic. We also continue to see excellent long-term opportunities for this segment as IPTV gains further momentum and our newer open caching and Dynamic Ad Insertion solutions become an important driver of CDS performance.

In the Telematics segment, we anticipate continued profitable growth as demand for our asset tracking services grows and as we add additional subscriptions from the fleet tracking market.

Moving forward, we remain confident in our future growth prospects and our ability to continue creating strong value for our customers and shareholders.

5. Consolidated Results of Operations

Amounts are presented in thousands of Canadian dollars except percentages, employees, dividends and per share amounts. This information should be read in conjunction with our financial statements for the relevant periods, including the related notes, and the balance of this MD&A.

Consolidated Statements of Comprehensive Income (Loss) Data *(in thousands of dollars except common share data)*	**Three months ended March 31, 2025**		2024		**Nine months ended March 31, 2025**		2024	
Sales	$ 63,979	100%	$ 80,139	100%	$ 217,107	100%	$ 203,571	100%
Cost of sales[7]	33,443	52%	41,312	52%	126,484	58%	103,881	51%
Gross profit	**30,536**	**48%**	**38,827**	**48%**	**90,623**	**42%**	**99,690**	**49%**
Operating expenses								
Research and development[1]	11,500	18%	11,281	14%	35,062	16%	33,128	16%
Sales and marketing[7]	8,238	13%	7,721	10%	24,937	12%	23,828	12%
General and administrative[7]	6,945	11%	8,123	10%	21,335	10%	22,904	11%
Restructuring costs	–	–%	–	–%	2,798	1%	–	–%
Share-based compensation	486	1%	272	–%	1,494	1%	785	1%
Other expense	19	–%	1,349	2%	506	–%	1,616	1%
	27,188	**43%**	**28,746**	**36%**	**86,132**	**40%**	**82,261**	**41%**
Operating income	**3,348**	**5%**	**10,081**	**12%**	**4,491**	**2%**	**17,429**	**8%**
Finance expense	(2,033)	(3)%	(1,580)	(2)%	(6,751)	(3)%	(3,940)	(2)%
Foreign exchange gain (loss)	251	–%	(1,159)	(1)%	(3,513)	(2)%	94	–%
Income (loss) before taxes	**1,566**	**2%**	**7,342**	**9%**	**(5,773)**	**(3)%**	**13,583**	**6%**
Income tax expense (recovery)	384	–%	1,542	2%	(1,215)	(1)%	2,449	1%
Net Income (loss)	**1,182**	**2%**	**5,800**	**7%**	**(4,558)**	**(2)%**	**11,134**	**5%**
Other comprehensive income (loss)	(786)	(1)%	1,361	2%	4,303	2%	1,177	1%
Comprehensive income (loss)	**$ 396**	**1%**	**$ 7,161**	**9%**	**$ (255)**	**–%**	**$ 12,311**	**6%**
Net income (loss) per share[2]**:**								
Basic – total	$ 0.05		$ 0.24		$ (0.19)		$ 0.46	
Diluted – total	$ 0.05		$ 0.24		$ (0.19)		$ 0.46	
Other Data:								
Research and Development Expenditures[3]	$ 15,192		$ 14,550		$ 46,568		$ 43,139	
Adjusted EBITDA[4]	$ 9,368		$ 17,221		$ 22,030		$ 37,814	
Adjusted earnings (loss) per share[5]	$ 0.02		$ 0.31		$ (0.14)		$ 0.55	
Number of employees[6]	582		591		582		591	

(1) *Net of investment tax credits and capitalized development costs.*
(2) *Based on weighted average number of common shares outstanding.*
(3) *Amounts are from continuing operations. See "Total Research and Development Expenditures".*
(4) *Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. See "EBITDA and Adjusted EBITDA".*
(5) *Adjusted Earnings per Share does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. See "Adjusted Earnings per Share".*
(6) *The number of employees is determined as of the end of the period.*
(7) *The Company has restated the comparative period for a change in commission expense presentation. Refer to Note 22 of the Interim Condensed Financial Statements for the three and nine month periods ended March 31, 2025.*

Consolidated Statements of Financial Position *(in thousands of dollars except common share data)*	**March 31, 2025**	June 30, 2024
Cash and cash equivalents	$ 1,487	$ 2,136
Working capital	60,293	84,857
Total assets	366,402	387,823
Long-term debt[1]	15,009	15,399
Shareholders' equity	$ 232,214	$ 234,960
Number of common shares outstanding[2]	24,314,594	24,306,028

(1) *Long-term debt includes lease liabilities per IFRS 16.*
(2) *Based on the weighted average number of common shares outstanding during the first nine months of fiscal 2025.*

Adjusted Net Income (Loss) and Adjusted Earnings (Loss) per Share

The following table reconciles net income for the period to adjusted net income as well as earnings per share to adjusted earnings per share. The term “adjusted net income” refers to net income or net loss as reported in the IFRS financial statements, excluding any amounts included in net income or net loss for gains and losses on the sale of non-core property, plant and equipment ("PP&E") and intangible assets, warrants expense and recovery, acquisition-related costs, restructuring costs, and the tax effect of these adjusted items. We believe that adjusted net income and adjusted earnings per share provides supplemental information for management and our investors because they provide for the analysis of our results exclusive of certain items which do not directly correlate to our business of selling broadband access products, content delivery and storage products and services or supplying telematics services. Adjusted net income and adjusted earnings per share do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers.

Calculation of Adjusted Earnings (Loss) per Share	**Three months ended March 31,**		**Nine months ended March 31,**	
(in thousands of dollars except per share amounts)	**2025**	2024	**2025**	2024
Net income (loss)	$ 1,182	$ 5,800	$ (4,558)	$ 11,134
Loss on sale of non-core PP&E, net of tax	5	–	83	15
Warrants expense (recovery), net of tax	(770)	568	(1,374)	1,252
Acquisition-related costs, net of tax	3	–	309	–
Advisory fees, net of tax	–	1,088	–	1,088
Restructuring costs, net of tax	–	–	2,210	–
Adjusted net income (loss)	**$ 420**	**$ 7,456**	**$ (3,330)**	**$ 13,489**
Net income (loss) per share	$ 0.05	$ 0.24	$ (0.19)	$ 0.46
Warrants expense (recovery), net of tax	(0.03)	0.03	(0.05)	0.05
Acquisition-related costs, net of tax	–	–	0.01	–
Advisory fees, net of tax	–	0.04	–	0.04
Restructuring costs, net of tax	–	–	0.09	–
Adjusted earnings (loss) per share(1)(2)	**$ 0.02**	**$ 0.31**	**$ (0.14)**	**$ 0.55**

(1) *Adjusted earnings (loss) per share includes non-cash share-based compensation of $0.5 million or $0.02 per share for the three months ended March 31, 2025, and $0.3 million or $0.01 per share for the three months ended March 31, 2024. The non-cash share-based compensation primarily reflects certain performance-based vesting thresholds achieved under the Company’s Performance Share Unit Plan.*

(2) *Adjusted earnings (loss) per share includes foreign exchange gain of $0.3 million or $0.01 per share for the three months ended March 31, 2025, and a foreign exchange loss of $(1.2) million or $(0.05) per share for the three months ended March 31, 2024.*

Adjusted Gross Margin

The following table reconciles Gross Margin for the period to Adjusted Gross Margin. The term “Gross Margin” refers to sales less cost of sales as reported in the IFRS financial statements. The term “Adjusted Gross Margin” refers to gross margin adjusted for warrants expense and recovery. We believe that Adjusted Gross Margin is useful supplemental information for management and for our investors because it provides for the analysis of our results exclusive of certain non-cash items and other items which do not directly correlate to our business of selling broadband access products, content delivery and storage products and services or supplying telematics services. Adjusted Gross Margin is not a recognized measure under IFRS and, accordingly, investors are cautioned that adjusted margin should not be construed as alternatives to gross margin, determined in accordance with IFRS, or as indicators of our financial performance or as measures of our liquidity and cash flows.

Calculation of Adjusted Gross Margin	**Three months ended March 31,**		**Nine months ended March 31,**	
(in thousands of dollars)	**2025**	2024	**2025**	2024
Sales	$ 63,979	$ 80,139	$ 217,107	$ 203,571
Cost of Sales (2)	33,443	41,312	126,484	103,881
Gross Margin (2)	**30,536**	**38,827**	**90,623**	**99,690**
Warrants expense (recovery)(1)	(974)	710	(1,739)	1,565
Adjusted Gross Margin	**$ 29,562**	**$ 39,537**	**$ 88,884**	**$ 101,255**
Adjusted Gross Margin %	**46.2 %**	**49.3 %**	**40.9 %**	**49.7 %**

(1) *Reflects non-cash expense associated with warrants issued to a customer which are recorded as sales incentives under IFRS.*

(2) *The Company has restated the comparative period for a change in commission expense presentation. Refer to Note 22 of the Interim Condensed Financial Statements for the three and nine month periods ended March 31, 2025 and 2024.*

EBITDA and Adjusted EBITDA

The following table reconciles net income for the period to EBITDA and Adjusted EBITDA. The term "EBITDA" refers to net income or net loss as reported in the IFRS financial statements, excluding any amounts included in net income or net loss for income taxes, interest expense, and depreciation and amortization for PP&E, right-of-use assets, deferred development and intangible assets. The term "Adjusted EBITDA" refers to EBITDA adjusted for: gains and losses on sale of PP&E and intangible assets; share-based compensation; warrants expense and recovery; acquisition-related costs; and restructuring costs. We believe that Adjusted EBITDA is useful supplemental information for management and for our investors because it provides for the analysis of our results exclusive of certain non-cash items and other items which do not directly correlate to our business of selling broadband access products, content delivery and storage products and services or supplying telematic services. EBITDA and Adjusted EBITDA are not recognized measures under IFRS and, accordingly, investors are cautioned that EBITDA and Adjusted EBITDA should not be construed as alternatives to net income, determined in accordance with IFRS, or as indicators of our financial performance or as measures of our liquidity and cash flows.

Calculation of Adjusted EBITDA	**Three months ended March 31,**		**Nine months ended March 31,**	
(in thousands of dollars)	**2025**	2024	**2025**	2024
Net income (loss)	$ 1,182	$ 5,800	$ (4,558)	$ 11,134
Income tax expense (recovery)	384	1,542	(1,215)	2,449
Interest expense	2,042	1,584	6,788	3,946
Depreciation of property, plant and equipment	754	1,553	2,714	3,229
Depreciation of right-of-use assets	378	308	1,113	967
Amortization of deferred development costs	4,119	3,283	11,501	9,919
Amortization of intangible assets	987	809	2,638	2,441
EBITDA	**9,846**	**14,879**	**18,981**	**34,085**
Loss on sale of property, plant and equipment	6	–	105	19
Share-based compensation	486	272	1,494	785
Warrants expense (recovery)	(974)	710	(1,739)	1,565
Acquisition-related costs	4	1,360	391	1,360
Restructuring costs	–	–	2,798	–
Adjusted EBITDA	**$ 9,368**	**$ 17,221**	**$ 22,030**	**$ 37,814**
Percentage of sales	**15%**	**21%**	**10%**	**19%**

Total Research and Development Expenditures

The following table reconciles research and development expenses reported in accordance with IFRS as shown on the consolidated statements of comprehensive income (research and development) to our actual cash research and development expenditures (total research and development expenditures) below:

Calculation of Research and Development Expenditures	**Three months ended March 31,**		**Nine months ended March 31,**	
(in thousands of dollars)	**2025**	2024	**2025**	2024
R&D expense per statement of comprehensive income	$ 11,500	$ 11,281	$ 35,062	$ 33,128
Deferred development costs	7,771	6,524	22,873	19,834
Investment tax credits	40	28	134	96
Amortization of deferred development costs	(4,119)	(3,283)	(11,501)	(9,919)
Total research and development expenditures	**$ 15,192**	**$ 14,550**	**$ 46,568**	**$ 43,139**
Percentage of sales	**24%**	**18%**	**21%**	**21%**

6. Summary of Quarterly Results of Operations

The following information has been derived from our consolidated financial statements for the three and nine months ended March 31, 2025 and 2024 in accordance with IFRS. This information should be read in conjunction with those financial statements and their related notes as well as with the balance of this MD&A.

(in thousands of dollars except per share amounts)	FY2025 Q3	FY2025 Q2	FY2025 Q1	FY2024 Q4	FY2024 Q3	FY2024 Q2	FY2024 Q1	FY2023 Q4
Sales	$ 63,979	$ 71,223	$ 81,905	$ 87,476	$ 80,139	$ 61,954	$ 61,478	$ 75,522
Cost of Sales[1]	33,443	45,307	47,734	45,548	41,312	31,109	31,460	36,127
Gross profit[1]	**30,536**	**25,916**	**34,171**	**41,928**	**38,827**	**30,845**	**30,018**	**39,395**
Operating expenses								
Research and development	11,500	11,679	11,883	11,041	11,281	11,551	10,296	12,851
Sales and marketing[1]	8,238	7,257	9,442	9,529	7,721	7,674	8,434	8,897
General and administrative[1]	6,945	6,929	7,461	8,757	8,123	6,607	8,173	8,151
Restructuring costs	–	2,798	–	–	–	–	–	1,236
Share-based compensation	486	462	546	248	272	257	256	1,300
Other expense	19	194	293	189	1,349	97	170	1,553
	27,188	**29,319**	**29,625**	**29,764**	**28,746**	**26,186**	**27,329**	**33,988**
Operating income (loss)	**3,348**	**(3,403)**	**4,546**	**12,164**	**10,081**	**4,659**	**2,689**	**5,407**
Finance expense	(2,033)	(2,345)	(2,373)	(3,184)	(1,580)	(1,660)	(700)	(877)
Foreign exchange gain (loss)	251	(4,272)	508	(2,029)	(1,159)	1,837	(584)	1,319
Income (loss) before income taxes	**1,566**	**(10,020)**	**2,681**	**6,951**	**7,342**	**4,836**	**1,405**	**5,849**
Income tax expense (recovery)	384	(2,135)	536	(1,306)	1,542	1,247	(340)	739
Net income (loss)	**1,182**	**(7,885)**	**2,145**	**8,257**	**5,800**	**3,589**	**1,745**	**5,110**
Other comprehensive income (loss)	(786)	6,001	(912)	959	1,361	(1,157)	973	(1,896)
Comprehensive income (loss)	**$ 396**	**$ (1,884)**	**$ 1,233**	**$ 9,216**	**$ 7,161**	**$ 2,432**	**$ 2,718**	**$ 3,214**
Net income (loss) per share								
Basic – total	$ 0.05	$ (0.32)	$ 0.09	$ 0.34	$ 0.24	$ 0.15	$ 0.07	$ 0.21
Diluted – total	0.05	(0.32)	0.09	0.34	0.24	0.15	0.07	0.21
Adjusted EBITDA as reported	$ 9,368	$ 1,082	$ 11,580	$ 15,969	$ 17,221	$ 12,470	$ 8,123	$ 15,088

[1] *The Company has restated the comparative period for a change in commission expense presentation. Refer to Note 22 of the Interim Condensed Financial Statements for the three and nine month periods ended March 31, 2025 and 2024.*

Quarter-to-Quarter Sales Variances

There are many factors that may contribute to the overall variances of our sales. Traditionally, one of the main factors has been that we continually develop new products to replace products that are reaching the end of their lifecycle. The timing of development can vary based on the size of the projects. The timing of regulatory certification and customer acceptance of new products can also affect the timing of sales.

Within the industry, spending by cable operators is impacted by major new technology adoption such as the industry-wide migration to distributed access architecture. The budgeting cycles of larger cable operators can also result in quarter-to-quarter variability in customer orders as do their installation schedules and any adjustments thereof. We are currently experiencing a transition in demand for some of our legacy Video and Broadband Solutions products as customers complete their digital networks and migrate their focus to distributed access architecture and next-generation commercial video platforms.

Our Content Delivery and Storage segment also influences potential variations of our quarterly sales. Pronounced quarterly sales fluctuations are typical of this business due to the typically large size of customer orders and associated IPTV projects that are subject to customer timing adjustments. Demand for CDS solutions is also prone to seasonal demand fluctuations with the first and third quarters typically carrying slower customer activity.

7. Segmented Information

Sales

Segment		Three months ended March 31, 2025		2024		Nine months ended March 31, 2025		2024
Video and Broadband Solutions	$	47,650	$	68,237	$	179,858	$	161,434
Content Delivery and Storage		14,083		10,204		31,524		37,162
Telematics		2,246		1,698		5,725		4,975
Total sales	**$**	**63,979**	**$**	**80,139**	**$**	**217,107**	**$**	**203,571**

Three-Month Results

We achieved total sales of $64.0 million in the third quarter of fiscal 2025, a decrease of 20% from $80.1 million in Q3 fiscal 2024 and 10% from $71.2 million in Q2 fiscal 2025. The year-over-year decrease primarily reflects lower Video and Broadband Solutions sales, partially offset by higher contribution from the Content Delivery and Storage segment.

The Video and Broadband Solutions segment generated third quarter revenue of $47.7 million, a decrease of 30% from $68.2 million in Q3 fiscal 2024 and 20% lower than the $59.3 million generated in Q2 fiscal 2025.

- Next-generation Entra products sales of $43.5 million decreased 29% from $60.9 million in Q3 fiscal 2024 and were 23% lower than the $56.2 million generated in Q2 fiscal 2025. The year-over-year decrease reflects a temporary slow down in orders as our customers continue to draw down inventory on in-flight projects and plan for the next phase of large-scale network deployments.
- Commercial Video products contributed sales of $4.2 million as compared to $7.2 million in Q3 fiscal 2024 and $3.0 million in Q2 fiscal 2025. The decrease was primarily due to significant sales of the TC600E platform to our lead customer in Q3 fiscal 2024 and also reflects the continued transition to next-generation platforms and the impact of some of Vecima's newer DAA-driven Commercial Video solutions being accounted for as part of Entra family sales.

In the Content Delivery and Storage segment, third quarter sales grew 38% year-over-year to $14.1 million, from $10.2 million in both Q3 fiscal 2024 and Q2 fiscal 2025. The year-over-year increase primarily reflects customer upgrades and expansions combined with higher service revenues. As always, we note that quarterly sales variances are typical for the CDS segment. Segment sales for the Q3 fiscal 2025 period included $7.4 million of product sales (Q3 fiscal 2024 - $4.0 million) and $6.7 million of services revenue (Q3 fiscal 2024 - $6.2 million).

Third quarter Telematics sales of $2.2 million were approximately 32% higher than the $1.7 million achieved in Q3 fiscal 2024 and 29% higher than the $1.7 million achieved in Q2 fiscal 2025. Results for the period reflect an increase in assets and tags monitored, combined with an adjustment of $0.2M for a change in accounting treatment of certain mobile asset tracking products.

Nine-Month Results

For the nine months ended March 31, 2025, total sales grew 7% to $217.1 million, from $203.6 million in the same period of fiscal 2024. The year-over-year increase primarily reflects higher Video and Broadband Entra sales combined with the positive impact of a stronger US dollar, partially offset by lower year-to-date sales in the Content Delivery and Storage segment.

Nine-month Video and Broadband Solutions sales increased 11% to $179.9 million, from $161.4 million in the same period in fiscal 2024.

- Next-generation Entra products sales grew 17% to $168.0 million in the first nine months of fiscal 2025, from $143.5 million in the same period last year. This increase was supported by the volume rollout of our new EN9000 products in the first nine months of fiscal 2025.
- Commercial Video products sales were $11.6 million in the first nine months of fiscal 2025, compared to $17.9 million in the same period last year. The year-over-year change reflects the continued transition to next-generation platforms combined with significant sales of the TC600E platform to our lead customer in Q3 fiscal 2024.

In the Content Delivery and Storage segment, we generated nine-month sales of $31.5 million, as compared to $37.2 million in the same period last year, a decrease of 15%. The year-over-year change primarily reflects customer project delays affecting sales in the first half of the fiscal year, partially offset by improved sales in the third quarter. CDS segment sales for the first nine months of fiscal 2025 included $13.1 million of product sales (Fiscal 2024 - $19.2 million) and $18.4 million of services revenue (Fiscal 2024 - $17.9 million).

Nine-month Telematics sales increased 15% to $5.7 million, from $5.0 million in the same period of fiscal 2024. Results for the period reflect the increase in assets and tags monitored, combined with an adjustment of $0.2M for a change in accounting treatment of certain mobile asset tracking products.

Cost of Sales

Cost of sales consists primarily of product manufacturing and assembly expenses, with component parts, employee and third-party supplier costs representing a significant portion of these costs. Costs associated with Video and Broadband Solutions sales include related overhead, compensation, final assembly, quality assurance, and inventory management cost, as well as support costs and payments to contract manufacturers that perform printed circuit board assembly functions. Costs associated with Content Delivery and Storage sales include the cost of the computer systems sold, depreciation, labour, material, overhead and third-party product costs, as well as the salaries, benefits and other costs of the maintenance, service and help desk personnel associated with product installation, and support activities. Costs associated with Telematics sales consist of hardware amortization, inventory management costs, order fulfillment, wireless fees, server hosting services, and mapping licenses.

	Three months ended March 31,		Nine months ended March 31,	
Segment	**2025**	2024	**2025**	2024
Video and Broadband Solutions	$ 28,436	$ 37,047	$ 113,095	$ 87,727
Content Delivery and Storage	4,230	3,738	11,547	14,521
Telematics	777	527	1,842	1,633
Total cost of sales	**$ 33,443**	**$ 41,312**	**$ 126,484**	**$ 103,881**

Three-Month Results

For the three months ended March 31, 2025, total cost of sales decreased 19% to $33.4 million, from $41.3 million in Q3 fiscal 2024 and were 26% lower than cost of sales of $45.3 million in Q2 fiscal 2025. The year-over-year decrease primarily reflects lower VBS segment sales, partially offset by higher volume sales of lower-margin products as discussed in the Gross Profit and Gross Margin section.

Third quarter cost of sales in the Video and Broadband Solutions segment decreased 23% to $28.4 million, from $37.0 million in Q3 fiscal 2024 and was down 29% from $40.3 million in Q2 fiscal 2025. The year-over-year decrease primarily reflects lower VBS segment sales, partially offset by increased sales of a lower gross margin product sales.

In the Content Delivery and Storage segment, third quarter cost of sales increased by 13% to $4.2 million, from $3.7 million in Q3 fiscal 2024, but decreased 5% from $4.4 million in Q2 fiscal 2025. The year-over-year increase primarily reflects higher CDS sales, partially offset by higher-margin product sales.

Third quarter cost of sales from the Telematics segment increased to $0.8 million, from $0.5 million in the same period of fiscal 2024 and $0.6 million in Q2 fiscal 2025, reflecting increased sales and an adjustment of $0.1M for a change in accounting treatment of certain mobile asset tracking products.

Nine-Month Results

For the nine months ended March 31, 2025, total cost of sales increased by 22% to $126.5 million, from $103.9 million in the same period in fiscal 2024. The year-over-year increase primarily reflects higher VBS segment sales, including higher volume sales of a lower-margin product as discussed further under the Gross Profit and Gross Margin section.

Cost of sales in the Video and Broadband Solutions segment increased 29% to $113.1 million in the first nine months of fiscal 2025, from $87.7 million in same period in fiscal 2024. The year-over-year increase primarily reflects higher sales, including higher volume sales of a lower-margin product as discussed further under the Gross Profit and Gross Margin section.

Cost of sales in the Content Delivery and Storage segment decreased by 20% to $11.5 million in the first nine months of fiscal 2025, from $14.5 million in the same period in fiscal 2024. The year-over-year change was primarily driven by lower CDS sales.

Cost of sales in the Telematics segment increased to $1.8 million in the first nine months fiscal 2025 compared to $1.6 million in the same period of fiscal 2024, reflecting increased sales and an adjustment of $0.1M for a change in accounting treatment of certain mobile asset tracking products.

Gross Profit and Gross Margin

Segment		Three months ended March 31, 2025		2024		Nine months ended March 31, 2025		2024
Video and Broadband Solutions	$	19,214	$	31,190	$	66,763	$	73,707
Content Delivery and Storage		9,853		6,466		19,977		22,641
Telematics		1,469		1,171		3,883		3,342
Total gross profit	**$**	**30,536**	**$**	**38,827**	**$**	**90,623**	**$**	**99,690**
Video and Broadband Solutions		40.3 %		45.7 %		37.1 %		45.7 %
Content Delivery and Storage		70.0 %		63.4 %		63.4 %		60.9 %
Telematics		65.4 %		69.0 %		67.8 %		67.2 %
Total gross margin		**47.7 %**		**48.4 %**		**41.7 %**		**49.0 %**

Three-Month Results

For the three months ended March 31, 2025, we generated total gross profit of $30.5 million, a decrease of 21% from $38.8 million in Q3 fiscal 2024 but an increase of 18% from $25.9 million in Q2 fiscal 2025. The year-over-year decrease in gross profit primarily reflects lower VBS segment sales combined with a lower-margin product mix, partially offset by an increase in higher-margin CDS segment sales. The quarter-over-quarter improvement in gross profit reflects a higher-margin VBS product mix and decreased expedite costs, together with the increase in higher-margin CDS segment sales. Third quarter gross margin was 47.7%, slightly lower than 48.4% in Q3 fiscal 2024, but significantly higher than 36.4% in Q2 fiscal 2025. The year-over-year decrease in gross margin reflects a shift in product mix, particularly the inclusion of lower-margin EN9000 VBS product sales, partially offset by higher sales and higher margins in the CDS segment. The quarter-over-quarter increase in gross margin reflects lower expedite costs combined with a higher-margin product mix in both the VBS and CDS segments.

Video and Broadband Solutions segment gross profit of $19.2 million (gross profit margin of 40.3%) was 38% lower than the $31.2 million (gross profit margin of 45.7%) generated in Q3 fiscal 2024, reflecting decreased sales and a lower-margin product mix. On a sequential quarterly basis, VBS gross profit was 1% higher than the $19.0 million achieved in Q2 fiscal 2025 (gross profit margin of 36.0%), reflecting lower expedite costs and a higher-margin product mix.

In the Content Delivery and Storage segment, third quarter gross profit grew 52% to $9.9 million, from $6.5 million in the same period last year. The year-over-year increase reflects sales growth combined with a higher-margin sales mix. CDS gross margin for the third quarter increased to a very strong 70.0%, from 63.4% in the same period last year, reflecting the higher-margin sales mix, which included significant software sales during the quarter. On a sequential quarterly basis, Q3 CDS gross profit was 71% higher than the $5.8 million generated in Q2 fiscal 2025, reflecting the improvement in sales combined with stronger product margins.

Third quarter gross profit from the Telematics segment was $1.5 million (gross profit margin of 65.4%), higher than the $1.2 million (gross margin of 69.0%) in Q3 fiscal 2024. On a sequential quarterly basis, Telematics gross profit increased by 29% from the $1.2 million (gross margin of 69.4%) achieved in Q2 fiscal 2025. The year-over-year increase in gross profit was primarily driven by new customer wins and increased sales combined with an adjustment of $0.1M for a change in accounting treatment of certain mobile asset tracking products.

Nine-Month Results

For the nine months ended March 31, 2025, we generated gross profit of $90.6 million, a decrease of 9% from $99.7 million in the same period of fiscal 2024. The change in gross profit reflects lower VBS margins, partially offset by higher sales. Gross margin in the first nine months of fiscal 2025 decreased to 41.7%, from 49.0% year-over-year, primarily reflecting a different product mix, combined with lower CDS segment sales. While we normally target a gross margin percentage of 45% to 49%, we have been anticipating lower gross margins in fiscal 2025 as a result of the roll out of our EN9000 platform. As previously noted, the EN9000 carries a lower margin when initially fulfilled on a standalone basis but later helps to drive higher margins as software-driven access modules are populated within the node.

The Video and Broadband Solutions segment generated gross profit of $66.8 million (gross profit margin of 37.1%) in the first nine months of fiscal 2025, compared to $73.7 million (gross profit margin of 45.7%) in the first nine months of fiscal 2024. The 9% year-over-year decrease in gross profit is mainly attributed to a lower gross margin on overall sales.

Content Delivery and Storage segment gross profit decreased 12% to $20.0 million (gross profit margin of 63.4%) in the first nine months of fiscal 2025, from $22.6 million (gross profit margin of 60.9%) in the same period of fiscal 2024. The year-over-year decrease primarily reflects lower segment sales, partially offset by higher product margins.

Telematics segment gross profit for the first nine months increased to $3.9 million (gross profit margin of 67.8%), from $3.3 million (gross margin of 67.2%) in the same period of fiscal 2024. The year-over-year increase in gross profit was primarily driven by new customer wins and increased sales combined with an adjustment of $0.1M for a change in accounting treatment of certain mobile asset tracking products.

Operating Expenses

	Three months ended March 31,		Nine months ended March 31,	
Segment	**2025**	2024	**2025**	2024
Video and Broadband Solutions	$ 19,389	$ 20,043	$ 61,902	$ 56,441
Content Delivery and Storage	6,698	7,787	21,174	23,059
Telematics	1,101	916	3,056	2,761
Total operating expense	**$ 27,188**	**$ 28,746**	**$ 86,132**	**$ 82,261**

Three-Month Results

For the three months ended March 31, 2025, total operating expenses decreased to $27.2 million, from $28.7 million in Q3 fiscal 2024 and $29.3 million in Q2 fiscal 2025. As a percentage of sales, Q3 operating expenses were 43% as compared to 36% in Q3 fiscal 2024.

Video and Broadband Solutions operating expenses decreased to $19.4 million, from $20.0 million in Q3 fiscal 2024 and were $1.4 million lower than the $20.8 million in Q2 fiscal 2025. The $0.7 million year-over-year decrease primarily reflects lower advisory fees and general and administrative costs, partially offset by higher sales and marketing costs. The $1.4 million quarter-over-quarter decrease reflects one-time restructuring costs in the second quarter, combined with the resulting savings in the third quarter, partially offset by higher sales and marketing non-cash inventory valuation allowances in the third quarter.

Content Delivery and Storage operating expenses decreased to $6.7 million in Q3 fiscal 2025, from $7.8 million in the same period of fiscal 2024 and $7.5 million recorded in Q2 fiscal 2025. The year-over-year decrease is primarily due to lower general and administrative and sales and marketing expense resulting from lower support allocations. The quarter-over-quarter decrease mainly reflects one-time restructuring costs in the second quarter combined with the resulting savings in the third quarter.

Telematics operating expenses were $1.1 million, as compared to $0.9 million in Q3 fiscal 2024 and were slightly higher than the $1.0 million recorded in Q2 fiscal 2025.

Research and development expenses for Q3 fiscal 2025 increased to $11.5 million, or 18% of sales, from $11.3 million, or 14% of sales in the same period of fiscal 2024. The slight increase primarily reflects higher deferred development cost amortization combined with additional research and development expenses related to the Falcon V operations acquired in the second quarter, partially offset by higher capitalized development costs. Our investment in research and development supports the launch of new products. Until these products are in commercial production, the development costs are deferred to future periods. Total research and development costs before deferrals, amortization of deferred development costs and income tax credits for Q3 fiscal 2025 increased to $15.2 million, or 24% of sales, from $14.6 million, or 18% of sales in Q3 fiscal 2024. The increase reflects the impact of the Falcon V acquisition, combined with increased prototyping, and software and licensing costs as our next-generation products move closer to commercial deployment.

Sales and marketing expenses increased to $8.2 million, or 13% of sales in Q3 fiscal 2025, from $7.7 million, or 10% of sales in the same period last year. The year-over-year increase primarily reflects higher trade show, travel and business development costs, combined with the impact of a stronger US dollar. The quarter-over-quarter decrease primarily reflects one-time restructuring costs in the second quarter combined with the resulting savings in the third quarter of fiscal 2025.

General and administrative expenses decreased to $6.9 million, or 11% of sales, from $8.1 million or 10% of sales in Q3 fiscal 2024. The year-over-year decrease primarily reflects lower depreciation expense and decreased salary and wages expense, partially offset by higher professional fees and the negative impact of a stronger US dollar.

Stock-based compensation expense increased to $0.5 million in Q3 fiscal 2025, from $0.3 million in Q3 fiscal 2024. The year-over-year change reflects an increase in PSUs outstanding and grant date fair value vesting in Q3 fiscal 2025 compared to the prior-year period.

Other expense was $nil in Q3 fiscal 2025, compared to $1.3 million in Q3 fiscal 2024, reflecting advisory fees related to an unsuccessful acquisition in the prior-year period.

Nine-Month Results

For the nine months ended March 31, 2025, total operating expenses increased to $86.1 million, from $82.3 million in the same period of fiscal 2024. The year-over-year increase primarily reflects higher restructuring costs, additional research and development costs related to our newly acquired Falcon V operations, and the negative impact on expenses of a stronger US dollar. These increases were partially offset by lower general and administrative costs, primarily due to a decrease in depreciation expense and advisory fees incurred in the prior-year period. As a percentage of sales, nine month operating expenses were 40%, consistent with the same period in fiscal 2024.

Video and Broadband Solutions operating expenses increased to $61.9 million in the first nine months of fiscal 2025, compared to $56.4 million in the same period of fiscal 2024. The $5.5 million increase primarily reflects restructuring costs, as well as higher research and development costs mainly related to the addition of the acquired Falcon V operations, combined with the negative impact of a stronger US dollar.

Content Delivery and Storage operating expenses decreased to $21.2 million in the first nine months of fiscal 2025, from $23.1 million in the same period last year. The decrease is mainly attributed to lower shared service allocations driven by lower sales and support.

Telematics operating expenses increased to $3.1 million in the first nine months of fiscal 2025, from $2.8 million in the same period of fiscal 2024, reflecting growth in sales.

Research and development expenses for the first nine months of fiscal 2025 increased to $35.1 million, or 16% of sales, from $33.1 million, or 16% of sales in the same period of fiscal 2024. The increase primarily reflects higher deferred development cost amortization, combined with added research and development expenses related to the acquired Falcon V operations, partially offset by higher capitalized development costs. Our investment in research and development supports the launch of new products. Until these products are in commercial production, the development costs are deferred to future periods. Total research and development costs before deferrals, amortization of deferred development costs and income tax credits for the first nine months of fiscal 2025 increased to $46.6 million, or 21% of sales, from $43.1 million, or 21% of sales in the same period of fiscal 2024. This increase reflects the impact of the acquired Falcon V operations, combined with increased prototyping and software and licensing costs as our next-generation products move closer to commercial deployment.

Sales and marketing expenses increased to $24.9 million, or 12% of sales in the first nine months of fiscal 2025, from $23.8 million, or 12% of sales in the same period of fiscal 2024. The year-over-year change primarily reflects increased travel and business development costs, combined with higher trade show and promotion expenses, partially offset by lower non-cash finished product allowances.

General and administrative expenses decreased to $21.3 million, or 10% of sales in the first nine months of fiscal 2025, from $22.9 million, or 11% of sales in the first nine months of fiscal 2024. The year-over-year decrease primarily reflects lower depreciation and banking administration costs, partially offset by higher salary and wages.

Restructuring costs were $2.8 million in the first nine months of fiscal 2025 compared to $nil in the same period of fiscal 2024, reflecting the workforce reduction initiated in the second quarter of fiscal 2025 in response to market conditions.

Stock-based compensation expense was $1.5 million in the first nine months of fiscal 2025, compared to $0.8 million in the first nine months of fiscal 2024. The year-over-year change reflects an increase in PSUs outstanding and grant date fair value vesting in in the first nine months compared to the prior-year period.

Other expense was $0.5 million in the first nine months of fiscal 2025, compared to $1.6 million in the same period of fiscal 2024. The increase reflects advisory fees incurred as part of an unsuccessful acquisition in the prior-year period.

Operating Income (Loss)

Segment		Three months ended March 31, 2025		2024		Nine months ended March 31, 2025		2024
Video and Broadband Solutions	$	(175)	$	11,147	$	4,861	$	17,266
Content Delivery and Storage		3,155		(1,321)		(1,197)		(418)
Telematics		368		255		827		581
Total operating income	**$**	**3,348**	**$**	**10,081**	**$**	**4,491**	**$**	**17,429**

Three-Month Results

We incurred a total operating income of $3.3 million in Q3 fiscal 2025, compared to $10.1 million in Q3 fiscal 2024. The $6.7 million decrease primarily reflects lower VBS segment revenue and margins, partially offset by a strong quarter for the CDS segment with increased sales and margins.

The Video and Broadband Solutions segment generated a third quarter operating loss of $0.2 million, as compared to operating income of $11.1 million in Q3 fiscal 2024. The year-over-year decrease was primarily due to lower sales resulting from a temporary slow down in orders as our customers draw down inventory on in-flight projects and plan for the next phase of large scale network deployments.

Content Delivery and Storage recorded operating income of $3.2 million in the third quarter, as compared to an operating loss of $1.3 million in the same period of fiscal 2024. The year-over-year improvement primarily reflects significantly higher sales and margins, combined with lower operating costs.

Telematics operating income increased to $0.4 million in the third quarter, from $0.3 million in Q3 fiscal 2024, reflecting increased sales.

Finance expense increased to $2.0 million in Q3 fiscal 2025, from $1.6 million in Q3 fiscal 2024, reflecting increased interest costs associated with the revolving line of credit and accounts receivable factoring costs.

Foreign exchange income for the third quarter was $0.3 million, compared to a foreign exchange loss of $1.2 million in the same period of fiscal 2024. Foreign exchange gains resulted from a slight change in end-of-period FX rates from the previous quarter.

Income tax expense decreased to $0.4 million in Q3 fiscal 2025, from $1.5 million in Q3 fiscal 2024, reflecting lower net income before taxes.

Net income for Q3 fiscal 2025 was $1.2 million or $0.05 per share, compared to net income of $5.8 million or $0.24 per share in Q3 fiscal 2024.

Other comprehensive loss was $0.8 million in Q3 fiscal 2025, as compared to other comprehensive income of $1.4 million in the same period in fiscal 2024. The decrease reflects a reduction in US net assets.

Comprehensive income for Q3 fiscal 2025 was $0.4 million, compared to comprehensive income of $7.2 million in Q3 fiscal 2024, reflecting the changes described above.

Nine-Month Results

We generated total operating income of $4.5 million in the first nine months of fiscal 2025, compared to $17.4 million in the same period of fiscal 2024. The year-over-year change primarily reflects a combination of the decrease in CDS segment sales, temporarily lower product margins in the VBS segment, and the impact of one-time restructuring costs, partially offset by higher VBS segment sales.

The Video and Broadband Solutions segment generated operating income of $4.9 million in the first nine months of fiscal 2025, compared to $17.3 million in the same period of fiscal 2024. The decrease primarily reflects lower product margins and the impact of restructuring costs, partially offset by higher segment sales.

Content Delivery and Storage recorded an operating loss of $1.2 million in the first nine months of fiscal 2025, as compared to an operating loss of $0.4 million in the same period of fiscal 2024. Lower segment sales and the impact of restructuring costs were the key factors in this change.

Telematics operating income increased to $0.8 million in the first nine months of fiscal 2025, from $0.6 million in the same period of fiscal 2024.

Finance expense increased to $6.8 million in the first nine months of fiscal 2025, from $3.9 million in the same period of fiscal 2024, reflecting increased interest costs associated with the revolving line of credit and accounts receivable factoring costs.

Foreign exchange loss was $3.5 million in the first nine months of fiscal 2025, compared to a foreign exchange gain of $0.1 million in the same period of fiscal 2024. Foreign exchange losses from a strengthening US dollar negatively impacted our net U.S. dollar monetary liability position as at the end of the period.

Income tax recovery was $1.2 million in the first nine months of fiscal 2025, compared to an income tax expense of $2.4 million in the same period of fiscal 2024.

Net loss for the first nine months of fiscal 2025 was $4.6 million or $0.19 per share, compared to net income of $11.1 million or $0.46 per share in the first nine months of fiscal 2024.

Other comprehensive income increased to $4.3 million in the first nine months of fiscal 2025, from an other comprehensive loss of $1.2 million in the prior-year period reflecting the positive impact of a strengthening US dollar on translation of foreign operations.

Comprehensive loss for the first nine months of fiscal 2025 increased to $0.3 million, from comprehensive income of $12.3 million in the same period of fiscal 2024. The decline in comprehensive income year-over-year is a result of the changes described above.

Cash Flow Provided by (Used in) Operating, Investing and Financing Activities

Operating Activities

For the three months ended March 31, 2025, cash flow used in operating activities was $4.0 million, compared to cash flow used in operations of $28.6 million in the three months ended March 31, 2024. The $24.7 million improvement reflects a $31.7 million increase in cash flow from non-cash working capital, partially offset by a $7.0 million decrease in operating cash flow.

For the nine months ended March 31, 2025, cash flow provided by operating activities was $35.7 million, compared to cash flow used in operating activities of $33.4 million for the nine months ended March 31, 2024. The $69.1 million improvement reflects a $77.4 million increase in cash flow from non-cash working capital, partially offset by a $8.4 million decrease in operating cash flow.

Investing Activities

For the three months ended March 31, 2025, cash flow used in investing activities increased to $8.4 million from $7.2 million in the same period last year. This increase reflects deferred development expenditures of $7.8 million (Q3 fiscal 2024 - $6.5 million) and the purchase of property, plant and equipment of $0.6 million (Q3 fiscal 2024 - $0.7 million).

For the nine months ended March 31, 2025, cash flow used in investing activities increased to $28.7 million from $22.0 million in the same period last year. This increase reflects deferred development expenditures of $22.9 million (fiscal 2024 - $19.8 million), the purchase of property, plant and equipment of $1.9 million (fiscal 2024 - $2.1 million), and $3.9 million related to our acquisition of Falcon V Systems (fiscal 2024 - $nil).

Financing Activities

For the three months ended March 31, 2025, we repaid $0.6 million of our long-term debt (Q3 fiscal 2024 - $0.5 million repaid), repaid lease liabilities of $0.4 million (Q3 fiscal 2024 - $0.4 million), paid dividends of $1.3 million (Q3 fiscal 2024 - $1.3 million), received proceeds of $0.01 million from the exercise of stock options (Q3 fiscal 2024 - $0.01), had draws of $13.6 million on our revolving line of credit (Q3 fiscal 2024 - $37.6 million drawn) and received proceeds from short-term debt of $0.9 million (Q3 fiscal 2024 - $0.9 million).

For the nine months ended March 31, 2025, we repaid $1.5 million of our long-term debt (fiscal 2024 - $1.1 million repaid), received proceeds from exercised options of $0.04 million (fiscal 2024 - $0.1 million), repaid lease liabilities of $1.1 million (fiscal 2024 - $1.3 million), paid dividends of $4.0 million (fiscal 2024 - $4.0 million), had repayment of our revolving line of credit of $6.0 million (fiscal 2024 - $61.2 million drawn), received proceeds from short-term debt of $0.9 million (fiscal 2024 - $0.9 million) and received proceeds of $5.0 million from a shareholder loan (fiscal 2024 - $nil).

8. Liquidity and Capital Resources

We manage our liquidity and capital resources to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. We believe that our current working capital position, access to loan facilities and anticipated cash flow from operations will be sufficient to meet our working capital requirements and capital expenditure requirements for the foreseeable future.

As at March 31, 2025, we had an authorized line of credit of $75.0 million (June 30, 2024 - $85.0 million), subject to a general security agreement limit as described below, of which $55.4 million was available and $45.7 million was drawn (June 30, 2024 - $56.6 million - available and $51.7 million - drawn). The line of credit is secured by a general security agreement and is limited to a maximum amount available of 75% of accounts receivable plus 40% of the value, up to $42,500 of certain inventory. Interest on the outstanding line of credit is calculated at prime plus 0.25% on the respective outstanding US and Canadian denominated balances. The Canadian prime rate as at March 31, 2025 was 4.95% (June 30, 2024 - 6.70%) while the US prime rate was 7.50% (June 30, 2024 - 8.00%).

The line of credit is subject to customary borrowing covenants, such as minimum current ratio, senior debt to EBITDA ratio, and debt service coverage ratio. As at March 31, 2025, we were in compliance with all covenants related to the line of credit.

Capital expenditures during the three and nine months ended March 31, 2025 were $0.6 million and $1.9 million, respectively, compared to $0.7 million and $2.1 million, respectively, in the same period last year.

Working Capital

Working capital represents current assets less current liabilities. Our working capital decreased to $60.3 million at March 31, 2025, from $84.9 million at June 30, 2024. We note that our working capital balances can be subject to significant swings from quarter to quarter. Our product shipments are "lumpy", reflecting the requirements of our major customers. It is not unusual to ship $5 to $6 million of product in a one-week period. If this level of sales occurs in the first week of a succeeding quarter, we would expect to experience an increase in inventory levels and a drop in receivables in the prior quarter. Other timing issues, like contracts with greater than 30-day payment terms, also affect working capital, particularly if shipments are backend weighted for a quarter.

Accounts receivable balance decreased to $32.8 million at March 31, 2025, from $70.1 million at June 30, 2024. The change reflects the timing impact of factoring certain customer receivables to manage working capital requirements.

Inventories decreased by $2.7 million to $133.4 million at March 31, 2025, from $136.0 million as at June 30, 2024. Finished goods inventories increased to $38.9 million at March 31, 2025, from $35.0 million at June 30, 2024. Raw material inventory decreased to $82.7 million at March 31, 2025, from $86.4 million at June 30, 2024. Work-in-progress inventories decreased to $11.8 million as at March 31, 2025, from $14.6 million at June 30, 2024. We manufacture and assemble products, with the result that inventory levels will be substantially higher than other companies in the industry that outsource manufacturing and assembly.

Prepaid expenses and other current assets balance decreased to $6.5 million at March 31, 2025 (June 30, 2024 - $6.6 million).

Investment tax credits were $20.1 million at March 31, 2025, compared to $21.8 million at June 30, 2024. For every dollar we spend on eligible research and development in Canada, we generate approximately 15 cents in income tax credits. These credits are used to offset our income tax payable.

Accounts payable and accrued liabilities decreased to $40.0 million at March 31, 2025, from $57.6 million at June 30, 2024.

Financial liabilities, including the current portion, was $0.3 million at March 31, 2025, as compared to $2.6 as at June 30, 2024, reflecting a decrease in share price which impacted the valuation of customer-based warrants.

Long-term debt, including the current portion and lease liabilities, increased to $22.8 million at March 31, 2025, from $17.8 million at June 30, 2024, reflecting a $5.0 million shareholder loan in the second quarter of fiscal 2025.

Factoring Programs

Accounts Receivable

As at March 31, 2025, the Company had a factoring arrangement with a bank for certain of the Company's accounts receivable. During the three and nine months ended March 31, 2025, the Company factored accounts receivable of $39.0 million and $142.8 million, and incurred factoring expenses of $0.8 million and $3.0 million, respectively. As at March 31, 2025, $16.3 million (June 30, 2024 - $0.5 million, collected in July 2024) of outstanding accounts receivable were selected for factoring and were collected in April 2025.

Accounts Payable

During the quarter ended March 31, 2025, the Company entered into a supply-chain financing (or "reverse-factoring") arrangement with a third party for certain of the Company's accounts payable. The new payable provides an extension of 120 days on the original invoice due date. During the three months ended March 31, 2025, the Company reverse-factored accounts payable of $6.7 million, with the resulting payable to the third party due between June 6, 2025 and July 10, 2025, and incurred reverse-factoring expenses of $0.1 million. As at March 31, 2025, the full amount selected of $6.7 million was included in accounts payable and accrued liabilities (June 30, 2024 - $nil).

Dividends

Declaration Date	Dividend Amount (per share)	Record Date	Payable Date
May 13, 2024	$0.055	May 24, 2024	June 17, 2024
September 17, 2024	$0.055	October 11, 2024	November 4, 2024
November 12, 2024	$0.055	November 22, 2024	December 16, 2024
February 11, 2025	$0.055	February 28, 2025	March 24, 2025
May 13, 2025	$0.055	May 30, 2025	June 23, 2025

Contractual Obligations

As at March 31, 2025, lease liabilities reported in our consolidated statements of financial position were $5.2 million. Our lease liabilities do not include short-term leases and low-value asset leases, as permitted under IFRS 16, and are of nominal value.

As at March 31, 2025, our undiscounted future cash payments in respect of our lease liabilities were as follows: due within one year is $1.5 million; due between two-to-five years is $4.1 million; and thereafter is $0.2 million.

Foreign Exchange

Approximately 96% of our revenues are denominated in U.S. dollars. We translate U.S. dollar sales to Canadian dollars on the date of delivery and subsequently when the accounts receivable is collected. If the U.S. dollar appreciates relative to the Canadian dollar after we collect the accounts receivable in U.S. dollars, we will receive more Canadian dollars when the U.S. dollars are converted to Canadian dollars in subsequent months. We also enjoy a natural hedge since the majority of our materials and components purchased are in U.S. dollars.

As at March 31, 2025, the exchange rate on the Canadian dollar relative to the U.S. dollar strengthened to $1.431 from $1.368 as at June 30, 2024. This $0.06 exchange difference increased the value of our $55.8 million U.S. dollar net assets by approximately $3.5 million Canadian.

Financial Instruments

We periodically enter into forward contracts to partially manage our exposure to currency fluctuations between Canadian and U.S. dollars. Forward contracts are entered into based on our projected requirements for converting U.S. to Canadian dollars. We do not recognize these contracts in the consolidated financial statements when they are entered into, nor do we account for them as hedges. Instead, the contracts are marked to fair value at each balance sheet date. Changes to fair value are recorded in income. The fair value of these contracts is included in accounts receivable when in an asset position or accounts payable when in a liability position. We had no forward contracts outstanding at March 31, 2025.

9. Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial performance or financial condition.

10. Transactions Between Related Parties

Key management personnel consist of the Board of Directors and certain executives who have authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly.

The company had the following related party transactions in the third quarter and first nine months of fiscal 2025:

Building Lease

We entered into a building lease on August 1st, 2022 with one of our principal shareholders. The lease terms are at fair market value. During the three and nine months ended March 31, 2025, total lease payments, including interest, were $0.02 million and $0.1 million respectively (March 31, 2024 - $0.05 million and $0.1 million, respectively). The building is being used for additional inventory storage. As of February 1, 2025, the building was sold by the principal shareholders and therefore, no longer subject to a related party relationship.

Shareholder Loan

In the second quarter of fiscal 2025, we received a shareholder loan of $5.0 million from 684739 B.C., a company owned by the principal shareholders, which is repayable on demand and requires monthly accrued interest payments only with no set terms for principal repayments. It carries an interest rate at the Bank of Canada prime rate of 4.95% plus 4.30% and is collateralized by a general security agreement. During the three and nine months ended March 31, 2025, we incurred $0.1 million and $0.2 million of interest expense, respectively, pursuant to the shareholder loan. The loan agreement was executed at arms length and approximates fair value and was used by us to fund short-term working capital requirements.

There were no other related party transactions in the first nine months of fiscal 2025.

11. Proposed and Completed Transactions

We continually review potential merger, acquisition, investment and other joint venture transactions that could enhance shareholder value.

On October 11, 2024, we acquired all outstanding shares of Falcon V Systems S.A. ("Falcon") for total cash consideration of $5.2 million, plus an additional $0.6 million paid for excess cash as defined in the agreement. Falcon is a Poland-based provider of vendor-agnostic, virtualized software solutions and services for Broadband Services Providers worldwide. Their key products are being integrated into our Entra Cloud portfolio of open, interoperable, cloud-native applications. In accordance with the acquisition, we incurred $0.4 million of acquisition-related costs which is included in other expense.

At the current time, there are no other reportable proposed transactions.

12. Critical Accounting Estimates

See our 2024 annual MD&A and our 2024 annual audited consolidated financial statements and notes thereto for a discussion of the accounting policies and estimates that are critical to the understanding of our business operations and results of our operations.

13. Accounting Pronouncements and Standards

Adoption of amendments to accounting standards

The following amended standards and interpretations issued by the IASB were adopted in the first quarter of fiscal 2025:

Amendments to IAS 1 – Presentation of financial statements (IAS1)

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 adoption of this amendment did not have a material impact on our financial statements.

Recent accounting pronouncements

The following new and amended standards and interpretations issued by the IASB is effective after our March 31, 2025 quarter-end date and have not yet been adopted by us:

IFRS 18, "Presentation and Disclosure in Financial Statements"

On April 9, 2024, the IASB issued IFRS 18, "Presentation and Disclosure in Financial Statements" ("IFRS 18"), which will replace International Accounting Standard 1, "Presentation of Financial Statements". IFRS 18 will establish a revised structure for the Consolidated Statements of Comprehensive Income (Loss) and improve comparability across entities and reporting periods. IFRS 18 is effective for annual periods beginning on or after January 1, 2027. The standard is to be applied retrospectively, with certain transition provisions. We are currently evaluating the impact of adopting IFRS 18 on our Consolidated Financial Statements.

Amendment to IFRS 9, "Financial Instruments", and IFRS 7, "Financial Instruments: Disclosures"

On May 30, 2024, the IASB issued amendments to IFRS 9, "Financial Instruments", and IFRS 7, "Financial Instruments: Disclosures". The amendments include clarifications on the derecognition of financial liabilities and the classification of certain financial assets. In addition, new disclosure requirements for equity instruments designated as FVOCI were added. The amendments are effective for annual periods beginning on or after January 1, 2026, and will be applied retrospectively. We are currently evaluating the impact of the amendments on our Consolidated Financial Statements.

14. Disclosure Controls and Procedures

Disclosure controls and procedures were designed to provide reasonable assurance that material information relating to Vecima is made known by us to others, particularly during the period in which annual filings are being prepared, and information required to be disclosed by us in our annual filings, interim filings or other reports filed or submitted by us under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the effectiveness of our disclosure controls and procedures as defined under rules adopted by the Canadian securities regulatory authorities. Based on that evaluation, our CEO and CFO have concluded that our disclosure controls and procedures were effective as at March 31, 2025.

15. Internal Control Over Financial Reporting

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

Our CEO and CFO have evaluated the effectiveness of the internal control over financial reporting as at March 31, 2025 in accordance with Internal Control - Integrated Framework (2013), published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, our CEO and CFO have determined that the internal control over financial reporting is effective as at March 31, 2025. There has been no change in the internal controls over financial reporting that occurred during the period beginning on January 1, 2025 and ended on March 31, 2025 that has materially affected, or is reasonably likely to materially affect our internal controls on financial reporting.

16. Legal Proceedings

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

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

17. Risks and Uncertainties

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

Cybersecurity incidents and other issues related to our information systems, technology and data may materially and adversely affect us.

Cybersecurity incidents and cyberattacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. The technology industry is a particular target for cybersecurity incidents, which may occur through intentional or unintentional acts by individuals or groups having authorized or unauthorized access to our systems or our clients' or counterparties' information, which may include confidential information. These individuals or groups include employees, vendors and customers, as well as hackers. The information and technology systems used by us and our service providers, and other third parties, are vulnerable to damage or interruption from, among other things: hacking, ransomware, malware and other computer viruses; denial of service attacks; network failures; computer and telecommunication failures; phishing attacks; infiltration by unauthorized persons; security breaches; usage errors by their respective professionals; power outages and terrorism.

We have experienced cybersecurity incidents in the past, and expect to experience cybersecurity incidents in the future. While we take efforts to protect our systems and data, including establishing internal processes and implementing technological measures designed to provide multiple layers of security, and contract with third-party service providers to take similar steps, we have experienced cybersecurity breaches in the past, and there can be no assurance that our safety and security measures (and those of our third-party service providers) will prevent damage to, or interruption or breach of, our information systems, data (including personal data) and operations. We have recently taken steps to expand and enhance our cybersecurity controls and practices and, as cybersecurity-related threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. Nevertheless, it is possible we could suffer an impact or disruption that could materially and adversely affect us. Our operational infrastructure may be breached due to the actions of outside parties, error or malfeasance of our employee, or otherwise, and, as a result, an unauthorized party may obtain access to our accounts, data, or digital assets. Additionally, outside parties may attempt to fraudulently induce our employees to disclose sensitive information in order to gain access to our infrastructure. As the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, or may be designed to remain dormant until a predetermined event, and often are not recognized until launched against a target, we may be unable to anticipate these techniques or implement adequate preventative measures. Controls employed by our information technology department and our customers and third-party service providers, could prove inadequate. If an actual or perceived breach occurs, the market perception of our effectiveness could be harmed.

Moreover, there could be public announcements regarding any cybersecurity-related incidents and any steps we take to respond to or remediate such incidents, and if securities analysts or investors perceive these announcements to be negative, it could, among other things, have a substantial adverse effect on the price of our common shares. Further, any publicized security problems affecting our businesses or those of third parties with whom we are affiliated or otherwise conduct business may discourage consumers from doing business with us, which could have a material and adverse effect on our business, financial condition and results of operations.

It is difficult or impossible to defend against every risk being posed by changing technologies, as well as criminals' intent to commit cybercrime, and these efforts may not be successful in anticipating, preventing, detecting or stopping attacks, or reacting in a timely manner. The increasing sophistication and resources of cybercriminals and other non-state threat actors and increased actions by nation-state actors make it difficult to keep up with new threats and could result in a breach of security. Additionally, we cannot guarantee that our insurance coverage would be sufficient to cover any such losses.

To the extent the operation of our business relies on our third-party service providers, through either a connection to, or an integration with, third parties' systems, the risk of cybersecurity attacks and loss, corruption, or unauthorized access to or publication of our information or the confidential information and personal data of customers and employees may increase. Third-party risks may include insufficient security measures, where laws, security measures or other controls may be inadequate or in which there are uncertainties regarding governmental intervention and use of such information, and our ability to monitor our third-party service providers' cybersecurity practices are limited. Although we generally have agreements relating to cybersecurity and data privacy in place with our third-party service providers, they are limited in nature and we cannot guarantee that such agreements will prevent the accidental or unauthorized access to or disclosure, loss, destruction, disablement or encryption of, use or misuse of or modification of data (including personal data) or enable us to obtain adequate or any reimbursement from our third-party service providers in the event we should suffer any such incidents**.** Due to applicable laws and regulations or contractual obligations, we may be held responsible for any information security failure or cybersecurity attack attributed to our vendors as they relate to the information we share with them. A vulnerability in or related to a third-party service provider's software or systems, a failure of our third-party service providers' safeguards, policies or procedures, or a breach of a third-party service provider's software or systems could result in the compromise of the confidentiality, integrity or availability of our systems or the data housed in our third-party solutions.

The security of the information and technology systems used by us and our service providers may continue to be subjected to cybersecurity threats that could result in material failures or disruptions in our business. If these systems are compromised, become inoperable for extended periods of time or cease to function properly, we or a service provider may have to make a significant investment to fix or replace them. The failure of these systems or of disaster recovery plans for any reason could cause significant interruptions in operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to stockholders (and the beneficial owners of stockholders). Such a failure could harm our reputation, subject us to legal claims and otherwise materially and adversely affect our investment and trading strategies and our value.

Changes in trade policies and the potential imposition of new tariffs by the United States may materially and adversely affect us.

The United States government has indicated its intent to adopt a new approach to trade policy and, in some cases, an intent to renegotiate, or potentially terminate, certain existing bilateral or multi-lateral trade agreements. The imposition of new tariffs by the U.S. could materially and adversely affect our business, financial condition and results of operations.

On March 4, 2025, a 25% tariff on all goods originating in Canada and imported into the U.S. and a 10% tariff on "energy and energy resources" from Canada became effective. In response, the Government of Canada imposed 25% tariffs on an aggregate of $155 billion in goods imported from the U.S., coming into effect in two phases starting on March 4, 2025. The Government of Canada indicated that these measures would remain in place until the U.S. trade action is withdrawn and, in the event that U.S. tariffs remain in place, further consideration would be given to non-tariff measures against the U.S. A number of provincial governments have also indicated they are actively exploring their own countermeasures to the U.S. tariffs.

On March 6, 2025, the U.S. government announced it agreed to suspend tariffs on products that are qualified for preferential entry under the rules of the Canada-United States-Mexico Agreement ("CUSMA"), a reprieve that has been extended indefinitely. As a result of the U.S. decision, Canada said it would not proceed with the second wave of tariffs on $125 billion of U.S. products.

Although discussions regarding a potential end to the U.S. tariffs and retaliatory trade measures are ongoing, the full impact and duration of such measures remain uncertain. Furthermore, there is a possibility that the trade dispute could escalate further. Additional measures imposed could include, among others, increased tariffs on imports to the U.S., restrictions on cross-border supply chains, or additional regulatory barriers that could impact our ability to access international markets and conduct business efficiently. The future status of certain international trade agreements to which Canada, or other countries involved in our supply chain are party, remains uncertain.

The implementation of additional tariffs, or any future escalation in trade barriers, could make it more difficult or costly to export products to the U.S. and increase the cost of components and raw materials that we source for our U.S.-based manufacturing and procurement framework. These increased costs could reduce profit margins, necessitate price adjustments, dampen customer demand, or disrupt supply chain continuity, all of which could have a material adverse effect on our business, financial condition, and results of operations. Moreover, supply chain disruptions, increased procurement costs, and the potential need to identify alternative suppliers or manufacturing locations could result in delays, increased capital expenditures, and additional logistical complexities. Trade restrictions may also influence the competitive landscape in unexpected ways given the disparate impact and exposure to U.S. tariffs. Finally, uncertainty surrounding future trade policies may result in volatility in foreign exchange rates and input costs, further complicating our ability to strategically plan and allocate resources efficiently.

We cannot predict the extent to which the U.S. or other countries will impose quotas, duties, tariffs, taxes or other trade restrictions or retaliatory measures on the import or export of goods in the future, nor can we predict future trade policy or the terms of any renegotiated trade agreements and their impact on our business. The adoption and expansion of trade restrictions, the occurrence of a trade war, or other governmental action related to tariffs or trade agreements or policies has the potential to adversely impact demand for our products, our costs, our customers, our suppliers and the economy, which in turn could have a material adverse effect on our business, financial condition, and results of operations.

Our financial priorities remain unchanged. Importantly we continue to have a very strong balance sheet. We are continuing with the payment of our quarterly dividend.

18. Outstanding Share Data

As at May 13, 2025, we had 24,314,594 common shares outstanding as well as stock options outstanding that are exercisable for an additional 32,000 common shares, and performance share units outstanding that are exercisable for an additional 543,657 common shares.

Vecima was founded by Dr. Surinder Kumar in 1988. Voting control of Vecima is held by 684739 B.C. Ltd. (the “Principal Shareholder”) which is beneficially owned by Dr. Surinder Kumar, Sumit Kumar and Saket Kumar. As at March 31, 2025, the Principal Shareholder collectively owned approximately 56% of our common shares outstanding. Each common share carries the right to one vote. We have no other classes of voting securities.

19. Additional Information

Financial Governance

Our management is responsible for the preparation and presentation of the consolidated financial statements and notes thereto and the MD&A. Additionally, it is management’s responsibility to ensure that we comply with the laws and regulations applicable to our activities.

Our management is accountable to the Board, each member of which is elected annually by the shareholders of the Company. The Board is responsible for reviewing and approving the consolidated financial statements and the MD&A, after receiving the recommendation of the Audit Committee, which is composed of three directors, all of whom are independent.

External auditors are appointed annually by the shareholders to conduct an audit of the annual consolidated financial statements in accordance with generally accepted auditing standards. The external auditors have complete access to the Audit Committee to discuss audit, financial reporting and related matters resulting from the annual audit, as well as to assist the members of the Audit Committee in discharging their responsibilities.

Forward-Looking Information

This MD&A contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking information is generally identifiable by use of the words "believes", "may", "plans", "will", "anticipates", "intends", "could", "estimates", "expects", "forecasts", "projects" and similar expressions, and the negative of such expressions.

Forward-looking information in this MD&A includes, but is not limited to, statements that: We believe that our current working capital position, access to loan facilities and anticipated cash flow from operations will be sufficient to meet our working capital requirements and capital expenditure requirements for the foreseeable future and with respect to the Company's recently acquired Falcon V Principal Core technology, further uptake is anticipated in the fourth quarter as the Principal Core moves towards placement into the production cable access network environment. Forward-looking information also includes our Strategy, our Industry Developments and our Outlook in this MD&A.

In connection with the forward-looking information contained in this MD&A, we have made numerous assumptions, regarding, among other things: stability in global supply chains and trade agreements; the scope and impact of recently announced tariffs between the United States, Canada, China, and Mexico including any potential retaliatory measures, remains within projected cost assumptions; our ability to mitigate tariff-related cost increases through pricing strategies, supplier negotiations, or operational efficiencies; the strength of our balance sheet; the present or potential value of our core technologies, business operations and asset holdings; our ability to continue our relationships with a few key customers; our ability to deliver products associated with key contracts; our ability to manage our business and growth successfully; our ability to meet customers' requirements for manufacturing capacity; our ability to develop new products and enhance our existing products; our ability to expand current distribution channels and develop new distribution channels; our ability to recruit and retain management and other qualified personnel crucial to our business; we are not required to change our pricing models to compete successfully; our third party suppliers and contract manufacturers upon which we rely continue to meet our needs; our intellectual property is not infringed upon; we are not subject to warranty or product liability claims that harm our business; our ability to successfully implement acquisitions; our ability to manage risks associated with our international operations; currency fluctuations do not adversely affect us; growth in our key markets continues; our ability to adapt to technological change, new products and standards; we are not subject to increased competition that has an adverse effect on our business; we are not subject to competition from new or existing technologies that adversely affect our business; we are not subject to any material new government regulation of our products; and, no third parties allege that we infringe on their intellectual property. While we consider these assumptions to be reasonable, these assumptions are inherently subject to significant uncertainties and contingencies.

There are known and unknown risk factors which could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information contained in this MD&A. Known risk factors include, among others: higher import duties on key raw materials and finished goods may raise production and procurement costs; disruptions in supply chains may lead to significant operational challenges; our statement of financial position, as well as the value of our core technologies, changes in trade policies could lead to delays, higher costs, and potential shortages of critical components; potential countermeasures between United States, Canada, China, and Mexico could impact our ability to export goods or maintain competitive pricing in those markets; business operations and asset holdings may be significantly weaker than we currently estimate; our operating results are expected to fluctuate; we derive a substantial part of our revenue from a few large customers; a small number of our shareholders control us; sale of common shares by our controlling shareholders could cause the share price to fall; volatility in our common share price; dilution from the exercise of stock options or settlement of performance share units; liquidity of common shares; our share price shall fluctuate; we may be unable to deliver products associated with key contracts; failure to manage our business or growth successfully may adversely affect our operating results; if we cannot meet our customers' requirements for manufacturing capacity, sales may suffer; our success depends on our ability to develop new products and enhance our existing products; we continue to adapt content delivery products to add features allowing deployments to cable, IPTV, and Internet CDN providers to enable multi-screen video delivery; the failure to execute on this transition or execute quickly enough, may adversely affect our business; if content providers, such as movie studios, limit the scope of content licensed for use in the digital content delivery market, our business, financial condition and results of operations could be negatively affected because the potential market for our products would be more limited than we currently believe; we are dependent on the expansion of our current distribution channels and the development of new distribution channels; the budgeting cycles of larger cable operators can also result in quarter-to-quarter variability in customer orders generally large in volume, while availability of parts and production capacity can influence the timing of product deliveries; our operations depend on information technology systems, which may be disrupted or may not operate as desired; our ability to recruit and retain management and other qualified personnel is crucial to our business; if we are required to change our pricing models to compete successfully, our margins and operating results may be adversely affected; our reliance on third party suppliers and contract manufacturers reduces our control over our performance; if our intellectual property is not adequately protected, we may lose our competitive advantage; we utilize open source software, which could enable our competitors to gain access to our source code and distribute it without paying us any license fees; we have software license agreements covering the use of our software as combined with software provided by specific key integrated circuit vendor(s) and the associated integrated circuits provided by those vendor(s), failure to maintain these agreements or maintain them with commercially reasonable terms could limit our ability to market certain products and affect our business; successful warranty or product liability claims could harm our business; acquisitions could divert management's attention and financial resources, may negatively affect our operating results and could cause significant dilution to shareholders; there are risks associated with our international operations; impacts to trade relationships between the United States and China may adversely affect Vecima's profitability; currency fluctuations may adversely affect us; changes in interest rates on debt securities may adversely affect us; growth in our key markets may not continue; our inability to adapt to technological change, new products and standards could harm our business; increased competition could have an adverse effect on our business; competition from new or existing technologies may adversely affect our business; the cable and telecommunications industries are experiencing consolidation, which could result in delays or reductions in purchases of products and services, which could have a material adverse effect on Vecima's business; government regulation of our products and new government regulation could harm our business; third parties may allege that we infringe on their intellectual property; we may be subject to liability if private information supplied to our customers is misused; and epidemics, pandemics or other public health crises. A more complete discussion of the risks and uncertainties facing us is disclosed under the heading "Risks and Uncertainties" above and under the heading "Risk Factors" in our Annual Information Form for our most recently completed fiscal year, as well as in our continuous disclosure filings with Canadian securities regulatory authorities available at www.sedarplus.ca.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made and, other than as required by applicable securities laws, the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change. For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on forward-looking statements.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying interim condensed consolidated financial statements of Vecima Networks Inc. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of the interim condensed consolidated financial statements by an entity's auditor.

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

As at	Note		**March 31, 2025**		June 30, 2024
Assets					
Current assets					
Cash and cash equivalents		$	1,487	$	2,136
Accounts receivable	4		32,819		70,139
Income tax receivable			395		359
Inventories	5		133,386		136,040
Prepaid expenses and other current assets	6		6,531		6,632
Contract assets			2,328		2,276
Total current assets			**176,946**		**217,582**
Non-current assets					
Property, plant and equipment	7		11,139		11,908
Right-of-use assets			4,871		4,670
Goodwill			16,659		15,308
Intangible assets	8		107,008		93,893
Investment tax credits			20,682		21,760
Deferred tax assets			28,604		21,420
Other long-term assets			493		1,282
Total assets		**$**	**366,402**	**$**	**387,823**
Liabilities and shareholders' equity					
Current liabilities					
Revolving line of credit	9	$	45,720	$	51,732
Accounts payable and accrued liabilities			39,998		57,583
Provisions			883		591
Income tax payable			3,667		2,757
Deferred revenue			18,257		15,856
Current portion of financial liability			313		1,773
Current portion of long-term debt	10		7,815		2,433
Total current liabilities			**116,653**		**132,725**
Non-current liabilities					
Provisions			454		375
Deferred revenue			2,072		3,511
Long-term portion of financial liability			–		853
Long-term debt	10		15,009		15,399
Total liabilities			**134,188**		**152,863**
Shareholders' equity					
Share capital	11		24,152		24,117
Reserves			5,606		4,120
Retained earnings			196,398		204,968
Accumulated other comprehensive income			6,058		1,755
Total shareholders' equity			**232,214**		**234,960**
Total liabilities and shareholders' equity		**$**	**366,402**	**$**	**387,823**

Subsequent events - Note 23
The accompanying notes are an integral part of these 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		Nine months	
Periods ended March 31,	Note	**2025**	2024	**2025**	2024
Sales	12,16	$ 63,979	$ 80,139	$ 217,107	$ 203,571
Cost of sales [1]		33,443	41,312	126,484	103,881
Gross profit [1]		**30,536**	**38,827**	**90,623**	**99,690**
Operating expenses					
Research and development		11,500	11,281	35,062	33,128
Sales and marketing [1]		8,238	7,721	24,937	23,828
General and administrative [1]		6,945	8,123	21,335	22,904
Restructuring costs		–	–	2,798	–
Share-based compensation	11	486	272	1,494	785
Other expense	13	19	1,349	506	1,616
Total operating expenses		**27,188**	**28,746**	**86,132**	**82,261**
Operating income		**3,348**	**10,081**	**4,491**	**17,429**
Finance expense	14	(2,033)	(1,580)	(6,751)	(3,940)
Foreign exchange gain (loss)		251	(1,159)	(3,513)	94
Income (loss) before income taxes		**1,566**	**7,342**	**(5,773)**	**13,583**
Income tax expense (recovery)		384	1,542	(1,215)	2,449
Net income (loss)		**$ 1,182**	**$ 5,800**	**$ (4,558)**	**$ 11,134**
Other comprehensive income (loss):					
Item that may be subsequently reclassified to net income:					
Exchange differences on translation of foreign operations		$ (786)	$ 1,361	$ 4,303	$ 1,177
Comprehensive income (loss)		**$ 396**	**$ 7,161**	**$ (255)**	**$ 12,311**
Net income (loss) per share					
Basic	15	$ 0.05	$ 0.24	$ (0.19)	$ 0.46
Diluted	15	$ 0.05	$ 0.24	$ (0.19)	$ 0.46
Weighted average number of common shares					
Shares outstanding – basic	15	24,314,452	24,311,594	24,312,942	24,306,028
Shares outstanding – diluted	15	24,316,131	24,324,516	24,312,942	24,314,830

[1] *The Company has restated the comparative period for a change in commissions expense presentation. Refer to Note 22.*
The accompanying notes are an integral part of these 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, 2023		**$**	**23,997**	**$**	**3,111**	**$**	**190,926**	**$**	**(381) $**	**217,653**
Net income			–		–		11,134		–	**11,134**
Other comprehensive income			–		–		–		1,177	**1,177**
Dividends			–		–		(4,010)		–	**(4,010)**
Shares issued by exercising options	11		120		(24)		–		–	**96**
Share-based payment expense	11		–		785		–		–	**785**
Balance as at March 31, 2024		**$**	**24,117**	**$**	**3,872**	**$**	**198,050**	**$**	**796 $**	**226,835**
Balance as at June 30, 2024		**$**	**24,117**	**$**	**4,120**	**$**	**204,968**	**$**	**1,755 $**	**234,960**
Net loss			–		–		(4,558)		–	**(4,558)**
Other comprehensive income			–		–		–		4,303	**4,303**
Dividends			–		–		(4,012)		–	**(4,012)**
Shares issued by exercising options	11		35		(8)		–		–	**27**
Share-based payment expense	11		–		1,494		–		–	**1,494**
Balance as at March 31, 2025		**$**	**24,152**	**$**	**5,606**	**$**	**196,398**	**$**	**6,058 $**	**232,214**

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

VECIMA NETWORKS INC.
Interim Condensed Consolidated Statements of Cash Flows

(unaudited - in thousands of Canadian dollars)

		Three months		Nine months	
Periods ended March 31,	Note	**2025**	2024	**2025**	2024
OPERATING ACTIVITIES					
Net income (loss)		$ 1,182	$ 5,800	$ (4,558)	$ 11,134
Adjustments for non-cash items:					
Loss on sale of property, plant and equipment	13	6	–	105	19
Depreciation and amortization	19	6,238	5,953	17,966	16,556
Share-based compensation	11	486	272	1,494	785
Warrant expense (recovery)	18	(974)	710	(1,739)	1,565
Income tax expense		1,258	2,088	4,181	6,069
Deferred income tax recovery		(874)	(546)	(5,396)	(3,620)
Interest expense		2,283	1,584	6,788	3,946
Interest income		(10)	–	(37)	(4)
Net change in working capital	19	(10,902)	(42,588)	24,482	(52,957)
Decrease (increase) in other long-term assets		145	(158)	327	153
Increase (decrease) in provisions		(434)	(158)	380	(1,423)
Increase in investment tax credits		(40)	(28)	(134)	(96)
Income tax paid		(38)	(153)	(1,151)	(11,750)
Interest received		12	2	39	6
Interest paid		(2,302)	(1,406)	(7,053)	(3,766)
Cash provided by (used in) operating activities		**(3,964)**	**(28,628)**	**35,694**	**(33,383)**
INVESTING ACTIVITIES					
Capital expenditures, net	19	(601)	(724)	(1,928)	(2,118)
Deferred development costs	8	(7,771)	(6,524)	(22,873)	(19,834)
Business acquisition, net of cash acquired	3	–	–	(3,881)	–
Cash used in investing activities		**(8,372)**	**(7,248)**	**(28,682)**	**(21,952)**
FINANCING ACTIVITIES					
Net draws (repayments) of the revolving line of credit		13,608	37,646	(6,012)	61,199
Principal repayments of lease liabilities	10	(405)	(367)	(1,060)	(1,275)
Principal repayments of long-term debt	10	(608)	(521)	(1,468)	(1,121)
Proceeds from short-term debt	10	935	919	935	919
Proceeds from shareholder loan	20	–	–	5,000	–
Dividends paid		(1,338)	(1,337)	(4,012)	(4,010)
Issuance of shares through exercised options		12	9	35	96
Cash provided by (used in) financing activities		**12,204**	**36,349**	**(6,582)**	**55,808**
Net increase (decrease) in cash and cash equivalents		**(132)**	**473**	**430**	**473**
Effect of change in exchange rates on cash		(737)	222	(1,079)	530
Cash and cash equivalents, beginning of period		2,356	2,586	2,136	2,278
Cash and cash equivalents, end of period		**$ 1,487**	**$ 3,281**	**$ 1,487**	**$ 3,281**

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

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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 201-771 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 financials statements of the Company for the year ended June 30, 2024.

(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, 2024, 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 May 13, 2025.

(c) Adoption of amendments to accounting standards

The following amended standards and interpretations issued by the IASB were adopted in the first quarter of fiscal 2025:

Amendments to IAS 1 – Presentation of financial statements (IAS1)

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 adoption of this amendment did not have a material impact on the Company’s financial statements.

(d) Recent Accounting Pronouncements

IFRS 18, “Presentation and Disclosure in Financial Statements"

On April 9, 2024, the IASB issued IFRS 18, “Presentation and Disclosure in Financial Statements” (“IFRS 18”), which will replace International Accounting Standard 1, “Presentation of Financial Statements”. IFRS 18 will establish a revised structure for the Consolidated Statements of Comprehensive Income (Loss) and improve comparability across entities and reporting periods. IFRS 18 is effective for annual periods beginning on or after January 1, 2027. The standard is to be applied retrospectively, with certain transition provisions. The Company is currently evaluating the impact of adopting IFRS 18 on the Consolidated Financial Statements.

Amendment to IFRS 9, "Financial Instruments” and IFRS 7, “Financial Instruments: Disclosures”

On May 30, 2024, the IASB issued amendments to IFRS 9, “Financial Instruments”, and IFRS 7, “Financial Instruments: Disclosures”. The amendments include clarifications on the derecognition of financial liabilities and the classification of certain financial assets. In addition, new disclosure requirements for equity instruments designated as FVOCI were added. The amendments are effective for annual periods beginning on or after January 1, 2026, and will be applied retrospectively. The Company is currently evaluating the impact of the amendments on the Consolidated Financial Statements.

(in thousands of dollars unless otherwise noted)

3. Business Combinations

In accordance with IFRS 3, Business Combinations, the below transaction meets the definition of a business combination and, accordingly, the assets acquired, and the liabilities assumed have been recorded at their respective estimated fair values as of the acquisition date.

Acquisition completed on October 11, 2024:		**Falcon**
Total consideration		
Cash paid	$	5,229
Working capital adjustment		622
	$	**5,851**
Net identifiable assets acquired (liabilities assumed)		
Cash	$	1,970
Accounts receivable		524
Prepaid expenses		18
Property, plant and equipment		52
Intangible assets		3,171
Deferred tax asset		974
Accounts payable		(1,651)
	$	**5,058**
Purchase price allocation		
Net identifiable assets acquired	$	5,058
Goodwill		799
	$	**5,857**
Net cash inflows (outflows)		
Cash consideration paid	$	(5,851)
Cash acquired		1,970
	$	**(3,881)**

On October 11, 2024, the Company acquired all outstanding shares of Falcon V Systems S.A. ("Falcon") for total cash consideration of $5,229, plus an additional $628 paid for excess cash as defined in the share purchase agreement. Falcon is a Poland-based provider of vendor-agnostic, virtualized software solutions and services for Broadband Services Providers worldwide, and their key products will be integrated into the Company's Entra Cloud portfolio of open, interoperable, cloud-native applications. In accordance with the acquisition, the Company incurred $391 of acquisition-related costs included in other expense (refer to Note 13 - Other Expense).

In accordance with IFRS 3, Business Combinations (“IFRS 3”), the substance of this transaction constituted a business combination. Management gathered the relevant information that existed at the acquisition date to determine the fair value of the net identifiable assets acquired. As such, the initial purchase price was allocated based on the Company’s estimated fair value of the identifiable assets acquired on the acquisition date. For the three and nine months ended March 31, 2025, Falcon accounted for $1,771 and $3,916 in revenues, and $366 and $1,734 in net income, respectively.

(in thousands of dollars unless otherwise noted)

4. ACCOUNTS RECEIVABLE

As at		**March 31, 2025**		**June 30, 2024**
Trade receivables	$	32,032	$	69,192
Allowance for doubtful accounts		(31)		(3)
Total trade receivables		**32,001**		**69,189**
Goods and services tax		594		834
Government grants receivable		145		–
Other receivables		79		116
Total accounts receivable	**$**	**32,819**	**$**	**70,139**

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.

5. INVENTORIES

As at		**March 31, 2025**		**June 30, 2024**
Raw materials	$	82,679	$	86,401
Work-in-progress		11,816		14,594
Finished goods		38,891		35,045
Total inventory	**$**	**133,386**	**$**	**136,040**

6. PREPAID EXPENSES AND OTHER CURRENT ASSETS

As at		**March 31, 2025**		**June 30, 2024**
Payments for contract manufacturer inventory purchases	$	1,696	$	2,250
Software licenses		2,011		2,069
Insurance		857		482
Other		1,967		1,831
Total prepaid expenses and other current assets	**$**	**6,531**	**$**	**6,632**

(in thousands of dollars unless otherwise noted)

7. PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements & building	Lab, operating & production equipment	Other equipment	Total
At cost					
At July 1, 2024	$ 321	$ 8,173	$ 28,554	$ 14,889	**$ 51,937**
Additions	–	89	1,623	266	**1,978**
Acquired	–	–	19	35	**54**
Disposals	–	–	(441)	(133)	**(574)**
Effect of foreign exchange	–	46	517	102	**665**
At March 31, 2025	**$ 321**	**$ 8,308**	**$ 30,272**	**$ 15,159**	**$ 54,060**
Accumulated depreciation					
At July 1, 2024	$ –	$ 3,570	$ 22,752	$ 13,707	**$ 40,029**
Depreciation	–	185	1,845	684	**2,714**
Disposals	–	–	(235)	(102)	**(337)**
Effect of foreign exchange	–	43	392	80	**515**
At March 31, 2025	**$ –**	**$ 3,798**	**$ 24,754**	**$ 14,369**	**$ 42,921**
Net book value					
At June 30, 2024	$ 321	$ 4,603	$ 5,802	$ 1,182	**$ 11,908**
At March 31, 2025	**$ 321**	**$ 4,510**	**$ 5,518**	**$ 790**	**$ 11,139**

(in thousands of dollars unless otherwise noted)

8. INTANGIBLE ASSETS

	Indefinite-life intangible assets	Finite-life intangible assets				
	Spectrum and other licenses	**Customer contracts**	**Patents**	**Intellectual property**	**Deferred development costs**	**Total**
At cost						
At July 1, 2024	$ 107	$ 21,062	$ 1,386	$ 10,867	$ 118,472	**$ 151,894**
Additions	–	–	103	–	22,873	**22,976**
Acquired	–	2,087	–	1,081	–	**3,168**
Investment tax credits	–	–	–	–	(840)	**(840)**
Disposals	(49)	–	–	–	–	**(49)**
Effect of foreign exchange	2	906	20	416	2,020	**3,364**
At March 31, 2025	**$ 60**	**$ 24,055**	**$ 1,509**	**$ 12,364**	**$ 142,525**	**$ 180,513**
Accumulated amortization						
At July 1, 2024	$ –	$ 15,016	$ 940	$ 9,235	$ 32,810	**$ 58,001**
Amortization	–	1,826	87	725	11,501	**14,139**
Effect of foreign exchange	–	541	11	323	490	**1,365**
At March 31, 2025	**$ –**	**$ 17,383**	**$ 1,038**	**$ 10,283**	**$ 44,801**	**$ 73,505**
Net book value						
At June 30, 2024	$ 107	$ 6,046	$ 446	$ 1,632	$ 85,662	**$ 93,893**
At March 31, 2025	**$ 60**	**$ 6,672**	**$ 471**	**$ 2,081**	**$ 97,724**	**$ 107,008**

9. REVOLVING LINE OF CREDIT

As at March 31, 2025, the Company had an authorized line of credit of $75,000 (June 30, 2024 - $85,000), subject to a general security agreement limit as described below, of which $55,000 was available (June 30, 2024 - $56,587) and $45,720 was drawn (June 30, 2024 - $51,732). The line of credit is secured by a general security agreement and is limited to a maximum amount available of 75% of accounts receivable and 40% of certain inventory (to a maximum of $42,500). Interest on the outstanding line of credit is calculated at prime plus 0.25% on the respective outstanding US and Canadian denominated balances. The Canadian prime rate as at March 31, 2025 was 4.95% (June 30, 2024 - 6.95%) while the US prime rate was 7.50% (June 30, 2024 - 8.50%). As at March 31, 2025, the Company had no outstanding letters of credit with its suppliers.

The line of credit is subject to customary borrowing covenants, such as minimum current ratio, senior debt to EBITDA ratio, and debt service coverage ratio. As at March 31, 2025, the Company was in compliance with all covenants related to the line of credit.

(in thousands of dollars unless otherwise noted)

10. LONG-TERM DEBT

As at	Note		**March 31, 2025**		**June 30, 2024**
Term credit facility		$	600	$	831
Term loan facility			11,387		11,845
Shareholder loan	20		5,000		–
Insurance financing			592		367
Lease liabilities			5,244		4,789
		$	**22,823**	**$**	**17,832**
Comprised of:					
Current portion		$	7,815	$	2,433
Long-term portion			15,009		15,399
		$	**22,824**	**$**	**17,832**

Term credit facility

The term credit facility is with a Canadian chartered bank. The facility is repayable in monthly installments of $21 principal plus interest at Canadian prime rate of 4.95% (June 30, 2024 - $21, and 6.95%, respectively), expires in October 2025 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.

Term loan facility

The term loan facility is with a Canadian chartered bank, and was amended from interest only payments to a Canadian Overnight Repo Rate Average ("CORRA") loan in fiscal 2024. The facility is repayable in monthly installments of $51 principal plus interest at the CORRA rate of 2.77% plus 0.3% (June 30, 2024 - 4.80% plus 0.3%), expires in October 2025 and is collateralized by a general security agreement. The Company has an authorized loan amount of $12,200 and annually renews this facility with the bank.

The term credit and loan facilities are recorded at amortized cost. The Company's term credit and loan facilities are at an interest rate that floats based on Prime and the carrying value of the principal is considered to be fair value.

Assuming that the existing payment terms are the same at the renewal date, the following are the future principal repayments for the term credit and loan facilities as at March 31, 2025:

Calendar year		**Principal repayments**
2025	$	647
2026		1,021
2027		610
2028		610
2029		610
Thereafter		8,489
	$	**11,987**

(in thousands of dollars unless otherwise noted)

Lease liabilities:

The following is a reconciliation of the Company's lease liabilities as at March 31, 2025:

At July 1, 2024	$	4,789
Net additions during the period		1,161
Interest on lease liabilities		184
Principal repayments of lease liabilities		(1,060)
Effect of foreign exchange		170
At March 31, 2025	**$**	**5,244**
Comprised of:		
Current portion	$	1,283
Long-term portion		3,961
	$	**5,244**

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

As at		**March 31, 2025**
Within one year	$	1,491
After one year but not more than five years		4,114
More than five years		204
Total contractual lease payments	**$**	**5,809**

11. SHARE CAPITAL

(a) Share capital

Changes in the number of shares and carrying value of the Company's share capital for the nine months ended March 31, 2025 are as follows:

	Number of Shares		**Carrying Value**
Balance, July 1, 2023	24,301,594	$	23,997
Shares issued by exercising options	10,000		120
Balance, June 30, 2024	**24,311,594**		**24,117**
Shares issued by exercising options	3,000		35
Balance, March 31, 2025	**24,314,594**	**$**	**24,152**

(b) Reserves

Reserves within shareholders' equity represent equity-settled employee benefits reserve.

(in thousands of dollars unless otherwise noted)

(c) Share-based compensation

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

	Three Months		Nine Months	
Periods ended March 31,	**2025**	**2024**	**2025**	**2024**
Stock options	$ 7	$ 10	$ 25	$ 35
Performance share units	479	262	1,469	750
Total share-based compensation	**$ 486**	**$ 272**	**$ 1,494**	**$ 785**

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 nine months ended March 31, 2025 are as follows:

(in number of units, except prices)	**Number of Options**	**Weighted average exercise price per option**
Balance, July 1, 2024	36,000	$ 15.44
Granted	8,000	15.70
Exercised	(3,000)	9.88
Cancelled	(9,000)	19.93
Balance, March 31, 2025	**32,000**	**$ 14.76**
Vested and exercisable, March 31, 2025	**16,625**	**$ 13.38**

Performance share units (“PSUs”)

The Company’s PSU plan sets the maximum number of PSUs that can be issued at 6% of the outstanding common shares of the Company. No further approval by the shareholders of the Company is required for any unallocated PSUs.

During the three and nine months ended March 31, 2025, the Company issued nil and 205,566 PSUs, respectively, to eligible persons under the PSU plan (March 31, 2024 - 102,809 and 138,559 PSUs, respectively). 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 nine months ended March 31, 2025 is as follows:

	Number of PSUs
PSUs outstanding as at July 1, 2024	368,794
Granted	205,566
Forfeited	(30,703)
PSUs outstanding as at March 31, 2025	**543,657**

(in thousands of dollars unless otherwise noted)

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 from 0% to 10% on its grant, and adjusts the amount recognized in expense upon vesting.

12. 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 16 for additional segmented financial information.

	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total
For the three months ended March 31, 2025				
Product sales	$ 43,288	$ 7,398	$ 679	**$ 51,365**
Provision of services	4,362	6,685	1,567	**12,614**
Total sales	**$ 47,650**	**$ 14,083**	**$ 2,246**	**$ 63,979**
For the three months ended March 31, 2024				
Product sales	$ 64,305	$ 4,029	$ 230	**$ 68,564**
Provision of services	3,933	6,174	1,468	**11,575**
Total sales	**$ 68,238**	**$ 10,203**	**$ 1,698**	**$ 80,139**

	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total
For the nine months ended March 31, 2025				
Product sales	$ 167,141	$ 13,098	$ 1,141	**$ 181,380**
Provision of services	12,717	18,426	4,584	**35,727**
Total sales	**$ 179,858**	**$ 31,524**	**$ 5,725**	**$ 217,107**
For the nine months ended March 31, 2024				
Product sales	$ 150,265	$ 19,212	$ 734	**$ 170,211**
Provision of services	11,170	17,949	4,241	**33,360**
Total sales	**$ 161,435**	**$ 37,161**	**$ 4,975**	**$ 203,571**

13. OTHER EXPENSE

	Three months		Nine months	
Periods ended March 31,	**2025**	2024	**2025**	2024
Acquisition-related costs	$ 4	$ 1,360	$ 391	$ 1,360
Loss on sale of property, plant and equipment	6	–	105	19
Contract cancellation fees	11	–	38	267
Other income	(2)	(11)	(28)	(30)
Total other expense	**$ 19**	**$ 1,349**	**$ 506**	**$ 1,616**

(in thousands of dollars unless otherwise noted)

14. FINANCE EXPENSE

	Three months		Nine months	
Periods ended March 31,	**2025**	2024	**2025**	2024
Interest income	$ (10)	$ (3)	$ (37)	$ (5)
Revolving line of credit interest expense	712	1,296	2,485	3,205
Term credit facility interest expense	176	237	579	630
Shareholder loan interest expense	118	–	157	–
Accounts receivable factoring costs	842	–	3,008	–
Accounts payable reverse-factoring costs	84	–	84	–
Other expense	51	42	291	49
Finance expense before interest on lease liabilities	**1,973**	**1,572**	**6,567**	**3,879**
Interest expense on lease liabilities	60	8	184	61
Total finance expense	**$ 2,033**	**$ 1,580**	**$ 6,751**	**$ 3,940**

As at March 31, 2025, the Company had a factoring arrangement with a bank for certain of the Company's accounts receivable. During the three and nine months ended March 31, 2025, the Company factored accounts receivable of $39,041 and $142,784, and incurred factoring expenses of $842 and $3,008, respectively. As at March 31, 2025, $16,339 (June 30, 2024 - $473, collected in July 2024) of outstanding accounts receivable were selected for factoring and were collected in April 2025.

During the quarter ended March 31, 2025, the Company entered into a supply-chain financing (or "reverse-factoring") arrangement with a third party for certain of the Company's accounts payable. The new payable provides an extension of 120 days on the original invoice due date. During the three months ended March 31, 2025, the Company reverse-factored accounts payable of $6,745, with the resulting payable to the third party due between June 6, 2025 and July 10, 2025, and incurred reverse-factoring expenses of $84. As at March 31, 2025, the full amount selected of $6,745 was included in accounts payable and accrued liabilities (June 30, 2024 - $nil).

15. NET INCOME (LOSS) PER SHARE

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

	Three months		Nine months	
Periods ended March 31,	**2025**	2024	**2025**	2024
Net income (loss): basic and diluted	$ 1,182	$ 5,800	$ (4,558)	$ 11,134
Weighed average number of shares outstanding:				
Basic	24,314,452	24,311,594	24,312,942	24,306,028
Dilution adjustment for stock options	1,679	12,922	–	8,802
Diluted	**24,316,131**	**24,324,516**	**24,312,942**	**24,314,830**
Net income (loss) per share: basic	$ 0.05	$ 0.24	$ (0.19)	$ 0.46
Net income (loss) per share: diluted	$ 0.05	$ 0.24	$ (0.19)	$ 0.46

(in thousands of dollars unless otherwise noted)

Stock options could potentially dilute basic net income per share in the future. Dilutive stock options are calculated using the treasury stock method. For the three months ended March 31, 2025, there were 5,132 dilutive and 29,837 anti-dilutive stock options (March 31, 2024 - 15,000 dilutive and 21,000 anti-dilutive) which resulted in a dilution adjustment of 1,679 (March 31, 2024 - 5,130). For the nine months ended March 31, 2025, there were nil dilutive and 18,981 anti-dilutive stock options (March 31, 2024 - 15,000 dilutive and 21,000 anti-dilutive) which resulted in a dilution of adjustment of nil (March 31, 2024 - 8,461). For the three months ended March 31, 2025, there were 361,050 warrants which resulted in a dilution adjustment of nil shares (March 31, 2024 - 7,792). For the nine months ended March 31, 2025, there were 361,050 warrants which resulted in a dilution adjustment of nil shares (March 31, 2024 - 341). There were 7,960 shares excluded from the nine month dilution adjustment for stock options calculations due to their impact being anti-dilutive.

16. 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:

<u>Segments</u>

For the three months ended March 31, 2025	**Video and Broadband Solutions**	**Content Delivery and Storage**	**Telematics**	**Total**
Sales	$ 47,650	$ 14,083	$ 2,246	**$ 63,979**
Cost of sales	28,436	4,230	777	**33,443**
Gross profit	**19,214**	**9,853**	**1,469**	**30,536**
Operating expenses	14,909	5,445	810	**21,164**
Depreciation and amortization	4,480	1,253	291	**6,024**
Operating income (loss)	**(175)**	**3,155**	**368**	**3,348**
Finance expense				**(2,033)**
Foreign exchange gain				**251**
Income tax expense				**(384)**
Net income				**$ 1,182**

(in thousands of dollars unless otherwise noted)

For the three months ended March 31, 2024		Video and Broadband Solutions		Content Delivery and Storage		Telematics		Total
Sales	$	68,237	$	10,204	$	1,698	**$**	**80,139**
Cost of sales [1]		37,047		3,738		527		**41,312**
Gross profit		**31,190**		**6,466**		**1,171**		**38,827**
Operating expenses [1]		15,485		6,728		580		**22,793**
Depreciation and amortization		4,558		1,059		336		**5,953**
Operating income (loss)		**11,147**		**(1,321)**		**255**		**10,081**
Finance expense								**(1,580)**
Foreign exchange loss								**(1,159)**
Income tax expense								**(1,542)**
Net income							**$**	**5,800**

[1] *The company has restated the comparative period for a change in commission expense presentation (refer to Note 22).*

For the nine months ended March 31, 2025		Video and Broadband Solutions		Content Delivery and Storage		Telematics		Total
Sales	$	179,858	$	31,524	$	5,725	**$**	**217,107**
Cost of sales		113,095		11,547		1,842		**126,484**
Gross profit		**66,763**		**19,977**		**3,883**		**90,623**
Operating expenses		48,842		17,480		2,058		**68,380**
Depreciation and amortization		13,060		3,694		998		**17,752**
Operating income (loss)		**4,861**		**(1,197)**		**827**		**4,491**
Finance expense								**(6,751)**
Foreign exchange loss								**(3,513)**
Income tax recovery								**1,215**
Net loss							**$**	**(4,558)**

For the nine months ended March 31, 2024		Video and Broadband Solutions		Content Delivery and Storage		Telematics		Total
Sales	$	161,434	$	37,162	$	4,975	**$**	**203,571**
Cost of sales [1]		87,727		14,521		1,633		**103,881**
Gross profit		**73,707**		**22,641**		**3,342**		**99,690**
Operating expenses [1]		44,797		19,131		1,729		**65,657**
Depreciation and amortization		11,644		3,928		1,032		**16,604**
Operating income (loss)		**17,266**		**(418)**		**581**		**17,429**
Finance expense								**(3,940)**
Foreign exchange gain								**94**
Income tax expense								**(2,449)**
Net income							**$**	**11,134**

[1] *The company has restated the comparative period for a change in commission expense presentation (refer to Note 22).*

(in thousands of dollars unless otherwise noted)

Geographical region

	Three months		Nine months	
Periods ended March 31,	**2025**	2024	**2025**	2024
Sales to external customers:				
United States	$ 54,545	$ 70,570	$ 194,399	$ 181,189
Canada	3,966	5,578	9,416	13,030
Japan	2,901	2,882	7,123	5,264
Europe	2,218	890	4,745	2,862
Other	349	219	1,424	1,226
Total sales	**$ 63,979**	**$ 80,139**	**$ 217,107**	**$ 203,571**

As at	**March 31, 2025**	June 30, 2024
Non-current assets:		
United States	$ 78,792	$ 65,344
Canada	103,348	103,301
Japan	1,294	534
Europe	5,283	296
China	739	766
Total non-current assets	**$ 189,456**	**$ 170,241**

Sales to major customers

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

	Three months		Nine months	
Periods ended March 31,	**2025**	2024	**2025**	2024
Customer A	$ 39,041	$ 47,973	$ 142,784	$ 103,522
Customer B	1,239	5,745	13,072	30,824
Total sales	**$ 40,280**	**$ 53,718**	**$ 155,856**	**$ 134,346**

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

17. 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 nine months ended March 31, 2025, there were no transfers between Level 1 and Level 2 fair value classifications. As at March 31, 2025, the Company had customer based warrants outstanding which were classified as Level 2. Refer to Note 18 - Financial Instruments for further information.

(in thousands of dollars unless otherwise noted)

18. FINANCIAL INSTRUMENTS

Accounts receivable

As at March 31, 2025, the weighted average age of customer accounts receivable was 32 days (June 30, 2024 - 33 days), and the weighted average age of past-due accounts receivable approximated 77 days (June 30, 2024 - 55 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		**March 31, 2025**		June 30, 2024
Current	$	30,095	$	67,423
31 to 60 days		199		622
61 to 90 days		646		63
Over 90 days		1,061		1,081
Total accounts receivable	**$**	**32,001**	**$**	**69,189**

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 March 31, 2025 of $31 (June 30, 2024 - $3).

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 March 31, 2025 and June 30, 2024, the Company did not have any forward contracts.

Customer based warrants

The Company executed a warrant agreement with one of its key customers in the first quarter of fiscal 2024 to purchase up to 361,050 common shares at an exercise price of $17.09 with vesting conditions based on the achievement of certain multi-year spending targets. The first tranche and second tranches have vested as the spending targets were met. The warrants are accounted for as financial liabilities due to their conversion features and will be remeasured to their fair market value at each reporting date until the earliest of settlement, cancellation or expiry. A binomial options pricing model was used to derive the fair value of customer based warrants. The fair value of warrants as at March 31, 2025 was $313 (June 30, 2024 - $2,626). Warrant vesting recovery during the three and nine months ended March 31, 2025 of $974 and $1,739, respectively (March 31, 2024 - expense of $710 and $1,565, respectively), was reflected as a sales recovery and increase of revenue in the Company's consolidated statements of comprehensive income (loss).

(in thousands of dollars unless otherwise noted)

19. SUPPLEMENTAL INFORMATION

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

Depreciation and amortization – operating activities

	Three months		Nine months	
Periods ended March 31,	**2025**	2024	**2025**	2024
Depreciation of property, plant and equipment	$ 754	$ 1,553	$ 2,714	$ 3,229
Depreciation of right-of-use assets	378	308	1,113	967
Amortization of deferred development costs	4,119	3,283	11,501	9,919
Amortization of finite-life intangible assets	987	809	2,638	2,441
Total depreciation and amortization	**$ 6,238**	**$ 5,953**	**$ 17,966**	**$ 16,556**

Net change in working capital – operating activities

	Three months		Nine months	
Periods ended March 31,	**2025**	2024	**2025**	2024
Accounts receivable	$ 3,204	$ (25,526)	$ 38,676	$ (30,458)
Inventories	770	1,425	3,401	(41,988)
Prepaid expenses	(2,276)	(4,662)	158	6,007
Contract assets	(930)	(1,124)	(236)	152
Accounts payable and accrued liabilities	(13,558)	(18,540)	(17,930)	11,062
Deferred revenue	1,888	5,839	413	2,268
Total change in net working capital	**$ (10,902)**	**$ (42,588)**	**$ 24,482**	**$ (52,957)**

Capital expenditures, net – investing activities

	Three months		Nine months	
Periods ended March 31,	**2025**	2024	**2025**	2024
Capital expenditures:				
Property, plant and equipment	$ (584)	$ (687)	$ (1,978)	$ (2,023)
Intangible assets	(17)	(37)	(103)	(95)
Proceeds of disposition:				
Property, plant and equipment	–	–	97	–
Intangible assets	–	–	56	–
Total capital expenditures	**$ (601)**	**$ (724)**	**$ (1,928)**	**$ (2,118)**

20. RELATED PARTY TRANSACTIONS

The company had the following related party transactions during the three and nine months ended March 31, 2025:

Building lease

The Company entered into a building lease on August 1, 2022 with one of the principal shareholders. The lease terms are at fair market value. During the three and nine months ended March 31, 2025, total lease payments, including interest, were $16 and $110, respectively (March 31, 2024 - $47 and $141, respectively). The building is being used for additional inventory storage. As of February 1, 2025, the building was sold by the principal shareholders and therefore, no longer subject to a related party relationship.

Shareholder loan

The Company received a shareholder loan in the second quarter of fiscal 2025 of $5,000 from 684739 B.C., a company owned by the principal shareholders, which is repayable on demand and requires monthly accrued interest payments only with no set terms for principal repayments. It carries an interest rate at the Bank of Canada prime rate of 4.95% plus 4.30% and is collateralized by a general security agreement. During the three and nine months ended March 31, 2025, the Company incurred $118 and $157 of interest expense, respectively, pursuant to the shareholder loan. The loan agreement was executed at arms length and approximates fair value and will be used by the Company to fund short-term working capital requirements.

There were no other related party transactions in the first nine months of fiscal 2025.

21. RESTRUCTURING COSTS

During the three and nine months ended March 31, 2025, the Company incurred $nil and $2,798, respectively, of restructuring costs pursuant to its workforce reorganization announced on December 9, 2024. As at March 31, 2025, $914 was still payable to former employees of the Company, and as such the Company reflected a $392 severance provision for employees who had not signed an agreement at the reporting date, with the remaining $522 included in accrued liabilities.

(in thousands of dollars unless otherwise noted)

22. CHANGE IN PRESENTATION

In the first quarter of fiscal 2025, the Company has adopted a change in presentation of commissions expense to reflect these costs in sales and marketing and general and administrative expenses where the costs originate. The Company will no longer reclassify these expenses to costs of sales. This change in presentation aligns our results with our peers which management believes enhances comparability and better reflects our results.

The below table summarizes the impact on the third quarter and first nine months of fiscal 2024:

For the three months ended March 31, 2024	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total
Previously Reported				
Cost of sales	$ 37,891	$ 4,106	$ 546	**$ 42,543**
Gross profit	30,346	6,098	1,152	**37,596**
Sales and marketing	4,686	1,803	252	**6,741**
General and administrative	5,264	2,220	388	**7,872**
Total operating expenses	19,199	7,419	897	**27,515**
Operating income (loss)	$ 11,147	$ (1,321)	$ 255	**$ 10,081**
Reclassification				
Cost of sales	$ (844)	$ (368)	$ (19)	**$ (1,231)**
Gross profit	844	368	19	**1,231**
Sales and marketing	647	314	19	**980**
General and administrative	197	54	–	**251**
Total operating expenses	844	368	19	**1,231**
Operating income	$ –	$ –	$ –	**$ –**
Restated				
Cost of sales	$ 37,047	$ 3,738	$ 527	**$ 41,312**
Gross profit	31,190	6,466	1,171	**38,827**
Sales and marketing	5,333	2,117	271	**7,721**
General and administrative	5,461	2,274	388	**8,123**
Total operating expenses	20,043	7,787	916	**28,746**
Operating income (loss)	$ 11,147	$ (1,321)	$ 255	**$ 10,081**

(in thousands of dollars unless otherwise noted)

For the nine months ended March 31, 2024	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total
Previously Reported				
Cost of sales	$ 90,132	$ 15,749	$ 1,681	**$ 107,562**
Gross profit	71,302	21,413	3,294	**96,009**
Sales and marketing	14,802	5,252	721	**20,775**
General and administrative	14,437	6,761	1,078	**22,276**
Total operating expenses	54,036	21,831	2,713	**78,580**
Operating income	$ 17,266	$ (418)	$ 581	**$ 17,429**
Reclassification				
Cost of sales	$ (2,405)	$ (1,228)	$ (48)	**$ (3,681)**
Gross profit	2,405	1,228	48	**3,681**
Sales and marketing	2,015	990	48	**3,053**
General and administrative	390	238	–	**628**
Total operating expenses	2,405	1,228	48	**3,681**
Operating income	$ –	$ –	$ –	**$ –**
Restated				
Cost of sales	$ 87,727	$ 14,521	$ 1,633	**$ 103,881**
Gross profit	73,707	22,641	3,342	**99,690**
Sales and marketing	16,817	6,242	769	**23,828**
General and administrative	14,827	6,999	1,078	**22,904**
Total operating expenses	56,441	23,059	2,761	**82,261**
Operating income	$ 17,266	$ (418)	$ 581	**$ 17,429**

23. SUBSEQUENT EVENTS

On May 13, 2025, the Board of Directors declared a dividend of $0.055 per common share, payable on June 23, 2025 to shareholders of record as at May 30, 2025 consistent with its previously announced dividend policy.