



## ANNUAL INFORMATION FORM

for the fiscal year ended June 30, 2017

September 25, 2017

## TABLE OF CONTENTS

ABOUT THIS ANNUAL INFORMATION FORM .....	2
FORWARD LOOKING STATEMENTS .....	2
CORPORATE STRUCTURE .....	3
GENERAL DEVELOPMENT OF THE BUSINESS .....	3
BUSINESS OF THE COMPANY .....	6
RISK FACTORS .....	12
DIVIDENDS .....	19
DESCRIPTION OF CAPITAL STRUCTURE .....	21
MARKET FOR SECURITIES .....	21
AUDIT COMMITTEE INFORMATION .....	23
LEGAL PROCEEDINGS OR REGULATORY ACTIONS .....	26
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS .....	26
TRANSFER AGENT AND REGISTRAR .....	26
MATERIAL CONTRACTS .....	27
INTERESTS OF EXPERTS .....	27
ADDITIONAL INFORMATION .....	27
APPENDIX A - GLOSSARY .....	28
APPENDIX B – AUDIT COMMITTEE MANDATE .....	30

## **ABOUT THIS ANNUAL INFORMATION FORM**

The information in this Annual Information Form is presented as of June 30, 2017, unless otherwise indicated.

Unless otherwise indicated, or the context otherwise requires, references in this Annual Information Form to “Vecima” and “the Company” refer to Vecima Networks Inc. and its subsidiaries.

## **FORWARD LOOKING STATEMENTS**

This Annual Information Form 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 Annual Information Form includes, but is not limited to statements that in Vecima expects sales from the video and broadband product line will continue to account for a significant portion of their sales in the foreseeable future, relationships to continue, cable and broadband wireless access technologies to face significant competition from both current and future alternative technologies, and operating results to fluctuate. We believe our growth may be tied to the: development of next generation platforms such as Entra (currently in development); from strategic acquisitions; and from platform enhancements for customers.

In connection with the forward-looking information contained in this Annual Information Form, the Company has made numerous assumptions, regarding, among other things: the ability to continue relationships with the few large customers; the ability to deliver products associated with key contracts; managing business growth successfully; meeting customers’ requirements for manufacturing capacity; developing new products and enhancing existing products; expanding current distribution channels and developing new distribution channels; recruiting and retaining management and other qualified personnel crucial to business; successful pricing models; reliable third-party suppliers and contract manufacturers; intellectual property is protected; warranty and product liability claims that harm our business; successful implementation of acquisitions; ability to manage risks associated with international operations; adverse currency fluctuations; continued growth in key markets; adapting to technological change, new products and standards; increased competition that adversely affects business; additional competition from new or existing technologies that adversely affect business; no additional material new government regulations of products; and, no third parties infringing on intellectual property. While Vecima considers 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 the 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 Annual Information Form. Known risk factors include, among others: operating results are expected to fluctuate; substantial part of total revenue is derived from a few large customers; the possible inability to deliver products associated with key contracts; failure to manage the business or growth successfully which may adversely affect operating results; sales may suffer if customers’ requirements for manufacturing capacity cannot be met; success depends on the ability to develop new products and enhance existing products; dependency on the expansion of current distribution channels and the development of new distribution channels; ability to recruit and retain management and other qualified personnel; pricing models to compete successfully; reliance on third-party suppliers and contract manufacturers reduces control over company performance; revenues are substantially concentrated in a single market category; intellectual property is adequately protected, keeping competitive advantage; successful warranty or product liability claims could harm the business; acquisitions

could divert management's attention and financial resources, may negatively affect operating results and cause significant dilution to shareholders; risks associated with international operations; currency fluctuations; growth in key markets; inability to adapt to technological change, new products and standards; increased competition; competition from new or existing technologies; and, government regulation changes. A more complete discussion of the risks and uncertainties facing the Company is disclosed under the heading "Risk Factors" in this Annual Information Form, as well as in any continuous disclosure filings with Canadian securities regulatory authorities available at [www.sedar.com](http://www.sedar.com).

All forward-looking information in this Annual Information Form is qualified in its entirety by this cautionary statement and disclaim any obligation to revise or update such forward-looking information to reflect future results, events or developments, except as required by law.

## **CORPORATE STRUCTURE**

The Company was incorporated under the *Business Corporations Act* (Saskatchewan) on July 7, 1988 under the name "WaveCom Electronics Inc.". The Company amalgamated with 625694 Saskatchewan Ltd. on July 1, 1999, continued under the *Canada Business Corporations Act* and changed its name to "VCom Inc." on June 30, 2003, amalgamated with WaveRider Communications (Canada) Inc. on July 1, 2006, changed its name to "Vecima Networks Inc." on November 13, 2006. Then, on July 1, 2007, The Company amalgamated with Spectrum Signal Processing Inc., on July 1, 2013 amalgamated with WaveCom Electronics (2003) Inc. and on July 1, 2015, amalgamated with YourLink.

Vecima's head office is located at 771 Vanalman Avenue, Victoria, British Columbia, Canada, V8Z 3B8 with its registered office is located at 25<sup>th</sup> floor, 700 West Georgia Street, Vancouver, British Columbia, Canada, V7Y 1B3. The company website address is: [www.vecima.com](http://www.vecima.com). The information on Vecima's website is not incorporated by reference in this Annual Information Form.

Vecima's wholly-owned subsidiaries and their respective jurisdictions of incorporation are 6105971 Canada Inc. (Canada) and Vecima Networks (USA) Inc. (United States). Vecima also own 95% of the voting shares of Vecima Telecom India Private Ltd. (India).

## **GENERAL DEVELOPMENT OF THE BUSINESS**

### **Three Year History**

Vecima is a leading designer and manufacturer in the broadband cable and wireless network infrastructure market. The following describes how Vecima's business has developed over the last three completed fiscal years, as well as any changes to their business expected to occur during the current fiscal year.

#### ***2016 – 2017 Fiscal Year***

On May 29, 2017, Vecima launched its Terrace DVB Commercial Video Gateway for the international market at ANGA COM 2017 in Cologne, Germany. A product line extension of the successful Terrace QAM platform, Terrace DVB was developed for markets outside of North America, giving global cable operators the flexibility to adapt to emerging technologies while providing compelling services in hospitality.

On May 29, 2017, Vecima announced the launch of the Entra Access Switch at ANGA COM 2017. Vecima's Entra Access Switch is designed to extend the capacity of networks with insufficient fibers while minimizing the use of expensive digital optics. The Entra Access Switch significantly reduces capital costs for short run fiber extensions, deep fiber deployments, and DOCSIS 3.1 node aggregations, ensuring the maximum ROI from existing short and long range fiber links.

On January 9, 2017, we entered into an agreement to sell the telecommunication assets of our YourLink business in Saskatchewan for total consideration of \$28.73 million. The sale consisted of two separate transactions. The sale of operating assets closed on January 12, 2017 for consideration of \$20 million. The second transaction for consideration of \$8.73 million closed subsequent to June 30, 2017 on July 13, 2017. Assets connected with the second sale transaction are classified as held for sale (\$0.6 million). Financial results attributable to the YourLink business have been presented as discontinued operations.

On October 25, 2016, Vecima filed a Notice of Intention with the Toronto Stock Exchange to acquire for cancellation, by way of Normal Course Issuer Bid, (NCIB) up to 600,000 Common Shares of the Corporation. This represents approximately 2.7% of the issued and outstanding Shares and approximately 9.7% of the total public float of the Corporation. This NCIB was approved by the TSX.

On September 30, 2016 we completed the sale of cable and telecommunication assets of its YourLink business in British Columbia for consideration of \$1.4 million.

On September 27, 2016, Vecima demonstrated Entra, its new DOCSIS 3.1 Distributed Access Architecture (DAA) platform, at the SCTE Cable-Tec Expo 2016 show in Philadelphia, PA.

On September 20, 2016, Vecima's Entra received a Broadband Technology Report (BTR) Diamond Technology Reviews ranking of 4.5 out of 5 Diamonds for its new Entra DOCSIS 3.1 Distributed Access Architecture (DAA) platform. Vecima's Entra is a next generation cable broadband access solution that consists of remote access nodes and virtual controller software that support all distributed architectures.

On June 7, 2016, Vecima demonstrated Entra, its new DOCSIS 3.1 Distributed Access Architecture (DAA) platform, at the ANGA COM show in Cologne, Germany.

### ***2015 – 2016 Fiscal Year***

On May 16, 2016, Vecima launched Entra, its new DOCSIS 3.1 Distributed Access Architecture (DAA) platform at the INTX Show in Boston, MA. Vecima's Entra is a next generation cable broadband access solution that consists of a virtual controller software platform and Ethernet-centric remote access nodes supporting all distributed architectures. Entra supports DOCSIS 3.1 hybrid fiber coax (HFC), passive optical network (PON) and Ethernet services in a unified platform, commencing with DOCSIS 3.1 Remote MAC-PHY. The platform fully supports legacy digital video, including out-of-band, providing an optimal path for the evolution of networks to full DOCSIS 3.1 using distributed access architecture.

On April 18, 2016, Vecima launched Bravura, a platform for multiscreen delivery of SD, HD, and 4K Ultra-HD Premium content, at the NAB Conference in Las Vegas, NV. The Bravura platform is a cloud ready head-end solution for IPTV and OTT. The platform can be fully virtualized and is licensed as stand-alone software or as an optimized server appliance. Designed to address the increasing demand for multiscreen video delivery, the platform includes all components required for delivery of IPTV and OTT services.

On February 29, 2016, Vecima acquired the assets of Contigo Systems Inc. (“Contigo”), a Vancouver-based private company. Contigo is a leading provider of turn-key GPS solutions for fleet management, asset tracking and personal safety for small to medium sized fleets. Providing multiple forms of locatable devices and a state-of-the-art web platform, Contigo’s solution is ideally suited to the large and growing market for commercial fleet management. The technology allows monitoring of disparate types of location devices from on-board monitoring/diagnostics devices to smartphones, all on one unified platform using wireless network infrastructure. Contigo’s two key products are RideAlong, for commercial vehicle tracking, and Alert and Assist, for lone worker safety.

In January 2016, Vecima announced it has received orders totaling USD\$11.0 million (approximately CDN\$16 million) for its Digital Video Access Platform (DVAP) since September 2015. In September 2014, Vecima announced signing a take or pay contract valued at USD\$19 million for the platform and these bookings will essentially complete the full commitment under that contract.

In October 2015, Vecima announced it had signed a supply agreement with a Tier 1 MSO (Multiple System Operator) to support its network wide all-digital conversion across the United States of America. The supply agreement covers Vecima’s Terrace TC600E product line, the latest edition of the Terrace family of products.

On September 24, 2015, Vecima’s Board of Directors approved an increase in its quarterly dividend of \$0.045 per common share to \$0.055 per common share. The dividend was payable on October 30, 2015 to shareholders of record as at October 9, 2015.

On July 27, 2015, Vecima announced that YourLink was awarded \$4.6 Million in funding from Industry Canada’s “Connecting Canadians” program to expand YourLink’s network infrastructure in rural Saskatchewan. Connecting Canadians is the Government of Canada’s program to provide at least 280,000 households in rural and remote regions with high-speed Internet access (5 Mbps or more), with many households benefitting by Canada’s 150th birthday in 2017.

### ***2014 – 2015 Fiscal Year***

On May 4, 2015, Vecima announced the introduction of the new Portico DOCSIS 3.0 CMTS (cable modem termination system) platform at INTX (the Internet and Television Expo) held in Chicago, Illinois.

On January 13, 2015, Vecima signed a supply agreement with a major MSO to support its all-digital conversion across the United States of America. The supply agreement covers Vecima’s Terrace product line which is used to provide a bulk video offering in the commercial premise after the all-digital conversion.

On September 24, 2014, Vecima’s Board of Directors adopted a dividend policy whereby Vecima will pay an annual dividend to its common shareholders of \$0.18 per share payable quarterly.

On September 22, 2014, Vecima announced the introduction of two new platforms at the SCTE Cable-Tec Expo held in Denver, Colorado. The two new platforms were the TC600E and TransQAM version of the Terrace QAM. The TC600E provides a new all-digital commercial video solution to cable operators allowing for the provision of bulk video services within MDUs and other commercial properties. The TransQAM version of the TerraceQAM platform will allow the hospitality HD solution to support MPEG-4 video input which operators are now using to maximize network capacity versus the traditional and less efficient MPEG-2 format. TransQAM meanwhile will provide integrated MPEG-4 to MPEG-2 transcoding of up to sixty four programs per platform.

In August 2014, Vecima entered into an agreement with a major United States’ MSO customer for Terrace and TerraceQAM to develop new technology that will result in a new TerraceQAM platform. The new Terrace QAM

would enable the hospitality video solution to support MPEG-4 video input. The technology would allow TerraceQAM to ingest MPEG-4 format and output HD video channels that are universally supported by the televisions in hospitality properties. As part of the agreement, the customer committed to an initial purchase of product.

## **Significant Acquisitions**

As referenced under Part 8 of National Instruments 51-102 Continuous Disclosure Obligations, Vecima did not complete any significant acquisitions within the meaning of applicable securities laws during our most recently completed fiscal year.

## **Business of the Company**

Vecima Networks Inc. (TSX:VCM) is a globally recognized leader in creating breakthrough technology solutions that empower network service providers to connect people and enterprises to information and entertainment worldwide. Vecima products for the cable industry allow service providers a cost-effective Last Mile Solution® for both video and broadband access, especially in the demanding business services market segment.

Vecima designs, assembles, tests and sells products that perform the following functions: (1) facilitate the communication between customer premise video equipment and a cable operator's core network; (2) generate analog video to support legacy subscribers through the all-digital video conversion on cable operator's networks; (3) produce digital signals for voice, video and data; (4) perform CableCARD decryption; and (5) enable the distribution of both analog and digital video in MDU and hospitality environments. Vecima's products are primarily directed towards the video and broadband market that serves cable operators.

Vecima continues to increase its presence in the Telematics space completed the recent acquisition of Contigo Systems. Contigo and Nero Global Tracking join FleetLynx as the telematics brands that Vecima represents in this market. Specializing in small to medium sized fleets in North America, these brands target the service fleet vertical and commercial trucking clients.

## **Products**

Vecima's products incorporate sophisticated hardware and software developed within their research and development facilities. Examples of the types of technologies incorporated within their solutions include high-speed digital signal processing, control, digital modulation, RF circuitry and compensation functions. In addition to these technologies, Vecima's embedded software also facilitates the implementation of other network functions, such as media access control and embedded system management.

Vecima's major products are described in more detail below:

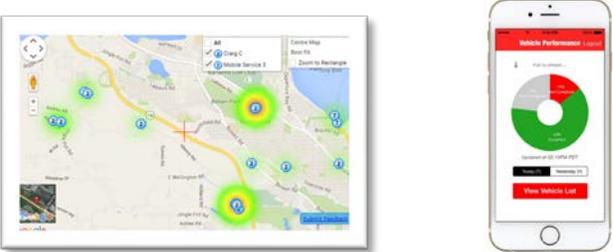
<p><b>Terrace Family (TC600E, TC600, TC1000 and TC1200)</b></p>	 <p><b>TC600E</b> QAM &amp; IP to Analog</p>	<p>The Terrace family of MDU gateway products are multi-channel digital video to analog video converters for cable multiple system operators. These products are deployed within hotels, apartments and other multi-room buildings.</p> <p>The TC600E supports up to 6 Multi-Stream CableCARDS, demodulates up to 36 QAM channels, decrypts up to 36 MPEG-2 services and converts up to 36 MPEG-2 HD/SD or 24 MPEG-4 AVC / H.264 HD digital programs to analog NTSC channels.</p>
<p><b>TerraceQAM (TransQAM)</b></p>	 <p><b>Terrace QAM</b> QAM to QAM Transcryptor</p>	<p>The TerraceQAM gateway is a multi-channel digital video to digital video transcryptor for the hospitality industry. Enables cable video service operators to distribute high definition video without the use of digital set top boxes.</p> <p>Demodulates up to 64 QAM channels. Supports 4 or 10 multi-channel CableCARDS™ to decrypt 24 or 60 programs for both SD and HD programming.</p>
<p><b>Portico</b></p>	 <p><b>Portico</b> DOCSIS 3.0 mini-CMTS</p>	<p>Portico is an interface between cable modems using coaxial cabling in buildings and standard Ethernet routers and switches to facilitate high-speed data services. Portico is deployed within hotels, apartments and other multi-room buildings.</p> <p>High Throughput – Downstream: Up to 800 Mbps EuroDOCSIS, Up to 600 Mbps DOCSIS &amp; Upstream: Up to 120 Mbps.</p>
<p><b>Concierge</b></p>	 <p><b>Concierge</b> IP to QAM (Edge QAM)</p>	<p>Concierge converts standard-definition or high-definition Internet Protocol (IP) video to quadrature amplitude modulated (QAM) video for televisions that require QAM video input. Concierge is deployed within hotels, apartments and other multi-room buildings.</p> <p>Output HD or SD programs on 12 QAM carriers.</p>

<p><b>Terrace DVB</b></p>	 <p><b>Terrace DVB</b> QAM to DVB-T</p>	<p>The Terrace DVB Commercial Video Gateway is a multi-channel QAM to DVB-T or QAM to QAM decrypting transmodulator used for business to business commercial video applications.</p> <p>Demodulated MPEG transport streams are decrypted by DVB CAM technology and then re-modulated to the desired DVB-T or QAM channel.</p> <p>The Terrace DVB can decrypt using 8 DVB CAMs and provides up to 8 DVB-T or QAM channels to allow a full line-up of customized programming.</p>
<p><b>Entra Access Node</b></p>	 <p><b>Access Node</b> R-PHY / R-MACPHY DAA</p>	<p>Adaptable DOCSIS architecture including support for dedicated R-PHY and convertible R-PHY/R-MACPHY.</p> <p>Flexible platform built around a high capacity 120 Gbps bi-directional Ethernet switch. Supports DOCSIS and Ethernet services.</p> <p>Entra Unified Controller manages distributed elements to appear like an integrated CCAP.</p> <p>Legacy digital video support including all OOB (QAM plus native 55-1 and 55-2).</p>
<p><b>Entra LQA256</b></p>	 <p><b>LQA256</b> Legacy QAM Adapter</p>	<p>The Entra Legacy QAM Adapter (LQA) accepts RF from existing Edge QAM equipment, demodulates the QAM carriers, encapsulates in R-DEPI, RTP or UDP and provides unicast/multicast MPTS over Ethernet to the Access Node for re-modulation to RF.</p> <p>The LQA allows operators to leverage the existing installed edge QAM infrastructure for R-PHY and R-MACPHY deployments.</p> <p>The LQA minimizes new headend equipment, mitigates interoperability risk, and easily supports mixed deployments of centralized and distributed access.</p>

<p><b>Entra Access Switch</b></p>	 <p><b>Access Switch</b> Outdoor 10 GbE Switch</p>	<p>The Entra Access Switch is a remote cloud managed, 8 port x 10 GbE weatherproof switch capable of supporting Carrier Ethernet services in almost any deployment environment.</p> <p>Designed to extend the capacity of networks with insufficient fibers while minimizing the use of expensive DWDM optics, its capital expenditure costs are significantly reduced for:</p> <ul style="list-style-type: none"> <li>• short run fiber extension,</li> <li>• deep fiber distributed access deployments and,</li> <li>• business services extension.</li> </ul> <p>The Entra Access Switch will ensure maximum ROI from your existing short and long range fiber links. Support for IEEE 1588v2 timing provides capability for mobile network backhaul as well as DOCSIS 3.1 distributed access aggregation.</p>
-----------------------------------	---	---

**Services**

The services segment within Vecima covers the Telematics business:

<p><b>Telematics</b></p>		<p>Through various brands including Nero Global Tracking and FleetLynx, Vecima is providing fleet management and maintenance solutions for small and medium sized fleets across North America.</p>
--------------------------	--	--

**Sales and Distribution**

Vecima sells its Video and Broadband products directly and through distributors to OEMs or system integrators to MSOs and other service providers. Major supply agreements with several key customers including Comcast, Cisco, and Arris are currently in place. There will be continued emphasis on direct sales to end customers in fiscal 2018.

Telematics services are sold through indirect channels via the Contigo platform, and directly via the Nero Global Tracking and FleetLynx brands to organizations subscribing to a real-time web based service for tracking their fleet and other assets throughout North America.

## Business Segments

The following table sets forth Vecima's revenues from their two core markets for the two most recently completed fiscal years.

Sales by Segment	Year ended			
	June 30, 2017		June 30, 2016	
(in thousands of dollars except percentages)				
(unaudited)	Sales	% Sales	Sales	% Sales
Video & Broadband Solutions	66,053	92%	95,999	98%
Telematics	5,407	8%	2,348	2%
	71,460	100%	98,347	100%

## Specialized Skill and Knowledge

Vecima's Research and Development department includes personnel with the advanced skills necessary for complete high reliability/high availability product design and development. Skill sets include embedded and cloud software development, high speed digital and broadband/wireless RF hardware development, DSP and video processing, networking, vehicle tracking, and functional/environmental testing. Vecima's capacity for complex product development has advanced significantly in recent years through the development of the Terrace, TerraceQAM, and Entra product lines. Vecima's Research and Development team continues to diversify its staff through the acquisition of experienced developers and training of existing staff.

## Industry Overview

The growth in the volume of data traffic and the use of applications over multiple devices, as well as new bandwidth-intensive applications such as HDTV, VOD, IPTV and VoIP, are continually increasing the demand for bandwidth. Service providers are addressing that demand by deploying solutions that are capable of accommodating the greater bandwidth required to deliver those services over the last mile, particularly in the hard to serve business segment.

Cable operators have been investing in digital network upgrades. These network upgrades free up channels that were traditionally used by analog television signals. The newly-freed bandwidth can be redeployed to offer improved broadband data and HD video services. Cable operators originally supplied both Standard Definition (SD) and High Definition (HD) video versions of the same programming to provide both SD services and HD services. There is a trend towards eliminating the SD versions to free up bandwidth and simply down convert the HD signal to SD at the edge, when required. This in turn allows more HD programming to be offered. Other trends include servicing new business and housing developments with fiber and facing the challenges of managing both fiber and coax plant. There is an inexorable appetite for more bandwidth, being driving by multi-screen devices in the home and in the office.

The cable industry is currently undergoing a major shift under the new DOCSIS 3.1 standard released by CableLabs which unlocks gigabit broadband speeds over existing coaxial cable. Global cable operators are starting to embrace DOCSIS 3.1 as an evolution of DOCSIS technology. It provides a flexible migration for cable operators, with the ability for DOCSIS 3.1 modems to coexist with older versions and build on top of the previously deployed capacity. The higher efficiency of DOCSIS 3.1 technology also enables significant cost per bit reductions relative to DOCSIS 3.0 network solutions.

The market for fleet management and maintenance solutions is large and diverse. Fleet operators require efficient tools to manage their assets, including vehicles, personnel and other mobile assets. Vecima's Contigo, Nero Global Tracking and FleetLynx brands offer solutions for small and medium sized fleet customers to monitor fleet fuel economy, engine diagnostics, driver behavior, fuel purchase history, idle times and vehicle location in real-time through a software as a service web-portal.

## **Competition**

The principal market for the majority of Vecima's solutions today is North America. The largest competitors to Vecima's product offerings or system solutions come from North American based organizations.

The competition within the video and broadband space includes other broadband access technology companies that are developing product solutions for MSOs. These competitors include ATX Networks, Arris, Pico Digital, Blonder Tongue, Ericsson, Harmonic, and Cisco Systems.

With regards to Vecima's Telematics business, the marketplace is large and there are numerous system solution product offerings. Competition includes Verizon (Fleetmatics/Telogis), Trimble, Omnitrac, PeopleNet, Network Fleet, Geotab, BSM Technologies and Teletrac.

## **New Products**

Cable operators are committed to deploy gigabit data speeds over their existing coax networks to counter competition from telephone companies and others who are deploying fiber-to-the-home networks. This is being done by the deployment of fiber deeper into the network, combined with next generation distributed coax access technology. Vecima has commenced shipping Entra family of products to support these deployments.

The Entra product line includes the following new products:

- (1) The Entra Remote-PHY DOCSIS 3.1 Distributed Access Node
- (2) The Entra Convertible DOCSIS 3.1 Distributed Access Node, capable of supporting both Remote-PHY and Remote MAC-PHY network architectures
- (3) The Entra Deep Switch, an 8-port 120 Gbps Ethernet switch, which can be used to facilitate Distributed Access network build outs, and directly support Gigabit business services.
- (4) The Entra Legacy QAM Adaptor, a solution that facilitates the transport of Linear, Switched, and OnDemand MPEG/QAM video services over Distributed Access Networks.

Each of the noted products has commenced shipping to customers for evaluation and system integration.

## **Employees**

As of June 30, 2017, Vecima had 352 employees.

## **Intangible Property**

Vecima creates and protects their intellectual property using a combination of contractual provisions, copyrights, trademarks, trade secrets, licenses and patents. As a condition of employment, Vecima enters into non-disclosure, confidentiality and intellectual property assignment agreements with all new employees and with consultants and third parties who have access to their proprietary technology. In addition, when it is considered to be advantageous, Vecima leverages intellectual property and access third party intellectual property by entering into commercial licenses and cross-licenses. In addition to 30 issued patents which Vecima holds, there are further patents pending.

## **Operations and Facilities**

Vecima's corporate headquarters are located in Victoria, British Columbia. This approximately 10,500 square foot facility, which is owned by Vecima, is used for executive staff, sales, marketing, research and development, and production.

Vecima's manufacturing facility is located in Saskatoon, Saskatchewan. This approximately 90,000 square feet facility, which is owned by Vecima, is also used for administration and operations support. Two additional facilities are leased in Saskatoon. One leased building (approx. 28,900 square feet) is used for research and development; the other leased facility (approx. 27,000 square feet) is subleased to an arms-length tenant.

In addition, Vecima leases an approximately 12,125 square foot facility located in Burnaby, British Columbia that houses our telematics business unit as well as other operational support.

## **Manufacturing**

Vecima's Saskatoon plant is certified to the ISO 9001:2008 standard and maintains a rigorous quality program throughout the design, manufacture and testing of all products. Utilising bar-codes, Vecima's proprietary manufacturing software tracks product status through all stages of manufacturing. All systems are geared toward rapid response to customer requests for product. Vecima performs critical manufacturing functions in-house including board level tests, systems integration, systems test, and configuration to customer's specific requirements. Production demand is driven by a comprehensive Sales and Operations Planning process that considers and optimizes all aspects of supply and service to our customers. Manufacturing operations are supported by a fully resourced Manufacturing Engineering Department.

Strategic Sourcing carefully screens potential sources of supply of parts or services for suitability and an assessment of associated risks. Global sourcing requires that appropriate steps are put in place to ensure uninterrupted supply of parts and services. Where appropriate, subassemblies and subassembly operations are outsourced when quality of supply, cost and flexibility are enhanced.

Vecima has a highly skilled IT group enabling comprehensive data collection and reporting used to monitor and improve its operations.

## **RISK FACTORS**

The following is a brief discussion of risks and uncertainties relating to Vecima most likely to influence an investor's decision to purchase common shares. The risks and uncertainties discussed below are not complete. Additional risks and uncertainties not presently known or currently considered immaterial also may impair business operations and cause the price of Vecima's common shares to decline. If any of the following actually occurs, Vecima's business

may be harmed and financial conditions and results of operations may suffer significantly. In that event, the trading price of common shares could decline.

**Vecima’s operating results are expected to fluctuate.**

Vecima has experienced fluctuations in operating results on a quarterly and annual basis. It is expected that operating results will continue to fluctuate in the foreseeable future due to a variety of factors, including:

- changes in general economic conditions and specific market conditions in the communications and Internet industries, including fluctuations in demand for existing products, the rate of development of new products and the degree of market acceptance of new products;
- the timing, size and contractual terms of significant orders for product or the entering into of new major contracts, and the lack of certainty that existing customer contracts will be renewed upon expiry;
- if competition intensifies, we may be required to reduce their prices and gross margins to remain competitive;
- Vecima’s ability to maintain existing strategic relationships and to create new ones; and
- the timing and magnitude of operating expenses, capital expenditures and expenses relating to the expansion of sales, marketing, operations and acquisitions, if any, of related or complementary businesses and assets.

Any of the foregoing factors, or other factors discussed elsewhere in this Annual Information Form, could have a material adverse effect on Vecima’s business, results of operations and financial condition.

**Vecima derives a substantial part of total revenue from a few large customers.**

Vecima’s relationship with their three largest customers together accounted for 70% of sales for the fiscal year ended June 30, 2017. Should any one or more of their large customers discontinue their relationship with Vecima for any reason, or reduces or postpones current or expected purchases of Vecima’s products, the business, results of operations and financial condition could be materially adversely affected.

**Sale of common shares by Vecima’s controlling shareholders could cause the share price to fall.**

Two of Vecima’s shareholders, Dr. Surinder Kumar and Dr. Hugh Wood, beneficially own, or exercise control or direction over, directly or indirectly, approximately 72% of outstanding common shares (the “Principal Shareholders”). If the Principal Shareholders were to sell substantial amounts of their common shares in the public market, the market price of Vecima’s common shares could fall. The perception among investors that these sales might occur could also potentially produce this effect.

**A small number of Vecima’s shareholders control the Company.**

The Principal Shareholders beneficially own, or exercise control or direction over, directly or indirectly, approximately 72% of outstanding common shares. As a result, if the Principal Shareholders act together they will generally have the ability to control all matters submitted to Vecima’s shareholders for approval, including the election and removal of directors, amendments to their articles of incorporation and bylaws and the approval or rejection of any business combination. This may delay or prevent an acquisition or cause the market price of common

shares to decline. The Principal Shareholders may also have interests different from other shareholders or may want Vecima to pursue strategies that are different from the wishes of other shareholders.

**Vecima share price will fluctuate.**

The market price of Vecima's common shares may be volatile and could be subject to wide fluctuations due to a number of factors, including:

- actual or anticipated fluctuations resulting from operations;
- changes in estimates of future results of operations reported by Vecima or their securities analysts;
- announcements of technological innovations or new products by Vecima or their competitors; or
- other events or factors.

In addition, the financial markets can experience significant price and value fluctuations that particularly affect the market prices of equity securities of technology companies, even when unrelated to the operating performance of these companies. Broad market fluctuations, as well as economic conditions generally and in the technology industry specifically, may adversely affect the market price of Vecima's common shares.

**Vecima's success depends on its ability to develop new products and enhance existing products.**

To keep pace with technological developments, satisfy increasingly sophisticated customer requirements and achieve market acceptance of their products, Vecima must enhance and improve existing products and continue to introduce new products. If Vecima is unable to successfully develop new products, or enhance and improve existing products, or even if Vecima fails to position and/or price products to meet market demand, then their business and operating results will be adversely affected.

Product introductions and short product life-cycles require levels of expenditures for research and development that could adversely affect operating results. Further, any new products Vecima develops could require long development, testing and in some cases certification periods and may not be introduced in a timely manner or may not achieve the broad market acceptance necessary to generate significant revenue. As the Company develops new products, many of Vecima's older products will reach the end of their lives. As Vecima discontinues the manufacturing and sale of these older products, the Company must manage the liquidation of inventory, supplier commitments and customer expectations. If Vecima is unable to manage properly the discontinuation of these older products, it could have a material adverse effect on their business, financial condition and results of operations.

**Vecima's failure to grow successfully may adversely affect operating results.**

Vecima's ability to manage their business will be substantially dependent upon their ability to efficiently and effectively allocate resources to conduct research and development, product introduction, sales and marketing activities, financial management and customer support services. Accordingly, future results of operations will depend on the continuing ability of Vecima's officers and other key employees to conduct business effectively and to maintain or improve operations. Also, Vecima's ability to support the growth of their business will be substantially dependent on having highly-trained employees and sufficient internal and third-party resources. Any expansion of the business may increase the strain upon Vecima's management resources, and there can be no assurance that the Company will be able to manage any such expansion successfully. Failure to manage successfully their business or

any such expansion may have a material adverse effect on Vecima's business, results of operations and financial condition.

**Vecima's revenues are substantially concentrated in a single market category.**

Sales of Vecima products for the video and broadband solutions market accounted for 92% of their sales for the year ended June 30, 2017. Vecima expects sales from the video and broadband product line will continue to account for a significant portion of their sales in the foreseeable future. A decline in demand for these products as a result of competition, technological change or other factors could have a material adverse effect on Vecima's business, results of operations and financial condition.

**Vecima may be unable to deliver products associated with key contracts.**

Vecima has entered into important supply contracts with a few key customers. Vecima's right to receive revenue under these contracts depends upon their ability to manufacture and supply products that must meet defined specifications. In order to realize the benefit of these agreements, Vecima will have to successfully manage the following risks:

- *Lack of Sufficient Resources* - If Vecima is unable to commit the necessary resources or to deliver their products as required by the terms of those contracts, customers may cancel the contracts. In that event, any costs incurred by Vecima may not be recovered and we may incur additional costs as penalties.
- *Delivery Risks* - If Vecima fails to meet a delivery deadline or a customer determines that the products delivered do not meet the agreed-upon specifications, Vecima may have to reduce the price charged for their products or may be liable to pay damages to the customer. Vecima's delivery may also miss the market window resulting in reduced realization of revenues. Engineering of complex technologies always carries certain uncertainties, and while we make efforts to minimize these risks, there are no guarantees of success or timely delivery.
- *Production Costs* - Vecima prices all client orders on the basis of their estimates of future production costs. If Vecima incurs higher costs than anticipated, gross margins on those contracts could decline.

Some major customers are also entitled to terminate their contracts with Vecima by giving written notice. If Vecima is unable to manage these risks successfully or if any of their major customers terminate their contracts with Vecima, their business, results of operations and financial condition could be materially adversely affected.

**If Vecima's intellectual property is not adequately protected, the Company may lose competitive advantage.**

Vecima relies on a combination of contractual provisions, copyright, trademarks, trade secrets, licenses and patent protection to establish and protect their proprietary rights. Despite efforts to protect their intellectual property rights, unauthorized parties may attempt to copy aspects of Vecima's products or to obtain information regarded as proprietary. Policing unauthorized use of Vecima's proprietary technology, if required, may be difficult, time-consuming and costly. There can be no assurance that their means of protecting Vecima's proprietary rights will be adequate. Failure to protect their proprietary rights could have a material adverse effect on Vecima's business, results of operations and financial condition.

**Increased competition could have an adverse effect on Vecima's business.**

The markets for Vecima's products are highly competitive. As some of these markets continue to develop, additional competitors with established and larger marketing and technical resources than Vecima may enter the market and competition may intensify. In addition, current competitors may develop products that are comparable or superior to Vecima's products or achieve greater market acceptance due to pricing, sales channels or other factors. In addition, OEMs and system integrators could develop greater internal capabilities and manufacture these products exclusively in-house, rather than outsourcing them. Such developments could have a material adverse effect on Vecima's business, results of operations and financial condition.

**Vecima is dependent on its current distribution channels**

Vecima sells OEM products directly to OEM customers and to parties with whom the Company has strategic relationships. Vecima expects to continue these relationships. Accordingly, Vecima's success will be dependent in large part on the ability to continue existing relationships. Vecima uses distributors to sell products in markets where the Company has no physical presence, or where local conditions or language make it difficult to market directly to customers. As a result, Vecima's success will be dependent in part on their ability to continue existing relationships and to develop new relationships with distributors.

A material loss of any strategic partner or OEM customer, either as a result of competitive products offered by other companies or products developed internally by Vecima's OEM customers and strategic partners, or their inability to penetrate their respective market segments, could have a material adverse effect on Vecima's business, financial condition and results of operations. There can be no assurance that Vecima can continue to attract strategic partners and any inability to do so could materially adversely affect their business, financial condition and results of operations. While Vecima plans to continue with their distribution channels, there can be no assurance that maintaining these channels will be successful against the more extensive and well-funded sales and marketing operations of many of their current or potential competitors.

**Growth in Vecima's key markets may not continue.**

The overall market for voice, video and data communications equipment has experienced significant growth. There can be no assurance that the market for Vecima's products will continue to grow, that firms within the industries will adopt Vecima's products to deliver their services or that Vecima will be able independently to establish additional markets for these products. If the various markets in which Vecima's products compete fail to grow or grow more slowly than currently anticipated, or if Vecima were unable to establish markets for their products, business, results of operations and financial condition could be materially adversely affected.

**Vecima's inability to adapt to technological change, new products and standards could harm their business.**

The video and broadband market is characterized by rapidly changing technology and evolving industry standards. Vecima's products embody complex technology and these products may not always be compatible with current and evolving technical standards and products developed by others. Vecima's ability to anticipate changes in technology, technical standards and product offerings will be a significant factor in their ability to compete. There can be no assurance that Vecima will be successful in identifying, developing, manufacturing and marketing products that will respond to technological change or evolving service-provider standards or requirements. In addition, there can be no assurance that the products or technologies developed by others will not render Vecima's products or technologies non-competitive or obsolete. Failure or delays by Vecima to meet or comply with evolving industry or user standards

or to anticipate changes in technology and product offerings, or failure of their products to gain market acceptance, could have a material adverse effect on their business, results of operations and financial condition.

**Vecima’s ability to recruit and retain management and other qualified personnel is crucial to its business.**

Vecima’s success is largely dependent on the abilities, dedication and experience of their executive officers and other key employees. The competition for highly-skilled management, technical, research and development and other employees is intense in the video and broadband market.

There can be no assurance that Vecima can retain current key employees or attract and retain additional key employees as needed. The loss of certain key employees could have a material effect on Vecima’s business, results of operations and financial condition.

**Vecima’s reliance on third-party suppliers and contract manufacturers reduces their control over their performance.**

Vecima relies on third-party suppliers, in some cases sole suppliers or limited groups of suppliers, to provide them with materials necessary for the manufacture of their products. As a result of worldwide demand for and shortage of components, some suppliers have from time to time limited the number of components that Vecima may purchase. These components include chips and other components necessary for the production of Vecima’s products. If Vecima is unable to obtain sufficient allocations of these components, their production and shipment of products will be delayed, Vecima may lose customers and their profitability will be affected.

Reliance on suppliers also reduces Vecima’s control over production costs, delivery schedules, reliability and quality of materials. Any inability to obtain timely deliveries of acceptable-quality materials, or any other circumstances that would require Vecima to seek alternative suppliers, could adversely affect their ability to deliver products to their customers. In addition, Vecima outsources some aspects of the manufacture of some of their products to contract manufacturers and a significant increase in the price of the services provided by these manufacturers, or delays in their deliveries, could have a material adverse effect on their business, results of operations and financial condition.

**If Vecima is required to change their pricing models to compete successfully, margins and operating results may be adversely affected.**

Vecima generally prices products based on estimates of future production costs. If actual production costs are higher than anticipated, their gross margins will be lower than planned. In addition, competitive pressures may force them to lower product prices, which may further decrease its margins if the Company is unable to offset that effect by cost-reduction measures. If gross margins are reduced with respect to an important product line or if sales of lower-margin products exceed sales of higher-margin products, Vecima’s profitability may decrease and their business could suffer.

**Successful warranty or product liability claims could harm Vecima’s business.**

Vecima provides product warranties that typically run for two years, as is standard in the industry. If Vecima’s products fail to perform as warranted and we are unable to resolve product quality or performance issues in a timely manner, the Company may lose sales or be forced to pay damages. In addition, because their products are sold and marketed in different countries, the products must function in and meet the requirements of many different communication environments and be compatible with various communication systems and products. Any failure of Vecima’s products to meet these requirements could have a negative impact on sales and a material adverse effect on their business, results of operations and financial condition. Further, there is a risk that customers may uncover latent

design defects in Vecima's products that were not apparent at the time the product was sold. This type of defect may be discovered before or after the warranty period has expired. Performance failure due to a design defect may cause loss of customers, damage to their reputation for delivering high-quality products, delay in or loss of market acceptance and additional warranty expense or costs associated with product recall. A design defect may also result in a product liability claim. A product liability claim could adversely impact their business due to the cost of settlements and due to the costs of defending such claim. Although Vecima has product liability insurance, there is no assurance that such insurance will be sufficient or will continue to be available on reasonable terms.

**Competition from new or existing technologies may adversely affect Vecima's business.**

Cable and broadband wireless access solutions compete with other high-speed solutions such as DSL, optical fiber and satellite. These alternative technologies have existing installed infrastructure and have achieved significant market acceptance and penetration. Vecima expects cable and broadband wireless access technologies to face significant competition from both current and future alternative technologies. In light of these factors, the market for video and broadband solutions may fail to grow or, in the case of wireless, may fail to develop or may develop more slowly than expected. Any of these outcomes could have a material adverse effect on Vecima's business, results of operations and financial condition.

**Third parties may allege that Vecima infringes on their intellectual property.**

The industries in which Vecima competes have many participants, who own, or claim to own, intellectual property. Although Vecima has conducted prudent reviews of its products to ensure that the Company does not knowingly use unlicensed intellectual property, third parties may allege that Vecima infringes on another's intellectual property. Should such an allegation be made, the outcome of any litigation is impossible to predict and, should the outcome be unfavourable to Vecima, the Company may not be able to negotiate acceptable, or any, licensing terms. Such an event could materially adversely affect their business, results of operations and financial condition.

**Currency fluctuations may adversely affect Vecima.**

Vecima's financial results are reported in Canadian dollars. For the year ended June 30, 2017, approximately 96% of their revenues and a portion of their costs were denominated in United States dollars. Any fluctuation in the value of the Canadian dollar relative to the United States dollar may result in variations in their sales and earnings expressed in Canadian dollars as a result of the geographic mix of their customers, and may have a material effect on Vecima's business, results of operations and financial condition.

**If Vecima cannot meet customers' requirements for manufacturing capacity, sales may suffer.**

The markets in which Vecima operates generally require them to produce a relatively high volume of products in a short period of time. As a result of their supply agreements with existing or new customers, Vecima may need to increase their manufacturing capacity. If Vecima cannot successfully manufacture their products in the future at volumes, yields or cost levels necessary to meet their customers' needs, the Company may lose customers and sales may suffer. In addition, there is no assurance that Vecima will be able to obtain a sufficient amount of high-volume orders to absorb the capital costs incurred in increasing their manufacturing capacity.

**There are risks associated with Vecima's international operations.**

Vecima derives a significant portion of their revenue from international sales. Vecima plans to continue to expand their international sales and marketing efforts. There are a number of risks inherent in international business activities, including unexpected changes in Canadian, United States or other government policies concerning the import and export of goods, services and technology and other regulatory requirements, tariffs and other trade barriers, costs and risks of localizing products for foreign countries, higher credit risks, potentially adverse tax consequences, limits on repatriation of earnings and the burdens of complying with a wide variety of foreign laws. Fluctuations in currency exchange rates could materially adversely affect sales denominated in currencies other than the Canadian dollar and cause a reduction in revenues derived from sales in a particular country. Financial instability in foreign markets could also affect Vecima's international sales. There can be no assurance that such factors will not materially adversely affect the revenues from their future international sales and, consequently, their results of operations. In addition, revenues that we earn abroad may be subject to taxation by more than one jurisdiction, which could materially adversely affect Vecima's earnings. Each of these factors could have an adverse effect on Vecima's business, financial condition and results of operations.

**Acquisitions could divert management's attention and financial resources, may negatively affect Vecima's operating results and could cause significant dilution to shareholders.**

Vecima may expand operations by acquiring additional complementary businesses, products or technologies. There can be no assurance that Vecima will be able to identify, acquire or profitably manage additional businesses or successfully integrate any acquired businesses, products or technologies without substantial expenses, delays or other operational or financial problems. Furthermore, acquisitions may involve a number of special risks, including diversion of management's attention, expenses of amortizing the acquired company's intangible assets, failure to retain key personnel, unanticipated events or circumstances and legal liabilities. Acquisitions could also result in potentially dilutive issuance of equity securities. Any failure by Vecima to manage an acquisition successfully could have a material adverse effect on their business, results of operations and financial condition.

**Government regulation of Vecima's products and new government regulation could harm their business.**

Vecima's products are subject to certain mandatory regulatory approvals and are incorporated into cable and wireless communication systems that are regulated in Canada by Industry Canada, in the United States by the Federal Communications Commission (FCC) and internationally by other government agencies.

Although Vecima believes it has all necessary Industry Canada and FCC approvals for products that are currently sold, there can be no assurance that such approvals can be obtained for future products on a timely basis, or at all.

Regulatory changes could also negatively affect Vecima's business by restricting development efforts by their customers, making their current products obsolete or increasing the potential for additional competition.

Vecima's business, results of operations and financial condition could be adversely affected if their products fail to comply with all applicable domestic and international regulations. Further, delays inherent in the governmental approval process have in the past caused, and may in the future cause, cancellation, postponement or rescheduling of the installation of communication systems by their customers. This, in turn, may have a negative impact on the sale of Vecima's products to those customers, and hence have a material adverse effect on their business, results of operations and financial condition.

## DIVIDENDS

### Dividend Policy

On September 24, 2014, Vecima's Board of Directors adopted a dividend policy to pay an annual dividend to their shareholders of \$0.18 per common share, payable quarterly. On September 24, 2015, Vecima's Board of Directors increased the annual dividend to shareholders to \$0.022 per common share, payable quarterly. Prior to September 2014, there was no policy in place to pay regular dividends. The amount and payment of future dividends is subject to the discretion of the Board of Directors, and will be dependent upon the satisfaction of certain solvency requirements of the *Canadian Business Corporations Act*, their results of operations, financial condition, cash requirements and other factors deemed relevant by the Board of Directors.

### Historical Dividends

The following table summarizes dividends paid per common share during the previous three fiscal years:

Record Date	Payment Date	Type	Amount
October 6, 2014	October 28, 2014	Regular	\$0.045
November 26, 2014	December 20, 2014	Regular	\$0.045
February 24, 2015	March 20, 2015	Regular	\$0.045
May 26, 2015	June 19, 2015	Regular	\$0.045
October 9, 2015	October 30, 2015	Regular	\$0.055
November 27, 2015	December 21, 2015	Regular	\$0.055
February 25, 2016	March 21, 2016	Regular	\$0.055
May 26, 2016	June 20, 2016	Regular	\$0.055
October 12, 2016	November 2, 2016	Regular	\$0.055
November 24, 2016	December 20, 2016	Regular	\$0.055
February 27, 2017	March 20, 2017	Regular	\$0.055
May 26, 2017	June 20, 2017	Regular	\$0.055

## DESCRIPTION OF CAPITAL STRUCTURE

Vecima Networks is authorized to issue an unlimited number of common shares and an unlimited number of preference shares. The rights, privileges, restrictions and conditions attaching to their common shares and preference shares are as follows:

*Common Shares* - Each holder of common shares is entitled to receive notice of and to attend any meetings of Vecima's shareholders and is entitled to one vote in respect of each common share held at such time. Each holder of common shares is entitled to receive dividends, if any, as and when declared by the Board of Directors. Holders of common shares are entitled to participate equally in any distribution of net assets upon liquidation, dissolution or winding-up. There are no pre-emptive, retraction, surrender, redemption, repurchase for cancellation or conversion rights attaching to the common shares.

*Preference Shares* - The preference shares may be issued from time to time in one or more series, the number of shares, designation, rights, privileges, restrictions and conditions of which will be determined by Vecima's Board of Directors subject to any limitations in their Articles. The preference shares are entitled to priority over the common shares with respect to payment of dividends and distributions of assets in the event of our dissolution, liquidation or winding-up. Except as required by law or the provisions of any series, the holders of preference shares are not entitled to receive notice of, attend or vote at any meeting of Vecima's shareholders. No preference shares are outstanding, and the Company has no present intention to issue any preference shares.

## MARKET FOR SECURITIES

### Trading Price and Volume

Vecima's common shares trade on the Toronto Stock Exchange under the stock symbol 'VCM'. The Toronto Stock Exchange reported the following price ranges and volumes traded in respect of their common shares in each month of the fiscal year ended June 30, 2017:

	<u>Month</u>	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume</u>
2016	July	\$10.45	\$9.95	244,927
	August	\$10.57	\$9.50	164,143
	September	\$9.84	\$8.78	251,015
	October	\$9.00	\$8.27	539,561
	November	\$9.53	\$8.12	651,659
	December	\$10.05	\$9.00	138,802
2017	January	\$10.49	\$9.20	444,463
	February	\$10.75	\$10.05	164,986
	March	\$10.75	\$9.75	107,824
	April	\$11.00	\$10.00	108,487
	May	\$11.10	\$9.61	237,592
	June	\$10.58	\$9.80	101,216

### Prior Sales

During the fiscal year ended June 30, 2017, a total of 11,442 common shares were issued at various times upon the exercise of incentive stock options. The issue price of these common shares ranged from \$3.26 to \$4.54.

## Directors and Officers

The following table sets forth the names of and certain additional information regarding Vecima's directors and executive officers (collectively, the "Management Group"):

### Directors of Vecima <sup>(3)</sup>

<b>Name and Province or State, and Country of Residence</b>	<b>Position or Office</b>	<b>Principal Occupation for the Past Five Years</b>	<b>Director Since</b>
Surinder Kumar British Columbia, Canada	Director and Chairman	Chief Executive Officer of Vecima ended August 2013. Chairman of Vecima since August 2013.	July 1988
Sumit Kumar British Columbia, Canada	Director and CEO and President	Chief Executive Officer of Vecima since August 2013.	December 2016
Danial Faizullahoy <sup>(1)(2)</sup> California, USA	Director	CEO of Cypherpath Inc. since April 2014. From June 2012 through March 2014, Danial worked as an independent consultant providing operational, financial, and strategic advice.	December 2016
Scott Edmonds <sup>(1)(2)</sup> British Columbia, Canada	Director	President and CEO, and Director of Photon Control Inc. since March 31, 2017; President and CEO of Webtech Wireless until October 1, 2014.	April 2015
T. Kent Elliott <sup>(1)(2)</sup> British Columbia, Canada	Director	Retired. Interim CEO of ForeScout from July 2014 to Feb 2015.	August 2015

(1) Member of the Corporate Governance and Compensation Committee.

(2) Member of the Audit Committee.

(3) The term of office of each of the directors will expire at Vecima's next annual general meeting.

### Executive Officers of Vecima

<b>Name and Province or State, and Country of Residence</b>	<b>Position or Office</b>	<b>Principal Occupation for the Past Five Years</b>
Sumit Kumar British Columbia, Canada	Chief Executive Officer and President	Chief Executive Officer of Vecima since August 2013; President of Vecima since 2011.

<b>Name and Province or State, and Country of Residence</b>	<b>Position or Office</b>	<b>Principal Occupation for the Past Five Years</b>
John Hanna British Columbia, Canada	Chief Financial Officer	Chief Financial Officer of Vecima.
Mark Briggs British Columbia, Canada	Senior Vice President of Cable Sales	Senior Vice President of Cable Sales and General Manager (Spectrum) of Vecima.
Dean Rockwell British Columbia, Canada	Senior Vice President of Corporate Development	Senior Vice President of Corporate Development since January 2015; CEO of InMotion Technology from March 2012.
Mark DePietro Pennsylvania, USA	Senior Vice President of Marketing	Senior Vice President of Marketing since August 2016; Vice President of Product Management and Business Development, Video Infrastructure at ARRIS from July 2013 to February 2016, Vice President of Strategy and Business Development, Converged Business Experience at Motorola Mobility from 2010 to 2013.

### **Common Shares Held by Directors and Executive Officers**

As at June 30, 2017, based solely upon reports filed on the System for Electronic Disclosure by Insiders (SEDI) at [www.sedi.ca](http://www.sedi.ca), the Management Group, collectively beneficially owned, or exercised control or direction over, directly or indirectly, 16,015,463 common shares, representing approximately 72% of the then outstanding common shares. Of these common shares, Surinder Kumar beneficially owns or exercises control or direction over, directly or indirectly, 13,268,413 common shares, representing approximately 60% of the then outstanding common shares.

### **Corporate Cease Trade Orders**

To Vecima's knowledge, other than as disclosed herein, no member of the Management Group is, at the date hereof, or was within the ten years before the date hereof, a director, chief executive officer or chief financial officer of any company, that: (i) was subject to a cease trade order or similar order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the member of the Management Group was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the member of the Management Group ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

### **Penalties or Sanctions**

To Vecima's knowledge, no member of the Management Group or a shareholder, holding a sufficient number of their common shares to affect materially the control of the Company, has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has

entered into a settlement agreement with a Canadian securities authority, or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## **Bankruptcies**

To Vecima's knowledge, no member of the Management Group or a shareholder holding a sufficient number of their common shares to affect materially the control of the Company: (i) is, at the date hereof, or has been within the ten years before the date hereof, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within the ten years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold such persons assets.

## **Conflicts of Interest**

Other than as disclosed in this Annual Information Form, to Vecima's knowledge, there are no existing or potential material conflicts of interest among any member of the Management Group.

## **AUDIT COMMITTEE INFORMATION**

### **General**

Vecima is required by law to have an audit committee and to disclose certain information concerning that committee pursuant to National Instrument 52-110 of the Canadian Securities Administrators ("NI 52-110").

Vecima's Board of Directors has established the Audit Committee, which is composed of three members: T. Kent Elliott (Chair), Danial Faizullahoy, and Scott Edmonds. Vecima's Board of Directors has determined that each of the members of the Audit Committee is "independent" and "financially literate" within the meaning of NI 52-110.

### **Mandate**

The Audit Committee's terms of reference are attached to this Annual Information Form as Appendix B – Audit Committee Mandate.

### **Relevant Education and Experience of Members**

The following is a brief summary of the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee.

*T. Kent Elliott* – Mr. Elliott is a 35-year veteran within the Internet security and telecommunication industries. He was the Chief Executive Officer at ForeScout Technologies from January 2003 to December 2009 and Interim Chief Executive Officer from July 2014 to February 2015. Previous to ForeScout, Mr. Elliott served as the President & CEO of Vienna Systems, which was acquired by Nokia. At Nokia, he led the Internet Communications Group and served as the VP of Nokia Ventures. Mr. Elliott has raised funds, sold and acquired companies and is a private start-

up investor. As a current Board member with ForeScout Technologies, he is currently the Chair of its Nomination and Governance Committee and a member of its Audit Committee. Mr. Elliott was a Chartered Accountant (CA) for over 25 years and holds two degrees from Queen's University: a B.Comm honours degree majoring in accounting and finance and an MBA with a primary focus on marketing and strategic planning.

*Danial Faizullabhoy* – Mr. Faizullabhoy is the current CEO of Cypherpath Inc., brings more than 20 years of experience in general management, venture capital, and strategic growth of companies. From June 2012 through March 2014, he was an independent consultant providing operational, financial, and strategic advice. From July 2006 through December 2012, Mr. Faizullabhoy served as President and CEO of BroadLogic Network Technologies, Inc. (BroadLogic), a video-processing mixed signal semiconductor design and supply company. He has a B.S.E.E. from Norwich University and a M.B.A. from Santa Clara University.

*Scott Edmonds* – Mr. Edmonds' 30-year career has been a unique blend of operational, strategic and financial leadership roles in both large and small companies in Canada, Europe and Asia. He is currently and since March 31, 2017, the CEO, President, and director of Photon Control Inc. Up to October 1, 2014 he was President and CEO of Webtech Wireless where he led a turnaround of Webtech Wireless into a supplier of software. For his efforts he was recognized as a finalist for the EY Entrepreneur of the Year award (Pacific Region) in the B2B (business-to-business) category in 2014. Prior to Webtech Wireless, Mr. Edmonds held CFO roles in two other Vancouver area software companies as well as ten years with The Walt Disney Company in France, Indonesia and Singapore. Mr. Edmonds has also served on a variety of public and private company boards of directors over the past 10 years. As a board member, Mr. Edmonds has acted as audit committee chair as well as governance and compensation committee chair. Mr. Edmonds holds a degree in finance and is a Chartered Accountant. He has also completed the Executive Development Program at The Kellogg School and was recently awarded the ICD.D designation.

### **Reliance on Certain Exemptions**

Since the commencement of the fiscal year started July 1, 2015, Vecima has not relied on any exemptions permitted under applicable securities law from the requirements relating to the composition or financial literacy of the members of the Audit Committee or the exemption from obtaining pre-approval of non-audit services from the external auditor for “de minimus non-audit services”.

### **Pre-Approval Policies and Procedures**

Vecima's Audit Committee of the Board of Directors is mandated to review and pre-approve all non-audit service engagement fees and terms in accordance with applicable law, including those provided to the subsidiaries of the Company, if applicable, by the external auditors or any other person in its capacity as external auditors of such subsidiary. The Audit Committee may delegate this responsibility to the Chair of the Audit Committee who will present the pre-approvals to the full Audit Committee at its next scheduled meeting. The Audit Committee is authorized to establish specific policies and procedures to engage the external auditors to perform non-audit services, provided that:

- the pre-approval policies and procedures are detailed as to the particular service to be provided;
- the Audit Committee's responsibilities are not delegated to management; and
- the Audit Committee is informed of each non-audit service for which the external auditors are engaged.

## External Auditor Service Fees

The following table sets forth all services rendered to Vecima by auditors (Deloitte LLP) by category, together with the corresponding fees billed by the auditors for each category of service for the financial years ended June 30, 2017 and June 30, 2016.

<u>Fee category</u>	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>
Audit fees <sup>(1)</sup>	\$341,000	\$331,000
Audit-Related Fees <sup>(2)</sup>	-	10,000
Tax fees <sup>(3)</sup>	-	-
All other fees <sup>(4)</sup>	-	-
<b>Total</b>	<b>\$341,000</b>	<b>\$341,000</b>

- (1) Represents the aggregate fees billed by the auditors for audit services includes fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements.
- (2) Represents the aggregate fees billed for assurance and related services by the auditors that are reasonably related to the performance of the audit or review of Vecima's financial statements and are not reported under "Audit fees".
- (3) Represents the aggregate fees billed for professional services rendered by the auditors for tax compliance, tax advice or consultation on year-end tax calculations.
- (4) Represents services other than those reported under "Audit Fees", "Audit-related Fees", and "Tax Fees".

## LEGAL PROCEEDINGS OR REGULATORY ACTIONS

Vecima is not aware of any legal proceedings to which it's a party to, or that any of their property is or was the subject of, during the fiscal year ended June 30, 2017, that involve a claim for damages in excess of 10% of their current assets. Nor is Vecima aware of any such legal proceedings being contemplated. In addition, Vecima is not aware of any penalties or sanctions imposed against them by a court relating to securities legislation or by a securities regulatory authority during the fiscal year ended June 30, 2017 or any other penalties or sanctions imposed by a court or regulatory body against them that would likely be considered important to a reasonable investor in making an investment decision, and the Company has not entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority during the fiscal year ended June 30, 2017.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed in this annual information form, no director, executive officer or principal shareholder of the Company, or associate or affiliate of any of the foregoing, has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect Vecima.

## **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for Vecima's common shares is Computershare Investor Services Inc. at its principal transfer offices in Vancouver, British Columbia and Toronto, Ontario.

## **MATERIAL CONTRACTS**

There are no contracts entered into by Vecima, other than in the ordinary course of business and not required by applicable securities law to be filed with a securities regulatory authority in Canada, that are material to Vecima and that were entered into within the most recently completed financial year, or before the most recently completed financial year but are still in effect.

## **INTERESTS OF EXPERTS**

Vecima's consolidated financial statements for the fiscal year ended June 30, 2017 have been audited by Deloitte LLP, Chartered Professional Accountants, Chartered Accountants, and Licensed Professional Accountants of Saskatoon, Saskatchewan. Deloitte LLP is independent of Vecima in accordance with the auditor's rules of professional conduct in Canada.

## **ADDITIONAL INFORMATION**

Additional information, including directors' and officers' remuneration, principal holders of Vecima's securities and securities authorized for issuance under equity compensation plans is contained in Vecima's management information circular in connection with its most recent meeting of shareholders that involves the election of directors. Additional financial information is provided in Vecima's financial statements and management's discussion and analysis for the fiscal year ended June 30, 2017, which is available under Vecima's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## APPENDIX A - GLOSSARY

In this Annual Information Form, the following terms and acronyms have the meanings described below:

*Cable Modem Termination System (CMTS)* - A piece of equipment, typically located in a cable company's headend or hubsite, which is used to provide high speed data services, such as cable Internet or Voice over Internet Protocol, to cable subscribers.

*Data over cable service interface specification (DOCSIS)* - An international telecommunications standard that permits the addition of high speed data transfer to an existing cable TV system.

*Ethernet* - a system for connecting a number of computer systems to form a local area network, with protocols to control the passing of information and to avoid simultaneous transmission by two or more systems.

*Fiber to the home (FTTH)* - FTTH (sometimes called fiber to the premises, or FTTP) systems involve the installation of optical fiber cable directly to the home or business environment from a central point, bringing high-speed services to premises at a greater distance from a central switch than DSL.

*Gateway device* - A fully-integrated device that uses a modulator / upconverter and other components to process video streams from central servers, to provide security scrambling of those signals and then transmits the video streams to subscribers over cable.

*Global Positioning System (GPS)* - is a radio navigation system that allows land, sea, and airborne users to determine their exact location, velocity, and time 24 hours a day, in all weather conditions, anywhere in the world.

*HD/SD* – High Definition (HD) a television system providing an image resolution that is substantially higher than that of standard-definition (SD) television.

*Hybrid Fiber Coax (HFC)* - a telecommunications industry term for a broadband network that combines optical fiber and coaxial cable.

*Internet Protocol (IP)* - The method or protocol by which data is sent from one computer to another on the Internet.

*Internet Protocol Television (IPTV)* - A system through which television services are delivered using the Internet protocol suite over a packet-switched network such as a LAN or the Internet, instead of being delivered through traditional terrestrial, satellite signal, and cable television formats.

*Multi-Dwelling Unit (MDU)* - One or a collective of buildings where people reside or live. Examples include apartments and condominiums.

*Multiple System Operators (MSOs)* - Cable television, broadband wireless systems and telecommunications companies that operate multiple systems in different geographic areas.

*Original Equipment Manufacturers (OEMs)* - A manufacturer that sells equipment to a reseller for rebranding or repackaging.

*Over-the-Top (OTT)* - the delivery of audio, video, and other media over the Internet without the involvement of a multiple-system operator in the control or distribution of the content.

*Passive Optical Network (PON)* - a telecommunications technology that implements a point-to-multipoint architecture, in which unpowered Fiber Optic Splitters are used to enable a single optical fiber to serve multiple endpoints such as customers, without having to provision individual fibers between the hub and customer.

*Quadrature Amplitude Modulation (QAM)* - A modulation technique that generates four bits out of one baud. For example, a 600-baud line (600 shifts in the signal per second) can effectively transmit 2,400 bits using this method. Both phase and amplitude are shaped with each baud, resulting in four possible patterns.

*Radio Frequency (RF)* - The range of electromagnetic frequencies above the audio range and below visible light. All broadcast transmission, from AM radio to satellites, falls into this range, which is between 30 KHz and 300 GHz.

*Set-top Box (STB)* - A device that enables a television set to become a user interface to the Internet and to receive and decode digital television broadcasts.

*Video on Demand (VOD)* - The ability to deliver a movie or other video program with high-quality digital picture and sound to an individual web browser or TV set whenever the user requests it. VOD provides subscribers with pause, play, fast-forward and reverse functionality.

*Voice over Internet Protocol (VoIP)* - A category of hardware and software that enables people to use the Internet as the transmission medium for telephone calls.

## **APPENDIX B – AUDIT COMMITTEE MANDATE**



## Audit Committee Mandate

---

<b>1. Purpose</b>	<b>2</b>
<b>2. Chair</b>	<b>2</b>
<b>3. Composition</b>	<b>2</b>
<b>4. Authority</b>	<b>3</b>
<b>5. Meetings</b>	<b>3</b>
<b>6. Duties and Responsibilities</b>	<b>4</b>
6.1 Financial Reporting	4
6.2 Disclosure Controls	5
6.3 Internal Controls	6
6.4 External Audit	6
6.5 Financial Risk Management	7
6.6 Legal and Regulatory Compliance	7
6.7 Other Responsibilities	7
<b>7. Code of Business Conduct and Ethics</b>	<b>8</b>
<b>8. Definitions</b>	<b>8</b>

## 1. Purpose

The Board of Directors (the “Board”) of Vecima Networks Inc. (the “Corporation”) have established the Audit Committee (the “Committee”) for the purpose of assisting the Board in meeting its oversight responsibilities in relation to: (a) the integrity and reliability of the Corporation’s accounting and financial reporting processes; (b) the establishment by management of an adequate system of internal controls and procedures; (c) disclosure controls and procedures; (d) the qualifications, independence and performance of the Corporation’s external auditors; (e) identification and monitoring of financial risks; (f) the compliance by the Corporation with legal and regulatory requirements relating to accounting, internal controls and auditing matters; and, (g) monitoring of the Corporation’s code of ethical conduct.

The primary function of the Committee is oversight, as such, the Committee shall be entitled to rely on the expertise, skills and knowledge of management and the Corporation’s external auditors and the integrity and accuracy of information provided to the Committee by such persons in carrying out its oversight responsibilities.

## 2. Chair

The Board will appoint one member, from among its independent members, to be Chair of the Committee until the time when a successor is needed. If the Board does not appoint a Chair of the Committee, the incumbent Chair of the Committee will continue in office until a successor is appointed.

## 3. Composition

- a) The Committee shall be composed of at least three directors, each of whom the Board has determined has no material relationship with the Corporation which could, in the view of the Board, be reasonably expected to interfere with the exercise of such director’s independent judgment, and who otherwise satisfies the definition of “independent” as that term is defined under the requirements of applicable securities laws (including National Instrument 52-110 – Audit Committees) and any other applicable securities laws, rules or requirements of any stock exchange upon which the Corporation’s securities are listed.
- b) Each member of the Committee must be “financially literate”. “Financially literate” means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.

- c) The Board may fill vacancies on the Committee by appointment from among its independent members. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its powers so long as a quorum remains in office and there are at least three remaining members. Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee upon ceasing to be a director. Subject to the foregoing, each member of the Committee shall remain as such until the next annual meeting of shareholders after that member's election.

#### **4. Authority**

The Committee has the authority to:

- a) retain, at the Corporation's expense, its own legal counsel, accountants and other advisors that the Committee believes are needed to carry out its duties and responsibilities;
- b) conduct or authorize investigations into any matter within its scope of responsibility;
- c) pre-approve permitted non-audit services performed by the Corporation's external auditor;
- d) mediate any disagreements between management and the Corporation's external auditors regarding financial reporting;
- e) seek any information it requires from employees of the Corporation, all of whom will be directed by management to co-operate with the Committee's requests;
- f) meet and communicate directly with the Corporation's officers, external auditors, outside counsel and consultants, all as the Committee may deem necessary;
- g) undertake any other activity that may be reasonably necessary in order for the Committee to carry out its responsibilities as set out in this Mandate.

#### **5. Meetings**

- a) The Committee will meet at least once every fiscal quarter, with authority to convene additional meetings, as circumstances require. The Chair will determine the time, place and procedures for calling and conducting Committee meetings, subject to the requirements of this Mandate, of the bylaws of the Corporation, and of the Canada Business Corporations Act (CBCA).
- b) A majority of the members of the Committee will constitute a quorum. Members of the Committee may participate in a meeting through any means which permits all parties to communicate adequately

with each other. Any members not physically present but participating in the meeting through such means is deemed to be present at the meeting.

- c) The Committee may invite such officers, directors and employees of the Corporation as it may see fit from time to time to attend at meetings and provide information pertinent to any matter being discussed. Any director of the Corporation is entitled to attend Committee meetings, however, only members of the Committee are eligible to vote or establish a quorum. The Committee will periodically meet in camera alone and separately with each of the external auditors and management.
- d) The Chair will ensure that meeting agendas are prepared and provided in advance to members of the Committee, along with appropriate briefing materials. The Committee will keep and approve minutes of each meeting which record the decisions reached by the Committee. Once approved, the minutes will be distributed to Committee members with copies provided to the Board, the Chief Executive Officer, Chief Financial Officer, Corporate Secretary and the external auditors.

## **6. Duties and Responsibilities**

The operation of the Committee will be subject to the provisions of the articles of the Corporation, the CBCA and National Instrument 52-110, each as in effect from time to time.

To implement the Committee's purpose, the Committee shall, to the extent the Committee deems necessary or appropriate, be charged with the following functions and processes with the understanding, however, that the Committee may supplement or (except as otherwise required by applicable laws or rules) deviate from these activities as appropriate under the circumstances:

### **6.1 Financial Reporting**

- a) Review with management and the external auditors any items of concern, any proposed changes in the selection or application of major accounting policies and the reasons for the change, any complex or unusual transactions, any issues requiring management judgment, proposed changes to or adoption of disclosure practices, and the effects of any recent or proposed regulatory or accounting initiatives or pronouncements, all to the extent that the foregoing may be material to financial reporting.
- b) In reviewing with management and the external auditors the results for the year-end audit, and management's responses, review any problems or difficulties experienced by the external auditors in performing the audit, including any restrictions or limitations imposed by management and resolve any disagreements between management and the external auditors regarding these matters.

- c) Review with management and the external auditors and legal counsel, if necessary, any litigation, claim or other contingency that could have a material effect on the financial position or operating results of the Corporation, and the manner in which these matters have been disclosed or reflected in the financial statements.
- d) Review the results of the external auditors' audit work including findings and recommendations, management's response, and any resulting changes in accounting practices or policies and the impact such changes may have on the financial statements.
- e) Review and discuss with management and the external auditors the annual audited financial statements and related management's discussion and analysis, and press release; make recommendations to the Board with respect to approval thereof, before being released to the public.
- f) Review and recommend the approval of the quarterly unaudited financial statements and the related management discussion and analysis and press release prior to their release to the public.
- g) Review with management the Corporation's tax status, significant tax issues and reviews by tax authorities.

## **6.2 Disclosure Controls**

- a) Review and consider the adequacy and effectiveness of the Corporation's disclosure controls and procedures, including any material non-compliance with such controls and procedures.
- b) Review and approve the disclosure policy of the Corporation and periodically assess the adequacy of such policy for completeness and accuracy.
- c) Ensure that adequate procedures are in place for the review of all audited or unaudited financial information extracted or derived from the Corporation's financial statements which is to be contained in public disclosure documents.
- d) Monitor the activities of the Corporation's Disclosure Committee quarterly and review the composition of the committee at least annually.
- e) Review, and in some instances recommend approval to the Board, material financial disclosures prior to their public release or filing with securities regulators that are contained within the following documents:
  - i) any prospectus or offering document;
  - ii) annual information forms (AIF);
  - iii) all material financial information required by securities regulations; and
  - iv) news or press releases containing audited or unaudited financial information, including the type

and presentation of information and in particular any pro-forma or non-GAAP information.

### **6.3 Internal Controls**

- a) Review and consider the adequacy of the internal controls over financial reporting that have been adopted by the Corporation to safeguard assets from loss and unauthorized use and to verify the accuracy of the financial records and any special audit steps adopted in light of material control deficiencies.
- b) Understand the scope of any internal audits and the external auditors' review of internal control over financial reporting and obtain reports on significant finding and recommendations, together with management's responses.
- c) Obtain from the Chief Executive Officer and Chief Financial Officer confirmation that each is prepared to sign all required annual and quarterly certificates under applicable securities law in relation to internal controls over accounting and financial reporting. Review any disclosures made regarding significant deficiencies or material weaknesses in the design or operation of internal controls or any fraud that involves management or other employees who have a significant role in the Corporation's internal controls.

### **6.4 External Audit**

- a) Recommend to the Board the selection, appointment, retention, compensation and replacement of the external auditors for the Corporation.
- b) Oversee the work and evaluate the qualifications and performance of the external auditors and report its finding to the Board.
- c) Ensure that the external auditors report directly to the Committee and that they are ultimately accountable to the Committee and to the Board, as representatives of shareholders of the Corporation.
- d) Confirm that the external auditors have direct and open communication with the Committee and that the external auditors meet regularly with the Committee without management present to discuss any matters that the Committee or the external auditors believe should be discussed privately.
- e) On an annual basis, review and discuss with the external auditor all significant relationships they have with the Company to determine their independence.
- f) Review and pre-approve all non-audit services to be provided to the Corporation by the external auditors and the engagement fees in respect of such services, provided that the Chair of the

Committee, on behalf of the Committee, is authorized to pre-approve an amount of \$20,000 per engagement. At the next Committee meeting, the Chair will report to the Committee any such pre-approval given;

- g) Monitor the rotation of the partners of the external auditors on the Corporation's audit engagement team;
- h) Review and approve the Corporation's hiring policies regarding the hiring of partners, employees and former partners and employees of the Corporation's present and former external auditors;
- i) Determine and approve the engagement of the external auditors, prior to the commencement of such engagement, to perform the annual audit (including review of the proposed scope of and plans for the audit and compensation to be paid to the external auditors).

#### **6.5 Financial Risk Management**

- a) Review the Corporation's major financial risk exposures and approve the Corporation's policies to manage such financial risk;
- b) Monitor management of hedging, insurance, debt and credit, and make recommendations to the Board respecting policies for management of such risks, and review the Corporation's compliance with the same;
- c) Obtain regular updates from management regarding any investigations of fraudulent activities.

#### **6.6 Legal and Regulatory Compliance**

- a) Obtain regular updates from management regarding financial, tax and securities law regulations and the process in place to monitor such compliance;
- b) Review, with corporate counsel where required, any litigation, claims, tax assessments, that could have a material impact on financial statements;
- c) Monitor compliance by the Corporation with all payments and remittances required to be made in accordance with applicable law.

#### **6.7 Other Responsibilities**

- a) Review on an annual basis the expenses submitted for reimbursement by the Chief Executive Officer.
- b) Review the appointment and replacement of the Chief Financial Officer and review with the Chief Financial Officer the appointment and replacement of other members of senior management who will be involved in financial reporting.

- c) In conjunction with the Corporate Governance and Compensation Committee, review succession plans for the Chief Financial Officer and the VP Finance.
- d) Review and evaluate, at least annually, the adequacy of its mandate and recommend any proposed changes to the Corporate Governance and Compensation Committee.
- e) Participate in an annual performance evaluation by the Corporate Governance and Compensation Committee, the results of which will be reviewed by the Board.
- f) Review, on an annual basis, any remuneration received by directors from the Corporation for activities in other than their capacity on the Board.

## **7. Code of Business Conduct and Ethics**

- a) Establish procedures for:
  - i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
  - ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
- b) In conjunction with the Corporate Secretary, investigate possible violations of the Code of Business Conduct and Ethics.
- c) Review the Code of Business Conduct and Ethics Policy, Corporate Disclosure Policy, Insider Trading Policy as well as the Whistleblower Policy and make recommendations of changes to the Board, if any. The Chair and members of the Committee are responsible to fulfill their requirements and compliance with these policies.

## **8. Definitions**

Terms not otherwise defined herein have the meanings attributed to them in National Instrument 52-110, as amended from time to time.