Interim Condensed Consolidated Financial Statements of

VECIMA NETWORKS INC.

For the three and nine months ended March 31, 2023 and 2022

(unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

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

As at	Note	March 31, 2023	June 30, 2022
Assets			
Current assets			
Cash and cash equivalents		$ 3,919	$ 12,902
Accounts receivable	3	68,393	49,655
Income tax receivable		162	693
Inventories	4	92,960	49,608
Prepaid expenses and other current assets	5	17,002	7,302
Contract assets		1,392	1,335
Total current assets		**183,828**	**121,495**
Non-current assets			
Property, plant and equipment	6	16,424	16,483
Right-of-use assets		2,416	2,626
Goodwill		15,254	14,813
Intangible assets	7	82,757	75,917
Other long-term assets		1,217	1,440
Investment tax credits		24,697	23,041
Deferred tax assets		3,897	6,793
Total assets		**$ 330,490**	**$ 262,608**
Liabilities and shareholders' equity			
Current liabilities			
Revolving line of credit	8	$ 16,264	$ -
Accounts payable and accrued liabilities		53,032	48,172
Provisions		801	659
Income tax payable		2,011	182
Deferred revenue		18,074	12,129
Current portion of long-term debt	9	2,563	1,782
Total current liabilities		**92,745**	**62,924**
Non-current liabilities			
Provisions		434	366
Deferred revenue		7,230	4,465
Deferred tax liability		6	6
Long-term debt	9	14,314	15,115
Total liabilities		**114,729**	**82,876**
Shareholders' equity			
Share capital	10	23,896	7,935
Reserves		3,198	3,141
Retained earnings		187,152	168,923
Accumulated other comprehensive income (loss)		1,515	(267)
Total shareholders' equity		**215,761**	**179,732**
Total liabilities and shareholders' equity		**$ 330,490**	**$ 262,608**

Contractual obligation – Note 19; Subsequent events – Note 21

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

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

Periods ended March 31,	Note		Three months 2023		Three months 2022		Nine months 2023		Nine months 2022
Sales	11,15	$	78,256	$	50,872	$	227,915	$	126,854
Cost of sales			44,183		26,914		124,056		65,374
Gross profit			**34,073**		**23,958**		**103,859**		**61,480**
Operating expenses									
Research and development			12,053		8,796		33,099		25,156
Sales and marketing			6,929		4,682		19,852		13,337
General and administrative			8,389		6,083		21,505		16,267
Share-based compensation	12		289		64		1,202		817
Other expense	13		275		215		318		234
Total operating expenses			**27,935**		**19,840**		**75,976**		**55,811**
Operating income			**6,138**		**4,118**		**27,883**		**5,669**
Finance expense			(738)		(82)		(1,493)		(170)
Foreign exchange gain (loss)			198		(541)		1,362		455
Income before income taxes			**5,598**		**3,495**		**27,752**		**5,954**
Income tax expense			1,147		505		5,650		749
Net income		**$**	**4,451**	**$**	**2,990**	**$**	**22,102**	**$**	**5,205**
Other comprehensive income (loss)									
Item that may be subsequently reclassed to net income									
Exchange differences on translating foreign operations		$	(105)	$	(750)	$	1,782	$	57
Comprehensive income		**$**	**4,346**	**$**	**2,240**	**$**	**23,884**	**$**	**5,262**
Net income per share									
Basic	14	$	0.18	$	0.13	$	0.94	$	0.23
Diluted	14	$	0.18	$	0.13	$	0.94	$	0.23
Weighted average number of common shares									
Shares outstanding – basic	14		24,201,616		23,080,725		23,545,483		23,070,328
Shares outstanding – diluted	14		24,226,939		23,116,959		23,573,305		23,107,218

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

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

	Note	Share capital	Reserves	Retained earnings	Accumulated other comprehensive (loss) income	Total
Balance as at June 30, 2021		**$ 7,299**	**$ 3,407**	**$ 165,312**	**$ (1,098)**	**$ 174,920**
Net income		-	-	5,205	-	**5,205**
Other comprehensive income		-	-	-	57	**57**
Dividends		-	-	(3,808)	-	**(3,808)**
Shares issued by exercising options		563	(137)	-	-	**426**
PSUs settled in common shares		976	(976)	-	-	**-**
Withholding taxes on PSUs		(1,073)	-	-	-	**(1,073)**
Share-based payment expense	12	-	817	-	-	**817**
Balance as at March 31, 2022		**$ 7,765**	**$ 3,111**	**$ 166,709**	**$ (1,041)**	**$ 176,544**
Balance as at June 30, 2022		**$ 7,935**	**$ 3,141**	**$ 168,923**	**$ (267)**	**$ 179,732**
Net income		-	-	22,102	-	**22,102**
Other comprehensive income		-	-	-	1,782	**1,782**
Dividends		-	-	(3,873)	-	**(3,873)**
Common share issuance	10	15,926	-	-	-	**15,926**
Shares issued by exercising options	10	502	(106)	-	-	**396**
PSUs settled in common shares	10	1,039	(1,039)	-	-	**-**
Withholding taxes on PSUs	10	(1,506)	-	-	-	**(1,506)**
Share-based payment expense	12	-	1,202	-	-	**1,202**
Balance as at March 31, 2023		**$ 23,896**	**$ 3,198**	**$ 187,152**	**$ 1,515**	**$ 215,761**

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

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

		Three months		Nine months	
Periods ended March 31,	Note	**2023**	2022	**2023**	2022
OPERATING ACTIVITIES					
Net income		$ 4,451	$ 2,990	$ 22,102	$ 5,205
Adjustments for non-cash items:					
Loss on sale of property, plant and equipment	13	13	174	40	192
Depreciation and amortization	18	5,060	4,303	14,226	12,763
Share-based compensation	12	289	64	1,202	817
Income tax expense		53	497	2,701	978
Deferred income tax expense (recovery)		1,094	8	2,949	(229)
Interest expense		740	89	1,509	185
Interest income		(5)	-	(17)	(8)
Net change in working capital	18	(6,980)	(11,349)	(57,981)	(25,059)
Decrease (Increase) in other long-term assets		123	3	269	(80)
Decrease in provisions		(121)	(124)	(181)	(780)
Increase in investment tax credits		(25)	(46)	(97)	(106)
Income tax received		-	-	-	164
Income tax paid		(152)	(248)	(928)	(827)
Interest received		3	-	18	10
Interest paid		(707)	(55)	(1,406)	(74)
Cash provided by discontinued operations		-	(190)	-	(190)
Cash provided by (used in) operating activities		**3,836**	**(3,884)**	**(15,594)**	**(7,039)**
INVESTING ACTIVITIES					
Capital expenditures, net	18	(1,060)	(1,584)	(2,311)	(4,540)
Deferred development costs	7	(6,387)	(5,129)	(17,194)	(12,894)
Cash used in investing activities		**(7,447)**	**(6,713)**	**(19,505)**	**(17,434)**
FINANCING ACTIVITIES					
Principal repayments of lease liabilities	9	(489)	(421)	(1,311)	(1,208)
Repayment of short and long-term debt	9	(281)	(63)	(448)	(188)
Proceeds from long-term debt	9	-	12,191	-	12,191
Proceeds from short-term debt	9	585	-	585	-
Dividends paid		(1,331)	(1,270)	(3,873)	(3,808)
Proceeds from common share issuance	10	-	-	15,926	-
Issuance of shares through exercised options	10	453	97	502	426
Withholding taxes on PSUs	10	(53)	-	(1,506)	(1,073)
Cash provided by (used in) financing activities		**(1,116)**	**10,534**	**9,875**	**6,340**
Net decrease in cash and cash equivalents		**(4,727)**	**(63)**	**(25,224)**	**(18,133)**
Effect of change in exchange rates on cash		506	350	(23)	(148)
Cash and cash equivalents, beginning of period		(8,124)	10,341	12,902	28,909
Cash and cash equivalents, end of period [(1)]		**$ (12,345)**	**$ 10,628**	**$ (12,345)**	**$ 10,628**

[(1)] Cash and cash equivalents is net of the revolving line of credit balance reflected in the Company's Consolidated Statements of Financial Position.

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

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1. NATURE OF THE BUSINESS

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

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

2. 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, 2022.

(b) Basis of presentation

These interim condensed consolidated financial statements have been prepared using the same basis of presentation, accounting policies and methods of computation as outlined in Note 2, Summary of Significant Accounting Policies in our consolidated financial statements for the year ended June 30, 2022, except as noted below.

The interim condensed consolidated financial statements of the Company were approved by the Board of Directors and authorized for issue on May 9, 2023.

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

The following amended standards and interpretations issued by the IASB were adopted in the first quarter of fiscal 2023:

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

On May 14, 2020, the IASB issued amendments to IAS 16, which prohibits deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The adoption of this standard did not have a material impact on the Company’s consolidated financial statements.

Amendments to IAS 37 – Provisions (IAS 37)

On May 14, 2020 the IASB issued Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37), amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The adoption of this standard did not have a material impact on the Company’s consolidated financial statements.

(in thousands of Canadian dollars except as otherwise noted)

(d) Accounting standards issued but not yet applied

The following new or amended standards and interpretations issued by the IASB are effective after the Company's March 31, 2023 quarter-end date and have not yet been adopted by the Company:

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

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

Amendments to IAS 12 – Income Taxes – comprehensive balance sheet method

On May 7, 2021 the IASB issued amendments to IAS 12 which includes a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test. This standard becomes effective for annual reporting periods beginning on or after January 1, 2023.

We are assessing the impacts, if any, that the above standards or amendments, which are not yet effective, will have on our condensed consolidated interim financial statements.

3. ACCOUNTS RECEIVABLE

		March 31, 2023		June 30, 2022
Trade receivables	$	66,460	$	48,049
Less: allowance for doubtful accounts		(5)		(4)
Total trade receivables		**66,455**		**48,045**
Goods and services tax		798		654
Foreign exchange contracts		566		-
Government grants receivable		185		793
Other receivables		389		163
Total accounts receivable	**$**	**68,393**	**$**	**49,655**

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.

4. INVENTORIES

		March 31, 2023		June 30, 2022
Raw materials	$	44,069	$	22,145
Work-in-progress		4,528		2,402
Finished goods		44,363		25,061
Total inventory	**$**	**92,960**	**$**	**49,608**

(in thousands of Canadian dollars except as otherwise noted)

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

		March 31, 2023		June 30, 2022
Payments for contract manufacturer inventory purchases and expedite fees	$	11,129	$	3,768
Software licenses		2,048		1,441
Other		3,825		2,093
Total prepaid expenses and other current assets	**$**	**17,002**	**$**	**7,302**

6. PROPERTY, PLANT AND EQUIPMENT

		Land		**Land improvements & building**		**Lab, operating & production equipment**		**Other equipment**		**Total**
At cost										
At July 1, 2022	$	321	$	10,092	$	25,259	$	13,480	**$**	**49,152**
Additions		-		65		1,620		580		**2,265**
Disposals		-		-		(249)		(11)		**(260)**
Effect of foreign exchange		-		45		438		51		**534**
At March 31, 2023	**$**	**321**	**$**	**10,202**	**$**	**27,068**	**$**	**14,100**	**$**	**51,691**
Accumulated depreciation and amortization										
At July 1, 2022	$	-	$	3,463	$	17,681	$	11,525	**$**	**32,669**
Depreciation		-		262		1,699		566		**2,527**
Disposals		-		-		(191)		(10)		**(201)**
Effect of foreign exchange		-		30		211		31		**272**
At March 31, 2023	**$**	**-**	**$**	**3,755**	**$**	**19,400**	**$**	**12,112**	**$**	**35,267**
Net book value										
At June 30, 2022	$	321	$	6,629	$	7,578	$	1,955	**$**	**16,483**
At March 31, 2023	**$**	**321**	**$**	**6,447**	**$**	**7,668**	**$**	**1,988**	**$**	**16,424**

(in thousands of Canadian dollars except as otherwise noted)

7. INTANGIBLE ASSETS

	Indefinite-life intangible assets	Finite-life intangible assets				
	Spectrum and other licenses	**Customer contracts**	**Patents**	**Intellectual property**	**Deferred development costs**	**Total**
At cost						
At July 1, 2022	$ 104	$ 20,179	$ 945	$ 10,910	$ 77,439	**$ 109,577**
Additions	-	-	46	-	17,194	**17,240**
Investment tax credits	-	-	-	-	(787)	**(787)**
Effect of foreign exchange	3	778	21	355	904	**2,061**
At March 31, 2023	**$ 107**	**$ 20,957**	**$ 1,012**	**$ 11,265**	**$ 94,750**	**$ 128,091**
Accumulated amortization						
At July 1, 2022	$ -	$ 10,578	$ 536	$ 6,582	$ 15,964	**$ 33,660**
Amortization	-	1,471	90	891	8,282	**10,734**
Effect of foreign exchange	-	392	9	227	312	**940**
At March 31, 2023	**$ -**	**$ 12,441**	**$ 635**	**$ 7,700**	**$ 24,558**	**$ 45,334**
Net book value						
At June 30, 2022	$ 104	$ 9,601	$ 409	$ 4,328	$ 61,475	**$ 75,917**
At March 31, 2023	**$ 107**	**$ 8,516**	**$ 377**	**$ 3,565**	**$ 70,192**	**$ 82,757**

8. REVOLVING LINE OF CREDIT

During the third quarter of fiscal 2023, the Company's access to its revolving loan facility was $55.0 million (June 30, 2022 - $25.0 million), of which $16.3 million (June 30, 2022 - $nil) was drawn as a revolving line of credit and $16.3 million was utilized for letters of credit. The company's revolving line of credit bears interest at Prime of 6.7% plus 0.5% (June 30, 2022 – Prime of 3.70% plus 0.5%) and is repayable on demand.

9. LONG-TERM DEBT

	March 31, 2023	June 30, 2022
Term credit facility	$ 1,151	$ 1,405
Term loan facility	12,200	12,200
Insurance financing loan	585	-
Lease liabilities	2,941	3,292
	$ 16,877	**$ 16,897**
Comprised of:		
Current portion of term facilities and lease liabilities	$ 2,563	$ 1,782
Long-term portion of term facilities and lease liabilities	14,314	15,115
	$ 16,877	**$ 16,897**

Term credit facility

The term credit facility is with a Canadian chartered bank. As at March 31, 2023, the facility is repayable in monthly installments of $21 principal and interest at Prime of 6.7% (June 30, 2022 - $21, and 3.70%, respectively), expires in October 2023 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.

(in thousands of Canadian dollars except as otherwise noted)

Term loan facility

The Company obtained a term loan facility with a Canadian chartered bank in the third quarter of fiscal 2022. The term facility requires accrued interest payments only and has no set principal repayments. It carries an interest rate at Prime of 6.7% (June 30, 2022 - 3.70%), expires in October 2023 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.

Insurance financing loan

The Company obtained a short-term loan with its insurance provider to finance its insurance requirements. The financing carries an interest rate of 3.6% and is repayable in 11 monthly installments of $63.

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

Assuming that the existing payment terms are the same at the renewal date, the following are the future principal repayments for the term credit, loan facilities and insurance financing loan as at March 31, 2023:

2023	$	1,016
2024		250
2025		250
2026		250
2027		250
Thereafter		11,920
	$	**13,936**

Lease liabilities

The following is a reconciliation of the Company's lease liabilities as at March 31, 2023:

At July 1, 2022	$	3,292
Net additions during the period		744
Interest on lease liabilities		103
Principal repayments of lease liabilities		(1,311)
Effect of foreign exchange		113
At March 31, 2023		**2,941**
Less: current portion		1,547
Long-term portion	**$**	**1,394**

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

		March 31, 2023		June 30, 2022
Within one year	$	1,645	$	1,515
After one year but not more than five years		1,166		1,594
More than five years		295		469
Total contractual lease payments	**$**	**3,106**	**$**	**3,578**

(in thousands of Canadian dollars except as otherwise noted)

10. SHARE CAPITAL

Changes in the number of shares and carrying value of the Company's share capital for the nine months ended March 31, 2023 are as follows:

	Note	Number of shares		Carrying value
Balance, July 1, 2022		23,101,002	$	7,935
Common shares issued		957,880		15,926
Shares issued by exercising options	12	41,375		502
Performance Share Units settled in common shares	12	201,180		1,039
Shares withheld for taxes to settle performance share units	12	(75,846)		(1,506)
Balance, March 31, 2023		**24,225,591**	**$**	**23,896**

On December 14, 2022, the Company closed two common share offerings for the sale of 957,880 common shares at a price of $17.75 per share with total aggregate gross proceeds of $17,002. Share issuance costs in connection with this share offering amounted to $1,076. The Company used the net proceeds of the offerings for the repayment of a portion of the revolving loan of credit which supports its working capital requirements.

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 for additional segmented financial information.

		Video and Broadband Solutions		Content Delivery and Storage		Telematics		Total
For the three months ended March 31, 2023								
Product sales	$	60,759	$	6,165	$	322	**$**	**67,246**
Provision of services		4,068		5,613		1,329		**11,010**
Total sales	**$**	**64,827**	**$**	**11,778**	**$**	**1,651**	**$**	**78,256**
For the three months ended March 31, 2022								
Product sales	$	34,039	$	8,242	$	155	**$**	**42,436**
Provision of services		2,943		4,276		1,217		**8,436**
Total sales	**$**	**36,982**	**$**	**12,518**	**$**	**1,372**	**$**	**50,872**

		Video and Broadband Solutions		Content Delivery and Storage		Telematics		Total
For the nine months ended March 31, 2023								
Product sales	$	176,660	$	19,828	$	768	**$**	**197,256**
Provision of services		11,435		15,366		3,858		**30,659**
Total sales	**$**	**188,095**	**$**	**35,194**	**$**	**4,626**	**$**	**227,915**
For the nine months ended March 31, 2022								
Product sales	$	80,988	$	21,766	$	460	**$**	**103,214**
Provision of services		7,504		12,482		3,654		**23,640**
Total sales	**$**	**88,492**	**$**	**34,248**	**$**	**4,114**	**$**	**126,854**

(in thousands of Canadian dollars except as otherwise noted)

12. SHARE-BASED COMPENSATION

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

	Three months		Nine months	
Periods ended March 31,	**2023**	2022	**2023**	2022
Stock options	$ 4	$ 5	$ 10	$ 21
Performance share units	285	59	1,192	796
Total share-based compensation	**$ 289**	**$ 64**	**$ 1,202**	**$ 817**

Stock options

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

Changes in the stock option plan for the nine months ending March 31, 2023 are as follows:

(in number of units, except prices)	**Number of Options**	**Weighted average exercise price per option**
Outstanding, July 1, 2022	71,687	$ 10.15
Granted	13,000	18.94
Exercised	(41,375)	9.57
Cancelled	(6,000)	13.10
Outstanding, March 31, 2023	**37,312**	**$ 13.39**
Vested and exercisable, March 31, 2023	**20,750**	**$ 10.08**

Performance share units ("PSUs")

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

During the three and nine months ended March 31, 2023, the Company issued 78,500 and 373,600 PSUs, respectively, to eligible persons under the PSU plan (March 31, 2022 - nil and nil 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 nine months ended March 31, 2023, 7,956 and 201,180 PSUs vested, respectively (March 31, 2022 - nil and 187,487 PSUs, respectively), which had a fair value of $25 and $1,039, respectively (March 31, 2022 - $nil and $976, respectively). Each vested PSU is settled for one common share of the Company. During the three and nine months ended March 31, 2023, the Company withheld 2,405 and 75,846 common shares, respectively (March 31, 2022 - nil and 63,478 common shares, respectively), at an aggregate market value of $53 and $1,506, respectively (March 31, 2022 - $nil and $1,073, respectively), to settle withholding tax obligations on the issuance of the common share awards. This was accounted for as a reduction to equity. These PSUs have five year terms, and vest in three tranches upon the achievement of certain closing market trading prices of the Company's common shares for a period of twenty consecutive business days.

(in thousands of Canadian dollars except as otherwise noted)

A summary of PSU activity during the nine months ended March 31, 2023 is as follows:

	Number of PSUs
PSUs outstanding as at July 1, 2022	210,283
Granted	373,600
Cancelled	(8,250)
Settled	(201,180)
PSUs outstanding as at March 31, 2023	**374,453**

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

13. OTHER EXPENSE

	Three months		Nine months	
Periods ended December 31,	**2023**	2022	**2023**	2022
Loss on sale of property, plant and equipment	$ 13	$ 174	$ 40	$ 192
Contract cancellation fee	260	-	260	-
Other	2	41	18	42
Total other expense	**$ 275**	**$ 215**	**$ 318**	**$ 234**

14. NET INCOME PER SHARE

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

	Three months		Nine months	
Periods ended December 31,	**2023**	2022	**2023**	2022
Net income: basic and diluted	$ 4,451	$ 2,990	$ 22,102	$ 5,205
Weighed average number of shares outstanding:				
Basic	24,201,616	23,080,725	23,545,483	23,070,328
Dilution adjustment for stock options	25,323	36,234	27,822	36,890
Diluted	**24,226,939**	**23,116,959**	**23,573,305**	**23,107,218**
Net income per share: basic	$ 0.18	$ 0.13	$ 0.94	$ 0.23
Net income per share: diluted	$ 0.18	$ 0.13	$ 0.94	$ 0.23

Stock options could potentially dilute basic net income per share in the future. Dilutive stock options are calculated using the treasury stock method. For the three months ended March 31, 2023, there were 55,611 weighted average dilutive stock options outstanding (March 31, 2022 - 85,312) which resulted in a dilution of adjustment of 25,323 (March 31, 2022 - 36,234); with the remaining 2,556 outstanding options (March 31, 2022 - 5,000) being anti-dilutive. For the nine months ended March 31, 2023, there were 67,300 weighted average dilutive stock options outstanding (March 31, 2022 - 85,312) which resulted in a dilution of adjustment of 27,822 (March 31, 2022 - 36,890), with the remaining 5,869 weighted average outstanding options (March 31, 2022 - 5,000) being anti-dilutive.

(in thousands of Canadian dollars except as otherwise noted)

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. Inter-segment transactions take place at terms that approximate fair value. The majority of the Company's operations, employees and assets reside in Canada and the United States. The following tables highlight key financial information by segment and geographical region:

Segments

For the three months ended March 31, 2023	**Video and Broadband Solutions**	**Content Delivery and Storage**	**Telematics**	**Total**
Sales	$ 64,827	$ 11,778	$ 1,651	**$ 78,256**
Cost of sales	38,101	5,505	577	**44,183**
Gross profit	**26,726**	**6,273**	**1,074**	**34,073**
Operating expenses	16,370	5,839	542	**22,751**
Depreciation and amortization	3,255	1,550	379	**5,184**
Operating income (loss)	**7,101**	**(1,116)**	**153**	**6,138**
Finance expense				**(738)**
Foreign exchange gain				**198**
Income tax expense				**(1,147)**
Net income				**$ 4,451**
Total assets	$ 270,443	$ 46,370	$ 13,677	**$ 330,490**
Total liabilities	$ 94,433	$ 18,894	$ 1,402	**$ 114,729**

For the three months ended March 31, 2022	**Video and Broadband Solutions**	**Content Delivery and Storage**	**Telematics**	**Total**
Sales	$ 36,982	$ 12,518	$ 1,372	**$ 50,872**
Cost of sales	20,759	5,652	503	**26,914**
Gross profit	**16,223**	**6,866**	**869**	**23,958**
Operating expenses	10,039	4,997	551	**15,587**
Depreciation and amortization	2,526	1,487	240	**4,253**
Operating income	**3,658**	**382**	**78**	**4,118**
Finance expense				**(82)**
Foreign exchange loss				**(541)**
Income tax expense				**(505)**
Net income				**$ 2,990**
Total assets	$ 185,954	$ 52,348	$ 12,762	**$ 251,064**
Total liabilities	$ 51,827	$ 21,384	$ 1,309	**$ 74,520**

(in thousands of Canadian dollars except as otherwise noted)

For the nine months ended March 31, 2023	**Video and Broadband Solutions**	**Content Delivery and Storage**	**Telematics**	**Total**
Sales	$ 188,095	$ 35,194	$ 4,626	**$ 227,915**
Cost of sales	105,842	16,652	1,562	**124,056**
Gross profit	**82,253**	**18,542**	**3,064**	**103,859**
Operating expenses	43,316	16,838	1,604	**61,758**
Depreciation and amortization	8,692	4,629	897	**14,218**
Operating income (loss)	**30,245**	**(2,925)**	**563**	**27,883**
Finance expense				**(1,493)**
Foreign exchange gain				**1,362**
Income tax expense				**(5,650)**
Net income				**$ 22,102**
Total assets	$ 270,443	$ 46,370	$ 13,677	**$ 330,490**
Total liabilities	$ 94,433	$ 18,894	$ 1,402	**$ 114,729**

For the nine months ended March 31, 2022	**Video and Broadband Solutions**	**Content Delivery and Storage**	**Telematics**	**Total**
Sales	$ 88,492	$ 34,248	$ 4,114	**$ 126,854**
Cost of sales	48,065	15,881	1,428	**65,374**
Gross profit	**40,427**	**18,367**	**2,686**	**61,480**
Operating expenses	27,170	14,472	1,552	**43,194**
Depreciation and amortization	7,408	4,600	609	**12,617**
Operating income (loss)	**5,849**	**(705)**	**525**	**5,669**
Finance expense				**(170)**
Foreign exchange gain				**455**
Income tax expense				**(749)**
Net income				**$ 5,205**
Total assets	$ 185,954	$ 52,348	$ 12,762	**$ 251,064**
Total liabilities	$ 51,827	$ 21,384	$ 1,309	**$ 74,520**

Geographical region

	Three months		**Nine months**	
Periods ended March 31,	**2023**	2022	**2023**	2022
Sales to external customers:				
United States	$ 69,557	$ 38,199	$ 195,554	$ 96,996
Canada	3,158	5,728	12,218	15,548
Japan	2,719	5,045	10,842	8,863
Europe	1,310	482	4,882	2,120
Other	1,512	1,418	4,419	3,327
Total sales	**$ 78,256**	**$ 50,872**	**$ 227,915**	**$ 126,854**

(in thousands of Canadian dollars except as otherwise noted)

	March 31, 2023	June 30, 2022
Non-current assets:		
United States	$ 39,613	$ 38,238
Canada	103,448	99,889
Japan	848	1,088
Europe	21	19
Mexico	1,154	1,141
China	1,578	738
Total non-current assets	**$ 146,662**	**$ 141,113**

Sales to major customers

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

	Three months		Nine months	
Periods ended December 31,	**2023**	2022	**2023**	2022
Customer A	$ 46,464	$ 8,647	$ 117,892	$ 22,405
Customer B	11,681	9,218	32,568	19,423
Total sales	**$ 58,145**	**$ 17,865**	**$ 150,460**	**$ 41,828**

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

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 the nine months ended March 31, 2023, there were no assets or liabilities measured at fair value according to the three-level hierarchy.

17. FINANCIAL INSTRUMENTS

Accounts receivable

As at March 31, 2023, the weighted average age of customer accounts receivable was 33 days (June 30, 2022 - 34 days), and the weighted average age of past-due accounts receivable approximated 63 days (June 30, 2022 - 66 days). Accounts are considered to be past due when customers have failed to make the required payments by their contractually agreed upon due date. The aging of trade receivables that are not considered to be impaired are as follows:

	March 31, 2023	June 30, 2022
Current	$ 60,733	$ 43,555
31 to 60 days	3,542	1,822
61 to 90 days	1,634	1,174
Over 90 days	546	1,494
Total accounts receivable	**$ 66,455**	**$ 48,045**

(in thousands of Canadian dollars except as otherwise noted)

The Company maintains allowances for lifetime expected credit losses related to the allowance for doubtful accounts. Current economic conditions, forward-looking information, historical information, and reasons for the accounts being past due are all considered when determining whether to make allowances for past due accounts. The same factors are considered when determining whether to write-off amounts charged to the allowance for doubtful accounts against the customer accounts receivable. The Company has an allowance for doubtful accounts at March 31, 2023 of $5 (June 30, 2022 - $4).

Currency exposure

The Company periodically enters into forward foreign exchange contracts to manage foreign currency exchange risk related to exposures to the exchange rates for the Canadian dollar. Forward contracts are entered into based on projected requirements for converting U.S. to Canadian dollars. The Company does not recognize these contracts in the consolidated financial statements when they are entered into, nor accounts for them as hedges. Instead, the contracts are marked to fair value at each balance sheet date. Changes in fair value are recorded in the consolidated statements of comprehensive income (loss) in foreign exchange gain (loss). The fair value of these contracts is included in accounts receivable when in an asset position or accounts payable when in a liability position. As at March 31, 2023, the Company had forwards contracts outstanding with a fair value of $0.6 million included in accounts receivable (March 31, 2022 - nil).

18. SUPPLEMENTAL INFORMATION

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

Depreciation and amortization – operating activities

	Three months		Nine months	
Periods ended December 31,	**2023**	2022	**2023**	2022
Depreciation of property, plant and equipment	$ 869	$ 734	$ 2,527	$ 2,015
Depreciation of right-of-use assets	305	270	965	1,009
Amortization of deferred development costs	3,062	2,516	8,282	7,406
Amortization of finite-life intangible assets	824	783	2,452	2,333
Total depreciation and amortization	**$ 5,060**	**$ 4,303**	**$ 14,226**	**$ 12,763**

Net change in working capital – operating activities

	Three months		Nine months	
Periods ended December 31,	**2023**	2022	**2023**	2022
Accounts receivable	$ (6,507)	$ (14,462)	$ (18,285)	$ (26,165)
Inventories	(555)	(11,101)	(42,468)	(20,301)
Prepaid expenses	(1,046)	1124	(9,373)	(3,427)
Income tax receivable	569	(21)	534	(22)
Contract assets	(11)	(223)	(57)	(274)
Accounts payable and accrued liabilities	(7,759)	6,758	4,069	17,245
Income tax payable	1,793	-	1,793	-
Deferred revenue	6,536	6,576	5,806	7,885
Total change in net working capital	**$ (6,980)**	**$ (11,349)**	**$ (57,981)**	**$ (25,059)**

(in thousands of Canadian dollars except as otherwise noted)

Capital expenditures, net – investing activities

		Three months				Nine months		
Periods ended March 31,		**2023**		2022		**2023**		2022
Capital expenditures before proceeds of disposition:								
Property, plant and equipment	$	(1,026)	$	(1,466)	$	(2,265)	$	(4,395)
Intangible assets		(34)		(118)		(46)		(146)
Proceeds of disposition:								
Property, plant and equipment		-		-		-		1
Total capital expenditures, net	**$**	**(1,060)**	**$**	**(1,584)**	**$**	**(2,311)**	**$**	**(4,540)**

19. CONTRACTUAL OBLIGATION

The Nokia portfolio acquisition includes the assumption of a contract with a third-party supplier. At March 31, 2023, the contractual obligation, based on forecasted commitments, is estimated to be $32,908 (June 30, 2022 - $49,355), of which $nil is deemed to be onerous (June 30, 2022 - $26).

20. RELATED PARTY TRANSACTIONS

The Company entered into a building lease on August 1, 2022 with one of the principal shareholders. The lease terms are at fair market value. During the three and nine months ended March 31, 2023, total lease payments, including interest, were $31 and $83, respectively. There were no other related party transactions in the first nine months of fiscal 2023.

21. SUBSEQUENT EVENTS

On May 9, 2023, the Board of Directors declared a dividend of $0.055 per common share, payable on June 19, 2023 to shareholders of record as at May 26, 2023, consistent with its previously announced dividend policy.