Management's Discussion and Analysis

and

Audited Annual Consolidated Financial Statements of

VECIMA NETWORKS INC.

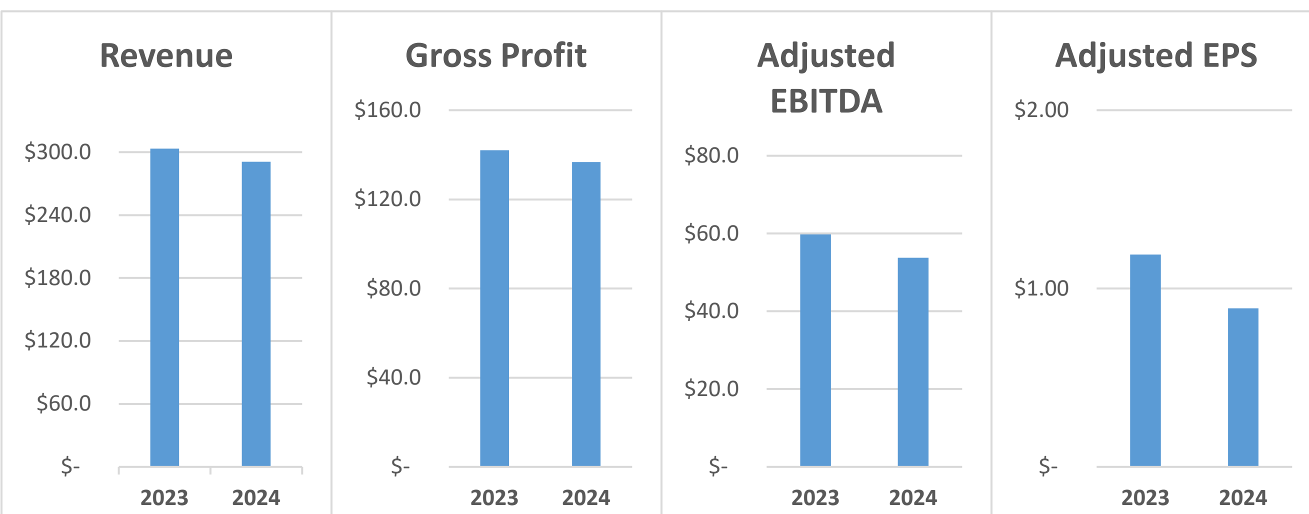
For the years ended June 30, 2024 and 2023

Dear Fellow Shareholders,

Fiscal 2024 finished on a high note as we delivered back-to-back record quarters, deployed multiple new products and platforms, further solidified existing customer relationships and built new partnerships, while readying Vecima for our next phase of growth.

It was a compelling conclusion to a year that got off to a challenging start as the DAA macroenvironment underwent a temporary transition. Coming into fiscal 2024, customers were catching up on delayed projects and temporarily shifting from building up their product pipelines to drawing down the inventories we had secured for them during fiscal 2023's supply chain issues. We anticipated this transition and projected that it would make way for a resurgence of demand in the second half of the year. We were correct.

By the third quarter, momentum returned and Vecima went on to achieve the best six months in Company history, including record revenue in both Q3 and Q4 and our all-time best six-month adjusted EBITDA result. This, in turn, helped to offset much of the impact of the anticipated slower first half and contributed to solid full-year results, including total consolidated sales of $291.0 million, a gross profit margin of 47.0%, adjusted EBITDA of $53.8 million and adjusted earnings per share of $0.89.



A Year of Major Entra Milestones for the VBS Segment

Our fiscal 2024 results were led by our Video and Broadband Solutions (VBS) segment, which achieved full-year sales of $236.1 million, just 4% lower than the record $245.1 million achieved in fiscal 2023.

The Entra family products accounted for $212.2 million of these sales, with our fiber and cable access DAA solutions achieving new all-time quarterly highs in both Q3 and Q4. The ramp-up in deliveries of our award-winning ERM3 Remote-PHY to Charter in the second half played a key role in these results, helping to more than double our total Remote-PHY sales year-over-year. Our ERM3 solution helps operators upgrade legacy HFC nodes to DAA quickly and cost effectively, while dramatically increasing broadband capacity. Charter intends to use our solution for a substantial portion of its footprint-wide hybrid fiber coax upgrade initiative network upgrade, representing a major multi-year revenue opportunity for Vecima.

Demand was also strong for our Entra Optical 10G EPON products in fiscal 2024 as customers continued to broaden fiber-to-the home deployments as part of funded rural broadband programs. While significantly ramping up product deliveries as part of customer rollout programs, we were also achieving major new ENTRA product milestones in the latter half of fiscal 2024, including:

- Initial deployments of our new EN9000 GAP (Generic Access Platform), which enables cable operators to step away from purpose-built, proprietary nodes and toward a multi-vendor, best-of-breed environment that lets them easily transition to 10G and DOCSIS 4.0 technologies, while protecting their current network investments.
- First shipments of our new Entra EXS1610 All-PON Shelf with a Tier 1 North American operator. A key component of our industry-leading fiber access product portfolio, the EXS1610 All-PON Shelf allows customers to cost effectively deploy Fiber-to-the-Premises (FTTP) services in any market or hub deployment, allowing maximum flexibility for customers.
- The initiation of lab trials for our new Entra Virtualized Cable Modem Termination System (vCMTS) with a leading Tier 1 operator. Built on field-proven Vecima DOCSIS technology, the Entra vCMTS is part of our Entra Cloud platform of open, interoperable, cloud-native applications that help cable operators transform their networks for next-generation broadband access.
- A strategic partnership with MARA Technologies USA to begin manufacturing our Fiber-to-the-Premises Optical Line Terminals (OLTs) at MARA's facility in Michigan. This is a critical step toward meeting the Build America Buy America (BABA) requirements of the U.S. Broadband

Equity, Access, and Deployment (BEAD) Program, which is providing $42.5 billion of funding to bring high-speed internet access to underserved and rural communities in the U.S. With Entra OLTs now rolling off the line in the U.S., Vecima is able to offer service providers an industry-recognized OLT option for their build out of fiber broadband networks under the upcoming BEAD program.

We believe each of these developments represents a major new growth engine for Vecima in its own right. Combined, they are setting Entra on a powerful new growth trajectory just as industry demand for DAA is escalating.

Commercial Video Outperforms

While Entra developments captured much of the VBS spotlight in fiscal 2024, I'm pleased to note our legacy Commercial Video products continued to quietly outperform expectations. Driven by strong demand for legacy TC600E products, Commercial Video sales climbed 7% year-over-year to $23.8 million.

Strong Service Revenues and New Growth Drivers in the CDS Segment

Our Content Delivery and Storage (CDS) segment generated sales of $48.2 million in fiscal 2024, 8% lower than in fiscal 2023, but including a 10% increase in higher-margin services revenues. At $24.5 million, service revenues represented more than half of CDS segment sales and contributed to strong segment gross margin performance of 56.7% for the year. The record service revenue performance reflects the growing list of customers for our deployed base of MediaScale IPTV network solutions and the further IPTV expansions we undertook in the second half of the fiscal year.

Importantly, our CDS results included early revenue from our new Dynamic Ad Insertion (DAI) solution as we initiated deliveries to two customers in North America late in the fiscal year. With its ability to significantly enhance monetization of video offerings, we expect DAI to become an increasingly significant driver of CDS results beginning in fiscal 2025.

Open Caching represents another high growth opportunity for our CDS segment, and we moved this opportunity forward in fiscal 2024 with demonstrations of our MediaScale Open CDN solution at key industry events and through customer engagements. Through the application of Open Caching technology, this solution allows service providers to monetize the terabytes of internet traffic delivered free of charge today and prepare their networks for the petabytes of content yet to come as streaming video consumption continues to rise. At the same time, it materially lowers latency and improves the user experience for streaming services.

Another Record Year for Telematics

In our Telematics segment, we achieved another record year as we advanced penetration of our moveable asset tracking platform. Highlights of the year included 50 new customer wins, 1,630 additional Telematics subscriptions related to asset tracking, and an increase in the number of moveable assets we are monitoring to over 68,000 units. With asset tracking now representing a strong and growing proportion of our total telematics subscriptions, we achieved all-time high Telematics sales of $6.7 million in fiscal 2024, paired with a strong gross margin performance of 67.5%.

Catalysts for our Future Growth

Looking back over the achievements of the past 12 months, I think we will best remember fiscal 2024 as the year we set into motion the multiple growth engines that will launch Vecima's next phase of growth. Around the world, multiple Tier 1 operators are now advancing their network-wide DAA rollouts, just as additional Tier 1s, Tier 2s and others are getting started on their own. An influx of demand is building at a time when Vecima is ideally positioned to support these operators with a world-leading portfolio of cable and fiber access solutions, including some of the industry's most exciting, flexible and future-proof new offerings.

In our VBS segment, we anticipate further momentum as our new product and platform rollouts ramp up in fiscal 2025. Our ERM3 R-PHY and EN9000 rollouts are expected to lead the way, with our fiber access portfolio building on our performance as the year progresses. We note that the timing of these various rollouts is anticipated to influence our product mix through the year, with consolidated margins expected to start the year near to or in the lower part of our target range, prior to strengthening in the second half.

In our CDS segment, we expect to achieve solid revenue growth in fiscal 2024 as maintenance and upgrades on existing IPTV networks and growing demand for our DAI and Open Caching solutions drive results. In our Telematics segment we are anticipating another year of profitable growth from our highly successful moveable asset tracking business.

Today, connectivity fuels the global economy and nearly all aspects of human innovation. It permeates our every day lives and is tantamount to the information age. I take great pride in the Vecima Team's growing role in building the real-world technology that delivers limitless connectivity, and, in so doing, empowers communities with the networks that are the foundation of global progress.

Across our operations we are gearing up for a year of growth and momentum and I want to close by thanking our Vecima team for their contributions to our success. You are creating the solutions that are propelling our future.

On a special note, I want to thank Dale Booth who after 13 years with Vecima has retired as CFO. Dale has been instrumental to our growth and development, and we wish him well in his retirement.

To our shareholders, on behalf of our management team and our Board of Directors, I'd like to thank you for your steadfast support, your trust, and your confidence as we strive to make Vecima an innovation leader and a true success story. We look forward to our continued growth and sharing our accomplishments and milestones with you.

Sincerely,

Sumit Kumar
President and CEO

Vecima Networks Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 17, 2024

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 year ended June 30, 2024.

Our MD&A supplements, but does not form part of, our consolidated financial statements and related notes for the year ended June 30, 2024 and 2023. Consequently, the following discussion and analysis of the financial condition and results of operations should be read in conjunction with the consolidated financial statements and accompanying notes for the year ended June 30, 2024 and 2023 which have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board. Our MD&A also includes certain non-IFRS financial measures which we use as supplemental indicators of our operating performance and financial position, as well as for internal planning purposes.

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

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

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1. Company Overview

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

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

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

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

Vecima's business is organized into three segments:

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

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

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

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

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

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

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

   <u>MediaScale</u>

   - Transcode: transforms live and OnDemand content utilizing state-of-the-art GPU technology, creating beautiful, cost-effective content for any device;
   - Origin: packages and secures video for streaming over-the-top ("OTT") or through a service provider managed network, regardless of network technology;
   - Storage: captures live, OnDemand, and DVR content, holds it indefinitely, and allows for future streaming, rewind, fast-forward and pause;
   - Cache: highly scalable, streaming platform, providing the ability to serve content to all IP and legacy devices, including Streaming Video Alliance Open Cache technology to allow operators to cache and monetize OTT content. Strategically geographically located to minimize network latency and optimize the end user streaming experience; and
   - Dynamic Content: provides dynamic ad insertion, content replacement, blackout, simultaneous substitution, official alert insertion, and other content personalization on a stream-by-stream basis at the edge of the customer network; and
   - Open CDN: Streaming Video Technology Alliance standards-compliant Open Caching solution aimed at operator monetization of OTT content via partnerships with OTT content owners.

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

2. Industry Developments

Video and Broadband Solutions

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

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

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

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

Content Delivery and Storage

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

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

Telematics

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

Our Strategy

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

3. Fiscal 2024 Q4 and Full-Year Highlights

Financial and Corporate

- Generated record quarterly revenue of $87.5 million, up 15.8% from $75.5 million in Q4 fiscal 2023. Full-year consolidated sales of $291.0 million decreased 4.1% year-over-year, reflecting the slower first half of fiscal 2024, largely offset by back-to-back record quarters in the second half.
- Gross profit increased by 6.7% to $40.7 million from $38.1 million in Q4 fiscal 2023. Full-year gross profit of $136.7 million as compared to $142.0 million in fiscal 2023.
- Achieved a Q4 gross profit margin of 46.5% and full-year gross profit margin of 47.0%, as compared to 50.5% and 46.8% in the same periods of fiscal 2023.
- Fourth quarter adjusted EBITDA climbed 5.8% to $16.0 million, from $15.1 million in the same period last year. Reported full-year adjusted EBITDA of $53.8 million as compared to $59.8 million in fiscal 2023. (Removing foreign exchange losses in fiscal 2024 and gains in fiscal 2023, the respective full year adjusted EBITDA would have been $55.9 million and $57.1 million.)
- Earnings per share increased to $0.34, from $0.21 in Q4 fiscal 2023. Full-year earnings per share of $0.80 compared to $1.15 in fiscal 2023.
- Ended the fourth quarter in a solid financial position with working capital of $84.9 million at June 30, 2024, compared to $83.7 million at June 30, 2023.

Video and Broadband Solutions

- Achieved record Video and Broadband Solutions ("VBS") sales of $74.7 million in the fourth quarter, with sales climbing 31.0% year-over-year. Generated full-year VBS sales of $236.1 million, as compared to $245.1 million in fiscal 2023, reflecting slower sales during the transition in the first half of fiscal 2024, partially offset by the record results achieved in the second half.

  DAA (Entra Family)

  - Fourth quarter deployments of next-generation Entra DAA products increased 35.5% year-over-year to a new high of $68.7 million. Full-year Entra sales reflected the first-half transition and were 4.5% lower year-over-year at $212.2 million.
    - Increased total customer engagements to 115 MSOs worldwide, from 107 a year earlier. Sixty-two of these customers are ordering Entra products, with order sizes increasing as broader DAA deployment continues.
    - Ramped up volume deliveries of our Entra ERM3 Remote PHY device ("RPD") to our lead customer, while also initiating deliveries to additional customers. The award-winning ERM3 RPD helps operators upgrade legacy HFC nodes to DAA quickly and cost-effectively, while dramatically increasing broadband capacity.
    - Began deployments of the new EN9000 GAP (Generic Access Platform) node with a leading Tier 1 customer, while ramping up manufacturing in preparation for anticipated strong adoption. The modular EN9000 GAP Node provides customers with a future-proof path to 10G, protecting today's network investments by ensuring operators can easily transition to future technologies, including DOCSIS 4.0 and 10G FTTH.
    - Initiated shipments of the new Entra EXS1610 All-PON shelf to two customers in North America. A key component of Vecima's industry-leading fiber access product portfolio, the EXS1610 ALL-PON Shelf enables customers to cost effectively deploy fiber to the premises services in any market or hub deployment, providing maximum flexibility for customers.
    - Continued lab trials of the Entra Virtualized Cable Modem Termination System ("vCMTS") with the lead Tier 1 customer, while securing additional customer engagements for this new platform. The Entra vCMTS is part of the Entra Cloud platform of open, interoperable, and cloud-native applications that help cable operators virtualize and transform their networks for next-generation broadband access.
    - Added additional customers for Vecima's Remote MACPHY solutions, shipping to operators in North America, Latin America, Europe and Asia.
    - Subsequent to the year-end, commenced U.S. manufacturing of certain Entra fiber access equipment to meet Buy America requirements under the U.S. Broadband Equity, Access, and Deployment ("BEAD") program.
    - Subsequent to the year-end, successfully demonstrated the DOCSIS 4.0 Remote PHY node at an industry interoperability event.

Commercial Video (Terrace Family)

- Generated fourth quarter Commercial Video product sales of $5.9 million as compared to $6.3 million in Q4 fiscal 2023. Full-year Commercial Video products sales increased to $23.8 million in 2024, up 7.0% from $22.2 million in fiscal 2023.

Content Delivery and Storage (CDS)

- The Content Delivery and Storage segment generated sales of $11.1 million (Q4 fiscal 2023: $17.1 million; Q3 fiscal 2024: $10.2 million).
  - Fourth quarter gross margin of 53.5% was similar to 53.8% in Q4 fiscal 2023; Full-year gross margin increased to 56.7%, from 53.1% in fiscal 2023, reflecting increased service revenue.
  - Successfully launched Dynamic Ad Insertion ("DAI") systems with two U.S. customers and expect further customer additions in upcoming quarters. DAI significantly enhances the ability of operators to further monetize their video assets.
  - Introduced next-generation recording system for Cloud DVR.
  - Initiated Tier 1 customer program to migrate its on-demand streaming network to a Virtual Machine.
  - Continued to grow live linear IPTV traffic with customers regularly exceeding prior all-time high throughputs.
  - Released new versions of Media Scale Origin and Dynamic Content products with additional Dynamic Ad Insertion features, including advances in asset insertion workflows, scaling of ingest throughput for dynamic versus static ad assets, and enhanced stitching capability for frame accurate ad insertion in highly variable ad window duration scenarios.
  - Continued IPTV expansion at multiple customers, growing network footprints to give a larger subscriber base access to state-of-the-art live, on-demand, and cloud DVR streaming services on the IPTV fabric.

Telematics

- Fourth quarter Telematics segment sales grew approximately 22.3% year-over-year to a record $1.8 million, with full-year sales growing 11.1% to $6.7 million as compared to fiscal 2023.
  - Achieved strong gross margin percentage of 71.1% in the fourth quarter and 67.5% for the full year.
  - Accelerated penetration into targeted industry verticals for our moveable asset solution, which monitors valuable asset location in warehouses, on vehicles, and at customer work sites.
  - Added 16 new customers for the NERO asset tracking platform in the fourth quarter and significantly increased the number of moveable assets being monitored to over 68,000 units.
  - On a full-year basis, added 50 new customers for Nero asset tracking translating to over 1,600 new Telematics subscriptions in addition to approximately 20,000 assets under management.

4. Outlook

Around the globe, MSOs are upgrading their cable, fiber, and IPTV networks to expand capacity, respond to increasing competition, and meet customers' expectations for ever-faster internet speeds and enhanced services.

In the broadband market, these trends, together with significant government investment into rural broadband initiatives, are fueling a wave of demand for Vecima's world-class Entra DAA cable and fiber access solutions; demand that further amplifies the need to upgrade networks when compounded with the continuous capacity increases that must regularly occur.

Moving into fiscal 2025, a number of Tier 1 customers are underway with major DAA network rollouts supported by Vecima's next-generation solutions. In our Video and Broadband Solutions segment, we expect the continued ramp up of deliveries of our ERM3 Remote-PHY devices and new EN9000 Generic Access Platforms to have a positive impact on our revenue results in fiscal 2025, with our new EXS1610 All-PON Shelf adding additional contribution as the year progresses. With U.S. manufacturing now in place for parts of our fiber access portfolio, we also anticipate significant new opportunities becoming available via the US$42.5 billion BEAD program beginning in fiscal 2025. Longer term, our entry into the vCMTS market provides an additional significant growth driver for Vecima. As these and other opportunities begin to converge, and as a broader range of MSOs worldwide begin to undertake their own DAA rollouts, we expect to build on our Entra-driven revenue results in fiscal 2025 as we more fully realize the rewards of our multi-year investment into the world's most comprehensive DAA portfolio.

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

In our Content Delivery and Storage segment, we anticipate stronger segment performance in fiscal 2025 as we support existing and new customers' IPTV upgrades and expansions, and begin to roll out our new Dynamic Ad Insertion products with more customers. We continue to see excellent long-term opportunities for this segment as IPTV gains further momentum and our newer open caching and Dynamic Ad Insertion solutions become an important driver of CDS performance.

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

On a consolidated basis, we anticipate strong revenue performance in fiscal 2025, with momentum building more significantly in the second half. Given our expectation of increased node platform sales as part of the EN9000 rollout, we expect our product mix to deliver a gross margin near to or in the lower end of our target range of 45%-to-49%. Cable access node platforms, like the EN9000 GAP node, carry a lower margin profile that becomes enhanced by the software-driven access modules that are separately sold and later embedded into the platform as the operator rolls out each generation of cable access technology such as DOCSIS 3.1.

Overall, we see fiscal 2025 as a year of capturing the major and multi-year opportunities in the compelling DAA and IPTV markets as we continue to build value for our shareholders.

5. Consolidated Results of Operations

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

Consolidated Statements of Comprehensive Income Data *(in thousands of dollars except common share data)*	**Years ended June 30, 2024**		2023		2022	
Sales	$ 291,047	100%	$ 303,437	100%	$ 186,814	100%
Cost of sales	154,382	53%	161,466	53%	96,852	52%
Gross profit	**136,665**	**47%**	**141,971**	**47%**	**89,962**	**48%**
Operating expenses						
Research and development[(1)]	44,169	15%	45,950	15%	36,552	20%
Sales and marketing	29,285	10%	27,694	9%	19,330	10%
General and administrative	30,780	11%	29,428	10%	22,761	12%
Restructuring costs	–	–%	1,236	–%	–	–%
Share-based compensation	1,033	–%	2,502	1%	881	–%
Other expense	1,805	1%	1,871	1%	1,001	1%
	107,072	**37%**	**108,681**	**36%**	**80,525**	**43%**
Operating income	**29,593**	**10%**	**33,290**	**11%**	**9,437**	**5%**
Finance expense	(7,124)	(2)%	(2,370)	(1)%	(272)	–%
Foreign exchange (loss) gain	(1,935)	(1)%	2,681	1%	1,882	1%
Income before taxes	**20,534**	**7%**	**33,601**	**11%**	**11,047**	**6%**
Income tax expense	1,143	(1)%	6,389	2%	2,358	1%
Net income	**19,391**	**6%**	**27,212**	**9%**	**8,689**	**5%**
Other comprehensive income (loss)	2,136	1%	(114)	–%	831	–%
Comprehensive income	**$ 21,527**	**7%**	**$ 27,098**	**9%**	**$ 9,520**	**5%**
Net income per share[(2)]						
Basic – total	$ 0.80		$ 1.15		$ 0.38	
Diluted – total	$ 0.80		$ 1.15		$ 0.38	
Other Data:						
Research and Development Expenditures[(3)]	$ 58,729		$ 57,428		$ 43,461	
Adjusted EBITDA[(4)]	$ 53,783		$ 59,817		$ 31,032	
Adjusted earnings per share[(5)]	$ 0.89		$ 1.19		$ 0.41	
Number of employees[(6)]	608		602		592	

(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 Accounting Standards 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 Accounting Standards 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 *(in thousands of dollars except common share data)*	**June 30, 2024**	June 30, 2023	June 30, 2022
Cash and cash equivalents	$ 2,136	$ 2,278	$ 12,902
Working capital[(1)]	$ 84,857	$ 83,666	$ 58,571
Total assets	$ 387,823	$ 331,686	$ 262,608
Long-term debt[(2)]	$ 15,399	$ 14,123	$ 15,115
Shareholders' equity	$ 234,960	$ 217,653	$ 179,732
Number of common shares outstanding[(3)]	24,307,418	23,712,384	23,079,181

(1) *Working capital does not have any standardized meaning prescribed by IFRS Accounting Standards and may not be comparable to similar measures presented by other issuers.*
(2) *Long-term debt includes lease liabilities per IFRS 16.*
(3) *Based on the weighted average number of common shares outstanding during fiscal 2024.*

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, warrant expense, advisory fees and the tax effect of these adjusted items. We believe that adjusted net income and adjusted earnings per share provides supplemental information for management and our investors because they provide for the analysis of our results exclusive of certain items which do not directly correlate to our business of selling broadband access products, content delivery and storage products and services or supplying telematics services. Adjusted net income and adjusted earnings per share do not have a standardized meaning prescribed by IFRS Accounting Standards and may not be comparable to similar measures presented by other issuers.

Calculation of Adjusted Earnings per Share *(in thousands of dollars)*	Years ended June 30, **2024**	2023	2022
Net income	$ 19,391	$ 27,212	$ 8,689
(Gain) loss on sale of non-core PP&E, net of tax	(1,886)	56	154
Impairment expense, net of tax	–	–	591
Restructuring costs, net of tax	–	976	–
Warrants expense, net of tax	1,619	–	–
Settlement on software support costs, net of tax	485	–	–
Advisory fees, net of tax	2,026	–	–
Adjusted net income	**$ 21,635**	**$ 28,244**	**$ 9,434**
Net income per share	$ 0.80	$ 1.15	$ 0.38
(Gain) loss on sale of non-core PP&E, net of tax	(0.08)	–	0.01
Impairment expense, net of tax	–	–	0.02
Restructuring costs, net of tax	–	0.04	–
Warrants expense net of tax	0.07	–	–
Settlement on software support costs, net of tax	0.02	–	–
Advisory fees, net of tax	0.08	–	–
Adjusted earnings per share[(1)(2)]	**$ 0.89**	**$ 1.19**	**$ 0.41**

(1) *Adjusted earnings per share includes non-cash share-based compensation of $1.0 million or $0.04 per share for the year ended June 30, 2024, and $2.5 million or $0.11 per share for the year ended June 30, 2023. 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 foreign exchange loss of $1.9 million or $0.08 per share for the year ended June 30, 2024, and a gain of $2.7 million or $0.11 per share for the year ended June 30, 2023.*

Adjusted Gross Margin

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

Calculation of Adjusted Gross Margin *(in thousands of dollars)*	Years ended June 30, **2024**	2023	2022
Sales	$ 291,047	$ 303,437	$ 186,814
Cost of Sales	154,382	161,466	96,852
Gross Margin	**136,665**	**141,971**	**89,962**
Warrant expense[(1)]	2,024	–	–
Adjusted Gross Margin	**$ 138,689**	**$ 141,971**	**$ 89,962**
Adjusted Gross Margin %	**47.7 %**	**46.8 %**	**48.2 %**

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

EBITDA and Adjusted EBITDA

The following table reconciles net income for the period to EBITDA and Adjusted EBITDA. The term "EBITDA" refers to net income or net loss as reported in the IFRS Accounting Standards 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; share-based compensation expense; warrant expense; settlement on software support costs and advisory fees. 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 Accounting Standards and, accordingly, investors are cautioned that EBITDA and Adjusted EBITDA should not be construed as alternatives to net income, determined in accordance with IFRS Accounting Standards, or as indicators of our financial performance or as measures of our liquidity and cash flows.

Calculation of Adjusted EBITDA *(in thousands of dollars)*	Years ended June 30, **2024**	2023	2022
Net income	$ 19,391	$ 27,212	$ 8,689
Income tax expense	1,143	6,389	2,358
Interest expense	7,136	2,390	299
Depreciation of property, plant and equipment	4,746	3,416	2,827
Depreciation of right-of-use assets	1,289	1,355	1,264
Amortization of deferred development costs	12,970	11,981	10,643
Amortization of intangible assets	3,270	3,265	3,115
EBITDA	**49,945**	**56,008**	**29,195**
(Gain) loss on sale of property, plant and equipment	(2,357)	71	208
Impairment expense	–	–	748
Restructuring costs	–	1,236	–
Share-based compensation	1,033	2,502	881
Warrant expense	2,024	–	–
Settlement on software support costs	606	–	–
Advisory fees	2,532	–	–
Adjusted EBITDA	**$ 53,783**	**$ 59,817**	**$ 31,032**
Percentage of sales	**18%**	**20%**	**17%**

Total Research and Development Expenditures

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

Calculation of R&D Expenditures *(in thousands of dollars)*	Years ended June 30, **2024**	2023	2022
R&D expense per statement of comprehensive income	$ 44,169	$ 45,950	$ 36,552
Deferred development costs	27,395	23,354	17,419
Investment tax credits	135	117	148
Amortization of deferred development costs	(12,970)	(11,981)	(10,643)
Government grants	–	(12)	(15)
Total research and development expenditures	**$ 58,729**	**$ 57,428**	**$ 43,461**
Percentage of sales	**20%**	**19%**	**23%**

6. Summary of Quarterly Results of Operations

The following information has been derived from our consolidated financial statements for the years ended June 30, 2024 and 2023 in accordance with IFRS Accounting Standards. This information should be read in conjunction with those financial statements and their related notes as well as with the balance of this MD&A.

(in thousands of dollars except per share amounts)	Fiscal 2024				Fiscal 2023			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Sales	$ 87,476	$ 80,139	$ 61,954	$ 61,478	$ 75,522	$ 78,256	$ 76,212	$ 73,447
Cost of Sales	46,820	42,543	32,354	32,665	37,410	44,183	40,167	39,706
Gross profit	**40,656**	**37,596**	**29,600**	**28,813**	**38,112**	**34,073**	**36,045**	**33,741**
Operating expenses								
Research and development	11,041	11,281	11,551	10,296	12,851	12,053	10,341	10,705
Sales and marketing	8,510	6,741	6,605	7,429	7,842	6,929	6,619	6,304
General and administrative	8,504	7,872	6,431	7,973	7,923	8,389	7,522	5,594
Restructuring costs	–	–	–	–	1,236	–	–	–
Share-based compensation	248	272	257	256	1,300	289	815	98
Other expense	189	1,349	97	170	1,553	275	22	21
	28,492	**27,515**	**24,941**	**26,124**	**32,705**	**27,935**	**25,319**	**22,722**
Operating income	**12,164**	**10,081**	**4,659**	**2,689**	**5,407**	**6,138**	**10,726**	**11,019**
Finance expense	(3,184)	(1,580)	(1,660)	(700)	(877)	(738)	(554)	(201)
Foreign exchange (loss) gain	(2,029)	(1,159)	1,837	(584)	1,319	198	(138)	1,302
Income before income taxes	**6,951**	**7,342**	**4,836**	**1,405**	**5,849**	**5,598**	**10,034**	**12,120**
Income tax (recovery) expense	(1,306)	1,542	1,247	(340)	739	1,147	1,895	2,608
Net income	**8,257**	**5,800**	**3,589**	**1,745**	**5,110**	**4,451**	**8,139**	**9,512**
Other comprehensive income (loss)	959	1,361	(1,157)	973	(1,896)	(105)	(482)	2,369
Comprehensive income	**$ 9,216**	**$ 7,161**	**$ 2,432**	**$ 2,718**	**$ 3,214**	**$ 4,346**	**$ 7,657**	**$ 11,881**
Net income per share								
Basic – total	$ 0.34	$ 0.24	$ 0.15	$ 0.07	$ 0.21	$ 0.18	$ 0.35	$ 0.41
Diluted – total	0.34	0.24	0.15	0.07	0.21	0.18	0.35	0.41
Adjusted EBITDA as reported	$ 15,969	$ 17,221	$ 12,470	$ 8,123	$ 15,088	$ 11,700	$ 15,840	$ 17,189

Quarter-to-Quarter Sales Variances

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

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

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

7. Segmented Information

Sales

Segment		Three months ended June 30, **2024**	2023	Years ended June 30, **2024**	2023
Video and Broadband Solutions	$	74,651 $	56,988 $	236,085 $	245,083
Content Delivery and Storage		11,058	17,089	48,220	52,283
Telematics		1,767	1,445	6,742	6,071
Total sales	**$**	**87,476 $**	**75,522 $**	**291,047 $**	**303,437**

Three-Month Results

We achieved record total sales of $87.5 million in Q4 fiscal 2024, an increase of 16% from $75.5 million in Q4 fiscal 2023 and 9% higher than the $80.1 million generated in Q3 fiscal 2024. These increases were primarily driven by the VBS segment and reflect the resumption of Entra DAA demand momentum, partially offset by lower CDS segment sales.

The Video and Broadband Solutions segment grew revenue to $74.7 million in Q4 fiscal 2024, an increase of 31% from $57.0 million in Q4 fiscal 2023 and 9% from $68.2 million in Q3 fiscal 2024.

- Next-generation Entra products sales of $68.7 million were 35% higher than the $50.7 million generated in Q4 fiscal 2023 and 13% higher than the $60.9 million achieved in Q3 fiscal 2024.
- Commercial Video product sales of $5.9 million decreased 6% from $6.3 million in Q4 fiscal 2023 and were 18% lower than the $7.2 million of sales generated in Q3 fiscal 2024. The year-over-year decrease reflects the impact of some of our newer DAA-driven Commercial Video solutions being accounted for as part of Entra Family sales.

The Content Delivery and Storage segment generated sales of $11.1 million in Q4 fiscal 2024, a decrease of 35% from $17.1 million in Q4 fiscal 2023, but 8% higher than the $10.2 million achieved in Q3 fiscal 2024. The year-over-year decrease in CDS sales reflects particularly strong deliveries in the prior-year quarter related to record IPTV expansion activity. As always, we note that quarterly sales variances are typical for the CDS segment. Segment sales for the Q4 fiscal 2024 period included $4.5 million of product sales (Q4 fiscal 2023 - $10.3 million) and $6.5 million of services revenue (Q4 fiscal 2023 - $6.8 million).

Telematics sales grew to $1.8 million in Q4 fiscal 2024, 22% higher than the $1.4 million generated in Q4 fiscal 2023 and 4% higher than the $1.7 million generated in Q3 fiscal 2024. Results for the quarter reflect the steady incremental growth we have been achieving with our moveable asset solutions strategies and were consistent with our expectations.

Twelve-Month Results

For the year ended June 30, 2024, total sales were $291.0 million compared to $303.4 million in the same period of fiscal 2023, a decrease of 4%. The year-over-year change primarily reflects the temporary slowdown in VBS product orders in the first half of fiscal 2024, partially offset by higher VBS segment sales in the second half.

Video and Broadband Solutions sales were $236.1 million, as compared to $245.1 million in fiscal 2023, a decrease of 4%.

- Full-year Entra product sales were $212.2 million, as compared to $222.1 million in 2023, a decrease of 4%. The year-over-year change was anticipated and reflects the temporary delay in large scale network build outs that occurred in the first six months of fiscal 2024 as customers drew down inventory levels accumulated during a period impacted by supply chain constraints. This impact was partially offset by a rebound to record quarterly Entra sales in the second half.
- Commercial Video product sales increased to $23.8 million in 2024, up 7% from $22.2 million in the same period last year. The year-over-year increase reflects a temporary increase in legacy product orders.

In the Content Delivery and Storage segment, full-year sales of $48.2 million were 8% lower than the $52.3 million achieved in fiscal 2023. Lower product sales, related to decreased IPTV expansion activity among our customers, partially offset by higher services revenue were the key factors in this change. Fiscal 2024 segment sales included $23.7 million of product sales (fiscal 2023 - $30.1 million) and $24.5 million of services revenue (fiscal 2023 - $22.2 million).

Full-year Telematics sales grew 11% to $6.7 million, from $6.1 million in fiscal 2023. Results for the year were consistent with our expectations and reflect the increase in assets and tags monitored.

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, 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 June 30,		Years ended June 30,	
Segment	**2024**	2023	**2024**	2023
Video and Broadband Solutions	$ 41,172	$ 29,118	$ 131,304	$ 134,961
Content Delivery and Storage	5,138	7,892	20,887	24,544
Telematics	510	399	2,191	1,961
Total cost of sales	**$ 46,820**	**$ 37,409**	**$ 154,382**	**$ 161,466**

Three-Month Results

For the three months ended June 30, 2024, total cost of sales increased 25% to $46.8 million, from $37.4 million in Q4 fiscal 2023 and were up 10% from $42.5 million in Q3 fiscal 2024. The year-over-year increase primarily reflects higher sales combined with a different product mix.

Fourth quarter cost of sales in the Video and Broadband Solutions segment increased 41.4% to $41.2 million, from $29.1 million in Q4 fiscal 2023, and increased 9% from $37.9 million in Q3 fiscal 2024. The year-over-year change reflects higher sales, partially offset by a lower-margin product mix. The quarter-over-quarter increase primarily reflects higher sales.

In the Content Delivery and Storage segment, fourth quarter cost of sales decreased 35% to $5.1 million, from $7.9 million in Q4 fiscal 2023 and increased 25% from $4.1 million in Q3 fiscal 2024. The year-over-year change was primarily due to lower sales.

In the Telematics segment, cost of sales was $0.5 million in the fourth quarter, as compared to $0.4 million in the same period of fiscal 2023 and consistent with Q3 fiscal 2024. The year-over-year increase reflects higher sales.

Twelve-Month Results

For the year ended June 30, 2024, total cost of sales decreased by 4% to $154.4 million, from $161.5 million in fiscal 2023. This decrease primarily reflects lower sales, together with the easing of supply chain constraints and associated expedite costs, partially offset by a decrease in higher-margin CDS segment sales.

Full-year cost of sales in the Video and Broadband Solutions segment decreased to $131.3 million, from $135.0 million in fiscal 2023. The 3% decrease reflects lower sales, a different product mix, and the easing of supply chain constraints, which reduced expedite costs in the current period.

In the Content Delivery and Storage segment, full-year cost of sales decreased by 15% to $20.9 million in fiscal 2024, from $24.5 million in fiscal 2023. Lower sales, partially offset by higher service revenues which carry higher margins, were the key factors in this change.

Cost of sales in the Telematics segment increased to $2.2 million in fiscal 2024, from $2.0 million in fiscal 2023. Higher Telematics sales accounted for most of this increase.

Gross Profit and Gross Margin

Segment		Three months ended June 30, 2024		2023		Years ended June 30, 2024		2023
Video and Broadband Solutions	$	33,479	$	27,869	$	104,781	$	110,122
Content Delivery and Storage		5,920		9,197		27,333		27,739
Telematics		1,257		1,046		4,551		4,110
Total gross profit	**$**	**40,656**	**$**	**38,112**	**$**	**136,665**	**$**	**141,971**
Video and Broadband Solutions		44.8 %		48.9 %		44.4 %		44.9 %
Content Delivery and Storage		53.5 %		53.8 %		56.7 %		53.1 %
Telematics		71.1 %		72.4 %		67.5 %		67.7 %
Total gross margin		**46.5 %**		**50.5 %**		**47.0 %**		**46.8 %**

Three-Month Results

For the three months ended June 30, 2024, total gross profit grew to $40.7 million, an increase of 7% from $38.1 million in Q4 fiscal 2023 and 8% from $37.6 million in Q3 fiscal 2024. The year-over-year improvement reflects higher VBS segment sales, partially offset by lower CDS segment sales. Fourth quarter gross margin was 46.5%, compared to 50.5% in Q4 fiscal 2023 and 46.9% in Q3 fiscal 2024. The year-over-year decrease in Q4 gross margin reflects a different product mix in the VBS segment, combined with lower CDS sales which carry a higher gross margin.

The Video and Broadband Solutions segment grew gross profit by 20% to $33.5 million, from $27.9 million in Q4 fiscal 2023. The year-over-year increase reflects higher segment sales combined with tight management of our supply chain, partially offset by the product mix-related decrease in gross profit margin to 44.8%, from 48.9% in Q4 2023. On a sequential quarterly basis, fourth quarter VBS gross profit was 10% higher than the $30.3 million achieved in Q3 fiscal 2024 (gross profit margin of 44.5%), reflecting higher sales.

In the Content Delivery and Storage segment, fourth quarter gross profit was $5.9 million as compared to $9.2 in the same period last year. The year-over-year change reflects lower CDS sales. CDS gross margin decreased slightly to 53.5%, from 53.8% in the same period last year, reflecting a lower proportion of higher-margin services sales in the revenue mix. On a sequential quarterly basis, third quarter CDS gross profit was lower than the $6.1 million achieved in Q3 fiscal 2024, while gross margin decreased from 59.8%.

Fourth quarter gross profit from the Telematics segment increased 20% to $1.3 million (gross profit margin of 71.1%), from $1.0 million (gross margin of 72.4%) in Q4 fiscal 2023. The improved gross profit results reflect the addition of new customers and higher sales. On a sequential quarterly basis, Telematics gross profit was also higher than the $1.2 million (gross margin of 67.8%) achieved in Q3 fiscal 2024.

Twelve-Month Results

For the year ended June 30, 2024, we generated gross profit of $136.7 million, as compared to $142.0 million in fiscal 2023. The 4% year-over-year decrease reflects lower consolidated sales, partially offset by a higher gross margin percentage. Gross margin in fiscal 2024 increased to 47.0%, from 46.8% in the same period of fiscal 2023, primarily reflecting tight management of our supply chain expenses and a reduction in expedite costs as supply chain constraints have eased. We target a gross margin percentage of 45% to 49%.

The Video and Broadband Solutions segment generated gross profit of $104.8 million (gross profit margin of 44.4%) in fiscal 2024, as compared to $110.1 million (gross profit margin of 44.9%) in fiscal 2023, a decrease of 5%. The year-over-year change in gross profit primarily reflects lower segment sales.

Content Delivery and Storage segment gross profit decreased by 1% to $27.3 million (gross profit margin of 56.7%) in fiscal 2024, from $27.7 million (gross profit margin of 53.1%) in fiscal 2023. The slight year-over-year decline in CDS gross profit reflects lower sales, partially offset by higher service revenues, which carry a higher gross margin percentage.

Telematics segment gross profit increased to $4.6 million (gross profit margin of 67.5%) in fiscal 2024, from $4.1 million (gross margin of 67.7%) in fiscal 2023. The year-over-year improvement in gross profit was primarily driven by higher sales.

Operating Expenses

Segment		Three months ended June 30, 2024		2023		Years ended June 30, 2024		2023
Video and Broadband Solutions	$	19,285	$	23,785	$	73,321	$	75,793
Content Delivery and Storage		8,163		7,993		29,994		29,460
Telematics		1,044		927		3,757		3,428
Total operating expense	**$**	**28,492**	**$**	**32,705**	**$**	**107,072**	**$**	**108,681**

Three-Month Results

For the three months ended June 30, 2024, total operating expenses were $28.5 million, as compared to $32.7 million in Q4 fiscal 2023 and $27.5 million in Q3 fiscal 2024. As a percentage of sales, Q4 operating expenses were lower at 33%, as compared to 43% in Q4 fiscal 2023.

Video and Broadband Solutions operating expenses decreased to $19.3 million, from $23.8 million in Q4 fiscal 2023, and were flat as compared to Q3 fiscal 2024. The $4.5 million year-over-year decrease reflects lower research and development expenses and restructuring costs combined with the gain on sale of the Company's Victoria office, partially offset by higher general and administrative and sales and marketing expenses.

Content Delivery and Storage operating expenses were $8.2 million in Q4 fiscal 2024, compared to $8.0 million in Q4 fiscal 2023 and $7.4 million in Q3 fiscal 2024. Higher research and development and sales and marketing expenses were partially offset by lower restructuring costs and share-based compensation compared to the same period in fiscal 2023.

Telematics operating expenses increased slightly to $1.0 million in Q4 fiscal 2024, from $0.9 million in both Q4 fiscal 2023 and Q3 fiscal 2024. This increase reflects higher sales and marketing and general administrative costs in the Q4 fiscal 2024 period.

Research and development expenses decreased to $11.0 million, or 13% of sales in Q4 2024, from $12.9 million, or 17% of sales in the same period of fiscal 2023. This primarily reflects lower expense for salary and wages and higher capitalized development costs, partially offset by higher costs for software and licensing. Our investment in research and development supports the launch of new products. Until these products are in commercial production, the development costs are deferred to future periods. Total research and development costs before deferrals, amortization of deferred development costs and income tax credits for Q4 fiscal 2024 were $15.6 million, or 18% of sales, as compared to $15.3 million, or 20% of sales in Q4 fiscal 2023.

Sales and marketing expenses were $8.5 million, or 10% of sales in Q4 fiscal 2024, as compared to $7.8 million, or 10% of sales in the same period last year. The year-over-year increase was primarily due to higher salaries and wages, as well as expenses aimed at supporting future sales.

General and administrative expenses increased to $8.5 million, or 10% of sales in Q4 fiscal 2024, from $7.9 million or 10% of sales in Q4 fiscal 2023. The year-over-year increase reflects higher salary and wages and expenses aimed at supporting future growth.

Stock-based compensation expense was $0.2 million in Q4 fiscal 2024 compared to $1.3 million in Q4 fiscal 2023. The decrease is mainly attributed to the vesting of performance share units (each a "PSU") in the prior-year period compared to nil vesting in Q4 fiscal 2024.

Other expense was $0.2 million in Q4 fiscal 2024, compared to other expense of $1.6 million in the same period last year. Other income included a $2.4 million gain on the sale of our office property in Victoria, B.C., partially offset by advisory fees and the settlement of third-party software support contracts.

Twelve-Month Results

For the year ended June 30, 2024, total operating expenses were $107.1 million, as compared to $108.7 million in fiscal 2023. The year-over-year decrease primarily reflects a $2.4 million gain on the sale of the property in Victoria, lower restructuring costs and decreased share-based compensation expense, partially offset by advisory fees related to the bid on Casa Systems' cable business assets and higher sales and marketing expenses. As a percentage of sales, full-year operating expenses were 37% as compared to 36% in fiscal 2023.

Video and Broadband Solutions operating expenses were lower at $73.3 million in fiscal 2024, as compared to $75.8 million in fiscal 2023. The $2.5 million decrease primarily reflects the $2.4 million gain on sale of the office property in Victoria, lower restructuring costs and share-based compensation, partially offset by higher sales and marketing expenses aimed at supporting growth.

Content Delivery and Storage operating expenses increased slightly to $30.0 million in fiscal 2024, from $29.5 million in fiscal 2023. The $0.5 million increase reflects higher marketing and general administrative costs, partially offset by lower research and development expenditures.

Telematics operating expenses increased to $3.8 million in fiscal 2024, from $3.4 million in fiscal 2023, primarily reflecting higher general and administrative and research and development expenditures.

Research and development expenses in fiscal 2024 were $44.2 million, or 15% of sales, compared to $46.0 million, or 15% of sales in fiscal 2023. This change primarily reflects an increase in capitalized development costs and lower salary and wages, partially offset by increased software and licensing and prototyping costs. Our investment in research and development supports the launch of new products. Until these products are in commercial production, the development costs are deferred to future periods. Total research and development costs before deferrals, amortization of deferred development costs and income tax credits for fiscal 2024 increased to $58.7 million, or 20% of sales, from $57.4 million, or 19% of sales in fiscal 2023. This increase reflects higher costs for prototyping and software and licensing, partially offset by lower expense for salary and wages as our next-generation products move closer to commercial deployment.

Sales and marketing expenses were $29.3 million, or 10% of sales in fiscal 2024, as compared to $27.7 million, or 9% of sales in fiscal 2023. This change primarily reflects activities in support of higher sales, including increased trade show and promotion expenses, partially offset by lower product demo costs, as compared to fiscal 2023.

General and administrative expenses increased to $30.8 million, or 11% of sales in fiscal 2024, as compared to $29.4 million, or 10% of sales in fiscal 2023.

Stock-based compensation expense was $1.0 million in fiscal 2024, compared to $2.5 million in fiscal 2023.

Other expense was $1.8 million in fiscal 2024, compared to $1.9 million in fiscal 2023. Other expenses included $1.3 million of advisory fees related to M&A activity in the quarter.

Operating Income (Loss)

	Three months ended June 30,		Years ended June 30,	
Segment	**2024**	2023	**2024**	2023
Video and Broadband Solutions	$ 14,194	$ 4,084	$ 31,460	$ 34,329
Content Delivery and Storage	(2,243)	1,204	(2,661)	(1,721)
Telematics	213	119	794	682
Total operating income	**$ 12,164**	**$ 5,407**	**$ 29,593**	**$ 33,290**

Three-Month Results

Operating income increased 125% to $12.2 million in the fourth quarter of fiscal 2024, from $5.4 million in the prior-year period. The $6.8 million increase was primarily due to higher VBS sales, partially offset by a lower gross margin percentage as compared to the same period in fiscal 2023.

The Video and Broadband Solutions segment grew fourth quarter operating income to $14.2 million, a 248% increase from $4.1 million in Q4 fiscal 2023. The improved result primarily reflects higher VBS sales, partially offset by a lower gross margin percentage as compared to the same period in fiscal 2023.

Content Delivery and Storage recorded an operating loss of $2.2 million in the fourth quarter, as compared to operating income of $1.2 million in the same period of fiscal 2023. The year-over-year change primarily reflects lower segment sales.

Telematics operating income increased to $0.2 million in Q4 fiscal 2024, from $0.1 million in the same period of fiscal 2023, primarily due to higher sales.

Finance expense increased to $3.2 million in Q4 fiscal 2024, from $0.9 million in Q4 fiscal 2023, reflecting increased interest costs associated with the revolving line of credit.

Foreign exchange loss for the fourth quarter was $2.0 million, compared to a foreign exchange gain of $1.3 million in the same period of fiscal 2023. Foreign exchange losses resulted from the impact of a weakening Canadian dollar on the translation of monetary liabilities.

Income tax recovery was $1.3 million in Q4 fiscal 2024, compared to an income tax expense of $0.7 million in Q4 fiscal 2023, reflecting the impact of foreign tax credits, partially offset by higher net income before taxes.

Net income for Q4 fiscal 2024 increased to $8.3 million or $0.34 per share, from $5.1 million or $0.21 per share in Q4 fiscal 2023.

Other comprehensive income increased to $1.0 million in Q4 fiscal 2024, from an other comprehensive loss of $1.9 million in the same period in fiscal 2023.

Comprehensive income increased to $9.2 million in Q4 fiscal 2024, from $3.2 million in Q4 fiscal 2023. The year-over-year increase was a result of the changes described above.

Twelve-Month Results

For the year ended June 30, 2024, operating income decreased to $29.6 million, from $33.3 million in fiscal 2023. This was primarily due to lower VBS and CDS segment sales, partially offset by higher gross margin percentages in the CDS segment.

The Video and Broadband Solutions segment generated operating income of $31.5 million in fiscal 2024, as compared to $34.3 million generated in fiscal 2023. The decrease primarily reflects lower sales due to the temporary slowdown in Entra product orders during the first half of fiscal 2024 as customers worked through existing inventories built up during the supply chain challenges of the previous year.

Content Delivery and Storage recorded an operating loss of $2.7 million in fiscal 2024, as compared to an operating loss of $1.7 million in fiscal 2023. The $0.9 million year-over-year decline primarily reflects lower sales, partially offset by increased higher-margin service revenues.

Telematics operating income was $0.8 million in fiscal 2024, slightly higher than the $0.7 achieved in fiscal 2023. Results for the year were consistent with our expectations and reflect the increase in assets and tags monitored.

Finance expense increased to $7.1 million in fiscal 2024, from $2.4 million in fiscal 2023, reflecting increased interest costs associated with the revolving line of credit.

Foreign exchange loss was $1.9 million in fiscal 2024, compared to a gain of $2.7 million in fiscal 2023. Foreign exchange losses resulted from the impact of a weakening Canadian dollar on the translation of monetary liabilities.

Income tax expense was $1.1 million in fiscal 2024, compared to $6.4 million in fiscal 2023, reflecting lower before tax net income.

Net income for fiscal 2024 was $19.4 million or $0.80 per share, compared to $27.2 million or $1.15 per share in fiscal 2023.

Other comprehensive income increased to $2.1 million in fiscal 2024, from $0.1 million in fiscal 2023, reflecting the positive impact of a weakening Canadian dollar on the translation of foreign entities.

Comprehensive income for fiscal 2024 was $21.5 million, compared to $27.1 million in fiscal 2023. The year-over-year decrease was the result of the changes described above.

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

Operating Activities

For the three months ended June 30, 2024, cash flow provided by operating activities was $36.1 million, compared to cash flow provided by operations of $4.6 million in the prior-year period. The $31.5 million increase in cash provided by operating activities reflects a $32.8 million increase in cash flow from net working capital, partially offset by a $1.3 million decrease in operating cash flow.

For the year ended June 30, 2024, cash flow provided by operating activities was $2.7 million, compared to cash flow used in operating activities of $11.0 million in fiscal 2023. The $13.7 million increase in cash provided by operating activities reflects a $37.8 million increase in cash flow from net working capital, partially offset by a $24.1 million decrease in operating cash flow resulting from lower sales and higher income taxes paid.

Investing Activities

For the three months ended June 30, 2024, cash flow used in investing activities decreased to $4.2 million, from $6.8 million in the same period last year. This decrease reflects proceeds from the sale of property, plant and equipment of $3.9 million (Q4 fiscal 2023 - $nil), deferred development expenditures of $7.6 million (Q4 fiscal 2023 - $6.1 million), and the purchase of property, plant and equipment of $0.5 million (Q4 fiscal 2023 - $0.7 million).

For the year ended June 30, 2024, cash flow used in investing activities decreased to $26.2 million, from $26.4 million in fiscal 2023. This slight decrease reflects deferred development expenditures of $27.4 million (fiscal 2023 - $23.3 million), the purchase of property, plant and equipment of $2.7 million (fiscal 2023 - $3.0 million) and proceeds from the sale of property, plant and equipment of $3.9 million (fiscal 2023 - $nil).

Financing Activities

For the three months ended June 30, 2024, we repaid $0.5 million of our long-term debt (Q4 fiscal 2023 - $0.3 million repaid), paid withholding taxes on PSUs of $nil (Q4 fiscal 2023 - $1.3 million), repaid lease liabilities of $0.4 million (Q4 fiscal 2023 - $0.5 million), paid dividends of $1.3 million (Q4 fiscal 2023 - $1.3 million), received proceeds of $nil from the exercise of stock options (Q4 fiscal 2023 - $0.1 million) and had net repayments of our revolving line of credit of $30.0 million (Q4 fiscal 2023 - $4.2 million drawn).

For the year ended June 30, 2024, we had no share offerings (fiscal 2023 - $17.0 million gross proceeds, $1.1 share issuance costs and $15.9 million net proceeds), we repaid $1.6 million of our long-term debt (fiscal 2023 - $0.8 million repaid), received proceeds from exercised options of $0.1 million (fiscal 2023 - $0.4 million), paid withholding taxes on PSUs of $nil (fiscal 2023 - $2.8 million), repaid lease liabilities of $1.6 million (fiscal 2023 - $1.8 million), paid dividends of $5.3 million (fiscal 2023 - $5.2 million) and had net draws from our revolving line of credit of $31.2 million (fiscal 2023 - $20.5 million).

8. Liquidity and Capital Resources

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

We maintain an authorized line of credit of $85 million (June 30, 2023 - $55 million) of which $51.7 million was drawn on as of June 30, 2024 (June 30, 2023 - $20.5 million). The line of credit is secured by a general security agreement and is limited to a maximum amount available of 75% of accounts receivable and 40% of certain inventory (to a maximum of $42.5 million). Interest on the outstanding line of credit is calculated at prime plus 0.5%. The prime rate at June 30, 2024 was 6.70% (June 30, 2023 - 6.70%). As at June 30, 2024, we had no outstanding letters of credit (June 30, 2023 - $15.9 million) with our suppliers.

Capital expenditures in fiscal 2024 were $2.7 million, compared to $3.0 million in fiscal 2023.

We expect to continue to see fluctuations in our liquidity through fiscal 2025 due to the timing of cash coming in from customers not matching the timing of cash spent on supplies. In order to manage this issue we expect to either increase our credit line or borrowing base, or pursue additional financing options.

Working Capital

Working capital represents current assets less current liabilities. Our working capital increased to $84.9 million at June 30, 2024, from $83.7 million at June 30, 2023. We note that our working capital balances can be subject to significant swings from quarter to quarter. Our product shipments are "lumpy", reflecting the requirements of our major customers. It is not unusual to ship $5-to-$6 million of product in a one-week period. If this level of sales occurs in the first week of a succeeding quarter, we would expect to experience an increase in inventory levels and a drop in receivables in the prior quarter. Other timing issues, like contracts with greater than 30-day payment terms, also affect working capital, particularly if shipments are backend weighted for a quarter.

Accounts receivable balance increased to $70.1 million at June 30, 2024, from $57.7 million at June 30, 2023. The increase reflects higher VBS segment sales and the timing of customer payments.

Inventories increased by $34.4 million to $136.0 million at June 30, 2024, from $101.6 million as at June 30, 2023. The increase represents the build-up of inventory related to the anticipated ramp-up of sales and demand for new product inventory in fiscal 2025. Finished goods inventories were $35.0 million at June 30, 2024, compared to $55.3 million at June 30, 2023. Raw material inventory increased to $86.4 million at June 30, 2024, from $41.2 million at June 30, 2023. Work-in-progress inventories increased to $14.6 million as at June 30, 2024, from $5.1 million at June 30, 2023. We manufacture and assemble products, with the result that inventory levels will be substantially higher than other companies in the industry that outsource manufacturing and assembly.

Prepaid expenses and other current assets balance decreased to $6.6 million at June 30, 2024 (June 30, 2023 - $13.7 million). This primarily reflects the return of payments made to contract manufacturing suppliers for raw material inventories purchased and received related to forecast commitments.

Investment tax credits were $21.8 million at June 30, 2024, compared to $24.3 million at June 30, 2023. 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 $57.6 million at June 30, 2024, from $47.2 million at June 30, 2023. The increase was primarily due to the purchase of inventory to fulfill orders in the second half of fiscal 2024 and into fiscal 2025.

Financial liabilities, including the current portion, was $2.6 million at June 30, 2024, as compared to $nil as at June 30, 2023, reflecting the warrant agreement executed with a customer in the first quarter of fiscal 2024.

Long-term debt, including the current portion and lease liabilities, was $17.8 million at June 30, 2024, as compared to $16.4 million at June 30, 2023.

Dividends

Declaration Date	Dividend Amount (per share)	Record Date	Payable Date
November 7, 2023	$0.055	November 24, 2023	December 18, 2023
February 12, 2024	$0.055	February 23, 2024	March 18, 2024
May 13, 2024	$0.055	May 24, 2024	June 17, 2024
September 17, 2024	$0.055	October 11, 2024	November 4, 2024

Contractual Obligations

Lease liabilities reported in our consolidated statements of financial position, as at June 30, 2024 were $4.8 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 June 30, 2024, our undiscounted future cash payments in respect of our lease liabilities are as follows: due within one year is $1.3 million; due between two-to-five years is $3.8 million; and thereafter is $0.4 million.

The Nokia portfolio acquisition includes the assumption of a contract with a third-party supplier. As at June 30, 2024, the contractual obligation, based on forecasted commitments, is estimated to be $nil (June 30, 2023 - $6.9 million).

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 June 30, 2024, the exchange rate on the Canadian dollar relative to the U.S. dollar weakened to $1.368 from $1.354 as at June 30, 2023. This $0.01 exchange difference increased the value of our $24.3 million U.S. dollar net assets by approximately $1.0 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 June 30, 2024, we did not have any forward contracts (June 30, 2023 - $581 - asset position).

Expected Use of Proceeds and Financings

On May 29, 2024, the Company closed a subscription receipt offering for the sale of an aggregate 1,309,390 subscription receipts at a price of $21.00 per subscription receipt, for total aggregate gross proceeds of $27 million. The net proceeds of the subscription receipt financing from May 2024 were expected to be utilized to support the acquisition of Casa Systems, Inc.'s cable business assets (the "Transaction"). The Transaction was not consummated, and the proceeds of the subscription receipt financing were returned to the subscribers.

On December 14, 2022, the Company closed two common share offerings for the sale of an aggregate of 957,880 common shares at a price of $17.75 per share for total aggregate gross proceeds of $17.0 million. The net proceeds of the financing from December 14, 2022 were utilized for repayments of the Company's revolving line of credit as previously disclosed.

Description		Estimated Amount		Expended Amount (1)
Repayment of revolving line of credit	$	17,002	$	17,002
Total	**$**	**17,002**	**$**	**17,002**

(1) *The Company has now spent the full $17,002 of the proceeds from the offering to be allocated for the repayment of the revolving line of credit, as aligned with previously disclosed expectations.*

9. Off-Balance Sheet Arrangements

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

10. Transactions Between Related Parties

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

The Company entered into a building lease (the "Lease") on August 1st, 2022 with Surinder Kumar, Chairman. The Lease terms are at fair market value with the lease expiring in March 2026. During the year ended June 30, 2024, total lease payments, including interest, were $0.2 million (June 30, 2023 - $0.1 million). The building is being used for additional inventory storage space.

There were no other related party transactions during fiscal 2024 and 2023.

11. Proposed Transactions

We continually review potential merger, acquisition, investment and other joint venture transactions that could enhance shareholder value. At the current time, there are no reportable proposed transactions.

12. Critical Accounting Estimates

The preparation of our consolidated financial statements, in conformity with IFRS Accounting Standards, requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require material adjustments in future periods to the carrying amount of the affected asset or liability. Actual results could differ from those estimates.

Functional currency

We assess the primary economic environment in which we operate by considering factors such as the currency for which sales of goods and services are denominated and settled, the country whose competitive forces and regulations mainly determine the sales prices of its goods and services, and the currency that mainly influences labour, material and other costs of providing goods and services.

Sales by Vecima Networks Inc. are primarily transacted in U.S. dollars ("USD"). Our cost of materials is denominated in both Canadian and U.S. dollars and labour costs are denominated fully in Canadian dollars. Management pays close attention to gross margin, and the setting of prices in USD is influenced by costs which are primarily influenced by the Canadian dollar. Due to the mix of indicators for our primary economic environment, we assess the secondary indicators of finance activities and receipts from operations. Equity and debt financing activities are both denominated in Canadian dollars and receipts from operations are retained primarily in Canadian dollars. Based on all these factors, we determined that the functional currency for the entities listed above is the Canadian dollar.

Sales by Vecima Technology Inc. (a subsidiary of the Company) are primarily transacted in USD. The cost of materials and labour costs are denominated fully in USD. Equity and debt financing activities are both denominated in USD and receipts from operations are retained primarily in USD. Based on all these factors, we determined that the functional currency for Vecima Technology Inc. is USD.

Sales by Vecima Solutions Corporation (a subsidiary of the Company) are primarily transacted in Japanese Yen. The cost of materials is denominated in Japanese Yen, however certain inventory purchases are made in USD. The labour cost is denominated fully in Japanese Yen. Equity and intercompany financing activities are denominated in both Japanese Yen and USD and receipts from operations are retained in Japanese Yen. Based on all these factors, we determined that the functional currency for Vecima Solutions Corporation is the Japanese Yen.

Sales by Vecima Technology (UK) Ltd. (a subsidiary of the Company) are primarily transacted in Great British Pounds (GBP). The labour cost is denominated fully in GBP. Equity and intercompany financing activities are denominated in either GBP or USD and receipts from operations are retained primarily in GBP. Based on all these factors, we determined that the functional currency for Vecima Technology (UK) Ltd. is GBP.

Sales by Vecima Technology B.V. (a subsidiary of the Company) are primarily transacted in Euro. The cost of materials and labour costs are denominated fully in Euro. While equity transactions are denominated in Canadian dollars, intercompany financing activities and receipts from operations are denominated in Euro. Based on all these factors, we determined that the functional currency for Vecima Technology B.V. is Euro.

Sales by Vecima Technology (Qingdao) Co., Ltd. and Vecima Technology (Shanghai) Co., Ltd., (subsidiaries of the Company) are transacted in Renminbi (“RMB”). The cost of materials and labour costs are denominated in RMB. Equity and debt financing activities are both denominated in RMB and receipts from operations are retained in RMB. Based on all of these factors, we determined that the functional currency for Vecima Technology (Qingdao) Co., Ltd. and Vecima Technology (Shanghai) Co., Ltd. is RMB.

Revenue from contracts with customers and deferred revenue

Significant judgment may be required in determining the distinct performance obligations within a contract and the allocation of transaction price to multiple element performance obligations. When multiple performance obligations are identified in a contract, the transaction price is allocated based on the standalone selling price for each. If the standalone selling price is not observable, we estimate the standalone selling price for each distinct performance obligation based on a related cost-plus margin, taking into account reasonably available information relating to the market conditions, entity-specific factors, and the class of customer.

Deferred revenue consists of service contracts and upfront customer activation and connection fees where billings are recorded and received prior to the rendering of the associated service. Deferred revenue may be impacted by the allocation of the transaction price where a component of the contract includes such services. Billings for services are recognized as revenue in the period in which the services are provided. Upfront customer activation and connection fees are recognized over the expected term of the customer relationship.

Deferred development costs

Development costs are capitalized in accordance with our accounting policy. Capitalization of costs is initiated based on management's judgment that technological and economic feasibility is confirmed, usually when the research project is approved to begin development. In assessing whether these costs are impaired, management makes assumptions regarding the expected future cash flows from the project, discount rates to be applied and the expected periods of benefit.

Impairment of non-financial assets

Impairment exists when the carrying value of a tangible asset, intangible asset or cash-generating unit, including goodwill, exceeds its recoverable amount, which is the higher of its fair value less cost of disposal and its value-in-use. The value-in-use calculation is based on a discounted cash flow model, where the cash flow is derived from the budget extrapolated over the next three to five years, exclusive of restructuring activities or significant future investments to enhance the asset's performance. The recoverable amount is most sensitive to the discount rate used as well as the expected future cash inflows and growth rate used to extrapolate beyond the three to five years.

Share-based compensation

We measure the cost of share-based compensation transactions with reference to the fair value of the options issued at the date they were granted. Estimated fair value for share-based compensation transactions requires the determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option and the volatility.

The assumptions within the Black-Scholes option-pricing model used for estimating fair value for share-based compensation are as follows:

Years ended June 30,	**2024**	2023
Weighted average share price	$ 17.14	$ 18.94
Expected option life	6 years	6 years
Risk-free rate of return	3.89%	3.41%
Volatility factor	27.71%	23.47%
Expected dividends	1.29%	1.30%
Forfeiture rate	4.75%	4.54%

Income taxes

The amounts of deferred tax assets and liabilities are estimated with consideration given to the timing, source and amounts of future taxable income together with tax planning strategies. We make certain judgments in interpreting tax rules and regulations when we compute income tax expense, and when we evaluate whether a deferred tax asset can be recovered based on an assessment of existing tax laws, estimates of future profitability, and tax planning strategies.

Leases

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

The application of IFRS 16 requires us to make estimates that affect the measurement of right-of-use assets and liabilities, including:

- Identifying or determining if a contract is or contains an identified asset – the identified asset should be physically distinct or represent all or substantially all of the capacity of the asset, and should provide the right to all or substantially all of the economic benefits from the use of the identified asset;
- determining which interest rate to use in measuring the present value of the lease liability for each lease – the incremental borrowing rate should reflect the interest that would have to be paid to borrow at a similar term and with similar security; and
- determining, with reasonable certainty, whether we will exercise an option to extend or an option not to terminate a lease contract – this will be based on an assessment of the expected economic return from the lease.

Other areas

Other key areas of estimation where management is required to make subjective estimates, often as a result of matters that are inherently uncertain, include:

- the assessment of the carrying values of allowances for doubtful accounts and inventory obsolescence;
- the capitalization of overhead;
- the useful lives of property, plant and equipment; and the useful lives of intangible assets; and
- provisions, contingent liabilities and the fair value of financial assets.
- valuation of customer-based warrants

13. Accounting Pronouncements and Standards

Adoption of amendments to accounting standards

The following amended standards and interpretations issued by the International Accounting Standards Board ("IASB") were adopted in fiscal 2024:

<u>Amendments to IAS 8 – Accounting policies, changes in accounting estimates and errors (IAS 8)</u>

On February 12 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8) to help entities to distinguish between accounting policies and accounting estimates. The adoption of this amendment did not have a significant impact on the Company's financial statements.

<u>Amendments to IAS 12 – Income Taxes – comprehensive balance sheet method</u>

On May 7, 2021 the IASB issued amendments to IAS 12 which includes a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test. The adoption of this amendment did not have a significant impact on our financial statements.

<u>Amendments to IAS 1 – Presentation of financial statements (IAS1)</u>

The IASB has issued amendments to IAS 1 Presentation of Financial Statements which require entities to disclose their “material” accounting policy information rather than their “significant” accounting policies. The amendments explain that accounting policy information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of the financial statements make on the basis of those financial statements. The amendments also clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial. This amendment is effective for annual periods beginning on or after January 1, 2023. The adoption of these amendments did not have a significant impact on the Company’s financial statements.

Accounting standard amendments issued but not yet applied

The following amended standard and interpretation issued by the IASB is effective after our June 30, 2024 year-end date and have not yet been adopted by us:

<u>Amendments to IAS 1 – Presentation of financial statements (IAS1)</u>

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, 2024.

We are assessing the impact, if any, of this amendment, which is not yet effective on our consolidated financial statements.

14. Disclosure Controls and Procedures

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

Our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the effectiveness of our disclosure controls and procedures as defined under rules adopted by the Canadian securities regulatory authorities. Based on that evaluation, our CEO and CFO have concluded that our disclosure controls and procedures were effective as at June 30, 2024.

15. Internal Control over Financial Reporting

Internal controls over financial reporting ("ICFR") were designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS Accounting Standards. 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 June 30, 2024 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 June 30, 2024. There has been no change in the internal controls over financial reporting that occurred during the period beginning on April 1, 2024 and ended on June 30, 2024 that has materially affected, or is reasonably likely to materially affect our internal controls on financial reporting.

16. Legal Proceedings

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

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

17. Risks and Uncertainties

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

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

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

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

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

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

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

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

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

18. Outstanding Share Data

As at September 17, 2024, we had 24,311,594 common shares outstanding as well as stock options outstanding that are exercisable for an additional 36,000 common shares, and performance share units outstanding that are exercisable for an additional 563,794 common shares.

On April 25, 2023, 132,218 PSUs vested and were settled via the issuance of common shares. The estimated fair value of the vested PSUs was $1.4 million. We withheld 56,215 common shares at a market value of $1.3 million to settle withholding tax obligations on the issuance of the common share awards.

On February 7, 2023, 7,956 PSUs vested and were settled via the issuance of common shares. The estimated fair value of the vested PSUs was $0.02 million. We withheld 2,405 common shares at a market value of $0.1 million to settle withholding tax obligations on the issuance of the common share awards.

On December 19, 2022, 185,269 PSUs vested and were settled via the issuance of common shares. The estimated fair value of the vested PSUs was $1.0 million. We withheld 71,037 common shares at a market value of $1.4 million to settle withholding tax obligations on the issuance of the common share awards.

On December 14, 2022, we closed two common share offerings for the sale of 957,880 common shares at a price of $17.75 per share with total aggregate gross proceeds of $17.0 million. Share issuance costs in connection with the share offerings amounted to $1.1 million.

On September 9, 2022, 7,955 PSUs vested and were settled via the issuance of common shares. The estimated fair value of the vested PSUs was $0.05 million. We withheld 2,404 common shares at a market value of $0.04 million to settle withholding tax obligations on the issuance of the common share awards.

Vecima was founded by Dr. Surinder Kumar in 1988. Voting control of Vecima is held by 684739 B.C. Ltd. (the “Principal Shareholder”) which is beneficially owned by Dr. Surinder Kumar, Sumit Kumar and Saket Kumar. As at June 30, 2024, the Principal Shareholder collectively owned approximately 56% of our common shares outstanding. Each common share carries the right to one vote. We have no other classes of voting securities.

19. Additional Information

Financial Governance

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

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

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

Forward-Looking Information

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

Forward-looking information in this MD&A includes, but is not limited to, statements that: the believe that our current working capital position, access to loan facilities and cash together with anticipated cash flow from operations will be sufficient to meet our working capital requirements and capital expenditure requirements for the foreseeable future; began deployments of the new EN9000 GAP (Generic Access Platform) node with a leading Tier 1 customer, while ramping up manufacturing in preparation for anticipated strong adoption; and with respect to inventory working capital, the increase represents the build-up of inventory related to the anticipated ramp-up of sales and demand for new product inventory in fiscal 2025. Forward-looking information also includes our Strategy, our Industry Developments and our Outlook in this MD&A.

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

There are known and unknown risk factors which could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information contained in this MD&A. Known risk factors include, among others: 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, may adversely affect our business; if content providers, such as movie studios, limit the scope of content licensed for use in the digital content delivery market, our business, financial condition and results of operations could be negatively affected because the potential market for our products would be more limited than we currently believe; we are dependent on the expansion of our current distribution channels and the development of new distribution channels; the budgeting cycles of larger cable operators can also result in quarter-to-quarter variability in customer orders generally large in volume, while availability of parts and production capacity can influence the timing of product deliveries; our operations depend on information technology systems, which may be disrupted or may not operate as desired; our ability to recruit and retain management and other qualified personnel is crucial to our business; if we are required to change our pricing models to compete successfully, our margins and operating results may be adversely affected; our reliance on third party suppliers and contract manufacturers reduces our control over our performance; if our intellectual property is not adequately protected, we may lose our competitive advantage; we utilize open source software, which could enable our competitors to gain access to our source code and distribute it without paying us any license fees; we have software license agreements covering the use of our software as combined with software provided by specific key integrated circuit vendor(s) and the associated integrated circuits provided by those vendor(s), failure to maintain these agreements or maintain them with commercially reasonable terms could limit our ability to market certain products and affect our business; successful warranty or product liability claims could harm our business; acquisitions could divert management's attention and financial resources, may negatively affect our operating results and could cause significant dilution to shareholders; there are risks associated with our international operations; impacts to trade relationships between the United States and China may adversely affect Vecima's profitability; currency fluctuations may adversely affect us; changes in interest rates on debt securities may adversely affect us; growth in our key markets may not continue; our inability to adapt to technological change, new products and standards could harm our business; increased competition could have an adverse effect on our business; competition from new or existing technologies may adversely affect our business; the cable and telecommunications industries are experiencing consolidation, which could result in delays or reductions in purchases of products and services, which could have a material adverse effect on Vecima's business; government regulation of our products and new government regulation could harm our business; third parties may allege that we infringe on their intellectual property; we may be subject to liability if private information supplied to our customers is misused; and epidemics, pandemics or other public health crises. A more complete discussion of the risks and uncertainties facing us is disclosed under the heading "Risks and Uncertainties" above and under the heading "Risk Factors" in our Annual Information Form for our most recently completed fiscal year, as well as in our continuous disclosure filings with Canadian securities regulatory authorities available at www.sedarplus.ca.

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Vecima Networks Inc. ("Vecima", or the "Company") and its subsidiaries and all the information in Management's Discussion and Analysis (MD&A) are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board. The consolidated financial statements include certain amounts that are based on management's best estimates and judgments and, in their opinion, present fairly, in all material respects, Vecima's financial position, results of operations, and cash flows. Management has prepared the financial information presented elsewhere in the MD&A and has ensured that it is consistent with the consolidated financial statements.

Management has a system of internal controls designed to further enhance the integrity of the consolidated financial statements and to provide reasonable assurance that the financial statements are accurate and complete in all material respects. The internal control system is supported by management communication to employees about its policies on ethical business conduct. Management believes these internal controls provide reasonable assurance that the transactions are properly authorized and recorded; financial records are reliable and form a proper basis for the preparation of the consolidated financial statements; and the Company's assets are properly accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board of Directors carries out this responsibility through its Audit Committee, which is entirely comprised of independent directors.

The Audit Committee meets periodically with management, and annually with the external auditors, to discuss internal controls over the financial reporting process, auditing matters, and financial reporting issues; to satisfy itself that each party is properly discharging its responsibilities; and, to review the MD&A, the consolidated financial statements, and the external auditors' report. The Audit Committee reports its findings to the Board of Directors for its consideration when approving the consolidated financial statements for issuance to the shareholders. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements, for the year ended June 30, 2024, have been audited by Grant Thornton LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Grant Thornton has full and free access to the Audit Committee.

/s/ "Sumit Kumar"
Sumit Kumar
Chief Executive Officer
DATE: September 17, 2024

/s/ "Judson Schmid"
Judson Schmid
Chief Financial Officer
DATE: September 17, 2024

Grant Thornton

Independent Auditor's Report

Grant Thornton LLP

11th Floor
200 King Street West, Box 11
Toronto, ON
M5H 3T4

T +1 416 366 0100
F +1 416 36 4949

To the Shareholders of Vecima Networks Inc.

Opinion

We have audited the consolidated financial statements of Vecima Networks Inc. (the "Company") which comprise the consolidated statements of financial position as at June 30, 2024 and 2023, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements, present fairly, in all material respects, the consolidated financial position of Vecima Networks Inc. as at June 30, 2024 and 2023 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Recoverability of the carrying value of finite-life deferred development costs not yet available for use

As discussed in Note 2(m), 2(p) and Note 11 to the consolidated financial statements, development costs incurred by the Company are capitalized and deferred as finite-life intangible assets. Intangible assets with a finite-life, which are not yet available for use are required to be tested for impairment at least annually. As at June 30, 2024 the balance of such costs is $52 million, which is included in the total balance of intangible assets.

Auditing management's impairment test is complex and judgmental due to the estimation required in determining the recoverable amount of the finite-life intangible assets not yet available for use. The recoverable amount was estimated using a discounted cash flow model. Judgements with the highest degree of subjectivity and impact include forecasts of future operating performance and discount rates. Changes in these assumptions could have a significant impact on the recoverable amount of finite-life intangible assets not yet available for use, resulting in an impairment charge.

The recoverability of the carrying value of finite-life deferred development costs not yet available for use was determined to be a key audit matter given the significance of the balance to the consolidated financial statements, and that the accounting is highly judgmental and includes estimation uncertainty with respect to the recoverable amount.

Our audit procedures related to the key assumptions included the following, among others:

- Evaluated the design effectiveness of internal controls over the estimation process used by management
- Evaluated the reasonableness of management's forecasts of future operating performance by comparing the forecasts to:
    - Historical operating performance
    - Approved business plans
    - Internal communications to management and Board of Directors
- Performed a sensitivity analysis on management's forecasts of future operating performance
- With the assistance of valuation specialists, evaluated the reasonableness of discount rates by:
    - Tested the source information underlying the determination of discount rates
    - Reviewed relevant internal and external information, including publicly available market data to assess the reasonability of the discount rate
    - Developed an independent estimate for the discount rate and compared it to that selected by management

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mark Irwin.

Grant Thornton LLP

Toronto, Canada
September 17, 2024

Chartered Professional Accountants
Licensed Public Accountant

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VECIMA NETWORKS INC.
Consolidated Statements of Financial Position
(in thousands of Canadian dollars)

As at June 30,	Note		**2024**		2023
Assets					
Current assets					
Cash and cash equivalents	4	$	2,136	$	2,278
Accounts receivable	5		70,139		57,662
Income tax receivable			359		530
Inventories	6		136,040		101,601
Prepaid expenses and other current assets	7		6,632		13,695
Contract assets	20,27		2,276		2,707
Total current assets			**217,582**		**178,473**
Non-current assets					
Property, plant and equipment	8		11,908		15,683
Right-of-use assets	9		4,670		2,364
Goodwill	10		15,308		15,049
Intangible assets	11		93,893		82,991
Investment tax credits	13		21,760		24,252
Deferred tax assets	14		21,420		11,576
Other long-term assets			1,282		1,298
Total assets		**$**	**387,823**	**$**	**331,686**
Liabilities and shareholders' equity					
Current liabilities					
Revolving line of credit	15	$	51,732	$	20,513
Accounts payable and accrued liabilities	16		57,583		47,162
Provisions	17		591		1,978
Income tax payable			2,757		7,808
Deferred revenue	20		15,856		15,086
Current portion of financial liability	27		1,773		–
Current portion of long-term debt	18		2,433		2,260
Total current liabilities			**132,725**		**94,807**
Non-current liabilities					
Provisions	17		375		387
Deferred revenue	20		3,511		4,716
Long-term portion of financial liability	27		853		–
Long-term debt	18		15,399		14,123
Total liabilities			**152,863**		**114,033**
Shareholders' equity					
Share capital	19		24,117		23,997
Reserves			4,120		3,111
Retained earnings			204,968		190,926
Accumulated other comprehensive income (loss)			1,755		(381)
Total shareholders' equity			**234,960**		**217,653**
Total liabilities and shareholders' equity		**$**	**387,823**	**$**	**331,686**

Contractual obligation - Note 30; Subsequent event - Note 32
The accompanying notes are an integral part of these consolidated financial statements.

VECIMA NETWORKS INC.
Consolidated Statements of Comprehensive Income
(in thousands of Canadian dollars, except per share amounts)

Years ended June 30,	Note		2024		2023
Sales	20	$	291,047	$	303,437
Cost of sales			154,382		161,466
Gross profit			**136,665**		**141,971**
Operating expenses					
Research and development			44,169		45,950
Sales and marketing			29,285		27,694
General and administrative			30,780		29,428
Restructuring costs			–		1,236
Share-based compensation	19		1,033		2,502
Other expense	21		1,805		1,871
Total operating expenses			**107,072**		**108,681**
Operating income			**29,593**		**33,290**
Finance expense	22		(7,124)		(2,370)
Foreign exchange (loss) gain			(1,935)		2,681
Income before income taxes			**20,534**		**33,601**
Income tax expense	14		1,143		6,389
Net income		**$**	**19,391**	**$**	**27,212**
Other comprehensive income (loss)					
Item that may be subsequently reclassified to net income					
Exchange differences on translation of foreign operations		$	2,136	$	(114)
Comprehensive income		**$**	**21,527**	**$**	**27,098**
Net income per share					
Basic	23	$	0.80	$	1.15
Diluted	23	$	0.80	$	1.15
Weighted average number of common shares					
Shares outstanding – basic	23		24,307,418		23,712,384
Shares outstanding – diluted	23		24,333,407		23,736,484

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

VECIMA NETWORKS INC.
Consolidated Statements of Changes in Equity
(in thousands of Canadian dollars)

	Note	Share capital	Reserves	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance as at June 30, 2022		**$ 7,935**	**$ 3,141**	**$ 168,923**	**$ (267)**	**$ 179,732**
Net income		–	–	27,212	–	**27,212**
Other comprehensive loss		–	–	–	(114)	**(114)**
Dividends		–	–	(5,209)	–	**(5,209)**
Common share issuance	19	15,926	–	–	–	**15,926**
Shares issued by exercising options	19	502	(106)	–	–	**396**
PSUs settled in common shares	19	2,426	(2,426)	–	–	–
Withholding taxes on PSUs	19	(2,792)	–	–	–	**(2,792)**
Share-based payment expense	19	–	2,502	–	–	**2,502**
Balance as at June 30, 2023		**23,997**	**3,111**	**190,926**	**(381)**	**217,653**
Net income		–	–	19,391	–	**19,391**
Other comprehensive income		–	–	–	2,136	**2,136**
Dividends		–	–	(5,349)	–	**(5,349)**
Shares issued by exercising options	19	120	(24)	–	–	**96**
Share-based payment expense	19	–	1,033	–	–	**1,033**
Balance as at June 30, 2024		**$ 24,117**	**$ 4,120**	**$ 204,968**	**$ 1,755**	**$ 234,960**

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

VECIMA NETWORKS INC.
Consolidated Statements of Cash Flows
(in thousands of Canadian dollars)

Years ended June 30	Note	**2024**	2023
OPERATING ACTIVITIES			
Net income		$ 19,391	$ 27,212
Adjustments for non-cash items:			
(Gain) loss on sale of property, plant and equipment		(2,357)	71
Depreciation and amortization	29	22,275	20,017
Share-based compensation	19	1,033	2,502
Warrant expense	27	2,024	–
Income tax expense	14	10,763	11,178
Deferred income tax expense (recovery)		(9,620)	(4,789)
Interest expense	22	7,136	2,390
Interest income	22	(7)	(20)
Net change in working capital	29	(28,221)	(66,064)
Increase in other long-term assets		142	152
(Decrease) increase in provisions	17	(1,377)	1,290
Decrease in investment tax credits	13	(135)	(117)
Income tax paid		(12,154)	(2,614)
Interest received		6	20
Interest paid		(6,186)	(2,233)
Cash from (used in) operating activities		**2,713**	**(11,005)**
INVESTING ACTIVITIES			
Capital expenditures	29	(2,659)	(3,012)
Proceeds on sale of property, plant and equipment	29	3,861	–
Deferred development costs	11	(27,395)	(23,342)
Cash used in investing activities		**(26,193)**	**(26,354)**
FINANCING ACTIVITIES			
Net draws of the revolving line of credit		31,219	20,513
Principal repayments of lease liabilities	18	(1,646)	(1,805)
Principal repayments of long-term debt	18	(1,620)	(772)
Proceeds from short-term debt		919	585
Dividends paid		(5,349)	(5,209)
Proceeds from common share issuance	19	–	17,002
Share issue costs	19	–	(1,076)
Issuance of shares through exercised options		96	396
Withholding taxes on PSUs		–	(2,792)
Cash provided by financing activities		**23,619**	**26,842**
Net increase (decrease) in cash and cash equivalents		**139**	**(10,517)**
Effect of change in exchange rates on cash		(281)	(107)
Cash and cash equivalents, beginning of year		2,278	12,902
Cash and cash equivalents, end of year		**$ 2,136**	**$ 2,278**

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

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1. NATURE OF THE BUSINESS

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

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements of the Company for each of the years ended June 30, 2024 and 2023, were approved by the Board of Directors and authorized for issue on September 17, 2024.

(b) Basis of presentation

These consolidated financial statements have been prepared primarily under the historical cost convention and are expressed in thousands of Canadian dollars ("CAD"), unless otherwise indicated. Other measurement bases used are outlined below and in the applicable notes. The accounting polices set out below have been applied consistently in all material respects. Standards and guidelines not effective for the current accounting period are described in Note 2(z). Certain items have been reclassified to meet current year presentation.

(c) Basis of consolidation (subsidiaries)

The consolidated financial statements include the accounts of the Company and of its subsidiaries. Subsidiaries are entities over which the Company has control. Control exists when the Company has power over an investee, is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns.

Subsidiaries are fully consolidated from the date on which control is obtained by the Company. All intercompany transactions and balances are eliminated upon consolidation. Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the effective date of acquisition and up to the effective date of disposal.

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term deposits that have an original maturity of less than three months.

(e) Revenue recognition

General policy

The Company earns revenue from the sale of products and the rendering of services. Revenue is measured based on the value of the expected consideration in a contract with a customer and excludes sales taxes and other amounts we collect on behalf of third parties. We recognize revenue when control over a product or service is transferred to a customer. When our right to consideration from a customer corresponds directly with the value to the customer of the products and services transferred to date, we recognize revenue in the amount to which we have a right to invoice.

For bundled arrangements, we account for individual products and services when they are separately identifiable, and the customer can benefit from the product or service on its own or with other readily available resources. The total arrangement consideration is allocated to each product or service included in the contract with the customer-based on its stand-alone selling price. We generally determine stand-alone selling prices based on the observable prices at which we sell products separately without a service contract and prices for non-bundled service offers with the same range of services, adjusted for market conditions and other factors, as appropriate. When similar products and services are not sold separately, we use the expected cost plus margin approach to determine stand-alone selling prices. Products and services purchased by a customer in excess of those included in the bundled arrangement are accounted for separately.

A contract asset is recognized in the consolidated statements of financial position when our right to consideration from the transfer of products or services to a customer is conditional on our obligation to transfer other products or services. Contract assets are transferred to trade receivables when our right to consideration becomes conditional only as to the passage of time. A contract liability, such as deferred revenue, is recognized in the consolidated statements of financial position when we receive consideration in advance of the transfer of the products or services to the customer. Contract assets and liabilities relating to the same contract are presented on a net basis.

Incremental costs of obtaining a contract with a customer, principally comprised of sales commissions and prepaid contract fulfillment costs, are included in contract costs in the consolidated statements of financial position, except where the amortization period is one year or less, in which case costs of obtaining a contract are immediately expensed. Capitalized costs are amortized on a systematic basis that is consistent with the period and pattern of transfer to the customer of the related products or services.

Recognition of revenue from products and services

Revenue for each performance obligation is recognized either over time or at a point-in-time. For performance obligations performed over time, revenue is recognized as the service is provided. These services are typically provided, and thus recognized, on a monthly basis. Revenue for performance obligations satisfied at a point-in-time is recognized when control of the product or service transfers to the customer under the terms and conditions of the contract.

Outlined below are the various performance obligations from contracts with customers and when completed performance obligations are recognized:

Revenue type	Timing of satisfaction of the performance obligation
Product sales:	
Hardware products with right-to-use software license	When transfer of control has occurred
Provision of services:	
After-sales support and maintenance; extended warranty	Over the course of the applicable service term
Monthly subscription services	As the service is provided over time
Consulting, engineering and installation services	When the service is performed

As a practical expedient, the Company does not adjust the contracted amount of consideration for the effects of the financing component when, at the inception of the contract, the expected effect of the financing component is not significant at the individual contract level or the period between the transfer of products or services and the customer's payment is expected to be within 12 months.

(f) Business combinations

Business combinations are accounted for using the acquisition method. Only those acquisitions that result in acquiring control of the entities are accounted for as business combinations. Refer to Note 2(c) for the Company's determination of the existence of control. The consideration transferred in a business combination is measured at fair value at the date of acquisition. As part of the Company's process for determining the fair value of the acquisition, third-party valuation specialists are engaged. Acquisition related transaction costs are expensed as incurred, and, depending on the nature of the expense, is recorded in either general and administration expense or sales and marketing expense in the consolidated statements of comprehensive income.

Identifiable assets and liabilities, including intangible assets, of acquired businesses are recorded at their fair values at the date of acquisition. The excess of the purchase consideration over the fair value of identifiable assets acquired is recorded as goodwill in the consolidated statements of financial position. If the fair value of identifiable net assets acquired exceeds the purchase consideration, the difference is recognized in other expense in the consolidated statements of comprehensive income as a bargain purchase gain.

(g) Inventories

Inventories consist of raw materials, work-in-progress and finished goods. Inventories of raw materials, which consist of parts, components and subscriber equipment, are recorded at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis. Work-in-progress inventory is recorded at the lower of cost and replacement cost. Finished goods inventory, which consists of finished products, is recorded at the lower of cost and net realizable value.

Manufactured products include direct materials, direct labour and a reasonable allocation of overhead costs. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated cost necessary to make the sale.

(h) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation, accumulated impairment losses and related government assistance received. Costs include expenditures that are directly attributable to the acquisition of the asset, including any financing expense for capital investment projects under construction. When significant components of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives. Depreciation is determined on a straight-line basis over the estimated useful life of the asset, assuming that no residual value exists. Residual value is the estimated amount that the Company would currently obtain from the disposal of the asset after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. Both the residual values and the useful lives of property, plant and equipment are reviewed annually. Repairs and maintenance expenditures are charged to operating expenses as incurred.

(i) Leases

Lessee accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

As permitted under IFRS 16, lease payments for short-term and leases of low-value assets are expensed over the lease term to the consolidated statements of comprehensive income.

(j) Goodwill

Goodwill is an indefinite-life asset that is acquired as part of business acquisitions and recorded as the excess of the consideration transferred over the fair value of the net identifiable assets acquired. Goodwill is carried at this value less any accumulated impairment losses.

(k) Intangible assets

Intangible assets acquired separately are measured upon initial recognition at cost. Intangible assets acquired through a business acquisition are measured at fair value. Subsequent to initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Intangible assets are categorized as either indefinite-life or finite-life assets.

- **Indefinite-life intangible assets**

  Indefinite-life intangible assets consist of trademarks and other licenses.

  Trademarks and other licenses are recorded at cost, which represents the fair value at the date of acquisition.

  Trademarks and other licenses are granted for a period of ten years. There is the option of renewal at a nominal cost to the Company. It is expected that the demand and use for these licenses will continue to grow in the foreseeable future. As a result, these assets are assessed as having indefinite lives and as such, are not subject to amortization.

- **Finite-life intangible assets**

  Customer contracts and relationships acquired in business acquisitions are amortized on a straight-line basis over their estimated useful lives of ten years. Patents and intellectual property are amortized on a straight-line basis over their estimated useful lives ranging from three to seven years.

(l) Government assistance and grants

Government assistance and grants are recognized where there is reasonable assurance that all conditions attached to the assistance or grant will be met and the assistance or grant claimed will be received. The claims are subject to review by the respective agencies before the funding can be released. When the assistance or grant relates to an expense item, it is recognized as income over the period necessary to match the assistance or grant on a systematic basis to the costs that it is intended to compensate. Where the assistance or grant relates to an asset, the assistance or grant reduces the carrying amount of the asset. The grant is then recognized as income over the useful life of the depreciable asset through a reduced depreciation charge.

(m) Research and development

Research costs are expensed in the year in which they are incurred. Development costs are capitalized and deferred as finite-life intangible assets when the Company can demonstrate:

- technical feasibility of completing the development so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the ability to reliably measure the expenditure during development; and
- its ability to use or sell the intangible asset.

Deferred development costs are amortized on a straight-line basis over their useful lives, representing the Company's assessment of the estimated average life cycle of the associated products.

The Company develops new electronic communications products for the cable and telecommunication markets. Development costs include direct salaries, materials and an allocation of general and administrative overhead, which relate to products being developed, less applicable government assistance and investment tax credits claimed.

Costs relating to projects which are not commercialized, or which cease to be marketable are charged against income in the year in which this determination is made.

In Canada, the Company earns investment tax credits on eligible Scientific Research and Experimental Development ("SR&ED") expenses incurred. These investment tax credits are recorded in the accounts as a reduction of the costs to which they relate and are amortized over the same period as the deferred development costs.

(n) Investment tax credits

The Company incurs research and development expenditures that are eligible for investment tax credits. The recorded investment tax credits are based on management's estimates of amounts expected to be recovered and are subject to audit by taxation authorities. The investment tax credits for research and development are reflected as a reduction in the cost of the assets or expenses to which it relates.

(o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

To the extent the funds are borrowed specifically for the purpose of obtaining qualifying assets, the Company capitalizes the actual borrowing costs incurred on those funds during the period. To the extent the funds are from general borrowings, the Company determines borrowing costs eligible for capitalization by applying a capitalization rate to the expenditure on that asset.

All other borrowing costs are recognized in net income in the period in which they are incurred.

(p) Impairment

The Company reviews, at each reporting date, whether there are any indications that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount, which is the higher of the fair value less cost of disposal and its value-in-use. Value-in-use is the estimated future cash flows discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment is recognized when the carrying amount of an asset or cash-generating unit ("CGU") is greater than the recoverable amount. Impairment losses are recognized in the period in which it occurs in the expense categories consistent with the function of the impaired asset.

Indefinite-life intangible assets are tested for impairment in the fourth quarter of every year and when events or changes in circumstances indicate that an asset might be impaired.

Finite-life intangible assets are assessed for impairment indicators at each reporting date. In addition, intangible assets with a finite-life, which are not yet available for use, such as deferred development costs for products still under development, are tested for impairment at least annually.

Goodwill, representing the excess of the purchase price over fair value of the net identifiable assets of acquired businesses, is tested for impairment annually or more frequently when an event or circumstance occurs that indicates that goodwill might be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

For assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indications exist, the Company estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversals are recognized in the period in which it occurs in the expense categories consistent with the function of the asset.

When the Company determines that an asset meets the assets held for sale criteria, the assets are reported at the lower of the carrying amount or fair value less the cost of disposal.

(q) Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Deferred income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities, as well as for the benefit of losses and investment tax credits available to be carried forward to future years, for tax purposes, that are more likely than not to be realized. The amounts recognized in respect of deferred income tax assets and liabilities are based upon the expected timing of the reversal of temporary differences or usage of tax losses and the application of substantively enacted tax rates at the time of reversal or usage.

The Company accounts for changes in substantively enacted tax rates affecting deferred income tax assets and liabilities, in full, in the period in which the changes were substantively enacted. The Company accounts for the changes in the estimates of prior year(s) tax balances as estimate revisions in the period in which the change in estimate arose. The Company has selected these methods as the presentation on the statements of financial position since it is more consistent with the liability method of accounting for income taxes.

The Company incurs research and development expenditures that are eligible for investment tax credits. The recorded investment tax credits are based on management's estimates of amounts expected to be recovered and are subject to audit by taxation authorities. The investment tax credits for research and development are reflected as a reduction in the cost of the assets or expenses to which it relates.

(r) Foreign currency translation

Functional and presentation currency

The Company’s consolidated financial statements are presented in CAD, which is also the parent entity’s functional currency. Each subsidiary of the Company determines its own functional currency and items included in the financial statements of each subsidiary are measured using the functional currency of the parent entity.

Transactions that are denominated in foreign currencies are initially recorded at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing exchange rate at the reporting date. Non-monetary assets and liabilities measured at cost are translated using the historical exchange rate. Non-monetary items measured at fair value are translated using the exchange rates at the date when the fair value was determined. Revenues and expenses are translated using average rates for the period, except for amortization, which is translated on the same basis as the related asset. Exchange gains and losses are reflected in net income.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to CAD at exchange rates at the reporting date. The revenue and expenses of foreign operations are translated to CAD at exchange rates at the date of the transaction.

Foreign currency differences are recognized in other comprehensive income. When a foreign operation is disposed of, in whole, the relevant amount in the foreign currency translation account is transferred to earnings as part of the gain or loss on disposal.

(s) Financial instruments

Financial assets are classified and measured based on three categories: amortized cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit and loss ("FVTPL").

Cash and cash equivalents, and trade and other receivables are measured at amortized cost. The carrying amount reported in the consolidated statements of financial position is at historical cost, which approximates their fair value due to the short-term maturity of these instruments.

Financial liabilities, which consist of customer based warrants, are classified and measured based on two categories: amortized cost and FVTPL.

The Company records and measures its revolving line of credit, trade payable and accrued liabilities, and long-term debt financial liabilities at amortized cost.

The Company uses derivative financial instruments to manage risks from fluctuations in exchange rates. The most frequently used derivative products are foreign currency forward purchase contracts. We do not use derivative financial instruments for speculative or trading purposes. Derivative financial instruments are recognized in the consolidated statements of financial position at their fair value, with changes in fair value recorded in the consolidated statements of comprehensive income in foreign exchange gain.

We measure the allowance for doubtful accounts and impairment of contract assets based on an expected credit loss ("ECL") model, which takes into account current economic conditions, historical information, and forward-looking information. We use the simplified approach for measuring losses based on the lifetime ECL for trade and other receivables and contract assets. Amounts considered uncollectible are written off and recognized in operating expenses in the consolidated statements of comprehensive income.

The cost of issuing debt is included as part of long-term debt and is accounted for at amortized cost using the effective interest method. The cost of issuing equity is reflected in the consolidated statements of changes in equity as a charge to the retained earnings.

(t) Fair value of financial instruments

The fair value of financial instruments is generally determined as follows:

- The fair value of long-term debt with fixed rates of interest is estimated using discounted cash flows based on current rates of interest for similar lending arrangements.
- The fair value of long-term debt with variable rates of interest approximate carrying value due to interest rates being at market.
- The fair values of derivatives are based on values quoted by the counterparties to the agreements.
- The fair value of short-term financial assets and liabilities approximate their respective carrying values due to the short-term nature of these financial instruments.
- The fair value of customer-based warrant financial assets and liabilities are based on the binomial options pricing model.

(u) Provisions

Provisions are recorded when the Company has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset when the reimbursement is virtually certain.

The warranty provision consists of estimated parts and labour costs expected to be incurred for future product repairs provided under the Company's warranty obligations. The provisions are recorded when the product is sold and are based on contract terms, current sales levels and current information about prior claims and returns for all products sold. As a consequence of continuously incorporating complex technologies to new products, changes in these estimates could result in additional allowances or changes to recorded allowances in future periods.

(v) Net income per share

Basic net income per share is calculated by dividing net income for the period attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted net income per share is calculated by using the treasury stock method for equity-based compensation. The diluted weighted average number of common shares outstanding is calculated by taking into account the dilution that would occur if the securities or other agreements for the issuance of common shares were exercised or converted into common shares at the later of the beginning of the period or the issuance date unless it is anti-dilutive. The treasury stock method is used to determine the dilutive effect of stock options. The treasury stock method recognizes the use of proceeds that could be obtained upon the exercise of options in computing diluted net income per share. It assumes that any proceeds would be used to purchase common shares at the average market price during the period. Only the Company's stock options have a dilutive potential on common shares.

(w) Share-based compensation

Stock options

The Company has a stock option plan for directors, officers, and employees of the Company. The options to purchase shares must be issued at not less than the fair value at the date of grant. Any consideration paid on the exercise of stock options, together with any share capital reserves recorded at the date the options vested, is credited to share capital. The Company calculates the fair value of share-based compensation awarded to an optionee using the Black-Scholes option-pricing model. The cost of the options granted is recognized and expensed over the vesting period in which service conditions are fulfilled. When an optionee leaves the Company, their vested options expire in 90 days. Forfeitures are estimated throughout the vesting period based on past experience and future expectations and adjusted upon actual option vesting. No expense is recognized for options that do not ultimately vest.

Performance Share Units (PSUs)

The Company has a performance share unit (“PSU”) plan which provides that PSUs may be granted to officers, employees and directors of the Company. Each PSU contains three tranches, each of which vest upon the achievement of certain closing market trading prices of the Company’s common shares for a period of twenty consecutive business days. Each PSU entitles the holder to acquire one common share of the Company when vested.

The Company calculates the fair value of the PSUs by performing a Monte Carlo simulation approach over the term of the PSUs. On the grant date, the Company estimates the estimated achievement date of each market condition. The cost of the PSUs granted is then recognized and expensed straight-line over a time frame calculated as the period from the grant date until the expected market condition achievement date. Forfeitures are estimated on grant based on past experience and future expectations, and the amount recognized in expense is adjusted upon vesting.

The PSU plan contains a net settlement feature by which the Company may withhold a number of common shares that, based on the publicly traded market price on the date of vest, have an aggregate value equal to the withholding taxes that would have been required to be withheld had the full amount of vested PSUs been issued in common shares. On issuance, the transaction is accounted for as though the entire amount of vested PSUs had been granted in common shares, and the Company subsequently re-purchased the withheld common shares at a market price.

(x) Treasury shares

Equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration paid is recognized within shareholders' equity. Treasury shares are immediately cancelled upon acquisition.

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

The following amended standards and interpretations issued by the IASB were adopted in fiscal 2024:

<u>Amendments to IAS 8 – Accounting policies, changes in accounting estimates and errors (IAS 8)</u>

On February 12, 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8) to help entities to distinguish between accounting policies and accounting estimates. The adoption of this amendment did not have a material impact on the Company's financial statements.

<u>Amendments to IAS 12 – Income Taxes – comprehensive balance sheet method</u>

On May 7, 2021, the IASB issued amendments to IAS 12 which includes a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test. The adoption of this amendment did not have a material impact on the Company's financial statements.

<u>Amendments to IAS 1 – Presentation of financial statements (IAS1)</u>

The IASB has issued amendments to IAS 1 Presentation of Financial Statements which require entities to disclose their "material" accounting policy information rather than their "significant" accounting policies. The amendments explain that accounting policy information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of the financial statements make on the basis of those financial statements. The amendments also clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial. This amendment is effective for annual periods beginning on or after January 1, 2023. The adoption of these amendments did not have a significant impact on the Company's financial statements.

(z) Accounting standards issued but not yet applied

The following new or amended standards and interpretations issued by the IASB are effective after the Company's June 30, 2024 year-end date and have not yet been adopted by the Company:

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

On January 23, 2020, the IASB issued amendments to IAS 1 in respect of the classification of liabilities as current or non-current. The amendments aim to promote consistency in applying the requirements by helping entities determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments become effective for annual reporting periods beginning on or after January 1, 2024.

(aa) Accounts receivable factoring

The Company utilizes accounts receivable factoring arrangements to manage cash flow. These arrangements are accounted for as a derecognition of accounts receivable when cash is received and the risks and rewards have transferred to the factor. If the risks and rewards do not transfer to the factor, the company will reflect a liability until settlement occurs.

(ab) Customer-based warrants

The Company issued warrants to a customer which vest based on multi-year spending targets being achieved. The warrants are accounted for as financial liabilities due to their conversion features and are remeasured to their fair market value at each reporting date until the earliest of settlement, cancellation or expiry. A binomial options pricing model was used to derive the fair value of customer-based warrants.

3. USE OF JUDGMENTS AND ESTIMATES

The preparation of the Company's consolidated financial statements, in conformity with IFRS Accounting Standards, requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require material adjustments in future periods to the carrying amount of the affected asset or liability.

(a) Use of judgments

Functional currency

The Company assesses the primary economic environment in which we operate by considering factors such as the currency for which sales of goods and services are denominated and settled, the country whose competitive forces and regulations mainly determine the sales prices of its goods and services and the currency that mainly influences labour, material and other costs of providing goods and services.

Sales by Vecima Networks Inc. are primarily transacted in U.S. dollars ("USD"). The cost of materials is denominated in both CAD and USD. The labour cost is denominated fully in CAD. Management pays close attention to gross margin, and the setting of prices in USD is influenced by costs which are primarily influenced by the CAD. Due to the mix of indicators for its primary economic environment, the Company assesses the secondary indicators of finance activities and receipts from operations. Equity and debt financing activities are both denominated in CAD and receipts from operations are retained primarily in CAD. Based on all these factors, the Company determined that the functional currency for the entities listed above is the CAD.

Sales by Vecima Technology Inc. (a subsidiary of the Company) are primarily transacted in USD. The cost of materials is denominated in USD. The labour cost is denominated fully in USD. Equity and debt financing activities are both denominated in USD and receipts from operations are retained primarily in USD. Based on all these factors, the Company determined that the functional currency for Vecima Technology Inc. is USD.

Sales by Vecima Solutions Corporation (a subsidiary of the Company) are primarily transacted in Japanese Yen ("JPY"). The cost of materials is denominated in JPY; however, certain purchases of inventory are made in USD. The labour cost is denominated fully in JPY. Equity and intercompany financing activities are denominated in both JPY and USD and receipts from operations are retained in Japanese Yen. Based on all these factors, the Company determined that the functional currency for Vecima Solutions Corporation is JPY.

Sales by Vecima Technology (UK) Ltd. (a subsidiary of the Company) are primarily transacted in Great British Pounds ("GBP"). The cost of materials is denominated in GBP. The labour cost is denominated fully in GBP. Equity and intercompany financing activities are denominated in either GBP or USD and receipts from operations are retained primarily in GBP. Based on all these factors, the Company determined that the functional currency for Vecima Technology (UK) Ltd. is GBP.

Sales by Vecima Technology B.V. (a subsidiary of the Company) are primarily transacted in Euro. The cost of materials is denominated in Euro. The labour costs is denominated fully in Euro. While equity transactions are denominated in CAD, intercompany financing activities and receipts from operations are denominated in Euro. Based on all these factors, the Company determined that the functional currency for Vecima Technology B.V. is Euro.

Sales by Vecima Technology (Qingdao) Co., Ltd. and Vecima Technology (Shanghai) Co., Ltd., (subsidiaries of the Company) are transacted in Renminbi (“RMB”). The cost of materials and labour costs are denominated in RMB. Equity and debt financing activities are both denominated in RMB and receipts from operations are retained in RMB. Based on all of these factors, the Company determined that the functional currency for Vecima Technology (Qingdao) Co., Ltd. and Vecima Technology (Shanghai) Co., Ltd. is RMB.

Revenue from contracts with customers and deferred revenue

Significant judgment may be required in determining the distinct performance obligations within a contract and the allocation of transaction price to multiple element performance obligations. When multiple performance obligations are identified in a contract, the transaction price is allocated based on the stand-alone selling price for each. If the stand-alone selling price is not observable, the Company estimates the stand-alone selling price for each distinct performance obligation based on a related cost plus margin, taking into account reasonably available information relating to the market conditions, entity-specific factors, and the class of customer.

Deferred revenue consists of service contracts and upfront customer activation and connection fees where billings are recorded and received prior to the rendering of the associated service. Deferred revenue may be impacted by the allocation of the transaction price where a component of the contract includes such services. Billings for services are recognized as revenue in the period in which the services are provided. Upfront customer activation and connection fees are recognized over the expected term of the customer relationship.

Deferred development costs

Development costs are capitalized in accordance with the accounting policy in Note 2(m). Capitalization of costs is initiated based on management's judgment that technological and economic feasibility is confirmed, usually when the research project is approved to begin development. In assessing whether these costs are impaired, management makes assumptions regarding the expected future cash flows from the project, discount rates to be applied and the expected periods of benefit.

Income taxes

We make certain judgments in interpreting tax rules and regulations when we compute income tax expense; and when we evaluate whether a deferred tax asset can be recovered based on an assessment of existing tax laws, estimates of future profitability and tax planning strategies.

Leases

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

- identifying or determining if a contract is or contains an identified asset – the identified asset should be physically distinct or represent all or substantially all of the capacity of the asset, and should provide the right to all or substantially all of the economic benefits from the use of the identified asset;
- determining which interest rate to use in measuring the present value of the lease liability for each lease – the incremental borrowing rate should reflect the interest that would have to be paid to borrow at a similar term and with similar security; and
- determining, with reasonable certainty, whether the Company will exercise an option to extend or an option not to terminate a lease contract – this will be based on an assessment of the expected economic return from the lease.

(b) Use of estimates

Impairment of non-financial assets

Impairment exists when the carrying value of a tangible asset, intangible asset or cash-generating unit, including goodwill, exceeds its recoverable amount, which is the higher of its fair value less cost of disposal and its value-in-use. The value-in-use calculation is based on a discounted cash flow model, where the cash flow is derived from the budget extrapolated over the next three to five years, exclusive of restructuring activities or significant future investments to enhance the asset's performance. The recoverable amount is most sensitive to the discount rate used as well as the expected future cash inflows and growth rate used to extrapolate beyond the three to five years.

Share-based compensation

The Company measures the cost of share-based compensation transactions with reference to the fair value of the options issued at the date they were granted. Estimated fair value for share-based compensation transactions requires the determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility, forfeiture rate and risk-free rate. The assumptions and models used for estimating fair value for share-based compensation are disclosed in Note 19(c).

Income taxes

The amounts of deferred tax assets and liabilities are estimated with consideration given to the timing, source and amounts of future taxable income together with tax planning strategies.

(in thousands of dollars except otherwise noted)

Leases

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

Other areas

Other key areas of estimation where management is required to make subjective estimates, often as a result of matters that are inherently uncertain, include:

- the assessment of the carrying values of allowances for doubtful accounts and inventory obsolescence;
- the capitalization of overhead;
- the useful lives of property, plant and equipment; and the useful lives of intangible assets; and
- provisions, contingent liabilities and the fair value of financial assets.
- valuation of customer-based warrants

4. CASH AND CASH EQUIVALENTS

The Company had cash on hand of $2,136 as at June 30, 2024 (June 30, 2023 - $2,278) and $nil in cash equivalents (June 30, 2023 - $nil).

5. ACCOUNTS RECEIVABLE

As at June 30,		**2024**		2023
Trade receivables	$	69,192	$	56,039
Less: allowance for doubtful accounts		(3)		(10)
Total trade receivables		**69,189**		**56,029**
Goods and services tax		834		298
Foreign exchange contracts		–		581
Government grants receivable		–		647
Other receivables		116		107
Total accounts receivable	**$**	**70,139**	**$**	**57,662**

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.

The government grant receivable for the year ended June 30, 2024 consists of a research and development tax credit from the State of Georgia in the amount of $nil (June 30, 2023 - $674). Refer to Note 12 - *Government Grants* for further details.

During the year ended June 30, 2024, the Company entered into a factoring arrangement with a bank for certain of the Company's accounts receivable. During the year ended June 30, 2024, the Company factored accounts receivable of $58,222 under this program and incurred factoring expenses of $289. As at June 30, 2024, $473 of outstanding accounts receivable were selected for factoring and will be received in July 2024.

(in thousands of dollars except otherwise noted)

Included in trade receivables is the allowance for doubtful accounts used to record the impairment of the receivable prior to being written off. The details of the allowance for doubtful accounts is in the table below:

Balance, July 1, 2022	$	4
Addition to allowance		7
Write-offs		(1)
Balance, June 30, 2023		**10**
Write-offs		(7)
Balance, June 30, 2024	**$**	**3**

6. INVENTORIES

As at June 30,		**2024**		2023
Raw materials	$	86,401	$	41,235
Work-in-progress		14,594		5,086
Finished goods		35,045		55,280
Total inventory	**$**	**136,040**	**$**	**101,601**

During the year ended June 30, 2024, inventories of $123,463 (June 30, 2023 - $125,127) were expensed through cost of sales. Write-downs of inventory that were included in the cost of sales for the year ended June 30, 2024 were $448 (June 30, 2023 - $510). Write-downs of inventory that were included in sales and marketing for the year ended June 30, 2024 were $990 (June 30, 2023 - $987). Reversals of write-downs were $395 during the year ended June 30, 2024 (June 30, 2023 - $116). For the year ended June 30, 2024, the carrying amount of inventory recorded at net realizable value was $1,177 (June 30, 2023 - $1,737) with the remaining inventory recorded at cost.

7. PREPAID EXPENSES AND OTHER CURRENT ASSETS

As at June 30,		**2024**		2023
Payments for contract manufacturer inventory purchases and expedite fees	$	2,250	$	9,057
Software licenses		2,069		1,574
Insurance		482		94
Other		1,831		2,970
Total prepaid expenses and other current assets	**$**	**6,632**	**$**	**13,695**

(in thousands of dollars except otherwise noted)

8. PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements & building	Lab, operating & production equipment	Other Equipment [2]	Total
At cost					
At July 1, 2022 [1]	$ 321	$ 10,009	$ 25,604	$ 13,791	$ 49,725
Additions	–	148	2,013	738	2,899
Disposals	–	–	(860)	(25)	(885)
Effect of foreign exchange	–	17	54	(31)	40
At June 30, 2023 [1]	**321**	**10,174**	**26,811**	**14,473**	**51,779**
Additions	–	146	2,006	358	2,510
Disposals	–	(2,169)	(456)	(14)	(2,639)
Effect of foreign exchange	–	22	193	72	287
At June 30, 2024	**$ 321**	**$ 8,173**	**$ 28,554**	**$ 14,889**	**$ 51,937**
Accumulated depreciation					
At July 1, 2022 [1]	$ –	$ 3,505	$ 17,823	$ 11,914	$ 33,242
Depreciation	–	360	2,276	780	3,416
Disposals	–	–	(518)	(24)	(542)
Effect of foreign exchange	–	9	(6)	(23)	(20)
At June 30, 2023 [1]	**–**	**3,874**	**19,575**	**12,647**	**36,096**
Depreciation	–	434	3,267	1,045	4,746
Disposals	–	(757)	(250)	(11)	(1,018)
Effect of foreign exchange	–	19	160	26	205
At June 30, 2024	**$ –**	**$ 3,570**	**$ 22,752**	**$ 13,707**	**$ 40,029**
Net book value					
At June 30, 2023 [1]	$ 321	$ 6,300	$ 7,236	$ 14,496	$ 15,683
At June 30, 2024	**$ 321**	**$ 4,603**	**$ 5,802**	**$ 1,182**	**$ 11,908**

[1] *The comparative figures have been reclassified to conform with current year presentation.*
[2] *Other equipment includes furniture, computer hardware, and automotive equipment.*

In the fourth quarter of fiscal 2024, the Company disposed of property, plant and equipment with a carrying value of $1,405 attributed to its office building located at 771 Vanalman Avenue, Victoria, BC. The Company received gross proceeds of $3,950, less $89 in transaction costs, resulting in a gain on disposal of assets of $2,456 which has been recorded in Other expenses on the Company's consolidated statements of comprehensive income.

Additions for the year ended June 30, 2024 were $2,510 (June 30, 2023 - $2,899), all of which were acquired for cash consideration.

During the year, the Company reviewed its depreciation of property, plant and equipment and has determined that the straight-line method is more representative of matching the future benefit and expense over the useful life of the assets. As a result of this change in estimate, the Company booked an additional $1,326 in depreciation expense in fiscal 2024.

(in thousands of dollars except otherwise noted)

The following estimated useful lives have been applied to property, plant and equipment assets at June 30, 2024 and June 30, 2023:

	Estimated useful life
Land improvements and building	5 to 40 years
Lab, operating and production equipment	3 to 7 years
Other equipment [1]	1 to 5 years

[1] *Other equipment includes furniture, computer hardware, and automotive equipment.*

Depreciation of property, plant and equipment included in cost of sales, research and development, sales and marketing, and general and administrative expenses is as follows:

Years ended June 30,		**2024**		2023
Cost of sales	$	409	$	189
Research and development		415		429
Sales and marketing		201		316
General and administrative		3,721		2,482
Depreciation for the year	**$**	**4,746**	**$**	**3,416**

9. RIGHT-OF-USE ASSETS

For the years ended June 30, 2024 and 2023, the Company's right-of-use assets solely comprised of real estate leases. The table below provides details of the Company's right-of-use assets:

At cost		
At July 1, 2022	$	6,477
Additions		1,083
Effect of foreign exchange		(11)
At June 30, 2023		**7,549**
Additions		3,584
Dispositions, retirements and other		(4,001)
Effect of foreign exchange		25
At June 30, 2024	**$**	**7,157**
Accumulated depreciation		
At July 1, 2022	$	3,851
Additions		1,355
Effect of foreign exchange		(21)
At June 30, 2023		**5,185**
Additions		1,286
Dispositions, retirements and other		(4,001)
Effect of foreign exchange		17
At June 30, 2024	**$**	**2,487**
Net book value		
At June 30, 2023	$	2,364
At June 30, 2024	**$**	**4,670**

(in thousands of dollars except otherwise noted)

10. GOODWILL

At July 1, 2022	$	14,813
Effect of foreign exchange		236
At June 30, 2023		**15,049**
Effect of foreign exchange		259
At June 30, 2024	**$**	**15,308**

For the year ended June 30, 2024, goodwill includes $3,476 attributable to brand (June 30, 2023 - $3,367).

Impairment testing of goodwill

For the purposes of impairment testing at the end of the reporting period, the indefinite-life intangible assets and goodwill are allocated to cash generating units (CGUs), which represent the lowest level at which indefinite-life intangible assets are monitored for internal management purposes. The Company's recorded goodwill has a carrying value which consists of $6,111 relating to the Telematics segment, $9,070 relating to the Content Delivery and Storage segment, and $127 relating to the Video and Broadband Solutions segment (June 30, 2023 - $6,111, $8,815, and $123, respectively). The recoverable amount of the segment and the associated CGUs are based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management covering the next fiscal year, extrapolated based on projected growth and achieving key operating objectives for a period of less than five years. There is a material degree of uncertainty with respect to the estimates of the recoverable amount of the cash generating units' assets given the necessity of making key economic assumptions about the future.

The value-in-use calculation uses discounted cash flow projections which employ the following key assumptions: future cash flows and growth projections, including economic risk assumptions and estimates of achieving key operating metrics and drivers; and the weighted average cost of capital. The projected cash flows have been prepared based on management's past experience and expected demand and cost for the products. The pre-tax discount rate applied to cash flow projections reflect the current market assessment of risk and was based on an estimate of weighted average cost of capital taking into account assessments by third party experts. The pre-tax discount rates used in our testing of the CGU's ranged between 14.3% and 18.3%. As a result of this analysis, management has not identified any impairment for the Company's CGU's.

(in thousands of dollars except otherwise noted)

11. INTANGIBLE ASSETS

	Indefinite-life intangible assets	Finite-life intangible assets				
	Spectrum and other licenses	**Customer contracts**	**Patents**	**Intellectual property**	**Deferred development costs**	**Total**
At cost						
At July 1, 2022 (1)	$ 104	$ 20,218	$ 1,099	$ 10,910	$ 77,621	$ 109,952
Additions	–	–	113	–	23,343	23,456
Investment tax credits	–	–	–	–	(1,658)	(1,658)
Writedown, fully amortized	–	–	–	–	(1,902)	(1,902)
Effect of foreign exchange	2	407	12	195	300	916
At June 30, 2023 (1)	**106**	**20,625**	**1,224**	**11,105**	**97,704**	**130,764**
Additions	–	–	149	–	27,395	27,544
Investment tax credits	–	–	–	–	(1,284)	(1,284)
Writedown, fully amortized	–	–	–	–	(6,817)	(6,817)
Transfer to deferred development costs	–	–	–	(445)	445	–
Effect of foreign exchange	1	437	13	207	1,029	1,687
At June 30, 2024	**$ 107**	**$ 21,062**	**$ 1,386**	**$ 10,867**	**$ 118,472**	**$ 151,894**
Accumulated amortization						
At July 1, 2022 (1)	$ –	$ 10,617	$ 690	$ 6,582	$ 16,146	$ 34,035
Amortization	–	1,960	119	1,186	11,981	15,246
Writedown, fully amortized	–	–	–	–	(1,902)	(1,902)
Effect of foreign exchange	–	183	5	109	97	394
At June 30, 2023 (1)	**–**	**12,760**	**814**	**7,877**	**26,322**	**47,773**
Amortization	–	1,973	119	1,178	12,970	16,240
Writedown, fully amortized	–	–	–	–	(6,817)	(6,817)
Effect of foreign exchange	–	283	7	180	335	805
At June 30, 2024	**$ –**	**$ 15,016**	**$ 940**	**$ 9,235**	**$ 32,810**	**$ 58,001**
Net book value						
At June 30, 2023 (1)	$ 106	$ 7,865	$ 410	$ 3,228	$ 71,382	$ 82,991
At June 30, 2024	**$ 107**	**$ 6,046**	**$ 446**	**$ 1,632**	**$ 85,662**	**$ 93,893**

(1) *The comparative figures have been reclassified to conform with current year presentation.*

Amortization of customer contracts and patents is recognized in general and administrative expenses. Amortization of deferred development costs and intellectual property is recognized in research and development expenses.

The aggregate amount of research and development expenditures during the year ended June 30, 2024 was $58,729 (June 30, 2023 - $57,428).

(in thousands of dollars except otherwise noted)

12. GOVERNMENT GRANTS

	Job Grants	Research and development tax credit [1]	Total
At July 1, 2022	$ 19	$ 774	$ 793
New grants claimed	–	676	676
Grants received	(19)	(832)	(851)
Effect of foreign exchange	–	29	29
At June 30, 2023	**–**	**647**	**647**
Grants received	–	(647)	(647)
At June 30, 2024	**$ –**	**$ –**	**$ –**

[1] *Research and development tax credit program is by the State of Georgia.*

In the fourth quarter of 2023, the Company applied for a research and development tax credit with the State of Georgia in the amount of $676, which related to the 2022 fiscal period. The application for the tax credit was submitted in April 2023 with the Company's 2022 state corporate tax return. The tax credit allows the Company to incrementally offset its state payroll tax withholdings each pay period, until the tax credit is used. The tax credit is not dependent upon the Company having taxable income in the State of Georgia and is not considered part of income taxes. We reported the original tax credit in the fourth quarter of 2023 as a government grant receivable in the amount of $676, with a corresponding offset to accrued liabilities.

As at June 30, 2024, the government grant receivable was $nil (June 30, 2023 - $647). During the year ended June 30, 2024, cost of sales was reduced by $80 while operating expenses were reduced by $500 (June 30, 2023 - $108 and $607, respectively).

13. INVESTMENT TAX CREDITS

During the year ended June 30, 2024, the Company recorded investment tax credits of $1,419 (June 30, 2023 - $1,775), with a $1,284 (June 30, 2023 - $1,658) reduction to deferred development costs and a $135 (June 30, 2023 - $117) reduction to research and development expenses.

(in thousands of dollars except otherwise noted)

14. INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary and non-current carry-forward differences between the carrying amounts of assets and liabilities for financial reporting purposes and the associated amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

Years ended June 30,		**2024**		2023
Provision for warranties	$	61	$	217
Lease liabilities		469		613
Non-capital losses		946		824
Property, plant and equipment		2,216		1,541
Right-of-use assets		(480)		(489)
Research and development expenditures		27,435		17,806
Accrued expenses		596		538
Unrealized foreign exchange gains		541		(420)
Accrued retirement		–		134
Intangible assets		(12,968)		(12,199)
Inventory Reserve		–		1,384
Deferred Revenue		1,287		989
Other		1,317		638
Net total deferred tax asset	**$**	**21,420**	**$**	**11,576**
Deferred tax asset	**$**	**21,420**	**$**	**11,576**

The Company has recognized deferred tax assets in the amount of $21,420 (June 30, 2023 - $11,576), the utilization of which is dependent on the future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. The recognition of these deferred tax assets is based on taxable income forecasts that incorporate existing circumstances that will result in positive taxable income against which non-capital losses and deductible temporary differences can be utilized.

Significant components of the provision for income taxes attributable to operations are as follows:

Years ended June 30,		**2024**		2023
Income tax expense	$	10,763	$	11,178
Deferred income tax recovery		(9,620)		(4,789)
Total income tax expense	**$**	**1,143**	**$**	**6,389**

(in thousands of dollars except otherwise noted)

The provision for income taxes differs from the amount that would be computed by applying the Canadian federal and provincial substantively enacted income tax rates. The reasons for the differences are as follows:

Years ended June 30,		**2024**		2023
Income before income taxes	$	20,534	$	33,601
Substantively enacted tax rates		25.7 %		25.7 %
Tax computed at Canadian statutory income tax rates	**$**	**5,277**	**$**	**8,635**
Differences in substantively enacted future tax rates		64		(106)
Foreign tax rate differential		(774)		(1,048)
Expenses not deductible for tax purposes [1]		281		448
Federal and state tax credits		(2,947)		(1,873)
Other [2]		(758)		333
Total income tax expense	**$**	**1,143**	**$**	**6,389**
Effective income tax rate		5.6 %		19.0 %

[1] *Expenses not deductible for tax purposes consists primarily of interest and penalties, stock-based compensation expense, foreign expenses, expired ITC carryforwards, and meals and entertainment.*

[2] *Other items primarily include prior year deferred income tax true-up amounts and effects of foreign exchange.*

In the United States, for tax years beginning on or after January 1, 2022, the Tax Cuts and Jobs Act of 2017 eliminated the option to deduct research and development expenditures, including software development, as defined under IRC Section 174, in the year incurred. Instead, taxpayers are required to amortize such expenditures over five years if incurred in the U.S. and over fifteen years if incurred in a foreign jurisdiction. This new requirement is expected to result in significantly higher taxable income in the current year. The capitalization of these costs is reflected in the research and development expenditures line item in our deferred tax inventory summary above.

15. REVOLVING LINE OF CREDIT

The Company maintains an authorized line of credit of $85,000 (June 30, 2023 - $55,000) of which $51,732 was drawn on as of June 30, 2024 (June 30, 2023 - $20,513). The line of credit is secured by a general security agreement and is limited to a maximum amount available of 75% of accounts receivable and 40% of certain inventory (to a maximum of $42,500). Interest on the outstanding line of credit is calculated at prime plus 0.5%. The prime rate at June 30, 2024 was 6.70% (June 30, 2023 - 6.70%). As at June 30, 2024, the Company had no outstanding letters of credit (June 30, 2023 - $15,907) with its suppliers.

The line of credit is subject to customary borrowing covenants, such as minimum current ratio, senior debt to EBITDA ratio, and debt service coverage ratio. As at June 30, 2024, the Company was in compliance with all covenants related to the line of credit.

16. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at June 30,		**2024**		2023
Accounts payable	$	36,344	$	19,260
Accrued liabilities		21,239		27,902
Total accounts payable and accrued liabilities	**$**	**57,583**	**$**	**47,162**

The carrying value of accounts payable and accrued liabilities are considered to be a reasonable approximation of fair value due to their short-term nature.

(in thousands of dollars except otherwise noted)

17. PROVISIONS

	Warranty	Restructuring costs	Onerous contracts	Other	Total
At July 1, 2022	$ 489	$ –	$ 26	$ 510	$ 1,025
Additions	467	1,236	–	234	1,937
Amounts utilized	(336)	(61)	(26)	(160)	(583)
Effect of foreign exchange	5	–	–	(19)	(14)
At June 30, 2023	**625**	**1,175**	**–**	**565**	**2,365**
Additions	431	–	–	261	692
Amounts utilized	(625)	(1,175)	–	(265)	(2,065)
Effect of foreign exchange	–	–	–	(26)	(26)
At June 30, 2024	**$ 431**	**$ –**	**$ –**	**$ 535**	**$ 966**
Current portion	$ 431	$ –	$ –	$ 160	$ 591
Long-term portion	$ –	$ –	$ –	$ 375	$ 375

The warranty provision is based on the Company's prior years' experience.

In June 2023, the Company incurred incremental, non-recurring restructuring costs in the amount of $1,236 as a result of a reduction in force of approximately 9% of existing employees. This amount represents severance costs related to the reorganization of primarily the research and development and operational departments to better align operations with the Company’s fiscal 2024 expectations.

18. LONG-TERM DEBT

As at June 30,	**2024**	2023
Term credit facility	$ 831	$ 1,071
Term loan facility	11,845	12,200
Insurance financing	367	364
Lease liabilities	4,789	2,748
Total term facilities and lease liabilities	**$ 17,832**	**$ 16,383**
Current portion of term facilities and lease liabilities	$ 2,433	$ 2,260
Long-term portion of term facilities and lease liabilities	$ 15,399	$ 14,123

Term credit facility

The term credit facility is with a Canadian chartered bank. The facility is repayable in monthly installments of $21 principal plus interest at Prime of 6.70% (June 30, 2023 - $21, and 6.70%, respectively), expires in October 2024 and is collateralized by a general security agreement. The Company has an authorized loan amount of $3,792 and annually renews this facility with the bank.

Term loan facility

The term loan facility is with a Canadian chartered bank and was amended from interest only payments to a Canadian Overnight Repo Rate Average ("CORRA") loan in fiscal 2024. The facility is repayable in monthly installments of $51 principal plus interest at the CORRA rate of 4.80% plus 0.30% (June 30, 2023 – 6.70%), expires in October 2024 and is collateralized by a general security agreement. The Company has an authorized loan amount of $12,200 and annually renews this facility with the bank.

(in thousands of dollars except otherwise noted)

Insurance financing loan

The Company obtained a short-term loan with its insurance provider to finance its insurance requirements. The financing carries an interest rate of 3.6% and is repayable in 11 monthly installments of $58.

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

Assuming that the existing payment terms are the same at the renewal date, the following are the future principal repayments for the term credit and loan facilities as at June 30, 2024:

2025	$	1,329
2026		1,090
2027		610
2028		610
2029		610
Thereafter		8,794
Total future repayments	**$**	**13,043**

Lease liabilities:

The following is a reconciliation of the Company's lease liabilities as at June 30, 2024:

Years ended June 30,		**2024**		2023
Lease liabilities, beginning of year	$	2,748	$	3,292
Net additions during the year		3,566		1,083
Interest on lease liabilities		117		156
Principal repayments of lease liabilities		(1,646)		(1,805)
Effect of foreign exchange		4		22
Lease liabilities, end of year	**$**	**4,789**	**$**	**2,748**
Current portion	$	1,164	$	1,479
Long-term portion	$	3,625	$	1,269

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

As at June 30,		**2024**
Within one year	$	1,339
After one year but not more than five years		3,796
More than five years		410
Total contractual lease payments	**$**	**5,545**

(in thousands of dollars except otherwise noted)

19. SHARE CAPITAL

(a) Share capital

The Company has authorized share capital of an unlimited number of common shares with no par value and an unlimited number of preferred shares with no par value. The table below provides details of common shares outstanding and their carrying value.

	Number of Shares		Carrying Value
Balance July 1, 2022	23,101,002	$	7,935
Common shares issued	957,880		15,926
Shares issued by exercising options	41,375		502
Performance Share Units settled in common shares	333,398		2,426
Shares withheld for taxes to settle performance share units	(132,061)		(2,792)
Balance, June 30, 2023	**24,301,594**		**23,997**
Shares issued by exercising options	10,000		120
Balance, June 30, 2024	**24,311,594**	**$**	**24,117**

On December 14, 2022, the Company closed two common share offerings for the sale of 957,880 common shares at a price of $17.75 per share with total aggregate gross proceeds of $17,002. Share issuance costs in connection with this share offering amounted to $1,076, resulting in net proceeds of $15,926.

The Company issued nil common shares through the exercise of options during the year ended June 30, 2023 (June 30, 2023 - 41,375) for cash consideration of $nil (June 30, 2023 - $396).

(b) Reserves

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

(c) Share-based compensation

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

Years ended June 30,		**2024**		2023
Stock options	$	45	$	15
Performance share units		988		2,487
Total share-based compensation	**$**	**1,033**	**$**	**2,502**

Stock option plan

The Company has established a stock option plan pursuant to which options to acquire common shares may be issued to officers, directors and employees of the Company. The term, vesting period, exercise price, and number of common shares, relating to each option will be determined by the Company's Board of Directors at the time options are granted, but will not be more favourable than those permitted under applicable securities legislation and/or regulation. Typically, options are granted for six years with vesting based on either time-based service or performance and are equity settled. The Company's stock option plan is subject to the rules and policies of any stock exchange on which the common shares are listed. The total number of common shares of the Company that will be issued pursuant to the Company's stock option plan will not exceed 10% of the issued and outstanding shares of the Company at any given time. Options granted under the Company's stock option plan are not assignable.

(in thousands of dollars except otherwise noted)

Changes in the stock option plan for the years ended June 30, 2024 and 2023 are as follows:

(in number of units, except prices)	**Number of Options**		**Weighted average exercise price per option**
Outstanding, July 1, 2022	71,687	$	10.15
Granted	13,000		18.94
Cancelled	(6,000)		(13.10)
Exercised	(41,375)		(9.57)
Outstanding, June 30, 2023	**37,312**		**13.39**
Granted	9,000		17.14
Exercised	(312)		(9.50)
Cancelled	(10,000)		(9.50)
Outstanding, June 30, 2024	**36,000**	**$**	**15.44**
Vested and exercisable, June 30, 2024	**18,316**	**$**	**13.07**

For the year ended June 30, 2024, the weighted average trading price for exercised options was $16.48 per share (June 30, 2023 - $20.78 per share).

At June 30, 2024, the exercise prices ranged from $8.25 to $22.11 per share (June 30, 2023 - $8.25 to $22.11), with the weighted average exercise price being $15.44 per share (June 30, 2023 - $13.39 per share). The options outstanding at June 30, 2024 have a weighted average contractual life of 3.63 years (June 30, 2023 - 3.06 years).

	Options outstanding				**Options exercisable**		
	Number	**Weighted average remaining life**		**Weighted average exercise price per option**	**Number**		**Weighted average exercise price per option**
$8.25 to $13.89	13,000	1.71	$	10.80	12,313	$	10.63
$13.90 to $16.96	14,000	4.60		16.66	4,440		16.66
$16.96 to $22.11	9,000	4.90		20.25	1,563		22.11
	36,000	**3.63**	**$**	**15.44**	**18,316**	**$**	**13.07**

<u>Stock option assumptions</u>

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

(in thousands of dollars except otherwise noted)

The weighted average estimated fair value for the common share options granted during the year ended June 30, 2024 was $43 (June 30, 2023 - $53). Management used the following assumptions within the Black-Scholes option-pricing model:

Years ended June 30,	**2024**	2023
Weighted average share price	$ 17.14	$ 18.94
Expected option life	6 years	6 years
Risk-free rate of return	3.89%	3.41%
Volatility factor	27.71%	23.47%
Expected dividends	1.29%	1.30%
Forfeiture rate	4.75%	4.54%

Performance share unit ("PSU") plan

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

During the year ended June 30, 2024, the Company issued 138,559 PSUs (June 30, 2023 - 373,600 PSUs) to eligible persons under the PSU plan. 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. During the year, nil PSUs vested (June 30, 2023 - 333,398 PSUs vested in four tranches) and were settled via the issuance of common shares. The Company withheld nil common shares (June 30, 2023 - 132,061 common shares) at an aggregate value of nil (June 30, 2023 - $2,792) to settle withholding tax obligations on the issuance of the common share awards. This was accounted for as a reduction to equity.

A summary of PSU activity during the years ended June 30, 2024 and 2023 is as follows:

	Number of PSUs
PSUs outstanding as at July 1, 2022	210,283
Granted	373,600
Forfeited	(8,250)
Settled	(333,398)
PSUs outstanding as at June 30, 2023	**242,235**
Granted	138,559
Forfeited	(12,000)
PSUs outstanding as at June 30, 2024	**368,794**

<u>PSU valuation methodology and assumptions</u>

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.

(in thousands of dollars except otherwise noted)

20. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregated revenue

In the following table, gross revenue from contracts with customers is disaggregated by reporting segment and type. Refer to Note 24 - *Segmented Financial Information* for additional segmented financial information.

	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total
For the year ended June 30, 2024				
Product sales	$ 221,106	$ 23,745	$ 1,011	$ 245,862
Provision of services	14,981	24,474	5,730	45,185
Total sales	**$ 236,087**	**$ 48,219**	**$ 6,741**	**$ 291,047**
For the year ended June 30, 2023				
Product sales	$ 230,027	$ 30,102	$ 881	$ 261,010
Provision of services	15,056	22,181	5,190	42,427
Total sales	**$ 245,083**	**$ 52,283**	**$ 6,071**	**$ 303,437**

(b) Contract assets

Contract assets arise primarily as a result of the difference between revenue recognized on the fulfillment of a non-recurring performance obligation at the onset of a term contract and the cash collected or receivable at the point of sale. Recognition of revenue requires the estimation of total consideration over the contract term and the allocation of that consideration to all performance obligations in the contract based on the stand-alone selling prices. The Company reclassifies contract assets to trade receivables once the customer is invoiced and the right to consideration is unconditional.

Contract assets also arise due to the treatment of costs incurred in acquiring customer contracts. IFRS 15 requires contract acquisition costs, such as sales commissions, to be recognized as an asset and amortized into cost of sales expense over the term of the contract. Commission costs paid to internal and external representatives as a result of obtaining contracts with customers are deferred and amortized to cost of sales expense consistent with the transfer of goods and services to the customer. Telematics deferred commission costs attributable to subscription service is amortized over 24 or 36 consecutive months. The Company has elected to utilize the practical expedient that allows the Company to recognize the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that would have been recognized is 12 months or less.

(in thousands of dollars except otherwise noted)

Years ended June 30,		**2024**		2023
Balance, beginning of year	$	3,329	$	2,010
Net additions arising from operations		2,153		2,877
Amounts billed during the year and reclassified as accounts receivable		(2,439)		(835)
Deferred costs recognized as expense in the year		(562)		(481)
Effect of change in foreign currency exchange rates		64		(242)
Balance, end of year	**$**	**2,545**	**$**	**3,329**
To be billed and reclassified to accounts receivable during next 12 months	$	1,682	$	2,145
Deferred costs to be recognized as expense during next 12 months		455		562
Current portion, contract assets		**2,137**		**2,707**
Thereafter (included in other long-term assets)	$	408	$	622

(c) Deferred revenue

Contract liabilities, which includes deferred revenues, represent the future performance obligations to customers in respect of services or customer activation fees for which consideration has been received upfront and is recognized over the expected term of the customer relationship. The Company has elected to apply the practical expedient that allows the Company not to disclose the unsatisfied portions of performance obligations under contracts where the revenue we recognize is equal to the amount invoiced to the customer.

Contract liability balances, the changes in those balances, the future periods the performance obligations are expected to be satisfied, and revenue recognized are set out in the following table:

Years ended June 30,		**2024**		2023
Balance, beginning of year	$	19,802	$	16,594
Revenue deferred in previous period and recognized in current period		(15,342)		(12,510)
Net additions arising from operations		14,278		15,473
Effect of change in foreign currency exchange rates		629		245
Balance, end of year	**$**	**19,367**	**$**	**19,802**
Revenue to be recognized in the future				
Within one year	$	15,856	$	15,086
Between two to five years	$	3,511	$	4,716

(in thousands of dollars except otherwise noted)

21. OTHER EXPENSE

Years ended June 30		**2024**		2023
Advisory fees, net	$	2,532	$	–
Contract cancellation fees		633		1,769
Settlement on software support costs		606		–
(Gain) loss on sale of property, plant and equipment		(2,357)		71
Other expense		391		31
Total other expense	**$**	**1,805**	**$**	**1,871**

Advisory fees incurred in the year are primarily related to cots associated with the failed acquisition of certain Cable Business assets of Casa Systems Inc. and other strategic M&A activity pursued by management in the second half of fiscal 2024.

22. FINANCE EXPENSE

Years ended June 30,	Note		**2024**		2,023
Interest income		$	(12)	$	(20)
Operating line interest expense			5,614		1,404
Term credit facility interest expense			862		829
Accounts receivable factoring costs	5		289		–
Other expense			254		1
Finance expense before interest on lease liabilities			**7,007**		**2,214**
Interest expense on lease liabilities	18		117		156
Total finance expense		**$**	**7,124**	**$**	**2,370**

During the year ended June 30, 2024, the Company entered into a factoring arrangement with a major customer and a US chartered bank, through which the Company could elect to expedite its accounts receivables, in-part or in-full, from the customer by paying the bank a 1.63% fee. In accordance with IFRS 9, this fee is recorded as a derecognition loss and has been included in Finance expenses on the Company's consolidated statements of comprehensive income. During the year ended June 30, 2024, the Company recognized a derecognition loss of $289 in accordance with the factoring arrangement.

23. NET INCOME PER SHARE

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

Years ended June 30,		**2024**		2023
Net income	$	19,391	$	27,212
Weighed average number of shares outstanding:				
Basic		24,307,418		23,712,384
Dilution adjustment for stock options		25,989		24,100
Diluted	**$**	**24,333,407**	**$**	**23,736,484**
Net income per share: basic	$	0.80	$	1.15
Net income per share: diluted	$	0.80	$	1.15

(in thousands of dollars except otherwise noted)

Stock options and warrants could potentially dilute basic net income per share in the future. Dilutive stock options and warrants are calculated using the treasury stock method. For the year ended June 30, 2024, there were 25,312 dilutive stock options (June 30, 2023 - 28,327) which resulted in a dilution of adjustment of 7,469 shares (June 30, 2023 - 24,100), with the remaining 10,688 outstanding options (June 30, 2023 - 13,212) being anti-dilutive. For the year ended June 30, 2024, there were 361,050 warrants (June 30, 2023 - nil) which resulted in a dilution adjustment of 18,520 shares (June 30, 2023 - nil).

24. SEGMENTED FINANCIAL INFORMATION

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

Segments

For the year ended June 30, 2024	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total
Sales	$ 236,085	$ 48,220	$ 6,742	$ 291,047
Cost of sales	131,304	20,887	2,191	154,382
Gross profit	**104,781**	**27,333**	**4,551**	**136,665**
Operating expenses	58,269	24,123	2,405	84,797
Depreciation and amortization	15,052	5,871	1,352	22,275
Operating income (loss)	**31,460**	**(2,661)**	**794**	**29,593**
Finance expense				(7,124)
Foreign exchange loss				(1,935)
Income tax expense				(1,143)
Net income				**$ 19,391**
Total assets	$ 336,670	$ 38,364	$ 12,789	**$ 387,823**
Total liabilities	$ 130,434	$ 20,968	$ 1,461	**$ 152,863**

(in thousands of dollars except otherwise noted)

For the year ended June 30, 2023		Video and Broadband Solutions		Content Delivery and Storage		Telematics		Total
Sales	$	245,083	$	52,283	$	6,071	$	303,437
Cost of sales		134,961		24,544		1,961		161,466
Gross profit		**110,122**		**27,739**		**4,110**		**141,971**
Operating expenses		63,029		23,408		2,227		88,664
Depreciation and amortization		12,764		6,052		1,201		20,017
Operating income (loss)		**34,329**		**(1,721)**		**682**		**33,290**
Finance expense								(2,370)
Foreign exchange gain								2,681
Income tax expense								(6,389)
Net income							**$**	**27,212**
Total assets	$	276,171	$	42,744	$	12,771	**$**	**331,686**
Total liabilities	$	91,780	$	20,737	$	1,516	**$**	**114,033**

Geographical region

Years ended June 30,		**2024**		2023
Sales to external customers:				
United States	$	261,177	$	259,916
Canada		15,854		18,581
Japan		8,902		13,362
Europe		3,525		6,172
Other		1,589		5,406
Total sales	**$**	**291,047**	**$**	**303,437**

As at June 30,		**2024**		2023
Non-current assets:				
United States	$	65,344	$	46,938
Canada		103,301		102,954
Japan		534		697
Europe		296		21
Mexico		–		1,154
China		766		1,449
Total non-current assets	**$**	**170,241**	**$**	**153,213**

(in thousands of dollars except otherwise noted)

Sales to major customers

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

Years ended June 30,	**2024**	2023
Customer A	$ 162,556	$ 151,566
Customer B	35,038	45,387
Total sales to major customers	**$ 197,594**	**$ 196,953**

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

25. FAIR VALUE HIERARCHY

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

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

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

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

During the year ended June 30, 2024, there were no transfers between Level 1 and Level 2 fair value classifications. As at June 30, 2024, the Company had customer-based warrants which are classified as Level 2. Refer to Note 27 - Customer-based warrants for further information. As at June 30, 2023, the Company held three forward foreign exchange contracts which are classified as Level 2 assets – see Note 5.

26. FINANCIAL INSTRUMENTS RISK MANAGEMENT

Financial risks

In the normal course of business, the Company is exposed to a number of financial risks that can materially affect its operating performance. These financial risks include: credit risk, liquidity risk, currency risk and interest rate risk. The source of risk exposure and how each is managed is outlined below.

(a) Credit risk

Cash and cash equivalents are placed with major Canadian financial institutions rated in the two highest grades by nationally recognized ratings agencies. Concentration of credit risk exists with respect to the Company's cash and cash equivalents, since all amounts are held at major Canadian financial institutions. Deposits with credit unions are insured through the Credit Union Deposit Insurance Corporation. This insurance exceeds the amounts otherwise covered by the Canadian Deposit Insurance Corporation for cash deposits.

Credit risk also arises from the financial loss we could experience if a counterparty to a financial instrument, from whom we have an amount owing, failed to meet its obligations under the terms and conditions of its contracts with us. Our credit risk exposure is primarily attributable to our accounts receivable. Our accounts receivable on the consolidated statements of financial position are net of allowances for doubtful accounts, which management estimates based on lifetime expected credit losses. Our accounts receivable do not contain significant financing components and therefore, we measure our allowance for doubtful accounts using lifetime expected credit losses related to our accounts receivable.

(in thousands of dollars except otherwise noted)

As at June 30, 2024, the weighted average age of customer accounts receivable was 33 days (June 30, 2023 - 34 days), and the weighted average age of past-due accounts receivable approximated 55 days (June 30, 2023 - 57 days). Accounts are considered to be past due when customers have failed to make the required payments by their contractually agreed upon due date. The aging of trade receivables that are not considered to be impaired are as follows:

As at June 30,		**2024**		2023
Current	$	67,423	$	44,835
31 to 60 days		622		9,363
61 to 90 days		63		714
Over 90 days		1,081		1,117
Total accounts receivable	**$**	**69,189**	**$**	**56,029**

The Company has an allowance for doubtful accounts as at June 30, 2024 of $3 (June 30, 2023 - $10). As at June 30, 2024, the Company had two major customers who accounted for approximately 72% (June 30, 2023 - 59%) of the year-end accounts receivable balance. Customer contract assets that are not considered to be impaired within the next 12 months and are $2,276 (June 30, 2023 - $2,707) and long-term are $871 (June 30, 2023 - $622).

(b) Liquidity risk

Liquidity risk arises from the Company's general funding needs and in the management of its assets, liabilities and capital. The Company manages its liquidity risk to maintain sufficient liquid financial resources to fund its operations and meet its commitments and obligations in a cost-effective manner. As of June 30, 2024, the Company has access to a credit facility in the amount of $85,000 (June 30, 2023 - $55,000) with a Canadian chartered bank, of which the remaining amount available to be drawn under this credit facility is $33,268 (June 30, 2023 - $18,580).

The tables below presents a maturity analysis of the Company's financial liabilities as at June 30, 2024:

As at June 30, 2024		**Carrying amount**		**Contractual cash flows**		**Less than 1 year**		**1 to 5 years**		**Thereafter**
Accounts payable and accrued liabilities	$	57,583	$	57,583	$	57,583	$	–	$	–
Long-term debt		13,043		13,043		1,329		2,920		8,794
Lease liabilities		4,789		5,545		1,339		3,796		410
Warrant liability		2,626		2,626		1,773		853		–
Total financial liabilities	**$**	**78,041**	**$**	**78,797**	**$**	**62,024**	**$**	**7,569**	**$**	**9,204**

(c) Currency risk

During the year ended June 30, 2024, approximately 97% (June 30, 2023 - 97%) of the Company's sales were denominated in U.S. dollars. 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. These contracts are recognized in the consolidated statements of financial position at their fair value, with changes in fair value recorded in the consolidated statements of comprehensive income in foreign exchange gain (loss). As at June 30, 2024, the Company realized a net exchange gain of $nil (June 30, 2023 - $581) in respect of these forward purchase contracts.

(in thousands of dollars except otherwise noted)

For the year ended June 30, 2024, if the Canadian dollar had weakened or strengthened by 1% against the U.S. dollar with all other variables held constant, net income before income taxes would have been $960 (June 30, 2023 - $1,524) higher or lower; and net income after income taxes would have been $944 (June 30, 2023 - $1,508) higher or lower.

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 USD to CAD. 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 June 30, 2024, the Company did not have any forward contracts (June 30, 2023 - $581 asset position).

(d) Interest rate risk

The Company is exposed to floating interest rate risk, as the required cash flows to service its debt will fluctuate as a result of changes in market rates. This risk is limited to the line of credit and long-term debt. A 1% movement in the interest rate would have resulted in a $984 change to net income before income taxes and a $787 change to net income after income taxes for the year ended June 30, 2023 (June 30, 2023 - $369 and $295, respectively).

27. CUSTOMER-BASED WARRANTS

The Company executed a warrant agreement with one of its key customers in the first quarter of fiscal 2024 to receive up to 361,050 common shares at an exercise price of $17.09 with vesting conditions based on the achievement of certain multi-year spending targets. The first tranche of 100,000 vested in the third quarter of fiscal 2024 as the spending targets were met. The warrants are accounted for as financial liabilities due to their conversion features and will be remeasured to their fair market value at each reporting date until the earliest of settlement, cancellation or expiry. A binomial options pricing model was used to derive the fair value of customer-based warrants. The fair value of the warrants as at June 30, 2024 was $2,626. Warrant vesting expense during the year ended June 30, 2024 of $2,024 was reflected as a sales incentive and reduction of revenue in the Company's consolidated statements of comprehensive income.

The following is the continuity of the contract asset related to the warrants during the year ended June 30, 2024:

At July 1, 2023	$	–
Fair value upon inception		1,615
Fair market value adjustment		1,011
Amortization		(2,024)
At June 30, 2024	**$**	**602**
Current portion	$	139
Long-term portion	$	463

(in thousands of dollars except otherwise noted)

The following is the continuity of the financial liability related to the warrants during the year ended June 30, 2024:

At July 1, 2023	$	–
Fair value upon inception		1,615
Fair market value adjustment		1,011
At June 30, 2024	**$**	**2,626**
Current portion	$	1,773
Long-term portion	$	853

Management used the following assumptions within the binomial options pricing model:

Year ended June 30,		**2024**
Weighted average share price	$	20.89
Expected option life		6.5 years
Exercise price	$	17.09
Risk-free rate of return		3.49%
Dividend yield		1.05%
Volatility factor		28.0%

28. CAPITAL STRUCTURE MANAGEMENT

The Company's objectives when managing capital are to maintain financial flexibility while managing its cost of optimizing access to capital. The Company defines its capital as current and long-term debt (excluding lease liabilities) and shareholders' equity. The Company's capital as at June 30, 2024 was $248,003 (June 30, 2023 - $231,288). The Company monitors its capital structure and based on changes in economic conditions, may adjust the structure through the repurchase of shares, the issuance of shares or the use of debt facilities. The Company manages its capital structure in order to ensure sufficient resources are available to fund the development and growth of next generation products and, to fund the expansion of its manufacturing facilities, providing an opportunity to reinforce its market position.

Under its borrowing agreements, the Company must satisfy certain restrictive covenants including a minimum financial ratio for the working capital and maximum financial ratio for the debt/equity ratio and the purchase of property, plant and equipment. During the year, the Company complied with all these capital requirements. The Company did not pledge cash or cash equivalents under these borrowing agreements.

29. SUPPLEMENTAL INFORMATION

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

<u>Depreciation and amortization – operating activities</u>

Years ended June 30,		**2024**		2023
Depreciation of property, plant and equipment	$	4,746	$	3,416
Depreciation of right-of-use assets		1,289		1,355
Amortization of deferred development costs		12,970		11,981
Amortization of finite-life intangible assets		3,270		3,265
Total depreciation and amortization	**$**	**22,275**	**$**	**20,017**

(in thousands of dollars except otherwise noted)

Net change in working capital – operating activities

Years ended June 30,		**2024**		2023
Accounts receivable	$	(11,136)	$	(8,731)
Inventories		(33,740)		(51,301)
Prepaid expenses		7,304		(5,942)
Income tax receivable		–		(106)
Contract assets		490		(1,820)
Accounts payable and accrued liabilities		9,796		(1,108)
Deferred revenue		(935)		2,944
Total change in net working capital	**$**	**(28,221)**	**$**	**(66,064)**

Capital expenditures, net – investing activities

Years ended June 30,		**2024**		2023
Capital expenditures:				
Property, plant and equipment	$	(2,510)	$	(2,899)
Intangible assets		(149)		(113)
Proceeds of disposition:				
Property, plant and equipment		3,861		–
Total capital proceeds (expenditures), net	**$**	**1,202**	**$**	**(3,012)**

The table below provides details of the employee benefit expense included in cost of sales and operating expenses:

Years ended June 30,		**2024**		2023
Wages and salaries	$	93,157	$	94,359
Health care benefits		6,252		6,001
Post-employment benefits		2,359		1,738
Total employee benefits expense	**$**	**101,768**	**$**	**102,098**

30. CONTRACTUAL OBLIGATION

At June 30, 2024, contractual obligations related to a third-party supplier agreement were $nil (June 30, 2023 - $6,860). The associated contract was cancelled in the fourth quarter of fiscal 2023.

(in thousands of dollars except otherwise noted)

31. RELATED PARTY TRANSACTIONS

Vecima is a publicly traded company on the Toronto Stock Exchange. Voting control of Vecima is held by Dr. Surinder Kumar, Sumit Kumar and Saket Kumar through either direct or indirect ownership of the Company's common shares. Additionally, Sumit Kumar is a Director, Senior Executive and Corporate Officer of the Company.

The consolidated financial statements include the accounts of the Company and its subsidiaries listed in the following table:

		% equity interest
Company Name	**Jurisdiction**	**Participating voting interest**
Vecima Networks (USA) Inc.	United States	100
6105971 Canada Inc.	Canada	100
Vecima Technology Inc.	United States	100
Vecima Technology (Canada) Inc.	Canada	100
Vecima Solutions Corporation	Japan	100
Vecima Technology (UK) Ltd.	United Kingdom	100
Vecima Technology GmbH [(1)]	Germany	100
Vecima Technology B.V.	Netherlands	100
Vecima Technology (Qingdao) Co., Ltd.	China	100
Vecima Technology (Shanghai) Co., Ltd.	China	100

[(1)] *Vecima Technology GmbH was liquidated subsequent to the year ended June 30, 2024.*

Compensation of key management personnel of the Company is provided in the table below:

Years ended June 30,		**2024**		2023
Salaries and short-term employee benefits	$	2,855	$	2,914
Post-employment pension		80		45
Share-based compensation - stock options and PSUs		758		1,726
Total compensation of key management personnel	**$**	**3,693**	**$**	**4,685**

The amounts disclosed in the table are recognized as an expense during the reporting period. Key management personnel consist of the Board of Directors and certain executives who have authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly.

During the year ended June 30, 2024, there were 9,000 stock options awarded to key management personnel (June 30, 2023 - nil). As stock options awarded are granted for six years, with vesting based on performance and are equity settled, the expense is recognized rateably over a period of years and thus only a portion of the awards are included in the table above.

There were 20,000 PSUs awarded to key management personnel during the year ended June 30, 2024 (June 30, 2023 - 329,600). During the year ended June 30, 2024, nil PSUs vested (June 30, 2023 - 195,303); which had a fair value of $nil (June 30, 2023 - $1,647). Each vested PSU is settled for one common share of the Company.

The Company entered into a building lease on August 1st, 2022 with one of the principal shareholders. The lease terms are at fair market value. During the year ended June 30, 2024, total lease payments, including interest, were $188 (June 30, 2023 - $130). There were no other related party transactions during fiscal 2024 and 2023.

32. SUBSEQUENT EVENT

On September 17, 2024, the Board of Directors declared a dividend of $0.055 per common share, payable on October 11, 2024 to shareholders of record as at November 4, 2024 consistent with its previously announced dividend policy.