Unaudited interim condensed consolidated financial statements of Haivision Systems Inc.

For the three-month and six-month periods ended April 30, 2022, and 2021
(Unaudited)

The accompanying unaudited interim condensed consolidated financial statements for the three-month and six-month periods ended April 30, 2022, and 2021, have been prepared by management in accordance with International Financial Reporting Standards and approved by the Board of Directors of Haivision Systems Inc. (the “Company”). These unaudited interim condensed consolidated financial statements have not been reviewed by the Company’s independent auditor.

Haivision Systems Inc.

Unaudited interim condensed consolidated statements of financial position

As at April 30, 2022 and 2021

(Unaudited – In Canadian dollars)

	Notes	April 30, 2022	October 31, 2021
		$	$
Assets			
Current assets			
Cash		**12,759,508**	26,838,277
Trade and other receivables	5	**24,820,053**	19,475,523
Investment tax credits receivable		**3,000,000**	2,000,000
Inventories	6	**14,371,212**	8,840,513
Prepaid expenses		**5,276,512**	3,225,950
		60,227,285	60,380,263
Non-current assets			
Property and equipment		**3,516,980**	1,847,944
Right-of-use assets	7	**9,300,960**	7,925,844
Intangible assets		**30,823,245**	17,532,680
Goodwill		**39,725,225**	30,079,064
Non-refundable investment tax credits receivable		**2,032,343**	2,534,626
Deferred income taxes		**523,026**	2,179,435
		85,921,779	62,099,593
		146,149,064	122,479,856
Liabilities			
Current liabilities			
Credit facility	8	**13,046,145**	—
Trade and other payables	9	**13,359,365**	12,504,021
Purchase price payable		**2,698,400**	
Income taxes payable		**218,131**	2,960,026
Current portion of lease liabilities	7	**1,420,375**	1,001,849
Current portion of term loans	10	**1,491,849**	—
Deferred revenue		**9,007,141**	7,913,080
		41,241,406	24,378,976
Non-current liabilities			
Lease liabilities	10	**8,726,728**	7,587,075
Term loans		**3,860,242**	—
Deferred revenue		**2,134,515**	1,592,459
		55,962,891	33,558,510
Contingencies	18		
Equity			
Share capital	11	**90,175,972**	89,785,540
Stock option reserve		**3,317,459**	2,683,904
Deficit		**(3,844,940)**	(3,001,848)
Cumulative translation adjustment		**537,682**	(546,250)
		90,186,173	88,921,346
		146,149,064	122,479,856

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

Approved by the Board

/s/ Miroslav Wicha, Director

/s/ Neil Hindle, Director

Haivision Systems Inc.

Unaudited interim condensed consolidated statements of income and comprehensive income

Three-month and six-month periods ended April 30, 2022 and 2021

(Unaudited – In Canadian dollars)

	Notes	Three-month period ended April 30,		Six-month period ended April 30,	
		2022	2021	**2022**	2021
		$	$	**$**	$
Revenue	12	**29,884,925**	21,850,741	**58,219,279**	44,836,216
Cost of sales		**8,555,638**	4,788,317	**17,220,354**	10,221,266
Gross profit		**21,329,287**	17,062,424	**40,998,925**	34,614,950
Expenses					
Sales and marketing		**6,673,194**	4,840,957	**12,616,563**	9,952,016
Operations and support		**2,862,123**	1,169,714	**5,426,278**	2,488,445
Research and development		**7,535,013**	4,359,505	**13,735,658**	9,238,744
General and administrative		**3,426,869**	3,514,217	**7,740,523**	6,621,263
Shared-based payments		**687,386**	744,929	**1,449,033**	15,193,516
		21,184,585	14,629,322	**40,968,055**	43,493,984
Operating profit (loss)		**144,702**	2,433,102	**30,870**	(8,879,034)
Financial expenses	14	**191,750**	79,066	**345,898**	188,302
Income (loss) before income taxes		**(47,048)**	2,354,036	**(315,028)**	(9,067,336)
Income taxes					
Current		**363,582**	1,116,579	**246,691**	1,780,959
Deferred		**(41,457)**	—	**281,373**	—
		322,125	1,116,579	**528,064**	1,780,959
Net income (loss)		**(369,173)**	1,237,457	**(843,092)**	(10,848,295)
Other comprehensive income (loss)					
Foreign currency translation adjustment		**(960,234)**	(450,435)	**1,083,932**	(939,999)
Comprehensive income (loss)		**(1,329,407)**	787,022	**240,840**	(11,788,294)
Net income per share	11				
Net income (loss) per share (basic and diluted)		**(0.01)**	0.05	**(0.03)**	(0.46)
Weighted average number of common shares outstanding					
Basic		**28,878,054**	26,632,340	**28,830,884**	23,809,782
Diluted		**28,878,054**	27,344,467	**28,830,884**	23,809,782

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

Haivision Systems Inc.

Unaudited interim condensed consolidated statements of changes in equity

Three-month and six-month periods ended April 30, 2022 and 2021

(Unaudited – In Canadian dollars)

	Notes	Shares outstanding	Share capital	Stock option reserve	Cumulative translation adjustment	Retained earnings (deficit)	Total equity
		#	$	$	$	$	$
Balance, October 31, 2020		15,340,800	20,933,848	—	1,826,724	7,313,251	30,073,823
Other comprehensive loss		—	—	—	(939,999)	—	(939,999)
Net loss		—	—	—	—	(10,848,295)	(10,848,295)
Issue of common shares		5,750,000	34,500,000	—	—	—	34,500,000
Issuance costs		—	(3,315,616)	—	—	—	(3,315,616)
Share-based payments		—	—	15,193,516	—	—	15,193,516
Exercise of stock options		5,521,219	18,978,036	(14,125,241)	—	—	4,852,795
Shareholder distribution		—	—	—	—	(1,532,180)	(1,532,180)
Balance, April 30, 2021		26,612,019	71,096,268	1,068,275	886,725	(5,067,224)	67,984,044
Balance, October 31, 2021		**28,758,887**	**89,785,540**	**2,683,904**	**(546,250)**	**(3,001,848)**	**88,921,346**
Other comprehensive income		**—**	**—**	**—**	**1,083,932**	**—**	**1,083,932**
Net loss		**—**	**—**	**—**	**—**	**(843,092)**	**(843,092)**
Share-based payments	11	**—**	**—**	**1,449,033**	**—**	**—**	**1,449,033**
Exercise of RSUs	11	**66,556**	**365,436**	**(790,482)**	**—**	**—**	**(425,046)**
Exercise of DSUs	11	**4,166**	**24,996**	**(24,996)**	**—**	**—**	**—**
Balance, April 30, 2022		**28,829,609**	**90,175,972**	**3,317,459**	**537,682**	**(3,844,940)**	**90,186,173**

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

Haivision Systems Inc.

Unaudited interim condensed consolidated statements of cash flows

Three-month and six-month periods ended April 30, 2022 and 2021

(Unaudited – In Canadian dollars)

	Notes	**April 30, 2022**	April 30, 2021
		$	$
Operating activities			
Net loss		**(843,092)**	(10,848,295)
Items not affecting cash			
Depreciation of property and equipment		**421,014**	229,623
Amortization of right-of-use assets		**689,015**	357,331
Amortization of intangible assets		**2,141,480**	276,138
Share-based payments	11	**1,449,033**	15,193,516
Unrealized foreign exchange loss		**933,780**	433,223
Current income tax expense		**246,691**	1,780,959
Financial expenses	14	**345,898**	188,302
Non-refundable investment tax credits receivable		**502,283**	1,207,232
Deferred income tax expense		**281,373**	—
		6,167,475	8,818,029
Net changes in non-cash operating working capital items	15	**(7,364,988)**	(6,373,540)
Interest paid		**(57,386)**	(56,642)
Income taxes paid		**(2,988,586)**	(2,055,494)
		(4,243,485)	332,353
Investing activities			
Business acquisition, net of cash acquired		**(21,922,039)**	—
Additions to property and equipment		**(301,284)**	(209,327)
		(22,223,323)	
Financing activities			
Increase in credit facility	8	**13,046,145**	—
Payment of lease liabilities	7	**(895,555)**	(401,798)
Repayment of term loans		**(160,212)**	—
Proceeds from issuance of common shares	11	**—**	34,500,000
Issuance costs	11	**—**	(4,515,616)
Proceeds from exercise of stock options	11	**—**	4,852,795
Shareholder distribution	11	**—**	(1,532,180)
		11,990,378	32,903,201
Effect of foreign exchange gain (loss) on cash		**397,661**	(1,102,493)
Net (decrease) increase in cash		**(14,078,769)**	31,923,734
Cash, beginning of period		**26,838,277**	15,715,523
Cash, end of period		**12,759,508**	47,639,257

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

1. Statutes of incorporation and nature of activities

Haivision Systems Inc. ("Haivision" or, collectively with its subsidiaries, the "Company") was incorporated under the *Canada Business Corporations Act* on April 26, 2004. Its registered head office is located at 2600 Boulevard Alfred Nobel, Montréal, Québec, Canada H4S 0A9. The Company produces and provides end-to-end video streaming solutions for encoding, recording, managing, publishing and distributing secure video content.

The Board of Directors approved the unaudited interim condensed consolidated financial statements for the three-month and six-month periods ended April 30, 2022 and 2021, and authorized their publication on June 14, 2022.

The unaudited interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency, and are rounded to the nearest dollar.

2. Accounting policies

Statement of compliance

The unaudited interim condensed consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*, effective as at and for the three-month and six-month periods ended April 30, 2022.

Certain information and disclosures have been omitted or condensed. The same accounting policies and methods of computation were followed in the preparation of these unaudited interim condensed consolidated financial statements as were followed in the preparation of the most recent annual audited consolidated financial statements. There are no other material changes to the Company's significant accounting policies during the three-month and six-month periods ended April 30, 2022, as compared to the significant accounting policies described in the Company's annual consolidated financial statements for the year ended October 31, 2021. Accordingly, these unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended October 31, 2021.

Principles governing the preparation of the unaudited interim condensed consolidated financial statements

The accounting policies set out below have been applied consistently to all periods presented in these unaudited interim condensed consolidated financial statements unless otherwise indicated.

These unaudited interim condensed consolidated financial statements include all of the assets, liabilities, equity, revenue, expenses, and cash flows of Haivision.

Basis of measurement

The unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis unless otherwise noted in these unaudited interim condensed consolidated financial statements.

2. Accounting policies (continued)

Functional and presentation currency

The functional currency of the parent company and all its subsidiaries is the U.S. dollar, which is the primary economic environment in which the entities operate.

In preparing the unaudited interim condensed consolidated financial statements, revenue, expenses and non-monetary assets and liabilities denominated in foreign currencies, are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at that date. The exchange differences arising on the translation are recognized in the unaudited interim condensed consolidated statements of income and comprehensive income.

Translation to presentation currency

The Company uses the Canadian dollar as its presentation currency to provide more relevant information to its users.

The unaudited interim condensed consolidated financial statements of the Company are translated from their functional currency to the Canadian dollar, which is the presentation currency. Assets and liabilities are translated at the closing exchange rates prevailing at the financial position date, and revenue and expenses are translated using the average exchange rates. The accumulated gains or losses arising from translation of functional currencies to the presentation currency are included as a separate component of other comprehensive income ("OCI").

Basis of consolidation

The unaudited interim condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Haivision Network Video Inc., Haivision Network Video GmbH, Haivision Media Technologies S.L., Haivision MCS, LLC, and Aviwest S.A.S.

Subsidiaries are fully consolidated from the date of acquisition or formation, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. Control of an entity occurs when the Company has power over the investee, is exposed to, or has rights to variable returns from its involvement in the entity, and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intracompany balances, revenue and expenses, unrealized gains and losses and dividends resulting from intracompany transactions are eliminated in full during consolidation.

Share-based payments

The Company grants equity incentives to directors, officers and employees of the Company, that are settled by the issuance of common shares. The Company establishes compensation expenses for those grants based on the fair value at the grant date. The corresponding amount is disclosed in Note 11 – Share capital.

The Company estimates forfeitures at the time of grant and revises those estimates in subsequent periods if actual forfeitures differ from those estimates.

2. Accounting policies (continued)

Earnings per share

Basic earnings per share is calculated by dividing net income by the basic weighted average number of outstanding common shares.

Diluted earnings per share is computed similarly but reflects the potential dilution that would occur if dilutive options were exercised. The Company has granted stock options that are potentially dilutive securities. Diluted loss per share excludes all dilutive potential shares if their effect is anti-dilutive. All outstanding stock options could potentially dilute earnings per share in the future.

3. Critical accounting judgments, estimates and assumptions in applying the Company's accounting policies

Preparing financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. These estimates and assumptions have formed the basis for making judgments about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are periodically reviewed. Any change to accounting estimates is recognized in the period in which the estimate is revised. In preparing these unaudited interim condensed consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of information were the same as those applied to the annual audited consolidated financial statements for the year ended October 31, 2021.

COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic, which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. To date, the Company has not experienced any adverse impact to its financial performance and cash flows. The duration and impact of COVID-19 are unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and the condition of the Company in future periods.

(Unaudited – In Canadian dollars)

4. Business Combinations

Aviwest S.A.S.

On April 1, 2022, the Company acquired 100% of the outstanding shares of Aviwest S.A.S. ("Aviwest"), in exchange for cash consideration of $27,220,340 (€19,655,139) and two future payments totalling $2,698,400 (€2,000,000). Aviwest is a provider of IP-based mobile video contribution systems.

The acquisition will be accounted for using the purchase method and the results of operations will be included from the effective date of the acquisition. The preliminary purchase price allocation was based on management's best estimates as follows:

	$
Trade receivables and other receivables	**2,316,545**
Inventories	**3,583,696**
Prepaid expenses	**796,477**
Non-refundable tax credits receivable	**1,546,122**
Property and equipment	**1,776,364**
Right-of-use assets	**1,703,049**
Technology	**8,980,400**
Trademarks	**1,588,840**
Customer relationships	**4,421,120**
Goodwill	**9,253,042**
Non-cash assets acquired	**35,965,655**
Trade and other payables liabilities	**2,251,018**
Deferred revenue	**376,357**
Current portion of lease liabilities	**258,366**
Current portion of term loans	**1,628,971**
Lease liabilities	**1,444,682**
Term loans	**3,883,332**
Deferred income taxes	**1,502,490**
Liabilities assumed	**11,345,216**
Net non-cash assets acquired	**24,620,439**
Cash acquired	**5,298,301**
Net assets acquired	**29,918,740**
Consideration	
Cash	**27,220,340**
Purchase price payable	**2,698,400**
	29,918,740

The acquisition costs incurred in the above transactions amounted to $732,535 and were expensed as part of general and administrative expenses in the unaudited interim condensed consolidated financial statements of income and comprehensive income.

Aviwest contributed revenues of $1,300,609 and a net loss of $109,297 to the Company for the period from the acquisition date to April 30, 2022.

(Unaudited – In Canadian dollars)

5. Trade and other receivables

The components of trade and other receivables are as follows:

	April 30, 2022	October 31, 2021
	$	$
Current	**18,197,694**	13,153,792
Past due less than 30 days	**4,277,272**	4,470,008
Past due less than 60 days	**1,089,307**	1,092,871
Past due less than 90 days	**484,191**	457,047
Past due over 90 days	**1,545,867**	744,464
Trade receivables (before allowance for expected credit losses)	**25,594,331**	19,918,182
Allowance for expected credit losses	**774,278**	442,659
Trade and other receivables (net of allowance for expected credit losses)	**24,820,053**	19,475,523
Allowance for expected credit losses		
Balance, beginning of period	**442,659**	353,706
Bad debt expense	**331,619**	88,953
Balance, end of period	**774,278**	442,659

6. Inventories

	April 30, 2022	October 31, 2021
	$	$
Finished goods	**16,390,507**	10,373,696
Provision for obsolescence	**(2,019,295)**	(1,533,183)
	14,371,212	8,840,513

The amount of inventory recognized in cost of sales during the six-month period ended April 30, 2022, was $14,258,969 ($7,567,430 in 2021).

The following table shows the continuity of the provision for obsolescence deducted from inventories:

	April 30, 2022	October 31, 2021
	$	$
Balance, beginning of period	**1,533,183**	798,013
Increase in provision for obsolescence	**306,472**	1,029,269
Provision for obsolescence acquired in business combination	**306,595**	-
Write-down of inventories	**(126,955)**	(294,099)
Balance, end of period	**2,019,295**	1,533,183

(Unaudited – In Canadian dollars)

7. Leases

The Company's leases consist of office spaces.

Right-of-use assets

	April 30, 2022	October 31, 2021
	$	$
Net carrying amount		
Balance, beginning of period	**7,925,844**	3,183,740
Amortization expense	**(689,015)**	(906,083)
Additions	**299,654**	842,191
Foreign exchange	**61,428**	(160,646)
Acquired in business combination	**1,703,049**	4,966,642
Balance, end of period	**9,300,960**	7,925,844

Amounts recognized in the unaudited interim condensed consolidated statements of income and comprehensive income

	Three-month period ended April 30,		Six-month period ended April 30,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Interest accrued on lease liabilities	**146,413**	66,863	**288,512**	131,660
Expenses related to short-term leases and variable lease payments	**213,720**	171,051	**444,958**	364,669

Information on cash flows

	April 30, 2022	April 30, 2021
	$	$
Total cash outflow for leases	**1,340,513**	766,467

Lease liabilities

The changes to the lease liabilities during the period ended April 30, 2022, and October 31, 2021, are as follows:

	April 30, 2022	October 31, 2021
	$	$
Balance, beginning of period	**8,588,924**	3,645,693
Interest accretion expense	**288,512**	346,423
Payment of lease liabilities	**(895,555)**	(1,080,386)
Additions	**300,546**	967,386
Foreign exchange	**161,628**	(256,654)
Acquired in business combination	**1,703,048**	4,966,462
Balance, end of period	**10,147,103**	8,588,924
Current portion	**1,420,375**	1,001,849
	8,726,728	7,587,075

(Unaudited – In Canadian dollars)

7. Leases (continued)

As at April 30, 2022, and as at October 31, 2021, under the terms of the operating lease contracts for premises, the Company committed to make the following payments:

	April 30, 2022	October 31, 2021
	$	$
Maturity schedule – contractual undiscounted cash flows		
Less than one year	**1,900,554**	1,588,486
One to five years	**8,868,747**	7,633,800
More than five years	**1,063,919**	1,729,354
Total undiscounted liabilities	**11,833,220**	10,951,640

8. Credit facility

The Company has a credit agreement providing for a revolving line credit facility in the maximum principal amount of $35,000,000. The revolving facility also provides access to additional financing of $25,000,000 on an uncommitted basis through an accordion provision under the same terms, bringing the total financing capacity of the facilities to $60,000,000. The credit agreement provides for interest at a floating rate by reference to the Canadian prime rate and to other base rates. As at April 30, 2022, the Company has borrowed $13,046,145 under the facility.

The credit facility is subject to the maintenance of the following financial covenants:

- Maximum funded debt to Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio at the end of each fiscal quarter of 3.75:1.00.
- Minimum Earnings before Interest and Taxes ("EBIT") to interest ratio at the end of each fiscal quarter of 3.75:1.00.

As at April 30, 2022, the Company was in compliance with its covenants.

The referenced Canadian prime rate as at April 30, 2022, was 3.20%, and the Company's current cost of borrowing is 3.45%

9. Trade and other payables

	April 30, 2022	October 31, 2021
	$	$
Trade	**8,203,363**	6,797,833
Payroll-related accruals	**4,693,507**	5,586,802
Other accrued liabilities	**462,495**	119,386
	13,359,365	12,504,021

(Unaudited – In Canadian dollars)

10. Term loans

	April 30, 2022	October 31, 2021
	$	$
Term loan, bearing interest at 2.71%, instalments of principal payable quarterly in the amount of $40,475	**40,475**	–
Term loan, non-interest bearing, instalments of principal payable quarterly in the amount of $31,706	**95,119**	–
Term loan, bearing interest at 0.96%, instalments of principal payable quarterly in the amount of $67,460, commencing in September 2022	**1,349,200**	–
Term loan, bearing interest at 1.45%, instalments of principal and interest payable monthly in the amount of $2,799	**71,493**	–
Term loan, bearing interest at 0.55%, instalments of principal payable monthly in the amount of $14,212, commencing in August 2022	**674,600**	–
Term loan, bearing interest at 0.76%, instalments of principal payable monthly in the amount of of $14,572, commencing in September 2022	**674,600**	–
Term loan, bearing interest at 0.75%, instalments of principal payable monthly in the amount of $14,488, commencing in July 2022	**674,600**	–
Term loan, bearing interest at 2.25%, instalments of principal and interest payable quarterly in the amount of $14,726	**688,822**	–
Term loan, bearing interest at 1.45%, instalments of principal and interest payable monthly in the amount of $12,912	**245,942**	–
Term loan, bearing interest at 1.33%, instalments of principal and interest payable monthly in the amount of $12,871	**257,778**	–
Term loan, non-interest bearing, principal payable by an instalment of $175,396 in December 2022 followed by quarterly instalments of principal of $10,856 commencing in March 2023	**273,097**	–
Term loan, non-interest bearing, instalments of principal payable quarterly in the amount of $14,504 commencing in March 2026	**131,547**	–
Term loan, non-interest bearing, instalments of principal payable quarterly in the amount of $21,852	**87,409**	–
Term loan, non-interest bearing, instalments of principal payable quarterly in the amount of $21,852	**87,409**	–
		–
	5,352,091	–
Current portion	**(1,491,849)**	–
	3,860,242	–

Principal payments required in each of the forthcoming fiscal years are as follows:

	C$
2022 (six months)	564,353
2023	1,615,488
2024	1,105,745
2025	1,008,872
2026 and thereafter	1,057,633

(Unaudited – In Canadian dollars)

11. Share capital

Authorized, unlimited number

Common shares, voting and participating

Preferred shares, non-voting and participating

Issued

	April 30, 2022	October 31, 2021
	$	$
28,829,609 Common shares (28,758,887 as at October 31, 2021)	**93,531,332**	93,140,900
Share issuance costs, net of deferred income taxes of $1,200,000	**(3,355,360)**	(3,355,360)
	90,175,972	89,785,540

All comparative number of shares have been adjusted on the basis of the 85:1 share split described below.

On December 4, 2020, the Board of Directors approved the filing of a prospectus with the securities regulatory authorities in each of the provinces of Canada in connection with an IPO of common shares in the capital of the Company (the Offering). On December 16, 2020, the Company completed the Offering, which consisted of an offering of 5,000,000 common shares issued from treasury by the Company, for aggregate proceeds of $30,000,000. On December 18, 2020, the underwriters exercised their over-allotment in full, which consisted of an offering of 750,000 common shares issued from treasury by the Company, for aggregate proceeds of $4,500,000. Immediately prior to the completion of the Offering, the Company completed the following transactions:

- The holders of Class "A" shares and Class "B" shares received a distribution from the Company of $1,532,180 as described below;
- All outstanding Class "A" shares, Class "B" shares, Class "C" shares, Class "D" shares and Class "E" shares were split on the basis of 85 post-split shares for each pre-split share;
- The authorized share capital was amended such that it is comprised of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series;
- All Class "A" shares, Class "B" shares, Class "C" shares, Class "D" shares and Class "E" shares were exchanged for one common share, which resulted in the issuance of 20,862,019 common shares; and
- Class "A" shares, Class "B" shares, Class "C" shares, Class "D" shares and Class "E" shares included in authorized share capital were deleted from the articles of incorporation.

As a condition of a previous equity issuance, the Company entered into an agreement with certain shareholders. Under this agreement, upon a change of control or an initial public offering (the "Qualified Transaction"), these shareholders were entitled to a distribution in the amount of $1,532,180.

Share-based compensation plan

Immediately prior to the completion of the Offering, options to acquire Class "B" shares or Class "D" shares were exercised on a cash or cashless basis, which resulted in the issuance of an aggregate of 5,521,219 post-split common shares for aggregate proceeds of $4,852,795. The share-based compensation plan then ceased to exist and was replaced by a new equity incentive plan on December 16, 2020.

(Unaudited – In Canadian dollars)

11. Share capital (continued)

Share-based compensation plan (continued)

No share-based payments expense was recorded in prior years as the options only became exercisable upon the occurrence of a liquidity event such as an initial public offering or a change of control. As a result of the completion of the Offering, during the three-month period ended January 31, 2021, the cumulative fair values of the options to acquire Class "B" and Class "D" shares in the amount of $14,125,241 were recorded as a share-based payments expense.

On December 16, 2020, the Company established a new Equity Incentive Plan (the "Plan") for purposes of advancing the interests of Haivision Systems Inc. and its shareholders by incentivizing the Company's Executive Officers, Directors, Employees and Consultants to strive for continued and improved services and reward excellent performance. The aggregate number of share-based awards reserved for issuance under the Plan shall be 15% of the issued and outstanding common shares at any time.

Stock Option Plan

As part of the new Equity Incentive Plan introduced on December 16, 2020, a Stock Option Plan (the "Option Plan") was introduced. Under this Option Plan, which is administered by the Company's Board of Directors, the recipients are awarded stock options to acquire common shares.

Unless otherwise determined by the Board at the time of grant, each stock option shall be exercisable until the tenth anniversary of the date on which it was granted. One third of the Options granted shall vest on the first anniversary of the date of grant and the remaining two thirds shall vest annually over two years, totalling a three-year vesting period.

During the six-month period ended April 30, 2022, the Company granted a total of 717,500 stock options to employees and executive officers of the Company at an exercise price of $6.52 per share and expiring ten years after the grant date, of which 450,000 were granted to executive officers.

A summary of the Option Plan's position for the six-month period ended April 30, 2022, is presented below:

	Options	
	Number of options	**Weighted average exercise price per share**
	#	**$**
Outstanding, beginning of period	**1,339,500**	**6.95**
Granted	**717,500**	**6.52**
Forfeited	**(39,000)**	**7.36**
Exercised	**—**	**—**
Outstanding, end of period	**2,018,000**	**6.79**

(Unaudited – In Canadian dollars)

11. Share capital (continued)

Stock Option Plan (continued)

The Company applies the fair value method of accounting for share-based compensation awards granted. Fair value is calculated based on a Black-Scholes option pricing model. The principal components of the pricing model for the six-month period ended April 30, 2022, are as follows:

	April 30, 2022
Weighted average risk-free interest rate	**1.79%**
Weighted average expected life of options	**5 years**
Expected dividend yield	**—**
Expected volatility	**38.00%**
Expected forfeiture rate	**2.38%**

The share-based payments expense recorded for the options during the six-month period ended April 30, 2022, amounted to $738,701 ($572,415 in 2021).

Restricted Share Units Plan

As part of the new Equity Incentive Plan introduced on December 16, 2020, a Restricted Share Units Plan (the "RSU Plan") was introduced. Under the RSU Plan, which is administered by the Company's Board of Directors, the recipients are awarded restricted share units ("RSUs") to acquire common shares.

RSUs granted to a participant will entitle the participant, subject to the satisfaction of any conditions attached to the grant, to receive a payment in fully paid common shares.

The share-based payments expense recorded for the RSUs during the six-month period ended April 30, 2022, amounted to $627,140 ($432,797 in 2021).

A summary of the RSU Plan's position for the six-month period ended April 30, 2022, is presented below:

	April 30, 2022
	Number of RSUs
Outstanding, beginning of period	**395,276**
Granted	**—**
Forfeited	**—**
Exercised	**(131,757)**
Outstanding, end of period	**263,519**

Deferred Share Units Plan

As part of the new Equity Incentive Plan introduced on December 16, 2020, a Deferred Share Unit Plan (the "DSU Plan") was introduced. Under the DSU Plan, which is administered by the Company's Board of Directors, the recipients are awarded deferred share units ("DSUs") to acquire common shares. A DSU is a notional unit credited by the Company to an eligible Director, to be exchanged for a fully paid common share six months after the eligible director ceases to be a director of the Company.

(Unaudited – In Canadian dollars)

11. Share capital (continued)

Deferred Share Units Plan (continued)

During the six-month period ended April 30, 2022, the Company granted a total of 26,797 DSUs to its directors, all of which vested immediately. The Company applies the fair value method of accounting for share-based compensation awards granted. Fair value is determined at the grant date and is valued at the share price on that date.

The share-based payments expense recorded for the DSUs during the six-month period ended April 30, 2022, amounted to $83,192 ($63,063 in 2021).

A summary of the DSU Plan's position for the three-month period ended April 30, 2022, is presented below:

	April 30, 2022
	Number of DSUs
Outstanding, beginning of period	**25,814**
Granted	**26,797**
Forfeited	**—**
Exercised	**(4,166)**
Outstanding, end of period	**48,445**

Net (loss) earnings per share

A net loss was reported for the three-month and six-month periods ended April 30, 2022, and therefore, the denominator for the loss per share calculation was equal to the weighted average number of common stock outstanding with no consideration for outstanding stock options, RSUs and DSUs to acquire shares of the Company's common shares because to do so would have been anti-dilutive.

12. Revenue

	Three-month period ended April 30,		Six-month period ended April 30,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Product	**23,415,365**	16,602,848	**45,163,368**	34,363,924
Cloud solutions	**1,988,804**	2,131,918	**4,053,988**	4,106,518
Maintenance and support	**4,480,756**	3,115,975	**9,001,923**	6,365,774
	29,884,925	21,850,741	**58,219,279**	44,836,216

(Unaudited – In Canadian dollars)

13. Operating costs

	Three-month period ended April 30,		Six-month period ended April 30,	
	2022	2021	**2022**	2020
	$	$	**$**	$
Salaries, commissions and benefits	**14,007,602**	8,861,505	**26,863,440**	18,581,264
Rent	**213,720**	171,051	**444,958**	364,669
Bad debt expense	**67,700**	34,661	**125,421**	71,177
Depreciation of property and equipment	**241,633**	114,161	**421,014**	229,623
Amortization of intangible assets	**1,161,522**	138,070	**2,141,480**	276,138

Depreciation included in cost of sales during the six-month period ended April 30, 2022, was $67,243 ($9,721 in 2021).

14. Financial expenses

	Three-month period ended April 30,		Six-month period ended April 30,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Interest on term loans	**2,150**	30,019	**2,150**	71,057
Interest on credit facility	**67,974**	11,091	**89,140**	21,863
Interest on lease liabilities	**146,413**	66,863	**288,512**	131,660
Interest income	**(24,787)**	(28,907)	**(33,904)**	(36,278)
	191,750	79,066	**345,898**	188,302

15. Additional information relating to the unaudited interim condensed consolidated statements of cash flows

	April 30, 2022	April 30, 2021
	$	$
Net changes in non-cash operating working capital items		
Trade and other receivables	**(3,027,986)**	(1,502,489)
Investment tax credits receivable	**(1,000,000)**	—
Inventories	**(1,947,003)**	1,639,010
Prepaid expenses	**(1,245,085)**	(1,038,986)
Trade and other payables	**(1,395,674)**	(5,752,399)
Deferred revenue	**1,259,760**	281,324
	(7,364,988)	(6,373,540)

16. Financial instruments

Fair value hierarchy

The fair value is the amount at which a financial instrument could be exchanged between willing parties based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on present value and other valuation techniques using rates that reflect those that the Company could currently obtain, on the market, for loans with similar terms, conditions and maturities. The entity's own credit risk and the credit risk of the counterparty were taken into account when determining the fair value of financial assets and financial liabilities, including derivative instruments.

The fair value of cash, trade and other receivables, and trade and other payables is approximately equal to their carrying value due to their short-term maturity.

Fair value of debt is determined based on market rates prevailing at the unaudited interim condensed consolidated statement of financial position date and compared to those provided by financial institutions for similar financial instruments.

These estimates are significantly affected by assumptions, including the amount and timing of estimated future cash flows and discount rates, all of which reflect varying degrees of risk.

Determination of fair value and the resulting hierarchy require the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

No financial instruments existed as at April 30, 2022, and October 31, 2021, that were measured at fair value in the unaudited interim condensed consolidated statement of financial position.

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these unaudited interim condensed consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have similarities to fair value but are not fair value, such as net realizable value in IAS 2.

In addition, for financial reporting purposes, fair value measurements are categorized into Levels 1, 2 or 3 based on the degree to which the inputs to the fair value measurement are observable and the significance of the inputs to the fair value measurement in their entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(Unaudited – In Canadian dollars)

17. Related party disclosures

Compensation of four (four in 2021) key management personnel:

	April 30, 2022	April 30, 2021
	$	$
Salaries, bonuses and benefits	**1,385,625**	1,490,461

Compensation of non-employee directors

For the six-month periods ended April 30, 2022, and April 30, 2021, independent directors were entitled to cash compensation totalling $65,501 ($61,858 in 2021), which has been accrued for within trade and other payables. The Company reimburses reasonable costs to attend board and committee meetings.

18. Contingencies

On March 9, 2017, an entity filed proceedings against the Company alleging that the Company was not entitled to terminate the supply agreement entered into between the parties and breached an exclusivity undertaking. The entity is claiming an amount of $47,742,194 in damages, plus interest and indemnity. The Company believes the likelihood of an unfavourable outcome in this dispute is not probable. Accordingly, no provision has been recorded.

Other than the legal proceedings disclosed above, the Company is not aware of any proceedings outstanding or threatened as of the date hereof by or against it or relating to its business, which may have, or have had in the recent past, significant effects on the Company's financial position, profitability or cash flows. Accordingly, no provision has been recorded.

19. Operating segments

The Company has one reportable segment, the provision mission-critical, real-time video streaming and networking solutions in the North American and international markets.

Geographical information

The Company operates in three principal geographical areas: Canada (country of domicile), the United States of America and international.

Revenue by geographical area, based on the location of customers, is as follows:

	Three-month period ended April 30,		Six-month period ended April 30,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Canada	**643,920**	845,809	**1,699,095**	1,346,239
International	**6,112,807**	5,451,842	**10,918,269**	11,486,602
United States	**23,128,198**	15,553,090	**45,601,915**	32,003,375
	29,884,925	21,850,741	**58,219,279**	44,836,216

(Unaudited – In Canadian dollars)

19. Operating segments (continued)

Geographical information (continued)

Non-current assets by geographical area are as follows:

	April 30, 2022	October 31, 2021
	$	$
Canada	**8,870,721**	10,725,688
International	**26,740,915**	1,481,699
United States	**50,310,143**	49,892,206
	85,921,779	62,099,593