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, 2020 and 2019

(unaudited)

VECIMA NETWORKS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 12, 2020

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, 2020.

Our MD&A supplements, but does not form part of, our unaudited interim condensed consolidated financial statements and related notes for the three and nine months ended March 31, 2020 and 2019. Consequently, the following discussion and analysis of the financial condition and results of operations should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes for the three months ended March 31, 2020 and 2019 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, our expectations related to customer demand and the impacts of novel coronavirus pandemic ("COVID-19"). 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.sedar.com.

Table of Contents

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 Vancouver, Atlanta, Tokyo, Amsterdam, London, and a manufacturing facility 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 transform content delivery and storage, enable high-capacity broadband network access, and streamline data analytics.

Vecima's business is organized into three segments:

1) **Video and Broadband Solutions** (VBS) includes platforms and modules that process data from the cable network and deliver it in formats suitable to be consumed on televisions and Internet devices.

   a. Our Terrace and TerraceQAM product families meet the needs of the business services vertical, including MDU (multi-dwelling units) and Hospitality (including hotels, motels and resorts).

   b. 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) nodes as optical transport moves away from analog radio frequency (RF) distribution to all-digital Ethernet. Our goal is to provide independent, agnostic and future-proof Distributed Access solutions that can work with every core vendor and be upgradable to Full Duplex (FDX), Extended Spectrum DOCSIS (ESD), Passive Optical Network (PON) or whatever the future of ultra high-speed networks require.

   The Entra Distributed Access Architecture (DAA) family of products is comprised of:

   - Multiple variants of the Entra Access Node that can operate as Remote PHY or Remote MAC-PHY and provides a modular platform for deployment of access technologies;
   - The Entra Remote PHY Monitor (RPM), which offers unified control software for management, service assurance and monitoring of access nodes;
   - The Entra Legacy QAM Adapter (LQA), which provides a simple solution to adapt existing video QAM infrastructure for distributed access;
   - The Entra Video QAM Manager (VQM), which allows for the integration of video in a DAA environment within existing infrastructure, maximizing efficiency of fiber usage while reducing operational costs; and
   - The Entra Interactive Video Controller (IVC), which supports both next-generation DAA Remote PHY and traditional RF networks providing essential two-way network connectivity for QAM set-top boxes that are heavily deployed and in service today.

2) **Content Delivery and Storage** (CDS) includes solutions and software, under the MediaScaleX™ and ContentAgent™ brands, for industries and customers that focus on ingesting, producing, storing, delivering and streaming video content for live linear, Video On Demand (VOD), network Digital Video Recorder (nDVR) and time-shifted TV services.

   Our Content Delivery and Storage business focuses specifically on multiple system operators' ("MSO") video content delivery and storage needs under the product categories: Storage, Cache, Origin and Transcode.

3) **Telematics** provides fleet managers with the key information and analytics they require to optimally manage their mobile and fixed assets under the Contigo, Nero Global Tracking, and FleetLynx brands.

Industry Developments

Video and Broadband Solutions

Over the last several years, the cable industry has been transitioning towards Distributed Access Architectures under the latest DOCSIS 3.1 standard. Some top tier players have initiated a gradual roll-out of this new platform with further large-scale deployments anticipated over the next several years. DOCSIS 3.1 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. The speed provided by DOCSIS 3.1 is comparable to that of fiber optic connections, thereby allowing cable operators to upgrade their systems, but without the added infrastructure costs of building fiber to the home. Global cable operators expect to benefit from a flexible migration given that DOCSIS 3.1 modems can coexist with older versions and build on top of their previously deployed capacity. The higher efficiency of DOCSIS 3.1 technology also enables significant cost-per-bit reductions relative to DOCSIS 3.0 network solutions.

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. According to the latest industry analysis in the Cisco Visual Networking Index™, consumer Video On Demand traffic is expected to double by 2022 with IP video comprising 82% of all IP traffic.

Telematics

As asset tracking technology broadens beyond fleet management to new initiatives associated with asset management for asset-intensive industries such as manufacturing, construction, energy and aerospace, Vecima is developing products to capitalize on segments of these markets.

Our Strategy

Our growth strategy focuses on the development of our core technologies, including next generation platforms such as our new DOCSIS 3.1 platform, Entra, as well as new IP video storage and distribution technologies being developed under the MediaScaleX 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.

Third Quarter 2020 Highlights

Financial and Corporate Highlights

- Consolidated sales increased 23.5% to $25.1 million in Q3 fiscal 2020, from $20.3 million in Q3 fiscal 2019
- Gross profit increased 22% to $13.0 million, from $10.7 million in Q3 fiscal 2019 delivering gross margin of 52%
- Adjusted EBITDA increased significantly to $5.6 million, from $0.4 million in Q3 fiscal 2019
- Adjusted EPS grew to $0.03 per share from a loss of ($0.07) per share in Q3 fiscal 2019
- Ended the quarter in strong financial position with $36.2 million in cash and working capital of $56.3 million
- Declared a dividend of $0.055 per share payable on June 15, 2020 to shareholders of record on May 22, 2020. This represents $28.7 million returned to shareholders through regular dividends since we initiated our dividends in October 2014
- Delivered a strong quarter while navigating the potential impact of COVID-19

Video and Broadband Solutions

- Segment sales of $9.6 million increased 14% on a sequential quarterly basis, reflecting higher sales of Entra family and TerraceQAM products, but were lower year-over-year as a result of the anticipated decrease in legacy product sales

- Entra family
  - Achieved $1.8 million of next generation Entra family product sales, an increase of 63% from $1.1 million in Q2 fiscal 2020 and up by $1.5 million compared to $0.3 million in Q3 fiscal 2019, led by uptake of the Entra Interactive Video Controller (IVC) by Tier 1 and Tier 2 MSO customers
  - Multiple products within Vecima's broad Entra DAA ecosystem were purchased by a wide group of MSOs as the industry initiates the network evolution to distributed access architecture
  - Expanded a key field trial with a lead Tier 1 customer, moving to fully operationalized node field trials in multiple footprint locations where Entra nodes are providing live broadband internet service into a number of homes with paying subscribers
  - Remote-PHY Monitoring software application purchased in Q2 by a T ier 1 customer enabled flawless installation and activation of nodes in the field
- Terrace family
  - Increased TerraceQAM sales by 125% year-over-year and 5% quarter-over-quarter as the lead Tier 1 MSO widened its extensive hospitality services platform, while preparing for migration to the next generation TerraceIQ system
  - Progressed development of the next generation TerraceIQ platform, supporting the intent of customers to upgrade their widely deployed ecosystems of the Terrace and TerraceQAM products as networks move to IPTV
  - Sales of TC600E increased by 35% quarter-over-quarter as a Tier 1 extended MPEG 4 upgrade-related purchases and a second Tier 1 customer initiated MPEG 4 upgrade-related purchases

Content Delivery and Storage

- Generated strong segment sales of $14.2 million with revenue increasing 119% year-over-year
- Achieved further advances in the burgeoning IPTV market with the win of four new customers for Vecima's MediaScaleX IPTV products, including three new wins during the third quarter and an additional customer win subsequent to quarter-end
- Further increased deployments of IPTV solutions with cable operators, telcos and broadcasters around the world, servicing over 130 million subscribers and managing 30 petabytes of content worldwide
- Ongoing feature enhancements to our MediaScaleX IPTV products aimed at amplifying the seamless user experience delivered while streaming content to the consumer

Telematics

- Further roll out of previously announced City of Saskatoon fleet management solution, which involves monitoring a fleet of over 1,000 powered and unpowered vehicles and assets
- Expanded penetration in the moveable assets market, adding six new restoration industry customers with vehicles being monitored with GPS beacons and valuable moveable assets being monitored through our Bluetooth Low Energy (BLE) tags

COVID-19 Business Update and Outlook

Around the globe, social distancing and stay-at-home mandates related to the COVID-19 pandemic are driving unusually high levels of utilization across our customers' cable and IPTV networks. As a manufacturer and provider of communications solutions that expand the capacity of our customers' networks, Vecima's operations are not only deemed essential, but we have seen interest in our solutions increase in recent months.

We have taken a number of proactive steps to protect the health and safety of our employees and to support our ability to provide our products and platforms to our customers worldwide.

Employee Health and Safety: Our highest priority continues to be the well-being of our employees, more than 80% of whom are able to perform their job functions outside of a Vecima facility and have transitioned to working remotely. A small number of Vecima employees, primarily those in our Saskatoon manufacturing facility, have roles whose physical presence is required to perform their job function. These employees continue to report to work but are subject to strict protocols intended to reduce the risk of transmission, including social distancing, increased cleaning and availability of personal protective equipment as necessary.

Operations and Supply Chain: Our manufacturing sites have continued to operate at or near normal levels, and by moving early to increase inventory levels, we have been successful in fulfilling orders. While lead times for some of our component supplies have subsequently increased, and in certain limited cases we have needed to seek out alternate sources of supply, we have not as of yet encountered significant disruptions to our supply chain.

Through April and thus far into May of this year, we have seen continued strong demand for our next generation products and for certain legacy products. We are also continuing to work with MSO customers to progress field and lab trials of our next generation Entra family of DAA products. Longer term, it is difficult to predict what the full economic, supply chain and network development impacts of the COVID-19 pandemic will be, given the evolving and uncertain nature of this crisis. See "Risks and Uncertainties and COVID-19" and "Forward Looking Information" for more information on COVID-19 as it pertains to our business.

We will continue to monitor the situation closely and make adjustments to our business as necessary. We thank all of our employees for their commitment to meeting our customers' needs through these challenging times and acknowledge the exceptional R&D, manufacturing and customer service work that continues to be done despite the changes to our normal ways of operating.

As it currently stands, we continue to feel well positioned to manage any COVID-19 related risks leading into Q4 fiscal 2020. Meanwhile, as anticipated Vecima's Content Delivery and Storage segment remains on track to deliver 20% or better segment sales growth in fiscal 2020.

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 Data	**Three months ended March 31,**				**Nine months ended March 31,**			
	2020		2019		**2020**		2019	
Sales	**$ 25,093**	**100 %**	$ 20,328	100 %	**$ 70,328**	**100 %**	$ 64,317	100 %
Cost of sales	**12,069**	**48 %**	9,642	47 %	**30,822**	**44 %**	29,600	46 %
Gross profit	**13,024**	**52 %**	10,686	53 %	**39,506**	**56 %**	34,717	54 %
Operating expenses								
Research and development[1]	**5,714**	**23 %**	4,797	23 %	**15,316**	**22 %**	13,967	22 %
Sales and marketing	**3,698**	**15 %**	4,029	20 %	**10,871**	**15 %**	10,481	16 %
General and administrative	**4,087**	**16 %**	4,247	21 %	**12,210**	**17 %**	12,256	19 %
Restructuring costs	**-**	**- %**	-	- %	**-**	**- %**	757	1 %
Share-based compensation	**13**	**- %**	28	- %	**47**	**- %**	102	1 %
Other expense (income)	**25**	**- %**	(69)	- %	**(130)**	**- %**	(435)	(1)%
	13,537	**54 %**	13,032	64 %	**38,314**	**54 %**	37,128	58 %
Operating (loss) income	**(513)**	**(2)%**	(2,346)	(11)%	**1,192**	**2 %**	(2,411)	(4)%
Finance (expense) income	**(238)**	**(1)%**	301	1 %	**524**	**- %**	550	1 %
Foreign exchange gain (loss)	**1,972**	**8 %**	(619)	(3)%	**1,793**	**3 %**	457	1 %
Income (loss) before taxes	**1,221**	**5 %**	(2,664)	(13)%	**3,509**	**5 %**	(1,404)	(2)%
Income tax expense (recovery)	**555**	**2 %**	(1,203)	(6)%	**666**	**1 %**	(898)	(1)%
Net income (loss)	**666**	**3 %**	(1,461)	(7)%	**2,843**	**4 %**	(506)	(1)%
Other comprehensive income (loss)	**2,416**	**9 %**	(584)	(3)%	**2,213**	**3 %**	393	1 %
Comprehensive income (loss)	**$ 3,082**	**12 %**	$ (2,045)	(10)%	**$ 5,056**	**7 %**	$ (113)	- %
Net income per share[2]								
Basic	**$ 0.03**		$ (0.07)		**$ 0.13**		$ (0.02)	
Diluted	**$ 0.03**		$ (0.07)		**$ 0.13**		$ (0.02)	
Other Data								
Total research and development expenditures[3]	**$ 6,763**		$ 7,521		**$ 18,995**		$ 23,165	
Adjusted EBITDA[4]	**$ 5,617**		$ 423		**$ 14,445**		$ 7,896	
Adjusted earnings per share[5]	**$ 0.03**		$ (0.07)		**$ 0.12**		$ -	
Number of employees[6]	**375**		390		**375**		390	

(1) *Net of investment tax credits and capitalized development costs.*

(2) *Based on weighted average number of common shares outstanding.*

(3) *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.*

Consolidated Statements of Financial Position (unaudited - in thousands of dollars except common share data)		**March 31, 2020**		June 30, 2019
Cash and cash equivalents	**$**	**19,167**	$	19,834
Short-term investments	**$**	**17,009**	$	24,569
Working capital	**$**	**56,288**	$	58,286
Total assets	**$**	**212,564**	$	200,770
Long-term debt[(1)]	**$**	**5,151**	$	1,729
Shareholders' equity	**$**	**182,941**	$	180,768
Number of common shares outstanding[(2)]		**22,403,397**		22,362,031

[(1)]*Fiscal 2020 Long-term debt now includes lease liabilities per IFRS 16.*

[(2)]*Based on weighted average number of common shares outstanding.*

Adjusted Net Income and Adjusted Earnings 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"), intangible assets, and assets held for sale, impairments of intangible assets, 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 telematic services. Adjusted earnings 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 Per Share (unaudited - in thousands of dollars except per share amounts)	**Three months ended March 31,**				**Nine months ended March 31,**			
		2020		2019		**2020**		2019
Net income (loss)	**$**	**666**	$	(1,461)	**$**	**2,843**	$	(506)
Gain on sale of non-core intangibles, net of tax		**-**		-		**-**		(176)
Gain on sale of non-core PP&E, net of tax		**-**		-		**(106)**		-
Restructuring costs, net of tax		**-**		-		**-**		565
Adjusted net income (loss)	**$**	**666**	$	(1,461)	**$**	**2,737**	$	(117)
Net income per share	**$**	**0.03**	$	(0.07)	**$**	**0.13**	$	(0.02)
Gain on sale of non-core intangibles, net of tax		**-**		-		**-**		(0.01)
Gain on sale of non-core PP&E, net of tax		**-**		-		**(0.01)**		-
Restructuring costs, net of tax		**-**		-		**-**		0.03
Adjusted earnings per share	**$**	**0.03**	$	(0.07)	**$**	**0.12**	$	-

As of Q4 fiscal 2019, we changed our definition and calculation of adjusted net income and adjusted earnings per share to incorporate restructuring costs to the calculation of these measures. We believe this change provides a more consistent determination as compared to other companies in our industry. We also believe this consistency enables management, investors and analysts to better assess our main business activities as well as improve comparability to others within our industry.

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, deferred development and intangible assets. The term "Adjusted EBITDA" refers to EBITDA adjusted for: gains and losses on sale of PP&E, intangible assets, and assets held for sale; impairment of PP&E; impairment of deferred development costs and other intangible assets; restructuring costs; and share-based compensation expense. 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. Adjusted EBITDA is not a recognized measure under IFRS and, accordingly, investors are cautioned that Adjusted EBITDA should not be construed as an alternative to net income, determined in accordance with IFRS, or as an indicator of our financial performance or as a measure of our liquidity and cash flows.

The adoption of IFRS 16 impacted the calculation of EBITDA with depreciation of right-of-use assets increasing Q3 fiscal 2020 EBITDA by $351 (YTD - $1,034) and interest on lease liabilities increasing EBITDA by $57 (YTD - $176).

Calculation of Adjusted EBITDA	**Three months ended March 31,**		**Nine months ended March 31,**	
	2020	2019	**2020**	2019
Net income (loss)	**$ 666**	$ (1,461)	**$ 2,843**	$ (506)
Income tax expense	**555**	(1,203)	**666**	(898)
Interest expense	**74**	24	**232**	79
Depreciation of PP&E	**542**	573	**1,591**	1,771
Depreciation of right-of-use assets	**351**	-	**1,034**	-
Amortization of deferred development costs	**2,417**	1,499	**5,204**	3,899
Amortization of intangible assets	**983**	950	**2,933**	2,839
EBITDA	**5,588**	382	**14,503**	7,184
Gain (loss) on sale of property, plant and equipment	**16**	13	**(105)**	55
Gain on sale of intangible assets	**-**	-	**-**	(202)
Restructuring costs	**-**	-	**-**	757
Share-based compensation	**13**	28	**47**	102
Adjusted EBITDA	**$ 5,617**	$ 423	**$ 14,445**	$ 7,896
Adjusted EBITDA margin (%)	**22 %**	2 %	**21 %**	12 %

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 expenditure) below:

Calculation of Research and Development Expenditures	**Three months ended March 31,**		**Nine months ended March 31,**	
	2020	2019	**2020**	2019
Research and development per statement of income	**$ 5,714**	$ 4,797	**$ 15,316**	$ 13,967
Deferred development costs	**3,428**	4,322	**8,854**	13,195
Investment tax credits	**38**	27	**127**	77
Amortization of deferred development costs	**(2,417)**	(1,499)	**(5,204)**	(3,899)
Government grants	**-**	(126)	**(98)**	(175)
Total research and development expenditure	**$ 6,763**	$ 7,521	**$ 18,995**	$ 23,165
Percentage of sales	**27 %**	37 %	**27 %**	36 %

Summary of Quarterly Results of Operations

The following information has been derived from our consolidated financial statements for the nine months ended March 31, fiscal 2020 and fiscal 2019 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.

	Fiscal Year 2020			Fiscal Year 2019				2018
	Q3	**Q2**	**Q1**	Q4	Q3	Q2	Q1	Q4
Sales	**$ 25,093**	**$ 25,123**	**$ 20,112**	$ 20,715	$ 20,328	$ 22,654	$ 21,335	$ 24,346
Cost of sales	**12,069**	**9,115**	**9,638**	10,555	9,642	9,814	10,144	11,075
Gross profit	**13,024**	**16,008**	**10,474**	10,160	10,686	12,840	11,191	13,271
Operating expenses								
Research and development	**5,714**	**4,534**	**5,068**	5,006	4,797	4,567	4,604	4,427
Sales and marketing	**3,698**	**3,427**	**3,746**	3,631	4,029	3,252	3,200	4,227
General and administrative	**4,087**	**4,142**	**3,981**	4,340	4,247	4,006	4,003	3,979
Impairment of intangible assets	**-**	**-**	**-**	-	-	-	-	22
Restructuring costs	**-**	**-**	**-**	1,419	-	-	757	-
Share-based compensation	**13**	**17**	**17**	10	28	40	34	31
Other expense (income)	**25**	**(145)**	**(10)**	17	(69)	(278)	(88)	(92)
	13,537	**11,975**	**12,802**	14,423	13,032	11,587	12,510	12,594
Operating (loss) income	**(513)**	**4,033**	**(2,328)**	(4,263)	(2,346)	1,253	(1,319)	677
Finance income	**(238)**	**554**	**208**	329	301	27	222	211
Foreign exchange (loss) gain	**1,972**	**(477)**	**298**	(523)	(619)	1,593	(517)	454
Income (loss) before income taxes	**1,221**	**4,110**	**(1,822)**	(4,457)	(2,664)	2,873	(1,614)	1,342
Income tax expense (recovery)	**555**	**549**	**(438)**	(1,504)	(1,203)	823	(518)	554
Net income (loss) from continuing operations	**666**	**3,561**	**(1,384)**	(2,953)	(1,461)	2,050	(1,096)	788
Net income (loss) and comprehensive income (loss) from discontinued operations	**-**	**-**	**-**	-	-	-	-	(45)
Net income (loss)	**666**	**3,561**	**(1,384)**	(2,953)	(1,461)	2,050	(1,096)	743
Other comprehensive income (loss)	**2,416**	**(426)**	**223**	(460)	(584)	1,395	(418)	450
Comprehensive income (loss)	**$ 3,082**	**$ 3,135**	**$ (1,161)**	$ (3,413)	$ (2,045)	$ 3,445	$ (1,514)	$ 1,193
Net income (loss) per share								
Basic	**$ 0.03**	**$ 0.16**	**$ (0.06)**	$ (0.13)	$ (0.07)	$ 0.09	$ (0.05)	$ 0.03
Diluted	**$ 0.03**	**$ 0.16**	**$ (0.06)**	$ (0.13)	$ (0.07)	$ 0.09	$ (0.05)	$ 0.03
Adjusted EBITDA as reported	**$ 5,617**	**$ 7,042**	**$ 1,786**	$ 281	$ 423	$ 5,539	$ 1,933	$ 4,352

Quarter-to-Quarter Sales Variances

There are many factors that 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 new technology adoption such as the industry migration to DOCSIS 3.1. The budgeting cycles of larger cable operators can also result in quarter-to-quarter variability in customer orders as do their installation schedules. We are currently experiencing a slowdown in demand for some of our legacy Video and Broadband Solutions products as customers complete their digital networks and migrate to DOCSIS 3.1. We expect our sales to recover as our new products in the DOCSIS 3.1 Entra platform are commercialized.

Our Content Delivery and Storage segment also contributes to variation in our quarterly sales. 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 quarter typically carrying slower customer activity.

Segmented Information

Sales

Segment		Three months ended March 31, 2020		2019		Nine months ended March 31, 2020		2019
Video and Broadband Solutions	**$**	**9,561**	$	12,429	**$**	**25,393**	$	30,775
Content Delivery and Storage		**14,220**		6,498		**40,899**		29,375
Telematics		**1,312**		1,401		**4,036**		4,167
Total sales	**$**	**25,093**	$	20,328	**$**	**70,328**	$	64,317

Three-Month Sales

Total sales grew to $25.1 million in the third quarter of fiscal 2020, up 23% from $20.3 million in Q3 fiscal 2019 and consistent with the $25.1 million generated in Q2 fiscal 2020. The year-over-year sales growth reflects higher sales in our Content Delivery and Storage segment partially offset by a decrease in our Video and Broadband segment.

The Video and Broadband Solutions segment recorded third quarter sales of $9.6 million a decrease of 23% from $12.4 million in Q3 fiscal 2019 but an increase of 14% from $8.4 million in Q2 fiscal 2020. The year-over-year decrease in Video and Broadband Solutions sales was driven by an anticipated decline in legacy product sales, partially offset by increased sales of Entra family and TerraceQAM products.

- Terrace family sales of $4.0 million decreased 52% from $8.5 million in the same period last year and increased 13% from $3.6 million in Q2 fiscal 2020. The reduction in Terrace Family sales year-over-year was anticipated and primarily reflects lower sales of our legacy TC600 and TC600E products.

- TerraceQAM sales grew to $3.3 million, up 125% from $1.5 million in the third quarter of fiscal 2019 and an increase of 5% from $3.1 million in Q2 fiscal 2020. While we anticipate continued ordering activity for TerraceQAM through the balance of fiscal 2020, we believe the deployment of the current generation platform is nearing saturation and we are working with customers on the next generation platform.

- Further deployments of our next generation Entra products contributed third quarter revenue of $1.8 million, up from $0.3 million in Q3 fiscal 2019 and $1.1 million in Q2 fiscal 2020.

Our Content Delivery and Storage segment achieved strong quarterly sales of $14.2 million, an increase of 119% from $6.5 million in the third quarter of fiscal 2019. The more than doubling of sales reflects the expansion of our customer base and strong demand for our IPTV solutions, and also compares to a weaker-than-normal quarter for this segment in the prior year. On a sequential quarterly basis, Content Delivery and Storage sales were 8% lower than the record $15.4 million generated in Q2 fiscal 2020, largely reflecting the timing of orders. Segment sales for the Q3 fiscal 2020 period included $9.5 million of product sales and $4.7 million of services revenue.

Telematics sales were stable at $1.3 million in the third quarter of fiscal 2020, as compared to $1.4 million in both Q3 fiscal 2019 and Q2 fiscal 2020. Results for the quarter were in line with our expectations.

Nine-Month Sales

For the nine months ended March 31, 2020 total sales increased 9% to $70.3 million from $64.3 million in the same period of fiscal 2019. The sales increase primarily reflects a strong contribution from our Content Delivery and Storage segment, partially offset by lower sales in the Video and Broadband Solutions segment.

Video and Broadband Solutions reported sales of $25.4 million in the first nine months of fiscal 2020, as compared to $30.8 million in the same period in fiscal 2019.

- Nine-month Terrace family sales of $12.3 million decreased 38% from $20.0 million in the same period of fiscal 2019. The year-over-year change reflects a slower pace of purchasing activity for legacy TC600E products.

- Sales of TerraceQAM increased by 91% to $8.3 million in the first nine months of fiscal 2020, from $4.4 million in the same period in fiscal 2019. While we anticipate continued ordering activity for TerraceQAM through the balance of fiscal 2020, overall, we believe the deployment of the current generation platform is nearing saturation and we are working with customers on the next generation platform.

- Initial deployments of our Entra family products contributed nine-month revenue of $3.2 million, an increase of 396% from $0.6 million in the first nine months of fiscal 2019.

Sales from our Content Delivery and Storage segment increased 39% to $40.9 million in the first nine months of fiscal 2020, from $29.4 million in the first nine months of fiscal 2019 driven by strong demand for our MediaScaleX family of products. Sales in the current period included $27.8 million of product sales and $13.1 million of services revenue.

Telematics sales were modestly lower at $4.0 million in the first nine months of fiscal 2020, compared to $4.2 million in the same period of fiscal 2019. These results were in line with our expectations.

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, inventory management costs, and sales commissions, 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, including amortization of software development costs, 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, support activities and sales commissions. Costs associated with Telematics sales consist of hardware amortization, inventory management costs, order fulfillment, wireless fees, server hosting services, mapping licenses and sales commissions.

Gross Profit and Gross Margin

	Three months ended March 31,		Nine months ended March 31,	
Segment	**2020**	2019	**2020**	2019
Video and Broadband Solutions	**$ 4,479**	$ 6,205	**$ 12,854**	$ 15,150
Content Delivery and Storage	**7,625**	3,520	**23,894**	16,689
Telematics	**920**	961	**2,758**	2,878
Total gross profit	**$ 13,024**	$ 10,686	**$ 39,506**	$ 34,717
Video and Broadband Solutions	**46.8 %**	49.9 %	**50.6 %**	49.2 %
Content Delivery and Storage	**53.6 %**	54.2 %	**58.4 %**	56.8 %
Telematics	**70.1 %**	68.6 %	**68.3 %**	69.1 %
Total gross margin	**51.9 %**	52.6 %	**56.2 %**	54.0 %

Three-Month Results

For the three months ended March 31, 2020, we achieved a gross margin of 52%, which was in line with our expectations and compares to 53% in Q3 fiscal 2019 and 64% in Q2 fiscal 2020. The Q2 fiscal 2020 gross margin was a particularly strong result and reflects higher-margin software sales in that quarter's product mix. Total gross profit increased to $13.0 million in the third quarter of fiscal 2020, up 22% year-over-year from $10.7 million as a result of higher sales but down from $16.0 million in Q2 fiscal 2020 when we had both higher sales and the significantly higher gross margin.

Gross margin from the Video and Broadband Solutions segment was 47% (gross profit of $4.5 million) in the third quarter of fiscal 2020, as compared to 50% (gross profit of $6.2 million) in Q3 fiscal 2019 and 58% (gross profit of $4.8 million) in Q2 fiscal 2020. The changes in gross profit reflect the different product mixes in each period, with Q2 fiscal 2020 benefitting from a larger proportion of higher-margin software sales.

The Content Delivery and Storage segment achieved a third quarter gross margin of 54% (gross profit of $7.6 million), as compared to 54% (gross profit of $3.5 million) in Q3 fiscal 2019 and 67% (gross profit of $10.3 million) in Q2 fiscal 2020. The strong Q2 fiscal 2020 margin result again reflects an increased percentage of higher-margin software sales in the mix.

Gross margin from the Telematics segment was 70% (gross profit of $0.9 million) in the third quarter of fiscal 2020, up from 69% (gross profit of $1.0 million) in Q3 fiscal 2019 and 63% (gross profit of $0.9 million) in Q2 fiscal 2020. The year-over-year decrease in gross profit is mainly the result of lower sales quarter-over-quarter.

Nine-Month Results

For the nine months ended March 31, 2020, gross margin increased to 56% from 54% in the same period last year while total gross profit increased 14% to $39.5 million from $34.7 million. The improved results reflect higher sales and an increase in higher-margin software and service sales in the current year-to-date period.

Gross margin from the Video and Broadband Solutions segment increased to 51% in the first nine months of fiscal 2020, from 49% in the same period last year, positively impacted by an increase in software sales and a weaker Canadian dollar relative to the U.S. dollar on a year-over-year basis. Nine-month Video and Broadband Solutions gross profit of $12.9 million compares to $15.2 million in the same period of fiscal 2019, reflecting lower sales, partially offset by a slightly higher gross margin.

The Content Delivery and Storage segment generated a gross margin of 58% in the first nine months of fiscal 2020, as compared to 57% in the same period last year. The improvement in gross margin primarily reflects a shift in customer and product mix. Gross profit for the first nine months of fiscal 2020 increased $23.9 million, an increase of 43% from $16.7 million in the same period last year. This improvement reflects higher sales with a slightly higher gross margin percentage in the current period.

The Telematics segment generated a gross margin of 68% (gross profit of $2.8 million) in the nine months ended March 31, 2020, as compared to 69% (gross profit of $2.9 million) during the same period in fiscal 2019. The slight decrease in gross profit reflects lower sales year-over-year, while the slightly lower margin was due to increased costs for some products.

Operating Expenses

Segment	**Three months ended March 31,**				**Nine months ended March 31,**			
		2020		2019		**2020**		2019
Video and Broadband Solutions	**$**	**6,338**	$	7,033	**$**	**16,612**	$	19,142
Content Delivery and Storage		**6,407**		5,317		**19,339**		15,830
Telematics		**792**		682		**2,363**		2,156
Total operating expense	**$**	**13,537**	$	13,032	**$**	**38,314**	$	37,128

Three-Month Results

For the three months ended March 31, 2020, total operating expenses increased to $13.5 million, from $13.0 million in the same period last year. The increase primarily reflects higher operating expenses in the Content Delivery and Storage segment partially offset by a reduction in costs in the Video and Broadband Solutions segment.

Video and Broadband Solutions operating expenses decreased to $6.3 million, from $7.0 million in Q3 fiscal 2019. The year-over-year reduction mainly reflects the realization of cost benefits related to the previous year's restructuring initiatives partially offset by higher amortization of deferred development costs.

Content Delivery and Storage operating expenses were higher at $6.4 million in Q3 fiscal 2020, as compared to $5.3 million in Q3 fiscal 2019 and in line with $6.5 million in Q2 fiscal 2020. The year-over-year increase in segment operating expenses reflects increased research and development expenses due to higher amortization of deferred development costs, the addition of operating costs from the newly acquired ContentAgent business, and higher staffing costs to support sales growth.

Telematics operating expenses of $0.8 million were in line with $0.7 million in Q3 fiscal 2019. On a sequential quarterly basis, Telematics operating expenses were $0.1 million lower than the $0.9 million recorded in Q2 fiscal 2020 reflecting higher research and development expenses as a result of higher deferrals in the current quarter.

Research and development expenses for Q3 fiscal 2020, increased to $5.7 million, or 23% of sales, from $4.8 million, or 24% of sales in the same period of fiscal 2019. 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 2020 decreased to $6.8 million, or 27% of sales, from $7.5 million, or 37% of sales in Q3 fiscal 2019. The decrease reflects lower staffing costs, subcontracting costs and prototyping costs in the current-year quarter as our next generation product families move closer to commercial deployment.

Sales and marketing expenses were $3.7 million, or 15% of sales in Q3 fiscal 2020, as compared to $4.0 million, or 20% of sales in the same period last year. The decrease in sales and marketing expense was primarily due to lower finished goods inventory allowances in the current period partially offset by higher staffing costs.

General and administrative expenses decreased to $4.1 million in Q3 fiscal 2020 from $4.2 million in the same period last year. A year-over-year reduction in Video Broadband Solutions staffing costs was partially offset by the addition of expenses from the newly acquired ContentAgent business.

Stock-based compensation expense decreased to $0.01 million in Q3 fiscal 2020, from $0.03 million in Q3 fiscal 2019.

Other expense (income) decreased to a loss of $0.03 million in Q3 fiscal 2020 from income of $0.07 million in Q3 fiscal 2019 due to a lower year-over-year gain on sales of property, plant and equipment and intangible assets.

Nine-Month Results

For the nine months ended March 31, 2020, total operating expenses increased to $38.3 million, from $37.1 million in the same period of fiscal 2019. This increase primarily reflects higher operating expenses in the Content Delivery and Storage segment, partially offset by lower operating expenses in the Video and Broadband Solutions segment as a result of the reorganization of the research and development and manufacturing cost areas.

Video and Broadband Solutions operating expenses decreased to $16.6 million for the nine months ended March 31, 2020, from $19.1 million in the same period last year. The significant $2.5 million reduction reflects restructuring costs incurred in fiscal 2019 that did not repeat in fiscal 2020, together with subsequent savings from the restructuring efforts which benefitted fiscal 2020 results. These gains were partially offset by increased amortization of deferred development costs year-over-year.

Content Delivery and Storage operating expenses increased to $19.3 million for the nine months ended March 31, 2020 from $15.8 million in the same period of fiscal 2019. This primarily reflects higher staffing costs to support growth, and the addition of the ContentAgent business.

Telematics operating expenses increased to $2.4 million in the first nine months of fiscal 2020, from $2.2 million last year. This $0.2 million increase primarily reflects higher finished goods inventory allowances for legacy telematic products.

Research and development expenses for the nine months ended March 31, 2020 increased to $15.3 million, or 22% of sales, from $14.0 million, or 22% of sales in the first nine months of fiscal 2019. 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 nine months ended March 31, 2020 decreased to $19.0 million, or 27% of sales, from $23.2 million, or 36% of sales for the same period in the prior year. This decrease primarily reflects lower staffing, subcontracting and prototyping costs year-over-year as our next generation product families move closer to commercial deployment.

Sales and marketing expenses were $10.9 million, or 15% of sales in the first nine months of fiscal 2020, as compared to $10.5 million, or 16% of sales last year. The increased expense primarily reflects additional staffing costs in the Content Delivery and Storage segment in support of sales growth, as well as incremental costs related to the addition of the ContentAgent business.

General and administrative expenses decreased to $12.2 million in the first nine months of fiscal 2020, from $12.3 million in the same period of fiscal 2019. The year-over-year decrease primarily reflects lower staffing costs partially offset by the addition of the ContentAgent business.

Restructuring costs were $nil for the nine months ended March 31, 2020 as compared to $0.8 million in the first nine months of fiscal 2019 when we incurred severance costs related to the reorganization of our manufacturing operations.

Stock-based compensation expense was $0.05 million in the first nine months of fiscal 2020 as compared to $0.10 million in the same period in fiscal 2019.

Other expense (income) decreased to $0.1 million for the nine months ended March 31, 2020, from $0.4 million in the prior-year period. Sale of intellectual property in the fiscal 2019 period was the main driver of this decrease.

Operating (Loss) Income

	Three months ended March 31,		Nine months ended March 31,	
Segment Operating Income (Loss)	**2020**	2019	**2020**	2019
Video and Broadband Solutions	**$ (1,859)**	$ (828)	**$ (3,758)**	$ (3,992)
Content Delivery and Storage	**1,218**	(1,797)	**4,555**	859
Telematics	**128**	279	**395**	722
Total operating (loss) income	**$ (513)**	$ (2,346)	**$ 1,192**	$ (2,411)

Three-Month Results

Operating loss decreased to $0.5 million in Q3 fiscal 2020, from $2.3 million in Q3 fiscal 2019. The $1.8 million improvement was mainly driven by the $3.0 million increase in contribution from the Content Delivery and Storage segment partially offset by the $1.0 million decrease in contribution from the Video and Broadband Solutions segment and the $0.2 million decrease in contribution from the Telematics segment year-over-year.

The Video and Broadband Solutions segment generated a third quarter operating loss of $1.9 million, as compared to an operating loss of $0.8 million in Q3 fiscal 2019. The year-over-year change reflects the $1.9 million decrease in gross profit partially offset by the $0.8 million improvement in operating expenses.

Content Delivery and Storage increased operating income to $1.2 million in the third quarter of fiscal 2020 from an operating loss of $1.8 million in the same period of fiscal 2019. The year-over-year increase primarily reflects the $4.1 million improvement in gross profit partially offset by the $1.1 million increase in operating expenses.

Telematics operating income decreased to $0.1 in Q3 fiscal 2020, from $0.3 million in Q3 fiscal 2019. This reflects a $0.1 million decrease in gross profits and $0.1 million increase in operating expenses year-over-year.

Finance (expense) income was a loss of $0.2 million in Q3 fiscal 2020, from income $0.3 million in the same period last year. The loss in the current period relates to a loss on the value of shares held in AirIQ.

Foreign exchange gain (loss) for the third quarter increased to $2.0 million, from a loss of $0.6 million in the prior-year period.

Income tax expense (recovery) was $0.6 million in Q3 fiscal 2020 as compared to a recovery of $1.2 million in Q3 fiscal 2019.

Net income (loss) for Q3 fiscal 2020 increased to $0.7 million or $0.03 per share from a loss of $1.5 million or $0.07 per share in Q3 fiscal 2019.

Other comprehensive income (loss) improved to income of $2.4 million in Q3 fiscal 2020 from other comprehensive loss of $0.6 million in the same period in fiscal 2019. The year-over-year increase reflects foreign exchange differences on the translation of the foreign operations of our Content Delivery and Storage segment to Canadian dollars.

Comprehensive income (loss) for Q3 fiscal 2020 increased to $3.1 million, from a comprehensive loss of $2.0 million in Q3 fiscal 2019. The increase year-over-year is a result of the changes described above.

Nine-Month Results

For the nine months ended March 31, 2020, operating income increased to $1.2 million up $3.6 million from an operating loss of $2.4 million in the same period in fiscal 2019. The year-over-year increase mainly reflects improved results from the Content Delivery and Storage segment and the Video and Broadband Solutions segment, partially offset by decreased operating income from the Telematics segment.

Video and Broadband Solutions reported an operating loss of $3.8 million in the first nine months of fiscal 2020, as compared to an operating loss of $4.0 million in the same period of fiscal 2019. The $0.2 million year-over-year improvement reflects the $2.6 million decrease in operating expenses partially offset by the $2.4 million decrease in gross profit.

Content Delivery and Storage increased operating income to $4.6 million from $0.9 million in the first nine months of fiscal 2019. The $3.7 million gain reflects the $7.2 million increase in segment gross profit partially offset by the $3.5 million increase in operating expenses.

Telematics operating income decreased to $0.4 million in the nine months ended March 31, 2020, from $0.7 million in the prior-year period. The $0.3 million year-over-year change reflects the increase in operating expenses of $0.2 million and a $0.1 million decrease in gross profit.

Finance (expense) income decreased to $0.5 million in the first nine months of fiscal 2020, from $0.6 million in the previous year reflecting a decrease in short-term investment income year-over-year.

Foreign exchange gain (loss) for the nine months ended March 31, 2020 was a gain of $1.8 million, compared to a gain of $0.5 million in fiscal 2019.

Income tax expense (recovery) was $0.7 million for the nine months ended March 31, 2020 compared to a recovery of $0.9 million in the same period of fiscal 2019.

Net income (loss) for the nine months ended March 31, 2020 increased to income of $2.8 million or $0.13 per share from a loss of $0.5 million or $0.02 loss per share in the prior-year period.

Other comprehensive income was $2.2 million in the nine months ended March 31, 2020, as compared to other comprehensive income of $0.4 million in fiscal 2019. The year-over-year change reflects foreign exchange differences on the translation of the foreign operations of our Content Delivery and Storage segment to Canadian dollars.

Comprehensive income (loss) for the nine months ended March 31, 2020 increased to $5.1 million, from comprehensive loss of $0.1 million in the same period of fiscal 2019.

Operating Activities

For the three months ended March 31, 2020, cash flow from operating activities decreased to $2.6 million, from $8.6 million in the same period last year. The $6.0 million decrease reflects a $10.0 million reduction in cash flow from non-cash working capital, partially offset by a $4.0 million increase in operating cash flow. IFRS 16 increased net cash provided by operating activities by $0.4 million as a result of depreciation of right-of-use assets and increased interest expense.

For the nine months ended March 31, 2020, cash flow from operating activities decreased to $7.3 million, from $8.6 for the same period in fiscal 2019. This primarily reflects the $7.8 million decrease in cash flow from non-cash working capital, partially offset by the $6.4 million increase in operating cash flow. IFRS 16 increased net cash provided by operating activities by $1.2 million as a result of depreciation of right-of-use assets and increased interest expense.

Investing Activities

For the three months ended March 31, 2020, cash flow used in investing activities increased to $3.8 million from cash provided by investing activities of $3.2 in the same period last year. This increase reflects the purchase of short-term investments of $0.2 million (Q3 fiscal 2019 sale of marketable securities - $0.5 million), deferred development expenditures of $3.4 million (Q3 fiscal 2019 - $4.3 million), and the purchase of property, plant and equipment of $0.6 million (Q3 fiscal 2019 - $0.7 million).

For the nine months ended March 31, 2020, cash flow used in investing activities decreased to $2.8 million from cash provided by investing activities of $3.7 million in fiscal 2019. The cash used by investing activities represents the net sale of short-term investments of $7.6 million (fiscal 2019 - $18.5 million), deferred development expenditures of $8.9 million (fiscal 2019 - $13.2 million), and the purchase of property, plant and equipment of $1.7 million (fiscal 2019 - $1.8 million).

Financing Activities

In the three months ended March 31, 2020, we repaid $0.06 million of our long-term debt (Q3 fiscal 2019 - $0.04 million repaid). We paid dividends of $1.2 million (Q3 fiscal 2019 - $1.2 million). We received proceeds from exercised options of $0.003 million (Q3 fiscal 2019 - $nil) and proceeds from government grants of $.004 million (Q3 fiscal 2019 - $0.1 million) and we repaid lease liabilities of $0.4 million (Q3 fiscal - $nil). As a result of IFRS 16, lease liabilities are now reported under financing activities.

In the nine months ended March 31, 2020, we repaid $0.2 million of our long-term debt (fiscal 2019 - $0.2 million repaid). We paid dividends of $3.7 million (fiscal 2019 - $3.7 million). We received proceeds from exercised options of $0.6 million (fiscal 2019 - $nil) and proceeds from government grants of $0.1 million (fiscal 2019 - $0.1 million) and we repaid lease liabilities of $1.0 million (Q3 fiscal 2019 - $nil). As a result of IFRS 16, lease liabilities are now reported under financing activities.

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 cash and short-term investments of $36.2 million together with 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, 2020, we had access to our full revolving loan facility of $14.0 million ($14.0 million at June 30, 2019), of which $nil was drawn as an operating line of credit (June 30, 2019 - $nil was drawn). We had term credit of $1.8 million as at March 31, 2020 (June 30, 2019 - $2.0 million).

Capital expenditures for Q3 fiscal 2020 were $0.6 million, compared to $0.7 million in Q3 fiscal 2019.

Working Capital

Working capital represents current assets less current liabilities. Our working capital decreased slightly to $56.3 million at March 31, 2020, from $58.3 million at June 30, 2019. The decrease is mainly a result of changes from the adoption of IFRS 16 which increased the current portion of long-term debt. We note that working capital balances can also 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 increased to $25.3 million at March 31, 2020, from $15.2 million at June 30, 2019. This increase reflects the larger sales in Q3 fiscal 2020 compared to Q4 fiscal 2019, Q2 2020 sales that will be collected in Q4 fiscal 2020 and the timing of sales in Q3 fiscal 2020 as compared to Q4 fiscal 2019.

Income tax receivable balance was flat at $0.4 million at December 31, 2019 ($0.4 million as at June 30, 2019). This represents income tax receivable in the Content Delivery and Storage segment.

Asset held for sale represents a real estate property that the Company has sold and the deal will close on May 12, 2020.

Inventories increased by $1.8 million to $14.5 million at March 31, 2020, from $12.7 million as at June 30, 2019. The increase represents the ramp up of inventory related to our new product inventory as well as some strategic inventory purchases in light of the COVID-19 situation. Finished goods inventories were $5.6 million at March 31, 2020, compared to $5.9 million at June 30, 2019. Raw material inventory increased to $6.1 million at March 31, 2020, from $5.5 million at June 30, 2019. Work-in-process inventories increased to $2.8 million as at March 31, 2020, from $1.3 million at June 30, 2019. We manufacture and assemble products, with the result that inventory levels will be substantially higher than for other companies in the industry that outsource manufacturing and assembly.

Investment tax credits were $25.2 million at March 31, 2020 up from $24.4 million at June 30, 2019. For every dollar we spend on eligible research and development in Canada, we generate approximately fifteen cents in income tax credits. These credits are used to offset our income tax payable. Increases in eligible credits were offset by the recording of the CRA tax ruling denying our SR&ED Notice of Objection that decreased our tax pools by $0.6 million.

Accounts payable and accrued liabilities increased to $14.9 million at March 31, 2020 from $11.7 million at June 30, 2019.

Long-term debt, including the current portion, was $6.9 million at March 31, 2020 as compared to $2.0 million at June 30, 2019. The increase is a result of the adoption of IFRS 16 which requires the recording of contractual lease liabilities.

Dividends

Declaration Date	Dividend Amount (per share)	Record Date	Payable Date
May 7, 2019	$0.055	May 24, 2019	June 17, 2019
September 24, 2019	$0.055	October 11, 2019	November 1, 2019
November 12, 2019	$0.055	November 22, 2019	December 16, 2019
February 4, 2020	$0.055	February 21, 2020	March 23, 2020

Contractual Obligations

Due to the adoption of IFRS 16, as of the transition date of July 1, 2019, the contractual lease obligations have been recorded as lease liabilities of $5.7 million with corresponding right-of-use assets of $5.1 million on our unaudited interim condensed consolidated statements of financial position. Lease liabilities recorded on our interim condensed consolidated statements of financial position, as at March 31, 2020 were $5.1 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, 2020, our undiscounted future cash payments in respect of our lease liabilities are as follows: due within one year is $1.6 million; due between two to five years is $3.4 million; and thereafter is $0.2 million.

Contingencies

In March 2017, we received a re-assessment from the CRA regarding the eligibility of certain Scientific Research and Experimental Development ("SR&ED") claims on our 2015 tax return. The CRA re-assessment would result in a reduction of SR&ED expenditures claimed of $1.3 million ($0.6 million tax affected). We and our advisors have reviewed the applicable tax law and believe our original treatment of these SR&ED claims was appropriate. We filed a Notice of Objection in regards to this matter in June 2017. We received a Notice of Confirmation in February 2020 that our Notice of Objection was denied. We have recorded the adjustment in our current quarter financial statements. The impact of this adjustment was a $0.6 million increase in deferred development amortization expense. We have filed a Notice of Appeal in April 2020 to defend our original tax treatment of these SR&ED claims.

Foreign Exchange

Approximately 97% 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, 2020, the exchange rate on the Canadian dollar relative to the U.S. dollar weakened to $1.419 from $1.313 as at June 30, 2019. This $0.106 exchange difference increased the value of our $39.8 million U.S. dollar net assets by approximately $4.2 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.

As at March 31, 2020, we had forward contracts as at March 31, 2019 in a liability position of $0.2 million (June 30, 2019 - $nil).

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.

Transactions Between Related Parties

We had leased a building in Saskatoon under a 10-year lease from Dr. Surinder Kumar, the Chairman of Vecima. The lease was entered into in fiscal 2010 at prevailing market rates at that time and expired at the end of March 2019. The rental expense from this transaction was $nil for the nine months ended March 31, 2020 (2019 - $0.2 million).

Proposed Transactions

There are no proposed asset or business acquisitions or dispositions that our Board of Directors have decided to proceed with or for which our senior management believes confirmation by the Board of Directors is probable.

Critical Accounting Estimates

The preparation of our interim condensed consolidated financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Pronouncements and Standards

Adoption of New Accounting Standards in 2020

IFRS 16 - Leases

Effective July 1, 2019, we adopted IFRS 16, which supersedes the previous accounting standards for leases, IAS 17 – Leases (IAS 17) and IFRIC 4 – Determining Whether an Arrangement Contains a Lease (IFRIC 4). IFRS 16 introduced a single accounting model for lessees. A lessee is now required to recognize and disclose on its statement of financial position, a right-of-use asset, representing its right to use the underlying leased asset, and a lease liability, representing its obligation to make lease payments. IFRS 16 does not substantially change lease accounting for lessors.

IFRIC 23 - Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23, which clarifies the application of the recognition and measurement requirements in IAS 12 – Income Taxes, when there is uncertainty over income tax treatments. This interpretation is effective for annual reporting periods beginning on or after January 1, 2019, using a full retrospective approach. We adopted IFRIC 23 and determined that the application did not have a material impact on our condensed consolidated financial statements because our policies were in line with the standard.

IFRS 3 - Business Combinations

In October 2018, the IASB issued an amendment to IFRS 3 – Business Combinations (IFRS 3). The amendment clarifies the definition of a business and assists entities to determine whether an acquisition is a business combination or an acquisition of a group of assets. The amendment emphasizes that the output of a business is to provide goods and services to customers and also to provide supplementary guidance. The amendment to IFRS 3 may effect whether the future acquisitions are accounted for as a business combination or asset acquisition, along with the resulting allocation of the purchase price between the identifiable assets acquired and goodwill. We will adopt the standard prospectively for acquisitions made on or after January 1, 2020. The effects, if any, of the amended standard on our financial performance and disclosure will be dependent on the facts and circumstances of any future acquisition transactions.

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, 2020.

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, 2020 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, 2020. There has been no change in the internal controls over financial reporting that occurred during the period beginning on July 1, 2019 and ended on December 31, 2019 that has materially affected, or is reasonably likely to materially affect our internal controls on financial reporting

Our CEO and CFO have limited the scope of their design of disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of the ContentAgent business, which we acquired on May 31, 2019. We have accordingly availed ourselves of provision 3.3(1)(b) of National Instrument 52-109, which permits exclusion of this acquisition in the design and operating effectiveness assessment of our ICFR for a maximum period of 365 days from the end of the financial period in which the acquisition occurred.

The following summary of financial information pertains to the ContentAgent acquisition that was included in our unaudited interim condensed consolidated financial statements for the period ended March 31, 2020:

Sales	$	1,160
Net loss	$	(538)
Current assets	$	841
Non-current assets	$	1,347
Current liabilities	$	1,766
Non-current liabilities	$	166

Business Combination

On May 31, 2019, we completed an acquisition of substantially all of the operating assets of ContentAgent, a software and solutions company specializing in video-ingest and delivery automation solutions for the media industry.

We determined and allocated the purchase price on acquisition to the tangible and intangible assets acquired and liabilities assumed as of the business combination date in accordance with IFRS 3 Business Combinations. The purchase price allocation process requires that we use significant estimates and assumptions, including fair value estimates, as of the acquisition date.

Goodwill recorded in connection with the acquisition is primarily attributable to: the expected future earnings potential as a result of expected synergies arising from the consolidation of ContentAgent and our existing business; expected growth in the underlying markets which ContentAgent serves; and the strength of the assembled workforce.

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 our 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.

Risks and Uncertainties and COVID-19

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.

Vecima was founded by Dr. Surinder Kumar in 1988. Voting control of Vecima is held by Dr. Kumar through either direct or indirect ownership of the Company's common shares. As at March 31, 2020, Dr. Kumar collectively owned approximately 60.2% of our common shares outstanding. Each common share carries the right to one vote. We have no other classes of voting securities.

COVID-19

We have been closely monitoring the impact of COVID-19. At this time, our industry is recognized as an essential service in the areas where we operate. We have taken steps to allow most of our workforce to work remotely. We have also implemented all of the social distancing and increased facility sanitization guidelines and suspended all travel. In addition, we have increased production where possible to get ahead of any staffing challenges we might encounter.

It is too soon to gauge the impacts of the current outbreak, given the many unknowns related to COVID-19. These include the duration and severity of the outbreak. COVID-19 is altering business and consumer activity in affected areas and beyond. The global response to the COVID-19 outbreak has resulted in, among other things, border closures, severe travel restrictions, the temporary shut-down of non-essential services and extreme fluctuations in financial and commodity markets. Additional measures may be implemented by one or more governments in jurisdictions where we operate. Labour shortages due to illness, Company or government imposed isolation programs, or restrictions on the movement of personnel or possible supply chain disruptions could result in a reduction or cessation of all or a portion of our operations. The extent to which COVID-19 and any other pandemic or public health crisis impacts our business, affairs, operations, financial condition, liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision, including new information which may emerge concerning the severity of the COVID-19 virus and the actions required to contain the COVID-19 virus or remedy its impact, among others.

The actual and threatened spread of COVID-19 globally could also have a material adverse effect on the economies in which we operate and could continue to negatively impact stock markets, including the trading price of our shares, Potential impacts include, but are not limited to, an impairment of long-lived assets, an impairment of short-term investments and a change in the estimated credit loss on accounts receivable.

Any of these developments, and others, could have a material adverse effect on our business, financial condition, operations and results of operations. In addition, because of the severity and global nature of the COVID-19 pandemic, it is possible that estimates in our financial statements will change in the near term and the effect of any such changes could be material, which could result in, among other things, an impairment of long-lived assets, impairments of short-term investments and a change in the estimated credit losses on accounts receivable.

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.

Outstanding Share Data

As at May 12, 2020, we had 22,431,882 common shares outstanding as well as stock options outstanding that are exercisable for an additional 423,325 common shares.

On December 17, 2018, we filed a Notice of Intention with the Toronto Stock Exchange to acquire for cancellation, by way of normal course issuer bid, up to 600,000 common shares of the Company. We acquired no common shares of Vecima for cancellation in Q3 fiscal 2020 and 10,356 common shares in fiscal 2019. The normal course issuer bid expired on December 19, 2019.

Subsequent to quarter-end, on January 2, 2020, we filed a Notice of Intention with the Toronto Stock Exchange to acquire for cancellation, by way of normal course issuer bid, up to 600,000 common shares of the Company. The normal course issuer bid commenced on January 6, 2020 and expires on January 5, 2021.

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 are currently experiencing a slowdown in demand for some of our legacy Video and Broadband Solutions products as customers complete their digital networks and migrate to DOCSIS 3.1 and we expect our sales to recover as our new products in the DOCSIS 3.1 Entra platform are commercialized; we believe that our customer's need for new systems is nearing saturation, while we anticipate continued ordering activity for TerraceQAM through the balance of fiscal 2020, overall, we believe the deployment of the current generation platform is nearing saturation and we are working with customers on the next generation platform; asset held for sale represents a real estate property that the Company has sold and the deal will close on May 12, 2020; and we believe that our current cash and short-term investments of $36.2 million together with anticipated cash flow from operations will be sufficient to meet our working capital requirements and capital expenditure requirements for the foreseeable future. Forward-looking information also includes our Strategy, our Industry Developments and our COVID-19 Business Update and 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: 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 can 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: our statement of financial position, as well as the value of our core technologies, 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 key customers; 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 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 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; 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; risks associated with our international operations; currency fluctuations 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; government regulation of our products and new government regulation could harm our business; third parties may allege that we infringe on their intellectual property, and epidemics, pandemics or other public health crises, including the current outbreak of COVID-19. 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.sedar.com. All forward-looking information in this MD&A is qualified in its entirety by this cautionary statement and we disclaim any obligation to revise or update such forward-looking information to reflect future results, events or developments, except as required by law.

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, 2020	June 30, 2019
Assets			
Current Assets			
Cash and cash equivalents		**$ 19,167**	$ 19,834
Short-term investments	14	**17,009**	24,569
Accounts receivable	5	**25,270**	15,154
Income tax receivable		**432**	437
Inventories		**14,454**	12,724
Prepaid expenses		**2,195**	2,235
Contract assets		**377**	187
Asset held for sale	4	**490**	-
		79,394	75,140
Non-current assets			
Property, plant and equipment		**12,099**	12,526
Right-of-use assets	3(c)	**4,474**	-
Goodwill		**15,850**	15,131
Intangible assets	6	**69,791**	67,887
Other long-term assets		**1,492**	1,017
Investment tax credits		**25,177**	24,355
Deferred tax assets		**4,287**	4,714
		$ 212,564	$ 200,770
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**$ 14,949**	$ 11,699
Provisions		**418**	804
Income tax payable		**108**	55
Deferred revenue		**5,875**	4,046
Current portion of long-term debt	7	**1,756**	250
		23,106	16,854
Non-current liabilities			
Provisions		**387**	332
Deferred revenue		**628**	763
Deferred tax liability		**351**	324
Long-term debt	7	**5,151**	1,729
		29,623	20,002
Shareholders' equity			
Share capital	8	**2,677**	1,916
Reserves		**3,952**	4,104
Retained earnings		**173,089**	173,738
Accumulated other comprehensive income		**3,223**	1,010
		182,941	180,768
		$ 212,564	$ 200,770

Subsequent Events - Note17

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	**2020**	2019	**2020**	2019
Sales	9,13	**$ 25,093**	$ 20,328	**$ 70,328**	$ 64,317
Cost of Sales		**12,069**	9,642	**30,822**	29,600
Gross Profit		**13,024**	10,686	**39,506**	34,717
Operating expenses					
Research and development		**5,714**	4,797	**15,316**	13,967
Sales and marketing		**3,698**	4,029	**10,871**	10,481
General and administrative	3(d)	**4,087**	4,247	**12,210**	12,256
Restructuring costs		**-**	-	**-**	757
Share-based compensation	10	**13**	28	**47**	102
Other expense (income)	11	**25**	(69)	**(130)**	(435)
		13,537	13,032	**38,314**	37,128
Operating (loss) income		**(513)**	(2,346)	**1,192**	(2,411)
Finance (expense) income		**(238)**	301	**524**	550
Foreign exchange gain (loss)		**1,972**	(619)	**1,793**	457
Income (loss) before income taxes		**1,221**	(2,664)	**3,509**	(1,404)
Income tax expense (recovery)		**555**	(1,203)	**666**	(898)
Net income (loss)		**$ 666**	$ (1,461)	**$ 2,843**	$ (506)
Other comprehensive income (loss)					
Item that may be subsequently reclassed to net income					
Exchange differences on translating foreign operations		**2,416**	(584)	**2,213**	393
Comprehensive income (loss)		**$ 3,082**	$ (2,045)	**$ 5,056**	$ (113)
Net income (loss) per share					
Basic	12	**$ 0.03**	$ (0.07)	**$ 0.13**	$ (0.02)
Diluted	12	**$ 0.03**	$ (0.07)	**$ 0.13**	$ (0.02)
Weighted average number of common shares					
Shares outstanding - basic	12	**22,435,234**	22,355,705	**22,403,397**	22,378,195
Shares outstanding - diluted	12	**22,474,692**	22,355,705	**22,432,319**	22,378,195

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

VECIMA NETWORKS INC.

Interim Condensed Consolidated Statements of Change in Equity

(unaudited – in thousands of Canadian dollars)

	Note	Share capital	Reserves	Retained earnings	Accumulated other comprehensive income	Total
Balance as at June 30, 2018		$ 1,756	$ 4,041	$ 182,309	$ 1,077	$ 189,183
Net loss		-	-	(506)	-	(506)
Other comprehensive income		-	-	-	393	393
Dividends		-	-	(3,690)	-	(3,690)
Shares repurchased and cancelled		(2)	-	(192)	-	(194)
Share-based payment expense	10	-	102	-	-	102
Balance as at March 31, 2019		$ 1,754	$ 4,143	$ 177,921	$ 1,470	$ 185,288
Balance as at June 30, 2019		**$ 1,916**	**$ 4,104**	**$ 173,738**	**$ 1,010**	**$ 180,768**
IFRS 16 transition impact	3(b)	-	-	206	-	206
Adjusted balance as at June 30, 2019		**$ 1,916**	**$ 4,104**	**$ 173,944**	**$ 1,010**	**$ 180,974**
Net income		-	-	2,843	-	2,843
Other comprehensive income		-	-	-	2,213	2,213
Dividends		-	-	(3,698)	-	(3,698)
Shares issued by exercising options		761	(199)	-	-	562
Share-based payment expense	10	-	47	-	-	47
Balance as at March 31, 2020		**$ 2,677**	**$ 3,952**	**$ 173,089**	**$ 3,223**	**$ 182,941**

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)

Periods ended March 31,	Note	Three months 2020	Three months 2019	Nine months 2020	Nine months 2019
OPERATING ACTIVITIES					
Net income (loss)		**$ 666**	$ (1,461)	**$ 2,843**	$ (506)
Adjustments for non-cash items:					
Loss (gain) on sale of property, plant and equipment		**16**	13	**(105)**	55
Gain on sale of intangible assets		**-**	-	**-**	(202)
Depreciation and amortization	15	**4,293**	3,022	**10,762**	8,509
Share-based compensation		**13**	28	**47**	102
Income tax expense (recovery)		**230**	24	**204**	(53)
Deferred income tax expense (recovery)		**325**	(1,227)	**462**	(845)
Interest expense		**74**	24	**232**	79
Interest income		**(162)**	(242)	**(622)**	(773)
Net change in working capital	15	**(1,577)**	8,448	**(5,615)**	2,259
(Increase) decrease in other long-term assets		**(571)**	197	**(411)**	(10)
Decrease in provisions		**(290)**	(69)	**(368)**	(206)
Increase in investment tax credits		**(34)**	(30)	**(123)**	(78)
Income tax received		**-**	-	**173**	409
Income tax paid		**(457)**	(342)	**(525)**	(799)
Interest received		**162**	242	**622**	773
Interest paid		**(74)**	(23)	**(232)**	(74)
Cash provided by operating activities		**2,614**	8,604	**7,344**	8,640
INVESTING ACTIVITIES					
Capital expenditures, net	15	**(597)**	(734)	**(1,522)**	(1,664)
Purchase of short-term investments		**(5,149)**	(263)	**(5,927)**	(1,681)
Proceeds from sale of short-term investments		**5,387**	8,571	**13,487**	20,198
Deferred development costs		**(3,428)**	(4,322)	**(8,854)**	(13,195)
Cash (used in) provided by investing activities		**(3,787)**	3,252	**(2,816)**	3,658
FINANCING ACTIVITIES					
Proceeds from government grants		**4**	147	**98**	147
Principal payments of lease liabilities	7	**(373)**	-	**(1,021)**	-
Repayment of long-term debt	7	**(63)**	(41)	**(209)**	(187)
Repurchase and cancellation of shares		**-**	(77)	**-**	(194)
Dividends paid		**(1,234)**	(1,229)	**(3,698)**	(3,690)
Issuance of shares through exercised options		**3**	-	**562**	-
Cash used in financing activities		**(1,663)**	(1,200)	**(4,268)**	(3,924)
Net (decrease) increase in cash and cash equivalents		**(2,836)**	10,656	**260**	8,374
Effect of change in exchange rates on cash		**(957)**	353	**(927)**	(375)
Cash and cash equivalents, beginning of period		**22,960**	8,024	**19,834**	11,034
Cash and cash equivalents, end of period		**$ 19,167**	$ 19,033	**$ 19,167**	$ 19,033

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

Table of Contents

1. NATURE OF THE BUSINESS

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") under International Accounting Standard 34 – *Interim Financial Reporting* (IAS 34). These interim condensed consolidated financial statements do not include all the information required for a complete set of annual financial statements and should be read in conjunction with the consolidated financials statements of the Company for the year ended June 30, 2019.

(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, 2019, 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 12, 2020.

(c) Adoption of new accounting standards and amendments to accounting standards

<u>IFRS 16 – Leases (IFRS 16)</u>

Effective July 1, 2019, the Company adopted IFRS 16, which supersedes the previous accounting standards for leases, IAS 17 – *Leases* (IAS 17) and IFRIC 4 – *Determining Whether an Arrangement Contains a Lease* (IFRIC 4). IFRS 16 introduced a single accounting model for lessees. A lessee is now required to recognize and disclose on its statement of financial position, a right-of-use asset, representing its right to use the underlying leased asset, and a lease liability, representing its obligation to make lease payments. IFRS 16 does not substantially change lease accounting for lessors.

The Company adopted IFRS 16 using the modified retrospective approach whereby the financial statements of prior periods presented are not restated. Prior periods continue to be reported under IAS 17 and IFRIC 4. The impact resulting from the adoption of IFRS 16 is disclosed below in Note 3.

<u>IFRIC 23 – Uncertainty over income tax treatments (IFRIC 23)</u>

In June 2017, the IASB issued IFRIC 23, which clarifies the application of the recognition and measurement requirements in IAS 12 – *Income Taxes*, when there is uncertainty over income tax treatments. This interpretation is effective for annual reporting periods beginning on or after January 1, 2019, using a full retrospective approach. The Company has adopted IFRIC 23 and determined that the application did not have a material impact on the Company's condensed consolidated financial statements because its existing policies were in line with the standard.

IFRS 3 – Business Combinations (IFRS 3)

In October 2018, the IASB issued an amendment to IFRS 3. The amendment clarifies the definition of a business and assists entities to determine whether an acquisition is a business combination or an acquisition of a group of assets. The amendment emphasizes that the output of a business is to provide goods and services to customers and also to provide supplementary guidance. The amendment to IFRS 3 may effect whether acquisitions are accounted for as a business combination or asset acquisition, along with the resulting allocation of the purchase price between the identifiable assets acquired and goodwill. The amendment to this standard became effective January 1, 2020. The effects, if any, of the amended standard on our financial performance and disclosure will be dependent on the facts and circumstances of future acquisitions.

3. ADOPTION OF IFRS 16 – LEASES

(a) Accounting policy

Lessee accounting

The Company has entered into leases for equipment, land and buildings in the normal course of business. Lease contracts are usually made for fixed periods of time but may include options to purchase, renew or terminate. Leases are usually negotiated on an individual basis and have a wide range of terms and conditions.

At the inception of a contract, it is assessed as to whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, it is assessed as to whether, throughout the period of use, the Company has the right:

- to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use; and
- to direct the use of the identified asset.

At the commencement date, the Company recognizes a right-of-use asset and a corresponding lease liability. At the commencement date, the right-of-use asset is measured at cost. The cost of the right-of-use asset comprises the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred; and
- an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located, or restoring the underlying asset to the condition required by the terms and conditions of the lease.

After the commencement date, the right-of-use asset is measured by applying a cost model. The cost model measures the right-of-use asset at cost:

- less any accumulated depreciation and any accumulated impairment losses; and
- adjusted for any re-measurement of the lease liability.

Right-of-use assets are depreciated on a straight-line basis over the term of the lease, unless the Company expects to obtain ownership of the leased asset at the end of the lease, in which case, the right-of-use asset is depreciated over its estimated useful life. The lease term typically consists of the non-cancellable period of the lease, together with both:

- the periods covered by options to extend the lease, where the Company is reasonably certain to exercise the option; and
- the periods covered by options to terminate the lease, where the Company is reasonably certain that the option will not be exercised.

At the commencement date, the lease liability is initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease liabilities are subsequently measured at amortized cost using the effective interest method.

The lease liability is re-measured when there is a change in the future lease payments arising from a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or when the Company changes its assessment of whether purchase, extension or termination options will be exercised. When the lease liability is re-measured under these circumstances, there will be a corresponding adjustment made to the carrying amount of the right-of use asset.

When the lease liability is re-measured as a result of an amendment to the lease contract due to a decrease in contract scope, the lease liability and right-of-use asset will decrease relative to this change, with the difference recorded in net income prior to the re-measurement of the lease liability.

Practical expedients and exemptions

The Company has applied the following available practical expedients and exemptions, wherein it has:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- excluded initial direct costs from measuring the right-of-use asset as at July 1, 2019;
- relied on our assessment of whether leases are onerous under the requirements of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* as at June 30, 2019 as an alternate to reviewing our right-of-use assets for impairment;
- elected not to separate non-lease components from lease components and instead accounted for each lease component and any associated non-lease component as a single lease component;
- applied the short-term lease exemption to leases with lease terms that end within 12 months from the date of initial application; and
- applied the recognition exemption to leases for which the underlying asset is of low value.

Lessor accounting

All of the leases in which the Company is the lessor are classified as operating leases. Lease payments received under operating leases are recognized in income on a straight-line basis.

(in thousands of Canadian dollars except as otherwise noted)

(b) Reconciliation of condensed consolidated statements of financial position as at July 1, 2019

The table below is the effect of the transition to IFRS 16 on our condensed consolidated statements of financial position as at July 1, 2019:

	Reference	As reported as at June 30, 2019	Effect of IFRS 16 transition	Subsequent to transition as at July 1, 2019
Assets				
Current assets				
Cash and cash equivalents		$ 19,834	$ -	$ 19,834
Short-term investments		24,569	-	24,569
Accounts receivable		15,154	-	15,154
Income tax receivable		437	-	437
Inventories		12,724	-	12,724
Prepaid expenses		2,235	-	2,235
Contract assets		187	-	187
		75,140	-	75,140
Non-current assets				
Property, plant and equipment		12,526	-	12,526
Right-of-use assets	i.	-	5,109	5,109
Goodwill		15,131	-	15,131
Intangible assets		67,887	-	67,887
Other long-term assets		1,017	-	1,017
Investment tax credits		24,355	-	24,355
Deferred tax assets		4,714	-	4,714
		$ 200,770	$ 5,109	$ 205,879
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	ii.	$ 11,699	$ (812)	$ 10,887
Provisions		804	-	804
Income tax payable		55	-	55
Deferred revenue		4,046	-	4,046
Current portion of long-term debt	i.	250	1,329	1,579
		16,854	517	17,371
Non-current liabilities				
Provisions		332	-	332
Deferred revenue		763	-	763
Deferred tax liability		324	-	324
Long-term debt	i.	1,729	4,386	6,115
		20,002	4,903	24,905
Shareholders' equity				
Share capital		1,916	-	1,916
Reserves		4,104	-	4,104
Retained earnings	iii.	173,738	206	173,944
Accumulated other comprehensive income		1,010	-	1,010
		180,768	206	180,974
		$ 200,770	$ 5,109	$ 205,879

i. Right-of-use assets and lease liabilities

The initial measurement of the Company's right-of-use assets and lease liabilities were calculated in accordance to our accounting policy in Note 3(a) above. At the time of transition, the Company had lease incentives that reduced the right-of-use assets.

ii. Accounts payable and accrued liabilities

Prior to the transition to IFRS 16, the Company reported an accrued liability for certain operating leases that were recorded using a straight-line rent methodology. The accrued liability was eliminated upon the transition to IFRS 16.

iii. Retained earnings

Lease abatements received prior to the transition to IFRS 16 do not have an impact on the right-of-use asset or the lease liability because they are not lease incentives, and they have no cash flow impact. The net impact of these lease abatements are consequently recorded against retained earnings.

Impact of IFRS 16 transition

Prior to the adoption of IFRS 16, the total minimum operating lease commitments as at June 30, 2019 were $6,877. The weighted average discount rate applied to the total lease liabilities recognized on transition was 3.91%. The difference between the total minimum lease payments set out in Note 34 of our June 30, 2019 consolidated financial statements and the total lease liabilities recognized on transition was a result of:

- the inclusion of lease payments beyond minimum commitments related to reasonably certain renewal periods or extension options that had not yet been exercised as at June 30, 2019; offset by
- the effect of discounting the minimum lease payments;
- the exclusion of short-term and low-value asset leases; and
- certain costs to which we are contractually committed under lease contracts but which do not qualify to be accounted for as a lease liability, such as variable lease payments not tied to an index or rate.

As a result of adopting IFRS 16, the Company has recognized a significant increase in both our assets and liabilities on the condensed consolidated statements of financial position. The condensed consolidated statements of comprehensive income are impacted due to: the removal of rent expense for our leases; the additional depreciation and amortization due to the depreciation of the right-of-use assets; and the additional finance costs related to the interest component of the lease liabilities.

(in thousands of Canadian dollars except as otherwise noted)

(c) Right-of-use assets

For the nine months ended March 31, 2020, the Company's right-of-use assets solely comprised of real estate leases. The table below provides details of the Company's right-of-use assets:

		Nine months ended March 31, 2020
		Total
At cost		
As at July 1, 2019		
As previously reported	$	-
IFRS 16 transition amount		5,109
Adjusted balance, July 1, 2019		5,109
Additions		200
Dispositions, retirements, other		-
Effect of foreign exchange		226
	$	**5,535**
Accumulated depreciation		
As at July 1, 2019		
As previously reported	$	-
Adjusted balance, July 1, 2019		-
Depreciation		1,034
Dispositions, retirements, other		-
Effect of foreign exchange		27
	$	**1,061**
Net book value		
At June 30, 2019	$	-
At March 31, 2020	**$**	**4,474**

(d) Short-term leases and leases of low-value assets

The Company applied the practical expedients permitted under IFRS 16 for short-term leases and leases of low value assets. For the three and nine months ended March 31, 2020, $15 and $43, respectively for short-term leases, and $3 and $13, respectively for leases of low-value assets are included in general and administration expense in the interim condensed consolidated statements of comprehensive income.

(e) Use of estimates and judgments

Estimates

The Company estimates the lease term by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise a termination option. Certain qualitative and quantitative assumptions are made when determining the value of the economic incentives.

Judgments

Judgments used in determining the right-of-use assets and lease liabilities include:

- Identifying or determining if a contract is or contains an identified asset – the identified asset should be physically distinct or represent all or substantially all of the capacity of the asset, and should provide the right to all or substantially all of the economic benefits from the use of the identified asset;
- determining which interest rate to use in measuring the present value of the lease liability for each lease – the incremental borrowing rate should reflect the interest that would have to be paid to borrow at a similar term and with similar security;

(in thousands of Canadian dollars except as otherwise noted)

- determining, with reasonable certainty, whether the Company will exercise an option to extend or an option not to terminate a lease contract – this will be based on an assessment of the expected economic return from the lease.

See Note 7 for our disclosure regarding lease liabilities.

4. ASSET HELD FOR SALE

The Company has one commercial building classified as an investment property held for sale that was listed with an external broker as at March 31, 2020 (March 31, 2019 – nil properties). This commercial building was previously reported under non-current assets in property, plant and equipment. The carrying amount of the commercial building as at March 31, 2020 is $490 (March 31, 2019 - $484, in property, plant and equipment). Please see Note 17 – Subsequent Events.

5. ACCOUNTS RECEIVABLE

As at		**March 31, 2020**		June 30, 2019
Trade receivables	**$**	**24,384**	$	13,943
Less: allowance for doubtful accounts		**(117)**		(58)
		24,267		13,885
Goods and services tax		**233**		542
Government grants receivable		**732**		258
Leasehold improvement incentives		**-**		335
Other receivables		**38**		134
	$	**25,270**	$	15,154

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.

Trade receivables as at March 31, 2020 increased approximately 75% from June 30, 2019. Contributing to the increase are the following:

- Timing of sales - increase in sales towards the end of March 31, 2020 had a corresponding increase in trade receivables. Additionally, sales for the quarter-ended March 31, 2020 was approximately $4,400 higher than sales for the quarter-ended June 30, 2019;
- Contract terms – a small number of contracts provided for a one-time only extension of payment terms; and
- Economic conditions – a few customers have notified the Company that payment will be forthcoming, but there will be a delay due to the impact that COVID-19 (see Note 16) has on their cash flow. The total impact related to trade receivables is $790.

We maintain 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.

Allowance for doubtful accounts and past due receivables are reviewed by management on a regular basis. As at March 31, 2020, management has determined that the trade receivables, net of the allowance for doubtful accounts, are collectible.

As at March 31, 2020, the weighted average age of customer accounts receivable was 38 days (June 30, 2019 – 34 days); and the weighted average age of past-due accounts receivable approximated 69 days (June 30, 2019 – 61 days). The increase in the number of days of collectability was anticipated given the contributing reasons for the increase in receivables identified above.

(in thousands of Canadian dollars except as otherwise noted)

6. 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, 2019	$ 105	$ 20,866	$ 644	$ 10,316	$ 60,521	$ 92,452
Additions	-	-	54	-	8,854	8,908
Government grant	-	-	-	-	(98)	(98)
Investment tax credits	-	-	-	-	(459)	(459)
Write-down, fully amortized	-	-	-	-	-	-
Effect of foreign exchange	4	1,289	19	562	508	2,382
At March 31, 2020	**$ 109**	**$ 22,155**	**$ 717**	**$ 10,878**	**$ 69,326**	**$ 103,185**
Amortization						
At July 1, 2019	$ -	$ 4,374	$ 385	$ 3,012	$ 16,794	$ 24,565
Amortization	-	1,798	49	1,086	5,204	8,137
Writedown, fully amortized	-	-	-	-	-	-
Effect of foreign exchange	-	320	3	169	200	692
At March 31, 2020	**$ -**	**$ 6,492**	**$ 437**	**$ 4,267**	**$ 22,198**	**$ 33,394**
Net book value						
At June 30, 2019	$ 105	$ 16,492	$ 259	$ 7,304	$ 43,727	$ 67,887
At March 31, 2020	**$ 109**	**$ 15,663**	**$ 280**	**$ 6,611**	**$ 47,128**	**$ 69,791**

7. LONG-TERM DEBT

As at	**March 31, 2020**	June 30, 2019
Term credit facility	**$ 1,771**	$ 1,979
Lease liabilities (including lease liabilities under IFRS 16 (Note 3(a)))	**5,136**	-
	$ 6,907	$ 1,979
Comprised of:		
Current portion of term credit facility and lease liabilities	**$ 1,756**	$ 250
Long-term portion of term credit facility and lease liabilities	**5,151**	1,729
	$ 6,907	$ 1,979

Term credit facility

The term credit facility is with a Canadian chartered bank. As at March 31, 2020, the facility is repayable in monthly instalments of $21 principal and interest at prime of 2.45% (June 30, 2019 - $21, and 3.95%, respectively), expires in October 2020 and is collateralized by a general security agreement. The Company has an authorized loan amount of $3,792 and annually renews this facility with the bank.

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

(in thousands of Canadian dollars except as otherwise noted)

Assuming that the existing payment terms are the same at the renewal date, the following are the future principal repayments for the term credit facility as at March 31, 2020:

2020	$	42
2021		250
2022		250
2023		250
2024		250
Thereafter		729
	$	1,771

Lease liabilities

The following is a reconciliation of the Company's lease liabilities as at March 31, 2020:

Lease liabilities, beginning of period	$	5,715
Net additions during the period		206
Interest on lease liabilities		176
Principal repayments of lease liabilities		(1,197)
Effect of foreign exchange		236
Other		-
Lease liabilities, end of period	**$**	**5,136**
Current portion		1,506
	$	**3,630**

As at March 31, 2020, the contractual undiscounted lease payments under the lease liabilities are as follows:

Less than one year	$	1,613
One to five years		3,405
More than five years		229
Total undiscounted lease payments	**$**	**5,247**

8. SHARE CAPITAL

Changes in share capital for the nine months ended March 31, 2020 are as follows:

	Number of shares		Carrying value
Balance at July 1, 2019	22,370,087	$	1,916
Shares issued by exercising options	65,175		761
Balance at March 31, 2020	**22,435,262**	**$**	**2,677**

Changes in the stock option plan for the nine months ended March 31, 2020 are as follows:

	Number of options		Weighted average exercise price
Outstanding, July 1, 2019	502,500	$	8.95
Granted	9,000		8.25
Cancelled	(13,000)		8.62
Exercised	(65,175)		8.62
Outstanding, March 31, 2020	**433,325**	**$**	**9.00**
Vested and exercisable, March 31, 2020	**372,641**	**$**	**8.96**

(in thousands of Canadian dollars except as otherwise noted)

9. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregated revenue

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

	Three months ended March 31, 2020			
	Video and Broadband Solutions	**Content Delivery and Storage**	**Telematics**	**Total**
Product sales	$ 7,911	$ 9,540	$ 144	$ 17,595
Provision of services	1,650	4,680	1,168	7,498
	$ 9,561	**$ 14,220**	**$ 1,312**	**$ 25,093**

	Three months ended March 31, 2019			
	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total
Product sales	$ 10,676	$ 2,287	$ 238	$ 13,201
Provision of services	1,753	4,211	1,163	7,127
	$ 12,429	$ 6,498	$ 1,401	$ 20,328

	Nine months ended March 31, 2020			
	Video and Broadband Solutions	**Content Delivery and Storage**	**Telematics**	**Total**
Product sales	$ 19,660	$ 27,797	$ 478	$ 47,935
Provision of services	5,733	13,102	3,558	22,393
	$ 25,393	**$ 40,899**	**$ 4,036**	**$ 70,328**

	Nine months ended March 31, 2019			
	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total
Product sales	$ 24,976	$ 18,405	$ 703	$ 44,084
Provision of services	5,799	10,970	3,464	20,233
	$ 30,775	$ 29,375	$ 4,167	$ 64,317

10. SHARE-BASED COMPENSATION

For all stock options granted, the Company determined compensation expense based on the estimated fair values at the grant date of the stock options using the Black-Scholes and binomial option-pricing models. The estimated fair value of the stock options is amortized to share-based compensation over the vesting period of the options. The share-based compensation expense included in the interim condensed consolidated statements of comprehensive income was $13 and $47 for the three and nine months ended March 31, 2020, respectively (March 31, 2019 - $28 and $102, respectively).

(in thousands of Canadian dollars except as otherwise noted)

11. OTHER (INCOME) EXPENSE

	Three months		Nine months	
Periods ended March 31,	**2020**	2019	**2020**	2019
Loss (gain) on sale of property, plant and equipment	**$ 16**	$ 13	**$ (105)**	$ 55
Gain on sale of intangible assets	**-**	-	**-**	(202)
Lease revenue	**(8)**	(98)	**(44)**	(307)
Other	**17**	16	**19**	19
	$ 25	$ (69)	**$ (130)**	$ (435)

12. 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,	**2020**	2019	**2020**	2019
Net income (loss): basic and diluted	**$ 666**	$ (1,461)	**$ 2,843**	$ (506)
Weighted average number of shares outstanding:				
Basic	**22,435,234**	22,355,705	**22,403,397**	22,378,195
Dilutive stock options	**39,458**	-	**28,922**	-
Diluted	**22,474,692**	22,355,705	**22,432,319**	22,378,195
Net income (loss) per share: basic	**$ 0.03**	$ (0.07)	**$ 0.13**	$ (0.02)
Net income (loss) per share: diluted	**$ 0.03**	$ (0.07)	**$ 0.13**	$ (0.02)

Stock options could potentially dilute basic net income per share in the future. Options to purchase 372,641 common shares were vested and outstanding as at March 31, 2020 (March 31, 2019 – 424,492). Dilutive stock options are calculated using the treasury stock method.

(in thousands of Canadian dollars except as otherwise noted)

13. SEGMENTED FINANCIAL INFORMATION

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

Segments

	Three months ended March 31, 2020				
	Video and Broadband Solutions	**Content Delivery and Storage**	**Telematics**	**Inter-Segment**	**Total**
Sales	$ 9,561	$ 14,220	$ 1,312	$ -	**$ 25,093**
Cost of sales	5,082	6,595	392	-	**12,069**
Gross profit	4,479	7,625	920	-	**13,024**
Operating expenses	4,085	4,622	583	-	**9,290**
Depreciation and amortization	2,253	1,785	209	-	**4,247**
Operating (loss) income	(1,859)	1,218	128	-	**(513)**
Finance expense	(216)	(22)	-	-	**(238)**
Foreign exchange gain (loss)	1,973	(36)	35	-	**1,972**
(Loss) income before taxes	(102)	1,160	163	-	**1,221**
Income tax (recovery) expense	(17)	531	41	-	**555**
Net (loss) income	**$ (85)**	**$ 629**	**$ 122**	**$ -**	**$ 666**

	Three months ended March 31, 2019				
	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Inter-Segment	Total
Sales	$ 12,437	$ 6,498	$ 1,401	$ (8)	$ 20,328
Cost of sales	6,232	2,978	440	(8)	9,642
Gross profit	6,205	3,520	961	-	10,686
Operating expenses	5,586	4,059	480	-	10,125
Depreciation and amortization	1,447	1,258	202	-	2,907
Operating (loss) income	(828)	(1,797)	279	-	(2,346)
Finance income	280	21	-	-	301
Foreign exchange loss	(592)	(14)	(13)	-	(619)
(Loss) income before taxes	(1,140)	(1,790)	266	-	(2,664)
Income tax (recovery) expense	(304)	(966)	67	-	(1,203)
Net (loss) income	$ (836)	$ (824)	$ 199	$ -	$ (1,461)

(in thousands of Canadian dollars except as otherwise noted)

	Nine months ended March 31, 2020				
	Video and Broadband Solutions	**Content Delivery and Storage**	**Telematics**	**Inter-Segment**	**Total**
Sales	$ 25,393	$ 40,899	$ 4,036	$ -	**$ 70,328**
Cost of sales	12,539	17,005	1,278	-	**30,822**
Gross profit	12,854	23,894	2,758	-	**39,506**
Operating expenses	11,590	14,377	1,734	-	**27,701**
Depreciation and amortization	5,022	4,962	629	-	**10,613**
Operating (loss) income	(3,758)	4,555	395	-	**1,192**
Finance income (expense)	603	(79)	-	-	**524**
Foreign exchange gain (loss)	1,806	(48)	35	-	**1,793**
(Loss) income before taxes	(1,349)	4,428	430	-	**3,509**
Income tax (recovery) expense	(308)	865	109	-	**666**
Net (loss) income	**$ (1,041)**	**$ 3,563**	**$ 321**	**$ -**	**$ 2,843**

	Nine months ended March 31, 2019				
	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Inter-Segment	Total
Sales	$ 30,808	$ 29,375	$ 4,167	$ (33)	$ 64,317
Cost of sales	15,658	12,686	1,289	(33)	29,600
Gross profit	15,150	16,689	2,878	-	34,717
Operating expenses	14,957	12,373	1,549	-	28,879
Depreciation and amortization	4,185	3,457	607	-	8,249
Operating (loss) income	(3,992)	859	722	-	(2,411)
Finance income (expense)	506	45	(1)	-	550
Foreign exchange gain (loss)	463	(14)	8	-	457
(Loss) income before taxes	(3,023)	890	729	-	(1,404)
Income tax (recovery) expense	(855)	(228)	185	-	(898)
Net income (loss)	$ (2,168)	$ 1,118	$ 544	$ -	$ (506)

Geographical region

	Three months		**Nine months**	
Periods ended March 31,	**2020**	2019	**2020**	2019
Sales to external customers:				
United States	**$ 19,979**	$ 15,927	**$ 53,729**	$ 48,942
Canada	**2,024**	2,008	**5,921**	8,702
Europe	**1,529**	1,001	**4,642**	3,719
Japan	**976**	867	**2,639**	2,333
Other	**585**	525	**3,397**	621
	$ 25,093	$ 20,328	**$ 70,328**	$ 64,317

(in thousands of Canadian dollars except as otherwise noted)

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,	**2020**	2019	**2020**	2019
Customer A	**$ 759**	$ 2,058	**$ 12,851**	$ 17,541
Customer B	**3,344**	2,775	**10,048**	7,464
Customer C	**2,620**	5,642	**8,754**	8,088
	$ 6,723	$ 10,475	**$ 31,653**	$ 33,093

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

14. FAIR VALUE HIERARCHY

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

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

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

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

The following table classifies assets and liabilities measured at fair value according to the three-level hierarchy:

	March 31, 2020			June 30, 2019		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Short-term investments	**$ 17,009**	**$ -**	**$ -**	$ 24,569	$ -	$ -

15. 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,	**2020**	2019	**2020**	2019
Depreciation of property, plant and equipment	**$ 542**	$ 573	**$ 1,591**	$ 1,771
Depreciation of right-of-use assets	**351**	-	**1,034**	-
Amortization of deferred development costs	**2,417**	1,499	**5,204**	3,899
Amortization of finite-life intangible assets	**983**	950	**2,933**	2,839
	$ 4,293	$ 3,022	**$ 10,762**	$ 8,509

(in thousands of Canadian dollars except as otherwise noted)

Net change in working capital – operating activities

	Three months		Nine months	
Periods ended March 31,	**2020**	2019	**2020**	2019
Accounts receivable	**$ (8,074)**	$ 3,566	**$ (10,498)**	$ 2,935
Inventories	**197**	2,100	**(1,414)**	705
Prepaid expenses	**(159)**	(127)	**1,315**	(690)
Contract assets	**(15)**	206	**11**	158
Current tax asset	**4**	-	**5**	-
Accounts payable and accrued liabilities	**5,149**	1,130	**3,601**	(1,636)
Deferred revenue	**1,321**	1,573	**1,365**	787
Total change in net working capital	**$ (1,577)**	$ 8,448	**$ (5,615)**	$ 2,259

Capital expenditures, net – investing activities

	Three months		Nine months	
Periods ended March 31,	**2020**	2019	**2020**	2019
Capital expenditures before proceeds of disposition:				
Property, plant and equipment	**$ (592)**	$ (699)	**$ (1,726)**	$ (1,789)
Intangible assets	**(6)**	(40)	**(54)**	(85)
Proceeds of disposition:				
Property, plant and equipment	**1**	5	**258**	8
Intangible assets	**-**	-	**-**	202
Total capital expenditures, net	**$ (597)**	$ (734)	**$ (1,522)**	$ (1,664)

16. COVID-19

Since March 2020, several measures have been implemented in Canada and the U.S. in response to the increased impact from novel coronavirus (COVID-19). We continue to serve customers through our available platforms. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impact on the Company's future earnings and cash flows cannot be estimated at this time. The Company continues to ensure the continuity of its global operations, servicing both new and current customer needs.

17. SUBSEQUENT EVENTS

On April 24, 2020, the Company received an offer from a third party to purchase the investment property classified as an asset held for sale in Note 4. The Company accepted the offer in the amount of $875. On May 12, 2020, the Company closed the sale of this property.

On May 12, 2020, the Board of Directors declared a dividend of $0.055 per common share, payable on June 15, 2020 to shareholders of record as at May 22, 2020 consistent with its previously announced dividend policy.