SECOND QUARTER RESULTS

Management's Discussion and Analysis and

Interim Condensed Consolidated Financial Statements of

VECIMA NETWORKS INC.

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

(unaudited)

Vecima Networks Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
February 8, 2022

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 six months ended December 31, 2021.

Our MD&A supplements, but does not form part of, our unaudited interim condensed consolidated financial statements and related notes for the three and six months ended December 31, 2021 and 2020. 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 and six months ended December 31, 2021 and 2020 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 the 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.

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1. Company Overview

Vecima Networks Inc. (TSX:VCM) is a Canadian company founded in 1988 in Saskatoon, Saskatchewan. Today, Vecima has a global presence with offices in Vancouver, Atlanta, Raleigh, San Jose, Qingdao, Shanghai, Tokyo, Amsterdam, 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 provide internet video delivery and storage (IPTV) and next-generation high-speed broadband network access.

Vecima's business is organized into three segments:

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

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

   The Entra Distributed Access Architecture (DAA) family of products is divided into five core categories:

   - EntraPHY - Multiple variants of the Entra Access Node that can operate as Remote PHY, providing a modular highly interoperable platform for deployment of access technologies, leveraging billions of dollars of investment in coaxial cable;
   - EntraMAC - Multiple variants of the Entra Access Node that can operate as Remote MAC-PHY, providing the full next-generation access network within the Entra digital node, leveraging billions of dollars of investment in coaxial cable;
   - EntraOptical - Consists of both chassis and node based FTTH access technologies in areas of the service provider network where FTTH is practical and advantageous;
   - EntraControl – a virtual cloud-based platform with centralized orchestration and control across all Entra products:
     - The Entra Remote PHY Monitor (RPM), which offers unified control software for management, service assurance and monitoring of access nodes;
     - The Entra Video QAM Manager (VQM), which allows for the integration of video in a DAA environment, leveraging existing video generation infrastructure by providing a direct pathway for video through to the Entra node; and
     - The Entra Access Controller (EAC) virtualizes all of the control components allowing for the distribution of the data processing to the edge and into the Entra MAC and Entra Optical nodes; and
   - EntraVideo – a suite of products facilitating the migration from legacy architectures to next-generation distributed access architectures:
     - The Entra Legacy QAM Adapter (LQA) and DV-12, which provide a simple solution to adapt existing video QAM infrastructure for distributed access; and
     - The Entra Interactive Video Controller (IVC), which supports essential two-way network connectivity for legacy set-top boxes that are heavily deployed and in service today.

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

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

MediaScaleX™

- Transcode: transforms live and OnDemand content utilizing state-of-the-art GPU technology, creating beautiful, cost-effective content for any device;
- Origin: packages and secures video for streaming over-the-top (OTT) or through a service provider managed network, regardless of network technology;
- Storage: captures live, OnDemand, and DVR content, holds it indefinitely, and allows for future streaming, rewind, fast-forward, and pause; and
- Cache: highly scalable, streaming platform, providing the ability to serve content to all IP and legacy devices, including Streaming Video Alliance Open Cache technology to allow operators to cache and monetize OTT content. Strategically geographically located to minimize network latency and optimize the end user streaming experience.

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

2. Industry Developments

Video and Broadband Solutions

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

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

In 2020, Cable Television Laboratories or CableLabs, a not-for-profit innovation and research and development lab that works in cooperation with cable companies and cable equipment manufacturers, released the DOCSIS 4.0 specifications, which includes full duplex DOCSIS (FDX) and extended spectrum DOCSIS (ESD), allowing multi-system operators (MSO) to significantly increase their total capacity while leveraging their past coaxial infrastructure investment.

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

Content Delivery and Storage

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

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

Telematics

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

Our Strategy

Our growth strategy focuses on the development of our core technologies, including next-generation platforms such as our Entra DAA platform, as well as our IP video storage and distribution technologies being sold and deployed under the 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.

3. Second Quarter Fiscal 2022 Highlights

Financial and Corporate Highlights

- Second quarter revenue grew to a record $43.6 million, up 47% year-over-year and 35% quarter-over-quarter
- Gross profit climbed to $21.8 million, up 48% year-over-year and 39% quarter-over-quarter
- Adjusted EBITDA (non-GAAP measure) climbed sharply to $7.4 million, an increase of 201% from $2.5 million in Q2 fiscal 2021 and up 72% from $4.3 million in Q1 fiscal 2022
- Adjusted earnings per share (non-GAAP measure) increased to $0.06, from an adjusted loss per share of $0.14 in Q2 FY2021 and adjusted earnings per share of $0.03 in Q1 fiscal 2022
- Ended the quarter in strong financial position with $10.3 million in cash and working capital of $42.4 million at December 31, 2021
- Declared a dividend of $0.055 per share payable on March 28, 2022 to shareholders of record as at February 25, 2022. This represents a cumulative $37.5 million returned to shareholders through regular dividends since we initiated regular dividends in October 2014

Video and Broadband Solutions (VBS)

- The VBS segment delivered exceptional revenue performance of $27.2 million, up 65% year-over-year and 12% quarter-over-quarteras customers continued to transition to next-generation networks using Vecima's platforms

- DAA (Entra family)
    - Deployments of next-generation Entra DAA products grew to a record $18.5 million, up 130% year-over-over and 2% quarter-over-quarter
    - Total customer engagements for Entra increased to 80 MSOs worldwide, from 77 at the end of Q1 fiscal 2022. Forty-three of these customers have now ordered Entra products, up from 39 last quarter
        - Selected by GCI, Alaska's largest telecommunications company, to deliver multi-gigabit speed to its customers via the Entra 10G EPON DAA solution
        - Chosen by Wyandotte Municipal Services to provide an Entra 10G EPON network as the cornerstone to this customer's new Fiber-to-the-Home (FTTH) offering
        - Subsequent to the quarter-end, announced that Liberty Latin America has selected the Entra Remote MACPHY DAA solution across its properties to support its expansion to next-generation ultra-broadband services

  - Continued to expand Entra's leading capabilities for the future:
    - In October, Vecima, in partnership with Charter Communications, demonstrated the long-term hybrid fiber-coaxial (HFC) network future with multi-gigabit DOCSIS 4.0. The demonstration achieved industry-leading >8.5 Gbps downstream and >6 Gbps upstream with 1.8 GHz DOCSIS 4.0 Frequency Division Duplexing (FDD)
    - Launched the industry's highest capacity Remote MACPHY module, the Entra EMM324, at SCTE Cable-Tec Expo
    - Announced the world's first commercially available Generic Access Platform (GAP) node, the EN9000, supporting Remote MACPHY and 1.8 GHz DOCSIS 4.0 with up to four service groups
    - Leveraged input from our fast-growing roster of DAA-deploying customers and engagements to add a broad set of enhancements and features that further differentiate the Entra DAA portfolio as customers ramp scale deployments and look to magnify the many benefits of DAA
  - Received high-profile industry recognition underscoring Vecima's market-leading position
    - Highlighted by world-leading Tier 1 operators in the SCTE Cable-Tec Expo keynote session as a leading next-generation vendor and strategic partner, helping to enable the industry's next leap in broadband
    - Subsequent to the quarter-end, Vecima was recognized by the Dell'Oro Group as the industry's market share leader in the Remote MACPHY and Remote Optical Line Terminal FTTH product groups

- Commercial Video (Terrace family)
  - Commercial Video sales increased to $8.7 million, up 4% year-over-year and 42% quarter-over-quarter
    - TerraceQAM sales grew to $4.9 million, an increase of 61% year-over-year and 3% quarter-over-quarter, with the lead Tier 1 customer continuing its scale hospitality program with the platform while preparing for migration to TerraceIQ
    - Terrace family sales contributed solid Q2 revenue of $3.8 million, a quarter-over-quarter increase of 178%.
  - Introduced additional IP streaming formats and DRM functionality to our innovative next-generation TerraceIQ platform which further broadens support for unique customer-by-customer needs for IPTV adaptation and distribution in commercial premises

Content Delivery and Storage (CDS)

- Achieved record CDS sales of $15.0 million, up 27% from $11.8 million in the prior-year period and an increase of 121% sequentially from $6.8 million in Q1 fiscal 2022
- Significantly expanded systems sales with multiple customers as operators forge ahead and reap the benefits of IP video deployment while rolling out to more subscribers
  - Secured largest IPTV network win to date for MediaScaleX
  - Won new IPTV customer serving Eastern Canada
  - Selected by Buckeye Broadband to replace a legacy Video On Demand (VOD) network with Vecima's MediaScaleX, offering a next-generation IPTV architecture and migration path
  - Subsequent to the quarter-end, Breezeline (formerly Atlantic Broadband) announced that it has chosen MediaScaleX to power its IPTV video delivery solution and accelerate the next-generation TV experience to its subscribers
- In January 2022, successfully completed interoperability tests for MediaScaleX as part of the Streaming Video Alliance (SVA) Open Caching Initiative. This is a key step to enabling open caching solutions to distribute over-the-top content at the highest quality, working with our customers and their over 100 million subscribers worldwide

Telematics

- Multiple additional deployments in high-value verticals, such as municipal government and moveable asset customers
- Added 12 new customers for the NERO asset tracking platform, with number of moveable assets being monitored rising significantly to over 16,000 units
- Achieved trailing 12-month Adjusted EBITDA of $1.95M and Adjusted EBITDA margin of 35%

4. Subsequent Events

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

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

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

5. Outlook

Around the globe, high levels of utilization across our customers' cable, fiber, and IPTV networks are requiring that operators continue to expand capacity across their networks. Vecima is responding to this demand with an industry-leading portfolio of Distributed Access Architecture (DAA), commercial video and IPTV solutions that enable our customers to expand their capacity and network offerings.

> **In our Video and Broadband Solutions (VBS) segment**, demand for our next-generation Entra DAA products continues to escalate. With the industry's strongest and most relevant portfolio of DAA Remote PHY, Remote MAC-PHY, access controller and 10G EPON FTTH solutions; expanding relationships with 80 cable operators worldwide, and a growing volume of customer purchase orders and binding forecasts providing excellent demand visibility, we expect Entra family product sales will continue to accelerate through the balance of the year and remain our leading sales generator in fiscal 2022. We emphasize that we are still in the early stages of broad industry DAA adoption. We see an extraordinary and lengthy growth runway for Entra and are focused on leveraging our industry-leading product portfolio, strong customer relationships, and growing global reach to continue capturing market share in this large and rapidly growing market.
>
> In addition to Entra growth, we expect fiscal 2022 to bring continued demand for our TerraceQAM solution and emerging opportunities for our next-generation Terrace IQ solution.
>
> **In our Content Delivery and Storage segment,** demand for our IPTV and open caching solutions remains strong and we anticipate another strong quarter for CDS in Q3. On a full-year basis, we continue to anticipate high single-digit to low double-digit sales growth for the CDS segment in fiscal 2022.
>
> **In the Telematics segment**, we anticipate incremental growth in demand from the fleet tracking market in fiscal 2022, along with continued gradual growth in demand for our asset tracking services.

We note that global supply chain challenges have the potential to constrain our revenue growth and put pressure on gross margins if they persist through the year. We are focused on managing these industry challenges strategically, leveraging our strong financial position and excellent supplier relationships to support our inventory needs.

6. COVID-19 Business Update

Amidst the ongoing COVID-19 pandemic, we remain sharply focused on protecting the health of our employees, partners and customers while maintaining the continuity of our business operations. Utilization across our customers' cable and IPTV networks has remained at elevated levels since the start of the pandemic, and as a manufacturer of communications solutions that expand our customers' networks, our operations are deemed essential and demand for our products and services has grown.

Employee Health and Safety: Our highest priority continues to be the well being of our employees, more than 80% of whom can perform their job functions outside of a Vecima facility and are 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.

Supply Chain Challenges: Ongoing global supply chain tightness from key component suppliers has been a key challenge emerging from the pandemic and it has the potential to constrain our ability to fully deliver and meet demand for our products, while also negatively impacting our gross margins. As discussed in "Outlook" above, we are carefully managing these challenges, leveraging our strong financial position and excellent supplier relationships to support our component inventory needs.

Uncertainties: The COVID-19 pandemic continues to rapidly evolve, and it is difficult to predict what economic, supply chain, network development or other impacts it may have on our business going forward. We will continue to closely monitor the effects of the pandemic on our business in all regions that we serve, and make adjustments to our business as necessary. Please see "Risks and Uncertainties and COVID-19" and "Forward Looking Information" for more information on COVID-19 as it pertains to our business.

7. Discontinued Operations

On March 31, 2021, we completed the sale of our ContentAgent operations in an all-cash transaction for proceeds of US$2.1 million. As a result, we reclassified amounts related to the announced sale for the previous periods to discontinued operations in our consolidated statements of comprehensive income (loss) and consolidated statements of cash flows to make them consistent with the presentation for the current period.

As at March 31, 2021, we recorded a gain on the sale, net of income taxes, of $1.8 million. The capital gain related to the sale is partially offset by the recognition of previously unrecognized capital loss carry forwards.

8. Consolidated Results of Operations

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

Consolidated Statements of Comprehensive Income (Loss) Data	Three months ended December 31,						Six months ended December 31,					
		2021			2020			**2021**			2020	
Sales	**$**	**43,587**	**100 %**	$	29,673	100 %	**$**	**75,982**	**100 %**	$	56,996	100 %
Cost of sales		**21,767**	**50 %**		14,964	50 %		**38,460**	**51 %**		29,652	52 %
Gross profit		**21,820**	**50 %**		14,709	50 %		**37,522**	**49 %**		27,344	48 %
Operating expenses												
Research and development[1]		**8,352**	**19 %**		7,044	24 %		**16,360**	**22 %**		13,309	23 %
Sales and marketing		**4,554**	**10 %**		3,474	12 %		**8,655**	**11 %**		6,450	11 %
General and administrative		**5,498**	**13 %**		4,560	15 %		**10,184**	**13 %**		9,253	16 %
Share-based compensation		**65**	**- %**		1,210	4 %		**753**	**1 %**		1,449	3 %
Other expense		**13**	**- %**		3	- %		**19**	**- %**		-	%
		18,482	**42 %**		16,291	55 %		**35,971**	**47 %**		30,461	53 %
Operating income (loss)		**3,338**	**8 %**		(1,582)	(5) %		**1,551**	**2 %**		(3,117)	(5) %
Finance (expense) income		**(46)**	**- %**		2	- %		**(88)**	**- %**		165	- %
Foreign exchange (loss) gain		**(111)**	**(1) %**		(1,218)	(4) %		**996**	**2 %**		(1,440)	(3) %
Income (loss) before taxes		**3,181**	**7 %**		(2,798)	(9) %		**2,459**	**4 %**		(4,392)	(8) %
Income tax expense (recovery)		**1,708**	**4 %**		432	2 %		**244**	**1 %**		(367)	(1) %
Net income (loss) from:												
Continuing operations		**1,473**	**3 %**		(3,230)	(11) %		**2,215**	**3 %**		(4,025)	(7) %
Discontinued operations		**-**	**- %**		112	- %		**-**	**- %**		69	- %
Net income (loss)		**1,473**	**3 %**		(3,118)	(11) %		**2,215**	**3 %**		(3,956)	(7) %
Other comprehensive (loss) income		**(110)**	**- %**		(1,538)	(5) %		**807**	**1 %**		(2,150)	(4) %
Comprehensive income (loss)	**$**	**1,363**	**3 %**	$	(4,656)	(16) %	**$**	**3,022**	**4 %**	$	(6,106)	(11) %
Net income (loss) per share[2]												
Basic – total	**$**	**0.06**		$	(0.14)		**$**	**0.10**		$	(0.18)	
Basic – continuing operations	**$**	**0.06**		$	(0.14)		**$**	**0.10**		$	(0.18)	
Diluted – total	**$**	**0.06**		$	(0.14)		**$**	**0.10**		$	(0.18)	
Diluted – continuing operations	**$**	**0.06**		$	(0.14)		**$**	**0.10**		$	(0.18)	
Other Data												
Total research and development expenditures[3]	**$**	**9,690**		$	8,881		**$**	**19,280**		$	16,866	
Adjusted EBITDA[4]	**$**	**7,447**		$	2,477		**$**	**11,786**		$	4,684	
Adjusted earnings per share[5]	**$**	**0.06**		$	(0.14)		**$**	**0.10**		$	(0.18)	
Number of employees[6]		**497**			466			**497**			466	

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

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

(3) *Amounts are from continuing operations. See "Total Research and Development Expenditures".*

(4) *Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. See "EBITDA and Adjusted EBITDA".*

(5) *Adjusted Earnings per Share does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. See "Adjusted Earnings per Share".*

(6) *The number of employees is determined as of the end of the period.*

Consolidated Statements of Financial Position *(unaudited – in thousands of dollars except common share data)*		**December 31, 2021**		June 30, 2021
Cash and cash equivalents	**$**	**10,341**	$	28,909
Working capital	**$**	**42,478**	$	44,792
Total assets	**$**	**225,801**	$	214,732
Long-term debt[(1)]	**$**	**3,427**	$	4,107
Shareholders' equity	**$**	**175,413**	$	174,920
Number of common shares outstanding[(2)]		**23,065,194**		22,748,826

[(1)] *Long-term debt 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 net income and adjusted earnings per share do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers.

Calculation of Adjusted Earnings per Share	**Three months ended December 31,**				**Six months ended December 31,**			
(unaudited – in thousands of dollars except per share amounts)		**2021**		2020		**2021**		2020
Net income (loss)	**$**	**1,473**	$	(3,118)	**$**	**2,215**	$	(3,956)
Adjusted net income (loss)	**$**	**1,473**	$	(3,118)	**$**	**2,215**	$	(3,956)
Net income (loss) per share	**$**	**0.06**	$	(0.14)	**$**	**0.10**	$	(0.18)
Adjusted earnings per share[(1)(2)]	**$**	**0.06**	$	(0.14)	**$**	**0.10**	$	(0.18)

[(1)] *Adjusted earnings per share includes non-cash share-based compensation of $0.1 million or $0.00 per share for the three months ended December 31, 2021, and $0.8 million or $0.03 per share for the six months ended December 31, 2021. The non-cash share-based compensation primarily reflects certain performance-based vesting thresholds achieved under the Company's Performance Share Unit Plan.*

[(2)] *Adjusted earnings per share includes a foreign exchange loss of $(0.1) million or $(0.00) per share for the three months ended December 31, 2021 and a foreign exchange gain of $1.0 million or $0.04 per share for the six months ended December 31, 2021.*

EBITDA and Adjusted EBITDA

The following table reconciles net income (loss) for the period to EBITDA and Adjusted EBITDA. The term "EBITDA" refers to net income or net loss as reported in the IFRS financial statements, excluding any amounts included in net income or net loss for income taxes, interest expense, and depreciation and amortization for PP&E, right-of-use assets, deferred development and intangible assets. The term "Adjusted EBITDA" refers to EBITDA adjusted for: gains and losses on sale of PP&E, 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. EBITDA and Adjusted EBITDA are not recognized measures under IFRS and, accordingly, investors are cautioned that EBITDA and Adjusted EBITDA should not be construed as alternatives to net income, determined in accordance with IFRS, or as indicators of our financial performance or as measures of our liquidity and cash flows.

Calculation of Adjusted EBITDA	**Three months ended December 31,**		**Six months ended December 31,**	
	2021	2020	**2021**	2020
Net income (loss) from continuing operations	**$ 1,473**	$ (3,230)	**$ 2,215**	$ (4,025)
Income tax expense (recovery)	**1,708**	432	**244**	(367)
Interest expense	**46**	56	**96**	114
Depreciation of property, plant and equipment	**669**	629	**1,281**	1,193
Depreciation of right-of-use assets	**327**	361	**739**	705
Amortization of deferred development costs	**2,373**	1,923	**4,890**	3,584
Amortization of intangible assets	**773**	893	**1,550**	1,802
EBITDA from discontinued operations	**0**	196	**0**	220
EBITDA	**7,369**	1,260	**11,015**	3,226
Loss on sale of property, plant and equipment	**13**	7	**18**	9
Share-based compensation	**65**	1,210	**753**	1,449
Adjusted EBITDA	**$ 7,447**	$ 2,477	**$ 11,786**	$ 4,684
Percentage of sales	**17%**	8%	**16%**	8%

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 from Continuing Operations	**Three months ended December 31,**		**Six months ended December 31,**	
	2021	2020	**2021**	2020
Research and development per statement of income	**$ 8,352**	$ 7,044	**$ 16,360**	$ 13,309
Deferred development costs	**3,692**	3,728	**7,765**	7,070
Investment tax credits	**34**	29	**60**	69
Amortization of deferred development costs	**(2,373)**	(1,923)	**(4,890)**	(3,584)
Government grants	**(15)**	-	**(15)**	-
Total research and development expenditures	**$ 9,690**	$ 8,878	**$ 19,280**	$ 16,864
Percentage of sales	**22%**	30%	**25%**	30%

9. Summary of Quarterly Results of Operations

The following information has been derived from our consolidated financial statements for the three and six months ended December 31, fiscal 2021 and fiscal 2020 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 2022		Fiscal Year 2021				Fiscal Year 2020	
	Q2	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3
Sales	**$ 41,587**	**$ 32,395**	$ 35,320	$ 31,861	$ 29,673	$ 27,323	$ 25,714	$ 24,728
Cost of sales	**21,767**	**16,693**	20,348	17,535	14,964	14,688	13,204	11,953
Gross profit	**21,820**	**15,702**	14,972	14,326	14,709	12,635	12,510	12,775
Operating expenses								
Research and development	**8,352**	**8,008**	5,418	7,520	7,044	6,265	6,731	5,578
Sales and marketing	**4,554**	**4,101**	3,625	3,644	3,474	2,976	2,976	3,505
General and administrative	**5,498**	**4,686**	4,327	4,357	4,560	4,693	3,940	3,983
Share-based compensation	**65**	**688**	(296)	267	1,210	239	12	14
Other expense (income)	**13**	**6**	(1,462)	(50)	3	(3)	(349)	25
	18,482	**17,489**	11,612	15,738	16,291	14,170	13,310	13,105
Operating income (loss)	**3,338**	**(1,787)**	3,360	(1,412)	(1,582)	(1,535)	(800)	(330)
Finance (expense) income	**(46)**	**(42)**	(51)	(45)	2	163	110	(236)
Foreign exchange (loss) gain	**(111)**	**1,107**	(704)	(830)	(1,218)	(222)	(453)	1,983
Income (loss) before income taxes	**3,122**	**(722)**	2,605	(2,287)	(2,798)	(1,594)	(1,143)	1,387
Income tax expense (recovery)	**1,708**	**(1,464)**	1,170	(2,692)	432	(799)	(275)	555
Net income (loss) from:								
Continuing operations	**1,473**	**742**	1,435	405	(3,230)	(795)	(868)	832
Discontinued operations	**-**	**-**	-	1,784	112	(43)	(169)	(166)
Net income (loss)	**1,473**	**742**	1,435	2,189	(3,118)	(838)	(1,037)	666
Other comprehensive (loss) income	**(110)**	**916**	(395)	(650)	(1,538)	(612)	(1,125)	2,416
Comprehensive income (loss)	**$ 1,363**	**$ 1,658**	$ 1,039	$ 1,539	$ (4,656)	$ (1,450)	$ (2,162)	$ 3,082
Net income (loss) per share								
Basic - continuing	**$ 0.06**	**$ 0.03**	$ 0.06	$ 0.02	$ (0.14)	$ (0.04)	$ (0.04)	$ 0.04
Basic - total	**$ 0.06**	**$ 0.03**	$ 0.06	$ 0.10	$ (0.14)	$ (0.04)	$ (0.05)	$ 0.03
Diluted - continuing	**$ 0.06**	**$ 0.03**	$ 0.06	$ 0.02	$ (0.14)	$ (0.04)	$ (0.04)	$ 0.04
Diluted - total	**$ 0.06**	**$ 0.03**	$ 0.06	$ 0.10	$ (0.14)	$ (0.04)	$ (0.05)	$ 0.03
Adjusted EBITDA as reported	**$ 7,447**	**$ 4,339**	$ 5,677	$ 1,963	$ 2,477	$ 2,207	$ 3,827	$ 5,617

Quarter-to-Quarter Sales Variances

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

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

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

10. Segmented Information

Sales

Segment		Three months ended December 31, 2021		2020		Six months ended December 31, 2021		2020
Video and Broadband Solutions	**$**	**27,215**	$	16,531	**$**	**51,509**	$	30,063
Content Delivery and Storage		**14,964**		11,770		**21,731**		24,234
Telematics		**1,408**		1,372		**2,742**		2,699
Total sales	**$**	**43,587**	$	29,673	**$**	**75,982**	$	56,996

Three-Month Sales

Total sales accelerated to $43.6 million in the second quarter of fiscal 2022, up 47% from $29.7 million in Q2 fiscal 2021 and 35% higher than the $32.4 million generated in Q1 fiscal 2022. The strong year-over-year growth reflects significant sales increases in both the Video and Broadband Solutions and Content Delivery and Storage segments.

In the Video and Broadband Solutions segment, sales of $27.2 million were up 65% from $16.5 million in Q2 fiscal 2021 and 12% from $24.3 million in Q1 fiscal 2022.

- Next-generation Entra products led the VBS segment growth with sales climbing 130% year-over-year to $18.5 million, from $8.0 million in Q2 fiscal 2021. As compared to Q1 fiscal 2022, Entra sales were up 2% from $18.1 million.
- Commercial Video products grew to $8.7 million, an increase of 4% from $8.4 million in Q2 fiscal 2021 and up 42% from $6.1 million in Q1 fiscal 2022. The increase in Commercial Video sales reflects continued strong demand for our TerraceQAM platform as operators continued their commercial rollout for the current generation, while preparing for the next-generation TerraceIQ platform. These gains were partially offset by tapering demand for our legacy TC600 and TC600E products.

In the Content Delivery and Storage segment, second quarter sales grew to $15.0 million, an increase of 27% from $11.8 million in Q2 fiscal 2021, and 121% higher than the $6.8 million achieved in Q1 fiscal 2022. The significant quarter-over-quarter increase in CDS sales reflects a return to activity on certain projects previously delayed by pandemic-related issues, as well as early movement on IPTV expansions to some of our customers' networks. As always, we note that quarterly sales variances are typical for the CDS segment and can result from the timing of large orders. Segment sales for the Q2 fiscal 2022 period included $11.3 million of product sales (Q2 fiscal 2021 - $7.1 million) and $3.7 million of services revenue (Q2 fiscal 2021 - $4.7 million).

Second quarter Telematics sales of $1.4 million were similar to the $1.4 million achieved in Q2 fiscal 2021 and the $1.3 million in Q1 fiscal 2022. Results for the quarter were in line with our expectations.

Six-Month Sales

For the six months ended December 31, 2021 total sales increased 33% to $76.0 million, from $57.0 million in the same period of fiscal 2021. The year-over-year sales growth primarily reflects a strong contribution from our Video and Broadband Solutions segment, partially offset by lower first-half results from the Content Delivery and Storage segment.

Six-month Video and Broadband Solutions sales increased to $51.5 million, up 71% from $30.1 million in the same period in fiscal 2021.

- Entra deployments contributed sales of $36.6 million in the first half, up 175% from $13.3 million in the same period of fiscal 2021.
- Commercial Video products contributed $14.8 million of sales in the first half, as compared to $16.1 million in the same period of fiscal 2021. This reflects the anticipated tapering of demand for our legacy TC600 and TC600E products, partially offset by continued strong demand for our TerraceQAM platform as operators further their commercial rollout for the current generation, while preparing for the next-generation TerraceIQ platform.

The Content Delivery and Storage segment generated six-month sales of $21.7 million, a decrease of 10% from $24.2 million in the first six months of fiscal 2021. This change primarily reflects a slow start to the fiscal 2022 year with Q1 results impacted by pandemic-related challenges affecting both our and our customers' operations. Sales rebounded in Q2, setting a new quarterly segment record. The first-half CDS sales included $13.5 million of product sales (2021 - $15.0 million) and $8.2 million of services revenue (2021 - $9.2 million). On a full-year basis we continue to expect high single to low double-digit sales growth in the CDS segment in fiscal 2022.

Telematics sales of $2.7 million in the first six months of fiscal 2022, were on par with the $2.7 million achieved in the same period of fiscal 2021. 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.

	Three months ended December 31,		Six months ended December 31,	
Segment	**2021**	2020	**2021**	2020
Video and Broadband Solutions	**$ 14,468**	$ 9,389	**$ 27,306**	$ 17,033
Content Delivery and Storage	**6,862**	5,157	**10,229**	11,741
Telematics	**437**	418	**925**	878
Total cost of sales	**$ 21,767**	$ 14,964	**$ 38,460**	$ 29,652

Three-Month Results

For the three months ended December 31, 2021, total cost of sales was $21.8 million, a 45% increase from $15.0 million in Q2 fiscal 2021 and 30% higher than $16.7 million in Q1 fiscal 2022. The year-over-year increase reflects higher sales in both the Video and Broadband Solutions and the Content Delivery and Storage segments. Product mix composition and foreign exchange impacts, together with increased expediting related to supply chain constraints, were also factors in the higher cost of sales.

Second quarter cost of sales in the Video and Broadband Solutions segment was $14.5 million, a 54% increase from $9.4 million in Q2 fiscal 2021 and a 13% increase from $12.8 million in Q1 fiscal 2022. The higher costs year-over-year reflect the 65% increase in VBS segment sales, as well as a different product mix, foreign exchange impacts, and increased expediting costs.

In the Content Delivery and Storage segment, second quarter cost of sales was $6.9 million, a 33% increase from $5.2 million in Q2 fiscal 2021 and a 104% increase from $3.4 million in Q1 fiscal 2022. The year-over-year increase reflects higher sales and a shift in product mix, while the quarter-over-quarter increase reflects significantly higher sales.

Second quarter cost of sales from the Telematics segment was $0.4 million, on par with Q2 fiscal 2021 and slightly lower than the $0.5 million cost of sales in Q1 fiscal 2022.

Six-Month Results

For the six months ended December 31, 2021, total cost of sales was $38.5 million, a 30% increase from $29.7 million in the first six months of fiscal 2021. The year-over-year increase reflects significantly higher sales in the Video and Broadband Solutions segment, partially offset by lower six-month sales in the Content Delivery and Storage segment. Product mix composition and foreign exchange impacts, together with increased expediting related to supply chain constraints, were also factors in the higher cost of sales.

Video and Broadband Solutions segment cost of sales were $27.0 million, a 60% increase from $17.0 million in the same period of fiscal 2021. The year-over-year increase reflects the 71% increase in VBS segment sales, as well as a different product mix, foreign exchange impacts, and increased expediting costs.

In the Content Delivery and Storage segment, cost of sales of $10.2 million was 13% lower than the $11.7 million reported in the same period of fiscal 2021. The year-over-year change reflects decreased sales and a different product mix.

Cost of sales from the Telematics segment was $0.9 million, on par with the same period in fiscal 2021.

Gross Profit and Gross Margin

	Three months ended December 31,		Six months ended December 31,	
Segment	**2021**	2020	**2021**	2020
Video and Broadband Solutions	**$ 12,747**	$ 7,142	**$ 24,203**	$ 13,030
Content Delivery and Storage	**8,102**	6,613	**11,502**	12,493
Telematics	**971**	954	**1,817**	1,821
Total gross profit	**$ 21,820**	$ 14,709	**$ 37,522**	$ 27,344
Video and Broadband Solutions	**46.8%**	43.2%	**47.0%**	43.3%
Content Delivery and Storage	**54.1%**	56.2%	**52.9%**	51.6%
Telematics	**69.0%**	69.5%	**66.3%**	67.5%
Total gross margin	**50.1%**	49.6%	**49.4%**	48.0%

Three-Month Results

For the three months ended December 31, 2021, total gross profit grew to $21.8 million (gross profit margin of 50%). This was up 48% from $14.7 million (gross profit margin of 50%) in Q2 fiscal 2021 and 39% higher than the $15.7 million (gross profit margin of 49%) achieved in Q1 fiscal 2022. The year-over-year increase in gross profit reflects higher sales.

Second quarter gross profit from the Video and Broadband Solutions segment grew to $12.7 million (gross profit margin of 47%). This was up 78% from $7.0 million (gross profit margin of 43%) in Q2 fiscal 2021 and an increase of 11% from $11.5 million (gross profit margin of 47%) in Q1 fiscal 2022. The year-over-year increase in gross profit reflects higher sales paired with a stronger gross margin. The improvement in gross margin reflects a higher-margin product mix for the period, slightly offset by the negative foreign exchange impact of the strengthening Canadian dollar and increased expediting costs year-over-year.

In the Content Delivery and Storage segment, second quarter gross profit grew to $8.1 million (gross profit margin of 54%), up 23% from $6.6 million (gross profit margin of 56%) in Q2 fiscal 2021 and an increase of 138% from $3.4 million (gross profit margin of 50%) in Q1 fiscal 2022. The year-over-year changes in gross profit and gross margin reflect the increase in sales and variations in product mix.

Second quarter gross profit from the Telematics segment was $1.0 million (gross profit margin of 69%), similar to the $1.0 million (gross margin of 70%) generated in Q2 fiscal 2021 and higher than the $0.8 million (gross margin of 63%) in Q1 fiscal 2022.

Six-Month Results

For the six months ended December 31, 2021, total gross profit increased 37% to $37.5 million, from $27.3 million in the same period last year. This improvement reflects increased sales paired with a slightly higher gross margin percentage. Gross margin for the first six months of fiscal 2021 was 49%, as compared to 48% in the same period last year, primarily reflecting different product mixes in the two periods.

Six month gross profit from the Video and Broadband Solutions segment increased 86% to $24.2 million (gross margin of 47%), from $13.0 million (gross margin of 42%) during the same period in fiscal 2021. The higher gross profit dollars reflect increased sales, while the higher gross margin reflects a different product mix.

The Content Delivery and Storage segment generated a gross profit of $11.5 million (gross margin of 53%) in the first six months of fiscal 2022, as compared to $12.5 million (gross margin of 52%) last year. The decrease in first-half CDS gross profit primarily reflects lower sales and a shift in customer and product mix.

The Telematics segment generated gross profit of $1.8 million (gross margin of 66%) in the six months ended December 31, 2021, similar to the $1.8 million (gross margin of 68%) achieved during the same period in fiscal 2021. Results from the segment were in line with our expectations.

Operating Expenses

	Three months ended December 31,		Six months ended December 31,	
Segment	**2021**	2020	**2021**	2020
Video and Broadband Solutions	**$ 11,287**	$ 9,505	**$ 22,013**	$ 16,953
Content Delivery and Storage	**6,515**	6,100	**12,588**	12,173
Telematics	**680**	686	**1,370**	1,335
Total operating expense	**$ 18,482**	$ 16,291	**$ 35,971**	$ 30,461

Three-Month Results

For the three months ended December 31, 2021, total operating expenses increased to $18.5 million, from $16.3 million in the same period last year. The increase primarily reflects higher operating expenses in both the Video and Broadband Solutions and Content Delivery and Storage segments related to increased sales activity.

Video and Broadband Solutions operating expenses increased to $11.3 million, from $9.5 million in Q2 fiscal 2021. Increased research and development, sales and marketing, and general and administrative costs related to planned sales growth were the key drivers of this increase and were partially offset by lower share-based compensation expense as the first tranche of performance-based units vested in the prior-year quarter.

Content Delivery and Storage operating expenses increased to $6.5 million in Q2 fiscal 2022, from $6.1 million in Q2 fiscal 2021 and $6.1 million in Q1 fiscal 2022. These increases reflect higher research and development expense, sales and marketing expense and general and administrative costs.

Telematics operating expenses of $0.7 million were on par with the $0.7 million recorded in both Q2 fiscal 2021 and Q1 fiscal 2022.

Research and development expenses for Q2 fiscal 2022 increased to $8.4 million, or 19% of sales, from $7.0 million, or 24% of sales, in the same period of fiscal 2021. This primarily reflects higher amortization of deferred development costs and the addition of R&D employees. 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 from continuing operations before deferrals, amortization of deferred development costs and income tax credits for Q2 fiscal 2022 increased to $9.7 million, or 22% of sales, from $8.9 million, or 30% of sales in Q2 fiscal 2021. The increase reflects higher staffing costs, as well as increased software licensing costs in the current year quarter as our next-generation product families move closer to commercial deployment.

Sales and marketing expenses were $4.6 million, or 10% of sales in Q2 fiscal 2022, as compared to $3.5 million, or 12% of sales in the same period last year. The increase in sales and marketing expense primarily reflects higher staffing costs, as well as an increase in travel, entertainment, and trade show expenses as COVID-19 travel and business restrictions were reduced.

General and administrative expenses increased to $5.5 million from $4.6 million in Q2 fiscal 2021. The year-over-year increase primarily reflects additional staffing, ERP implementation costs, software licenses, and subcontracting costs.

Stock-based compensation expense decreased to $0.1 million in Q2 fiscal 2022, from $1.21 million in Q2 fiscal 2021. This decrease is a result of the issuance of performance-based units in the prior-year quarter.

Other expense was $0.01 million of income in Q2 fiscal 2022, on par with other expense of $0.03 million in Q2 fiscal 2021.

Six-Month Results

For the six months ended December 31, 2021, total operating expenses increased to $36.0 million, from $30.5 million in fiscal 2021. This increase primarily reflects higher operating expenses in both the Video and Broadband Solutions and Content Delivery and Storage segments.

Video and Broadband Solutions operating expenses for the six months ended December 31, 2021 increased to $22.0 million, from $17.0 million in the same period of fiscal 2021. Higher expenditures on research and development, sales and marketing, and general and administrative expenses were planned and relate to our successful efforts to increase sales of our next-generation products.

Content Delivery and Storage operating expenses of $12.6 million for the six months ended December 31, 2021 were higher than the $12.2 million recorded in the first six months of fiscal 2021. Increased research and development expense was partially offset by a decrease in general and administrative expense.

Telematics operating expenses increased slightly to $1.4 million in the first six months of fiscal 2022, from $1.3 million last year. This $0.1 million increase primarily reflects higher sales and marketing expenses due to increased staffing year-over-year.

Research and development expenses for the six months ended December 31, 2021 increased to $16.4 million, or 22% of sales, from $13.3 million, or 23% of sales, in the first six months of fiscal 2021. This mainly reflects the increased amortization of deferred development costs, increased staffing, and software licensing, partially offset by higher deferred development costs in the current year. 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 from continuing operations before deferrals, amortization of deferred development costs and income tax credits for the six months ended December 31, 2021 increased to $19.3 million, or 25% of sales, from $16.9 million, or 30% of sales, for the same period in the prior year. This increase reflects higher staffing costs, software licensing costs, prototyping costs, and subcontracting costs as our next-generation product families move closer to commercial deployment.

Sales and marketing expenses increased to $8.7 million, or 11% of sales, in the first six months of fiscal 2022, from $6.5 million, or 11% of sales, last year. The increase in sales and marketing expense primarily reflects higher staffing costs, as well as an increase in trade show, travel and entertainment activity year-over-year.

General and administrative expenses increased to $10.2 million in the first six months of fiscal 2022, from $9.3 million in the same period of fiscal 2021. The year-over-year increase primarily reflects additional staffing to support the increase in sales, together with ERP implementation costs.

Stock-based compensation expense was $0.8 million in the first six months of fiscal 2022, compared to $1.5 million for the same period in fiscal 2021. This decrease is a result of higher amortization of performance-based units that vested in the prior fiscal year.

Other (income) expense was $0.02 million of income for the six months ended December 31, 2021, comparable to other income of $nil in the prior-year period.

Operating Income (Loss)

	Three months ended December 31,		Six months ended December 31,	
Segment Operating Income (Loss)	**2021**	2020	**2021**	2020
Video and Broadband Solutions	**$ 1,460**	$ (2,363)	**$ 2,190**	$ (3,923)
Content Delivery and Storage	**1,587**	513	**(1,086)**	320
Telematics	**291**	268	**447**	486
Total operating income (loss)	**$ 3,338**	$ (1,582)	**$ 1,551**	$ (3,117)

Three-Month Results

We generated operating income of $3.3 million in Q2 fiscal 2022, as compared to an operating loss of $1.6 million in Q2 fiscal 2021. The $4.9 million increase in operating income was mainly driven by the $4.3 million increase in contribution from the Video and Broadband Solutions segment, the $0.5 million increase in contribution from the Content Delivery and Storage segment, and a $0.1 million increase from the Telematics segment year-over-year.

The Video and Broadband Solutions segment achieved second quarter operating income of $1.5 million, as compared to an operating loss of $2.4 million in Q2 fiscal 2021. The $3.9 million increase in operating income reflects the $5.6 million increase in gross profit, partially offset by the $1.7 million increase in operating expenses.

The Content Delivery and Storage segment increased operating income to $1.6 million in the second quarter of fiscal 2022, from $0.5 million in the same period of fiscal 2021. The year-over-year increase primarily reflects the $1.4 million increase in gross profit, partially offset by the $0.4 million increase in operating expenses.

Telematics operating income was relatively flat at $0.3 million in Q2 fiscal 2022, as compared to $0.3 million in Q2 fiscal 2021.

Finance expense was $0.046 million in Q2 fiscal 2022, up from finance income of $0.002 million in the same period last year representing decreased income from short-term investments.

Foreign exchange loss for the second quarter was a loss of $0.1 million, as compared to a loss of $1.2 million in the prior-year period.

Income tax expense was a $1.7 million expense in Q2 fiscal 2022 as compared to $0.4 million expense in Q2 fiscal 2021.

Net income from continuing operations for Q2 fiscal 2022 increased to $1.5 million or $0.06 per share, from a net loss from continuing operations of $(3.2) million or ($0.14) per share in Q2 fiscal 2021.

Net income from discontinued operations for Q2 2022 was $nil or $0.00 per share, compared to a net income of $0.1 million or $0.00 per share in Q2 2021.

Other comprehensive (loss) income was a $(0.1) million loss in Q2 fiscal 2022, as compared to other comprehensive loss of $(1.5) million in the same period in fiscal 2021. 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 for Q2 fiscal 2022 was $1.4 million, as compared to comprehensive loss of $(4.7) million in Q2 fiscal 2021. The decrease year-over-year is a result of the changes described above.

Six-Month Results

For the six months ended December 31, 2021, we increased operating income to $1.6 million, from an operating loss of $(3.1) million in the same period in fiscal 2021. The year-over-year improvement mainly reflects increased contributions from both the Video and Broadband Solutions and Content Delivery and Storage segments, partially offset by a slight decrease in operating income from the Telematics segment.

Video and Broadband Solutions increased operating income to $2.2 million for the first six months, from an operating loss of $(3.9) million in the first half of fiscal 2021. The year-over-year change reflects the $11.1 million increase in gross profit, partially offset by the $5.0 million increase in operating expenses.

Content Delivery and Storage reported an operating loss of $(1.1) million for the first six months of fiscal 2022, as compared to operating income of $0.3 million in the first half of fiscal 2021. The segment was impacted by the $1.0 million year-over-year decrease in gross profit and $0.4 million increase in operating expenses.

Telematics operating income was $0.4 million for the six months ended December 31, 2021, as compared to $0.5 million in the prior-year period. The $0.1 million year-over-year decrease reflects a $0.1 million increase in operating expenses.

Finance (expense) income decreased to an expense of $0.1 million during the first six months of fiscal 2021, from income of $0.2 million in the previous year and reflects a decrease in short-term investment income year-over-year.

Foreign exchange gain (loss) for the six months ended December 31, 2021 was a gain of $1.0 million, compared to a loss of $(1.4) million in fiscal 2021.

Income tax expense (recovery) was a $0.2 million expense for the six months ended December 31, 2021, as compared to a $(0.4) million income tax recovery in the same period of fiscal 2021.

Net income (loss) from continuing operations for the six months ended December 31, 2021 was net income of $2.2 million or $0.10 per share, as compared to net loss of $(4.0) million or $(0.18) per share in the prior-year period.

Net income (loss) from discontinued operations for the six months ended December 31, 2021 decreased to net income of $nil or $0.00 per share, from net income of $0.1 million or $0.00 per share in the same period of fiscal 2021.

Other comprehensive income (loss) was income of $0.8 million in the six months ended December 31, 2021, as compared to other comprehensive loss of $(2.2) million in fiscal 2021. 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 six months ended December 31, 2021 increased to a comprehensive income of $3.0 million, from comprehensive loss of $(6.1) million in the same period of fiscal 2021.

Operating Activities

For the three months ended December 31, 2021, cash flow from operating activities increased to $1.4 million, from cash used in operating activities of $(0.5) million in the three months ended December 31, 2020. The $1.9 million improvement reflects a $4.4 million increase in operating cash flow offset by a $2.5 million decrease in cash flow from non-cash working capital.

For the six months ended December 31, 2021, cash flow used by operating activities of $(3.2) million decreased from cash provided by operating activities of $2.9 million for the six months ended December 31, 2020. The $6.1 million decrease primarily reflects the $12.7 million decrease in cash flow from non-cash working capital and the $6.6 million increase in operating cash flow.

Investing Activities

For the three months ended December 31, 2021, cash flow used in investing activities increased to $(5.7) million from cash provided by investing activities of $2.4 million in the same period last year. This decrease reflects the net sale of short-term investments of $nil (Q2 fiscal 2021 - $7.1 million), deferred development expenditures of $3.7 million (Q2 fiscal 2021 - $3.7 million), the purchase of property, plant and equipment of $2.0 million (Q2 fiscal 2021 - $0.8 million), and the purchase of intangibles of $nil (Q2 fiscal 2021 - $0.01 million).

For the six months ended December 31, 2021, cash flow used in investing activities increased to $(10.7) million from cash used of $(7.7) million in fiscal 2021. The cash provided by investing activities represents the net sale of short-term investments of $nil (fiscal 2021 – $7.3 million), deferred development expenditures of $7.8 million (fiscal 2021 - $7.1 million), the purchase of property, plant and equipment of $3.0 million (fiscal 2021 - $1.3 million), and the purchase of intangibles of $nil (fiscal 2021 - $0.2 million).

Financing Activities

In the three months ended December 31, 2021, we repaid $0.08 million of our long-term debt (Q2 fiscal 2021 - $0.06 million repaid). We repaid lease liabilities of $0.4 million (Q2 fiscal 2021 - $0.5 million). We paid dividends of $2.5 million (Q2 fiscal 2021 - $2.5 million).

In the six months ended December 31, 2021, we repaid $0.1 million of our long-term debt (fiscal 2021 - $0.1 million repaid). We received proceeds from exercised options of $0.3 million (fiscal 2021 - $2.2 million), dividends of $2.5 million (fiscal 2021 - $2.5 million) and we repaid lease liabilities of $0.8 million (fiscal 2021 - $0.8 million).

11. 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 cash equivalents of $10.3 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 December 31, 2021, we had access to our full revolving loan facility of $25.0 million ($14.0 million at June 30, 2021), of which $nil was drawn as an operating line of credit (June 30, 2021 - $nil was drawn). We had term credit of $1.3 million as at December 31, 2021 (June 30, 2021 - $1.5 million).

Capital expenditures for Q2 fiscal 2022 were $2.0 million, compared to $0.8 million in Q2 fiscal 2021.

Working Capital

Working capital represents current assets less current liabilities. Our working capital decreased to $42.5 million at December 31, 2021, from $44.8 million at June 30, 2021. We note that working capital balances can be subject to significant swings from quarter to quarter. Our product shipments are "lumpy", reflecting the requirements of our major customers. It is not unusual to ship $5 to $6 million of product in a one-week period. If this level of sales occurs in the first week of a succeeding quarter, we would expect to experience an increase in inventory levels and a drop in receivables in the prior quarter. Other timing issues, like contracts with greater than 30-day payment terms, also affect working capital, particularly if shipments are backend weighted for a quarter.

Accounts receivable balance increased to $40.5 million at December 31, 2021, from $28.8 million at June 30, 2021. This increase reflects the higher sales in Q2 fiscal 2022 as compared to Q4 fiscal 2021, and the timing of sales in Q2 fiscal 2022 as compared to Q4 fiscal 2021.

Income tax receivable balance increased to $0.6 million at December 31, 2021 ($0.3 million as at June 30, 2021). This balance represents income tax receivable in the Content Delivery and Storage segment.

Inventories increased by $9.4 million to $25.0 million at December 31, 2021, from $15.6 million as at June 30, 2021. The increase represents the ramp-up of new product inventory to manage future sales levels, as well as our strategic efforts to manage supply chain issues by extending the lead time on our purchases of certain items. Finished goods inventories were $11.7 million at December 31, 2021, compared to $8.5 million at June 30, 2021. Raw material inventory increased to $11.1 million at December 31, 2021, from $6.4 million at June 30, 2021. Work-in-process inventories increased to $2.2 million as at December 31, 2021, from $0.7 million at June 30, 2021. We manufacture and assemble products, with the result that inventory levels will be substantially higher than other companies in the industry that outsource manufacturing and assembly.

Investment tax credits were $24.1 million at December 31, 2021, down slightly from $24.3 million at June 30, 2021. For every dollar we spend on eligible research and development in Canada, we generate approximately 15 cents in income tax credits. These credits are used to offset our income tax payable.

Accounts payable and accrued liabilities increased to $33.0 million at December 31, 2021, from $22.3 million at June 30, 2021.

Long-term debt, including the current portion, was reduced to $5.0 million at December 31, 2021, from $5.7 million at June 30, 2021. This decrease represents principal payments made year-to-date and the move of our Saskatoon research and development team into the Saskatoon production facility.

Dividends

Declaration Date	Dividend Amount (per share)	Record Date	Payable Date
February 9, 2021	$0.055	February 26, 2021	March 29, 2021
May 11, 2021	$0.055	May 21, 2021	June 14, 2021
September 21, 2021	$0.055	October 8, 2021	November 1, 2021
November 9, 2021	$0.055	November 26, 2021	December 20, 2021

Contractual Obligations

Lease liabilities reported in our consolidated statements of financial position, as at December 31, 2021 were $3.6 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 December 31, 2021, our undiscounted future cash payments in respect of our lease liabilities are as follows: due within one year is $1.4 million; due between two-to-five years is $2.1 million; and thereafter is $0.4 million.

The acquisition of the Nokia portfolio includes the assumption of a financial liability with a third-party supplier contract. As at December 31, 2021, the total contractual obligation is estimated to be $12.6 million; of which, $0.2 million is deemed to be onerous.

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. 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 regard 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 Q3 and Q4 fiscal 2020 financial statements. The impact of this adjustment was a $1.3 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 December 31, 2021, the exchange rate on the Canadian dollar relative to the U.S. dollar weakened to $1.273 from $1.239 as at June 30, 2021. This $0.034 exchange difference increased the value of our $53.4 million U.S. dollar net assets by approximately $1.8 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 December 31, 2021, we did not have any forward contracts (June 30, 2021 - $nil).

12. 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.

13. Transactions Between Related Parties

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

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

On March 31, 2021, Mr. Derek Elder, a member of the Board of Directors purchased 50,000 common shares of the Company at a subscription price of $14.25 per common share (the TSX closing price as at March 16, 2021), for a total aggregate subscription price of $0.7 million.

14. 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.

15. Critical Accounting Estimates

See our 2021 annual MD&A and our 2021 annual audited consolidated financial statements and notes thereto for a discussion of the accounting policies and estimates that are critical to the understanding of our business operations and results of our operations.

16. Accounting Pronouncements and Standards

Standards and Amendments to Standards Issued but not yet Effective

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

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

Amendments to IAS 12 – Income taxes (IAS 12)

On May 7, 2021, the IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*, clarifying how entities account for deferred tax on transactions that, at the time of the transaction, give rise to equal taxable and deductible temporary differences.

In specific situations, entities are exempt from recognizing deferred tax when recognizing assets or liabilities for the first time. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. This may be the case for transactions such as leases and decommissioning, restoration and similar obligations. Entities are required to recognize deferred tax on such transactions. The amendments become effective for annual reporting periods beginning on or after January 1, 2023.

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

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

IFRS 17 – Insurance contracts (IFRS 17)

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

Amendments to IAS 37 – Provisions (IAS 37)

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

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

17. 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 December 31, 2021.

18. 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 December 31, 2021 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 December 31, 2021. There has been no change in the internal controls over financial reporting that occurred during the period beginning on July 1, 2021 and ended on December 31, 2021 that has materially affected, or is reasonably likely to materially affect our internal controls over financial reporting.

19. Business Combination

On August 7, 2020, we completed the purchase of the DOCSIS DAA and EPON/DPoE cable access technology portfolios from Nokia Corporation for $5.9 million (US$4.4 million), net of working capital adjustments of $0.5 million (US$0.4 million). The purchase price included inventory, property, plant and equipment, intangible assets and goodwill.

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 these assets and our existing business; expected growth in the underlying markets which the new business serves; and the strength of the assembled workforce.

20. Legal Proceedings

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

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

21. 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 December 31, 2021, Dr. Kumar collectively owned approximately 60% of our common shares outstanding. Each common share carries the right to one vote. We have no other classes of voting securities.

Third-party Component Supply

We maintain a global sourcing strategy and depend on third-party suppliers for certain components, subcomponents and raw materials used in our products. As an example, several of our products require specific components including silicon chips, for which reliable, high-volume supply is often available only from limited sources and for which we do not have guarantees of supply. A combination of significant technology trends and COVID-19 related challenges has resulted in the supply of some of these components becoming constrained on a global basis. While we have not experienced significant supply disruptions to date, the potential for such components to be in short supply or delayed in reaching us, could potentially result in product shipping delays and increased costs, which in turn, could adversely impact our gross margin and results of operations.

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.

22. Outstanding Share Data

As at February 8, 2022, we had 23,077,939 common shares outstanding as well as stock options outstanding that are exercisable for an additional 98,312 common shares, and performance share units outstanding that are exercisable for an additional 202,528 common shares.

On October 20, 2020, 195,178 Performance Share Units (PSUs) vested and were settled via the issuance of common shares. The estimated fair value of the vested PSUs was $1.0 million. The Company withheld 58,603 commons shares at a value of $0.75 million to settle withholding tax obligations on the issuance of the common share awards.

On January 15, 2021, 4,620 PSUs vested and were settled via the issuance of common shares. The estimated fair value of the vested PSUs was $0.031 million. The Company withheld 1,223 common shares at a value of $0.017 million to settle withholding tax obligations on the issuance of the common share awards.

On July 8, 2021, 187,487 PSUs vested and were settled via the issuance of common shares. The estimated fair value of the vested PSUs was $1.0 million. The Company withheld 63,478 common shares at a market value of $1.1 million to settle withholding tax obligations on the issue of the common share awards.

23. 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: the underlying demand for CDS sales reflects a return to activity on certain projects previously delayed by pandemic-related issues, as well as early movement on IPTV expansions to some of our customers' networks. On a full year basis, we continue to anticipate high single to low double-digit growth for the Content Delivery and Storage segment in fiscal 2022; the increase in Commercial Video sales reflects continued strong demand for our TerraceQAM platform as operators continued their commercial rollout for the current generation, while preparing for the next-generation TerraceIQ platform; and we believe that our current cash and short-term investments of $10.3 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 large customers; a small number of our shareholders control us; sale of common shares by our controlling shareholders could cause the share price to fall; volatility in our common share price; dilution from the exercise of stock options or settlement of performance share units; liquidity of common shares; our share price shall fluctuate; we may be unable to deliver products associated with key contracts; failure to manage our business or growth successfully may adversely affect our operating results; if we cannot meet our customers' requirements for manufacturing capacity, sales may suffer; our success depends on our ability to develop new products and enhance our existing products; we continue to adapt content delivery products to add features allowing deployments to cable, IPTV, and Internet CDN providers to enable multi-screen video delivery; the failure to execute on this transition or execute quickly enough, shall adversely affect our business; if content providers, such as movie studios, limit the scope of content licensed for use in the digital content delivery market, our business, financial condition and results of operations could be negatively affected because the potential market for its products would be more limited than it currently believes; we are dependent on the expansion of our current distribution channels and the development of new distribution channels; the budgeting cycles of larger cable operators can also result in quarter-to-quarter variability in customer orders generally large in volume, while availability of parts and production capacity can influence the timing of product deliveries; our operations depend on information technology systems, which may be disrupted or may not operate as desired; our ability to recruit and retain management and other qualified personnel is crucial to our business; if we are required to change our pricing models to compete successfully, our margins and operating results may be adversely affected; our reliance on third-party suppliers and contract manufacturers reduces our control over our performance; if our intellectual property is not adequately protected, we may lose our competitive advantage; we utilize open source software, which could enable our competitors to gain access to our source code and distribute it without paying us any license fees; we have software license agreements covering the use of our software as combined with software provided by specific key integrated circuit vendor(s) and the associated integrated circuits provided by those vendor(s), failure to maintain these agreements or maintain them with commercially reasonable terms could limit our ability to market certain products and affect our business; successful warranty or product liability claims could harm our business; acquisitions could divert management's attention and financial resources, may negatively affect our operating results and could cause significant dilution to shareholders; there are risks associated with our international operations; impacts to trade relationships between the United States and China may adversely affect Vecima’s profitability; currency fluctuations may adversely affect us; changes in interest rates on debt securities may adversely affect us; growth in our key markets may not continue; our inability to adapt to technological change, new products and standards could harm our business; increased competition could have an adverse effect on our business; competition from new or existing technologies may adversely affect our business; the cable and telecommunications industries are experiencing consolidation, which could result in delays or reductions in purchases of products and services, which could have a material adverse effect on Vecima’s business; government regulation of our products and new government regulation could harm our business; third-parties may allege that we infringe on their intellectual property; we may be subject to liability if private information supplied to our customers is misused; and epidemics, pandemics or other public health crises, 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 and COVID-19" 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	**December 31, 2021**	June 30, 2021
Assets			
Current assets			
Cash and cash equivalents		**$ 10,341**	$ 28,909
Accounts receivable	3	**40,484**	28,784
Income tax receivable		**648**	414
Inventories	4	**24,967**	15,578
Prepaid expenses		**8,295**	3,497
Contract assets		**760**	516
Total current assets		**85,495**	77,698
Non-current assets			
Property, plant and equipment	5	**15,652**	13,854
Right-of-use assets		**3,079**	3,660
Goodwill		**14,763**	14,542
Intangible assets	6	**73,932**	72,224
Other long-term assets		**1,355**	1,267
Investment tax credits		**24,110**	24,344
Deferred tax assets		**7,415**	7,143
Total assets		**$ 225,801**	$ 214,732
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		**$ 33,030**	$ 22,259
Provisions		**798**	1,439
Income tax payable		**209**	454
Deferred revenue		**7,440**	7,137
Current portion of long-term debt	7	**1,540**	1,617
Total current liabilities		**43,017**	32,906
Non-current liabilities			
Provisions		**415**	397
Deferred revenue		**3,525**	2,398
Deferred tax liability		**4**	4
Long-term debt	7	**3,427**	4,107
Total liabilities		**50,388**	39,812
Shareholders' equity			
Share capital	8	**7,641**	7,299
Reserves		**3,074**	3,407
Retained earnings		**164,989**	165,312
Accumulated other comprehensive loss		**(291)**	(1,098)
Total shareholders' equity		**175,413**	174,920
Total liabilities and shareholders' equity		**$ 225,801**	$ 214,732

Contractual obligation – Note 17; Subsequent events – Note 18
The accompanying notes are an integral part of these interim condensed consolidated financial statements.

VECIMA NETWORKS INC.

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

(unaudited – in thousands of Canadian dollars, except per share amounts)

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

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

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

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

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

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

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

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

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1. NATURE OF THE BUSINESS

Vecima Networks Inc. ("Vecima" or the "Company") is a company continued under the Canadian Business Corporations Act ("CBCA") and commenced operations in 1988. The Company's registered office is located at 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, 2021.

(b) Basis of presentation

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

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

(c) Estimation uncertainty

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

(d) Accounting standards issued but not yet applied

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

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

(in thousands of Canadian dollars except as otherwise noted)

Amendments to IAS 12 – Income taxes (IAS 12)

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

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

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

IFRS 17 – Insurance contracts (IFRS 17)

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

Amendments to IAS 37 – Provisions (IAS 37)

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

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

3. ACCOUNTS RECEIVABLE

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

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

(in thousands of Canadian dollars except as otherwise noted)

4. INVENTORIES

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

5. PROPERTY, PLANT AND EQUIPMENT

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

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

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

7. LONG-TERM DEBT

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

Term credit facility

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

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

(in thousands of Canadian dollars except as otherwise noted)

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

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

Lease liabilities

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

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

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

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

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

(in thousands of Canadian dollars except as otherwise noted)

8. SHARE CAPITAL

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

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

9. REVENUE FROM CONTRACTS WITH 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 December 31, 2021						
		Video and Broadband Solutions		**Content Delivery and Storage**		**Telematics**		**Total**
Product sales	$	24,876	$	11,268	$	168	$	36,312
Provision of services		2,339		3,696		1,240		7,275
	$	**27,215**	**$**	**14,964**	**$**	**1,408**	**$**	**43,587**

		Three months ended December 31, 2020						
		Video and Broadband Solutions		Content Delivery and Storage		Telematics		Total
Product sales	$	14,980	$	7,125	$	140	$	22,245
Provision of services		1,551		4,645		1,232		7,428
	$	16,531	$	11,770	$	1,372	$	29,673

		Six months ended December 31, 2021						
		Video and Broadband Solutions		**Content Delivery and Storage**		**Telematics**		**Total**
Product sales	$	46,950	$	13,524	$	305	$	60,779
Provision of services		4,559		8,207		2,437		15,203
	$	**51,509**	**$**	**21,731**	**$**	**2,742**	**$**	**75,982**

		Six months ended December 31, 2020						
		Video and Broadband Solutions		Content Delivery and Storage		Telematics		Total
Product sales	$	26,740	$	15,043	$	264	$	42,047
Provision of services		3,323		9,191		2,435		14,949
	$	30,063	$	24,234	$	2,699	$	56,996

(in thousands of Canadian dollars except as otherwise noted)

10. SHARE-BASED COMPENSATION

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

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

Stock options

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

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

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

Performance share units (“PSUs”)

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

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

(in thousands of Canadian dollars except as otherwise noted)

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

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

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

11. OTHER EXPENSE (INCOME)

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

12. NET INCOME (LOSS) PER SHARE

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

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

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

(in thousands of Canadian dollars except as otherwise noted)

13. SEGMENTED FINANCIAL INFORMATION

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

Segments

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

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

(in thousands of Canadian dollars except as otherwise noted)

	Six months ended December 31, 2021			
	Video and Broadband Solutions	**Content Delivery and Storage**	**Telematics**	**Total**
Sales	$ 51,509	$ 27,131	$ 2,742	**$ 75,982**
Cost of sales	27,306	10,229	925	**38,460**
Gross profit	24,203	11,502	1,817	**37,522**
Operating expenses	17,131	9,446	1,000	**27,606**
Depreciation and amortization	4,882	3,113	370	**8,365**
Operating income	2,190	(1,086)	447	**1,551**
Finance expense				**(88)**
Foreign exchange gain				**996**
Income tax expense				**(244)**
Net income from continuing operations				**2,215**
Net income from discontinued operations				**-**
Net income				**$ 2,215**
Total assets	**$ 156,262**	**$ 56,359**	**$ 13,180**	**$ 225,801**
Total liabilities	**$ 32,152**	**$ 16,908**	**$ 1,328**	**$ 50,388**

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

Geographical region

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

(in thousands of Canadian dollars except as otherwise noted)

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

Sales to major customers

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

		Three months				**Six months**		
Periods ended December 31,		**2021**		2020		**2021**		2020
Customer A	**$**	**8,209**	$	4,567	**$**	**13,758**	$	8,469
Customer B		**5,316**		4,385		**10,108**		10,057
Customer C		**5,662**		4,567		**12,205**		7,876
	$	**19,187**	$	13,369	**$**	**36,071**	$	26,582

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

14. FAIR VALUE HIERARCHY

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

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

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

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

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

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

15. FINANCIAL INSTRUMENTS

Accounts receivable

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

(in thousands of Canadian dollars except as otherwise noted)

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

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

Currency exposures

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

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

16. SUPPLEMENTAL INFORMATION

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

Depreciation and amortization – operating activities

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

Net change in working capital – operating activities

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

(in thousands of Canadian dollars except as otherwise noted)

Capital expenditures, net – investing activities

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

17. CONTRACTUAL OBLIGATION

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

18. SUBSEQUENT EVENTS

(a) Preliminary short form prospectus

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

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

(b) Dividend declared

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

19. RELATED PARTY TRANSACTIONS

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

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

20. RECLASSIFICATION OF PRIOR YEAR AMOUNTS

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