SECOND QUARTER RESULTS

Management's Discussion and Analysis

and

Interim Condensed Consolidated Financial Statements of

VECIMA NETWORKS INC.

For the three and six months ended December 31, 2025 and 2024

(unaudited)

Vecima Networks Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
February 10, 2026

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

Our MD&A supplements, but does not form part of, our interim condensed consolidated financial statements and related notes for the three and six months ended December 31, 2025 and 2024. Consequently, the following discussion and analysis of the financial condition and results of operations should be read in conjunction with the interim condensed consolidated financial statements and accompanying notes for the three and six months ended December 31, 2025 and 2024 which have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). 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, Qingdao, Shanghai, Guangzhou, Tokyo, Gdynia, and Amsterdam, and manufacturing, warehousing 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** 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.

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

   The Entra® Broadband Access family of products is divided into the following core categories:

- Entra Cloud - An open, interoperable set of software applications to centralize orchestration, management, control, and virtualized data plane across all the Entra products, which includes:
  - 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;
- Entra Access Controller virtualizes all the control components, allowing for the distribution of the data processing to the edge and into the Entra Cable and Entra Fiber nodes;
  - Entra Remote PHY Monitor, which offers unified control software for management, service assurance and monitoring of access nodes;
  - Entra Video QAM Manager, 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;
  - Entra vPON Manager, which delivers provisioning and telemetry management for configuration, fault-monitoring, accounting, and analytics support for operators deploying PON with a subscriber service-based, orchestration model; and
  - Entra Automation, which includes unique applications that simplify and accelerate orchestration, provisioning, deployment, and management of Distributed Access Architecture (DAA) networks:
    - Entra Access Test Platform - Automated, seamless testing and optimized network deployment solutions to accelerate DAA device and service readiness with unmatched precision and scalability; and
    - Entra Access Simulators - Through simulation of RPDs, Optical Line Terminals (OLTs) and customer premises equipment (CPE), operators can identify bottlenecks, prevent failures, and make informed capacity planning decisions to ensure seamless operations.

- Entra Cable Access
  - Entra Remote PHY - Multiple variants of the Entra Access Node that can operate as Remote PHY, providing a modular and highly interoperable platform for deployment of access technologies, leveraging billions of dollars of investment in coaxial cable; and
  - Entra Remote MACPHY - Multiple variants of the Entra Access Node that can operate as Remote MACPHY, providing the full complete next-generation access network within the Entra digital node, leveraging billions of dollars of investment in coaxial cable.
- Entra Optical Fiber Access - Consists of both chassis and node node-based FTTH access technologies in areas of the service provider network where FTTH is practical and advantageous;
  - EntraVideo Adapters and Management Devices - a suite of products facilitating the migration from legacy architectures to next-generation distributed access architectures, including:
    - the Entra Legacy QAM Adapter and DV-12, which provides a simple solution to adapt existing video QAM infrastructure for distributed access; and
    - the Entra Interactive Video Controller, which supports essential two-way network connectivity for legacy STBs that are heavily deployed and in service today.

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

2) **Content Delivery and Storage** 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, VOD, network Digital Video Recorder and time-shifted services over the internet.

MediaScale™

- Transcode: transforms live and OnDemand content utilizing state-of-the-art GPU technology, creating beautiful, cost-effective content for any device;
- Origin: packages and secures video for streaming 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 Technology 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;
- Ad Monetization with 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;
- Open CDN: Streaming Video Technology Alliance standards-compliant Open Caching solution aimed at operator monetization of OTT content via partnerships with OTT content owners; and
- The KeyFrame™ Media Optimization Solution enables Content Providers and BSPs to elevate video quality using real-time generative AI while simultaneously reducing bitrates. With KeyFrame, network operators can dramatically improve video quality while simultaneously reducing required bitrates. This patented technology not only ensures true 1080p and 4K, but also features advanced denoising and artifact removal, spatial and temporal anti-aliasing, and artifact-free upscaling. In addition, it can significantly reduce bitrates, resulting in substantial cost savings in both storage and transmission.

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

2. Industry Developments

Video and Broadband Solutions

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

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

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

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

Content Delivery and Storage

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

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

Telematics

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

Our Strategy

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

3. Fiscal 2026 Q2 Highlights

Financial and Corporate

- Increased second quarter consolidated sales to $73.7 million, up 3.5% from $71.2 million in Q2 fiscal 2025 and 3.7% from $71.1 million in Q1 fiscal 2026.
- Second quarter gross margin increased to 44.9% (adjusted gross margin of 46.4%), from 36.4% (adjusted gross margin of 35.6%) in Q2 fiscal 2025 and 42.1% (adjusted gross margin of 43.9%) in Q1 fiscal 2026.
- Generated strong adjusted EBITDA (non-IFRS) of $10.6 million, compared to an adjusted EBITDA loss of $0.3 million in Q2 fiscal 2025, and adjusted EBITDA of $11.5 million in Q1 fiscal 2026.
- Net income of $0.1 million or $0.00 cents per share (adjusted net income of $0.9 million or $0.04 cents per share) improved significantly from a net loss of $7.9 million or $0.32 cents per share (adjusted net loss of $7.3 million or $0.30 cents per share) in Q2 fiscal 2025, and was slightly lower than net income of $0.2 million or $0.01 cents per share (adjusted net income of $1.2 million or $0.05 cents per share) in Q1 fiscal 2026.
- Ended the second quarter in a strong financial position with working capital of $49.3 million at December 31, 2025, compared to $51.2 million at June 30, 2025. Continued focus on debt reduction has lowered net debt to $66.9 million in Q2 fiscal 2026, from a high of $92.0 million in Q3 fiscal 2024.

Video and Broadband Solutions (VBS)

- Second quarter Video and Broadband Solutions segment sales of $59.6 million were slightly higher than the $59.3 million achieved in Q2 fiscal 2025, and up 2.8% from $58.0 million in Q1 fiscal 2026.
- VBS gross margin strengthened significantly to 39.9% (adjusted gross margin of 41.6%), from gross margin of 32.0% (adjusted gross margin of 30.9%) in Q2 fiscal 2025 and 37.6% (adjusted gross margin of 39.7%) in Q1 fiscal 2026, reflecting the start of anticipated gross margin improvements based on Vecima's modelled product mix.

  DAA (Entra Family)

  - Second quarter deployments of Entra DAA products generated revenue of $56.3 million, similar to $56.2 million in Q2 fiscal 2025 and up 2.3% increase from $55.0 million in Q1 fiscal 2026.
    - Total customer engagements increased to 147 MSOs worldwide at quarter-end, from 123 a year earlier, with customer engagements continuing to deepen. Seventy of these customers have ordered Entra products as broader DAA deployment progresses.
    - Continued strong demand for the EN9000, the industry's only GAP node. The EN9000 continues to gain broad adoption with customers, widely seeding broadband networks with a future-proof platform capable of being upgraded with multiple successive generations of DOCSIS or FTTH technology.
    - Commenced deliveries of Entra EN3400 platforms to the lead customer in Q2, providing a robust contribution to VBS sales. The EN3400 builds on the success of the Entra EN9000 with a compact, standardized multi-services GAP node with a unique form factor optimized for enterprise and MDU (multi-dwelling unit) applications. The EN3400 offers both line-powered and AC-powered options, as well as an assortment of RPD (Remote PHY Devices) and R-OLT (Remote Optical Line Terminal) options.
    - Significantly increased sales of our new Entra PHM (Power Holdover Modules). Entra PHMs provide protection from network power fluctuations to Vecima's cable and fiber access platforms in the field, considerably enhancing access network resiliency and reliability.
    - Vecima's new vCMTS solution continued to advance with the lead Tier 1 customer broadening trial activity while preparing to modernize and enhance its DOCSIS network using Entra vCMTS. Engagement with additional customers expanded considerably during the quarter. Vecima's vCMTS solution is part of the Entra Cloud platform which enables operators to transform their networks for next-generation broadband access, including DOCSIS 4.0. Dell'Oro Group forecasts the global market for vCMTS will be worth approximately $350 million annually by calendar 2029. Currently, Vecima is just one of three vendors worldwide offering a vCMTS solution.
    - Secured first XGS-PON customer in the U.S. while continuing to expand engagement around the globe.
    - Closed order for the EXS1610 All-PON solution with a new European customer.
    - Continued growth in the Remote MACPHY deployed base in Europe.
    - Expanded engagements for Vecima's Entra Access Test and Automations platforms in North America and Europe.

    - Demand continued to increase across key customers for Vecima's industry-leading SF-4X remote optical line terminals for fiber to the home.

Commercial Video (Terrace Family)

- Commercial Video product sales were in line with expectations and included second quarter sales of $3.2 million (Q2 fiscal 2025: $3.0 million; Q1 fiscal 2026: $2.9 million). These results reflect the continued transition to next-generation platforms, together with some of Vecima's newer DAA-driven Commercial Video solutions now being accounted for as part of Entra family sales.
- TerraceIQ Commercial Video solution continued to gain traction with key customers in the Americas, setting the stage for significant anticipated growth in the next twelve months.
    - Selected by a lead Tier 1 U.S. customer to support its major network upgrade with our TerraceIQ solution. As part of a multi-year program, the Tier 1 customer expects to carry out a significant evolution of its commercial video footprint nationally, encompassing both the upgrade of TerraceQAM platforms deployed within thousands of commercial properties today, along with rollouts for new commercial video services contracts going forward.
    - Secured additional TerraceIQ awards with a fiber Broadband Service Provider in the U.S. and a Tier 1 MSO in Mexico.

Content Delivery and Storage (CDS)

- The Content Delivery and Storage segment grew second quarter sales to $12.3 million, up 20.7% from $10.2 million in Q2 fiscal 2025 and an increase of 9.7% from $11.2 million in Q1 fiscal 2026.
- Achieved strong second quarter CDS gross margin performance of 65.1% (Q2 fiscal 2025: 56.5%; Q1 fiscal 2026: 60.7%).
    - Acceleration of IPTV customer subscriber growth, together with further migration from QAM to IPTV across multiple customers. Migration to IPTV using Vecima's MediaScale platform offers significant advantages for both service providers and users, including superior bandwidth efficiency, increased flexibility for users, and reduced infrastructure maintenance costs.
    - Continued deployment of our targeted Dynamic Ad Insertion (DAI) solution which enables operators to deliver personalized experiences and increase video average revenue per user (ARPU) without increasing rates to customers.

Telematics

- The Telematics segment generated second quarter sales of $1.8 million, an increase of 5.5% from $1.7 million in Q2 fiscal 2025, and 3.2% lower than the $1.9 million achieved in Q1 fiscal 2026.
    - Added 11 new customers for the NERO asset tracking platform during the second quarter, booking an additional 345 new subscriptions and bringing total asset tags under management to over 106,000.
    - Achieved strong gross margin percentage of 71.4% (Q2 fiscal 2025: 66.5%; Q1 fiscal 2026: 67.6%).

4. Outlook

Vecima is nearing the cusp of a major growth inflection. With a lead North American BSP (Broadcast Service Provider) customer on the verge of large-scale adoption of our next-generation DAA technologies, another North American Tier 1 customer preparing for a wholesale upgrade to our new TerraceIQ commercial video platform, demand expected to remain strong for our high-margin, market-share leading Entra Optical line of fiber-access solutions, and new products continuing to roll out, our visibility into upcoming growth has sharpened.

Based on customer indications we now expect next-twelve-month revenue to increase in the range of 20% to 30% year-over-year, driven by Vecima's portfolio strength, major customer design wins, and essential DAA-based gigabit upgrades globally. The anticipated demand profile also positions adjusted EBITDA margins to break through 20%, driving adjusted EBITDA growth of 70% to 85%, compared to calendar 2025. While industry consolidation activity, as previously discussed, could still constrain deliveries in Q3 fiscal 2026, the impact is now expected to be modest and further mitigated by a favorable product mix in the quarter. Demand is expected to ramp up sharply beginning in the fourth quarter of fiscal 2026.

In the VBS segment, our next-generation DAA solutions, including design wins for DOCSIS 4.0, are expected to lead our near-term growth. We are anticipating continued strong contribution from our industry-leading Remote PHY device (RPD) solutions, EN9000 and EN8400 platforms, and highly successful Entra Optical fiber access portfolio. Our outlook also reflects continued rollout of newer Entra products, including the EN3400, a compact version of the EN9000 specifically designed for MDU and enterprise applications, the EEM210, a stand-alone 10G EPON module that fits both new and existing nodes and supports global deployments, and our new PHMs (Power Holdover Modules), which support Entra's cable and fiber access products with innovative super-capacitor-based resiliency to power grid interruptions in the field. Eventual roll out of our new vCMTS solution under our multi-year contract with Cox Communications is expected to become an additional important growth driver over time.

Commercial Video sales are also poised to expand over the next twelve months as our lead Tier 1 U.S. customer begins a major, multi-year network upgrade using Vecima's TerraceIQ solution. Sales of our legacy TerraceQAM and Terrace Family products are expected to continue to trend lower in the coming quarters as customers begin their transition to TerraceIQ and as a portion of our Commercial Video solutions become DAA-driven and are accounted for as part of Entra family sales.

In the Content Delivery and Storage segment we remain sharply focused on strengthening revenue, while continuing to note that CDS results can fluctuate significantly from quarter-to-quarter based on order and project timing. Our outlook for the CDS segment anticipates the addition of new IPTV customers, as well as subscriber growth and network expansions among existing customers. Vecima's promising Dynamic Ad Insertion technology is also expected to provide increasing contribution as customer adoption increases.

In the Telematics segment, we anticipate stable revenue performance and continued strong profitability from our asset and fleet tracking business.

To date, trade actions have had a negligible impact on the approximately 91% of our sales made to the US. Our manufacturing is predominantly domiciled in Canada, exempting that portion of our production from tariff actions under the United States-Mexico-Canada Agreement (USMCA). While upcoming renegotiation of the USMCA could, in an unlikely case, result in changes to the tariff environment, Vecima is one of the few competitors in our industry that fully "owns" our manufacturing process. This gives us significant flexibility to adapt quickly to changing macroeconomic conditions, an agility we have demonstrated in the past, inclusive of rapidly transitioning manufacturing to different countries.

Moving forward, we are performing strongly and sharply focused on the demand growth our customers are forecasting. We have built the industry's deepest and broadest portfolio of innovative, interoperable cable and fiber access products and IPTV solutions that now give customers unprecedented choice and support as they move forward with their network-wide upgrades. And we are simultaneously leading the way forward with new investments in a comprehensive, highly innovative, cloud-native portfolio that will prepare them for the 50G future.

5. Consolidated Results of Operations

Amounts are presented in thousands of Canadian dollars except percentages, employees 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.

Interim Condensed Consolidated Statements of Comprehensive Income (Loss) Data *(in thousands of dollars except common share data)*	**Three months ended December 31,**				**Six months ended December 31,**			
	2025		2024		**2025**		2024	
Sales	$ 73,722	100%	$ 71,223	100%	$ 144,796	100%	$ 153,128	100%
Cost of sales:								
Cost of product and services	39,577	54%	44,981	64%	79,575	54%	92,366	61%
Write-down of inventory to net realizable value	1,052	1%	326	–%	2,223	2%	675	–%
Total cost of sales	**40,629**	**55%**	**45,307**	**64%**	**81,798**	**56%**	**93,041**	**61%**
Gross profit	**33,093**	**45%**	**25,916**	**36%**	**62,998**	**44%**	**60,087**	**39%**
Operating expenses								
Research and development(1)(7)	13,176	18%	11,288	16%	25,308	17%	22,912	15%
Sales and marketing	9,398	13%	7,257	10%	18,205	13%	16,699	11%
General and administrative(7)	6,738	9%	7,320	10%	13,295	9%	15,040	10%
Restructuring costs	–	–%	2,798	4%	–	–%	2,798	2%
Share-based compensation	434	1%	462	1%	951	1%	1,008	1%
Other expense	39	–%	194	–%	25	–%	487	–%
	29,785	**41%**	**29,319**	**41%**	**57,784**	**40%**	**58,944**	**38%**
Operating income (loss)	**3,308**	**4%**	**(3,403)**	**(5)%**	**5,214**	**4%**	**1,143**	**1%**
Finance expense	(2,133)	(3)%	(2,345)	(3)%	(5,034)	(4)%	(4,718)	(3)%
Foreign exchange loss	(1,360)	(1)%	(4,272)	(6)%	(471)	–%	(3,764)	(3)%
Loss before income taxes	**(185)**	**–%**	**(10,020)**	**(14)%**	**(291)**	**–%**	**(7,339)**	**(5)%**
Income tax recovery	(298)	–%	(2,135)	(3)%	(608)	–%	(1,599)	(1)%
Net income (loss)	**113**	**–%**	**(7,885)**	**(11)%**	**317**	**–%**	**(5,740)**	**(4)%**
Other comprehensive income (loss)	(1,173)	(1)%	6,001	8%	(11)	–%	5,089	4%
Comprehensive Income (loss)	**$ (1,060)**	**(1)%**	**$ (1,884)**	**(3)%**	**$ 306**	**–%**	**$ (651)**	**–%**
Net income (loss) per share(2)								
Basic - Total	$ 0.00		$ (0.32)		$ 0.01		$ (0.24)	
Diluted - Total	$ 0.00		$ (0.32)		$ 0.01		$ (0.24)	
Other Data:								
Research and development expenditures(3)	$ 16,836		$ 15,911		$ 31,242		$ 30,726	
Adjusted EBITDA(4)	$ 10,596		$ (258)		$ 22,078		$ 11,833	
Adjusted earnings (loss) per share(5)	$ 0.04		$ (0.30)		$ 0.09		$ (0.18)	
Number of employees(6)	611		590		611		590	

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

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

(3) *See "Total Research and Development Expenditures".*

(4) *Adjusted EBITDA does not have any standardized meaning prescribed by IFRS 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.*

(7) *The Company has restated research and development and general and administrative costs for the classification of depreciation expense in the first and second quarters of fiscal 2025.*

Interim Condensed Consolidated Statements of Financial Position *(in thousands of dollars except common share data)*	**December 31, 2025**	June 30, 2025
Cash and cash equivalents	$ 3,123	$ 3,441
Working capital[(1)]	$ 49,252	$ 51,164
Total assets	$ 330,166	$ 332,069
Total debt	$ 36,738	$ 28,263
Shareholders' equity	$ 212,152	$ 213,569
Number of common shares outstanding[(2)]	24,314,594	24,314,594

(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) *Based on the weighted average number of common shares outstanding during the first six months of fiscal 2026.*

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 as reported in the interim condensed consolidated financial statements, excluding any amounts included in net income for write-downs and recoveries of inventory to net realizable value, gains and losses on the sale of non-core property, plant and equipment ("PP&E"), intangible assets, and assets held for sale, warrant expense and recovery, advisory fees, restructuring costs, and the tax effect of these adjusted items. We believe that adjusted net income and adjusted earnings per share provides supplemental information for management and our investors because they provide for the analysis of our results exclusive of certain items which do not directly correlate to our business of selling broadband access products, content delivery and storage products and services or supplying telematics services. Adjusted net income and adjusted earnings per share do not have a standardized meaning prescribed by IFRS Accounting Standards and may not be comparable to similar measures presented by other issuers.

Calculation of Adjusted Earnings per Share *(in thousands of dollars)*	**Three months**		**Six months**	
	2025	2024	**2025**	2024
Net income (loss)	$ 113	$ (7,885)	$ 317	$ (5,740)
Write-down (recovery) of inventory to net realizable value, net of tax	773	(1,059)	1,652	(655)
Loss on sale of non-core PP&E, net of tax	18	62	27	78
Warrant expense (recovery), net of tax	39	(689)	143	(604)
Acquisition-related fees, net of tax	–	100	–	306
Restructuring costs, net of tax	–	2,210	–	2,210
Adjusted net income (loss)	**$ 943**	**$ (7,261)**	**$ 2,139**	**$ (4,405)**
Net income (loss) per share	$ 0.00	$ (0.32)	$ 0.01	$ (0.24)
Write-down (recovery) of inventory to net realizable value, net of tax	0.03	(0.04)	0.07	(0.03)
Loss on sale of non-core PP&E, net of tax	0.00	0.00	0.00	0.00
Warrant expense (recovery), net of tax	0.01	(0.03)	0.01	(0.02)
Acquisition-related fees, net of tax	0.00	0.00	0.00	0.02
Restructuring costs, net of tax	0.00	0.09	0.00	0.09
Adjusted earnings (loss) per share[(1)(2)]	**$ 0.04**	**$ (0.30)**	**$ 0.09**	**$ (0.18)**

(1) *Adjusted earnings per share includes non-cash share-based compensation of $0.4 million or $0.02 per share, and $1.0 million or $0.04 per share for the three and six months ended December 31, 2025, respectively, and $0.5 million or $0.02 per share, and $1.0 million or $0.04 per share for the three and six months ended December, 2024. The non-cash share-based compensation primarily reflects certain performance-based vesting thresholds achieved under the Company's Performance Share Unit Plan.*

(2) *Adjusted earnings per share includes foreign exchange loss of $1.4 million or $0.06 per share, and $0.5 million or $0.02 per share for the three and six months ended December 31, 2025, respectively, and $4.3 million or $0.18 per share, and $3.8 million or $0.15 per share for the three and six months ended December, 2024.*

Adjusted Gross Margin

The following table reconciles Gross Margin for the period to Adjusted Gross Margin. The term "Gross Margin" refers to sales less cost of sales as reported in the IFRS Accounting Standards financial statements. The term "Adjusted Gross Margin" refers to gross margin adjusted for warrant expense and recovery, and the write-downs and recoveries of inventory to net realizable value. 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	**Three months**		**Six months**	
(in thousands of dollars)	**2025**	2024	**2025**	2024
Sales	$ 73,722	$ 71,223	$ 144,796	$ 153,128
Cost of sales	40,629	45,307	81,798	93,041
Gross profit	**33,093**	**25,916**	**62,998**	**60,087**
Warrant expense (recovery)(1)	49	(871)	181	(765)
Write-down of inventory to net realizable value	1,052	326	2,223	675
Adjusted gross profit	**$ 34,194**	**$ 25,371**	**$ 65,402**	**$ 59,997**
Adjusted gross margin %	**46.4 %**	**35.6 %**	**45.2 %**	**39.2 %**

(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 as reported in the IFRS Accounting Standards financial statements, excluding any amounts included in net income 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: write-downs and recoveries of inventory to net realizable value; gains and losses on sale of PP&E, intangible assets, and assets held for sale; warrant expense and recovery; share-based compensation expense; acquisition-related costs; and restructuring costs. We believe that Adjusted EBITDA is useful supplemental information for management and for our investors because it provides for the analysis of our results exclusive of certain non-cash items and other items which do not directly correlate to our business of selling broadband access products, content delivery and storage products and services or supplying telematic services. EBITDA and Adjusted EBITDA are not recognized measures under IFRS 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	**Three months**		**Six months**	
(in thousands of dollars)	**2025**	2024	**2025**	2024
Net loss from continuing operations	$ 113	$ (7,885)	$ 317	$ (5,740)
Income tax recovery	(298)	(2,135)	(608)	(1,599)
Interest expense	2,134	2,346	5,041	4,746
Depreciation of property, plant and equipment	912	1,101	1,664	1,960
Depreciation of right-of-use assets	388	373	790	735
Amortization of deferred development costs	4,997	3,848	9,931	7,382
Amortization of intangible assets	867	836	1,687	1,651
EBITDA	**9,113**	**(1,516)**	**18,822**	**9,135**
Write-down (recovery) of inventory to net realizable value	979	(1,340)	2,091	(829)
Loss on sale of assets	22	79	34	99
Warrant expense (recovery)	49	(871)	181	(765)
Share-based compensation	433	462	950	1,008
Acquisition-related costs	–	130	–	387
Restructuring costs	–	2,798	–	2,798
Adjusted EBITDA	**$ 10,596**	**$ (258)**	**$ 22,078**	**$ 11,833**
Percentage of sales	**14%**	**–%**	**15%**	**8%**

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 (loss) (research and development) to our actual cash research and development expenditures (total research and development expenditures) below:

Calculation of R&D Expenditures	**Three months**		**Six months**	
(in thousands of dollars)	**2025**	2024	**2025**	2024
R&D expense per interim condensed consolidated statements of comprehensive income (loss)	$ 13,176	$ 11,288	$ 25,308	$ 22,912
Deferred development costs	8,615	8,426	15,787	15,102
Investment tax credits	42	45	78	94
Amortization of deferred development costs	(4,997)	(3,848)	(9,931)	(7,382)
Total research and development expenditures	**$ 16,836**	**$ 15,911**	**$ 31,242**	**$ 30,726**
Percentage of sales	**23%**	**22%**	**22%**	**20%**

6. Summary of Quarterly Results of Operations

The following information has been derived from our interim condensed consolidated financial statements for the three and six months ended December 31, 2025 and 2024 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 2026**		Fiscal 2025				Fiscal 2024	
	Q2	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3
Sales	$ 73,722	$ 71,074	$ 68,756	$ 63,979	$ 71,223	$ 81,905	$ 87,476	$ 80,139
Cost of sales[1]	40,629	41,169	49,959	33,443	45,307	47,734	45,548	41,312
Gross profit[1]	**33,093**	**29,905**	**18,797**	**30,536**	**25,916**	**34,171**	**41,928**	**38,827**
Operating expenses								
Research and development[2]	13,176	12,132	11,992	11,500	11,288	11,624	11,041	11,281
Sales and marketing[1]	9,398	8,807	9,814	8,238	7,257	9,442	9,529	7,721
General and administrative[1][2]	6,738	6,557	6,655	6,945	7,320	7,720	8,757	8,123
Impairment expense	–	–	6,949	–	–	–	–	–
Restructuring costs	–	–	–	–	2,798	–	–	–
Share-based compensation	434	517	361	486	462	546	248	272
Other expense (income)	39	(14)	34	19	194	293	189	1,349
	29,785	**27,999**	**35,805**	**27,188**	**29,319**	**29,625**	**29,764**	**28,746**
Operating income (loss)	**3,308**	**1,906**	**(17,008)**	**3,348**	**(3,403)**	**4,546**	**12,164**	**10,081**
Finance expense	(2,133)	(2,901)	(3,249)	(2,033)	(2,345)	(2,373)	(3,184)	(1,580)
Foreign exchange gain (loss)	(1,360)	889	1,480	251	(4,272)	508	(2,029)	(1,159)
Income (loss) before income taxes	**(185)**	**(106)**	**(18,777)**	**1,566**	**(10,020)**	**2,681**	**6,951**	**7,342**
Income tax expense (recovery)	(298)	(310)	(5,573)	384	(2,135)	536	(1,306)	1,542
Net income (loss)	**113**	**204**	**(13,204)**	**1,182**	**(7,885)**	**2,145**	**8,257**	**5,800**
Other comprehensive income (loss)	(1,173)	1,162	(4,464)	(786)	6,001	(912)	959	1,361
Comprehensive income (loss)	**$ (1,060)**	**$ 1,366**	**$ (17,668)**	**$ 396**	**$ (1,884)**	**$ 1,233**	**$ 9,216**	**$ 7,161**
Net income (loss) per share								
Basic - Total	$ 0.00	$ 0.01	$ (0.54)	$ 0.05	$ (0.32)	$ 0.09	$ 0.34	$ 0.24
Diluted - Total	0.00	0.01	(0.54)	0.05	(0.32)	0.09	0.34	0.24
Adjusted EBITDA as reported	$ 10,596	$ 11,482	$ 6,706	$ 10,317	$ (258)	$ 12,091	$ 14,494	$ 17,377

[1] *The Company has restated the fiscal 2024 comparative periods for a change in commission expense presentation.*

[2] *The Company has restated research and development and general and administrative costs for the classification of depreciation expense in the first and second quarters of fiscal 2025.*

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.

7. Segmented Information

Sales

	Three months		Six months	
Periods ended December 31,	**2025**	2024	**2025**	2024
Video and Broadband Solutions	$ 59,566	$ 59,271	$ 117,516	$ 132,208
Content Delivery and Storage	12,313	10,205	23,533	17,441
Telematics	1,843	1,747	3,747	3,479
Total sales	**$ 73,722**	**$ 71,223**	**$ 144,796**	**$ 153,128**

Three-Month Results

We grew total sales to $73.7 million in the second quarter of fiscal 2026, an increase of 3.5% from $71.2 million in Q2 fiscal 2025, and 3.7% from $71.1 million in Q1 fiscal 2026. The year-over-year improvement primarily reflects higher CDS segment sales.

The Video and Broadband Solutions segment increased second quarter revenue to $59.6 million, slightly higher than the $59.3 million achieved in Q2 fiscal 2025. On a sequential quarterly basis, second quarter VBS revenue increased 2.8% from $58.0 million in Q1 fiscal 2026.

- Next-generation Entra products sales of $56.3 million were in line with the $56.2 million generated in Q2 fiscal 2025, and 2.3% higher than the $55.0 million achieved in Q1 fiscal 2026.
- Commercial Video products sales increased to $3.2 million, from $3.0 million in Q2 fiscal 2025 and $2.9 million in Q1 fiscal 2026. Results were in line with expectations and reflect the continued transition to next-generation platforms and the impact of some of Vecima's newer DAA-driven Commercial Video solutions being accounted for as part of Entra family sales.

In the Content Delivery and Storage segment, second quarter revenue grew to $12.3 million, up 21% from $10.2 million in Q2 fiscal 2025 and an increase of 9.7% from $11.2 million in Q1 fiscal 2026. The strong year-over-year sales growth reflects significant IPTV installation and expansion activity with a 39% increase in product sales and slightly higher service revenue. Segment sales for the second quarter of fiscal 2026 included $6.0 million of product sales (Q2 fiscal 2025 - $4.3 million) and $6.3 million of services revenue (Q2 fiscal 2025 - $5.9 million). As always, we note that quarterly sales variances are typical for the CDS segment.

Second quarter Telematics sales of $1.8 million increased approximately 5% from $1.7 million in Q2 fiscal 2025, and were 3% lower than the $1.9 million achieved in Q1 fiscal 2026. The year-over-year improvement reflects an increase in assets and tags monitored.

Six-Month Results

For the six months ended December 31, 2025, we generated total sales of $144.8 million, as compared to $153.1 million in the same period of fiscal 2025, a decrease of 5%. The year-over-year change primarily reflects lower VBS segment sales, partially offset by higher CDS segment sales.

Six-month Video and Broadband Solutions sales decreased 11% to $117.5 million, from $132.2 million in the same period of fiscal 2025.

- Next-generation Entra products sales of $111.3 million were 11% lower than the $124.6 million generated in the same period of fiscal 2025. The year-over-year decrease reflects customers drawing down inventory on in-flight projects as they planned for the next phase of large-scale network deployments.
- Commercial Video products contributed sales of $6.1 million, compared to $7.5 million during the first half of fiscal 2025. Results were in line with expectations and reflect the continued transition to next-generation platforms and the impact of some of Vecima's newer DAA-driven Commercial Video solutions being accounted for as part of Entra family sales.

In the Content Delivery and Storage segment, six-month revenue climbed 35% to $23.5 million, from $17.4 million in the same period of fiscal 2025. The strong year-over-year increase primarily reflects strong IPTV installation and expansion activity with a 96% increase in product sales and slightly higher service revenue. CDS segment sales for the first six months of fiscal 2026 included $11.2 million of product sales (fiscal 2025 - $5.7 million) and $12.4 million of services revenue (fiscal 2025 - $11.7 million).

First-half Telematics sales increased 8% to $3.7 million, from $3.5 million in the same period of fiscal 2025. Results for the period were consistent with our expectations and reflect the increase in assets and tags monitored in our Telematics segment.

Cost of Sales

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

	Three months		**Six months**	
Periods ended December 31,	**2025**	2024	**2025**	2024
Video and Broadband Solutions	$ 35,805	$ 40,283	$ 71,942	$ 84,659
Content Delivery and Storage	4,296	4,439	8,711	7,317
Telematics	528	585	1,145	1,065
Total cost of sales	**40,629**	**45,307**	**81,798**	**93,041**
Write-down of inventory to net realizable value	1,052	326	2,223	675
Total cost of sales before net realizable value adjustments(1)	**$ 39,577**	**$ 44,981**	**$ 79,575**	**$ 92,366**

(1) *Total cost of sales before net realizable value adjustments is a non-GAAP measure, calculated by removing any recoveries or writedowns on inventory to net realizable value from cost of sales.*

Three-Month Results

For the three months ended December 31, 2025, total cost of sales decreased to $40.6 million, 10% lower than $45.3 million in Q2 fiscal 2025 and 1% lower than $41.2 million in Q1 fiscal 2026. The year-over-year decrease was primarily related to a higher-margin product mix in the current quarter.

Second quarter cost of sales in the Video and Broadband Solutions segment decreased 11% to $35.8 million, from $40.3 million in Q2 fiscal 2025 and decreased 1% from $36.1 million in Q1 fiscal 2026, reflecting a higher-margin product mix.

In the Content Delivery and Storage segment, first quarter cost of sales decreased 3% to $4.3 million, from $4.4 million in Q2 fiscal 2025 and $4.4 in Q1 fiscal 2026. The year-over-year decrease primarily reflects the 62% margin achieved on product sales in the current quarter, compared to 49% in the prior-year period.

Second quarter cost of sales from the Telematics segment slightly decreased to $0.5 million, from $0.6 million in Q2 fiscal 2025 and Q1 fiscal 2026.

Six-Month Results

For the six months ended December 31, 2025, total cost of sales decreased by 12% to $81.8 million, from $93.0 million in the same period in fiscal 2025. The year-over-year decrease reflects lower sales in the current period, together with a higher-margin product mix.

Cost of sales in the Video and Broadband Solutions segment decreased 15% to $71.9 million in the first six months of fiscal 2026, from $84.7 million in same period in fiscal 2025. The year-over-year decrease primarily reflects lower sales in the current year, together with a higher-margin product mix.

Cost of sales in the Content Delivery and Storage segment increased by 19% to $8.7 million in the first six months of fiscal 2026, from $7.3 million in the same period in fiscal 2025. The year-over-year change was primarily driven by increased CDS sales.

Cost of sales in the Telematics segment was consistent at $1.1 million in the first six months of both fiscal 2026 and fiscal 2025.

Gross Profit and Gross Margin

	Three months		Six months	
Periods ended December 31,	**2025**	2024	**2025**	2024
Gross profit				
Video and Broadband Solutions	$ 23,761	$ 18,988	$ 45,574	$ 47,549
Content Delivery and Storage	8,017	5,766	14,822	10,124
Telematics	1,315	1,162	2,602	2,414
Total gross profit	**$ 33,093**	**$ 25,916**	**$ 62,998**	**$ 60,087**
Gross margin				
Video and Broadband Solutions	39.9 %	32.0 %	38.8 %	36.0 %
Content Delivery and Storage	65.1 %	56.5 %	63.0 %	58.0 %
Telematics	71.4 %	66.5 %	69.4 %	69.4 %
Total gross margin	**44.9 %**	**36.4 %**	**43.5 %**	**39.2 %**
Adjusted gross margin				
Video and Broadband Solutions	41.6 %	30.9 %	40.7 %	35.7 %
Content Delivery and Storage	65.8 %	58.0 %	63.7 %	59.2 %
Telematics	71.4 %	66.5 %	69.4 %	69.4 %
Total adjusted gross margin	**46.4 %**	**35.6 %**	**45.2 %**	**39.2 %**

Three-Month Results

For the three months ended December 31, 2025, total gross profit grew by 28% to $33.1 million, from $25.9 million in Q2 fiscal 2025, and increased 11% from $29.9 million in Q1 fiscal 2026. The significant year-over-year improvement primarily reflects a higher-margin product mix in the VBS segment as compared to the same period last year. Second quarter gross margin increased to 44.9% (adjusted gross margin of 46.4%), from 36.4% (adjusted gross margin of 35.6%) in Q2 fiscal 2025 and 42.1% (adjusted gross margin of 43.9%) in Q1 fiscal 2026.

Video and Broadband Solutions segment gross profit for the second quarter increased to $23.8 million, from $19.0 million in Q2 fiscal 2025 and $21.8 million in Q1 fiscal 2026. These improvements primarily reflect a higher-margin product mix, with second quarter VBS gross margin increasing to 39.9% (adjusted gross margin of 41.6%), from 32.0% (adjusted gross margin of 30.9%) in Q2 fiscal 2025 and 37.6% (adjusted gross margin of 39.7%) in Q1 fiscal 2026.

In the Content Delivery and Storage segment, second quarter gross profit increased 39% to $8.0 million, from $5.8 million in the same period last year, and grew 18% from $6.8 million in Q1 fiscal 2026. These increases reflect stronger product sales paired with a higher gross margin. Second quarter CDS gross margin percentage increased to 65.1% (adjusted gross margin of 65.8%), from 56.5% (adjusted gross margin of 58.0%) in the same period last year, and 60.7% (adjusted gross margin of 61.4%) in Q1 fiscal 2026.

Second quarter gross profit from the Telematics segment increased to $1.3 million (gross margin of 71.4%), from $1.2 million (gross margin of 66.5%) achieved in Q2 fiscal 2025 and $1.3 million (gross margin of 67.6%) in Q1 fiscal 2026.

Six-Month Results

For the six months ended December 31, 2025, gross profit increased to $63.0 million, 5% higher than the $60.1 million generated in the same period of fiscal 2025. The improvement in first-half gross profit reflects higher VBS and CDS segment gross profit margins, partially offset by lower six-month VBS sales. Gross margin for the first six months of fiscal 2026 increased to 43.5%, from 39.2% in the same period last year.

The Video and Broadband Solutions segment generated gross profit of $45.6 million (gross margin of 38.8%) in the first six months of fiscal 2026, compared to $47.5 million (gross margin of 36.0%) in the first half of fiscal 2025. The 4% year-over-year decrease in gross profit is mainly attributed to lower sales, partially offset by a higher gross margin on overall sales.

Content Delivery and Storage segment gross profit increased 46% to $14.8 million (gross margin of 63.0%) in the first six months of fiscal 2026, from $10.1 million (gross margin of 58.0%) in the same period of fiscal 2025. The year-over-year increase primarily reflects higher segment sales, paired with a higher gross margin on product sales.

Telematics segment six-month gross profit increased slightly to $2.6 million (gross margin of 69.4%), from $2.4 million (gross of 69.4%) in the same period of fiscal 2025. The year-over-year increase in gross profit was primarily driven by the higher sales.

Operating Expenses

	Three months		Six months	
Periods ended December 31,	**2025**	2024	**2025**	2024
Video and Broadband Solutions	$ 22,050	$ 20,813	$ 42,712	$ 42,513
Content Delivery and Storage	6,656	7,474	12,878	14,476
Telematics	1,079	1,032	2,194	1,955
Total operating expense	**$ 29,785**	**$ 29,319**	**$ 57,784**	**$ 58,944**

Three-Month Results

For the three months ended December 31, 2025, total operating expenses increased to $29.8 million, from $29.3 million in Q2 fiscal 2025 and $28.0 million in Q1 fiscal 2026. As a percentage of sales, Q2 and Q1 operating expenses remained steady at 40%.

Video and Broadband Solutions operating expenses increased to $22.1 million, from $20.8 million in Q2 fiscal 2025 and $20.7 in Q1 fiscal 2026. The $1.2 million year-over-year increase primarily reflects an increase in bonuses and commissions, together with a lower recovery for excess and obsolescent inventory in the current period (recovery of $0.1 million in Q2 fiscal 2026, compared to $1.7 million in the prior-year period). These increases were partially offset by the absence of restructuring costs in the current period ($2.8 million of restructuring costs in the prior-year period), as well as a decrease in capitalized development costs. The quarter-over-quarter increase in operating expenses primarily reflects an increase in salaries, wages and benefits, partially offset by a decrease in marketing expenses.

Content Delivery and Storage operating expenses decreased to $6.7 million in Q2 fiscal 2026, from $7.5 million in the same period of fiscal 2025, and increased slightly from $6.2 million in Q1 fiscal 2026. The year-over-year reduction primarily reflects restructuring costs in the prior-year totalling $0.5 million, and a decrease in amortization of intangible assets in the current period.

Telematics operating expenses increased to $1.1 million in Q2 fiscal 2026, from $1.0 million in Q2 fiscal 2025, and remained consistent with Q1 fiscal 2026 operating expenses.

Research and development expenses for Q2 fiscal 2026 were $13.2 million, or 18% of sales, as compared to $11.3 million, or 16% of sales in the same period of fiscal 2025. The increase primarily reflects higher deferred development cost amortization, along with lower capitalized development labour costs in the quarter. 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 Q2 fiscal 2026 were $16.8 million, or 23% of sales, compared to $15.9 million, or 22% of sales in Q2 fiscal 2025.

Sales and marketing expenses increased to $9.4 million, or 13% of sales in Q2 fiscal 2026, from $7.3 million, or 10% of sales in the same period last year. This increase primary reflects the lower inventory allowance reversal of $0.1 million in the current period, compared to $1.7 million in Q2 fiscal 2025.

General and administrative expenses decreased to $6.7 million or 9% of sales in Q2 fiscal 2026, from $7.3 million or 10% of sales in Q2 fiscal 2025. This decrease primarily reflects lower legal fees, other professional service expense, and training and development expense, offset by higher salaries, wages and benefits.

Restructuring costs were $nil in Q2 fiscal 2026, compared to $2.8 million in the same period of fiscal 2025 when a workforce reduction was undertaken.

Stock-based compensation expense decreased slightly to $0.4 million, from $0.5 million in Q2 fiscal 2025.

Other expense was $nil in Q2 fiscal 2026, compared to an expense of $0.2 million in Q2 fiscal 2025, reflecting acquisition-related costs related to M&A activity in the prior-year period.

Six-Month Results

For the six months ended December 31, 2025, total operating expenses decreased to $57.8 million, from $58.9 million in the same period of fiscal 2025. The year-over-year decrease primarily reflects restructuring costs of $2.8 million recorded in the prior-year period that did not recur in the current period, partially offset by a $1.3 million year-over-year decrease in excess and obsolescence inventory recovery. As a percentage of sales, first-half operating expenses were 40%, compared to 38% last year, reflecting lower VBS segment sales.

Video and Broadband Solutions operating expenses increased slightly to $42.7 million in the first six months of fiscal 2026, from $42.5 million in the same period of fiscal 2025.

Content Delivery and Storage operating expenses decreased to $12.9 million in the first six months of fiscal 2026, from $14.5 million in the same period last year. The decrease primarily reflects lower salaries, wages and benefits expenses following last year's restructuring, as well as the absence of $0.5 million of restructuring costs recorded in the prior-year period, that did not recur in the current period.

Telematics operating expenses increased to $2.2 million in the first six months of fiscal 2026, from $2.0 million in the same period of fiscal 2025, reflecting growth in sales.

Research and development expenses for the first six months of fiscal 2026 were $25.3 million, or 17% of sales, as compared to $22.9 million, or 15% of sales in the same period of fiscal 2025. The increase primarily reflects higher deferred development cost amortization. Our investment in research and development supports the launch of new products. Until these products are in commercial production, the development costs are deferred to future periods. Total research and development costs before deferrals, amortization of deferred development costs and income tax credits for the first six months of fiscal 2026 decreased slightly to $31.2 million, or 22% of sales, from $30.7 million, or 20% of sales in the same period of fiscal 2025.

Sales and marketing expenses increased to $18.2 million, or 13% of sales in the first six months of fiscal 2026, from $16.7 million, or 11% of sales in the same period of fiscal 2025. This increase primary reflects an inventory allowance reversal of $1.5 million in the prior-year period, compared to just $0.1 million in the current period, as well as higher freight and shipping expenses in the current period, partially offset by lower marketing and conference expenses.

General and administrative expenses decreased to $13.3 million, or 9% of sales in the first six months of fiscal 2026, from $15.0 million, or 10% of sales in the first six months of fiscal 2025. The year-over-year decrease primarily reflects lower professional fees, subcontractor expenses, and salaries, wages and benefit, partially offset by higher amortization of intangible assets.

Restructuring costs were $nil in the first six months of fiscal 2026, compared to $2.8 million in the same period of fiscal 2025 and reflect the workforce reduction in the prior year.

Stock-based compensation expense was $1.0 million in the first six months of fiscal 2026 and 2025.

Other expense was $nil in the first six months of fiscal 2026, compared to $0.5 million in the same period of fiscal 2025. This decrease is largely due to acquisition-related costs of $0.4 million incurred in the prior year period.

Operating Income (Loss)

	Three months		Six months	
Periods ended December 31,	**2025**	2024	**2025**	2024
Video and Broadband Solutions	$ 1,711	$ (1,825)	$ 2,862	$ 5,036
Content Delivery and Storage	1,361	(1,708)	1,944	(4,352)
Telematics	236	130	408	459
Total operating income (loss)	**$ 3,308**	**$ (3,403)**	**$ 5,214**	**$ 1,143**

Three-Month Results

Operating income for the second quarter of fiscal 2026 increased to $3.3 million, from an operating loss of $3.4 million in Q2 fiscal 2025. The $6.7 million increase in income primarily reflects a higher-margin product mix in the VBS segment, and increased sales in the CDS segment.

The Video and Broadband Solutions segment grew second quarter operating income to $1.7 million, up from a loss of $1.8 million in Q2 fiscal 2025. The year-over-year improvement was primarily due to a higher-margin product mix.

The Content Delivery and Storage segment increased operating income to $1.4 million in the second quarter, from an operating loss of $1.7 million in the same period of fiscal 2025. The year-over-year improvement primarily reflects an increase in sales and gross profit, along with lower general and administrative costs.

Telematics operating income increased slightly to $0.2 million in the second quarter, from $0.1 million in Q2 fiscal 2025.

Six-Month Results

Operating income for the first six months of fiscal 2026 grew to $5.2 million, from $1.1 million in the same period of fiscal 2025. The $4.1 million improvement primarily reflects increased CDS segment sales and a higher-margin product mix.

The Video and Broadband Solutions segment generated operating income of $2.9 million in the first six months of fiscal 2026, as compared to $5.0 million in the same period of fiscal 2025. The year-over-year decrease was primarily reflects lower VBS segment revenue, together with inventory allowances of $2.1 million in the current year, compared to a recovery of $0.8 million in the same period of fiscal 2025.

The Content Delivery and Storage segment increased operating income to $1.9 million in the first six months of fiscal 2026, from an operating loss of $4.4 million in the same period of fiscal 2025. The year-over-year improvement primarily reflects the $6.1 million increase in sales, as well as the restructuring costs incurred in the prior year that did not repeat in the current period.

Telematics operating income decreased slightly to $0.4 million in the first six months of fiscal 2026, from $0.5 million in the same period of fiscal 2025.

Other Expenses

Three-Month Results

Finance expense decreased to $2.1 million in the second quarter of fiscal 2026, from $2.3 million in Q2 fiscal 2025, reflecting lower interest expense on the revolving line of credit.

Foreign exchange loss for the first quarter decreased to $1.4 million, from $4.3 million in the same period of fiscal 2025, reflecting the positive impact of a weakening Canadian dollar on our outstanding U.S.-denominated intercompany receivables.

Six-Month Results

Finance expense increased to $5.0 million in the first six months of fiscal 2026, from $4.7 million in the same period of fiscal 2025, reflecting higher accounts receivable factoring costs in the current year, offset by lower interest expense on the revolving line of credit.

Foreign exchange loss for the first six months decreased to $0.5 million, from $3.8 million in the same period of fiscal 2025, reflecting the positive impact of a weakening Canadian dollar on our outstanding U.S.-denominated intercompany receivables.

Income Tax Recovery, Net Income (Loss) and Comprehensive Income (Loss)

Three-Month Results

Income tax recovery decreased to $0.3 million in Q2 fiscal 2026, from $2.1 million in Q2 fiscal 2025, reflecting a lower net loss before taxes.

Net income for Q2 fiscal 2026 increased to $0.1 million or $nil per share, from a net loss of $7.9 million or $0.32 per share in Q2 fiscal 2025.

Other comprehensive loss decreased to $1.2 million in Q2 fiscal 2026, from other comprehensive income of $6.0 million in the same period in fiscal 2025. The change reflects the impact of a weaker Canadian dollar on the translation of non monetary U.S. net assets as at the reporting date when compared to the same period in fiscal 2025.

Comprehensive loss for Q2 fiscal 2026 decreased to $1.1 million, from $1.9 million in Q2 fiscal 2025, reflecting the changes described above.

Six-Month Results

Income tax recovery decreased to $0.6 million for the six months ended December 31, 2025, from $1.6 million in the prior year period, reflecting a lower net loss before taxes.

Net income for the six months ended December 31, 2025 was $0.3 million or $0.01 per share, compared to a net loss of $5.7 million or $0.24 per share in the same period of fiscal 2025.

Other comprehensive loss decreased to $nil during the six months ended December 31, 2025, from other comprehensive income of $5.1 million in the same period in fiscal 2025. The change reflects the impact of a weaker Canadian dollar on the translation of non monetary U.S. net assets as at the reporting date when compared to the same period in fiscal 2025.

Comprehensive income for the six months ended December 31, 2025 increased to $0.3 million, from a loss of $0.7 million in the prior year period, reflecting the changes described above.

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.

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

Operating Activities

For the three months ended December 31, 2025, cash flow provided by operating activities was $6.8 million, compared to $15.2 million in the same period of fiscal 2025. The $8.4 million change reflects a $23.1 million decrease in net working capital, partially offset by a $14.7 million increase in operating cash flow.

For the six months ended December 31, 2025, cash flow provided by operating activities was $13.5 million, compared to $39.7 million in the same period of fiscal 2025. The $26.1 million change reflects a $40.5 million decrease in net working capital, partially offset by a $14.4 million increase in operating cash flow.

Investing Activities

For the three months ended December 31, 2025, cash flow used in investing activities was $10.0 million, compared to $12.6 million in the same period of fiscal 2025. This year-over-year decrease reflects the acquisition of Falcon V for $3.9 million in fiscal 2025, partially offset by an increase in capital expenditures to $1.4 million in Q2 fiscal 2026 (Q2 fiscal 2025 - $0.4 million).

For the six months ended December 31, 2025, cash flow used in investing activities decreased to $18.0 million, from $20.3 million in the same period of fiscal 2025. This decrease reflects the acquisition of Falcon V for $3.9 million in fiscal 2025, partially offset by an increase in capital expenditures to $2.2 million in fiscal 2026 (fiscal 2025 - $1.5 million).

Financing Activities

For the three months ended December 31, 2025, we repaid $0.4 million of our long-term debt (Q2 fiscal 2025 - $0.4 million), repaid lease liabilities of $0.4 million (Q2 fiscal 2025 - $0.4 million), had net draws of $1.6 million from our revolving line of credit (Q2 fiscal 2025 - repayments of $3.9 million), received proceeds from a shareholder loan of $nil (Q2 fiscal 2025 - $5.0 million), and paid dividends of $2.7 million (Q2 fiscal 2025 - $2.7 million).

For the six months ended December 31, 2025, we repaid $0.8 million of our long-term debt (fiscal 2025 - $0.9 million), repaid lease liabilities of $0.8 million (fiscal 2025 - $0.7 million), had net repayments of $0.6 million on our revolving line of credit (fiscal 2025 - $19.6 million), received proceeds from debt of $10.0 million (fiscal 2025 - $nil), received proceeds from a shareholder loan of $nil (fiscal 2025 - $5.0 million), and paid dividends of $2.7 million (fiscal 2025 - $2.7 million).

Working Capital

Working capital represents current assets less current liabilities. Our working capital decreased to $49.3 million at December 31, 2025, from $51.2 million at June 30, 2025. We note that our working capital balances can be subject to significant swings from quarter to quarter. Our product shipments can be "lumpy", reflecting the requirements of our major customers. It is not unusual to ship $5 to $6 million of product in a one-week period. If this level of sales occurs in the first week of a succeeding quarter, we would expect to experience an increase in inventory levels and a drop in receivables in the prior quarter. Other timing issues, like contracts with greater than 30-day payment terms, also affect working capital, particularly if shipments are backend weighted for a quarter.

Accounts receivable balance increased to $25.4 million at December 31, 2025, from $23.9 million at June 30, 2025. The change reflects the timing of revenue billings throughout the quarter.

Inventories decreased by $9.4 million to $101.2 million at December 31, 2025, from $110.6 million as at June 30, 2025. Finished goods inventories decreased to $25.7 million at December 31, 2025, from $29.3 million at June 30, 2025. Raw material inventory decreased to $60.8 million at December 31, 2025, from $73.1 million at June 30, 2025. Work-in-progress inventories increased to $14.8 million as at December 31, 2025, from $8.2 million at June 30, 2025. 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 remained consistent at $6.7 million at December 31, 2025 and June 30, 2025.

Revolving line of credit decreased to $33.3 million at December 31, 2025 from $33.9 million at June 30, 2025.

Accounts payable and accrued liabilities decreased to $35.3 million at December 31, 2025, from $37.7 million at June 30, 2025.

Current portion of long-term debt, including the current portion and lease liabilities, increased to $12.0 million at December 31, 2025, from $8.3 million at June 30, 2025, reflecting the current portion of the second tranche of the Export Development Canada loan added in August 2025.

Revolving Line of Credit

As at December 31, 2025, we had an authorized line of credit of $75.0 million (June 30, 2025 - $75.0 million), subject to a general security agreement limit as described below, of which $47.6 million was available and $33.3 million was drawn (June 30, 2025 - $50.0 million available; $33.9 million drawn). The line of credit is secured by a general security agreement and is limited to a maximum amount available of 75% of accounts receivable plus 40% of the value, up to $42,500, of certain inventory. Interest on the outstanding line of credit is calculated at prime plus 0.25% on the respective outstanding U.S. and Canadian denominated balances. The Canadian prime rate as at December 31, 2025 was 4.45% (June 30, 2025 - 4.95%) while the U.S. prime rate was 6.75% (June 30, 2025 - 7.50%).

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 December 31, 2025, we were in compliance with all covenants related to the line of credit.

Factoring Programs

Accounts Receivable

During the three and six months ended December 31, 2025, we recognized an accounts receivable factoring cost of $1.0 million and $2.8 million, respectively (December 31, 2024 - $0.9 million and $2.2 million, respectively) in accordance with our factoring arrangement with a major customer and US chartered bank. As at December 31, 2025, $1.7 million of outstanding accounts receivable were selected for factoring and were received in January 2026 (June 30, 2025 - $0.1 million received in July 2025). These amounts were included in accounts receivable as at December 31, 2025 and June 30, 2025.

Accounts Payable

During Q3 fiscal 2025, we entered into a supply-chain financing (or "reverse-factoring") arrangement with a third party for certain of our accounts payable. The new payable provides an extension of 120 days on the original invoice due date. We reverse-factored accounts payable of $6.7 million, with the resulting payable to the third party due between June 6, 2025 and July 10, 2025. As at December 31, 2025, $nil remained in accounts payable and accrued liabilities (June 30, 2025 - $2.9 million).

Dividends

Declaration Date	Dividend Amount (per share)	Record Date	Payable Date
February 11, 2025	$0.055	February 28, 2025	March 24, 2025
May 13, 2025	$0.055	May 30, 2025	June 23, 2025
September 23, 2025	$0.055	October 10, 2025	November 3, 2025
February 10, 2026	$0.055	February 27, 2026	March 23, 2026

Contractual Obligations

As at December 31, 2025, lease liabilities reported in our consolidated statements of financial position were $4.4 million. Our lease liabilities do not include short-term leases and low-value asset leases, as permitted under IFRS 16, and are of nominal value.

As at December 31, 2025, our undiscounted future cash payments in respect of our lease liabilities were as follows: due within one year is $1.3 million; due between two-to-five years is $4.3 million; and thereafter is $nil.

At December 31, 2025, contractual purchase obligations to certain contract manufacturers due within a year that are not recognized as liabilities were $25.8 million (June 30, 2025 - $26.9 million). Related inventory deposits paid to these contract manufacturers and classified as prepaid expenses were $2.0 million (June 30, 2025 - $2.0 million).

Foreign Exchange

Approximately 98% of our revenues are denominated in U.S. dollars. We translate U.S. dollar sales to Canadian dollars on the date of delivery and subsequently when the accounts receivable is collected. If the U.S. dollar appreciates relative to the Canadian dollar after we collect the accounts receivable in U.S. dollars, we will receive more Canadian dollars when the U.S. dollars are converted to Canadian dollars in subsequent months. We also enjoy a natural hedge since the majority of our materials and components purchased are in U.S. dollars.

As at December 31, 2025, the exchange rate on the Canadian dollar relative to the U.S. dollar weakened to $1.369 from $1.368 as at June 30, 2025. This $0.001 exchange difference increased the value of our $64.7 million U.S. dollar net assets by approximately $0.1 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 interim condensed consolidated financial statements when they are entered into, nor do we account for them as hedges. Instead, the contracts are marked to fair value at each balance sheet date. Changes to fair value are recorded in income. The fair value of these contracts is included in accounts receivable when in an asset position or accounts payable when in a liability position. We had no forward contracts outstanding at December 31, 2025.

Expected use of Proceeds and Financing

In December 2025, the Company received a shareholder loan of $5.0 million from 684739 B.C., a company owned by the principal shareholders, which is repayable on demand and requires monthly accrued interest payments only with no set terms for principal repayments. It carries an interest rate at the Bank of Canada prime rate plus 4.30% and is collateralized by a general security agreement.The proceeds were utilized for repayment of the Company's revolving line of credit.

In June 2025, the Company entered into a $16.0 million credit facility in the form of a term loan with Export Development Canada ("EDC"). The loan is made available to the Company in two tranches: (1) $6.0 million to assist in the refinancing of the Company's acquisition of Falcon V Systems and (2) $10.0 million to assist the financing of capital expenditures and working capital needs to support operational expenses and inventory expansion. Each tranche is subject to interest at the Canadian prime rate plus 3.00%; is collateralized by a general security agreement; and is subject to covenants similar to the Company's revolving line of credit. The Company received the first tranche in June 2025, which is repayable in monthly principal installments of $0.1 million plus interest over 54 months, with the first repayment deferred until January 2026. In August 2025, the second tranche was received for $10.0 million, which is repayable over a period of 30 months in monthly principal installments of $0.3 million plus interest. The first repayment of the second tranche is deferred until February 2026.

Description		Amount
Business acquisitions	$	6,000
Capital expenditures, working capital and repayment of revolving line of credit		15,000
Total	**$**	**21,000**

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.

We had the following related party transactions in the first six months of fiscal 2026:

Building Lease

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

Shareholder Loan

We received a shareholder loan in the second quarter of fiscal 2025 of $5,000 from 684739 B.C., a company owned by the principal shareholders, which is repayable on demand and requires monthly accrued interest payments only with no set terms for principal repayments. It carries an interest rate at the Bank of Canada prime rate of 4.45% plus 4.30% and is collateralized by a general security agreement. During the three and six months ended December 31, 2025, the Company incurred $0.1 million and $0.2 million of interest expense, respectively, pursuant to the shareholder loan (December 31, 2024 - $0.1 million and $0.1 million, respectively). The loan agreement was executed at arms length, approximates fair value and will be used by the Company to fund short-term working capital requirements.

There were no other related party transactions in the first six months of fiscal 2026.

11. Proposed Transactions

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

12. Critical Accounting Estimates

See our 2025 annual MD&A and our 2025 annual audited consolidated financial statements and notes thereto for a discussion of the accounting policies and estimates that are critical to the understanding of our business operations and results of our operations.

13. Accounting Pronouncements and Standards

Recent accounting pronouncements

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

IFRS 18, "Presentation and Disclosure in Financial Statements"

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

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

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

14. Disclosure Controls and Procedures

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

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

15. Internal Control over Financial Reporting

Internal controls over financial reporting ("ICFR") were designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS 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 December 31, 2025 in accordance with Internal Control - Integrated Framework (2013), published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, our CEO and CFO have determined that the internal control over financial reporting is effective as at December 31, 2025. There has been no change in the internal controls over financial reporting that occurred during the period beginning on July 1, 2025 and ended on December 31, 2025 that has materially affected, or is reasonably likely to materially affect our internal controls on financial reporting.

16. Legal Proceedings

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

If it becomes probable that we will be held liable for claims against the Company, we will recognize a provision during the period in which the change in probability occurs, which could be material to our consolidated statements of comprehensive income (loss) 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 threats continue to grow in frequency, sophistication, and severity worldwide, with the cable and telecommunications industry remaining a significant target. These threats may arise through intentional or accidental actions by individuals or groups – including employees, contractors, vendors, customers, and unauthorized third parties – seeking access to our systems, data, or those of our clients and counterparties. The systems we and our service providers rely upon may be exposed to a broad range of threats, including ransomware, malware, phishing, denial-of-service attacks, unauthorized access, human error, software vulnerabilities, infrastructure failures, and state-sponsored cyber operations.

While we maintain multi-layered security controls and engage with third-party providers that implement similar controls, no system is immune. We continue to invest in enhancing our cyber defense posture, with recent initiatives focused on improving resilience, detection, and response capabilities. Additionally, our employees are required to participate in ongoing security awareness training, which consists of routine written communications, video-based training, quizzes, and simulated phishing attempts. As threat vectors evolve rapidly, we may need to commit additional resources to update or strengthen these capabilities.

A successful cyberattack could materially adversely affect our business, financial conditions, and results of operations. Threat actors are using increasingly advanced techniques, including those augmented by artificial intelligence, which can evade traditional detection methods and remain dormant until triggered. Such methods may make it more difficult to anticipate, detect, and respond to cybersecurity incidents.

In addition to traditional cybersecurity concerns, we recognize the emerging risks and benefits associated with the use of artificial intelligence across our operations. While artificial intelligence may offer enhanced productivity, threat detection, and automation capabilities, it may also introduce new vulnerabilities to cybersecurity threats, such as model exploitation, data poisoning, or unauthorized decision-making. We are actively assessing and adapting our risk-management framework and disclosure practices to ensure that such risks are evaluated, disclosed, and mitigated in line with industry standards.

Third-party risks remain a significant concern, particularly where we rely on integrated systems or data sharing arrangements with vendors and service providers. Although we require third parties to comply with ISO 27001 information security requirements and have contractual provisions in place addressing cybersecurity and data privacy, these efforts do not guarantee protection against breaches from third-party sources. Vulnerabilities in third-party software, inadequate vendor security controls, or operational failures could result in the compromise of the confidentiality, integrity or availability of our systems or the data housed in our third-party solutions. 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. Given the complexity of our supply chain, our ability to monitor and enforce cybersecurity practices across all external relationships carries risks and uncertainties.

In the event of a security breach, we could be subject to public scrutiny, regulatory action, loss of customer trust, loss of trust from third parties with whom we conduct business, or adverse impacts on the market perception of our effectiveness. Such outcomes could have a material adverse effect on our business, financial condition, and results of operations.

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 outcomes could have a material adverse effect on our business, financial condition, and results of operations.

Although we maintain insurance coverage for certain cybersecurity incidents, there can be no assurance that such coverage would be adequate to cover all potential losses or liabilities arising from a significant cybersecurity event.

Changes in international trade policy may materially and adversely affect us.

Our operations rely on cross-border sourcing and shipments of electronic components, sub-assemblies, finished network equipment, and related services. Trade actions and countermeasures, including tariffs and quotas on telecom and network inputs, export controls and sanctions, domestic-sourcing requirements, and changes to customs enforcement and rules of origin (including CUSMA eligibility), can be introduced, expanded, or withdrawn with little notice. These measures may increase material, logistics, and compliance costs; delay or disrupt deliveries and product deployments; require re-sourcing of suppliers or contract manufacturers; compress pricing and margins under fixed-price or multi-year customer agreements; and increase foreign exchange volatility. We cannot predict the scope, timing, or duration of actions by the United States, Canada, or other jurisdictions relevant to our supply chain or customers. Prolonged uncertainty or escalation could materially affect our revenues, gross margins, cash flows, and overall financial condition.

Artificial intelligence technologies and related developments may materially and adversely affect us.

The exploration and adoption of artificial intelligence (“AI”), including machine learning and generative AI, may expose us to new and evolving risks that could materially adversely affect our business, financial condition, and results of operations. Although we have not yet fully implemented AI technologies across our operations, we are evaluating their applicability in areas such as predictive maintenance, network optimization, manufacturing automation, and support functions.

The integration of AI into our business carries operational risks and uncertainties. There can be no assurance that future AI initiatives will perform as intended, be cost effective, or deliver competitive advantages. However, any failure by us to implement AI capabilities as efficiently or successfully as competitors could result in a relative loss of market position or commercial opportunity. The pace of innovation in AI is accelerating, and the cable and telecommunications industry is likely to experience heightened competitive pressure based on advancing AI capabilities.

The regulatory landscape surrounding AI is evolving in Canada and internationally. Proposed Canadian measures (including the Artificial Intelligence and Data Act (AIDA) under Bill C-27) and existing privacy laws (such as PIPEDA and provincial reforms, including Québec’s Law 25), together with the EU AI Act and U.S. executive and agency actions, signal heightened scrutiny and potential compliance obligations. These frameworks may require new or enhanced controls, documentation, impact assessments, transparency and vendor oversight. Ensuring compliance could require significant legal, operational and technology investments. Failure to meet applicable standards could result in investigations, fines, litigation or reputational harm.

AI adoption also presents data privacy, cybersecurity and intellectual property risks, as well as new risks specific to AI, which are not yet fully understood or appreciated. Training or fine-tuning models on third-party or public content may raise licensing, database or derivative-works issues, and generative outputs may inadvertently infringe third-party rights or incorporate personal information. Employee use of public AI tools may lead to unauthorized disclosure of confidential or proprietary information. Reliance on third-party AI vendors or cloud models may create additional security, data transfer and contractual risks.

The legal, technical, and reputational risks associated with AI remain difficult to predict given the early-stage nature of these technologies and speed of development. Even preliminary use could draw public scrutiny, regulatory action, loss of customer trust, or loss of trust from third parties with whom we conduct business especially where perceived ethical or legal risks are present. Any of the foregoing could materially adversely affect our business prospects, financial performance and reputation as we evaluate broader integration of AI into our operations.

Failure to comply with anti-corruption, economic sanctions, and anti-money laundering laws could subject us to penalties and other adverse consequences.

We may conduct business in regions which have experienced high levels of business corruption and other criminal activity. We are required to comply with applicable anti-bribery laws, including the Canadian Corruption of Foreign Public Officials Act, as well as local laws in all areas in which we do business.

However, there can be no guarantee that these laws will be effective in identifying and preventing money laundering terrorism financing and sanctions circumvention and corruption. The failure of some of the governments where we do business to fight corruption or the perceived risk of corruption could have a material adverse effect on the local economies. Any allegations of corruption or evidence of money laundering in those countries could adversely affect the ability of those countries to attract foreign investment and thus have a material adverse effect on its economy which in turn could have a material adverse effect on our business, results of operations and financial condition.

Moreover, findings against us, our directors, our officers or our employees, or their involvement in corruption or other illegal activity could result in significant sanctions, including criminal fines, imprisonment, civil penalties, disgorgement of profits, injunctions and debarment from government contracts, as well as other remedial measures, against us, our directors, our officers or our employees. Any government investigations or other allegations against us, our directors, our officers or our employees, or finding of involvement in corruption or other illegal activity by such persons, could significantly damage our reputation and our ability to do business and could have a material adverse effect on our business, results of operations and financial condition.

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 February 10, 2026, we had common shares outstanding as well as stock options outstanding that are exercisable for an additional 27,000 common shares, and performance share units outstanding that are exercisable for an additional 543,657 common shares.

Vecima was founded by Dr. Surinder Kumar in 1988. Voting control of Vecima is held by 684739 B.C. Ltd. (the “Principal Shareholder”) which is beneficially owned by Dr. Surinder Kumar, Sumit Kumar and Saket Kumar. As at December 31, 2025, the Principal Shareholder collectively owned approximately 57% of Vecima's 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 interim condensed 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 interim condensed consolidated financial statements and the MD&A, after receiving the recommendation of the Audit Committee, which is composed of three directors, all of whom are independent.

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

Forward-Looking Information

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

Forward-looking information in this MD&A includes, but is not limited to, statements that: we believe that our current working capital position, access to loan facilities and anticipated cash flow from operations will be sufficient to meet our working capital requirements and capital expenditure requirements for the foreseeable future; with respect to the new Entra PHM, the Company expects significant contribution to revenues in fiscal 2026; with respect to VBS gross margins, fiscal 2026 Q2 margins strengthened to 39.9%, reflecting the start of anticipated gross margin improvements based on Vecima's modelled product mix; with respect to the Company's TerraceIQ Commercial Video solution, increased demand from a key customer is expected to lead to significant growth in the next twelve months; and we are continuing with the payment of our quarterly dividend. Forward-looking information also includes our Strategy, our Industry Developments and our Outlook in this MD&A.

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

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

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

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

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

As at	Note	**December 31, 2025**	June 30, 2025
Assets			
Current assets			
Cash and cash equivalents		$ 3,123	$ 3,441
Accounts receivable	3	25,394	23,916
Income tax receivable		1,692	1,690
Inventories	4	101,244	110,631
Prepaid expenses and other current assets	5	6,738	6,685
Contract assets		2,274	1,159
Total current assets		**140,465**	**147,522**
Non-current assets			
Property, plant and equipment	6	11,318	10,935
Right-of-use assets		4,021	4,824
Goodwill		16,588	16,934
Intangible assets	7	105,260	101,610
Investment tax credits		23,045	22,157
Deferred tax assets		29,009	27,656
Other long-term assets		460	431
Total assets		**$ 330,166**	**$ 332,069**
Liabilities and shareholders' equity			
Current liabilities			
Revolving line of credit	8	$ 33,322	$ 33,938
Accounts payable and accrued liabilities		35,281	37,694
Provisions		1,089	874
Current portion of deferred revenue		9,073	15,226
Current portion of financial liability		462	290
Current portion of long-term debt	9	11,986	8,336
Total current liabilities		**91,213**	**96,358**
Non-current liabilities			
Provisions		509	460
Deferred revenue		1,540	1,755
Long-term debt	9	24,752	19,927
Total liabilities		**118,014**	**118,500**
Shareholders' equity			
Share capital	10	24,152	24,152
Reserves		6,917	5,966
Retained earnings		179,500	181,857
Accumulated other comprehensive income		1,583	1,594
Total shareholders' equity		**212,152**	**213,569**
Total liabilities and shareholders' equity		**$ 330,166**	**$ 332,069**

Contractual Obligation - Note 19; Subsequent Event - Note 21
The accompanying notes are an integral part of these interim condensed consolidated financial statements.

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

		Three months		Six months	
Periods ended December 31,	Note	**2025**	2024	**2025**	2024
Sales	11,15	$ 73,722	$ 71,223	$ 144,796	$ 153,128
Cost of sales:					
Cost of product and services		39,577	44,981	79,575	92,366
Write-down of inventory to net realizable value		1,052	326	2,223	675
Total cost of sales		**40,629**	**45,307**	**81,798**	**93,041**
Gross profit		**33,093**	**25,916**	**62,998**	**60,087**
Operating expenses					
Research and development		13,176	11,288	25,308	22,912
Sales and marketing		9,398	7,257	18,205	16,699
General and administrative		6,738	7,320	13,295	15,040
Restructuring costs		–	2,798	–	2,798
Share-based compensation	10	434	462	951	1,008
Other expense	12	39	194	25	487
Total operating expenses		**29,785**	**29,319**	**57,784**	**58,944**
Operating income (loss)		**3,308**	**(3,403)**	**5,214**	**1,143**
Finance expense	13	(2,133)	(2,345)	(5,034)	(4,718)
Foreign exchange loss		(1,360)	(4,272)	(471)	(3,764)
Loss before income taxes		**(185)**	**(10,020)**	**(291)**	**(7,339)**
Income tax recovery		(298)	(2,135)	(608)	(1,599)
Net income (loss)		**$ 113**	**$ (7,885)**	**$ 317**	**$ (5,740)**
Other comprehensive income (loss)					
Item that may be subsequently reclassified to net income					
Exchange differences on translation of foreign operations		$ (1,173)	$ 6,001	$ (11)	$ 5,089
Comprehensive income (loss)		**$ (1,060)**	**$ (1,884)**	**$ 306**	**$ (651)**
Net income (loss) per share					
Basic	14	$ 0.00	$ (0.32)	$ 0.01	$ (0.24)
Diluted	14	$ 0.00	$ (0.32)	$ 0.01	$ (0.24)
Weighted average number of common shares					
Shares outstanding – basic		24,314,594	24,311,812	24,314,594	24,312,185
Shares outstanding – diluted		24,314,594	24,311,812	24,315,025	24,312,185

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

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

	Note	Share capital	Reserves	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance as at June 30, 2024		$ 24,117	$ 4,120	$ 204,968	$ 1,755	**$ 234,960**
Net loss		–	–	(5,740)	–	**(5,740)**
Other comprehensive income		–	–	–	5,089	**5,089**
Dividends		–	–	(2,674)	–	**(2,674)**
Shares issued by exercising options	10	23	(6)	–	–	**17**
Share-based payment expense	10	–	1,008	–	–	**1,008**
Balance as at December 31, 2024		**$ 24,140**	**$ 5,122**	**$ 196,554**	**$ 6,844**	**$ 232,660**
Balance as at June 30, 2025		$ 24,152	$ 5,966	$ 181,857	$ 1,594	**$ 213,569**
Net income		–	–	317	–	**317**
Other comprehensive loss		–	–	–	(11)	**(11)**
Dividends		–	–	(2,674)	–	**(2,674)**
Share-based payment expense	10	–	951	–	–	**951**
Balance as at December 31, 2025		**$ 24,152**	**$ 6,917**	**$ 179,500**	**$ 1,583**	**$ 212,152**

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

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

		Three months		Six months	
Periods ended December 31,	Note	**2025**	2024	**2025**	2024
OPERATING ACTIVITIES					
Net income (loss)		$ 113	$ (7,885)	$ 317	$ (5,740)
Adjustments for non-cash items:					
Loss on sale of property, plant and equipment		22	79	34	99
Depreciation and amortization	18	7,163	6,158	14,071	11,728
Share-based compensation	10	434	462	951	1,008
Warrant expense (recovery)		49	(871)	181	(765)
Write-down (recovery) of inventory to net realizable value		979	(1,340)	2,092	(829)
Income tax expense		(1,106)	983	401	2,923
Deferred income tax recovery		808	(3,118)	(1,009)	(4,522)
Interest expense	13	2,134	2,105	5,041	4,505
Interest income	13	(1)	–	(7)	(27)
Net change in working capital	18	(2,548)	20,559	(4,297)	36,213
Decrease in other long-term assets		460	106	456	182
Increase in provisions		255	707	264	814
Increase in investment tax credits		(42)	(45)	(78)	(94)
Income tax paid		–	(526)	(3)	(1,113)
Interest received		1	–	7	27
Interest paid		(1,940)	(2,164)	(4,878)	(4,751)
Cash provided by operating activities		**6,781**	**15,210**	**13,543**	**39,658**
INVESTING ACTIVITIES					
Capital expenditures	18	(1,405)	(395)	(2,249)	(1,480)
Proceeds from sale of property, plant and equipment	18	–	56	–	153
Business acquisitions, net of cash acquired		–	(3,881)	–	(3,881)
Deferred development costs	7	(8,615)	(8,426)	(15,787)	(15,102)
Cash used in investing activities		**(10,020)**	**(12,646)**	**(18,036)**	**(20,310)**
FINANCING ACTIVITIES					
Net repayments (draws) from revolving line of credit		1,574	(3,853)	(616)	(19,620)
Principal repayments of lease liabilities	9	(395)	(418)	(812)	(655)
Repayment of short and long-term debt		(400)	(406)	(820)	(860)
Proceeds from short and long-term debt		–	–	10,000	–
Proceeds from shareholder loan		–	5,000	–	5,000
Dividends paid		(2,674)	(2,674)	(2,674)	(2,674)
Issuance of shares through exercised options		–	14	–	23
Cash provided by (used in) financing activities		**(1,895)**	**(2,337)**	**5,078**	**(18,786)**
Net increase (decrease) in cash and cash equivalents		**(5,134)**	**227**	**585**	**562**
Effect of change in exchange rates on cash		(309)	(91)	(903)	(342)
Cash and cash equivalents, beginning of period		8,566	2,220	3,441	2,136
Cash and cash equivalents, end of period		**$ 3,123**	**$ 2,356**	**$ 3,123**	**$ 2,356**

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

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1. NATURE OF THE BUSINESS

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) under International Accounting Standard 34 - Interim Financial Reporting (IAS 34). These interim condensed consolidated financial statements do not include all the information required for a complete set of annual financial statements and should be read in conjunction with the consolidated financials statements of the Company for the year ended June 30, 2025.

(b) Basis of presentation

These interim condensed consolidated financial statements have been prepared using the same basis of presentation, accounting policies and methods of computation as outlined in Note 2 - Material Accounting Policies in our consolidated financial statements for the year ended June 30, 2025, except as noted below.

The interim condensed consolidated financial statements of the Company were approved by the Board of Directors and authorized for issue on February 10, 2026.

(c) Recent Accounting Pronouncements

IFRS 18, “Presentation and Disclosure in Financial Statements"

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

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

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

(in thousands of dollars except otherwise noted)

3. ACCOUNTS RECEIVABLE

As at		**December 31, 2025**		June 30, 2025
Trade receivables	$	23,970	$	22,867
Less: allowance for doubtful accounts		(108)		(60)
Total trade receivables		**23,862**		**22,807**
Goods and services tax		1,084		1,058
Government grants receivable		416		–
Other receivables		32		51
Total accounts receivable	**$**	**25,394**	**$**	**23,916**

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.

During three and six months ended December 31, 2025, the Company recognized an accounts receivable factoring cost of $1,011 and $2,838, respectively (December 31, 2024 - $944 and $2,166, respectively) in accordance with its factoring arrangement with a major customer and US chartered bank. As at December 31, 2025, $1,733 of outstanding accounts receivable were selected for factoring and were received in January 2026 (June 30, 2025 - $108 received in July 2025). These amounts were included in accounts receivable as at December 31, 2025 and June 30, 2025.

4. INVENTORIES

As at		**December 31, 2025**		June 30, 2025
Raw materials	$	60,804	$	73,090
Work-in-progress		14,787		8,247
Finished goods		25,653		29,294
Total inventory	**$**	**101,244**	**$**	**110,631**

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

As at		**December 31, 2025**		June 30, 2025
Payments to contract manufacturers for inventory purchases	$	3,248	$	2,637
Software licenses		1,797		1,818
Insurance		417		572
Other		1,276		1,658
Total prepaid expenses and other current assets	**$**	**6,738**	**$**	**6,685**

(in thousands of dollars except otherwise noted)

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements & building	Lab, operating & production equipment	Other Equipment [1]	Total
At cost					
At July 1, 2025	$ 321	$ 8,271	$ 30,580	$ 14,847	$ 54,019
Additions	–	256	1,437	324	2,017
Disposals	–	(90)	(1,256)	(47)	(1,393)
Effect of foreign exchange	–	(7)	44	(5)	32
At December 31, 2025	**$ 321**	**$ 8,430**	**$ 30,805**	**$ 15,119**	**$ 54,675**
Accumulated depreciation					
At July 1, 2025	$ –	$ 3,825	$ 24,875	$ 14,384	$ 43,084
Depreciation	–	136	1,307	221	1,664
Disposals	–	(89)	(1,224)	(47)	(1,360)
Effect of foreign exchange	–	(5)	(21)	(5)	(31)
At December 31, 2025	**$ –**	**$ 3,867**	**$ 24,937**	**$ 14,553**	**$ 43,357**
Net book value					
At June 30, 2025	$ 321	$ 4,446	$ 5,705	$ 463	$ 10,935
At December 31, 2025	**$ 321**	**$ 4,563**	**$ 5,868**	**$ 566**	**$ 11,318**

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

7. INTANGIBLE ASSETS

	Indefinite-life intangible assets	Finite-life intangible assets				
	Trademarks and other licenses	Customer contracts	Patents	Intellectual property	Deferred development costs	Total
At cost						
At July 1, 2025	$ 59	$ 23,374	$ 1,566	$ 12,046	$ 134,773	$ 171,818
Additions	–	–	232	–	15,787	16,019
Investment tax credits	–	–	–	–	(810)	(810)
Effect of foreign exchange	–	3	(1)	16	(9)	9
At December 31, 2025	**$ 59**	**$ 23,377**	**$ 1,797**	**$ 12,062**	**$ 149,741**	**$ 187,036**
Accumulated amortization						
At July 1, 2025	$ –	$ 17,533	$ 1,058	$ 10,050	$ 41,567	$ 70,208
Amortization	–	1,386	115	185	9,931	11,617
Effect of foreign exchange	–	(14)	(1)	7	(41)	(49)
At December 31, 2025	**$ –**	**$ 18,905**	**$ 1,172**	**$ 10,242**	**$ 51,457**	**$ 81,776**
Net book value						
At June 30, 2025	$ 59	$ 5,841	$ 508	$ 1,996	$ 93,206	$ 101,610
At December 31, 2025	**$ 59**	**$ 4,472**	**$ 625**	**$ 1,820**	**$ 98,284**	**$ 105,260**

(in thousands of dollars except otherwise noted)

8. REVOLVING LINE OF CREDIT

As at December 31, 2025, the Company had an authorized line of credit of $75,000 (June 30, 2025 - $75,000), subject to a general security agreement limit as described below, of which $47,564 was available (June 30, 2025 - $49,997) and $33,322 was drawn (June 30, 2025 - $33,938). The line of credit is secured by a general security agreement and is limited to a maximum amount available of 75% of accounts receivable and 40% of certain inventory (to a maximum of $42,500). Interest on the outstanding line of credit is calculated at prime plus 0.25% on the respective outstanding US and Canadian denominated balances. The Canadian prime rate as at December 31, 2025 was 4.45% (June 30, 2025 - 4.95%) while the US prime rate was 6.75% (June 30, 2025 - 7.50%).

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 December 31, 2025, the Company was in compliance with all covenants related to the line of credit.

9. LONG-TERM DEBT

As at	Note		**December 31, 2025**		June 30, 2025
Term credit facility		$	369	$	519
Term loan facility			10,929		11,234
Shareholder loan	20		5,000		5,000
EDC loan			16,000		6,000
Insurance financing			–		360
Lease liabilities			4,440		5,150
Total term facilities and lease liabilities		**$**	**36,738**	**$**	**28,263**
Current portion of term facilities and lease liabilities		$	11,986	$	8,336
Long-term portion of term facilities and lease liabilities		$	24,752	$	19,927

Term credit facility

The term credit facility is with a Canadian chartered bank. The facility is repayable in monthly installments of $21 principal plus interest at Canadian prime rate of 4.45% (June 30, 2025 - 4.95%), and is collateralized by a general security agreement. The Company has an authorized loan amount of $3,792 and annually renews this facility with the bank. The term credit facility is recorded at amortized cost.

Term loan facility

The term loan facility is with a Canadian chartered bank, and was amended from interest only payments to a Canadian Overnight Repo Rate Average ("CORRA") loan in fiscal 2024. The facility is repayable in monthly installments of $51 principal plus interest at the CORRA rate of 2.30% plus 0.30% (June 30, 2025 - 2.75% plus 0.30%), and is collateralized by a general security agreement. The Company has an authorized loan amount of $12,200 and annually renews this facility with the bank. The term loan facility is recorded at amortized cost.

(in thousands of dollars except otherwise noted)

EDC loan

In June 2025, the Company entered into a $16,000 credit facility in the form of a term loan with Export Development Canada ("EDC"). The loan is made available to the Company in two tranches: (1) $6,000 to assist in the refinancing of the Company's acquisition of Falcon V Systems and (2) $10,000 to assist the financing of capital expenditures and working capital needs to support operational expenses and inventory expansion. Each tranche is subject to interest at the Canadian prime rate of 4.45% (June 30, 2025 - 4.95%) plus 3.00%; is collateralized by a general security agreement; and is subject to covenants similar to the Company's revolving line of credit. The Company received the first tranche in June 2025 which is repayable in monthly principal installments of $111 plus interest over 54 months, with the first repayment deferred until January 2026. In August 2025, the second tranche was received for $10,000, which is repayable over a period of 30 months in monthly principal installments of $333 plus interest. The first repayment of the second tranche is deferred until February 2026.

Insurance financing loan

The Company finances certain of its insurance polices with short-term loans, the period of which spans the calendar year. As at December 31, 2025, the loan balance was $nil (June 30, 2025 - $360). The short-term insurance financing loans carry interest rates ranging between 7.00% to 11.00% and are repayable in aggregate in 12 monthly installments of $73.

Assuming that the existing payment terms are the same at the renewal date, the following are the future principal repayments, by fiscal year, for the Company's total long-term debt, excluding lease liabilities, as at December 31, 2025:

2026	$	7,764
2027		6,186
2028		5,944
2029		2,277
2030		1,943
Thereafter		8,184
Total future principal repayments	**$**	**32,298**

Lease liabilities:

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

At July 1, 2025	$	5,150
Net additions during the period		25
Interest on lease liabilities		117
Principal repayments of lease liabilities		(812)
Effect of foreign exchange		(40)
At December 31, 2025	**$**	**4,440**
Current portion	$	1,091
Long-term portion	$	3,349

(in thousands of dollars except otherwise noted)

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

As at		**December 31, 2025**
Within one year	$	1,298
After one year but not more than five years		4,262
More than five years		46
Total contractual lease payments	**$**	**5,606**

10. SHARE CAPITAL

(a) Share capital

As at December 31, 2025 and June 30, 2025, the Company had 24,314,594 common shares outstanding with a carrying value of $24,152. There were no common shares issued during the three and six months ended December 31, 2025.

(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 interim condensed consolidated statements of comprehensive income (loss):

	Three months		**Six months**	
Periods ended December 31,	**2025**	2024	**2025**	2024
Stock options	$ 7	$ 8	$ 15	$ 18
Performance share units	427	454	936	990
Total share-based compensation	**$ 434**	**$ 462**	**$ 951**	**$ 1,008**

Stock options

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

Changes in the stock option plan for the six months ended December 31, 2025 are as follows:

(in number of units, except prices)	**Number of Options**	**Weighted average exercise price per option**
Outstanding, July 1, 2025	32,000	$ 14.76
Cancelled	(5,000)	8.25
Outstanding, December 31, 2025	**27,000**	**15.96**
Vested and exercisable, December 31, 2025	**14,190**	**$ 15.82**

(in thousands of dollars except otherwise noted)

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 three and six months ended December 31, 2025, the Company did not issue any PSUs to eligible persons under the PSU plan (December 31, 2024 - 10,566 and 205,566 PSUs, respectively). These PSUs have five-year terms, and vest in three tranches upon the achievement of certain closing market trading prices of the Company's common shares for a period of twenty consecutive business days. During the three and six months ended December 31, 2025 and 2024, nil PSUs vested.

As at December 31, 2025 and June 30, 2025 the Company had 543,657 PSUs outstanding.

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

11. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregated revenue

In the following table, gross revenue from contracts with customers is disaggregated by reporting segment and type. Refer to Note 15 - Segmented Financial Information for additional segmented financial information.

	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total
For the three months ended December 31, 2025				
Product sales	$ 54,760	$ 6,038	$ 209	$ 61,007
Provision of services	4,806	6,275	1,634	12,715
Total sales	**$ 59,566**	**$ 12,313**	**$ 1,843**	**$ 73,722**
For the three months ended December 31, 2024				
Product sales	$ 54,904	$ 4,335	$ 227	$ 59,466
Provision of services	4,367	5,870	1,520	11,757
Total sales	**$ 59,271**	**$ 10,205**	**$ 1,747**	**$ 71,223**

	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total
For the six month ended December 31, 2025				
Product sales	$ 108,170	$ 11,183	$ 463	$ 119,816
Provision of services	9,346	12,350	3,284	24,980
Total sales	**$ 117,516**	**$ 23,533**	**$ 3,747**	**$ 144,796**
For the six month ended December 31, 2024				
Product sales	$ 123,853	$ 5,700	$ 462	$ 130,015
Provision of services	8,355	11,741	3,017	23,113
Total sales	**$ 132,208**	**$ 17,441**	**$ 3,479**	**$ 153,128**

(in thousands of dollars except otherwise noted)

12. OTHER EXPENSE

	Three months		Six months	
Periods ended December 31,	**2025**	2024	**2025**	2024
Loss on sale of property, plant and equipment	$ 22	$ 79	$ 34	$ 99
Acquisition-related costs	–	131	–	387
Contract cancellation fees	19	10	19	27
Other income	(2)	(26)	(28)	(26)
Total other expense	**$ 39**	**$ 194**	**$ 25**	**$ 487**

13. FINANCE EXPENSE

		Three months		Six months	
Periods ended December 31,	Note	**2025**	2024	**2025**	2024
Interest income		$ (1)	$ –	$ (7)	$ (27)
Revolving line of credit interest expense		494	1,009	987	1,773
Term and loan credit facilities interest expense		436	191	789	403
Shareholder loan interest expense	20	112	39	228	39
Accounts receivable factoring costs	3	1,011	944	2,838	2,166
Accounts payable reverse-factoring costs		18	–	54	–
Other expense		6	98	28	240
Finance expense before interest on lease liabilities		**2,076**	**2,281**	**4,917**	**4,594**
Interest expense on lease liabilities	9	57	64	117	124
Total finance expense		**$ 2,133**	**$ 2,345**	**$ 5,034**	**$ 4,718**

14. NET INCOME PER SHARE

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

	Three months		Six months	
Periods ended December 31,	**2025**	2024	**2025**	2024
Net income	$ 113	$ (7,885)	$ 317	$ (5,740)
Weighed average number of shares outstanding:				
Basic	24,314,594	24,311,812	24,314,594	24,312,185
Dilution adjustment for stock options	–	–	431	–
Diluted	**$ 24,314,594**	**$ 24,311,812**	**$ 24,315,025**	**$ 24,312,185**
Net income per share – basic	$ 0.00	$ (0.32)	$ 0.01	$ (0.24)
Net income per share – diluted	$ 0.00	$ (0.32)	$ 0.01	$ (0.24)

(in thousands of dollars except otherwise noted)

Stock options could potentially dilute basic net income per share in the future. Dilutive stock options are calculated using the treasury stock method. For the three months ended December 31, 2025, there were nil dilutive stock options (December 31, 2024 - nil) which resulted in a dilution adjustment of nil (December 31, 2024 - nil). For the six months ended December 31, 2025, there were 1,879 dilutive stock options (December 31, 2024 - nil) which resulted in a dilution adjustment of 431 (December 31, 2024 - nil). There were 23,562 and 49,149 shares excluded from the calculation in the three and six months ended December 31, 2024 due to their impact being anti-dilutive.

15. SEGMENTED FINANCIAL INFORMATION

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

Segments

For the three months ended December 31, 2025	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total
Sales	**$ 59,566**	**$ 12,313**	**$ 1,843**	**$ 73,722**
Cost of sales				
Cost of materials and labour	34,831	4,218	528	39,577
Write-downs of inventory to net realizable value	974	78	–	1,052
Total cost of sales	**35,805**	**4,296**	**528**	**40,629**
Gross profit	**23,761**	**8,017**	**1,315**	**33,093**
Operating expenses	16,435	5,492	694	22,621
Depreciation and amortization	5,615	1,164	385	7,164
Operating income	**1,711**	**1,361**	**236**	**3,308**
Finance expense				(2,133)
Foreign exchange loss				(1,360)
Income tax recovery				298
Net income				**$ 113**

(in thousands of dollars except otherwise noted)

For the three months ended December 31, 2024	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total
Sales	**$ 59,271**	**$ 10,205**	**$ 1,747**	**$ 71,223**
Cost of sales				
Cost of materials and labour	40,132	4,264	585	44,981
Write-downs of inventory to net realizable value	151	175	–	326
Total cost of sales	**40,283**	**4,439**	**585**	**45,307**
Gross profit	**18,988**	**5,766**	**1,162**	**25,916**
Operating expenses	16,283	6,096	616	22,995
Depreciation and amortization	4,530	1,378	416	6,324
Operating income (loss)	**(1,825)**	**(1,708)**	**130**	**(3,403)**
Finance expense				(2,345)
Foreign exchange loss				(4,272)
Income tax recovery				2,135
Net loss				**$ (7,885)**

For the six months ended December 31, 2025	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total
Sales	**$ 117,516**	**$ 23,533**	**$ 3,747**	**$ 144,796**
Cost of sales				
Cost of materials and labour	69,880	8,550	1,145	79,575
Write-downs of inventory to net realizable value	2,062	161	–	2,223
Total cost of sales	**71,942**	**8,711**	**1,145**	**81,798**
Gross profit	**45,574**	**14,822**	**2,602**	**62,998**
Operating expenses	31,819	10,488	1,405	43,712
Depreciation and amortization	10,893	2,390	789	14,072
Operating income	**2,862**	**1,944**	**408**	**5,214**
Finance expense				(5,034)
Foreign exchange loss				(471)
Income tax recovery				608
Net income				**$ 317**

(in thousands of dollars except otherwise noted)

For the six months ended December 31, 2024	Video and Broadband Solutions	Content Delivery and Storage	Telematics	Total
Sales	**$ 132,208**	**$ 17,441**	**$ 3,479**	**$ 153,128**
Cost of sales				
Cost of materials and labour	84,209	7,092	1,065	92,366
Write-downs of inventory to net realizable value	450	225	–	675
Total cost of sales	**84,659**	**7,317**	**1,065**	**93,041**
Gross profit	**47,549**	**10,124**	**2,414**	**60,087**
Operating expenses	33,933	12,035	1,248	47,216
Depreciation and amortization	8,580	2,441	707	11,728
Operating income (loss)	**5,036**	**(4,352)**	**459**	**1,143**
Finance expense				(4,718)
Foreign exchange loss				(3,764)
Income tax recovery				1,599
Net loss				**$ (5,740)**

Sales by geographical region

	Three months		Six months	
Periods ended December 31,	**2025**	2024	**2025**	2024
Sales to external customers:				
United States	$ 66,903	$ 64,812	$ 126,895	$ 139,854
Canada	3,646	3,053	7,334	5,450
Japan	902	869	7,023	4,222
Europe	1,185	1,858	1,710	2,527
Other	1,086	631	1,834	1,075
Total sales	**$ 73,722**	**$ 71,223**	**$ 144,796**	**$ 153,128**

Non-current assets by geographical region

As at	December 31, 2025	June 30, 2025
Non-current assets:		
United States	$ 85,689	$ 79,536
Canada	97,426	97,643
Japan	1,046	1,221
Europe	5,077	5,521
China	463	626
Total non-current assets	**$ 189,701**	**$ 184,547**

Sales to major customers

During the three and six months ended December 31, 2025, sales to a major customer accounted for $51,040 or 69%, and $94,319 or 65%% of total sales, respectively (December 31, 2024 - $43,998 or 62%, and $103,743 or 68%%, respectively). Sales to this customer is with the Video and Broadband Solutions and Content Delivery and Storage segments.

(in thousands of dollars except otherwise noted)

16. 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 three and six months ended December 31, 2025, there were no transfers between Level 1 and Level 2 fair value classifications. As at December 31, 2025, the Company had customer-based warrants which are classified as Level 2. Refer to Note 17 - Financial Instruments Risk Management for further information.

17. FINANCIAL INSTRUMENTS RISK MANAGEMENT

Accounts receivable

As at December 31, 2025, the weighted average age of customer accounts receivable was 33 days (June 30, 2025 - 32 days), and the weighted average age of past-due accounts receivable approximated 38 days (June 30, 2025 - 47 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		**December 31, 2025**		June 30 2025
Current	$	20,716	$	20,704
1 to 30 days		1,990		654
31 to 60 days		171		1,389
Over 60 days		985		60
Total accounts receivable	**$**	**23,862**	**$**	**22,807**

Currency exposure

The Company periodically enters into forward foreign exchange contracts to manage foreign currency exchange risk related to exposures to the exchange rates for the Canadian dollar. Forward contracts are entered into based on projected requirements for converting U.S. to Canadian dollars. The Company does not recognize these contracts in the consolidated financial statements when they are entered into, nor accounts for them as hedges. Instead, the contracts are marked to fair value at each balance sheet date. Changes in fair value are recorded in the interim condensed consolidated statements of comprehensive income (loss) in foreign exchange gain. The fair value of these contracts is included in accounts receivable when in an asset position or accounts payable when in a liability position. As at December 31, 2025 and June 30, 2025, the Company did not have any forward contracts.

(in thousands of dollars except otherwise noted)

Customer based warrants

The Company executed a warrant agreement with one of its key customers in the first quarter of fiscal 2024 to purchase up to 361,050 common shares at an exercise price of $17.09 with vesting conditions based on the achievement of certain multi-year spending targets. The first tranche and second tranches have vested as the spending targets were met. The warrants are accounted for as financial liabilities due to their conversion features and will be remeasured to their fair market value at each reporting date until the earliest of settlement, cancellation or expiry. A binomial options pricing model was used to derive the fair value of customer based warrants. The fair value of warrants as at December 31, 2025 was $462 (June 30, 2025 - $290). Warrant vesting expense during the three and six months ended December 31, 2025 of $49 and $181, respectively (December 31, 2024 - recovery of $871 and $765, respectively), was reflected as a reduction of revenue in the Company's interim condensed consolidated statements of comprehensive income (loss).

18. SUPPLEMENTAL INFORMATION

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

Depreciation and amortization – operating activities

	Three months		Six months	
Periods ended December 31,	**2025**	2024	**2025**	2024
Depreciation of property, plant and equipment	$ 912	$ 1,101	$ 1,664	$ 1,960
Depreciation of right-of-use assets	388	373	790	735
Amortization of deferred development costs	4,997	3,848	9,931	7,382
Amortization of finite-life intangible assets	866	836	1,686	1,651
Total depreciation and amortization	**$ 7,163**	**$ 6,158**	**$ 14,071**	**$ 11,728**

Net change in working capital – operating activities

	Three months		Six months	
Periods ended December 31,	**2025**	2024	**2025**	2024
Accounts receivable	$ (5,590)	$ 15,100	$ (1,509)	$ 35,472
Inventories	5,384	6,143	7,271	3,460
Prepaid expenses	173	1,478	(57)	2,434
Contract assets	367	427	(1,139)	694
Accounts payable and accrued liabilities	(972)	(5,686)	(2,411)	(4,372)
Deferred revenue	(1,910)	3,097	(6,452)	(1,475)
Total change in net working capital	**$ (2,548)**	**$ 20,559**	**$ (4,297)**	**$ 36,213**

(in thousands of dollars except otherwise noted)

Capital expenditures, net – investing activities

	Three months		Six months	
Periods ended December 31,	**2025**	2024	**2025**	2024
Capital expenditures:				
Property, plant and equipment	$ 1,207	$ 338	$ 2,017	$ 1,394
Intangible assets	198	57	232	86
Proceeds of disposition:				
Property, plant and equipment	–	–	–	(97)
Intangible assets	–	(56)	–	(56)
Total capital expenditures, net	**$ 1,405**	**$ 339**	**$ 2,249**	**$ 1,327**

19. CONTRACTUAL OBLIGATION

At December 31, 2025, contractual purchase obligations due within a year that are not recognized as liabilities were $25,771 (June 30, 2025 - $26,878). Related inventory deposits paid to contract manufacturers and classified as prepaid expenses were $1,968 (June 30, 2025 - $1,968).

20. RELATED PARTY TRANSACTIONS

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

Building lease

The Company entered into a building lease on August 1, 2022 with one of the principal shareholders, with lease terms at fair market value. The building was being used for additional inventory storage. As of February 1, 2025, the building was sold by the principal shareholders and therefore, no longer subject to a related party relationship. During the three and six months ended December 31, 2025, total lease payments, including interest, were $nil (December 31, 2024 - $47 and $94, respectively).

Shareholder loan

The Company received a shareholder loan in the second quarter of fiscal 2025 of $5,000 from 684739 B.C., a company owned by the principal shareholders, which is repayable on demand and requires monthly accrued interest payments only with no set terms for principal repayments. It carries an interest rate at the Bank of Canada prime rate of 4.45% plus 4.30% and is collateralized by a general security agreement. During the three and six months ended December 31, 2025, the Company incurred $112 and $228 of interest expense, respectively, pursuant to the shareholder loan (December 31, 2024 - $39 and $39, respectively). The loan agreement was executed at arms length, approximates fair value and will be used by the Company to fund short-term working capital requirements.

21. SUBSEQUENT EVENT

On February 10, 2026, the Board of Directors declared a dividend of $0.055 per common share, payable on March 23, 2026 to shareholders of record as at February 27, 2026 consistent with its previously announced dividend policy.