



VECIMA

Management's Discussion & Analysis

Year ended June 30, 2019



Dear Fellow Shareholders,

Fiscal 2019 was a year of concerted moves and important achievements as we broadly solidified our market position in preparation for two of the most profound transitions unfolding within our industry: DOCSIS Distributed Access Architecture (DAA) and IPTV.

Nearing Deployment of Entra

On the DAA front, I am delighted to report that we are now nearing initial deployments of our new Entra Distributed Access Architecture products.

As you know, the industry transition to DAA has required significant investment and no small amount of patience as our customers have worked through the demanding technical aspects of operationalizing this technology at scale. It has taken longer than expected, but we have used the time effectively. During fiscal 2019 we further expanded and differentiated our Entra family of products with new offerings and features and widened our customer engagements. At the same time, we continued to play an industry leadership role in driving distributed access specifications at CableLabs, the industry standards body, and we successfully demonstrated our products and the interoperability of our solution at two major industry testing events during the year.

The good news is that we are finally seeing definite plans among a number of MSOs as the quantity of DAA trials and customer engagements rise and we anticipate further field trials will commence in the near-term. As of today, we have engagement with 16 cable operators in North America, Central and Latin America, Europe and Asia for our DAA products and the count is growing. We have also secured our first master purchase agreement covering our Entra Remote PHY Nodes and Monitor products with a Tier 1 operator entering field trials. In addition, our Legacy QAM Adapter (LQA) is already generating initial revenue having now been deployed at multiple customers where it provides an elegant solution for video in DAA at the best price in the industry. While initial sales are typically modest, these are important milestones on the path to commercialization of DAA and our momentum should build as more customers move to deployment.

Growing Demand for our IPTV Platforms

In fiscal 2019, our Content Delivery and Storage segment also made significant strides in pursuit of the global market transition to IPTV. We significantly enhanced our MediaScaleX™ platform, a next-generation hyper-scale platform suite that builds on the successful and award-winning Storage, Cache, Origin, and Transcode products to provide a full range of IPTV services. We also expanded our relationships with some of the world's largest MSOs. This included a large communications and entertainment group in Europe that is deploying our MediaScaleX™ platform to in an all-encompassing, modern IPTV network, and a top five MSO that is using MediaScaleX™ to expand services to over 75% of its customers and more efficiently serve on-demand video across its network



of cable subscribers. By year end, 17 operators were using Vecima platforms to deliver IP video services.

Based on the build-up of new customers in late FY2019, the significant product enhancements to our MediaScaleX™ product family, and an expected shift to higher levels of capital spending among customers, we are anticipating strong demand for our IP video technologies in fiscal 2020. More specifically, we believe our Content Delivery and Storage segment has the potential to increase revenues by 20% or more in fiscal 2020, stemming from the pipeline of opportunities for migration to IP video networks, including linear broadcast, cloud DVR and time-shift TV.

New Opportunities in our Proven Product Families

Not only did we achieve great progress with our emerging technologies in fiscal 2019, but we also advanced some of our more established product groups. Our market-leading Terrace family of commercial video platforms continued to enjoy wide adoption with some of the world's largest cable operators. Early in the year we secured a new supply agreement and initial revenue with a leading European MSO covering our Terrace DVB product, the latest edition from our Terrace family line. In the third quarter, we supported a Tier 1 MSO's MPEG-4 expansion with the TC600E. And moving into fiscal 2020, we see opportunities for our powerful next-generation Terrace IQ platform emerging with a major MSO customer.

Our Telematics business also continued to make steady progress with our fleet management systems and in fiscal 2019 launched the Nero GPS Asset Tracking product which targets the movable asset tracking market and augments our fleet management business. As asset tracking technology broadens its reach across various commercial sectors, we will continue to target additional verticals that leverage our technology strengths and diversify our revenue streams.

Maintaining our Strong Financial Position

Financially, fiscal 2019 reflected the realities of a technology transition year, with expected declines in demand for a number of our legacy products and a corresponding impact on our bottom line results. But even in a transition year, we achieved revenues of \$85.0 million, a 9% increase over FY2018. We also closed the year with a healthy cash balance of \$44.4 million, while also returning \$4.9 million to our investors by way of our regular quarterly dividends and completing a small but strategic tuck-in acquisition in the fourth quarter, which we financed with cash.

Thanks to the strategic steps taken in fiscal 2019 to tighten our R&D priorities, streamline our administrative processes and manage our business and our finances prudently, we are moving into fiscal 2020 in a very strong financial position and ready to embark on growth.



In our Video and Broadband Solutions core business, we are focusing our priorities to take advantage of the first revenue opportunities that come in as MSOs solidify their DAA deployment plans. In our Content Delivery and Storage segment, we have created an innovative line-up of platforms to capitalize on the opportunities in the emerging market for IPTV, enabling our customers to provide premium services like live linear broadcast, cloud DVR, streaming on-demand and time-shift TV. And in our Telematics business, we are anticipating continued incremental growth for our fleet tracking products, along with gradual growth in our newer moveable asset tracking services. Overall, it promises to be an exciting year as we move toward deployment with our newest technologies.

I want to close by acknowledging our employees, and I thank them for the innovation, the drive and the discipline they bring to work each day. They are the inspiration behind the differentiated, world-class products that empower our customers and position Vecima to capitalize on the many ways people are consuming more information and entertainment. On behalf of the Board of Directors, I also want to thank you, our shareholders, for your continued support. We are truly excited about Vecima's future and looking forward to more significant achievements in fiscal 2020.

Sincerely,

A handwritten signature in blue ink, appearing to read "Sumit Kumar".

Sumit Kumar
President and CEO

VECIMA NETWORKS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 24, 2019

This Management's Discussion and Analysis (MD&A) provides a review of significant developments that have affected the performance of Vecima Networks Inc. ("Vecima" or the "Company") during the year ended June 30, 2019.

Our MD&A supplements, but does not form part of, our audited consolidated financial statements and related notes for the year ended June 30, 2019. Consequently, the following discussion and analysis of the financial condition and results of operations should be read in conjunction with the audited consolidated financial statements and accompanying notes for the years ended June 30, 2019 and June 30, 2018 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Our MD&A also includes certain non-IFRS financial measures which we use as supplemental indicators of our operating performance and financial position, as well as for internal planning purposes.

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

Additional information regarding Vecima, including our Annual Information Form, can be found on SEDAR at www.sedar.com.

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Company Overview

Vecima Networks Inc. (TSX:VCM) is a Canadian company founded in 1988 in Saskatoon, Saskatchewan. Today, Vecima has a global presence with offices in Vancouver, Atlanta, Tokyo, Amsterdam, London, and a manufacturing facility in Saskatoon. Vecima's corporate head office is located in Victoria, British Columbia.

Vecima is a global leader focused on developing integrated hardware and scalable software solutions for broadband access, content delivery, and telematics. We enable the world's leading innovators to advance, connect, entertain, and analyze. We build technologies that transform content delivery and storage, enable high-capacity broadband network access, and streamline data analytics.

Vecima's business is organized into three segments:

- 1) **Video and Broadband Solutions** (VBS) includes platforms and modules that process data from the cable network and deliver it in formats suitable to be consumed on televisions and Internet devices.
 - a. Terrace and TerraceQAM are two key product families in this segment which meet the needs of the business services vertical including MDU (multi-dwelling units) and Hospitality (including hotels, motels and resorts).
 - b. Our next-generation of platforms, under the Entra product family, addresses the network migration to a Distributed Access Architecture (as described below under Industry Developments). The Entra Distributed Access Platform is Vecima's realization of the next generation of HFC nodes as optical transport moves away from analog RF distribution to all-digital Ethernet.

The Entra Distributed Access solution comprises three components:

- An Access Node that can operate as Remote PHY or Remote MAC-PHY and provides a modular platform for deployment of access technologies;
- A Remote PHY Monitor - unified control software for management and monitoring of access nodes; and
- A Legacy QAM Adapter that provides a simple solution to adapt existing video QAM infrastructure for distributed access.

- 2) **Content Delivery and Storage** (CDS) includes solutions and software, under the MediaScaleX™ and ContentAgent brands, for industries and customers that focus on ingesting, producing, storing, delivering and streaming video content for live linear, video on demand (VOD), network digital video recorder (nDVR) and time-shifted TV services.

The Content Delivery and Storage business focuses specifically on multiple service operators' ("MSO") video content delivery and storage needs under the product categories: Storage, Cache, Origin and Transcode.

- 3) **Telematics** provides fleet managers with the key information and analytics they require to optimally manage their mobile and fixed assets under the Contigo, Nero Global Tracking, and FleetLynx brands.

Industry Developments

Video and Broadband Solutions

Over the last several years, the cable industry has been transitioning towards Distributed Access Architectures (DAA) under the latest DOCSIS 3.1 standard. In calendar 2019, some top tier players initiated a gradual roll out of this new platform with further large-scale deployments anticipated over the next several years. DOCSIS 3.1 is a critical evolution for the industry in that it unlocks gigabit broadband speeds over existing coaxial cable by allowing data transmission up to 10 Gigabits per second (Gbps) for download speed and 3 Gbps for upload speed. The speed provided by DOCSIS 3.1 is comparable to that of fiber optic connections, thereby allowing cable operators to upgrade their systems, but without the added infrastructure cost. Global cable operators expect to benefit from a flexible migration given that DOCSIS 3.1 modems can coexist with older versions and build on top of their 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.

Content Delivery and Storage

Global demand for internet protocol (IP) video content delivery and storage is growing, driven by the rapidly increasing consumption of IP video as consumers turn to streaming services and cable operators make vast arrays of new IP video content available to subscribers. Service providers are also pursuing new DVR opportunities that shift delivery and storage away from traditional set-top storage to cloud based models. According to the latest industry analysis in the Cisco Visual Networking Index™, consumer video on demand traffic is expected to double by 2022 with IP video comprising 82% of all IP traffic.

Telematics

As asset tracking technology broadens beyond fleet management to new initiatives associated with asset management for asset-intensive industries such as manufacturing, construction, energy and aerospace, Vecima is developing products to capitalize on segments of these markets.

Our Strategy

Our growth strategy focuses on the development of our core technologies, including next generation platforms such as our new DOCSIS 3.1 platform, Entra, as well as new IP video storage and distribution technologies being developed under the MediaScaleX™ brand within the Content Delivery and Storage segment. We will continue to pursue profitable growth both organically and when appropriate, through value-enhancing strategic acquisitions.

Fiscal 2019 Highlights

Financial Highlights

- Achieved 2019 revenue of \$85.0 million, up 9% from \$78.1 million in fiscal 2018
- Achieved gross profit of \$44.9 million and a gross profit margin of 53%, as compared to gross profit of \$41.9 million and a gross profit margin of 54% in fiscal 2018
- Generated full-year Adjusted EBITDA of \$8.2 million compared to \$14.5 million in fiscal 2018
- Ended the year in strong financial position with \$44.4 million in cash
- Declared annual dividends of \$0.22 per share including a fourth quarter dividend of \$0.055 per share payable on November 1, 2019 to shareholders of record on October 11, 2019. This represents \$24.8 million returned to shareholders through regular dividends.

Video and Broadband Solutions

- Nearing commercial roll-out of Entra family of Distributed Access Architecture products
 - In various phases of lab and field trials with a total of 16 Tier 1, 2 & 3 operators in North America, Central and Latin America, Europe and Asia
 - Significantly broadened Entra products portfolio to include Entra Remote PHY Monitor, which provides industry-leading service assurance for DAA, and Entra video QAM manager, a solution that allows service providers to maintain today's primary video services within DAA architecture at the lowest cost in the industry
 - Signed master purchase agreement covering Entra Remote PHY nodes and Remote PHY Monitor with a Tier 1 MSO
- Market-leading Terrace family of commercial video platforms enjoyed continued wide adoption among some of the world's largest cable operators
 - Supported a Tier 1 customer's MPEG-4 network expansion with the TC600E
 - Secured initial revenue with a leading European MSO for next-generation Terrace DVB

Content Delivery and Storage

- Continued expansion into IPTV market with 17 operators now using Vecima platforms to deliver IP video
 - Expanded relationship with NOS, one of the largest communications and entertainment groups in Europe, to deploy the MediaScaleX™ platform
 - Secured agreements with two global resellers for transcoding and storage solutions

- Partnered with one of the world's top five MSOs to use the MediaScaleX™ platform to expand services to over 75% of its footprint and more efficiently serve on-demand video across its network of cable providers
- Total of six customers have deployed, or are in the process of deploying, our cloud DVR solution
- On May 31, 2019, expanded Vecima's end-to-end solutions capability by acquiring the assets of Root6, a UK-based software and solutions company specializing in the video ingest and delivery automation solutions used by some of the world's leading content creators

Telematics

- Continued incremental growth in fleet management market
- Entered the moveable assets market, securing initial customers in the restoration segment of the construction industry.

Outlook

The North American cable industry continues to prepare for the transition to a new architecture - Distributed Access Architecture (DAA) - with MSOs at various stages of planning. Vecima's Entra family of DAA products has been moving successfully through lab trials with a diverse mix of Tier 1, Tier 2 and Tier 3 MSOs and we recently signed our first master purchase agreement with a Tier 1 customer entering field trials. We anticipate initial sales of our Remote PHY nodes and Remote PHY Monitor products commencing in the first half of fiscal 2020. While initial sales are expected to be modest, momentum is expected to build as additional customers move closer to deployment. Demand for our legacy cable products is expected to continue to taper through fiscal 2020 as the industry evolves to the new technologies.

Our Content Delivery and Storage segment is positioned for growth in fiscal 2020. The combination of significant product enhancements to our MediaScaleX™ product family, a build-up of new customers in the latter part of fiscal 2019, and an expected shift to higher levels of capital spending among existing customers is expected to underpin robust demand for our IP video technologies. While sales growth is anticipated on a full-year basis, we note again that the Content Delivery and Storage segment is prone to significant quarter-to-quarter revenue variations related to the timing of large customer orders. We believe that the CDS segment has potential for over 20% sales growth in fiscal 2020 stemming from our pipeline of opportunities for migration to IP video networks including linear broadcast, cloud DVR and time-shifting.

In the Telematics segment, we anticipate incremental growth in demand from the fleet tracking market in fiscal 2020, along with gradual growth in demand for our newer movable asset tracking services.

Overall, we continue to position Vecima for industry leadership in the DAA market and the IP video content delivery and storage space. With a strong balance sheet, we are well positioned to pursue our product strategies while also continuing to assess attractive acquisitions that provide significant accretion and give us rapid access to technologies and differentiating features that help drive our growth and success.

Discontinued Operations

We completed the sale of the telecommunications assets of the YourLink business in British Columbia in fiscal 2017, and in Q1 fiscal 2018, completed the final transaction on the sale of the telecommunication assets of the YourLink business in Saskatchewan. Financial results attributable to the disposal of all YourLink assets have been presented as discontinued operations.

Consolidated Results of Operations

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

Consolidated Statements of Comprehensive (Loss) Income Data	Years ended June 30,					
	2019		2018		2017	
Sales	\$ 85,032	100 %	\$ 78,104	100 %	\$ 71,460	100 %
Cost of sales	40,155	47 %	36,254	46 %	34,439	48 %
Gross profit	44,877	53 %	41,850	54 %	37,021	52 %
Operating expenses						
Research and development ⁽¹⁾	18,973	22 %	15,101	19 %	11,749	17 %
Sales and marketing	14,112	17 %	10,463	13 %	5,285	7 %
General and administrative	16,596	20 %	13,248	17 %	9,875	14 %
Impairment of intangible assets	-	- %	22	- %	174	- %
Restructuring costs	2,176	3 %	-	- %	986	1 %
Share-based compensation	112	- %	80	- %	321	1 %
Other (income) expense	(418)	(1)%	(317)	- %	(276)	- %
	51,551	61 %	38,597	49 %	28,114	40 %
Operating (loss) income	(6,674)	(8)%	3,253	5 %	8,907	12 %
Finance income	879	1%	1,132	1 %	1,134	2 %
Foreign exchange (loss) gain	(66)	- %	930	1%	795	1 %
(Loss) income before taxes	(5,861)	(7)%	5,315	7 %	10,836	15 %
Income tax (recovery) expense	(2,402)	(3)%	1,532	2 %	3,045	4 %
Net (loss) income from continuing operations	(3,459)	(4)%	3,783	5 %	7,791	11 %
Discontinued operations	-	- %	7,019	9 %	10,257	14 %
Net (loss) income	(3,459)	(4)%	10,802	14 %	18,048	25 %
Other comprehensive (loss) income	(67)	- %	1,077	1 %	-	-
Comprehensive (loss) income	\$ (3,526)	(4)%	\$ 11,879	15 %	\$ 18,048	25 %
Net (loss) income per share⁽²⁾						
Basic	\$ (0.15)		\$ 0.48		\$ 0.81	
Basic from continuing operations	\$ (0.15)		\$ 0.17		\$ 0.35	
Diluted	\$ (0.15)		\$ 0.48		\$ 0.80	
Diluted from continuing operations	\$ (0.15)		\$ 0.17		\$ 0.35	
Other Data						
Total research and development expenditures ⁽³⁾	\$ 29,336		\$ 27,469		\$ 21,066	
Adjusted EBITDA ⁽⁴⁾	\$ 8,177		\$ 14,535		\$ 20,296	
Adjusted earnings per share ⁽⁵⁾	\$ (0.09)		\$ 0.17		\$ 0.43	
Number of employees ⁽⁶⁾	364		419		352	

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

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

(3) See "Total Research and Development Expenditures"

(4) Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. See "EBITDA and Adjusted EBITDA"

(5) Adjusted Earnings per Share does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. See "Adjusted Earnings per Share"

(6) The number of employees is determined as of the end of the fiscal year.

Consolidated Statements of Financial Position	As at June 30,		
	June 30, 2019	June 30, 2018	June 30, 2017
(unaudited - in thousands of dollars except common share data)			
Cash and cash equivalents	\$ 19,834	\$ 11,034	\$ 3,517
Short-term investments	\$ 24,569	\$ 46,660	\$ 85,675
Working capital	\$ 58,286	\$ 77,403	\$ 110,457
Total assets	\$ 200,770	\$ 210,039	\$ 193,995
Long-term debt	\$ 1,729	\$ 1,979	\$ 2,208
Shareholders' equity	\$ 180,768	\$ 189,285	\$ 182,242
Number of common shares outstanding ⁽¹⁾	22,362,031	22,414,944	22,385,574

(1) Based on weighted average number of common shares outstanding

Adjusted Net Income (Loss) and Adjusted Earnings (Loss) per Share

The following table reconciles net income for the period to adjusted net income as well as earnings per share to adjusted earnings per share. The term "adjusted net income" refers to net income or net loss as reported in the IFRS financial statements, excluding any amounts included in net income or net loss for gains and losses on the sale of non-core property, plant and equipment ("PP&E"), intangible assets, and assets held for resale, impairments of intangible assets, restructuring costs, and the tax effect of these adjusted items. We believe that adjusted net income and adjusted earnings per share provides supplemental information for management and our investors because they provide for the analysis of our results exclusive of certain items which do not directly correlate to our business of selling broadband access products, content delivery and storage products and services or supplying telematic services. Adjusted earnings and adjusted earnings per share do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers.

Calculation of Adjusted Earnings per Share	Years ended		
	2019	2018	2017
(unaudited - in thousands of dollars except per share amounts)			
Net (loss) income	\$ (3,459)	\$ 10,802	\$ 18,048
(Gain) loss on sale spectrum licenses, net of tax	-	(7,087)	62
Gain on sale of non-core intangibles, net of tax	(176)	-	-
Gain on sale of non-core PPE, net of tax	-	-	(9,311)
Impairment of intangible assets, net of tax	-	16	130
Restructuring costs, net of tax	1,623	-	735
Adjusted net (loss) income	\$ (2,012)	\$ 3,731	\$ 9,664
Earnings per share	\$ (0.15)	\$ 0.48	\$ 0.81
(Gain) loss on sale of spectrum licenses, net of tax	-	(0.31)	-
Gain on sale of non-core intangibles, net of tax	(0.01)	-	-
Gain on sale of non-core PPE, net of tax	-	-	(0.42)
Impairment of intangible assets, net of tax	-	-	0.01
Restructuring costs, net of tax	0.07	-	0.03
Adjusted (loss) earnings per share	\$ (0.09)	\$ 0.17	\$ 0.43

Starting in Q4 fiscal 2019, we have changed our definition and calculation of adjusted net income and adjusted earnings per share to incorporate restructuring costs to the calculation of these measures. We believe this change will provide a more consistent determination as compared to other companies in our industry. We believe this consistency will enable management, investors and analysts to better assess the Company's main business activities as well as improve comparability to others within our industry.

EBITDA and Adjusted EBITDA

The following table reconciles net income for the period to EBITDA and Adjusted EBITDA. The term “EBITDA” refers to net income or net loss as reported in the IFRS financial statements, excluding any amounts included in net income or net loss for income taxes, interest expense, and depreciation and amortization for PP&E, deferred development and intangible assets. The term “Adjusted EBITDA” refers to EBITDA adjusted for: gains and losses on sale of PP&E, intangible assets, and assets held for sale; impairment of PP&E; impairment of deferred development costs and other intangible assets; restructuring costs; and share-based compensation expense. We believe that Adjusted EBITDA is useful supplemental information for management and for our investors because it provides for the analysis of our results exclusive of certain non-cash items and other items which do not directly correlate to our business of selling broadband access products, content delivery and storage products and services or supplying telematic services. Adjusted EBITDA is not a recognized measure under IFRS and, accordingly, investors are cautioned that Adjusted EBITDA should not be construed as an alternative to net income, determined in accordance with IFRS, or as an indicator of our financial performance or as a measure of our liquidity and cash flows.

Calculation of Adjusted EBITDA	Years ended		
	2019	2018	2017
Net (loss) income	\$ (3,459)	\$ 10,802	\$ 18,048
Income tax (recovery) expense	(2,402)	2,626	4,263
Interest expense	200	92	110
Depreciation of PP&E	2,339	2,406	2,202
Amortization of deferred development costs	5,529	4,227	3,686
Amortization of intangible assets	3,802	2,294	1,044
EBITDA	6,009	22,447	29,353
Gain on assets held for resale	-	(8,109)	(275)
Loss (gain) on sale of property, plant and equipment	82	95	(10,263)
Gain on sale of intangible assets	(202)	-	-
Restructuring costs	2,176	-	986
Impairment of intangible assets	-	22	174
Share-based compensation	112	80	321
Adjusted EBITDA	\$ 8,177	\$ 14,535	\$ 20,296
Adjusted EBITDA margin (%)	10 %	19 %	28 %

Total Research and Development Expenditures

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

Calculation of Research and Development Expenditures	Years ended		
	2019	2018	2017
Research and development per statement of income	\$ 18,973	\$ 15,101	\$ 11,749
Deferred development costs	16,057	16,407	12,950
Investment tax credits	67	237	342
Amortization of deferred development costs	(5,529)	(4,227)	(3,686)
Government grants	(232)	(49)	(289)
Total research and development expenditure	\$ 29,336	\$ 27,469	\$ 21,066
Percentage of sales	34 %	35 %	29 %

Summary of Quarterly Results of Operations

The following information has been derived from our consolidated financial statements for the year ended June 30, fiscal 2019 and fiscal 2018 in accordance with IFRS. This information should be read in conjunction with those financial statements and their related notes as well as with the balance of this MD&A.

	Fiscal Year 2019				Fiscal Year 2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales	\$ 20,715	\$ 20,328	\$ 22,654	\$ 21,335	\$ 24,346	\$ 24,124	\$ 14,752	\$ 14,882
Cost of sales	10,555	9,642	9,814	10,144	11,075	11,743	7,032	6,404
Gross profit	10,160	10,686	12,840	11,191	13,271	12,381	7,720	8,478
Operating expenses								
Research and development	5,006	4,797	4,567	4,603	4,427	4,466	3,045	3,163
Sales and marketing	3,631	4,029	3,252	3,200	4,227	4,015	1,113	1,108
General and administrative	4,340	4,247	4,006	4,003	3,979	4,119	2,540	2,610
Impairment of intangible assets	-	-	-	-	22	-	-	-
Restructuring costs	1,419	-	-	757	-	-	-	-
Share-based compensation	10	28	40	34	31	22	14	13
Other (income) expense	17	(69)	(278)	(88)	(92)	(54)	(89)	(82)
	14,423	13,032	11,587	12,509	12,594	12,568	6,623	6,812
Operating (loss) income	(4,263)	(2,346)	1,253	(1,318)	677	(187)	1,097	1,666
Finance income	329	301	27	222	211	237	386	298
Foreign exchange (loss) gain	(523)	(619)	1,593	(517)	454	846	300	(670)
(Loss) income before income taxes	(4,457)	(2,664)	2,873	(1,613)	1,342	896	1,783	1,294
Income tax expense (recovery)	(1,504)	(1,203)	823	(518)	554	194	454	330
Net (loss) income from continuing operations	(2,953)	(1,461)	2,050	(1,095)	788	702	1,329	964
Net (loss) income and comprehensive (loss) income from discontinued operations	-	-	-	-	(45)	1	1	7,062
Net (loss) income	(2,953)	(1,461)	2,050	(1,095)	743	703	1,330	8,026
Other comprehensive (loss) income	(460)	(584)	1,395	(418)	450	627	-	-
Comprehensive (loss) income	\$ (3,413)	\$ (2,045)	\$ 3,445	\$ (1,513)	\$ 1,193	\$ 1,330	\$ 1,330	\$ 8,026
Net (loss) income per share								
Basic	\$ (0.13)	\$ (0.06)	\$ 0.09	\$ (0.05)	\$ 0.03	\$ 0.03	\$ 0.06	\$ 0.36
Diluted	\$ (0.13)	\$ (0.06)	\$ 0.09	\$ (0.05)	\$ 0.03	\$ 0.03	\$ 0.06	\$ 0.36
Adjusted EBITDA as reported	\$ 281	\$ 424	\$ 5,539	\$ 1,933	\$ 4,352	\$ 3,753	\$ 3,557	\$ 2,874

Quarter-to-Quarter Sales Variances

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

Within the industry, spending by cable operators is impacted by new technology adoption such as the industry migration to DOCSIS 3.1. The budgeting cycles of larger cable operators can also result in quarter-to-quarter variability in customer orders around their budgeting season and installation schedules. We are currently experiencing a slowdown in demand for some of our legacy Video and Broadband Solutions products as customers complete their digital networks and migrate to DOCSIS 3.1. We expect our sales to recover as our new products in the DOCSIS 3.1 Entra platform are commercialized.

The addition of our new Content Delivery and Storage segment following our acquisition of the Concurrent business has also contributed to variation in our quarterly sales. Quarterly sales fluctuations are typical of this business due to the timing of large customer orders.

Segmented Information

Sales

Segment	Three months ended June 30,		Years ended June 30,	
	2019	2018	2019	2018
Video and Broadband Solutions	\$ 6,889	\$ 11,085	\$ 37,665	\$ 50,319
Content Delivery and Storage	12,504	11,951	41,879	22,477
Telematics	1,322	1,310	5,488	5,308
Total sales	\$ 20,715	\$ 24,346	\$ 85,032	\$ 78,104

Three-Month Sales

We generated total sales of \$20.7 million in the fourth quarter of fiscal 2019, up 2% from the \$20.3 million generated in Q3 fiscal 2019 but a 15% decrease compared to \$24.3 million in Q4 fiscal 2018. Year-over-year sales results reflect the anticipated decrease in Video and Broadband legacy product sales offset by an increase in Content Delivery and Storage sales.

The Video and Broadband Solutions segment generated sales of \$6.9 million in the fourth quarter of fiscal 2019. This compares to \$11.1 million in Q4 fiscal 2018 and \$12.4 million in Q3 fiscal 2019 a decrease of 38% and 45% respectively.

- Fourth quarter Terrace family sales were \$4.0 million as compared to \$7.9 million in the same period last year and \$8.5 million in Q3 fiscal 2019. The 52% decrease in sequential quarterly sales reflects the significant deployment of TC600E products in Q3 fiscal 2019 in support of a Tier 1 MSO customer's MPEG-4 densification program.
- Fourth quarter fiscal 2019 sales of TerraceQAM were \$1.7 million, a 23% decrease from \$2.2 million in the fourth quarter of 2018, but up 15% from \$1.5 million in Q3 fiscal 2019. We believe that our customer's need for new systems is nearing saturation, and while we could still see some quarterly fluctuations in demand for TerraceQAM, we are now working with our customers on the next-generation platform.
- Fourth quarter fiscal 2019 sales of our new Legacy QAM Adaptor increased 72% to \$0.5 million from \$0.3 million in Q3 fiscal 2019.

Our Content Delivery and Storage segment increased sales to \$12.5 million in the fourth quarter of fiscal 2019, up 4% from \$12.0 million in the same period last year, and an increase of 92% from \$6.5 million in Q3 fiscal 2019. The significant increase in sequential quarterly sales largely reflects the timing of large customer orders. As we have noted previously, quarterly sales variances in this segment can be pronounced. Segment sales for the Q4 fiscal 2019 period included \$8.7 million of product sales and \$3.8 million of services revenue.

Telematics sales were flat at \$1.3 million in the fourth quarter of fiscal 2019, from \$1.3 million in Q4 fiscal 2018 but were down slightly from sales of \$1.4 in Q3 fiscal 2019. Results for the quarter were in line with our expectations.

Twelve-Month Sales

Total sales increased by 9% to \$85.0 million in the year ended June 30, 2019, up from \$78.1 million in the same period of fiscal 2018. This increase primarily reflects a full year of contribution from our new Content Delivery and Storage segment, as compared to just two quarters of operations in 2018. This gain was offset by lower sales in the Video and Broadband Solutions segment.

Video and Broadband Solutions reported sales of \$37.7 million in fiscal 2019, as compared to \$50.3 million in fiscal 2018.

- Full-year sales of the Terrace family of products were \$23.7 million, a 27%, decrease from \$32.4 million in fiscal 2018. The sales results reflect a slower pace of purchasing activity for legacy TC600E products as one of our Tier 1 MSO customer moves to a general network-wide all-digital conversion, partially offset by a significant third quarter deployment of a TC600E upgrade in support of our customer's MPEG-4 densification program.
- Sales of TerraceQAM were \$6.0 million in fiscal 2019, compared to \$12.4 million in fiscal 2018. The 52% decrease was anticipated and is in keeping with our view that our customer's need for new systems is nearing saturation. While we will see quarterly fluctuations in demand for TerraceQAM going forward, we are now working with our customer to prepare for the next-generation platform.

Sales from our Content Delivery and Storage segment increased 86% to \$41.9 million in fiscal 2019, from \$22.5 million in fiscal 2018. The 2019 results include two extra quarters of operations. Sales in the current year included \$27.1 million of product sales and \$14.8 million of services revenue.

Telematics sales increased to \$5.5 million in fiscal 2019, up 4% from \$5.3 million in fiscal 2018. These results were in line with our expectations.

Cost of Sales

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

Gross Profit and Gross Margin

Segment	Three months ended June 30,		Years ended June 30,	
	2019	2018	2019	2018
Video and Broadband Solutions	\$ 3,092	\$ 5,200	\$ 18,244	\$ 24,933
Content Delivery and Storage	6,203	7,154	22,891	13,175
Telematics	865	917	3,742	3,742
Total gross profit	\$ 10,160	\$ 13,271	\$ 44,877	\$ 41,850
Video and Broadband Solutions	44.9 %	46.9 %	48.4 %	49.6 %
Content Delivery and Storage	49.6 %	59.9 %	54.7 %	58.6 %
Telematics	65.4 %	70.0 %	68.2 %	70.4 %
Total gross margin	49.0 %	54.5 %	52.8 %	53.6 %

Three-Month Results

For the three months ended June 30, 2019, we achieved a gross margin of 49%, providing a total gross profit of \$10.2 million. This compares to a gross margin of 55% (total gross profit of \$13.3 million) in the same period last year, and 53% (total gross profit of \$10.7 million) achieved in Q3 fiscal 2019.

Fourth quarter gross margin from the Video and Broadband Solutions segment was 45% (gross profit of \$3.1) million as compared to 47% (gross profit of \$5.2 million) in Q4 fiscal 2018. Gross margin in the current quarter was negatively impacted by lower sales, lower prices for certain Terrace family products, as well as by sales commissions now being classified in cost of sales as a result of the adoption of IFRS 15. These impacts were partially offset by the weakening of the Canadian dollar relative to the U.S. dollar on a year-over-year basis.

The Content Delivery and Storage segment generated a fourth quarter gross margin of 50% (gross profit of \$6.2 million), as compared to 60% (gross profit of \$7.2 million) in Q4 fiscal 2018 and 54% (gross profit of \$3.5 million) in Q3 fiscal 2019. The year-over-year decrease reflects significantly lower sales in the current period, together with a shift in customer and product mix between the two periods as well as by sales commissions now being classified in cost of sales as a result of the adoption of IFRS 15.

Gross margin from the Telematics segment decreased to 65% (gross profit of \$0.9 million) in the fourth quarter of fiscal 2019, from 70% (gross profit of \$0.9 million) in Q4 fiscal 2018. Sales commissions now being classified in cost of sales as a result of the adoption of IFRS 15 and higher cost of sales on the asset management product were the main factors in this decrease.

Twelve-Month Results

For the year ended June 30, 2019, gross margin decreased slightly to 53% from 54% in the previous year, however total gross profit increased 7% to \$44.9 million from \$41.9 million reflecting higher sales in fiscal 2019.

Full-year gross margin from the Video and Broadband Solutions segment was 48% (gross profit of \$18.2 million), as compared to 50% (gross profit of \$24.9 million) in fiscal 2018. The segment's fiscal 2019 gross margin was negatively affected by sales commissions now being classified in cost of sales as a result of the adoption of IFRS 15, as well as by lower prices for certain Terrace family products. These impacts were partially offset by a weaker Canadian dollar relative to the U.S. dollar on a year-over-year basis.

The Content Delivery and Storage segment generated a gross margin of 55% in fiscal 2019, as compared to 59% in fiscal 2018. The change in gross margin primarily reflects a shift in customer and product mix, together with sales commissions now being classified in cost of sales as a result of the adoption of IFRS 15. Gross profit for fiscal 2019 increased by 46% to \$22.9 million, from \$13.2 million, reflecting a full year of operations in the 2019 fiscal year, as compared to just two quarters in fiscal 2018.

The Telematics segment gross margin decreased to 68% (gross profit of \$3.7 million) in the year ended June 30, 2019 from 70% (gross profit of \$3.7 million) in fiscal 2018. The year-over-year decrease reflects sales commissions now being classified in cost of sales as a result of the adoption of IFRS 15 offset by increased sales year-over-year.

Operating Expenses

Segment	Three months ended June 30,		Years ended June 30,	
	2019	2018	2019	2018
Video and Broadband Solutions	\$ 7,716	\$ 6,044	\$ 26,858	\$ 24,189
Content Delivery and Storage	5,927	5,808	21,756	11,149
Telematics	780	742	2,937	3,259
Total operating expense	\$ 14,423	\$ 12,594	\$ 51,551	\$ 38,597

Three-Month Results

For the three months ended June 30, 2019, total operating expenses increased to \$14.4 million, from \$12.6 million in Q4 fiscal 2018. This primarily reflects higher operating expenses in the Video and Broadband Solutions segment related to restructuring costs, higher research and development expense and increased general and administrative expense partially offset by lower sales and marketing expense.

Video and Broadband Solutions operating expenses increased to \$7.7 million, from \$6.0 million in Q4 fiscal 2018. The year-over-year increase mainly reflects restructuring costs, higher research and development expenses reflecting increased research and development expense due to lower research and development deferrals and higher amortization of deferred development costs, and partially offset by commissions reclassified to cost of sales as a result of IFRS 15.

Content Delivery and Storage operating expenses were slightly higher at \$5.9 million in Q4 fiscal 2019, as compared to \$5.8 million in the prior-year quarter. On a sequential quarterly basis, the segment's operating expenses increased by \$0.5 million from \$5.3 million in Q3 fiscal 2019, reflecting increased research and development expenses due to lower research and development deferrals and higher amortization of deferred development costs, the addition of operating costs from the newly acquired ContentAgent business, and higher trade show costs in the Q4 2019 period.

Telematics operating expenses were lower at \$0.8 million in Q4 fiscal 2019, as compared to \$0.7 million in Q4 fiscal 2018. Increased general and administrative expense was the main reason for the small increase. On a sequential quarterly basis, Telematics operating expenses were \$0.1 million higher than the \$0.7 million recorded in Q3 fiscal 2019 reflecting higher research and development expenses.

Research and development expenses for Q4 fiscal 2019, increased to \$5.0 million, or 24% of sales, from \$4.4 million, or 18% of sales in the same period of fiscal 2018. We continue to invest in research and development to support the launch of our new products. Until these products are in commercial production, the development costs are deferred to future periods. Total research and development costs before deferrals, amortization of deferred development costs and income tax credits for Q4 fiscal 2019 decreased to \$6.2 million, or 30% of sales, from \$8.1 million, or 33% of sales in Q4 fiscal 2018. The decrease was the result of lower subcontracting costs and lower staffing costs in the current-year quarter.

Sales and marketing expenses were \$3.6 million, or 18% of sales in Q4 fiscal 2019, as compared to \$4.2 million, or 17% of sales last year. Lower finished goods inventory allowances and sales commissions now being classified in costs of sales as a result of the adoption of IFRS 15 were the main factors for the decrease.

General and administrative expenses increased to \$4.3 million in Q4 fiscal 2019, from \$4.0 million in Q4 fiscal 2018. The year-over-year increase reflects the addition of ContentAgent expenses from the newly acquired Content Agent business and increased staffing costs year-over-year.

Restructuring costs were \$1.4 million in Q4 fiscal 2019 and represent severance costs related to the reduction of our research and development staff levels as we near completion of a number of our next generation products and align our research and development investment accordingly.

Stock-based compensation expense decreased to \$0.01 million in Q4 fiscal 2019, from \$0.03 million in Q4 fiscal 2018.

Other (income) expense remained steady year-over-year.

Twelve-Month Results

For the year ended June 30, 2019, total operating expenses increased to \$51.6 million, from \$38.6 million in fiscal 2018. The year-over-year increase primarily reflects two extra quarters of Content Delivery and Storage operations in the fiscal 2019 year, together with the impact of restructuring costs in the current year, partially offset by sales commissions reclassified to cost of sales as a result of IFRS 15 and acquisition related costs incurred in the prior year which did not repeat in fiscal 2019.

Video and Broadband Solutions operating expenses for the year ended June 30, 2019 increased to \$26.9 million, from \$24.2 million in fiscal 2018. The year-over-year increase reflects restructuring costs incurred in fiscal 2019 and an increase in research and development expenses due to higher amortization of deferred development costs and lower deferred development costs. These impacts were partially offset by commissions now being classified in costs of sales as a result of the adoption of IFRS 15.

Content Delivery and Storage operating expenses increased to \$21.8 million for the year ended June 30, 2019 from \$11.1 million in fiscal 2018. The 2019 results include two extra quarters of operations, reflecting the mid-year timing of our acquisition of this business segment in fiscal 2018.

Telematics operating expenses decreased to \$2.9 million in Q4 fiscal 2019, from \$3.3 million in Q4 fiscal 2018. This \$0.4 million decrease primarily reflects a reduction in finished goods inventory allowances for legacy telematic products and lower research and development costs.

Research and development expenses for the year ended June 30, 2019 increased to \$19.0 million, or 22% of sales, from \$15.1 million, or 19% of sales in fiscal 2018. We continue to invest in research and development to support the launch of our new products. Until these products are in commercial production, the development costs are deferred to future periods. Total research and development costs before deferrals, amortization of deferred development costs and income tax credits for the year ended June 30, 2019 increased to \$29.3 million, or 34% of sales, from \$27.5 million, or 35% of sales for the same period in the prior year. This increase was primarily the result of two extra quarters of Content Delivery and Storage segment operations partially offset by lower subcontracting costs and higher government assistance in the current year.

Sales and marketing expenses increased to \$14.1 million, or 17% of sales in Q4 fiscal 2019, from \$10.5 million, or 13% of sales last year. This increase primarily reflects the two extra quarters of Content Delivery and Storage operations.

General and administrative expenses increased to \$16.6 million in Q4 fiscal 2019, from \$13.2 million in Q4 fiscal 2018. The year-over-year increase primarily reflects the two extra quarters of Content Delivery and Storage operations in the fiscal 2019 period.

Restructuring costs were \$2.2 million for the year ended June 30, 2019 from \$nil in fiscal 2018 and include restructuring costs of \$1.4 million related to the reorganization of our research and development staffing, as well as \$0.8 million in severance costs related to the reorganization of our manufacturing operations.

Stock-based compensation expense were \$0.1 million for the year ended June 30, 2019 from \$0.1 million fiscal 2018.

Other (income) expense increased to \$0.4 million for the year ended June 30, 2019, from \$0.3 million in fiscal 2018. Sale of intellectual property was the main driver of this year-over-year increase.

Operating (Loss) Income

Segment	Three months ended June 30,		Years ended June 30,	
	2019	2018	2019	2018
Video and Broadband Solutions	\$ (4,625)	\$ (844)	\$ (8,614)	\$ 744
Content Delivery and Storage	277	1,346	1,135	2,026
Telematics	85	175	805	483
Total operating (loss) income	\$ (4,263)	\$ 677	\$ (6,674)	\$ 3,253

Three-Month Results

We reported an operating loss of \$4.3 million in Q4 fiscal 2019, as compared to operating income of \$0.7 million in Q4 fiscal 2018. The \$5.0 million change was mainly driven by the \$3.8 million decrease in contribution from the Video and Broadband Solutions and the \$1.1 million decrease in contribution from the Content Delivery and Storage segment, and by the \$0.1 million decreased contribution from the Telematics segment year-over-year.

The Video and Broadband Solutions segment reported a fourth quarter operating loss of \$4.6 million, as compared to operating loss of \$0.8 million in Q4 fiscal 2018. The year-over-year decrease reflects the \$2.1 million decrease in gross profit and the \$1.7 million increase in operating expenses.

Content Delivery and Storage reported fourth quarter operating income of \$0.3 million, as compared to operating income of \$1.3 million in the same period of fiscal 2018. The year-over-year change primarily reflects the \$0.9 million decrease in gross profit and a \$0.1 million increase in operating expenses.

Telematics operating income decreased to \$0.1 million in Q4 fiscal 2019, from \$0.2 million in Q4 fiscal 2018. This decrease reflects the \$0.1 million increase in operating expenses year-over-year.

Finance income increased to \$0.33 million in Q4 fiscal 2019, from \$0.21 million in the same period last year. Higher income on short-term investments was the key factor in this increase.

Foreign exchange (loss) gain for the three months ended June 30, 2019 was a loss of \$0.5 million, as compared to a gain of \$0.5 million in the prior-year period.

Income tax (recovery) expense was a recovery of \$1.5 million in Q4 fiscal 2019 as compared to an expense of \$0.6 million in Q4 fiscal 2018.

Net (loss) income for Q4 fiscal 2019 was a net loss of \$3.0 million or \$0.13 per share as compared to net income of \$0.7 million in Q4 fiscal 2018 or \$0.04 per share.

Other comprehensive loss was \$0.5 million in Q4 fiscal 2019 as compared to other comprehensive income of \$0.5 for the same period in fiscal 2018. The year-over-year change reflects foreign exchange differences on the translation of the foreign operations of our Content Delivery and Storage segment to Canadian dollars.

Comprehensive (loss) income for Q4 fiscal 2019 was a comprehensive loss of \$3.4 million, as compared to comprehensive income of \$1.2 million in Q4 fiscal 2018.

Twelve-Month Results

For the year ended June 30, 2019, we reported an operating loss of \$6.7 million as compared to operating income of \$3.3 million in fiscal 2018. The year-over-year change mainly reflects decreased contribution from the Video and Broadband Solutions segment and the Content Delivery and Storage segment, partially offset by increased operating income from the Telematics segment.

Video and Broadband Solutions reported an operating loss of \$8.6 million in the current year, as compared to operating income of \$0.7 million in fiscal 2018. The year-over-year change reflects the \$6.6 million reduction in gross profit and the \$2.7 million increase in operating expenses.

Content Delivery and Storage reported operating income of \$1.1 million as compared to \$2.0 million in fiscal 2018. Although the segment increased gross profit by \$9.7 million year-over-year, this was offset by the \$10.6 million increase in operating expenses.

Telematics operating income increased to \$0.8 million in the year ended June 30, 2019, from \$0.5 million in fiscal 2018. The \$0.3 million year-over-year change reflects the \$0.3 million decrease in operating expenses.

Finance income decreased to \$0.9 million in fiscal 2019, from \$1.1 million in the previous year reflecting a decrease in short-term investment income due to lower balances year-over-year.

Foreign exchange (loss) gain for the year ended June 30, 2019 was a loss of \$0.1 million, compared to a gain of \$0.9 million in fiscal 2018.

Income tax (recovery) expense was a recovery of \$2.4 million for the year ended June 30, 2019 compared to income tax expense of \$1.5 million in the same period of fiscal 2018.

Net income from discontinued operations was \$nil for the year ended June 30, 2019 compared to \$7.0 million in fiscal 2018. Discontinued operations represent the gain on sale of the YourLink operations in Saskatchewan in Q1 fiscal 2018.

Net (loss) income for the year ended June 30, 2019 was a loss of \$3.5 million or \$0.15 per share as compared to net income of \$10.8 million or \$0.48 per share in fiscal 2018. Results from fiscal 2018 included the \$7.0 million gain on sale of the YourLink operations in Saskatchewan.

Other comprehensive loss was \$0.1 million in the year ended June 30, 2019, as compared to other comprehensive income of \$1.1 million in fiscal 2018. The year-over-year change reflects foreign exchange differences on the translation of the foreign operations of our Content Delivery and Storage segment to Canadian dollars.

Comprehensive (loss) income for the year ended June 30, 2019 was a comprehensive loss of \$3.5 million, compared to comprehensive income of \$11.9 million in fiscal 2018.

Operating Activities

For the three months ended June 30, 2019, cash flow from operating activities increased to \$2.9 million, from \$0.7 million for the three months ended June 30, 2018. The \$2.2 million increase reflects a \$4.6 million increase in cash flow from non-cash working capital, and a \$2.4 million decrease in operating cash flow.

For the year ended June 30, 2019, cash flow from operating activities provided cash of \$11.4 million, compared to \$21.0 million for the year ended June 30, 2018. The decrease primarily reflects the \$3.8 million decrease in cash flow from non-cash working capital and the \$5.8 million decrease in operating cash flow.

Investing Activities

For the three months ended June 30, 2019, cash flow used in investing activities decreased to \$1.2 million from \$2.9 million in the same period last year. This improvement reflects the net sale of short-term investments of \$3.6 million (Q4 fiscal 2018 - \$2.6 million), deferred development expenditures of \$2.9 million (Q4 fiscal 2018 - \$4.8 million), purchase of property, plant and equipment of \$1.1 million (Q4 fiscal 2018 - \$0.6 million) and the \$0.8 million acquisition of our ContentAgent business.

For the year ended June 30, 2019, cash flow from investing activities increased to \$2.5 million from a use of cash of \$16.6 million in fiscal 2018. The cash provided by investing activities represents the net sale of short-term investments of \$22.1 million (fiscal 2018 - \$39.0 million), deferred development expenditures of \$16.1 million (fiscal 2018 - \$16.4 million), proceeds from the sale of intangibles of \$0.2 million (fiscal 2018 - \$nil), and the purchase of property, plant and equipment of \$2.9 million (fiscal 2018 - \$1.8 million). The prior year included the acquisition of our Content Delivery and Storage business for \$37.4 million.

Financing Activities

In the three months ended June 30, 2019, we repaid \$0.06 million of our long-term debt (Q4 fiscal 2018 - \$0.06 million repaid). We received proceeds from government grants of \$0.10 million (Q4 fiscal 2018 - \$nil) and we repurchased no common shares (Q4 fiscal 2018 - \$0.3 million).

In the year ended June 30, 2019, we repaid \$0.3 million of our long-term debt (fiscal 2018 - \$0.2 million repaid). We received proceeds from government grants of \$0.2 million (fiscal 2018 - \$0.1 million). In fiscal 2018, we issued \$0.9 million in common shares in exchange for shares in AirlQ Inc. In fiscal 2019, we repurchased common shares for \$0.2 million (fiscal 2018 - \$0.9 million).

Liquidity and Capital Resources

We manage our liquidity and capital resources to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. We believe that our current cash and short-term investments of \$44.4 million together with anticipated cash flow from operations will be sufficient to meet our working capital requirements and capital expenditure requirements for the foreseeable future.

As at June 30, 2019, we had access to our full revolving loan facility of \$14.0 million (\$14.0 million at June 30, 2018), of which \$nil was drawn as an operating line of credit (June 30, 2018 - \$nil was drawn). We had term credit of \$2.0 million as at June 30, 2019 (June 30, 2018 - \$2.2 million).

Capital expenditures for fiscal 2019 were \$2.9 million, compared to \$1.8 million in fiscal 2018. This increase reflects a full year of Content Delivery and Storage operations in fiscal 2019 compared to two quarters in fiscal 2018.

Working Capital

Working capital represents current assets less current liabilities. Our working capital decreased to \$58.3 million at June 30, 2019, from \$77.4 million at June 30, 2018. This largely reflects the decrease in cash generated from operations and the cash dividend paid in the current year. We note that working capital balances can also be subject to significant swings from quarter to quarter. Our product shipments are "lumpy", reflecting the requirements of our major customers. It is not unusual to ship \$5 or \$6 million of product in a one-week period. If this level of sales occurs in the first week of a succeeding quarter, we would expect to experience an increase in inventory levels and a drop in receivables in the prior quarter. Other timing issues, like contracts with greater than 30 day payment terms, also affect working capital, particularly if shipments are backend weighted for a quarter.

Accounts receivable balance decreased to \$15.2 million at June 30, 2019, from \$18.0 million at June 30, 2018. This decrease reflects the decrease in sales in Q4 fiscal 2019 as compared to Q4 fiscal 2018.

Income tax receivable balance decreased to \$0.4 million at June 30, 2019 from \$2.5 million as at June 30, 2018. On April 1, 2019, we were notified that the Minister of National Revenue had ruled in favour of our Notice of Objection and the issuance of revised reassessments along with refunds plus interest of \$2.0 million was received in April 2019.

Inventories decreased by \$2.3 million to \$12.7 million at June 30, 2019, from \$15.0 million as at June 30, 2018. The decrease year-over-year represents the drawdown of our legacy product inventory. Finished goods inventories were \$6.0 million at June 30, 2019, compared to \$7.5 million at June 30, 2018. Raw material inventory decreased to \$5.5 million at June 30, 2019, compared to \$6.7 million at June 30, 2018. Work-in-process inventories increased to \$1.3 million as at June 30, 2019, from \$0.8 million at June 30, 2018. We manufacture and assemble products, with the result that inventory levels will be substantially higher than for other companies in the industry that outsource manufacturing and assembly.

Investment tax credits were \$24.4 million at June 30, 2019 up from \$22.7 million at June 30, 2018. For every dollar we spend on eligible research and development in Canada, we generate approximately fifteen cents in income tax credits. These credits are used to offset our income tax payable.

Accounts payable and accrued liabilities decreased to \$11.7 million at June 30, 2019 compared to \$12.2 million at June 30, 2018.

Long-term debt, including the current portion, was \$2.0 million at June 30, 2019 compared to \$2.2 million at June 30, 2018.

Dividends

Declaration Date	Dividend Amount (per share)	Record Date	Payable Date
September 25, 2018	\$0.055	October 12, 2018	November 2, 2018
November 6, 2018	\$0.055	November 23, 2018	December 17, 2018
February 5, 2019	\$0.055	February 22, 2019	March 18, 2019
May 7, 2019	\$0.055	May 24, 2019	June 17, 2019

Contractual Obligations

We have lease commitments for production equipment, service vehicles and facilities amounting to \$2.0 million within one year, \$4.9 million after one year but not more than five years and \$nil million thereafter.

Contingencies

In January 2017, we received a re-assessment from the Canada Revenue Agency ("CRA") regarding our tax treatment of gains on the sale of radio spectrum licenses between 2012 to 2014. The CRA had re-assessed the gains on the sale of these radio spectrum licenses as active business income, which would result in additional income taxes, penalties and interest payable of approximately \$4.1 million. We, and our advisors, reviewed the applicable tax law and believed our original treatment of these sales as capital gains was appropriate. We filed a Notice of Objection in March 2017 but to avoid further penalties, paid 50% of the re-assessment. On April 1, 2019, we were notified that the Minister of National Revenue had ruled in favour of our Notice of Objection and the revised reassessments along with refunds plus interest of \$2.0 million were received in April 2019.

In March 2017, we received a re-assessment from the CRA regarding the eligibility of certain Scientific Research and Experimental Development ("SR&ED") claims on our 2015 tax return. The CRA re-assessment would result in a reduction of SR&ED expenditures claimed of \$1.3 million (\$0.4 million tax affected). We and our advisors have reviewed the applicable tax law and believe our original treatment of these SR&ED claims was appropriate. We filed a Notice of Objection in regards to this matter in June 2017. The outcome of this matter cannot be determined at this time with reasonable certainty. No provision for this matter has been recognized in the financial statements.

Foreign Exchange

Approximately 95% of our revenues are denominated in U.S. dollars. We translate U.S. dollar sales to Canadian dollars on the date of delivery and subsequently when the accounts receivable is collected. If the U.S. dollar appreciates relative to the Canadian dollar after we collect the accounts receivable in U.S. dollars, we will receive more Canadian dollars when the U.S. dollars are converted to Canadian dollars in subsequent months. We also enjoy a natural hedge since the majority of our materials and components purchases are in U.S. dollars.

As at June 30, 2019, the exchange rate on the Canadian dollar strengthened to \$1.313 against the U.S. dollar from Canadian \$1.314 against the U.S. dollar as at June 30, 2018. This \$0.001 exchange difference decreased the value of our \$45.8 million U.S. dollar net assets by approximately \$0.1 million Canadian.

Financial Instruments

We periodically enter into forward contracts to partially manage our exposure to currency fluctuations between Canadian and U.S. dollars. Forward contracts are entered into based on our projected requirements for converting U.S. to Canadian dollars. We do not recognize these contracts in the consolidated financial statements when they are entered into, nor do we account for them as hedges. Instead, the contracts are marked to fair value at each balance sheet date. Changes to fair value are recorded in income. The fair value of these contracts is included in accounts receivable when in an asset position or accounts payable when in a liability position.

As at June 30, 2019, we did not have any forward contracts (June 30, 2018 - \$nil).

Off-Balance Sheet Arrangements

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

Transactions Between Related Parties

We had leased a building in Saskatoon under a 10-year lease from Dr. Surinder Kumar, the Chairman of Vecima. The lease was entered into in fiscal 2010 at prevailing market rates at that time and expired at the end of March 2019. The rental expense from this transaction was \$0.2 million for the year ended June 30, 2019 (June 30, 2018 - \$0.2 million).

Proposed Transactions

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

Critical Accounting Estimates

The preparation of our consolidated financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Use of judgment and estimates are disclosed in Note 3 of the audited consolidated financial statements for the year ended June 30, 2019 as well as in the Business Combination section below in this MD&A.

Accounting Pronouncements and Standards

Adoption of New Accounting Standards in 2019

IFRS 2- Share-based Payments

IFRS 2 clarifies the classification and measurement of cash-settled share-based payment transactions that include a performance condition, share-based payment transactions with a net settlement feature for withholding tax obligations, and modifications of a share-based payment transaction from cash-settled to equity-settled. The amendments to IFRS 2 is effective for annual reporting period beginning on or after January 1, 2018. The adoption of the amendments had no impact on our consolidated financial statements.

IFRS 9 - Financial Instruments: Classification and Measurement

This new accounting standard replaces IAS 39 - Financial Instruments and applies a principal-based approach to the classification and measurement of financial assets and financial liabilities, including an expected credit loss model for calculating impairment, and includes new requirements for hedge accounting. IFRS 9 replaces the classification and measurement models in IAS 39 with a single model under which financial assets are classified and measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). This classification is based on the business model in which a financial asset is managed and its contractual cash flow characteristics and eliminates the IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

The adoption of IFRS 9 did not change the measurement bases of our financial assets. Derivative instruments measured at FVTPL; and cash and cash equivalents and trade and other receivables measured at amortized cost continue to be measured as such under IFRS 9. The impairment of financial assets under IFRS 9 is based on an expected credit loss (ECL) model, as opposed to the incurred loss model in IAS 39. IFRS 9 applies to financial assets measured at amortized cost and contract assets and requires that we consider factors that include historical, current and forward-looking information when measuring the ECL. We use the simplified approach for measuring losses based on the lifetime ECL for trade receivables and contract assets. Amounts considered uncollectible are written off and recognized in operating expenses in the income statement. Overall, the adoption of IFRS 9 had no significant impact on the consolidated financial statements.

IFRS 15 - Revenue from Contracts with Customers

This standard replaces IAS 18 – Revenue, IAS 11 – Construction Contracts, and related interpretations. IFRS 15 provides a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the accounting standards on leases, insurance contracts, and financial instruments. IFRS 15 requires revenue to be recognized in a manner that depicts the transfer of promised goods and services to a customer and at an amount that reflects consideration expected to be received in exchange for transferring those goods and services. This is achieved by applying the following five steps: 1) Identify the contract(s) with a customer; 2) Identify the performance obligations in the contract; 3) Determine the transaction price; 4) Allocate the transaction price to performance obligations; and 5) Recognize revenue when (or as) performance obligations are satisfied. The Company recognizes revenue when it transfers control over a product or service to a customer. Depending on the performance obligations under the terms of the contract with the customer, revenue recognition can occur at a point-in-time or over time. When the sale consists of multiple components where delivery is over different periods of time, the Company separates the arrangement into its performance obligation components and the transaction price is allocated to the separate identifiable components based on the stand-alone selling price. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018.

We adopted IFRS 15 on a modified retrospective approach with the cumulative effect of any adjustments recognized in the opening balance of retained earnings as of July 1, 2018. The comparative information has not been restated and continues to be reported under previous accounting standards. Upon the adoption of IFRS 15, net changes to the following opening balances, as at July 1, 2018, were made: (1) contract assets - \$555; (2) contract liabilities - \$227; (3) property, plant and equipment - \$(430); and retained earnings - \$(102). We elected to utilize the practical expedient that allows us to not apply this standard retrospectively for completed contracts as of June 30, 2018.

Standards and Amendments to Standards Issued but not yet Effective

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16. This new standard eliminates the distinction between operating and finance leases for lessees, requiring instead that leases be capitalized by recognizing the present value of the lease payments and showing them either as lease assets ("right-of-use assets") or together with property, plant and equipment. If lease payments are made over time, an entity recognizes a financial liability representing its obligation to make future lease payments. A depreciation charge for the lease assets is recorded within operating costs and an interest expense on the lease liability is recorded within finance costs. IFRS 16 does not substantially change lease accounting for lessors. We will adopt IFRS 16 on July 1, 2019, using a modified retrospective approach whereby the financial statements of prior periods presented will not be restated. The cumulative effect of the initial adoption of IFRS 16 will be reflected as an adjustment to retained earnings at July 1, 2019. We will recognize lease liabilities at July 1, 2019 for leases previously classified as operating leases, the present value of which will be measured using the discount rate at that date. Additionally, on July 1, 2019, the right-of-use assets will also be recognized. As permitted by IFRS 16, we have elected not to recognize lease liabilities and right-of-use assets for short-term leases and will apply certain practical expedients to facilitate the initial adoption and application of IFRS. In particular, we will not separate non-lease components from lease components for certain classes of underlying assets. Each lease component and any associated non-lease components will be accounted for as a single lease component. We are currently in the process of evaluating the impact of IFRS 16 on the Company's financial statements, and preparing the requisite calculations. Our first fiscal quarter 2020 condensed consolidated financial statements will disclose the results of the impact of IFRS 16.

IFRIC 23 - Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23. IFRIC 23 clarifies the application of recognition and measurement in IAS 12 - Income Taxes when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers uncertain tax treatments separately or as a group, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. We are currently reviewing the standard to determine the potential impact on our consolidated financial statements.

IFRS 3 - Business Combinations

In October 2018, the IASB issued an amendment to IFRS 3. The amendment clarifies the definition of a business and assists entities to determine whether an acquisition is a business combination or an acquisition of a group of assets. The amendment emphasizes that the output of a business is to provide goods and services to customers and the amendment also provides supplementary guidance. The amendments to IFRS 3 may effect whether future acquisitions are accounted for as business combinations or asset acquisitions, along with the resulting allocation of the purchase price between the identifiable assets acquired and goodwill. We will adopt the standard prospectively.

Disclosure Controls and Procedures

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

Our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the effectiveness of our disclosure controls and procedures as defined under rules adopted by the Canadian securities regulatory authorities. Based on that evaluation, our CEO and CFO have concluded that our disclosure controls and procedures were effective as at June 30, 2019.

Internal Control over Financial Reporting

Internal controls over financial reporting were designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS. There are inherent limitations to the effectiveness of any system of internal controls, including the possibility of human error and the circumvention or overriding of internal controls. Because of its inherent limitations, internal controls of financial reporting may not prevent or detect misstatements. Accordingly, even if internal controls are effective, they can only provide reasonable assurance of achieving their controls.

Our CEO and CFO have evaluated the effectiveness of the internal control over financial reporting as at June 30, 2019 in accordance with Internal Control - Integrated Framework (2013), published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, our CEO and CFO have determined that the internal control over financial reporting is effective as at June 30, 2019. There has been no change in the internal controls over financial reporting that occurred during the period beginning on April 1, 2019 and ended on June 30, 2019 that has materially affected, or is reasonably likely to materially affect the Company's internal controls on financial reporting

Our CEO and CFO have limited the scope of their design of disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of the ContentAgent business, which we acquired on May 31, 2019. We have accordingly availed ourselves of provision 3.3(1)(b) of National Instrument 52-109, which permits exclusion of this acquisition in the design and operating effectiveness assessment of our ICFR for a maximum period of 365 days from the end of the financial period in which the acquisition occurred.

The following summary financial information pertains to the ContentAgent acquisition that was included in our audited consolidated financial statements for the period ended June 30, 2019:

Sales	\$	137
Net loss	\$	(59)
Current assets	\$	464
Non-current assets	\$	879
Current liabilities	\$	598
Non-current liabilities	\$	8

Business Combination

On May 31, 2019, we completed an acquisition of substantially all of the operating assets of ContentAgent, a software and solutions company specializing in video-ingest and delivery automation solutions for the media industry.

We determined and allocated the purchase price on acquisition to the tangible and intangible assets acquired and liabilities assumed as of the business combination date in accordance with IFRS 3 Business Combinations. The purchase price allocation process requires that we use significant estimates and assumptions, including fair value estimates, as of the acquisition date.

Goodwill recorded in connection with the acquisition is primarily attributable to: the expected future earnings potential as a result of expected synergies arising from the consolidation of ContentAgent and our existing business; expected growth in the underlying markets which ContentAgent serves; and the strength of the assembled workforce.

Legal Proceedings

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

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

Risk and Uncertainties

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

Vecima was founded by Dr. Surinder Kumar in 1988. Voting control of Vecima is held by Dr. Kumar through either direct or indirect ownership of the Company's common shares. As at June 30, 2019, Dr. Kumar collectively owned approximately 60.2% of our common shares outstanding. Each common share carries the right to one vote. We have no other classes of voting securities.

Outstanding Share Data

As at September 24, 2019, we had 22,370,087 common shares outstanding as well as stock options outstanding that are exercisable for an additional 498,500 common shares.

On December 17, 2018, we filed a Notice of Intention with the Toronto Stock Exchange to acquire for cancellation, by way of normal course issuer bid, up to 600,000 common shares of the Company. We acquired no common shares of Vecima for cancellation in Q4 fiscal 2019 and 10,356 common shares in fiscal 2019. The normal course issuer bid expires on December 19, 2019.

On November 30, 2017, we filed a Notice of Intention with the Toronto Stock Exchange to acquire for cancellation, by way of normal course issuer bid, up to 600,000 common shares of the Company. We acquired 12,845 common shares in fiscal 2019. The normal course issuer bid expired on November 29, 2018.

Additional Information

Financial Governance

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

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

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

Forward-Looking Information

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

Forward-looking information in this MD&A includes but is not limited to statements that: we are currently experiencing a slowdown in demand for some of our legacy Video and Broadband Solutions products as customers complete their digital networks and migrate to DOCSIS 3.1 and we expect our sales to recover as our new products in the DOCSIS 3.1 Entra platform are commercialized; we believe that our customer's need for new systems is nearing saturation, and while we could still see some quarterly fluctuations in demand for TerraceQAM, we are now working with our customer on the next-generation platform; and we believe that our current cash and short-term investments of \$44.4 million together with anticipated cash flow from operations will be sufficient to meet our working capital requirements and capital expenditure requirements for the foreseeable future. Forward looking information also includes our Strategy, our Industry Developments and our Outlook in this MD&A.

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

There are known and unknown risk factors which could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward looking information contained in this MD&A. Known risk factors include, among others: our statement of financial position, as well as the value of our core technologies, business operations and asset holdings may be significantly weaker than we currently estimate; our operating results are expected to fluctuate; we derive a substantial part of our revenue from a few key customers; we may be unable to deliver products associated with key contracts; failure to manage our business or growth successfully may adversely affect our operating results; if we cannot meet our customers' requirements for manufacturing capacity, sales may suffer; our success depends on our ability to develop new products and enhance our existing products; we are dependent on the expansion of our current distribution channels and the development of new distribution channels; the budgeting cycles of larger cable operators can also result in quarter to quarter variability in customer orders generally large in volume, while availability of parts and production capacity can influence the timing of product deliveries; our ability to recruit and retain management and other qualified personnel is crucial to our business; if we are required to change our pricing models to compete successfully, our margins and operating results may be adversely affected; our reliance on third party suppliers and contract manufacturers reduces our control over our performance; if our intellectual property is not adequately protected, we may lose our competitive advantage; successful warranty or product liability claims could harm our business; acquisitions could divert management's attention and financial resources, may negatively affect our operating results and could cause significant dilution to shareholders; risks associated with our international operations; currency fluctuations may adversely affect us; growth in our key markets may not continue; our inability to adapt to technological change, new products and

standards could harm our business; increased competition could have an adverse effect on our business; competition from new or existing technologies may adversely affect our business; government regulation of our products and new government regulation could harm our business; and, third parties may allege that we infringe on their intellectual property. A more complete discussion of the risks and uncertainties facing us is disclosed under the heading "Risks and Uncertainties" above and under the heading "Risk Factors" in our Annual Information Form for our most recently completed fiscal year, as well as in our continuous disclosure filings with Canadian securities regulatory authorities available at www.sedar.com. All forward looking information in this MD&A is qualified in its entirety by this cautionary statement and we disclaim any obligation to revise or update such forward looking information to reflect future results, events or developments, except as required by law.