

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or the securities laws of any state of the United States (as such term is defined in Regulation S under the U.S. Securities Act) and may not be offered, sold or delivered, directly or indirectly, in the United States, except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. This prospectus does not constitute an offer to sell or solicitation of an offer to buy any of these securities in the United States. See “Plan of Distribution”.

PROSPECTUS

Initial Public Offering

December 9, 2020

Haivision
HAIVISION SYSTEMS INC.
\$30,000,000
5,000,000 Common Shares

This prospectus qualifies the distribution of an aggregate of 5,000,000 common shares of Haivision Systems Inc. (“**Haivision**”, the “**Company**”, “**us**” or “**we**”). We are offering common shares at a price of \$6.00 per common share (the “**Offering Price**”). This offering is being underwritten by Canaccord Genuity Corp. and Desjardins Securities Inc. (together, the “**Joint Bookrunners**”) and BMO Nesbitt Burns Inc., Scotia Capital Inc. and Beacon Securities Limited (together with the Joint Bookrunners, the “**Underwriters**”).

We are a leading provider of infrastructure solutions for the video streaming market, servicing enterprises and governments globally. The world’s top organizations use our solutions to communicate, collaborate and educate their customers and stakeholders. We deliver high quality, low latency, secure and reliable video through the entire IP video lifecycle (contribution, distribution, and delivery), using a broad range of software, hardware and cloud services in order to deliver a full end-to-end premium level experience. Our solutions give organizations complete control over mission-critical remote video production capabilities amid the growing needs of decentralized, remote workforces while engaging audiences worldwide with real-time video.

The Toronto Stock Exchange (“**TSX**”) has conditionally approved the listing of our common shares under the symbol “**HAI**”. Listing is subject to the Company fulfilling all of the requirements of the TSX on or before February 28, 2021, including distribution of the common shares to a minimum number of public shareholders. See “Plan of Distribution”.

We are incorporated under the *Canada Business Corporations Act*. Our head and registered office is located at 2600 Alfred-Nobel Boulevard, 5th Floor, Montréal, Québec, H4S 0A9, and our United States headquarters are located at 750 Estate Drive, Suite 104, Deerfield, Illinois, 60015.

There is currently no market through which our common shares may be sold and purchasers may not be able to resell common shares purchased under this prospectus. This may affect the pricing of our common shares in the secondary market, the transparency and availability of trading prices, the liquidity of our common shares, and the extent of issuer regulation. An investment in our common shares is subject to a number of risks that should be considered by a prospective purchaser. See “Risk Factors”.

Price: \$6.00 per common share

	Price to the Public ⁽¹⁾	Underwriters’ Fee	Net Proceeds to Us ⁽²⁾
Per common share	\$6.00	\$0.36	\$5.64
Total offering ⁽³⁾	\$30,000,000	\$1,800,000	\$28,200,000

Notes:

(1) The Offering Price has been determined by negotiation between us and the Underwriters.



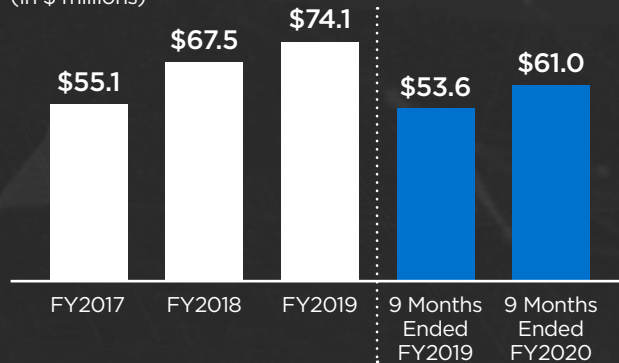
Haiivision

Connecting the World with Real-Time Video

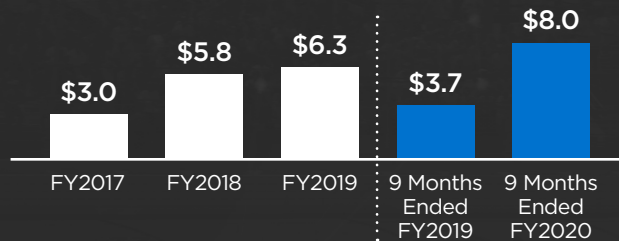


PROVEN TRACK RECORD

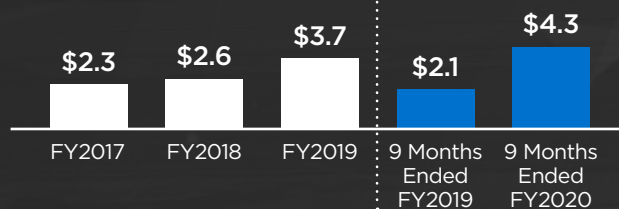
REVENUE (in \$ millions)



ADJUSTED EBITDA (in \$ millions)



NET INCOME (in \$ millions)



GLOBAL MARKET LEADER

2004

YEAR
FOUNDED

6

STRATEGIC
ACQUISITIONS

250+

EMPLOYEES
WORLDWIDE

11TH

GENERATION CORE
TECHNOLOGY

77%

REPEAT
CUSTOMERS¹

\$74M

FY2019
REVENUE

75%+

GROSS
MARGIN²

13

YEARS OF
POSITIVE ADJ
EBITDA



WELL-DEFINED GROWTH STRATEGY

SELECTIVELY PURSUE
ACQUISITIONS

INCREASE SHARE OF
CUSTOMER'S NETWORK
FOOTPRINT

NEW SOLUTION
OPPORTUNITIES IN CORE
MARKETS

SAAS CLOUD-NATIVE
VIDEO WORKFLOWS
TO DRIVE RECURRING
REVENUE

FULLY LEVERAGE
STRATEGIC ALLIANCES

Company fiscal year end October 31

¹ Represents sales generated in FY2019 by customers who were also customers of Haivision in the prior year

² Represents gross margin since FY2018

- (2) After deducting the Underwriters' fee but before deducting expenses of this offering, estimated to be \$2.0 million, which, together with the Underwriters' fee, will be paid from the proceeds of this offering.
- (3) We have granted the Underwriters an option (the "**Over-Allotment Option**"), exercisable in whole or in part, at any time for a period of 30 days after the Closing Date (as defined below), to purchase from us up to an additional 750,000 common shares (representing approximately 15% of the number of common shares sold under the base offering) on the same terms as set forth above solely to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total "Price to the Public", "Underwriters' Fee" and "Net Proceeds to Us" will be \$34,500,000, \$2,070,000 and \$32,430,000, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and distribution of the common shares issuable upon the exercise of the Over-Allotment Option. A purchaser who acquires common shares forming part of the Underwriters' over-allocation position acquires such common shares under this prospectus, regardless of whether the Underwriters' over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

The following table sets out the number of common shares that may be sold by us to the Underwriters pursuant to the Over-Allotment Option:

<u>Underwriters' Position</u>	<u>Maximum Number of Securities Available</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	750,000 common shares	For a period of 30 days after the Closing Date	\$6.00 per common share

The Underwriters, as principals, conditionally offer the common shares qualified under this prospectus, subject to prior sale, if, as and when sold by us and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement (as defined in this prospectus) among us and the Underwriters referred to under "Plan of Distribution" and subject to the approval of certain legal matters on our behalf by Osler, Hoskin & Harcourt LLP and on behalf of the Underwriters by Blake, Cassels & Graydon LLP.

In connection with this offering, the Underwriters have been granted the Over-Allotment Option and may, subject to applicable law, over-allocate or effect transactions which stabilize or maintain the market price of our common shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time. **The Underwriters may offer our common shares at a price lower than that stated above.** See "Plan of Distribution".

Subscriptions will be received subject to rejection or allocation in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. The closing of this offering is expected to occur on or about December 16, 2020 or such other date as we and the Underwriters may agree, but in any event no later than December 30, 2020 (the "**Closing Date**"). The common shares offered under this prospectus will be deposited with CDS Clearing and Depository Services Inc. ("**CDS**") in electronic form on the Closing Date. A purchaser of common shares will receive only a customer confirmation from the registered dealer from or through which common shares are purchased. See "Plan of Distribution".

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ABOUT THIS PROSPECTUS

An investor should rely only on the information contained in this prospectus. Neither we nor any of the Underwriters has authorized anyone to provide investors with additional or different information. The information contained on our website at www.haivision.com is not intended to be included in or incorporated by reference into this prospectus and prospective investors should not rely on such information when deciding whether or not to invest in our common shares. Any graphs, tables or other information demonstrating our historical performance, or the performance of any other entity contained in this prospectus, are intended only to illustrate past performance and are not necessarily indicative of our or such entities' future performance. The information contained in this prospectus is accurate only as of the date of this prospectus or the date otherwise indicated, regardless of the time of delivery of this prospectus or of any sale of our common shares.

We and the Underwriters are not offering to sell common shares in any jurisdiction where the offer or sale of such securities is not permitted. For investors outside Canada, none of us nor any of the Underwriters has done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in Canada. Investors are required to inform themselves about, and to observe any restrictions relating to, this offering and the possession or distribution of this prospectus.

MEANING OF CERTAIN REFERENCES

Unless otherwise noted or the context otherwise requires: (i) information contained in this prospectus (a) gives effect to the Pre-Closing Capital Changes as described under "Description of Share Capital – Pre-Closing Capital Changes"; and (b) assumes that the Over-Allotment Option has not been exercised; and (ii) all references in this prospectus to the "**Company**", "**Haivision**", "**we**", "**us**" or "**our**" refer to Haivision Systems Inc. together with our subsidiaries, on a consolidated basis, as constituted on the Closing Date.

Furthermore, as used in this prospectus, unless the context indicates or requires otherwise, the following terms have the respective meanings set out below:

"**4K**" means horizontal display resolution of approximately 4,000 pixels.

"**8K**" means horizontal display resolution of approximately 8,000 pixels.

"**AES**" means Advanced Encryption Standard.

"**Annual Financial Statements**" means the amended and restated consolidated financial statements of the Company for the years ended October 31, 2019, 2018 and 2017.

"**ARM**" means a processor that is one of a family of CPUs based on the RISC (reduced instruction set computer) architecture developed by Advanced RISC Machines.

"**ASIC**" means Application Specific Integrated Circuit.

"**Audit Committee**" means our audit committee.

"**Board**" means the Company's board of directors.

"**C/C++**" means C/C++ programming languages.

"**CAGR**" means compound annual growth rate.

"**CBCA**" means the *Canada Business Corporations Act*, as amended from time to time.

"**CMAF**" means Common Media Application Format, an MPEG specification that aims to provide a single encoding and packaging of segmented media objects for delivery and decoding on devices in adaptive multimedia presentations.

"**Compensation Committee**" means our compensation committee.

"**COVID-19**" means the novel coronavirus named COVID-19.

"**CPU**" means central processing unit.

"**DASH**" means Dynamic Adaptive Streaming over HTTP, an adaptive bitrate streaming technique that enables high quality streaming of media content over the internet delivered from conventional HTTP web servers.

“**Docker**” means a set of platform-as-a-service tools that use OS-level virtualization to deliver software in packages called containers. Containers allow a developer to package up an application with all of the parts it needs, such as libraries and other dependencies, and deploy it as one package.

“**DSP**” means digital signal processing, a specialized microprocessor chip, with its architecture optimized for the operational needs of digital signal processing.

“**DSUs**” means deferred share units.

“**DTLS**” means Datagram Transport Layer Security, a secure communication protocol.

“**edge device**” means any dedicated processing or networking device that is located closer to the client machines rather than being in the backbone of the network. An edge device primarily enables a local user to connect and transfer data to a network, which is external or is non-proprietary to the organization/user. An edge device serves as the entry point into a service provider, carrier or an enterprise primary network.

“**eSports**” means sport competition using video games.

“**Fiscal 2015**” means the year ended October 31, 2015.

“**Fiscal 2017**” means the year ended October 31, 2017.

“**Fiscal 2018**” means the year ended October 31, 2018.

“**Fiscal 2019**” means the year ended October 31, 2019.

“**fMP4**” means fragmented MP4, a streaming media format based on Part 12 of the MPEG-4 standard.

“**GPU**” means graphics processing unit, a specialized, electronic circuit designed to rapidly manipulate and alter memory to accelerate the creation of images in a frame buffer intended for output to a display device.

“**H.264**” or “**AVC**” means Advanced Video Coding, a video compression standard based on block-oriented, motion-compensated coding.

“**H.265**” or “**HEVC**” means High Efficiency Video Coding, a video compression standard that is a successor standard to the widely used H.264 standard which provides better data compression at the same level of video quality.

“**HD**” means high definition.

“**HLS**” means HTTP live streaming.

“**HTTP**” means hypertext transfer (or transport) protocol.

“**Intel-based**” means a computer or system based on Intel x86 CPU.

“**IoT**” means internet of things, the network of physical objects – “things” – that are embedded with sensors, software, and other technologies for the purpose of connecting and exchanging data with other devices and systems over the internet.

“**IP**” means internet protocol.

“**IPTV**” means IP television.

“**Kubernetes**” is an open-source system for automating deployment, scaling, and management of containerized applications.

“**LAN**” means local area network, a computer network that interconnects computers within a limited area such as a residence, school, laboratory, university campus or office building.

“**Lock-up Agreement**” has the meaning set forth under the heading “Summary of the Offering”.

“**Locked-up Securities**” has the meaning set forth under the heading “Summary of the Offering”.

“**low latency**” means the amount of time it takes for a single frame of video to transfer from the camera to the display. Low latency is typically defined in milliseconds and is preferable when operating remote devices, video conferencing, and streaming live events.

“**LTIP**” has the meaning set forth under the heading “Executive Compensation – Principal Elements of Compensation”.

“**Luffa**” refers to a project undertaken by the Company that targeted the enterprise workforce focusing on capturing, distilling, and sharing institutional knowledge as part of an overall corporate media communication platform.

“**MPEG**” means The Moving Picture Experts Group standardization body, an organization that develops standards for encoding digital audio and video.

“**MPEG2-TS**” means MPEG2 Transport Stream, a standard digital container format for transmission of audio, video, and metadata over IP networks.

“**named executive officers**” or “**NEOs**” has the meaning set forth under the heading “Executive Compensation”.

“**NI 52-109**” means National Instrument – *Certification of Disclosure in Issuers’ Annual and Interim Filings*.

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators.

“**NI 58-101**” means National Instrument 58-101 – *Disclosure of Corporate Governance Practices* of the Canadian Securities Administrators.

“**Nominating and Governance Committee**” means our nominating and governance committee.

“**OTT**” means over-the-top, and generally refers to providing streaming media services directly to viewers via the internet (bypassing cable, broadcast and satellite television platforms).

“**P2P**” means peer to peer. In a P2P network, the “peers” are computer systems which are connected to each other via the internet. Files can be shared directly between systems on the network without the need of a central server.

“**Plan Administrator**” has the meaning set forth under the heading “Executive Compensation – Principal Elements of Compensation – LTIP – LTIP Administration”.

“**Pre-Closing Capital Changes**” has the meaning set forth under the heading Description of Share Capital – Pre-Closing Capital Changes”.

“**PSK**” means pre-shared key, a security protocol based on a shared secret which was previously shared between two connected parties using some secure channel.

“**PSNR**” means peak signal-to-noise ratio, a term for the ratio between the maximum possible power of a signal and the power of corrupting noise that affects the fidelity of its representation.

“**PSUs**” means performance share units.

“**Revolving Line**” has the meaning set forth under the heading “Description of Material Indebtedness – Loan and Security Agreement with Silicon Valley Bank”.

“**RSUs**” means restricted share units.

“**RTC**” means real-time communication.

“**RTMP**” means real time messaging protocol, a protocol initially designed for the transmission of audio, video and other data between a dedicated streaming server and a flash player. RTMP is now an open specification.

“**RTP**” means Real-time Transport Protocol, a network protocol for delivering audio and video over IP networks.

“**SaaS**” means software as a service.

“**SRT**” means secure reliable transport.

“**SSIM**” means structural similarity index measure, a method for predicting the perceived quality of digital television and cinematic pictures, as well as other kinds of digital images and videos.

“**SVB**” has the meaning set forth under the heading “Description of Material Indebtedness – Loan and Security Agreement with Silicon Valley Bank”.

“**SVB Loan**” has the meaning set forth under the heading “Description of Material Indebtedness – Loan and Security Agreement with Silicon Valley Bank”.

“**SVB Loan Agreement**” has the meaning set forth under the heading “Description of Material Indebtedness – Loan and Security Agreement with Silicon Valley Bank”.

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder, as amended from time to time.

“**Term Loan**” has the meaning set forth under the heading “Description of Material Indebtedness – Loan and Security Agreement with Silicon Valley Bank”.

“**UDP**” means User Datagram Protocol.

“**UHD**” means ultra high definition.

“**Underwriting Agreement**” has the meaning set forth under the heading “Plan of Distribution – General”.

“**VMAF**” means Video Multimethod Assessment Fusion, an objective full-reference video quality metric.

“**WAN**” means wide area network, a telecommunications network that extends over a large geographic area for the primary purpose of computer networking.

“**WebRTC**” refers to open framework for the internet that enables RTC capabilities to the browser.

We present our financial statements in Canadian dollars. In this prospectus, all dollar amounts are expressed in Canadian dollars unless otherwise indicated. Accordingly, all references to “\$” or “dollars” are to Canadian dollars, and all references to “US\$” are to U.S. dollars. Certain totals, subtotals and percentages throughout this prospectus may not reconcile due to rounding.

EXCHANGE RATE DATA

The following table sets forth, for the periods indicated, the high, low, average and period-end daily exchange rates for one U.S. dollar, expressed in Canadian dollars, published by the Bank of Canada.

	Three Months Ended July 30,	Nine Months Ended July 30,	Three Months Ended July 30,	Nine Months Ended July 30,	Year Ended October 31,		
	2020	2020	2019	2019	2019	2018	2017
	Highest rate during the period	\$1.4124	\$1.4496	\$1.3527	\$1.3642	\$1.3642	\$1.3310
Lowest rate during the period	\$1.3360	\$1.2970	\$1.3037	\$1.3038	\$1.3038	\$1.2288	\$1.2128
Average rate for the period . . .	\$1.3664	\$1.3538	\$1.3282	\$1.3303	\$1.3286	\$1.2871	\$1.2986
Rate at the end of the period . .	\$1.3404	\$1.3404	\$1.3148	\$1.3148	\$1.3160	\$1.3142	\$1.2893

On December 8, 2020, the rate of exchange posted by the Bank of Canada for conversion of U.S. dollars into Canadian dollars was US\$1.00 = \$1.2808. No representation is made that Canadian dollars could be converted into U.S. dollars at that rate or any other rate.

NON-IFRS MEASURES

This prospectus makes reference to certain non-IFRS measures. These measures are not recognized measures under International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”) and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management’s perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS.

We use non-IFRS measures, including EBITDA, Adjusted EBITDA, EBITDA Margin and Adjusted EBITDA Margin. These non-IFRS measures are used to provide investors with supplemental measures of operating performance and thus highlight trends in our business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Our management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation.

Non-IFRS Measures

“**Adjusted EBITDA**” means EBITDA, as adjusted for non-recurring expense items as set out in the reconciliation tables under “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Selected Information and Reconciliation of Non-IFRS Measures”. Non-recurring expense items are transactions or events which management believes will not re-occur within the foreseeable future.

“**Adjusted EBITDA Margin**” means Adjusted EBITDA divided by revenue.

“**EBITDA**” means earnings (loss) before income taxes, depreciation, amortization and financial expenses.

See “Selected Historical Financial and Other Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Selected Information and Reconciliation of Non-IFRS Measures” for a reconciliation of the foregoing non-IFRS measures to their most directly comparable measures calculated in accordance with IFRS.

FORWARD-LOOKING INFORMATION

This prospectus contains “forward-looking information” within the meaning of applicable securities laws in Canada. Forward-looking information may relate to our future financial outlook and anticipated events or results and may include information regarding our financial position, business operations, business strategy, growth strategies, budgets, operations, financial results, taxes, dividend policy, plans and objectives. In certain cases, forward-looking statements that are predictive in nature, depend upon or refer to future events or conditions, and/or can be identified by the use of words such as “expect”, “continue”, “anticipate”, “intend”, “aim”, “plan”, “believe”, “budget”, “estimate”, “forecast”, “foresee”, “close to”, “target” or negative versions thereof and similar expressions, and/or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management’s expectations, estimates and projections regarding future events or circumstances.

Discussions containing forward-looking information may be found, among other places, under “Prospectus Summary”, “Summary of the Offering”, “Business and Industry”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Description of Share Capital”, “Dividend Policy”, “Principal Shareholders”, “Consolidated Capitalization”, “Options to Purchase Common Shares”, “Directors and Executive Officers”; “Executive Compensation”, “Director Compensation”, “Plan of Distribution” and “Risk Factors”.

The forward-looking information in this prospectus includes, among other things, statements relating to:

- the Offering Price;
- the completion, size, expenses and timing of the closing of this offering;
- expectations regarding industry trends, overall market growth rates and our growth rates and growth strategies;
- the addressable markets for our products and solutions;
- the long-term impact of COVID-19 on the Company’s business, financial position, results of operations and/or cash flows
- expectations regarding our revenue and the revenue generation potential of our products and services;
- our business plans and strategies;
- the Company’s expectations regarding certain of its future results and information, including, among others, revenue, expenses, Adjusted EBITDA (including the Company’s expectation that Adjusted EBITDA will continue to increase over time), sales growth, expenditures, operations and use of future cash flow;
- the Company’s ability to execute on its strategic growth priorities and to successfully integrate acquisition targets;
- our competitive position in our industry;
- the Pre-Closing Capital Changes;
- expectations regarding future director and executive compensation levels and plans, and proposed future governance structures;
- the proposed use of proceeds of this offering; and
- the market price for our common shares.

This forward-looking information and other forward-looking information are based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions underlying the forward-looking information in this prospectus include: our ability to capitalize on growth opportunities and implement our growth strategy; our ability to retain key personnel; our ability to maintain existing customer relationships and to

continue to expand our customers' use of our products solutions; our ability to acquire new customers; our ability to enhance our offerings to remain at the forefront of our industry; the impact of competition; the successful integration of our recent and future acquisitions; the absence of material adverse changes in our business, our industry or the global economy; and that the risks and uncertainties described under "Risk Factors" will not materialize.

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that we considered appropriate and reasonable as of the date such statements are made, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the following risk factors described in greater detail under the heading entitled "Risk Factors": our products are manufactured at a limited number of locations, and any manufacturing problems at a location could adversely affect our ability to meet our customers' orders; we outsource our manufacturing operations to third parties, and the inability of those parties to meet our product specifications and schedules could harm our business; we use several key components in our products that are supplied from a limited number of sources, and the loss of any of these suppliers may cause us to incur transition costs and result in delays in the manufacturing and delivery of our products; our sales cycles can be long and unpredictable and, as a result, may cause our operating results to fluctuate; risks relating to the ongoing COVID-19 pandemic, including the resulting global economic uncertainty and measures taken in response to the pandemic; the loss of any of our key personnel could seriously harm our business; we depend on maintaining our existing strategic relationships with customers and on forming new strategic relationships; we may not be able to manage any future growth effectively; risks relating to intellectual property and technology; risks relating to regulations; risks relating to our common shares and this offering; as well as the risk that we may become defendants in legal proceedings which could become significant liabilities in the event of an adverse judgment.

If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. The opinions, estimates or assumptions referred to above and described in greater detail in "Risk Factors" should be considered carefully by readers.

Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information, which speaks only as of the date made. The forward-looking information contained in this prospectus represents our expectations as of the date of this prospectus (or as the date they are otherwise stated to be made), and are subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada.

All of the forward-looking information contained in this prospectus is expressly qualified by the foregoing cautionary statements. Investors should read this entire prospectus and consult their own professional advisors to ascertain and assess the income tax, legal, risk factors and other aspects of their investment in our common shares.

MARKET AND INDUSTRY DATA

Market and industry data presented throughout this prospectus was obtained from third-party sources, websites and other publicly available information, including Research Nester, as well as industry and other data prepared by us or on our behalf on the basis of our knowledge of the markets in which we operate. We believe that the market and economic data presented throughout this prospectus is accurate and, with respect to data prepared by us or on our behalf, that our opinions, estimates and assumptions are currently appropriate and reasonable, but there can be no assurance as to the accuracy or completeness thereof and neither we nor any of the Underwriters makes any representation to that effect. Actual outcomes may vary materially from those forecast in such reports or publications, and the prospect for material variation can be expected to increase as the length of the forecast period increases.

Although we believe it to be reliable, neither we nor any of the Underwriters has independently verified any of the data from third-party sources referred to in this prospectus, analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying market, economic and other assumptions relied upon by such sources. Market and economic data is subject to variations and cannot be verified due to limits on the availability and reliability of data inputs, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey.

TRADEMARKS AND TRADE NAMES

This prospectus includes certain trademarks we own or have the right to use, including Haivision, Haivision Play, KB, Makito and SRT in countries that include Canada and the United States, which are protected under applicable intellectual property laws and are our property. Solely for convenience, our trademarks and trade names referred to in this prospectus may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights to these trademarks and trade names.

MARKETING MATERIALS

A “template version” of the following “marketing materials” (each such term as defined in National Instrument 41-101 – *General Prospectus Requirements*) for this offering filed with the securities commission or similar regulatory authority in each of the provinces of Canada is specifically incorporated by reference into this prospectus:

- the term sheet dated November 16, 2020 filed on SEDAR on the same date;
- the investor presentation dated November 16, 2020 filed on SEDAR on the same date; and
- the final term sheet dated December 9, 2020 filed on SEDAR on the same date.

The term sheet and investor presentation referred to above are available under our profile on SEDAR at www.sedar.com.

In addition, any template version of any other marketing materials filed with the securities commission or similar regulatory authority in each of the provinces of Canada in connection with this offering, after the date hereof, but prior to the termination of the distribution of our common shares under this prospectus (including any amendments to, or an amended version of, any template version of any marketing materials), is deemed to be incorporated by reference herein. Any template version of any marketing materials utilized in connection with this offering is not part of this prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this prospectus.

ELIGIBILITY FOR INVESTMENT

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Company, and Blake, Cassels & Graydon LLP, counsel to the Underwriters, provided that on the Closing Date, the common shares are listed on a “designated stock exchange” within the meaning of the Tax Act (which currently includes the TSX), the common shares acquired pursuant to this offering will be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan (“RRSP”), a registered retirement income fund (“RRIF”), a registered disability savings plan (“RDSP”), a deferred profit sharing plan, a registered education savings plan (“RESP”) or a tax-free savings account (“TFSA”), each as defined in the Tax Act.

Notwithstanding that the common shares may be a qualified investment for a trust governed by a RRSP, RRIF, RDSP, RESP or TFSA, a holder of a TFSA or RDSP, an annuitant under a RRSP or RRIF, or a subscriber of an RESP, as the case may be, will be subject to a penalty tax under the Tax Act with respect to the common shares if such common shares are a “prohibited investment” for the particular RRSP, RRIF, RDSP, RESP or TFSA. A common share will not be a prohibited investment for a trust governed by a RRSP, RRIF, RDSP, RESP or TFSA provided that the annuitant under the RRSP or RRIF, the holder of the TFSA or RDSP or the subscriber of the RESP, as the case may be, deals at arm’s length with the Company for purposes of the Tax Act, and does not have a “significant interest” (as defined in the Tax Act) in the Company. Individuals who intend to hold common shares in a RRSP, RRIF, RDSP, RESP or TFSA should consult their own tax advisors regarding their particular circumstances.

PROSPECTUS SUMMARY

This summary highlights principal features of this offering and certain information contained elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our common shares. You should read this entire prospectus carefully, especially the “Risk Factors” section of this prospectus, and the Company’s unaudited interim consolidated financial statements and audited annual consolidated financial statements, along with the related notes thereto appearing elsewhere in this prospectus, before making an investment decision. Capitalized terms used but not defined in this prospectus summary are defined elsewhere in this prospectus.

Mission & Overview

We are a leading provider of infrastructure solutions for the video streaming market, servicing enterprises and governments globally. The world’s top organizations use our solutions to communicate, collaborate and educate their customers and stakeholders. We deliver high quality, low latency, secure and reliable video through the entire IP video lifecycle (contribution, distribution, and delivery), using a broad range of software, hardware and services in order to deliver a full end-to-end premium level experience. Our solutions give organizations complete control over mission-critical remote video production capabilities amid the growing needs of decentralized, remote workforces while engaging audiences worldwide with real-time video.

Having grown since our founding in 2004 to an organization with 251 employees and six offices worldwide, we have deployed more than 70,000 systems to global diversified blue-chip end-clients operating across various industries through a combination of our direct sales force and our channel partners with only \$8.25 million of total capital invested. Through continuous product innovation and strategic acquisitions, we have evolved into a fully integrated one-stop-shop provider of video infrastructure solutions and have established a strong positioning within the market. Our most recent acquisitions have focused on strengthening our cloud-based offering and integrating artificial intelligence / machine learning capabilities to our platform.

Industry Overview, Trends & Challenges

Overview

We are a key influencer within the ~US\$15 billion global video streaming infrastructure market, which is expected to grow at a 15% CAGR from 2019 to 2028 (Research Nester). Global enterprises, media franchises, sporting leagues, and governments rely on technologies we provide to address the growing needs of remote workforces and engage audiences with secure and reliable live video connectivity. Industry growth is further fueled by a shift towards on-demand cloud resources and connectivity and the emergence of 5G and high-speed networking.

Industry Trends

The broader video streaming market, which is supported by our infrastructure solutions and services, has experienced significant change and growth over the past decade. The video streaming segment was initially stimulated by the broad availability of high bandwidth networks, the move to OTT media distribution in the consumer space, and the related decrease in consumption of media over traditional linear infrastructure such as cable, satellite, and free-to-air transmission. We believe that today, the live streaming market across all industries, from capture and production through to distribution and delivery is most impacted by the following trends:

- ***IP video transformation.*** Video workflows from contribution through to production are experiencing significant change. Historically dominated by raw “baseband” video connections throughout the process, the availability of high-speed networks is enabling these workflows to embrace complete IP-based video transmission between all equipment from image capture (cameras) through production to distribution to reduce costs and increase operational flexibility.
- ***Enabling remote operations.*** Across all industries, organizations are looking to engage critical resources regardless of location. This trend has recently been massively accelerated due to the impacts of the COVID-19 pandemic. Experts, operators, and live talent may no longer be available “on-location” or “in-studio” and must be connected to their studios, operation centers, and distribution platforms at the highest quality and in real time (low latency).

- **Empowering the “at-home” workforce.** Live video broadcast within organizations is becoming the anchor to effective corporate communications strategies for annual, quarterly, and even weekly employee engagement. Systems supporting such broadcasts have been focused on private broadcast across global campuses and must increasingly serve employees anywhere, specifically those who now work at home.
- **Embracing the cloud.** With the emergence of secure and reliable transmission of real-time video to, from, and within cloud environments, cloud solutions for real-time video services and connectivity enable organizations to take advantage of pay-as-you-go services that increase production efficiency (creating news segments faster for example), scale services on-demand, align costs directly with revenues, and support a highly distributed workforce.
- **Availability of multiple cloud providers.** Multiple vendors have emerged to support streaming directly including Microsoft, Google, Amazon, IBM, and others. The competition among cloud providers has made the impact of making better resources continuously available at continuously reduced prices.
- **Increasing bandwidth at the edge (5G).** With 5G technology, mobile devices will now be able to handle up to and over 1 Gbps with extremely low latency. This will enable high resolution video transmission from anywhere. Across all industries, the availability of private networks or satellite will no longer be required for broadcast quality video. However, the challenges of supporting IP video transmission at the highest quality with low latency (real-time) over unmanaged networks will remain.
- **Transition from Capex to Opex model.** Historically, broadcasters and video solution providers have been operating under a capex model, planning expenditures to build media routing capacity through satellite links, purpose-built fiber networks, or proprietary transport solutions. With the increasing availability of secure and reliable cloud-native solutions, many players are moving away from capital intensive infrastructure and moving to pay-per-use solutions.

Industry Challenges

Although resources in the cloud, on-premise, and network connectivity are increasing dramatically in capabilities, we believe that some key challenges remain within the video streaming industry, which include the following:

- **Video transmission networks and protocols.** Real-time video transmission has historically been handled by private networks and satellite connections. As the market moves towards low cost and readily available public networks, and public cloud resources, real-time video transmission cannot be achieved with ubiquitous IP protocols (such as HTTP and TCP/IP).
- **Security.** Throughout any video workflow, regardless of for-consumer or enterprise applications, security is essential. Security is particularly challenged in a video workflow when the stream passes through multiple networks, is translated through several protocols and is handled by multiple systems.
- **Assurance of cloud workflows.** One of the critical elements in migrating video streaming through the cloud is one of assurance, fault detection, and recovery. It is a challenge of solution vendors to institute architectures, within the public cloud infrastructure, with sophisticated quality monitoring, fault detection, and failover and recovery.
- **Multi-cloud optimization.** Solution vendors are challenged to optimize the use of all resources to achieve the lowest cost and highest performance. Automation based on real-time analytics of price and performance criteria is critical to both all-in-one services (those that include cloud resources) and those on direct relationships between cloud vendors and clients (those that are sold separate from cloud resources).
- **Efficient video distribution to many viewers.** One hurdle that has existed for all live video streaming solutions is how to deliver video to broad audiences. For consumer video, content delivery networks have served this purpose by establishing content servers around the globe that would send streams to each individual viewer. A primary cost element for content delivery networks is egress bandwidth, which means the more content that is viewed the more charges are applied. Within private networks, for example. Within enterprise deployments of live video, multicast technology has often been employed to serve live video to broad audiences. However, multicast is difficult to deploy and support and is not available on public

networks. P2P technology overcomes these challenges but P2P for video delivery is only available in proprietary solutions and to date has not been embraced broadscale due to security concerns and the lack of industry standardization.

- **Video encoding.** Video encoding has faced evolving standards (i.e., MPEG-2, H.264, HEVC) that require an increasing amount of computing power to realize increasing quality and efficiency. At the same time, the raw size of video has increased through standard definition, high definition, and now 4K and 8K resolutions. Both evolutions have created an exponential need for computing power to achieve real time (low latency) performance.

Our Competitive Advantages

Technological Advantage Through Industry Leadership and Deep Domain Knowledge

Armed with our eleventh generation encoding/decoding platform and having pioneered low latency video streaming and networking, we have an industry-recognized deep domain knowledge. We are a trusted partner in producing products that can reliably serve in the most mission critical real-time video operations. We have an established track record and a vast portfolio of innovative core proprietary technologies, developed by an experienced and dedicated team of engineers, that create a formidable barrier of entry to our competitors. That domain knowledge is exemplified in creating the SRT open source initiative enabling a new standardization for how video is streamed. See “Business and Industry – Our SRT Initiative”.

Integrated End-to-End High-Performance Solutions

Many competitors in our market segments provide single product solutions. In our core markets, we believe that both our channel partners and end-clients value repeatable solution proposals that include all core technology components integrated by a single vendor and do not require them to piece together technologies from different providers for their live video workflows. This solutions approach generally provides for more effective workflows, centralized administrative control and management of all video experiences, and a single point of supply and support.

Intelligent Video Connectivity

We have developed significant expertise in collecting data, analyzing it, and adjusting streaming processes and workflows to optimize end-to-end video delivery. We also have artificial intelligence and machine learning-based content encoding and network optimization as currently exposed through our Lightflow solutions. We believe we derive a unique competitive advantage by having control over the entire technology stack which allows us to extract optimal value across different platforms and offer differentiated and highly integrated end-client solutions.

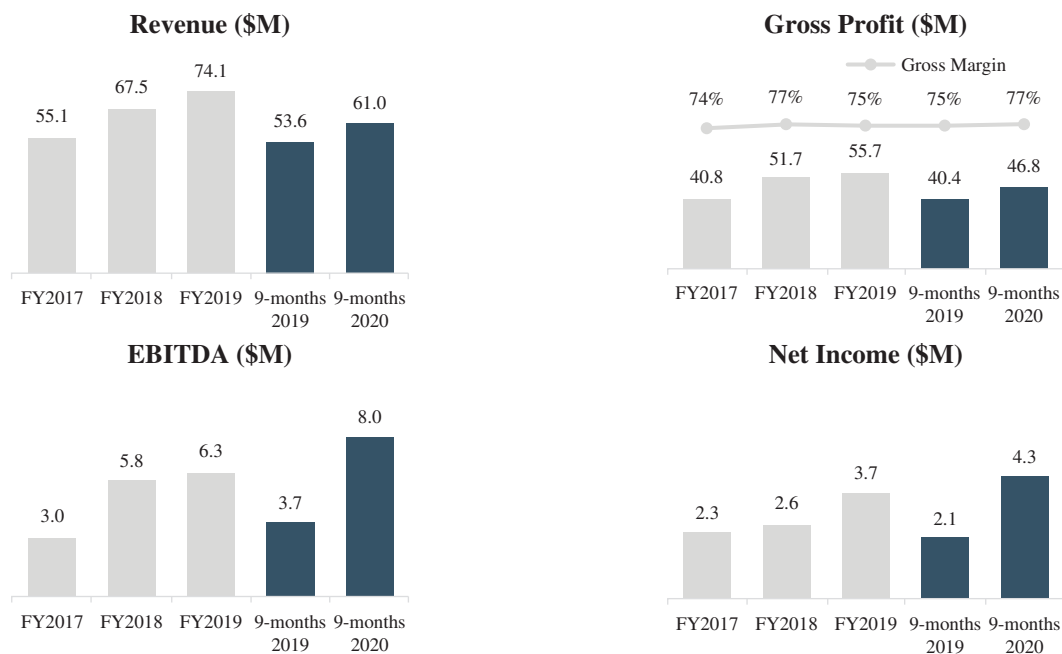
Longstanding Relationships with a Diversified Global Blue-Chip End-Client Base and Channel Partners

Through a combination of our direct sales team of 47 employees and a global channel partner network, we deliver video to global blue-chip end-clients including, but not limited to, SAP, Microsoft, Riot Games, Eurovision Services, governments, and others. We have an installed base of over 140,000 edge devices globally providing real-time video to our end-clients. We also benefit from a high degree of repeat business with 77% of our Fiscal 2019 sales generated from customers who purchased from us in the prior year. Although we have a blended sales approach, we stay very close to our end-clients and channel partners before, during, and after the sale. We maintain positive relationships with our customers and end-users and offer maintenance, support and upgrade programs. Due to our market focus, our engineering teams are keenly attuned to the technical and business challenges of each particular market segment which we serve.

Track Record of Consistent Revenue Growth and Profitability

We have demonstrated consistent revenue growth with a 16% CAGR from Fiscal 2017 to Fiscal 2019. In addition to our 77% repeat business from customers, our revenue includes a combination of recurring revenues, multi-year deployment programs and maintenance contracts, providing us with strong revenue visibility. A history of profitable

growth is important to us, as large global organizations look to us to provide mission critical solutions over multi-year programs. As we have evolved and grown, so has our mix of software-enabled solutions, providing us with economies of scale that have allowed us to maintain strong gross margins of 75% or more for Fiscal 2018 and Fiscal 2019, and gross margins of 77% for the nine months ended July 31, 2020. This evolution has enabled us to remain profitable regardless of the economic environment, resulting in positive net income since Fiscal 2015 (net income CAGR of 25% from Fiscal 2017 to Fiscal 2019) and 13 years of positive Adjusted EBITDA with a CAGR of 44% from Fiscal 2017 to Fiscal 2019.



Seasoned Leadership Team and Board with Deep Industry Expertise

Haivision was founded in 2004 by Mirko Wicha, our Chairman, President and CEO who has extensive experience in the tech sector and remains deeply involved in the overall strategic vision and daily operations of the Company. The management team is comprised of seasoned technology professionals with an average of more than 20 years of experience in the video industry. Haivision is further supported by a strong board of directors with solid relationships and an established track record of creating shareholder value both in public and private technology companies.

Our Growth Strategy

Drive Strategic Alliances

The market for our solutions is broad, underserved and rapidly growing in demand. We believe that developing stronger technical associations within the ecosystem of strategic partners, such as Akamai Technologies, Inc., Microsoft Corporation, Amazon.com, Inc., Avid Technology, Inc. and Comcast Corporation, amongst others, and investing in channel management, and leadership summits will enable Haivision to expand its solutions offering and establish repeatable projects templates.

Increase Share of Customers' Network Footprint

Our end-clients' needs in IP video delivery and video infrastructure are quickly growing and their initial orders typically only cover a subset of their network needs, presenting additional opportunities to offer incremental products

or solutions along the video information chain. We work alongside our clients to understand their needs and extend solutions through complementary products and application adjacencies.

New Solution Opportunities in Core Markets

In 2019, we introduced the concept and technology of Haivision Hub at the National Association of Broadcasters trade conference and privately launched the product in April 2020. The Haivision Hub is our SaaS cloud-native broadcast workflow, enabling live, low latency media routing across the Microsoft Azure network. Providing secure and reliable global transport for contribution, production, and syndication workflows, Haivision Hub is the ideal solution for organizations like broadcasters and video service providers seeking alternatives to costly satellite links, purpose-built fiber networks, or proprietary transport solutions. The Haivision Hub is currently offered to a limited number of customers and end-clients and a general rollout with additional features is scheduled for the first half of 2021.

Haivision Connect is our next-generation SaaS platform designed to appeal to our customers in the enterprise market with modern, consumer-inspired design underpinned by the ease of use. Focusing on live streaming, video-on-demand, and multi-campus workflows, Haivision Connect enables organizations to create an online experience that matches their audience's onsite experience. The platform intelligently connects and centrally manages video streaming edge devices through scalable cloud infrastructure, accessed and operated from mobile devices. Haivision Connect is in the final stages of development and is scheduled to be offered in the first half of 2021.

Furthermore, our research and development team continuously works on new technologies and pushes for the extension of capabilities into new enterprise video and government applications.

Leverage SaaS Cloud-native Video Workflows to Drive Recurring Revenue

Haivision Hub offers on-demand video routing with massive scalability and removes the complexity by automatically spinning-up regional cloud resources and determining the best path through the internet. Haivision Hub intelligently routes content into and out of third-party systems with programable connectors that extend the platform's capabilities. These connectors are designed to support customized workflows for delivering content to cloud services or on-premise systems.

Selectively Pursue Acquisitions

Since inception, we have established a strong and disciplined track record of identifying, acquiring and integrating highly complementary businesses, key technologies and personnel. We have successfully completed several fruitful acquisitions that have allowed us to expand our product portfolio and offer solutions to adjacent markets and applications including internet video streaming, digital signage and OTT video delivery.

We intend to continuously evaluate for potential synergistic opportunities within the industry, concentrating on adjacent product technologies, and new market opportunities, while emphasizing products that could be introduced rapidly alongside current solution offerings.

SUMMARY OF THE OFFERING

Issuer:	Haivision Systems Inc.
Offering:	5,000,000 common shares (5,750,000 common shares if the Over-Allotment Option is exercised in full).
Offering Price:	\$6.00 per common share.
Offering Size:	\$30,000,000 (\$34,500,000 if the Over-Allotment Option is exercised in full).
Over-Allotment Option:	We have granted the Underwriters an option, exercisable in whole or in part, at any time for a period of 30 days after the Closing Date, to purchase from us up to an additional 750,000 common shares (representing approximately 15% of the number of common shares sold under the base offering) at the Offering Price solely to cover over-allotments, if any, and for market stabilization purposes. See “Plan of Distribution”.
Common Shares Outstanding:	Upon completion of this offering, an aggregate of 25,862,019 common shares and no preferred shares will be issued and outstanding (26,612,019 common shares if the Over Allotment Option is exercised in full). See “Description of Share Capital”.
Use of Proceeds:	<p>The net proceeds of this offering are estimated to be approximately \$28.2 million (\$32.4 million if the Over-Allotment Option is exercised in full) after deduction of the Underwriters’ fee but before the estimated expenses of this offering. The Underwriters’ fee and the expenses of this offering will be paid out of the gross proceeds of this offering.</p> <p>On the closing of this offering, we intend to use (i) approximately \$18.0 million of the net proceeds of this offering to fund selective acquisitions, (ii) approximately \$4.0 million of the net proceeds of this offering to accelerate the introduction of new products, features and services, (iii) approximately \$4.0 million of the net proceeds of this offering to fund the expansion and to increase the scope of sales, marketing and global support activities; and (iv) the balance for general working capital and other general corporate purposes.</p> <p>We will use the net proceeds, if any, from the issuance of common shares by us on exercise of the Over-Allotment Option for general working capital purposes.</p> <p>See “Use of Proceeds”.</p>
Description of Equity Capital:	Upon completion of this offering, our authorized share capital will consist of (i) an unlimited number of common shares, and (ii) an unlimited number of preferred shares, issuable in series. See “Description of Share Capital”.
Lock-Up Arrangements:	In connection with this offering, each of our executive officers and directors, each such shareholder’s associates and affiliates, and certain other shareholders have agreed that he, she or it will not, directly or indirectly, without the prior written consent of the Joint Bookrunners, on behalf of the Underwriters, offer, issue, sell, grant, secure, pledge, or otherwise transfer, dispose of or monetize, or engage in any hedging transaction, or enter into any form of agreement or arrangement the consequence of which is to alter economic exposure to, or announce any intention to do so, in any manner whatsoever, any common shares or securities convertible into, exchangeable for, or otherwise exercisable to acquire common shares or other equity securities of the Company (the “ Locked-up Securities ”) for a period commencing on the Closing Date and ending (i) in the case of our executive officers, 18 months after the Closing Date, and (ii) in the

case of our directors and other shareholders, 6 months after the Closing Date, in both cases subject to certain limited exceptions (the “**Lock-up Agreements**”).

Pursuant to the terms and conditions of their Lock-up Agreements, each of our executive officers will be released of the restrictions applicable to him under his Lock-up Agreement in respect of (i) one third of his Locked-up Securities as of 6 months after the Closing Date, (ii) an additional one third of his Locked-up Securities as of 12 months after the Closing Date, and (iii) the remaining one third of his Locked-up Securities as of 18 months after the Closing Date.

After giving effect to this offering, holders of approximately 92% of our issued and outstanding common shares immediately prior to the closing of this offering will be subject to the Lock-up Agreements. See “Plan of Distribution – Lock-up Arrangements”.

**Proposed TSX Trading
Symbol:**

“HAI”.

Risk Factors:

An investment in our common shares is subject to a number of risk factors that should be carefully considered by prospective investors. Prospective purchasers should carefully consider the risk factors described under “Risk Factors” and other information included in this prospectus before purchasing our common shares.

SUMMARY HISTORICAL FINANCIAL AND OTHER DATA

The following tables present summary consolidated financial information for the periods and as at the dates indicated therein. The summary consolidated financial information set out below for each of Fiscal 2019, Fiscal 2018 and Fiscal 2017 and as at October 31, 2019 and 2018 has been derived from our audited Annual Financial Statements included elsewhere in this prospectus. The summary consolidated financial information set out below for the nine-month periods ended July 31, 2020 and 2019 and as at July 31, 2020 has been derived from the Company's unaudited interim consolidated financial statements included elsewhere in this prospectus.

Prospective investors should review this information in conjunction with the historical financial statements, including the notes thereto, as well as "About this Prospectus", "Meaning of Certain References", "Non-IFRS Measures", "Selected Historical Financial and Other Data", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Use of Proceeds", "Consolidated Capitalization", "Description of Material Indebtedness" and "Description of Share Capital" included elsewhere in this prospectus.

Summary Consolidated Statements of Income Data

	Nine Months Ended July 31,		Fiscal Year Ended October 31,		
	2020	2019	2019	2018	2017
	(amounts in thousands of Canadian dollars)				
Revenue	60,988	53,622	74,090	67,480	55,061
Cost of sales	14,152	13,226	18,424	15,753	14,276
Gross profit	46,836	40,396	55,666	51,726	40,785
Expenses					
Sales and marketing	14,604	13,963	19,007	20,706	19,003
Operations and support	3,807	3,918	5,220	5,895	3,711
Research and development	14,856	13,753	18,389	13,000	11,172
General and administrative	6,824	5,937	7,844	7,652	6,186
	40,091	37,571	50,461	47,253	40,072
Operating profit	6,745	2,825	5,205	4,473	713
Financial expenses	267	(151)	(116)	660	(1,623)
Income before income taxes	6,478	2,976	5,320	3,813	2,336
Income taxes	2,168	877	1,643	1,236	(4)
Net income	4,311	2,100	3,677	2,577	2,340
Other comprehensive income					
Foreign currency translation adjustment	222	5	17	226	(471)
Comprehensive income	4,533	2,105	3,694	2,803	1,868
Net income per share (basic and diluted)	23.81	11.42	20.08	13.72	12.46
Weighted average number of shares outstanding (basic and diluted)	181,010	183,786	183,171	187,835	187,835

Summary Consolidated Statements of Financial Position Data

	As at July 31,	As at October 31,	
	2020	2019	2018
	(amounts in thousands of Canadian dollars)		
Assets			
Current assets	30,912	24,222	29,671
Non-current assets	25,010	21,830	19,645
Liabilities			
Current liabilities	20,713	19,610	24,325
Non-current liabilities	6,543	2,082	2,617
Total Equity	<u>28,666</u>	<u>24,361</u>	<u>22,375</u>

Reconciliation of Non-IFRS Financial Measures

EBITDA and Adjusted EBITDA are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. See “Non-IFRS Measures”.

	Nine Months Ended July 31,		Fiscal Year Ended October 31,		
	2020	2019	2019	2018	2017
	(amounts in thousands of Canadian dollars)				
Revenue	60,988	53,622	74,090	67,480	55,061
Cost of sales	14,152	13,226	18,424	15,753	14,276
Gross profit	<u>46,836</u>	<u>40,396</u>	<u>55,666</u>	<u>51,726</u>	<u>40,785</u>
Expenses					
Sales and marketing	14,604	13,963	19,007	20,706	19,003
Operations and support	3,807	3,918	5,220	5,895	3,711
Research and development	14,856	13,753	18,389	13,000	11,172
General and administrative	6,824	5,937	7,844	7,652	6,186
	<u>40,091</u>	<u>37,571</u>	<u>50,461</u>	<u>47,253</u>	<u>40,072</u>
Operating profit	6,745	2,825	5,205	4,473	713
Depreciation	459	537	705	783	1,370
Amortization	842	—	—	39	88
EBITDA	<u>8,046</u>	<u>3,362</u>	<u>5,910</u>	<u>5,295</u>	<u>2,170</u>
Non-recurring expenses					
Shareholder dispute	—	371	371	346	—
Intellectual property dispute	—	—	—	201	—
Severance payments	—	—	—	—	380
Luffa	—	—	—	—	497
Adjusted EBITDA	<u>8,046</u>	<u>3,733</u>	<u>6,281</u>	<u>5,842</u>	<u>3,047</u>

ORGANIZATIONAL STRUCTURE

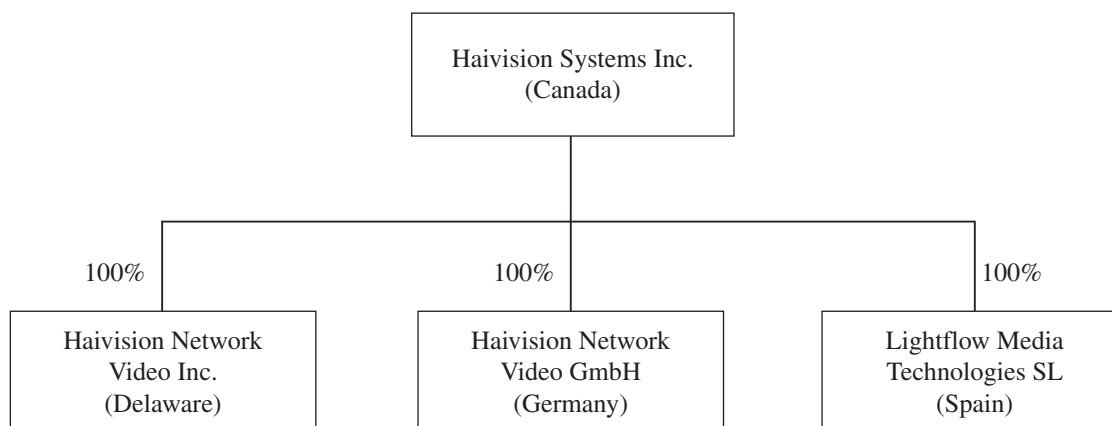
The Company

Haivision was incorporated on April 26, 2004 under the CBCA under the name of “Hajtek Vision Inc.” and changed its name to Haivision Systems Inc. on June 11, 2004. We amended our articles on January 1, 2005 to redesignate our unlimited number of common shares as Class A shares, subdivide such Class A shares and create an unlimited number of Class B shares; on October 6, 2005 to subdivide our Class A shares and to change certain other provisions particular to private corporations; on February 16, 2007 to change certain restrictions on share transfers and other provisions; and on February 25, 2009 to change the rights, privileges and restrictions attached to our Class A shares and Class B shares and create an unlimited number of Class C shares, Class D shares and Class E shares. Immediately prior to the closing of this offering, we will implement the Pre-Closing Capital Changes such that our authorized share capital will consist of (i) an unlimited number of common shares, and (ii) an unlimited number of preferred shares, issuable in series. See “Description of Share Capital – Pre-Closing Capital Changes”.

A copy of our articles of incorporation can be obtained from us during the period of distribution of the common shares and will be available following the closing of this offering on SEDAR at www.sedar.com, under our profile. Our head and registered office is located at 2600 Alfred-Nobel Boulevard, 5th Floor, Montréal, Québec H4S 0A9.

Intercorporate Relationships

The diagram below depicts our organizational structure (including jurisdiction of formation or incorporation of the various entities) immediately following this offering. This diagram represents all our legal entities.



BUSINESS AND INDUSTRY

Mission & Overview

We are a leading provider of infrastructure solutions for the video streaming market, servicing enterprises and governments globally. The world's top organizations use our solutions to communicate, collaborate and educate their customers and stakeholders. Our technology and solutions provide the foundational layers for servicing the three main stages of real-time video workflows comprised of:

- **Contribution.** After image acquisition through sensors or cameras, contribution represents the first mile where the video is captured/encoded at live event venues, executive boardrooms, or theaters of mission critical operation, as an example, and transported to broadcast facilities, production studios, video processing centers, and others.
- **Distribution.** Distribution represents the middle mile where video can be manipulated or produced and then routed to broadcast towers, various datacenters, or remote branch offices, and others.
- **Delivery.** Delivery represents the last mile where video is packaged in consumable formats and transported to reach its intended audience at home, over the internet, in auditoriums, or at remote work locations, to name a few, where the video is then decoded/displayed.

We deliver high quality, low latency, secure and reliable video through the entire IP video lifecycle (contribution, distribution, and delivery), using a broad range of software, hardware and services in order to deliver a full end-to-end premium level experience. Our solutions give organizations complete control over mission-critical remote video production capabilities amid the growing needs of decentralized, remote workforces while engaging audiences worldwide with real-time video. We believe that our products are highly differentiated due to our SRT software protocol expertise, proprietary core technologies, firmware expertise, and hardware design capabilities. Our platform is comprised of intelligent edge devices specializing in image encoding/decoding. Those devices are interconnected with a video management and networking software running on private and public clouds for video routing, processing, and management over any IP network. This differentiation allows our products to meet the demanding performance and market requirements of mission critical video, voice and data applications.

Since our founding in 2004 and with only \$8.25 million of total capital invested, we have deployed more than 70,000 systems to global diversified blue-chip end-clients operating across various industries through a combination of our direct sales force and channel partners. We spearheaded the commercialization of H.264 codec technology in 2005, which became the video backbone for many of the telepresence platforms. Since then we have evolved into a fully integrated one-stop-shop provider of video infrastructure solutions by continuously developing innovative products and introducing industry recognized protocols such as SRT. The SRT protocol, which stands for "Secure Reliable Transport", has become a widely adopted standard endorsed by over 450 companies enabling secure transmission of real-time, low latency video over public IP networks. As a result of our continued innovation, technological prowess and high-performance products, we have been the recipient of 48 awards.

Throughout the years, we have strategically completed several tuck-in acquisitions that allowed us to expand our offerings to adjacent markets, including internet video streaming, digital signage and OTT video delivery, and to further bolster our solutions with innovative technologies. Our most recent acquisitions have focused on strengthening our cloud-based offering and integrating artificial intelligence / machine learning capabilities to our platform.

Our suite of solutions consists of standalone devices and tightly-coupled products forming integrated solutions, which are designed to meet the current and future needs of our end-clients, depending on each of their markets and use cases. These solutions are sold to our end-clients through a combination of our direct sales force, supplemented by indirect channel partners around the world. See "Sales and Marketing".

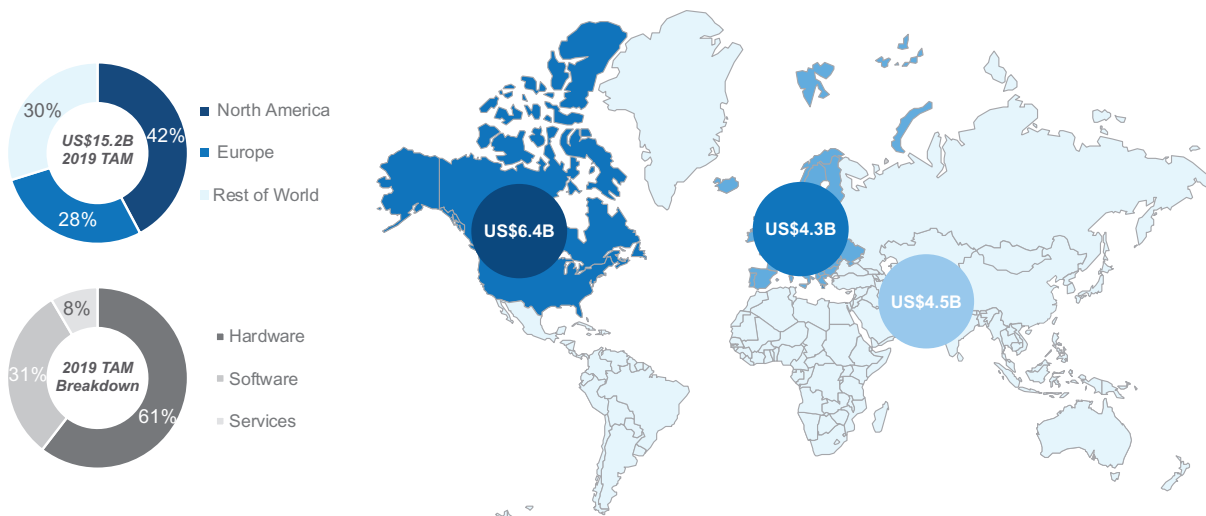
With 251 employees across 6 global offices, we sell products globally and empower real-time video, via an installed base of over 140,000 edge devices, to blue-chip end-clients operating across various industries such as technology, media and entertainment, manufacturing, consumer products, financial services, healthcare and retail. Our primary target market is comprised of large and medium enterprises and governments that use Haivision products in individual divisions or as part of a global platform across their entire organization. The enterprises in our primary target market are broadly defined as having more than 1,000 employees.

Overall, our highly integrated suite of software, hardware and services act as a key part of the video infrastructure allowing enterprises and governments to efficiently contribute, distribute and deliver high-quality, real-time video securely to any device, anywhere.

Industry Overview, Trends & Challenges

Overview

We are a key influencer within the ~US\$15 billion global video streaming infrastructure market, which is expected to grow at a 15% CAGR from 2019 to 2028 (Research Nester). Global enterprises, media franchises, sporting leagues, and governments rely on technologies we provide to address the growing needs of remote workforces and engage audiences with secure and reliable live video connectivity. Industry growth is further fueled by a shift towards on-demand cloud resources and connectivity and the emergence of 5G and high-speed networking.



Source: Research Nester, Assessment of the Global Video Streaming Infrastructure Market, September 2020

Industry Trends

The broader video streaming market, which is supported by our infrastructure solutions and services, has experienced significant change and growth over the past decade. The video streaming segment was initially stimulated by the broad availability of high bandwidth networks, the move to OTT media distribution in the consumer space, and the related decrease in consumption of media over traditional linear infrastructure such as cable, satellite, and free-to-air transmission. We believe that today, the live streaming market across all industries, from capture and production through to distribution and delivery, is most impacted by the following trends:

- **IP video transformation.** Video workflows from contribution through to production are experiencing significant change. Historically dominated by raw “baseband” video connections throughout the process, the availability of high-speed networks is enabling these workflows to embrace complete IP-based video transmission between all equipment from image capture (cameras) through production to distribution to reduce costs and increase operational flexibility.
- **Enabling remote operations.** Across all industries, organizations are looking to engage critical resources regardless of location. This trend has recently been massively accelerated due to the impacts of the COVID-19 pandemic. Experts, operators, and live talent may no longer be available “on-location” or “in-studio” and must be connected to their studios, operation centers, and distribution platforms at the highest quality and in real time (low latency). Remote production in broadcast is becoming standard as it enables lower cost production, where production is carried out by “at-home” operators with only equipment being deployed on the field. Across all industries, remote integration is now the norm: medical specialists engaging remotely, CEOs broadcasting to their organization from anywhere, employees and students completing training or education through video instruction.
- **Empowering the “at-home” workforce.** Live video broadcast within organizations is becoming the anchor to effective corporate communications strategies for annual, quarterly, and even weekly employee engagement.

Systems supporting such broadcasts have been focused on private broadcast across global campuses and must increasingly serve employees anywhere, specifically those who now work at home. Broadcasts must be delivered in real-time to encourage engagement but must also be secure and adhere to strict corporate IT governance.

- **Embracing the cloud.** With the emergence of secure and reliable transmission of real-time video to, from, and within cloud environments, cloud solutions for real-time video services and connectivity enable organizations to take advantage of pay-as-you-go services that increase production efficiency (creating news segments faster for example), scale services on-demand, align costs directly with revenues, and support a highly distributed workforce.
- **Availability of multiple cloud providers.** Multiple vendors have emerged to support streaming directly including Microsoft, Google, Amazon, IBM, and others. Each compete to enable the use of their computing, storage, networking, and content delivery capabilities. The competition among cloud providers has made the impact of making better resources continuously available at continuously reduced prices.
- **Increasing bandwidth at the edge (5G).** The world has experienced increasing bandwidth availability at home over the past decade, with speeds of over 200 Mbps becoming commonplace. With 5G technology, mobile devices will now be able to handle up to and over 1 Gbps with extremely low latency. This will enable high resolution video transmission from anywhere. Across all industries, the availability of private networks or satellites will no longer be required for broadcast quality video. However, the challenges of supporting IP video transmission at the highest quality with low latency (real-time) over unmanaged networks will remain.
- **Transition from Capex to Opex model.** Historically, broadcasters and video solution providers have been operating under a capex model, planning expenditures to build media routing capacity through satellite links, purpose-built fiber networks, or proprietary transport solutions. With the increasing availability of secure and reliable cloud-native solutions, many players are moving away from capital intensive infrastructure and moving to pay-per-use solutions.

Industry Challenges

Although resources in the cloud, on-premise, and network connectivity are increasing dramatically in capabilities, we believe that some key challenges remain within the video streaming industry, which include the following:

- **Video transmission networks and protocols.** Real-time video transmission has historically been handled by private networks and satellite connections. As the market moves towards low cost and readily available public networks, and public cloud resources, real-time video transmission cannot be achieved with ubiquitous IP protocols (such as HTTP and TCP/IP). The market has been cycling through different challenges from real-time video communication (one to few video conferencing) to low latency broadcast (one to many) that challenge traditional broadcast and even support immediate audience engagement.
- **Security.** Throughout any video workflow, regardless of for-consumer or enterprise applications, security is essential. Security is particularly challenged in a video workflow when the stream passes through multiple networks, is translated through several protocols and is handled by multiple systems.
- **Assurance of cloud workflows.** One of the critical elements in migrating video streaming through the cloud is one of assurance, fault detection, and recovery. Many traditional broadcast video workflows have been built across infrastructure offering five-nines reliability (99.999%) with associated service level agreements. As such workflows move to a public cloud infrastructure, such assurances are illusive as cloud vendors themselves do not offer the type of service level agreements that would be acceptable for broadcast quality video transmission. Best effort is the norm. It is a challenge of solution vendors to institute architectures with sophisticated quality monitoring, fault detection, and failover and recovery.
- **Multi-cloud optimization.** Competition within the cloud resource segment is increasing with decreasing differentiation between providers. Solution vendors are challenged to optimize the use of all resources to achieve the lowest cost and highest performance. Automation based on real-time analytics of price and performance criteria is critical to both all-in-one services (those that include cloud resources) and those on direct relationships between cloud vendors and clients (those that are sold separate from cloud resources). This pertains to the four areas of computing, networking, storage, and content delivery.

- **Efficient video distribution to many viewers.** One hurdle that has existed for all live video streaming solutions is how to deliver video to broad audiences. For consumer video, content delivery networks have served this purpose by establishing content servers around the globe that would send streams to each individual viewer. A primary cost element for content delivery networks is egress bandwidth, which means the more content that is viewed the more charges are applied. Within private networks, for example. Within enterprise deployments of live video, multicast technology has often been employed to serve live video to broad audiences. However, multicast is difficult to deploy and support and is not available on public networks. P2P technology overcomes these challenges but P2P for video delivery is only available in proprietary solutions and to date has not been embraced broadscale due to security concerns and the lack of industry standardization.
- **Video encoding.** Video encoding is the process of compressing full-resolution video up to, and over 1,000 times in order to be efficiently transmitted across networks and to be efficiently stored. Video encoding has faced evolving standards (i.e., MPEG-2, H.264, HEVC) that require an increasing amount of computing power to realize increasing quality and efficiency. At the same time, the raw size of video has increased through standard definition, high definition, and now 4K and 8K resolutions. Both evolutions have created an exponential need for computing power to achieve real time (low latency) performance.

Our Competitive Advantages

Technological Advantage Through Industry Leadership and Deep Domain Knowledge

Armed with our eleventh generation encoding/decoding platform and having pioneered low latency video streaming and networking, we have an industry-recognized deep domain knowledge. We are a trusted partner in producing products that can reliably serve in the most mission critical real-time video operations. We have an established track record and a vast portfolio of innovative core proprietary technologies, developed by an experienced and dedicated team of engineers, that create a formidable barrier of entry to our competitors. That domain knowledge is exemplified in creating the SRT open source initiative enabling a new standardization for how video is streamed. See “Business and Industry – Our SRT Initiative”.

Integrated End-to-End High-Performance Solutions

Many competitors in our market segments provide single product solutions. In our core markets, we believe that both our channel partners and end-clients value repeatable solution proposals that include all core technology components integrated by a single vendor and do not require them to piece together technologies from different providers for their live video workflows. This solutions approach generally provides for more effective workflows, centralized administrative control and management of all video experiences, and a single point of supply and support. We believe we have a unique position by offering a hybrid environment that seamlessly integrates encoding/decoding edge devices with on-premise live video workflow solutions that can naturally scale to on-demand cloud services and together provide for real-time video connectivity locally, regionally, and globally.

Intelligent Video Connectivity

We have developed significant expertise in collecting data, analyzing it, and adjusting streaming processes and workflows to optimize end-to-end video delivery. For example, our edge encoders can adjust their bandwidth in real time in response to feedback provided by the SRT protocol. We also have artificial intelligence and machine learning-based content encoding and network optimization as currently exposed through our Lightflow solutions. We believe we derive a unique competitive advantage by having control over the entire technology stack which allows us to extract optimal value across different platforms and offer differentiated and highly integrated end-client solutions.

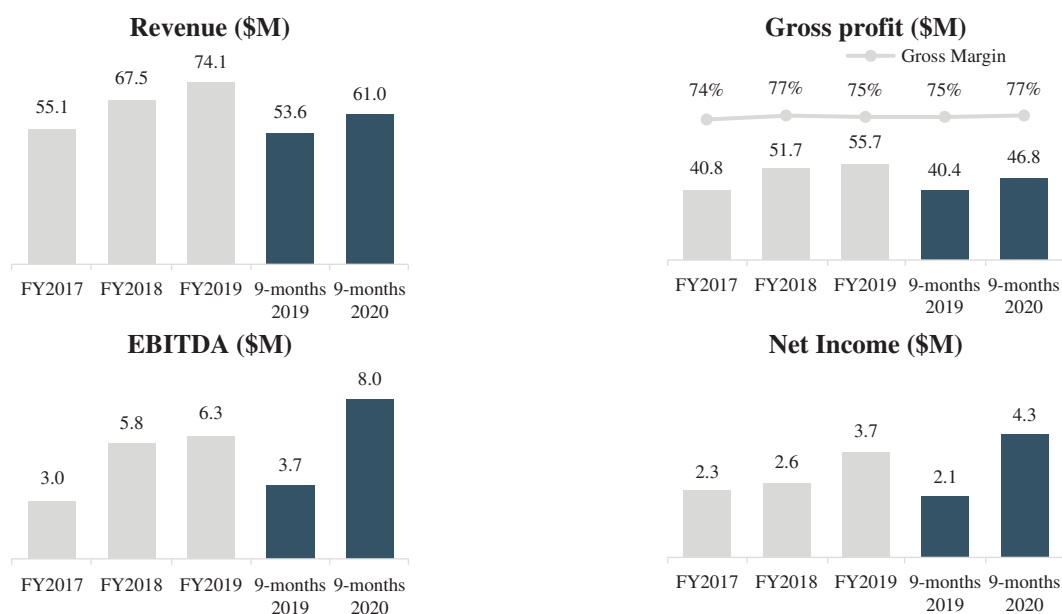
Longstanding Relationships with a Diversified Global Blue-Chip End-Client Base and Channel Partners

Through a combination of our direct sales team of 47 employees and a global channel partner network, we deliver video to global blue-chip end-clients including, but not limited to, SAP, Microsoft, Riot Games, Eurovision Services, governments, and others. We have an installed base of over 140,000 edge devices globally providing real-time video to our end-clients. We also benefit from a high degree of repeat business with 77% of our Fiscal 2019 sales generated from customers who purchased from us in the prior year. Although we have a blended sales approach, we stay very

close to our end-clients and channel partners before, during, and after the sale. We maintain positive relationships with our customers and end-users and offer maintenance, support and upgrade programs. Due to our market focus, our engineering teams are keenly attuned to the technical and business challenges of each particular market segment which we serve.

Track Record of Consistent Revenue Growth and Profitability

We have demonstrated consistent revenue growth with a 16% CAGR from Fiscal 2017 to Fiscal 2019. In addition to our 77% repeat business from customers, our revenue includes a combination of recurring revenues, multi-year deployment programs and maintenance contracts, providing us with strong revenue visibility. A history of profitable growth is important to us, as large global organizations look to us to provide mission critical solutions over multi-year programs. As we have evolved and grown, so has our mix of software-enabled solutions, providing us with economies of scale that have allowed us to maintain strong gross margins of 75% or more for Fiscal 2018 and Fiscal 2019, and gross margins of 77% for the nine months ended July 31, 2020. This evolution has enabled us to remain profitable regardless of the economic environment, resulting in positive net income since Fiscal 2015 (net income CAGR of 25% from Fiscal 2017 to Fiscal 2019) and 13 years of positive Adjusted EBITDA with a CAGR of 44% from Fiscal 2017 to Fiscal 2019.



Seasoned Leadership Team and Board with Deep Industry Expertise

Haivision was founded in 2004 by Mirko Wicha, our Chairman, President and CEO who has extensive experience in the tech sector and remains deeply involved in the overall strategic vision and daily operations of the Company. The management team is comprised of seasoned technology professionals with an average of more than 20 years of experience in the video industry. Haivision is further supported by a strong board of directors with solid relationships and an established track record of creating shareholder value both in public and private technology companies.

Our Growth Strategy

We believe there are numerous avenues underlying our current growth strategy:

Drive Strategic Alliances

The market for our solutions is broad, underserved and rapidly growing in demand. We believe that developing stronger technical associations within the ecosystem of strategic partners, such as Akamai Technologies, Inc., Microsoft Corporation, Amazon.com, Inc., Avid Technology, Inc. and Comcast Corporation, amongst others, and investing in channel management, and leadership summits will enable Haivision to expand its solutions offering and establish repeatable projects templates.

Increase Share of Customers' Network Footprint

Our end-clients' needs in IP video delivery and video infrastructure are quickly growing and their initial orders typically only cover a subset of their network needs, presenting additional opportunities to offer incremental products or solutions along the video information chain. We work alongside our clients to understand their needs and extend solutions through complementary products and application adjacencies.

New Solution Opportunities in Core Markets

In 2019, we introduced the concept and technology of Haivision Hub at the National Association of Broadcasters trade conference and privately launched the product in April 2020. The Haivision Hub is our SaaS cloud-native broadcast workflow, enabling live, low latency media routing across the Microsoft Azure network. Providing secure and reliable global transport for contribution, production, and syndication workflows, Haivision Hub is the ideal solution for organizations like broadcasters and video service providers seeking alternatives to costly satellite links, purpose-built fiber networks, or proprietary transport solutions. The Haivision Hub is currently offered to a limited number of customers and end-clients and a general rollout with additional features is scheduled for the first half of 2021. Furthermore, our research and development team continuously works on new technologies and pushes for the extension of capabilities into new enterprise video and government applications (e.g. new market specific enclosures for Makito encoders for more mission-critical deployment scenarios).

Haivision Connect is our next-generation SaaS platform designed to appeal to our customers in the enterprise market with modern, consumer-inspired design underpinned by the ease of use. Focusing on live streaming, video-on-demand, and multi-campus workflows, Haivision Connect enables organizations to create an online experience that matches their audience's onsite experience. The platform intelligently connects and centrally manages video streaming edge devices through scalable cloud infrastructure, accessed and operated from mobile devices. Haivision Connect is in the final stages of development and is scheduled to be offered in the first half of 2021. Operators can schedule and manage live and simulated-live streams and efficiently create social media connections, such as Facebook or YouTube, to make it easy to grow the audience and increase influence. Comprehensive and accessible dashboards provide relevant, results-oriented system status information and content analytics to ensure optimal operation and high audience engagement.

Leverage SaaS Cloud-native Video Workflows to Drive Recurring Revenue

Haivision Hub offers on-demand video routing with massive scalability and removes the complexity by automatically spinning-up regional cloud resources and determining the best path through the internet. Haivision Hub intelligently routes content into and out of third-party systems with programable connectors that extend the platform's capabilities. These connectors are designed to support customized workflows for delivering content to cloud services or on-premise systems.

Selectively Pursue Acquisitions

Since inception, we have established a strong and disciplined track record of identifying, acquiring and integrating highly complementary businesses, key technologies and personnel. We have successfully completed several fruitful acquisitions that have allowed us to expand our product portfolio and offer solutions to adjacent markets and applications including internet video streaming, digital signage and OTT video delivery. See "Our Business Model – Acquisition Criteria".

Our Business Model

Since 2004, we have transformed Haivision into a leading global video streaming infrastructure company. We have maintained consistent growth through acquiring and effectively integrating video technology businesses into our platform in order to scale, deliver better performance and drive significant synergies. Typically, these acquired businesses provide deeply embedded software and technology-enabled services. Post-acquisition, through technology integration and implementation of best practices, we integrate our capabilities, generate improved unit economics and provide a more holistic customer experience. Our focus on acquiring businesses with growth potential, managing them well and then building them has allowed us to increase cash flows and revenue growth since 2009. This strategy has generated cash flows which have been effectively re-deployed to further fund acquisitions and accelerate organic growth.

Acquisition Criteria

We believe that we have the opportunity to further expand our share of our total addressable market through organic growth. In addition, we have a proven track record of acquiring, integrating and leveraging complementary targets to increase revenues, geographic breadth, breadth of product, and technological capabilities. Having acquired six businesses over the last 12 years (including two in the last 12 months), we intend to continue to be a platform for industry consolidation. In that regard, we currently have an active acquisition pipeline, with over 50 prospective targets having been identified, comprising both public and private entities.

Our acquisition criteria include:

- Adjacent product technologies to expand our footprint within our installed base;
- Strong customer install base that could benefit from our solution set;
- Businesses in the video infrastructure “space” with recurring revenue models;
- Similar solution sets that can expand our geographic reach;
- Cutting edge technologies that enhance our existing product offerings; and
- Forward thinking skills to supplement our product realization processes.

As at the date of this prospectus, we have not entered into any confidentiality agreements with any prospective targets for the explicit purpose of exchanging information related to a potential acquisition nor have any non-binding letters of intent or memoranda of understanding with acquisition targets been exchanged. There is no assurance that we will be able to identify targets that meet our acquisition criteria nor can there be any assurance that we will complete any potential acquisitions on a timely basis, if at all. See “Risk Factors – Risks Related to our Business”.

Our History

Our business was founded in 2004 in Montréal, Québec by Miroslav (Mirko) Wicha, our Chairman, President and Chief Executive Officer.

In 2005, we introduced and pioneered the development of high performance and low latency H.264 codec technology. Our early products provided the video backbone for many of the telepresence platforms.

In 2009, we acquired Video Furnace, Inc., a live video management software business which had developed an IP video distribution system which enables simple and rapid deployment through a “software-on-demand” approach to player access and encourages user adoption through an easy to use player interface. We have honed the technology underlying the Video Furnace product through years of close collaboration with key customers within the education and enterprise market segments.

Later that year, our technological advantage was further demonstrated when we were selected as a key provider for secure, low latency video encoding, which marked our introduction into the U.S. government market.

Also in 2009, we introduced the award-winning Makito line of compact edge encoding and decoding products. Since then, we have developed and shipped multiple new and improved generations of video codec, and are currently offering our next generation of H.265 (HEVC) supporting 4K HEVC and HD 264 live video encoding for low latency streaming over IP.

In 2010, we acquired the assets of C.S. Software Holdings, Inc., including CoolSign, a digital signage software. Originally founded in 1998, CoolSign is a software-based solution that took advantage of industry standard signage player technology which lets customers effectively display, distribute, and control digital media on networked digital displays from a central location.

In 2011, we acquired KulaByte Corporation and Montivision, technology providers of live software-based encoding and transcoding technologies for OTT media distribution. KulaByte’s H.264 encoding software and systems delivered high quality internet streaming of HD content to Flash RTMP and HLS for the iPhone/iPad and other platforms.

In 2013, we introduced the SRT protocol. SRT, which stands for “Secure Reliable Transport”, was initially developed to optimize streaming performance across unpredictable networks with secure streams and simple firewall traversal. After testing and confirming SRT within our own products for three years, we decided to open source the technology and form the SRT Alliance in 2017. SRT quickly became a widely adopted standard endorsed by over 450 companies, including top names in broadcast and cloud technologies. SRT is a critical technology for cloud-based live video workflows and connectivity, and in 2019, we were presented a Technology and Engineering Emmy® Award for *Pioneering Reliable Transportation Method for Live Contribution and Distribution TV Links*.

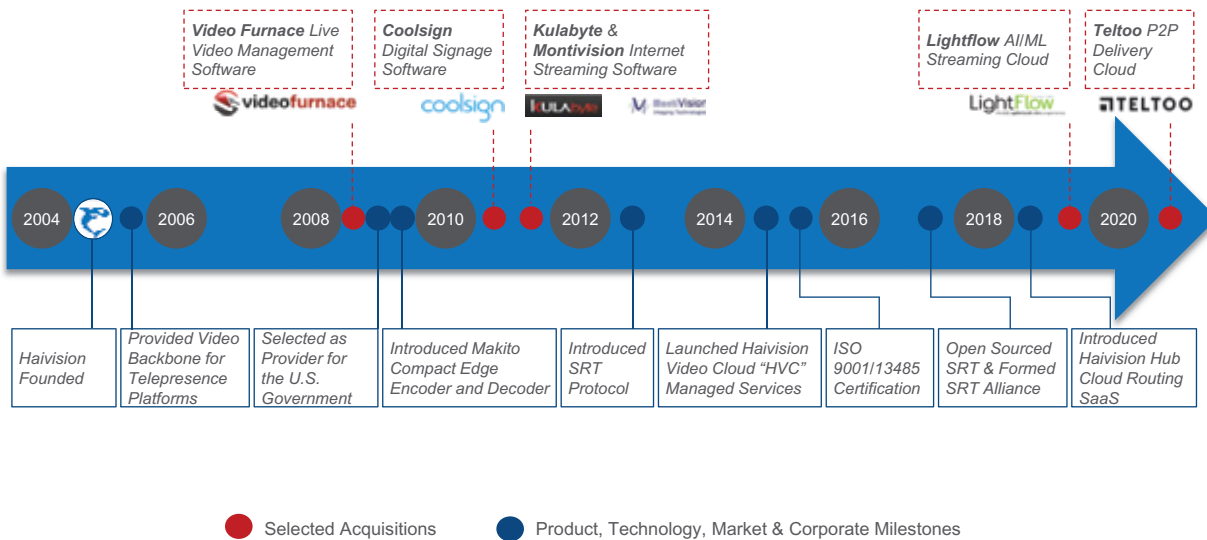
In 2014, we launched our cloud-based managed services offering, Haivision Video Cloud. Haivision Video Cloud is a full video content management platform that accommodates both broadcasting live events to connected audiences around the world or publishing on demand video across internal portals, company websites and mobile applications.

In 2019, we introduced the concept and technology of Haivision Hub which is a cloud routing SaaS for routing low latency, secure and reliable media for video contribution, production, and distribution workflows.

In 2019, we acquired Lightflow Media Technologies. This acquisition added artificial intelligence and machine learning technologies to our innovation platform to form the basis for advancement in content-aware video encoding, content indexing, object detection as well as optimization of video contribution, distribution and delivery. Lightflow’s technology suite also provides an advanced media cloud orchestration architecture, a foundation to accelerate our cloud strategy.

In 2020, we acquired the assets of Teltoo, a technology innovator for P2P and WebRTC enabled real-time video delivery. The acquisition further extended our expertise in cloud-connected live video from contribution and distribution now through delivery.

Corporate Timeline



Our Technology

Our technology provides the foundational layers for real-time video contribution, distribution, and delivery. From image encoding (after capture) to image decoding (before display) – collectively at the “edge,” our specialized intelligent edge devices rely on a hybrid platform constituting a connected cloud for video routing, processing, and management over various networks and transport mediums. Our technology stack spans hardware, embedded firmware, application software, and scalable cloud-native microservices. We believe that having control over the entire technology stack allows us to extract optimal value across different platforms and offer differentiated and highly integrated end-client solutions. These solutions are built upon a set of core proprietary technology components that we believe provide us with a technological competitive advantage.

To provide for comprehensive and tightly integrated solutions serving real-time video workflows, our technology supports the three main stages for such workflows, namely:

- **Contribution.** After image acquisition through sensors or cameras, contribution represents the first mile where the video is encoded at live event venues, executive boardrooms, or theaters of mission critical

operation, as an example, and transported to broadcast facilities, production studios, video processing centers, and others.

- **Distribution.** Distribution represents the middle mile where video can be manipulated or produced and then routed to broadcast *towers*, various datacenters, or remote branch offices, and others.
- **Delivery.** Delivery represents the last mile where video is packaged in consumable formats and transported to reach its intended audience at home, over the internet, in auditoriums, or at remote work locations, to name a few, where the video is then decoded.

Our technology's ability to handle end-to-end IP video across the above three stages (contribution, distribution, and delivery) forms a platform that is comprised of specialized devices and processing nodes, located at the edge, interconnected with a video management and networking fabric running on private and public clouds and on-premise. The hybrid system seamlessly leverages deployments on on-premise appliances, private datacenters clusters, and public cloud instances to accommodate various workflows and bridge between where the media originates and where it needs to be processed or consumed. Connectivity is assured via local, regional, and global video routing over LAN, WAN, and public internet. More specifically, our technology provides for the following:

- **Intelligent Edge.** Haivision's intelligent edge are devices or software systems located on premise and are often connected to the cloud infrastructure. Portable and high-density edge devices for live video encoding, transcoding, and decoding are powered by intelligent engines responsible for producing optimal coded image quality with bitrates dynamically adapting to various network constraints, and error correction invoked to overcome network and transport impairments. These engines are also responsible for image and metadata processing at the edge, as well as synchronized audio/video capture and playback across multiple encoding and decoding devices. The devices are centrally configured, monitored, and managed for efficient and reliable operations at large scale. Device and network analytics are aggregated from the edge in real time and centrally analyzed to attain optimal performance at the image quality and network characteristics levels. Edge nodes are also deployed to provide for local media management and video routing. These nodes enable maximum scalability and responsiveness for streaming at the edge and are the conduits feeding regional and global routing.
- **Connected Cloud.** Haivision's connected cloud is a hybrid orchestration layer extending from public cloud to private datacenters and on-premise deployments. The global and elastic layer provides for on-demand, scalable, and containerized microservices for video processing, routing, and management. Intelligent routing within and between global regions leverages low latency networks and streaming protocols supporting real-time video operations. Our technology connects the cloud which is otherwise a disparate system of global datacenters connected with an under-the-oceans mesh of cables. Scalability is assured by leveraging the elasticity of the cloud processing, while reliability and quality of service is assured through fully redundant systems and redundant routing infrastructure. Network analytics are also collected and leveraged for optimal routing decisions, maintaining the lowest latency possible regionally and globally.

A wide spectrum of technology disciplines is required to effectively realize an ecosystem combining an intelligent edge and a connected cloud. Our technology stack spans hardware, embedded firmware, application software, and scalable cloud-native microservices, providing the necessary breadth and depth as follows:

- **Hardware.** Hardware technology involves several core components, namely board-level design, field-programmable gate array (FPGA) programming and enclosure design, focusing, respectively, on optimal electronics routing and electromechanical placement minimizing physical and power footprint; performance and signal processing; and thermal management and ruggedization for extreme environments.
- **Embedded Firmware.** Embedded firmware technology runs on dedicated ASIC, DSP and ARM host processors, taking advantage of each component to optimally run audio/video encoding/decoding, along with media management and metadata manipulation.
- **Application Software.** Application software technology runs on Intel-based servers and ARM-based mobile devices, providing for a complete IP video system over LAN, WAN and public internet. Software runs natively in multiple operating systems or in a virtualized environment. The software leverages CPU, GPU, and dedicated acceleration hardware for ultimate performance on a variety of platforms. The software also leverages high-performance, modular C/C++ engines, and a full web stack built with industry-standard frameworks for ultimate portability.

- **Cloud-native Microservices.** Cloud-native microservices are deployed in containerized environment that can run natively on multiple public cloud infrastructure. The services are orchestrated across hybrid deployments and can extend to private datacenters leveraging ubiquitous Docker containers run with Kubernetes management clusters. Elastic and on-demand resources are dynamically spun globally wherever and whenever needed.

Spanning the different technology disciplines to extract optimal value across various platforms, we have built core proprietary technology components that we believe provide us with a technological competitive advantage. Our portfolio of core proprietary technologies developed over the years includes the following:

- **Low Latency Encoding, Decoding and Transcoding.** We maintain one of the industry’s lowest latency measured in the elapsed time between image capture/encoding and image decoding/display, critical in real-time video applications. This is achieved through a set of proprietary algorithms minimizing the encoding/decoding latency without jeopardizing picture quality. These algorithms further extend to include adaptive buffering techniques constantly maintaining small packetization buffers while still compensating for any processing or network jitter, effectively ensuring low latency while maintaining a seamless viewing experience.
- **Picture Quality and Performance.** We support the ubiquitous H.264 and HEVC video compression (video coding) standards, maximizing coding efficiency in both cases. Video coding efficiency is measured by the ability to achieve the highest picture quality at the lowest bitrate possible, which is essential for bandwidth constrained networks across a variety of applications. Our coding and rate control techniques ensure a low number of bits required to reproduce the best possible image for different types of content while minimizing the volatility of bitrate variations to avoid network traffic spikes. We believe that our video coding technology is geared to maximize effective video bitrate and minimize bandwidth utilization while maintaining the highest image quality.
- **Content Security and Platform Integrity.** Content security is the ability to protect the content through encryption schemes (AES, PSK, DTLS) and to support Conditional Access to media. Our technology is designed to encrypt/decrypt audio and video between different sources and destinations, as well as to manage encryption key distribution and crypto-secret sharing between end points. Our computing platform is further protected against intrusion or tampering through several levels of industry-standard security measures designed according to the National Information Assurance Partnership requirements including Common Criteria (an international program in which accredited laboratories test information technology products against standard cyber security specifications) certification. This protection along with maintaining records’ privacy ensures compliance with the Health Insurance Portability and Accountability Act (“HIPPA”). Common Criteria and HIPPA compliance are critical for system adoption in the medical/healthcare, government and enterprise market segments.
- **Networking and Streaming.** Our technology is designed to maintain high video quality of service and data exchange reliability over a variety of networks and network conditions, assuring real-time video transport over managed and unmanaged networks. Data persistency techniques are deployed to accommodate long-delay and high-latency networks and ensure system operational integrity. Advanced algorithms are developed to guard against transmission packet loss and network bandwidth fluctuations using such techniques as forward error correction (FEC), automatic retransmission requests (ARQ) and adaptive bitrate (ABR) streaming. We created the widely adopted SRT open source standard for low latency video contribution over unreliable networks. We have also pioneered low latency segmented video delivery developed within DASH Industry Forum, leveraging chunked encoding and low latency CMAF/DASH packaging. High levels of system compatibility and interoperability are assured by various trans-rating, trans-formatting and trans-wrapping technologies, along with the support of a wide range of compression and content formats and streaming protocols. That allows content to be recognized by different devices using different compression standards, including MPEG-2/4, H.264, and HEVC video compressions, wrapped in variety of content formats such as TS, fMP4, and CMAF, and transported using SRT, MPEG2-TS, RTP, RTMP, HLS, and DASH streaming formats.
- **P2P Network Delivery and Analytics.** Our P2P technology is designed to ensure video delivery at scale over networks where unicast does not provide the proper scale and multicast is not an option. The technology offers scalable delivery option where traditional content delivery networks fail to serve. Network integrity is

assured with centralized peer management and analytics aggregation, while low latency is maintained using WebRTC data channel for transport between peers. Our P2P technology is further strengthened with advanced decentralized peer management algorithms and real-time streaming between peers, drastically increasing the scalability of the system while lowering the latency of delivery. Network and playback analytics are centrally gathered and structured to be visualized through elaborate performance dashboards allowing for manual intervention and further data exploitation through artificial intelligence/machine learning to adaptively optimize performance.

- ***Artificial Intelligence and Machine Learning.*** We deploy advanced artificial intelligence/machine learning/ techniques to optimize video encoding and delivery. Our adaptive context aware encoding algorithms leverages artificial intelligence/machine learning to optimize the bitrate and quality of compressed video-based on the nature and complexity of the scene, the network bandwidth and conditions, and end playback devices and screen sizes. We have developed our own high-performance video quality metric based on PSNR, VMAF, SSIM, and playback performance, which runs in real time and measures the quality of experience from the viewers perspective. That inference-based metric is used to train our machine learning algorithms using hundreds of thousands of video clips. Our AL optimizations for video encoding leverage industry-standard frameworks and deploy CatBoost (an open-sourced machine learning algorithm that uses gradient boosting on decision trees) and CNN (a convolutional neural network, a class of deep neural networks, most commonly applied to analyzing visual imagery) inference algorithms, achieving real-time performance for optimizing encoded bitrate and video quality. Similar artificial intelligence/machine learning techniques are used to optimize network utilization and routing for video delivery over a variety of networks, including content delivery networks and P2P networks.
- ***Device Control and Communications.*** We deploy IoT-based techniques to centrally configure, monitor, and manage edge devices and edge nodes running on dedicated appliances, virtual machines, or containers clusters over a variety of network topologies extending from hundreds to tens of thousands of nodes. This includes upgrades, health monitoring, configuring network and encoding parameters, remote control, and others.

Our core technology components are architected within multi-platform frameworks and modular software components supporting tightly integrated products. These common frameworks and components are leveraged across a variety of products providing for different features and capabilities across the IP video systems while enabling rapid development and minimizing time-to-market and maintenance costs.

Our Products and Solutions

The IP video transformation and the rapid adoption of cloud-based workflows are fundamentally changing the landscape of real-time live video solutions. We believe that the market focused on real-time video applications is highly fragmented with disparate solutions based on loosely integrated edge devices, on-premise solutions poorly adopted to cloud workflows, and solutions that run exclusively in the cloud decoupled from existing on-premise workflows. This approach often leads to a poor integration experience which manifests itself in poor quality and latency, while also exposing customers to increased integration costs and security liability.

What We Offer: Connected Cloud | Intelligent Edge



We develop products supporting real-time live video workflows across their entire cycle from the first-mile contribution, through the middle-mile distribution, to the last-mile delivery. Haivision edge encoding/decoding devices reliably and securely provide live HD and UHD video, at high quality for a given bandwidth capacity, with industry-leading low latency. These edge devices are centrally monitored and operated, with optimal performance assured through aggregated video and network analytics. On-premise management and routing nodes support live video workflows over LAN, WAN, and public internet. They enable secure live IP video and include: encoding, transcoding, streaming, recoding, managing, routing, decoding, and playing back. Cloud routing and inline processing infrastructure provides for low latency regional and global connectivity.

This complete end-to-end platform enables us to strategically focus on high-value enterprise and government market segments that other vendors may have difficulty servicing since they lack the tenants of an end-to-end solution across all delivery modalities, reliability, security and low latency that are paramount to our success. We are a trusted partner for mission critical video in these high value market segments.

While many of the markets that we serve benefit from the integrated end-to-end proposition, many of the products also have stand-alone applications. Our products are characterized based on the premise of an intelligent edge and a connected cloud, where specialized edge devices for image capture/encode and image decode/display rely on an on-premise and cloud hybrid platform for device management and video connectivity over various networks and transport mediums.

Encoding, Decoding, Transcoding

Encoding, decoding and transcoding are fundamental to any video streaming workflow. Our solutions consist primarily of three groups of families, which include:

- **Makito X4 Series:** Our eleventh-generation award-winning hardware edge devices which are designed to encode and decode 4K/UHD HEVC and H.264 video formats and support low latency end-to-end streaming over IP suitable for live and interactive video applications. Makito devices include advanced features such as Network Adaptive Encoding for uninterrupted streaming under varying network conditions, Stream Sync for synchronized live streams over IP supporting remote production, and advanced metadata handling for mission critical applications.
- **KB:** Our software encoder and transcoder which delivers high-quality video streaming for resolutions up to 4K/UHD and is specifically designed for adaptive bit rate stream delivery providing the highest quality live video to a global internet audience on any network or device.
- **Kraken:** Our software high-density, low latency tactical live video encoder and transcoder which is capable of grooming video streams to traverse different networks and feed enterprise distribution networks. Specific applications include grooming high bandwidth ISR (Intelligence, Surveillance, Reconnaissance) streams for transport across constricted satellite networks and grooming high bandwidth digital video broadcast streams for distribution throughout a facility for IPTV.

Distributing, Managing, Recording

Haivision Media Platform (“HMP”): Our premiere software platform solution which provides multi-site, low latency live video distribution. HMP distributes real-time live video streams to all authenticated users across facilities or remote locations, including at home audiences. Running on the cloud or on-premise server installations, HMP is designed for use in organizations with the most stringent security requirements. HMP assures confidentiality with live video streams protected with AES encryption and content watermarking. Our HMP platform provides the tools to control content and manage all browser-based players and set-top boxes centrally, with granular controls to schedule and distribute specific content on any managed display. The platform further provides the tools for managing operational content and enabling critical live monitoring, recording, and aggregation of real-time video feeds.

Controlling & Managing Devices

Haivision Element Management System: Our cloud software-based solution which enables the streamlined management and monitoring of geographically distributed edge devices within a single web-based graphical user interface. Devices are paired to Haivision Element Management System over a secure bi-directional communications link providing real-time status updates and enabling instantaneous identification and resolutions of operational issues as they may arise. The hybrid cloud and on-premise platform enables administrators to easily organize and tag devices into different groups based on workflow function, location, or any other criteria, providing full visibility into where each element is located and what valuable function it serves. Operational efficiencies are also realized by leveraging the platform to centrally verify individual device firmware versions and perform batch upgrades to multiple devices.

Video Routing

Effective and low latency signal routing is essential for real-time video workflows. To that end, we provide two targeted offerings in service of that function as follows:

Haivision SRT Gateway: Our hybrid software-based solution which is a highly flexible and scalable solution for secure routing of live video streams across different types of IP networks. By serving as a network bridge and converting between protocols, our SRT Gateway provides for effective live video routing to one or multiple destinations for content production and distribution. The platform connects different source and destination points over any type of network and assures interoperability by seamlessly converting between streaming protocols. SRT Gateway is available as a dedicated appliance or for deployment in the cloud and is specifically designed to facilitate live streaming over complex video workflows including remote contribution, backhaul, return feeds, bi-directional interviews, and content distribution for international syndication and sharing with affiliates.

Haivision Hub: Our SaaS cloud-based service for live, low latency media routing across the Microsoft Azure network. Providing secure and reliable global transport for contribution, production, and syndication workflows. The platform offers on-demand video routing with massive scalability and removes the complexity by automatically spinning-up regional cloud resources and determining the best path through the internet. Haivision Hub intelligently routes content into and out of third-party systems with programmable connectors that extend the platform's capabilities. These connectors are designed to support customized workflows for delivering content to cloud services or on-premise systems.

Playing Back and Displaying

Our solutions for playing back and displaying consist of two groups, our Haivision Play Set-Top Boxes and Haivision Play Pro.

Haivision Play Set-Top Boxes: Our Haivision Play Set-Top Boxes deliver reliable, secure, high-definition video to displays for the Haivision Media Platform or as standalone multisite audience devices. They are centrally managed and provisioned, seamlessly delivering a high-quality viewing experience with support for HD and 4K/UHD content.

Haivision Play Pro: Our app that offers a quick and easy way to watch and create video streams from anywhere on mobile devices. Supporting H.264 and HEVC streamed over SRT, HLS or UDP protocols, Haivision Play Pro provides operational flexibility when it comes to monitoring live production feeds from the field, and offers a straightforward way to reliably monitor streams in real time from a mobile device using the public internet. We received a National Association of Broadcasters Show Product of the Year Award in 2020 for Haivision Play Pro in the category of Remote Production.

Our SRT Initiative

One of the anchors to our strategy is the SRT initiative. SRT has become a platform that solves fundamental problems for video streaming, extends our market leadership across the entire video streaming industry, and is a continued platform for our growth through strategic partnerships.

SRT – Secure Reliable Transport

In 2012, we detected the need within our markets to extend video workflows beyond private networks, and clients challenged us with replacing satellite video transport with IP based video transport over public networks. We have significant experience in solving some of the fundamental associated challenges, including (i) securely transporting video across networks, (ii) adding intelligence within the video stream to recover packets that are lost during transport across unpredictable networks, and (iii) detecting network performance from live stream source to destination.

We then created the SRT technology package and interoperability protocol based on these technology elements as they could be applied to public internet transport of low latency video. In 2013, we demonstrated SRT at the International Broadcasting Convention and then released SRT support within our own products in 2014. SRT quickly became a highly used protocol for us, with internet-based video transmission as a use case growing from a boutique application to a standard application and leading to a significant competitive advantage for us.

In late 2016, the market for public internet transport of live video was shifting. Proprietary offerings were emerging and being adopted within the industry with some competitors developing strong ecosystems of supported products. Additionally, there was market speculation that industry standards groups were beginning to discuss a solution to the problem of low latency video transport. In early 2017, we made the decision to lead the market and open source SRT. At the National Association of Broadcasters trade conference, we announced the initiative to a broad industry welcome with some vendors implementing the protocol within hours of its release.

The SRT Alliance

Coincident with the release of SRT open source, we formed the SRT Alliance, an initiative to promote the adoption of SRT across the streaming industry. Within four months, 40 industry leading companies showed their support for the adoption of SRT by joining the SRT Alliance. To date, over 450 have joined the SRT Alliance,

including leading cloud providers Microsoft, Alibaba, Tencent and Tata Communications; leading video technology providers including Harmonic, Imagine Communications, Grass Valley, and Ericsson; video platforms including Kaltura, Brightcove, and Ooyala; content delivery networks Limelight, iStreamPlanet, Deluxe, and Perform; and media companies Comcast and the European Broadcast Union’s Eurovision Services. In addition, many companies have adopted SRT without publicly joining the SRT Alliance, such as Sony and IBM. Haivision’s SRT Alliance has hosted dozens of industry panel sessions and webinars to continue to promote the adoption of SRT.

We were awarded an Emmy Award for Technology and Engineering in 2018 from the National Academy of Television Arts and Sciences for the development of SRT (for *Pioneering Reliable Transmission Method for Live Contribution and Distribution TV Links*) and were presented the award at a ceremony in April 2019 held in conjunction with the National Association of Broadcasters conference.

Technologists from Haivision and SK Telecom presented SRT to the Internet Engineering Task Force for consideration as an industry standard in March of 2020. The SRT open source project is hosted on Github (<https://github.com/Haivision/srt>). To date, over 60 different collaborators have contributed to the SRT development and its success. Critical additions have been the support of file-based transfer, stream multiplexing, and recently multi-path stream redundancy.

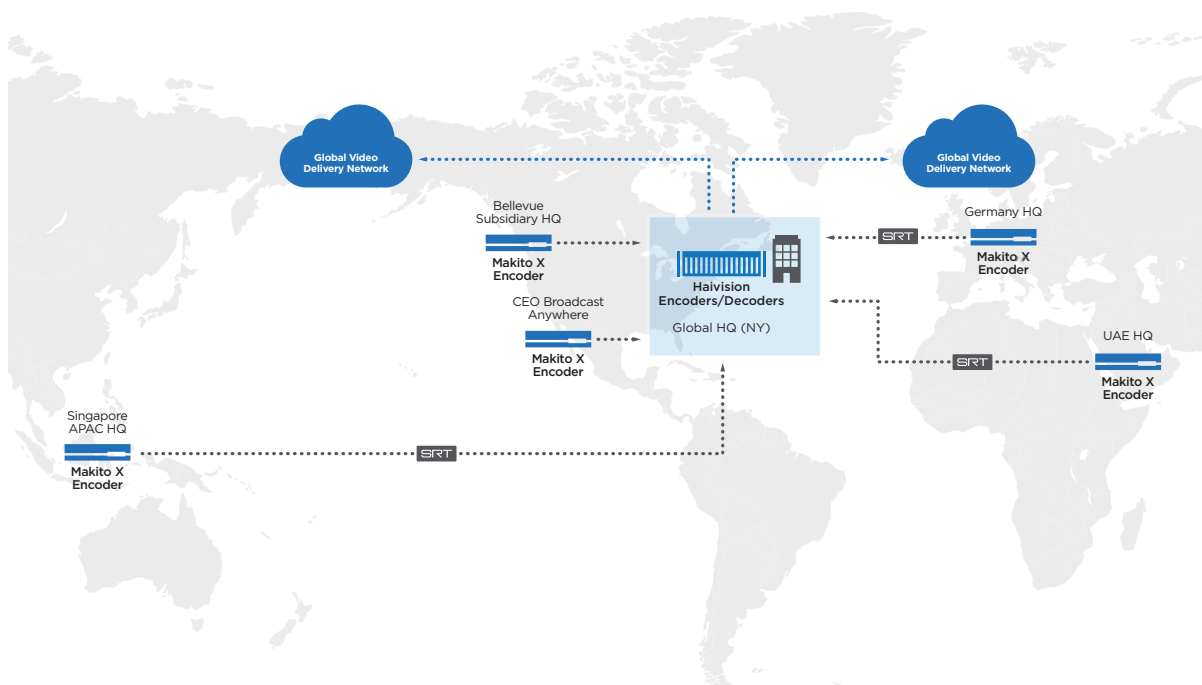
Our Customers & End-Clients

Our customers are comprised of a mix of end-clients that use our solutions and buy them directly from us and intermediary channel partners that buy our solutions and ultimately sell them to a variety of different end-clients who use our solutions (see “- Sales and Marketing”). As a result, we have limited customer concentration with our top 50 customers accounting for 61% of our Fiscal 2019 sales. We have also amassed a strong diversified global blue-chip end-client base including 32 that are part of the Fortune 50. In cases where we sell through a channel partner, we maintain a continuous relationship with the end-client through our support programs and continuous account management by our sales organization (with the exception of original equipment manufacturer integrators).

End-Clients Case Studies

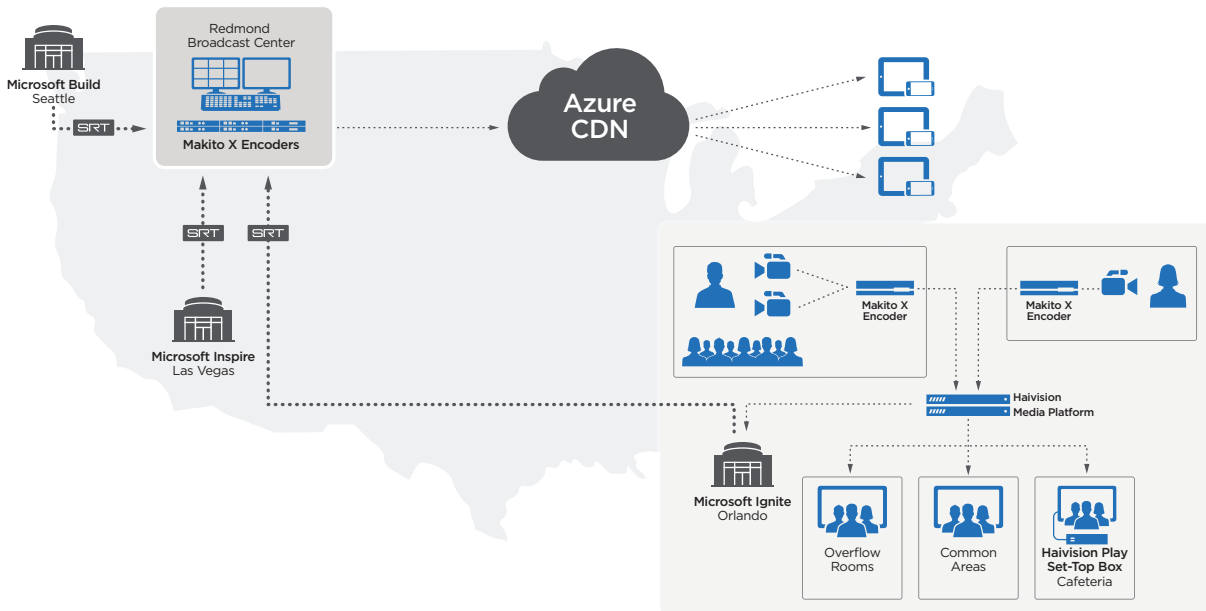
SAP – Video Connectivity and Streaming for Corporate Communications

SAP globally relies on Haivision solutions to connect facilities together with high performance video and to fuel their internal communications events, such as corporate town hall meetings and executive broadcasts. The portability of the Haivision solutions and the native ability of the solutions to provide connectivity over any network allows SAP to originate content within their offices, at event centers and hotels, and even at the homes of executives when they are unable to travel.



Microsoft – Video infrastructure for all major corporate events

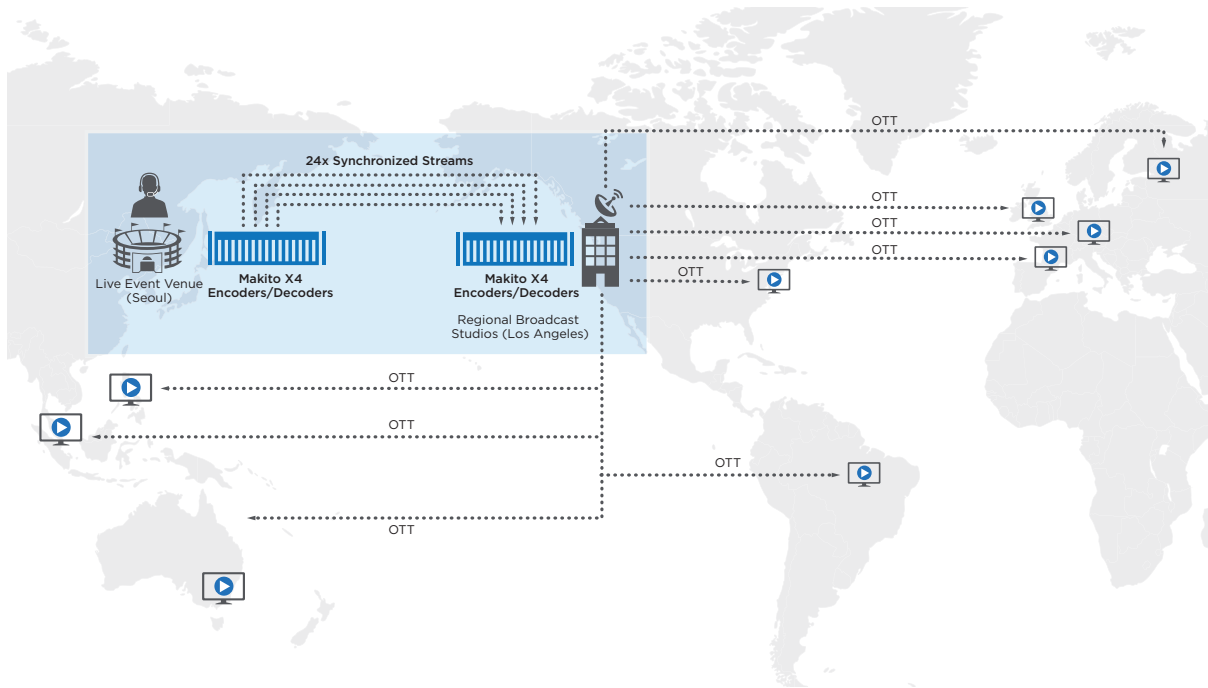
Microsoft initially turned to our Makito and SRT solutions to use as a backup to fiber and satellite for their chief executive officer’s broadcasts from their major customer and partner conferences (Microsoft Inspire, Microsoft Build, Microsoft Ignite, and more). These events cater to hundreds of thousands of virtual and in person attendees and feature hundreds of conference sessions, panels, and an extensive exhibit hall. Facing increasing venue sprawl at each conference, Microsoft then turned to our Haivision Media Platform to record the sessions, stream them throughout the venues, and eventually replace the satellite links to their production center at their Redmond, Washington campus to help fuel the global streaming of these events over their Azure network.



“We’re dealing with infrastructure that can be unreliable, and so using Haivision along with SRT, we get a much more robust feed, ensuring high-quality low-latency feeds for viewers in any location. The setup and implementation are simple, and training content operators takes all of two minutes,” said Jeff Tyler, Digital Media Experience Lead of Microsoft.

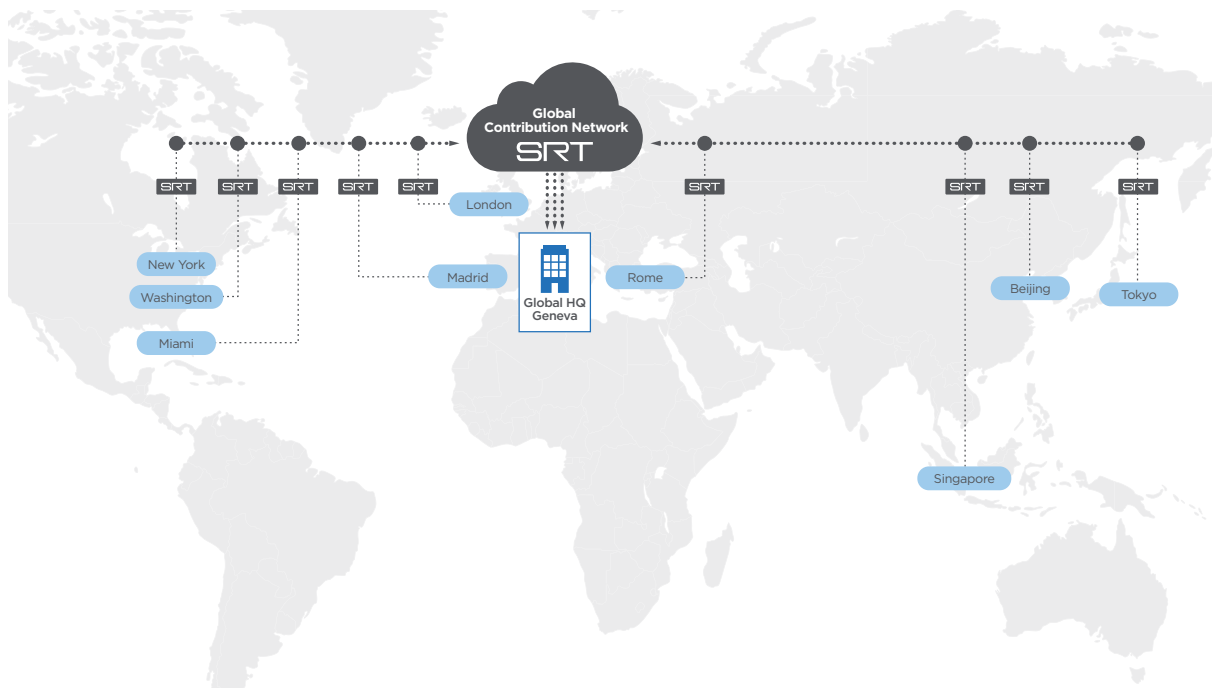
Riot Games – Remote production for global eSports broadcasts

Faced with the challenge of scaling the scope of the League of Legends world championship circuit held in cities globally throughout the year and many attracting over a hundred million viewers, Riot Games, a large American video game developer, publisher, and esports tournament organizer, wanted to change the cost approach to production. By using our high performance video networking, Riot Games streamed each individual camera (up to 30 simultaneously) from the event sites (for example stadiums in Korea and France) to their production center in Los Angeles, where the streams were then produced by 16 production teams (one per major language) for broadcast to global audiences. By adopting this remote production technique, powered by the performance of our solutions, Riot Games was able to reduce the amount of staff sent to each location from 200 to about 20, reduced set up times from seven days to just over one day, and reduced the network requirements for video by tenfold. The integrated solution was a finalist in the coveted IBC Innovation Awards in 2019.



Eurovision Services – Global Video Contribution Network

Eurovision Services, a subsidiary of the European Broadcasting Union, provides media services to media organizations and sports federations at a global scale. In cooperation with Haivision, Eurovision Services has established its global live contribution and cloud connectivity service based on SRT. “The tremendous growth in membership of the SRT Alliance since Eurovision Services joined in 2017 shows the power of open source protocols in taking our industry forward,” said Marco Tinnirello, CEO of Eurovision Services. “The recent announcement that Alibaba Cloud has become one of the latest members of the SRT Alliance is further confirmation of the protocol’s industry-leading status. We are proud to have been part of the SRT Alliance since its early days and the confirmation of our SRT ready status offers further proof that our Eurovision Global Network is equipped to handle low-latency streaming.”



Government

Haivision has been supporting mission critical video deployments within governments and government agencies for over 12 years. Our solutions deliver IPTV and internal live communications feeds throughout parliaments, congresses, and embassies globally, as well as within agencies and departments that rely on immediate access to broadcast channels to respond to global events. They also support first responders and homeland security operations at federal, state, and local levels to address emergency situations. Our low latency video networking solutions have been extensively deployed by many governments for both border protection and defense initiatives supporting video dissemination within country and globally for both fixed long-range cameras and mobile sensors for ISR (Intelligence, Surveillance, Reconnaissance) operations and situational awareness.

Manufacturing, Production and Suppliers

We outsource the manufacturing, assembly and testing of our proprietary hardware components to contract manufacturers with facilities located in Canada. All of our proprietary products are manufactured on a purchase order basis whereby we detail the types and quantities of each of our products to be manufactured and the associated delivery terms. We have predefined minimum quantities and lead times in our purchase orders to minimize any product supply shortages that we may encounter due to unexpected fluctuations in demand or manufacturing capacity. We believe that our manufacturing and logistics processes allow us to preserve our working capital, reduce manufacturing costs and optimize fulfillment while maintaining product quality and flexibility.

We source components included in our products from various suppliers. A majority of the components necessary for production are standard off-the-shelf components.

Our operations group oversees the manufacturing process and maintains relationships with our contract manufacturers, product suppliers and other component suppliers. Our products are either shipped to our facilities in Montréal, Québec for further assembly, testing, packaging and distribution or, to a far lesser extent, are shipped directly from our contract manufacturers to our customers.

Sales and Marketing

Direct sales organization. We sell our products and services through a global sales organization comprised of lead management, inside sales, field sales, and sales engineering. As of September 30, 2020, we had a sales force consisting of 47 employees worldwide. Our sales team is organized by geography, including Asia-Pacific, North America, Latin America, Europe, and the Middle East. Depending on the region, we further organize our sales force into teams focused on particular vertical markets, including enterprises and governments.

Channel partners. We frequently use channel partners (fulfillment partners, resellers, systems integrators, and original equipment manufacturer integrators) to serve particular regions, fulfillment challenges, and/or markets. The majority of our sales went through channel partners.

Internationally, most of the sales relationships exist in cooperation with a regional channel partner. Such channel partners promote and fulfill our solutions in their regions and/or markets. Within the U.S., and in particular with governments, channel partners act mostly for product fulfillment with project identification, and the majority of the sales and support relationships are handled directly by us.

Marketing. We generate leads for our sales organization and build brand awareness through our marketing programs. These programs are mostly designed to be market specific with a number of programs supportive of the video streaming segment in general, specifically those related to the promotion of SRT through the SRT Alliance activities. Specific marketing channels most often used include:

- Public webinars and other online digital events;
- Organizing and participating in public panel sessions at industry events;
- Content and related search engine optimization initiatives;
- Social media and press relations;
- Paid digital promotion;
- Direct email marketing;
- Sponsorship and attendance at online industry events and trade shows; and
- Cooperative marketing with strategic and SRT Alliance member partners.

Intellectual Property

Our intellectual property is a key element of the success of our business. In accordance with industry practice, we protect our proprietary products, technology and competitive advantages through a combination of contractual provisions and trade secrets, patents, copyright and trademark laws in Canada, the United States, Europe and other jurisdictions in which we conduct our business. We also have confidentiality agreements, assignment agreements and license agreements with employees and third parties, which limit access to and use of our intellectual property.

As of July 31, 2020, we had two issued U.S. patents, two issued Canadian patents and one patent application pending in the European Union. Foreign patents and applications are based on our issued patents.

We have been issued trademark registrations in the United Kingdom covering the trademarks “Haivision”, “Haivision Play”, “KB”, “Kraken”, “Makito”, “SRT” and “SRTHub”. We have been issued trademark registrations in the European Union covering the trademarks “Haivision”, “Haivision Play”, “KB”, “Makito” and “SRTHub”.

We are subject to risks related to our intellectual property. For more information, see “Risk Factors – Risks Related to our Business”.

Competition

The video streaming industry is highly fragmented with several vendors providing elements spanning contribution (video encoders), through distribution (digital media distribution services) and on to delivery to players and display devices (content management, integrated video players, decoders and streaming appliances). As such, we are faced with competition from various point product vendors across our product solution range. Within the market, vendors typically have a primary focus on edge devices or management/cloud solutions. Industry participants exert competitive advantages based on price, performance, the depth of feature sets, the breadth of their solution offering, or sales and marketing power.

In order to minimize integration points and the multitude of vendors in any given project, clients expect that industry participants completely serve their portion of the entire video workflow with end-to-end solutions. We expect the competitive landscape will change as our market consolidates and matures and that the principal competitive factors include the following:

- The ability to provide integrated solutions that combine edge and cloud technology;
- Interoperability and integration with adjacent solutions and corporate systems;
- A strong approach to security;
- A strong approach to standards compliance;
- The ability to scale price/performance as provided by hardware and software solutions;
- Establishing top customer relationships within target market segments;
- Ease of deployment of solutions;
- Accessibility of free or low-cost trial solutions;
- A strong approach to analytics;
- The ability to apply artificial intelligence and machine learning technology to optimize price/performance;
- Expertise in the application of metadata with video; and
- Strategic partnerships for broad market leverages.

In the video streaming infrastructure market today, we segment the competitive landscape into three key categories: contribution, distribution, or delivery of media. Within these three categories, the competitive criteria and the companies that we generally compete with are outlined below:

	<u>Contribution</u>	<u>Distribution</u>	<u>Delivery</u>
Criteria	Real time performance, Bandwidth/quality, Security, Form factor, Network adaptability	Global real time performance, User interface simplicity, Third party system connectivity, Automated cloud provisioning, Network adaptability	Security, Low latency live video, Network agnostic, End-to end solutions, Enterprise compliance
Select Companies	Ateme, Cisco Systems Inc., Harmonic Inc., LiveU Inc., Matrox Electronic Systems, Teradek LLC, Telestream LLC, Vitec	AWS Elemental, Century Link, LTN Global Communications, Inc., Wowza Media Systems Inc., Zixi LLC	Brightcove Inc., IBM Cloud Video, Kaltura Inc., Qumu Corporation, Vimeo Inc.

Employees

As of September 30, 2020, we had 251 full-time employees, of which 118 are located in Canada, 80 are located in the United States, and 53 are located in other jurisdictions.

Of our 251 employees, 101 are engaged in research and development, product management and quality assurance functions. These employees possess a combination of engineering competencies in video compression, IP video protocols, hardware design and component engineering. With development offices in Montréal (Canada), Madrid (Spain), Rendsburg (Germany), Chicago, Portland and Austin (United States), we are a global organization with access to a large pool of talent, as these cities are home to excellent technical schools and universities.

An additional 72 employees are engaged in sales and marketing activities throughout the world, and 28 employees are engaged in technical support and professional services functions, with the remaining employees serving in administrative, production, information technology and human resources positions.

We recruit our employees in a variety of ways and look for talent that fits within our culture and is focused on growing with us over the long-term. We are also deeply committed to providing an inclusive environment valued on diversity and equality. None of our employees are represented by a labour union or are covered by a collective bargaining agreement. We have never experienced any work stoppages, and we consider current employee relations to be good.

Properties

Our corporate headquarters is located in Montréal, Québec, and consists of approximately 28,000 square feet of office space and an additional 4,200 square feet of production space. The lease for this office expires in April, 2030. Our Montréal facility includes our main administrative, research and development, marketing, technical support and production functions.

Our office located in Chicago, Illinois is our U.S.-based headquarters and consists of approximately 7,300 square feet. The lease for this office expires in June 2026. Our Chicago facility includes administrative, research and development and technical support functions.

We have also established smaller research and development centers in the United States (Beaverton, Oregon and Austin, Texas), Spain (Madrid) and Germany (Rendsburg), and additional sales offices in Atlanta, Georgia.

All of our facilities are leased. We believe that our current facilities are suitable and adequate to meet our current needs. We plan to add new facilities or expand our existing facilities as necessary. We do not foresee any issues finding available space to accommodate our future expansion plans.

SELECTED HISTORICAL FINANCIAL AND OTHER DATA

The following tables present selected consolidated financial information for the periods and as at the dates indicated therein. The selected consolidated financial information set out below for each of Fiscal 2019, Fiscal 2018 and Fiscal 2017 and as at October 31, 2019 and 2018 has been derived from the Company's audited Annual Financial Statements included elsewhere in this prospectus. The selected consolidated financial information set out below for the nine-month periods ended July 31, 2020 and 2019 and as at July 31, 2020 has been derived from the Company's unaudited interim consolidated financial statements included elsewhere in this prospectus.

Prospective investors should review this information in conjunction with the audited and unaudited consolidated financial statements, including the notes thereto, as well as "About this Prospectus", "Non-IFRS Measures", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Use of Proceeds", "Description of Share Capital", "Description of Material Indebtedness" and "Consolidated Capitalization" included elsewhere in this prospectus.

Consolidated Results and Earnings

	Nine Months Ended July 31,		Fiscal Year Ended October 31,		
	2020	2019	2019	2018	2017
	(amounts in thousands of Canadian dollars)				
Revenue	60,988	53,622	74,090	67,480	55,061
Cost of sales	14,152	13,226	18,424	15,753	14,276
Gross profit	46,836	40,396	55,666	51,726	40,785
Expenses					
Sales and marketing	14,604	13,963	19,007	20,706	19,003
Operations and support	3,807	3,918	5,220	5,895	3,711
Research and development	14,856	13,753	18,389	13,000	11,172
General and administrative	6,824	5,937	7,844	7,652	6,186
	40,091	37,571	50,461	47,253	40,072
Operating profit	6,745	2,825	5,205	4,473	713
Financial expenses	267	(151)	(116)	660	(1,623)
Earnings before income taxes	6,478	2,976	5,320	3,813	2,336
Income taxes	2,168	877	1,643	1,236	(4)
Net income	4,311	2,100	3,677	2,577	2,340
Other comprehensive income					
Foreign currency translation adjustment	222	5	17	226	(471)
Comprehensive income	4,533	2,105	3,694	2,803	1,868
Net income per share (basic and diluted)	23.81	11.42	20.08	13.72	12.46
Weighted average number of shares outstanding (basic and diluted)	181,010	183,786	183,171	187,835	187,835

Consolidated Statements of Financial Position

	<u>As at July 31,</u>	<u>As at October 31,</u>	
	<u>2020</u>	<u>2019</u>	<u>2018</u>
	(amounts in thousands of Canadian dollars)		
Assets			
Current assets	30,912	24,222	29,671
Non-current assets	25,010	21,830	19,645
Liabilities			
Current liabilities	20,713	19,610	24,325
Non-current liabilities	6,543	2,082	2,617
Total Equity	<u>28,666</u>	<u>24,361</u>	<u>22,375</u>

Reconciliation of Non-IFRS Financial Measures

EBITDA and Adjusted EBITDA are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. See “Non-IFRS Measures”.

	<u>Nine Months Ended</u>		<u>Fiscal Year Ended</u>		
	<u>July 31,</u>		<u>October 31,</u>		
	<u>2020</u>	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
	(amounts in thousands of Canadian dollars)				
Operating profit	6,745	2,825	5,205	4,473	713
Depreciation	459	537	705	783	1,370
Amortization	842	—	—	39	88
EBITDA	8,046	3,362	5,910	5,295	2,170
Non-recurring expenses					
Shareholder dispute	—	371	371	346	—
Intellectual property dispute	—	—	—	201	—
Severance payments	—	—	—	—	380
Luffa	—	—	—	—	497
Adjusted EBITDA	8,046	3,733	6,281	5,842	3,047

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This management's discussion and analysis of financial condition and results of operations ("MD&A") as at July 31, 2020 and for the three and nine months ended July 31, 2020 and 2019 and Fiscal 2019, Fiscal 2018 and Fiscal 2017 should be read in conjunction with the Company's unaudited interim consolidated financial statements and the Company's audited Annual Financial Statements, along with the related notes thereto, included elsewhere in this prospectus. This MD&A is presented as of the date of this prospectus and is current to that date unless otherwise stated. The financial information presented in this MD&A is derived from the Company's unaudited interim consolidated financial statements as at July 31, 2020 and for the three and nine months ended July 31, 2020 and 2019, prepared in accordance with IFRS application to the preparation of interim financial statements (International Accounting Standard 34, Interim Financial Reporting) and from the Company's audited Annual Financial Statements (collectively, the "Financial Statements"), prepared in accordance with IFRS, as issued by the International Accounting Standards Board.

Basis of Presentation

We present our Financial Statements in Canadian dollars. In this MD&A, unless indicated otherwise, all references to "\$" or "dollars" are to Canadian dollars and figures in tables are presented in thousands of dollars.

Given that our headquarters are in Canada, we have a large Canadian workforce. We have a long operating history in Canada. Closing of our initial public offering is conditional on our common shares being approved for listing on a Canadian stock exchange, the TSX, and we have decided to report our consolidated financial results in Canadian dollars notwithstanding that our functional currency is the U.S. dollar. We do not currently hedge our exposure to fluctuations in U.S. dollar or other European currency denominated revenue and expenses.

Cautionary Note Regarding Non-IFRS Measures

This MD&A makes reference to certain non-IFRS measures, including "EBITDA", "Adjusted EBITDA" and "Adjusted EBITDA Margin". These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective and to discuss our financial outlook. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. For a reconciliation of these measures, see "Selected Information and Reconciliation of Non-IFRS Measures" in this MD&A. For more information on the non-IFRS measures see "Non-IFRS Measures" included elsewhere in this prospectus.

Caution Regarding Forward-Looking Information

This MD&A contains forward-looking information. The forward-looking information is provided as of the date of this MD&A and is based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information, which speaks only as of the date made. We disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada. See "Forward-Looking Information". Actual results may differ materially from those indicated or underlying forward-looking information as a result of various factors, including those described below under the heading "Risk Factors" included elsewhere in this prospectus.

Business Overview

We are a leading provider of infrastructure solutions for the video streaming market, servicing enterprises and governments globally. The world's top organizations use our solutions to communicate, collaborate and educate their

customers and stakeholders. We deliver high quality, low latency, secure and reliable video through the entire IP video lifecycle (contribution, distribution, and delivery), using a broad range of hardware, software and cloud services in order to deliver a full end-to-end premium level experience. Our solutions give organizations control over mission-critical remote video production capabilities amid the growing needs of decentralized, remote workforces while engaging audiences worldwide with real-time video.

We generate revenue primarily from the sale of our solutions, which are sold separately or part of integrated systems, consisting of hardware, software and services. Our hardware is sold largely as a one-time sale, supplemented by a stream of maintenance and support revenue. Our software solutions are sold as perpetual licenses or on subscription basis, consisting of one-time and recurring monthly subscription fees. Given the nature of our implementations, much of our revenue include a combination of recurring revenue, multi-year deployment programs and maintenance and support contracts, providing us with strong revenue visibility. This results in a relatively smooth revenue curve with good visibility into near-term revenue growth. We typically enter into purchase agreements with our customers, with pricing based on list prices less a discount. Our goal is to continue to grow revenue arising from our existing customer base as well as adding new customers and end clients.

To continue to grow our business and to achieve our goals, we have identified the following key strategic priorities:

- Drive strategic alliances
- Increase share of customer's network footprint
- Identify new solution opportunities in core markets
- Leverage SaaS cloud-native video workflows to drive recurring revenue
- Selectively pursue acquisitions

Haivision delivered against these growth initiatives and for the nine months ended July 31, 2020 revenue increased by 14% relative to the same period in the prior year. Further, for Fiscal 2019, revenue increased \$6.6 million relative to the same period the prior year, and for Fiscal 2018 revenue increased \$12.4 million relative to the same period in the prior year.

Consolidated Highlights for the Three and Nine Months Ended July 31, 2020

Revenue for the nine months ended July 31, 2020 and three months ended July 31, 2020 was \$61.0 million and \$20.3 million, respectively, an increase of \$7.4 million or 14% and \$3.7 million or 22%, respectively, compared to the three and nine months ended July 31, 2019, as a result of organic growth. The factors contributing to the organic revenue growth are an increase of overall economic activity, the timing of government purchasing, the need for new video workflows during the COVID-19 pandemic, and the introduction of new products (such as the Makito X4 video decoder and the Makito X1 rugged video encoder) and enhancements to existing products.

Net income was \$4.3 million for the nine months ended July 31, 2020, an increase of \$2.2 million when compared to the nine months ended July 31, 2019, primarily due to the 14% increase in revenue, expense efficiency and improvements in gross margins.

Adjusted EBITDA for the nine months ended July 31, 2020 and three months ended July 31, 2020 was \$8.0 million and \$3.6 million, respectively, an increase of \$4.3 million or 116% and \$3.1 million or 753%, respectively, compared to the three and nine month period ended July 31, 2019, primarily due to organic revenue growth. Net income was \$4.3 million for the nine months ended July 31, 2020, an increase of \$2.1 million compared to the nine months ended July 31, 2019.

On July 1, 2020, we acquired the assets of Teltoo (US) Inc., a technology innovator for P2P and WebRTC enabled real-time video delivery.

Consolidated Fiscal 2019 Highlights

Revenue for Fiscal 2019 was \$74.1 million, an increase of \$6.6 million or 10% from the prior year. Adjusted EBITDA for Fiscal 2019 was \$6.3 million, an increase of \$0.5 million or 8% from the prior year.

Net income for Fiscal 2019 was \$3.7 million, an increase of \$1.1 million when compared to net income of \$2.6 million for Fiscal 2018, primarily due to the 10% increase in revenue and to a lesser extent operating efficiency.

On October 29, 2019, we acquired Lightflow Media Technologies SL, a developer of artificial intelligence and machine learning technologies for advanced content-aware video encoding, content indexing, object detection as well as optimization of video contribution, distribution and delivery.

In Fiscal 2019, we purchased shares for cancellation in the amount of \$7.7 million.

Consolidated Fiscal 2018 Highlights

Revenue for Fiscal 2018 was \$67.5 million, an increase of \$12.4 million or 23% from the prior year.

Net income for Fiscal 2018 was \$2.6 million, an increase of \$0.3 million when compared to net income of \$2.3 million for Fiscal 2017, primarily due to the increase in revenue offset by investments across all functional areas of the business. In Fiscal 2017, we realized a \$1.8 million gain, related to a one-time revaluation adjustment on redeemable financial instruments which is reflected in Financial expenses.

Adjusted EBITDA for Fiscal 2018 was \$5.8 million, an increase of \$2.8 million or 91% from the prior year.

Critical Accounting Estimates

Please refer to note 2 of the Financial Statements for a description of our critical accounting estimates and judgements.

Changes in Accounting Policies (including initial adoption)

We applied IFRS 16, Leases for the first time effective November 1, 2019. The nature and effect of the changes as a result of the adoption of new accounting standards are described in note 8 to the Financial Statements.

Factors Affecting the Company's Performance

We believe that the growth and future success of our business depends on many factors, including those described below. While each of these factors presents significant opportunities for our business, they also pose important challenges, some of which are discussed below and in the "Risk Factors" section of this prospectus.

Market Adoption of our Products

We believe that video workflows will become an increasingly important part of our customers infrastructure. We believe that there is significant potential to increase the penetration of our total addressable market and attract new customers. We plan to further develop our products and services as well as continuing to invest in marketing strategies tailored to attract new businesses to our solutions, both in our existing geographies and in new markets around the world. We plan to continue to invest in our products to expand our customer base and drive market adoption and our operations may fluctuate as we make these investments.

Upselling Existing Customers

Our existing customers represent a significant opportunity to cross-sell and up-sell products and services with little incremental marketing expense. Our customer may initially deploy our solutions for a specific use case. Once they realize the functionality and benefits of our products, they may expand the number of use cases for our products. We plan to continue to invest in products development and in sales and marketing to add more solution to our portfolio of products and to increase the usage and awareness of our solutions.

Scaling our Sales and Marketing Team

We believe the global demand for our products and services will continue to increase. Accordingly, we believe there is significant opportunity to grow our business in North America and internationally. We have invested and intend to continue to invest meaningfully in expanding our sales force and consequently, we anticipate that our headcount will continue to increase as a result of these investments.

Seasonality

Our revenue has experienced and is expected to continue to experience moderate seasonality due to the buying patterns of certain of our customers. Typically, our fourth quarter generates the highest level of revenue within a given fiscal year, whereas our first quarter generates the lowest level of revenue within a given fiscal year.

Ability to Integrate Acquired Companies

We have successfully acquired and integrated several companies in our history, and we intend to augment our organic growth with strategic and tactical acquisitions. We are of the view that the ability to realize synergies and integrate management teams, technologies, and employees is critical to our future growth.

Foreign Currency

Currency exchange rate fluctuations affect our results of operations because our functional currency is the U.S. dollar and the local currency for each of our subsidiaries and our presentation currency is the Canadian dollar. We receive and incur a significant portion of revenue and product costs and operating costs in U.S. dollars. Our results of operations are converted from our functional currency to Canadian dollars using the average foreign exchange rates for each period presented. As a result, our results of operations will be adversely impacted by a decrease in the value of the Canadian dollar relative to the Euro and U.S. dollar. See “Risk Factors – Our financial results may be adversely affected by fluctuations in exchange rates, principally in the value of the Canadian dollar versus the U.S. dollar.” for a discussion on exchange rate fluctuations and their potential negative effect on our results of operations.

Scientific Research and Experimental Development Credits

We claim Canadian federal and Quebec refundable investment tax credits based upon qualifying scientific research and experimental development expenditures (“SR&ED”). As a public issuer, we are no longer eligible for refundable Canadian federal SR&ED credits. However, as a public issuer, we are still eligible for non-refundable Canadian federal SR&ED credits which may be applied to reduce future income taxes payable, and we will also remain eligible to claim refundable SR&ED credits for Quebec income tax purposes, albeit at a lower rate than before becoming public.

Key Components of Results of Operations

Revenue

We deliver solutions for encoding, streaming, recording, managing, distributing and displaying secure IP video and interactive media within enterprises and government. We offer an extensive product range as part of our end-to-end solution offerings. While many of the customers that we serve benefit from the integrated end-to-end proposition, many of our products also have stand-alone applications.

These solutions may include a combination of hardware products, software products and/or related services. We offer these solutions to our end-clients through a combination of our direct sales force, supplemented by intermediary channel partners (fulfillment partners, resellers, systems integrators, and original equipment manufacturer integrators) around the world. As a result, we sell to a mix of end-clients, who use our solutions, and intermediary channel partners.

For the sale of products, we recognize revenue when the goods have been shipped to the customer’s specified delivery location. We also provide cloud-based solution services to our end-clients, and these services are recognized over the term of their respective agreements. We also sell maintenance and support programs as an after-sales service. Revenue related to these maintenance and support programs is recognized over the term of the program. Since cloud-based services and maintenance and support programs are contracted, we often refer to them as recurring revenue.

Cost of Sales

Our cost of sales consists of the following:

- Direct product costs consist of the costs of hardware for proprietary hardware products sold, the costs of server hardware when sold with software, and the direct services costs of providing managed services (i.e., bandwidth).

- Production costs include compensation related expenses for employees that work in our production department.
- Other Costs of Sales includes certain technology licenses, fulfillment supplies, scrap, reserves for obsolescence and return merchandise authorization costs.

Expenses

Our expenses consist of the following:

- Sales and marketing expenses include the compensation expenses for employees that work in sales and marketing, marketing and promotional expenses, and travel expenses. Compensation expenses include salaries, bonuses and commissions, and related benefits.
- Operations and support expenses consist of the compensation related expenses for information services, technical support and professional services personnel, and related travel. Compensation expenses include salaries, bonuses, and related benefits.
- Research and development expenses include the compensation expenses for employees in product management, product development and quality assurance. Compensation expenses include salaries, bonuses, and related benefits. In addition, research and development expenses include the cost of subcontractors used to supplement our in-house development staffs, prototypes and equipment rentals, and other general expenses. SR&ED credits are recorded as a reduction of research and development expenses.
- General and administrative expenses consist of compensation related expenses for certain senior executives, finance and human resources function, rent and utilities, professional services (i.e., legal and accounting), insurance, other office and general expenses, losses/gain related to realized and unrealized foreign exchange translation.

In aggregate, approximately three-quarters of our expenses are attributed to compensation related expenses. In addition, we have built an environment of accountability. A significant percentage of our sales force's compensation is variable and based on sales performance. Furthermore, managers within functional areas have bonuses based on quarterly revenue or annual EBITDA performance, and many staff people have bonuses based on key performance indices. Overall positive performance may increase the level of expenses.

Financial expenses

Interest expense on short- and long-term financings are recorded at the relevant rates on the various borrowing agreements, and any non-use fees on revolving lines of credit. In addition, a shareholder was granted a put option allowing it to sell shares back to us at any time after February 2015. The put option had characteristics of a current liability, and was accounted for in accordance with its substance. As such, the redemption prices were remeasured at every reporting period, and increases in the amount of the liability were recorded as a financial expense (and conversely any reduction in liability was recorded as income). In Fiscal 2019, we purchased for cancellation all shares held by the shareholder and no such expense will be recorded in Fiscal 2020 and beyond.

Foreign currency translation adjustments

Transactions in currencies other than the Canadian dollar, which is our reporting currency, are recognized at the rates of exchange prevailing at the dates of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value, that are denominated in foreign currencies, are retranslated at the rates prevailing at the date when the fair value was determined. The exchange differences arising on the translation are recognized as a foreign currency translation adjustment.

SR&ED Credits

We are the beneficiary of certain SR&ED credits from Canada and from the province of Quebec. Historically, these credits provided support in the form of refunds (and to a lesser extent tax credits) for scientific research or experimental development incurred in Canada or Quebec. As a public issuer, the level of these credits will be reduced, and for federal tax purposes, will only reduce future income taxes payable.

Selected Information and Reconciliation of Non-IFRS Measures

The following table summarizes our recent results of operations as of the dates and for the periods indicated below. The information should be read together with the Financial Statements. The selected consolidated information set out below for the three and nine months ended July 31, 2020 and 2019 and Fiscal 2019, Fiscal 2018 and Fiscal 2017 has been derived from the Financial Statements which were prepared in accordance with IFRS.

Historical financial and operating information may not be indicative of future performance, and certain financial information presented below includes non-IFRS financial measures that we believe are important in evaluating the operating performance of our business and making results more comparable from period to period. See “Non-IFRS Measures” in this prospectus.

Selected Information

	Three months ended July 31,		Nine months ended July 31,		Year ended October 31,		
	2020	2019	2020	2019	2019	2018	2017
	\$	\$	\$	\$	\$	\$	\$
Revenue	20,346	16,627	60,988	53,622	74,090	67,480	55,061
Cost of sales	4,710	4,288	14,152	13,226	18,424	15,753	14,276
Gross profit	15,636	12,339	46,836	40,396	55,666	51,726	40,785
Expenses	12,505	12,236	40,091	37,571	50,461	47,253	40,072
Operating profit	3,131	103	6,745	2,825	5,205	4,473	713
Financial expenses	77	44	267	(151)	(116)	660	(1,623)
Income before income taxes	3,055	59	6,478	2,976	5,320	3,813	2,336
Income taxes	996	19	2,168	877	1,643	1,236	(4)
Net income	2,059	40	4,311	2,100	3,677	2,577	2,340
Foreign currency translation adjustment	(460)	(250)	222	5	17	226	(471)
Comprehensive income	1,599	(210)	4,533	2,105	3,694	2,803	1,868
Income before income taxes	3,055	59	6,478	2,976	5,320	3,813	2,336
Depreciation	140	173	459	537	705	783	1,370
Amortization	288	—	842	—	—	39	88
Financial expenses	77	44	267	(151)	(116)	660	(1,623)
EBITDA⁽¹⁾	3,560	276	8,046	3,362	5,910	5,294	2,170
Non-recurring expenses:							
Shareholder dispute	—	141	—	371	371	346	—
IP litigation	—	—	—	—	—	201	—
Severance payments	—	—	—	—	—	—	380
Luffa	—	—	—	—	—	—	497
Adjusted EBITDA⁽¹⁾	3,560	417	8,046	3,733	6,281	5,842	3,047
Adjusted EBITDA Margin ⁽¹⁾	17.5%	2.5%	13.2%	7.0%	8.5%	8.6%	5.5%

Note:

(1) EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are not recognized measures under IFRS. See “Non-IFRS Measures” included elsewhere in this prospectus.

Discussion of Operations

Three and Nine Months ended July 31, 2020

Revenue – Revenue for the three months ended July 31, 2020 and nine months ended July 31, 2020 was \$20.3 million and \$61.0 million, respectively, an increase of \$3.7 million or 22% and \$7.4 million or 14%, respectively, compared to the three and nine months ended July 31, 2019. Recurring revenue for the three months ended July 31, 2020 and nine months ended July 31, 2020 was 26% and 25%, respectively. The factors contributing to

the organic revenue growth are an increase of overall economic activity (some of which may be related to the COVID-19 pandemic) and the introduction of new products including the Makito X1 (ruggedized small form factor encoder) and the Makito X4 video decoder.

Revenue

	Three months ended July 31,		Nine months ended July 31,	
	2020	2019	2020	2019
	(\$)	(\$)	(\$)	(\$)
Product	15,067	11,685	45,595	39,158
Cloud solutions	2,076	1,969	5,933	5,939
Maintenance and support	3,203	2,973	9,460	8,525
Revenue	<u>20,346</u>	<u>16,627</u>	<u>60,988</u>	<u>53,622</u>

Cost of Sales – For the three and nine months ended July 31, 2020 and 2019, cost of sales expenses were:

Cost of Sales

	Three months ended July 31,		Nine months ended July 31,	
	2020	2019	2020	2019
	(\$)	(\$)	(\$)	(\$)
Direct product costs	4,041	3,627	12,163	11,125
Production costs	322	249	1,044	841
Other cost of sales	347	412	945	1,260
Total cost of sales	<u>4,710</u>	<u>4,288</u>	<u>14,152</u>	<u>13,226</u>
Gross margin	76.9%	74.2%	76.8%	75.3%

Cost of sales increased from \$4.3 million to \$4.7 million or 10% for the three months ended July 31, 2020 as compared to the equivalent period in the prior year and increased from \$13.2 million to \$14.2 million or 7% for the nine months ended July 31, 2020 as compared to the equivalent period in the prior year. The period over period absolute increases in cost of revenue were closely related to the increase in revenue, with additional margin improvement as a result of growing economies of scale and software product mix. As we continue to grow, we anticipate that we will continue to realize a healthy gross margin, but the incremental benefits will reduce over time.

Expenses – For the three and nine months ended July 31, 2020 and 2019, expenses were:

Expenses

	Three months ended July 31,		Nine months ended July 31,	
	2020	2019	2020	2019
	(\$)	(\$)	(\$)	(\$)
Sales and marketing	4,679	4,332	14,604	13,963
Operations and support	1,162	1,264	3,807	3,918
Research and development	4,479	4,746	14,856	13,753
General and administrative	2,185	1,894	6,823	5,937
Total expenses	<u>12,505</u>	<u>12,236</u>	<u>40,091</u>	<u>37,571</u>
Expenses as % of revenue	61.5%	73.6%	65.7%	70.1

The changes in expenses were due to a combination of the following:

- Sales and marketing expenses increased by \$0.3 million and \$0.6 million, respectively for the three and nine month ended July 31, 2020 when compared to the three and nine months ended July 31, 2019. The increase

during the three-month period is largely related to increases in compensation expenses of \$0.9 million related to bonuses and commissions based on sales performance, and to a lesser extent higher levels of headcount. The number of people in the sales organization increased from 42 people at July 31, 2019 to 50 people at July 31, 2020. These expenses were offset by a reduction in travel expenses by \$0.3 million and marketing expenses by \$0.2 million, both of which were impacted by the COVID-19 pandemic. For the nine-month period ended July 31, 2020 the \$0.6 million increase in sales and marketing expenses is largely related to increase in compensation expenses related to bonuses and commissions paid on sales performance, increases in salaries and to a lesser extent higher levels of headcount. These expenses were offset by lower marketing expenses of \$0.4 million and travel expenses of \$0.4 million, both of which were impacted by the COVID-19 pandemic. The increase was due to our continued focus on growing our revenue via direct sales and in multiple jurisdictions, necessitating an increase in the number of employees and related employee salaries and wages. These additional employees are required to support our sales expansion in existing markets and in new markets, as well as servicing our growing customer base.

- Operations and support expenses decreased by \$0.1 million and \$0.1 million, respectively, for the three and nine month ended July 31, 2020, when compared to the three and nine months ended July 31, 2019. The decreases are largely related to reduced travel for our professional services staff during the period related to the COVID-19 pandemic.
- Research and development expenses decreased by \$0.4 million for the three months ended July 31, 2020 but increased by \$1.1 million for the nine-month period ended July 31, 2020 when compared to the three and nine months ended July 31, 2019. The decrease during the three-month period is largely related to increases in compensation expenses of \$0.4 million related to higher levels of headcount (including headcount related to the Teltoo acquisition), offset by lower subcontractor costs of \$0.2 million and higher reimbursements of SR&ED credits of \$0.4 million. The increase for the nine month period ended July 31, 2020 is largely related to increases in compensation expenses of \$1.3 million related to higher levels of headcount (including additional headcount related to the Lightflow and Teltoo acquisitions); offset by higher SR&ED reimbursements of SR&ED credits of \$0.5 million. The number of people in the product realization organization increased from 87 people at July 31, 2019 to 101 people at July 31, 2020.
- General and administrative expenses increased by \$0.3 million and \$0.9 million, respectively, for the three and nine month ended July 31, 2020, when compared to the three and nine months ended July 31, 2019. The increase during the three-month period is largely related to increases in compensation expenses of \$0.3 million related to bonuses based on quarterly performance and to a lesser extent higher levels of headcount, and the expenses related to foreign exchange losses of \$0.3 million and lower occupancy costs of \$(0.1) million related to the prospective treatment of IFRS16. These expenses were offset by lower professional fees of \$0.2 million and other expenses. For the nine-month period ended July 31, 2019 the increase is largely related to compensation expenses of \$0.6 million related to bonuses paid on quarterly performance, increases in salaries and to a lesser extent higher levels of headcount. Occupancy expenses decreased by \$(0.3) million largely related to the newly established Madrid, Spain office offset by the prospective treatment of IFRS16; and expenses related to foreign exchange losses of \$0.1 million; whereas professional fees fell by \$0.1 million.

Net Income – For the three months ended July 31, 2020, net income was \$2.1 million, an increase of \$2.0 million when compared to the three months ended July 31, 2019. The increase in the net income for the three months ended July 31, 2020 is due largely to higher income generated from operations. For the three months ended July 31, 2019, operating profit was \$3.1 million, an increase of \$3.0 million when compared to the same period in the prior year.

For the nine months ended July 31, 2020, net income was \$4.3 million, an increase of \$2.2 million when compared to the nine months ended July 31, 2019. The increase is primarily due to increases in revenue, expense efficiency, improvements in gross margins resulting in operating profit of \$6.7 million, an increase of \$3.5 million when compared to the same period in the prior year. Financial expenses increased by \$0.4 million period over period. The increase is related to the Fiscal 2019 reduction in liability related to the revaluation of the put option liability.

Net Income

	Three months ended July 31,		Nine months ended July 31,	
	2020	2019	2020	2019
	(\$)	(\$)	(\$)	(\$)
Operating profit	3,132	103	6,745	2,825
Financial expenses	77	44	267	(151)
Income before income taxes	3,055	59	6,478	2,976
Income taxes	996	19	2,168	877
Net income	2,059	40	4,310	2,100
Net income margin	10.1%	0.2%	7.1%	3.9%

Adjusted EBITDA – Adjusted EBITDA for the three month and nine months ended July 31, 2020 was \$3.6 million and \$8.0 million, respectively, an increase of \$3.1 million and \$4.3 million compared to the three and nine months ended July 31, 2019, respectively. For the three-month period ended July 31, the increase in Adjusted EBITDA was primarily the result of growth in revenue, higher gross margins and the slower growth in expenses. For the nine-month period ended July 31, 2020, the increase in Adjusted EBITDA is primarily the result of the growth in revenue and increase in gross margin, offset by slower growth in expenses.

Adjusted EBITDA⁽¹⁾

	Three months ended July 31,		Nine months ended July 31,	
	2020	2019	2020	2019
	(\$)	(\$)	(\$)	(\$)
Operating profit	3,131	103	6,745	2,825
Depreciation	140	173	459	537
Amortization	288	—	842	—
EBITDA ⁽¹⁾	3,560	276	8,046	3,362
Non-recurring expenses				
Shareholder dispute	—	141	—	371
Adjusted EBITDA ⁽¹⁾	3,560	417	8,046	3,733
Adjusted EBITDA Margin ⁽¹⁾	17.5%	2.5%	13.2%	7.0%

Note:

(1) EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are not recognized measures under IFRS. See “Non-IFRS Measures” included elsewhere in this prospectus.

In Fiscal 2019, we purchased shares for cancellation from certain shareholders and a related dispute between shareholders was settled. We had intervened in the dispute as the representative for the Company and all other shareholders. We reimbursed both parties to the shareholder dispute for their respective legal expenses and those expenses along with our legal expenses were deemed non-recurring. EBITDA for the three month and nine months ended July 31, 2020 was \$3.6 million and \$8.0 million, respectively, an increase of \$3.3 million and \$4.7 million compared to the three and nine months ended July 31, 2019, respectively. The difference in amortization between the three month and nine month results for Fiscal 2020 is primarily due to the modified retrospective application of IFRS 16 related to leases without restatement of comparatives retrospectively or prospectively, and secondarily due to the amortization of intangibles related to the Lightfow acquisition in late Fiscal 2019.

Fiscal 2019

Revenue – Revenue was \$74.1 million for Fiscal 2019, an increase of \$6.6 million or 10% compared to \$67.5 million for Fiscal 2018, the result of organic growth. Year-over-year increases in product sales can be attributed to overall economic activity and the introduction of new products including the Makito X4 encoder. Recurring revenue for Fiscal 2019 increased by \$1.5 million and represented 26% of total revenue. In Fiscal 2019, cloud solutions revenue was impacted by competitive bandwidth pricing.

Revenue

	<u>Fiscal 2019</u>	<u>Fiscal 2018</u>
	(\$)	(\$)
Product	54,604	49,510
Cloud solutions	7,944	8,349
Maintenance and support	<u>11,542</u>	<u>9,621</u>
Revenue	74,090	67,480

Costs of Sales – Costs of sales for Fiscal 2019 was \$18.4 million, an increase of \$2.7 million or 17% from the prior year. Direct product costs were \$15.3 million for Fiscal 2019 an increase of \$2.2 million or 17% from the prior year primarily the result of increases in revenue for the same periods.

Cost of Sales

	<u>Fiscal 2019</u>	<u>Fiscal 2018</u>
	(\$)	(\$)
Direct product costs	15,256	13,023
Production costs	1,158	964
Other cost of sales	<u>2,010</u>	<u>1,766</u>
Total cost of sales	<u>18,424</u>	<u>15,753</u>
Gross margin	75.1%	76.7%

Expenses – For Fiscal 2019, consolidated expenses were \$50.5 million, an increase of \$3.2 million or 7% compared to the same period in 2018, as shown below.

Expenses

	<u>Fiscal 2019</u>	<u>Fiscal 2018</u>
	(\$)	(\$)
Sales and marketing	19,007	20,706
Operations and support	5,220	5,895
Research and development	18,389	13,000
General and administrative	<u>7,844</u>	<u>7,652</u>
Total expenses	<u>50,461</u>	<u>47,253</u>
Expenses as a % of revenue	68.1%	70.0%

The changes in expenses were due to a combination of the following:

- Sales and marketing expenses were \$19.0 million in Fiscal 2019, a decrease of \$1.7 million or 8% from the prior year. The decrease in sales and marketing expenses is largely attributed to a reduction in compensation related expenses of \$2.1 million resulting from a restructuring of sales compensation plans offset by increases in headcount. The number of people in the sales organization increased from 41 people at the end of Fiscal 2018 to 53 people at the end of Fiscal 2020. Marketing expenses increased by \$0.2 million year-over-year.
- Operations and support expenses were \$5.2 million in Fiscal 2019, a decrease of \$0.7 million or 11% from the prior year. The decrease is largely related to a modest change in reporting structure whereby system engineering, formerly reported into the operations and support function in Fiscal 2018, is reported into research and development in Fiscal 2019. This change in reporting structure was offset by increases in professional services staffing resulting in a collective reduction in compensation expense of \$0.7 million year-over-year.
- Research and development expenses were \$18.4 million in Fiscal 2019, an increase of \$5.4 million or 41% from the prior year. The increase is largely related to a \$2.9 million increase in compensation related expenses related to increases in compensation for existing personnel and increases in the level of staffing

(including increases in compensations for system engineering staffing) and an increase in the use of subcontractors by \$2.4 million to support our product development efforts. The number of people in the product realization departments increased from 77 people at the end of Fiscal 2018 to 84 people at the end of Fiscal 2019.

- General and administrative expenses were \$7.8 million in Fiscal 2019, an increase of \$0.2 million or 3% from the prior year. Compensation related expenses declined by \$0.5 million largely related to decreases in bonus compensation, losses related to foreign exchanges increased by \$0.4 million, travel related expenses increased by \$0.3 million, and rent related expenses increased by \$0.2 million (largely related to the Montreal and Chicago moves to new facilities) year-over-year.

Adjusted EBITDA – Adjusted EBITDA in Fiscal 2019 was \$6.3 million compared to \$5.8 million in Fiscal 2018, an increase of \$0.4 million or 8%. In Fiscal 2017, a shareholder invoked a contractual put option right indicating a desire to sell its shares. Following a series of events, including our rejection of the put option offer to acquire the shares of the shareholders and another offer made by another shareholder, a dispute between two shareholders emerged.

As the matter in dispute affected the rights of Haivision and the rights of its shareholders, we intervened in the dispute. The dispute between the shareholders was eventually settled, and as part of the terms of the settlement, we reimbursed both parties to the dispute for their respective legal and arbitration expenses. The reimbursed legal and arbitration expenses and our legal expenses were deemed to be non-recurring. Similar legal expenses related to the dispute in Fiscal 2018 were also deemed non-recurring.

In addition, we were a defendant in an intellectual property dispute with Real-Time Adaptive LLC – a non-practicing entity, which was subsequently dismissed with prejudice. The legal expenses related to the dispute were deemed non-recurring.

In Fiscal 2019, our Adjusted EBITDA margin was 8.5% compared to 8.7% in Fiscal 2018.

Adjusted EBITDA⁽¹⁾

	Fiscal 2019	Fiscal 2018
	(\$)	(\$)
Operating profit	5,205	4,473
Depreciation	705	783
Amortization	—	39
	<u>5,910</u>	<u>5,295</u>
EBITDA⁽¹⁾		
Non-recurring expenses:		
Shareholder dispute	371	346
Intellectual property dispute	—	201
Adjusted EBITDA⁽¹⁾	<u>6,281</u>	<u>5,842</u>
Adjusted EBITDA Margin ⁽¹⁾	8.5%	8.7%

Note:

(1) EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are not recognized measures under IFRS. See “Non-IFRS Measures” included elsewhere in this prospectus.

Fiscal 2018

Revenue – Revenue was \$67.5 million for Fiscal 2018, an increase of \$12.4 million or 23% compared to \$55.1 million for Fiscal 2018, a result of organic growth. The factors contributing to the organic growth in revenue are an increase of overall economic activity and the introduction of new products. Recurring revenue decreased by \$0.8 million largely the result of competitive bandwidth pricing.

Revenue

	<u>Fiscal 2018</u>	<u>Fiscal 2017</u>
	(\$)	(\$)
Product	49,510	36,278
Cloud solutions	8,349	9,263
Maintenance and support	9,621	9,520
Revenue	<u>67,480</u>	<u>55,061</u>

Cost of Sales – Costs of sales was \$15.8 million for Fiscal 2018, an increase of \$1.5 million or 10% from the prior year. Direct product costs were \$13.0 million for Fiscal 2019, an increase of \$1.0 million or 8% from the prior year, primarily as a result of increases in revenue for the same periods.

Cost of Sales

	<u>Fiscal 2018</u>	<u>Fiscal 2017</u>
	(\$)	(\$)
Direct product costs	13,023	12,001
Production costs	964	947
Other cost of sales	1,766	1,328
Total cost of sales	<u>15,753</u>	<u>14,276</u>
Gross margin	76.7%	74.1%

Expenses – For Fiscal 2018, consolidated expenses were \$47.3 million, an increase of \$7.2 million or 18% compared to \$40.1 million for Fiscal 2017, as shown below.

Expenses

	<u>Fiscal 2018</u>	<u>Fiscal 2017</u>
	(\$)	(\$)
Sales and marketing	20,706	19,003
Operations and support	5,895	3,711
Research and development	13,000	11,172
General and administrative	7,652	6,186
Total expenses	<u>47,253</u>	<u>40,072</u>
Expenses as a % of revenue	70.0%	72.8%

The changes in expenses was due to a combination of the following:

- Sales and marketing expenses were \$20.7 million in Fiscal 2018, an increase of \$1.7 million or 9% from the prior year. The increase in sales and marketing expenses included an increase in compensation related expenses for the sales teams of \$2.2 million and increases in compensation related expenses for the marketing teams of \$0.4 million year-over-year. These expenses were offset by a reduction of marketing expenses of \$0.3 million year-over-year.
- Operations and support expenses were \$5.9 million in Fiscal 2018, an increase of \$2.2 million or 59% from the prior year. The increase is largely related to investments in our technical support function and to a lesser extent our internal IT department to support our external and internal customers. The number of people in the operations and support departments increased from 20 people at the end of Fiscal 2017 to 23 people at the end of Fiscal 2018.
- Research and development expenses were \$13.0 million in Fiscal 2018, an increase of \$1.8 million or 16% from the prior year. The increase is largely related to a \$1.0 million increase in the use of subcontractors, an increase in compensation related expenses related to higher salary increases of \$0.5 million, and reduced reimbursements of SR&ED credits of \$0.3 million.

- General and administrative expenses were \$7.7 million in Fiscal 2018, an increase of \$1.5 million or 24% from the prior year. Compensation related expenses increased by \$1.3 million largely related to increases in bonus compensation.

Net Income – Net income for Fiscal 2018 was \$2.6 million, an increase of \$0.2 million when compared to net income of \$2.3 million for Fiscal 2017, primarily due to results from operating profit from operations. Operating profit for Fiscal 2018 was \$4.5 million an increase of \$3.8 million when compared to the \$0.7 million in Fiscal 2017.

In Fiscal 2018, financial expenses increased by \$2.3 million primarily the result of \$1.8 million in income related to the revaluation of the put option liability in Fiscal 2017 compared to a \$0.4 million expense related to the same liability in Fiscal 2018.

In Fiscal 2018, income taxes increased by \$1.2 million when compared to Fiscal 2017. Statutory tax rates in Fiscal 2018 and Fiscal 2017 were consistent, however, in Fiscal 2017, there was a \$0.5 million adjustment related to the revaluation of the put option liability, and a \$0.4 million adjustment related to provisions for prior years.

Net Income

	<u>Fiscal 2018</u>	<u>Fiscal 2017</u>
	(\$)	(\$)
Operating profit	4,473	713
Financial expenses	<u>660</u>	<u>(1,623)</u>
Income before income taxes	3,813	2,336
Income taxes	<u>1,236</u>	<u>(4)</u>
Net income	<u>2,577</u>	<u>2,340</u>
Net income margin	3.8%	4.3%

Adjusted EBITDA – Adjusted EBITDA in Fiscal 2018 was \$5.8 million compared to \$3.0 million in Fiscal 2017, an increase of \$2.8 million or 92%. In Fiscal 2019, a dispute between shareholders was eventually settled, and we reimbursed both parties to the dispute for their respective legal and arbitration expenses. The reimbursed expenses and our legal expenses were deemed to be non-recurring. In addition, in Fiscal 2018, we were a defendant in an intellectual property dispute with Real-Time Adaptive LLC – a non-practicing entity. Real-Time Adaptive LLC discontinued the case without prejudice and refiled the case in another jurisdiction. The case was subsequently dismissed with prejudice.

In Fiscal 2017, we undertook a reorganization of our senior management team, reducing its size from eight to five individuals. Severance expenses related to the reorganization amounted to \$0.4 million and were deemed non-recurring. In addition, in Fiscal 2017 we undertook a “spin-off” of Luffa non-strategic intellectual property related to facilitation and processing of meeting contents. Fiscal 2017 expenses of \$0.5 million incurred prior to the spin-off were deemed non-recurring.

In Fiscal 2018 our Adjusted EBITDA margin was 8.7% compared to 5.5% in the prior period.

Adjusted EBITDA⁽¹⁾

	Fiscal 2018	Fiscal 2017
	(\$)	(\$)
Operating profit	4,473	713
Depreciation	783	1,370
Amortization	39	88
EBITDA⁽¹⁾	5,295	2,170
Non-recurring expenses:		
Shareholder dispute	346	—
IP litigation	201	—
Severance payments	—	380
Luffa	—	497
Adjusted EBITDA⁽¹⁾	5,842	3,047
Adjusted EBITDA Margin ⁽¹⁾	8.7%	5.5%

Note:

(1) EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are not recognized measures under IFRS. See “Non-IFRS Measures” included elsewhere in this prospectus.

Summary of Quarterly Results

The following table sets out select quarterly results for our past eight quarters. Our government business experiences moderate seasonality, primarily because the U.S. government year-end is commensurate with our fourth quarter. Typically, our fourth quarter generates higher revenue. Expenses are generally consistent from quarter-to-quarter, but may fluctuate based on the timing of marketing programs and other periodic expenditures.

Quarterly Results

	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Revenue	\$20,346	\$21,229	\$19,413	\$20,468
Cost of sales	4,710	4,806	4,636	5,198
Gross profit	\$15,636	\$16,423	\$14,777	\$15,270
Expenses	\$12,505	\$13,050	\$14,536	\$12,890
Operating profit	\$ 3,131	\$ 3,372	\$ 241	\$ 2,380
Net income	\$ 2,059	\$ 2,366	\$ (115)	\$ 1,577
EBITDA⁽¹⁾	\$ 3,560	\$ 3,913	\$ 572	\$ 2,548
Adjusted EBITDA⁽¹⁾	\$ 3,560	\$ 3,913	\$ 572	\$ 2,548
Gross margin	76.9%	77.4%	76.1%	74.6%
Adjusted EBITDA Margin ⁽¹⁾	17.5%	18.4%	2.9%	12.4%

Quarterly Results

	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Revenue	\$16,627	\$18,783	\$18,212	\$19,724
Cost of sales	4,288	4,827	4,110	4,176
Gross profit	\$12,339	\$13,956	\$14,102	\$15,548
Operating expense	\$12,236	\$12,867	12,468	\$13,188
Operating profit	\$ 103	\$ 1,089	\$ 1,634	\$ 2,360
Net Income	\$ 40	\$ 824	\$ 1,391	\$ 1,507
EBITDA⁽¹⁾	\$ 276	\$ 1,272	\$ 1,814	\$ 2,555
Adjusted EBITDA⁽¹⁾	\$ 417	\$ 1,502	\$ 1,814	\$ 2,555
Gross margin	74.2%	74.3%	77.4%	78.8%
Adjusted EBITDA Margin ⁽¹⁾	2.5%	8.0%	10.0%	13.0%

Note:

(1) EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are not recognized measures under IFRS. See “Non-IFRS Measures” included elsewhere in this prospectus.

Liquidity and Capital Resources

Overview

Our financial condition and liquidity are and will continue to be influenced by a variety of factors, including: our ability to generate cash flows from operations; our capital expenditure requirements; and the level of outstanding indebtedness and the interest obligations on this indebtedness.

The general objectives of our capital management strategy are to ensure sufficient liquidity to pursue our organic growth strategy and undertake selective acquisitions, while maintaining a strong credit profile and a capital structure that maintains total leverage ratio within the limits set in our credit facilities.

Cash Flows

Our primary source of liquidity is from operations and to a lesser extent from debt financings. Our principal liquidity needs include investment in our products and technology, as well as sales and marketing expenses, product development expense, general and administrative expenses, other operational expenses, and for selective acquisitions. In addition to our cash balances, we have a US\$10 million revolving line of credit available to be drawn to meet ongoing working capital requirements and a US\$5.0 million term loan.

We continuously monitor cash flows by reviewing actual operating expenditures and revenue to budget. We believe that our available cash, cash flows generated from operations, loans and borrowings available to us and the net proceeds from this offering will be sufficient to meet our projected operating and capital expenditures requirements for at least the next 12 months.

Cash Flows

	Nine Months ended July 31, 2020	Nine Months ended July 31, 2019	Fiscal 2019	Fiscal 2018
	(\$)	(\$)	(\$)	(\$)
Net cash provided by operating activities	9,031	5,041	6,329	3,953
Net cash used by investing activities	(1,779)	(605)	(1,860)	(946)
Net cash provided/used by financing activities	18	(8,568)	(8,904)	(1,533)
Change in cash during the period	<u>7,307</u>	<u>(4,130)</u>	<u>(4,426)</u>	<u>1,570</u>
Cash, beginning of period	2,517	6,943	6,943	5,373
Effect of foreign exchange in cash	37	3	9	97
Cash, end of period	<u>9,824</u>	<u>2,813</u>	<u>2,517</u>	<u>6,943</u>

During the nine months ended July 31, 2020, we had a net increase in cash of \$7.3 million compared to a decrease of \$4.1 million during the nine months ended July 31, 2019. Net cash from operation was \$9.0 million for the nine months ended July 31, 2020 compared to \$5.0 million for the comparable period in the previous year. Net cash used from investing activities for the first nine months ended July 31, 2020 was \$1.8 million and included investments in intangibles related to the Lightflow acquisition, compared to \$0.6 million in the prior year.

In the nine months ended July 31, 2019 and for Fiscal 2019, net cash used in financing activities was \$8.6 million and \$8.9 million, respectively. On February 11, 2019, we repurchased for cancellation 29,357 shares for a total consideration of \$7.7 million.

In Fiscal 2019, we had a net cash decrease of \$4.4 million in comparison to an increase of \$1.6 million during Fiscal 2018. Net cash from operations was \$6.3 million for Fiscal 2019 compared to \$4.0 million for the previous year. The difference is primarily due to an increase in cash from changes in non-cash working capital balances of

\$1.0 million. In Fiscal 2019, net cash used from investing activities was \$1.9 million, an increase from the \$0.9 million in the prior year. The increase in cash used from investing activities in Fiscal 2019 is related to the acquisition of Lightflow. Cash used by financing activities was \$8.9 million in Fiscal 2019 compared to \$1.5 million in Fiscal 2018. The increase in cash used by financing activities is related to a \$7.7 million purchase of shares for cancellation.

In Fiscal 2018, we had a net cash increase of \$1.6 million in comparison to an increase of \$3.2 million during Fiscal 2017. Net cash from operations was \$4.0 million for Fiscal 2018 compared to \$2.4 million for the previous year. The difference is primarily due to a decrease in cash from changes in non-cash operating working capital items of \$1.8 million. In Fiscal 2018, net cash used from investing activities was \$0.9 million, an increase from the \$0.8 million in the prior year. Cash used by financing activities was \$1.5 million in Fiscal 2018, related to repayments of a term loan, compared to cash provided of \$1.7 million in Fiscal 2017 related to a new term facility offset by repayments of such term facility and decreases in our revolving line of credit.

Capital Expenditures

Our capital expenditures for the nine months ended July 31, 2020 were \$0.4 million compared to \$0.6 million for the nine months ended July 31, 2019 and for Fiscal 2019 were \$0.7 million compared to \$0.9 million for Fiscal 2018. Capital expenditures are primarily related to computer equipment and to a lesser extent leasehold improvements. Capital expenditures have been modest in the nine months ended July 31, 2020 largely attributed to reduced spending during the COVID-19 pandemic. We expect capital expenditures to revert to normal levels in Fiscal 2021 and beyond.

Expenditures on research activities are recognized as an expense in the period in which they incurred.

Credit Facilities

Our prior credit facilities provided for a US\$10.0 million revolving term loan and a fixed term loan of \$3.5 million (the “**Prior Credit Facilities**”). The revolving term loan was available for working capital and general operating requirements and for certain permitted acquisitions, and the fixed term loans provide for certain flexibility. The Prior Credit Facilities were secured by a general security agreement, which provided the lender with a first hypothec over all the assets of the Company and its U.S. subsidiary, including intellectual property.

On May 2, 2020, we entered into an agreement with SVB whereby SVB provided a loan facility to the Company pursuant to a promissory note. The amount outstanding as of the date of the prospectus is US\$1.5 million, bears interest at 1% per annum and has a term of twenty-four (24) months. No payments are due during the six-month period beginning on the date of this loan.

The loan was made under the Small Business Administration’s (“**SBA**”) Paycheck Protection Program (“**PPP**”) (Section 1102 of the CARES Act), and forgiveness of the principal of the loan is available if proceeds from the loan are used for the limited purposes that expressly qualify for forgiveness under SBA requirements. We believe we have complied with the limited purposes that expressly qualify for forgiveness under the SBA requirements, and an application for PPP loan forgiveness has been submitted to SVB.

On October 5, 2020, we settled our Prior Credit Facilities and replaced them with the SVB Loan. The aggregate amount committed under the SVB Loan is US\$15.0 million comprising (i) a Revolving Line of US\$10.0 million to be used for working capital and general corporate purposes; and (ii) a Term Loan of \$5.0 million. As of November 30, 2020, US\$0 was outstanding under the Revolving Line and US\$1.5 million was outstanding under the Term Loan.

Contractual Obligations

We have contractual obligations with a variety of expiration dates. Our operating lease obligations include commitments until 2030. The tables below outline our contractual obligations as of July 31, 2020, October 31, 2019 and October 31, 2018.

Contractual Obligation – As of July 31, 2020

	July 31, 2020					
	Year 1	Year 2	Year 3	Year 4	Year 5+	Total
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Accounts Payable and Accrued Liabilities	9,093	—	—	—	—	9,093
Purchase Price Payable	792	—	—	—	—	792
Loans and borrowings	864	1,080	—	—	—	1,944
Lease obligations	853	643	599	608	2,323	5,026
	11,602	1,723	599	608	2,323	16,855

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements as of the date of this prospectus. From time to time, we may be contingently liable for componentry inventories held at our contract manufacturer.

Related Party Transaction

We define senior executives as the Chief Executive Officer of the Company, other executive officer of the Company and certain other senior leaders – all of whom participate in our executive bonus plan. The remuneration of senior management personnel since November 1, 2016 is summarized as follows:

Executive Management Compensation

	July 31, 2020			
	(9 months)	Fiscal 2019	Fiscal 2018	Fiscal 2017
Salaries and Bonuses ⁽¹⁾	\$2,368	\$3,126	\$4,199	\$4,879
Number of Senior Managers	4	4	5	8

Note:

(1) Members of management located in the United States were paid in US\$ and their compensation was translated based on an exchange rate of US\$1.00 = \$1.30.

In addition to a base salary, the executive bonus plan includes quarterly revenue bonus based on performance compared to budget (and assuming EBITDA targets are achieved); and annual EBITDA bonus based on Adjusted EBITDA performance compared to budget, and an annual EBITDA overage bonus based on EBITDA in excess of budget. The quarterly revenue bonus and to a lesser extent the annual EBITDA bonus include provisions for extra bonus amounts for extraordinary performance. Going forward, the annual EBITDA overage bonus will be discontinued.

Other than in respect of executive management compensation, we have no related party transactions.

Risks and Uncertainties

Financial Instruments and Other Instruments

In the ordinary course of our business activities, we are exposed to various market risks that are beyond our control, including fluctuations in foreign exchange rates and interest rates, and that may have an adverse effect on the value of our financial assets and liabilities, future cash flows and profit. Our policy with respect to these market risks is to assess the potential of experiencing losses and the consolidated impact thereof, and to mitigate these market risks. If deemed necessary, we may from time to time enter into foreign currency derivative contracts to reduce our exposure to foreign currency risks. No foreign currency derivative contracts have been entered into in Fiscal 2020, Fiscal 2019 or Fiscal 2018.

Credit and Concentration Risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. We are exposed to credit risk in the event of non-performance by customers, but do not anticipate

any such non-performance would be material. We do not require guarantees from our customers. To the extent necessary, we take steps to monitor the credit risk of customers.

Due to our diverse customer base, there is no particular concentration of credit risk related to our trade receivables. Moreover, balances for trade receivables are managed and analyzed on an ongoing basis to ensure allowances for doubtful accounts, which are established and maintained at an appropriate amount. We have also insured the majority of our non-U.S. receivables through Export Development Canada as a further mitigation to bankruptcies and client default on payment.

We estimate anticipated losses from doubtful accounts based upon the expected collectability of all accounts receivable, which estimate takes into account the number of days past due, collection history, identification of specific customer exposure and current economic trends. An impairment loss on trade receivables is calculated as the difference between the carrying amount and the present value of the estimated future cash flow. Impairment losses are charged to general and administrative expense in the consolidated statements of loss and comprehensive loss. Receivables for which an impairment provision was recognized are written off against the corresponding provision when it is deemed uncollectible.

The maximum exposure to credit risk at the date of this prospectus is the carrying value of each class of receivables mentioned above. We do not hold any collateral as security.

Market Risk

We are exposed to market risk primarily in terms of revenue generation. Our revenue is based on transaction volumes which have increased with the growth of the worldwide market for video streaming infrastructure products. We monitor the market conditions in an effort to capture fluctuations in market demand that may affect ongoing revenue. Historically, our business model has proven to be resilient to market downturns.

Interest Rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. We were exposed to interest rate risk under the Prior Credit Facilities and are exposed to such risk under our Revolving Line and Term Loan, which are in U.S. currencies. Interest on the Revolving Line is the greater of (i) U.S. prime rate plus 1.65%; or (ii) 4.25%; and the interest on the Term Loan is the greater of U.S. prime rate plus 2.25%; or (iii) 5.00%. As of the date of this prospectus, \$0 was outstanding on the Revolving Line and US\$1.5 million was outstanding on the Term Loan.

Foreign Currency Exchange Risk

We are exposed to currency risk due to financial instruments denominated in foreign currencies. Our primary exposure with respect to foreign currencies is from Canadian dollar denominated investment tax credit receivables, trade and other payables, cash, purchase price payables, and trade and other receivables in transactional currency that is other than U.S. dollars. The net carrying value of these Canadian denominated balances as at July 31, 2020, October 31, 2019 and October 31, 2018 presented in Canadian dollars is as follows:

Amounts denominated in foreign currencies

	July 31, 2020	October 31,	
	2019	2018	
	(\$)	(\$)	(\$)
Cash	1,025	545	538
Trade and other receivables	20	349	110
Investment tax credit	5,514	6,093	5,558
Trade and other payables	3,505	3,066	3,552
Purchase price payable	792	1,467	—

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they come due. Our cash resources are managed based on financial forecasts and anticipated cash flows. Contractual maturities such as debt, trade and other payables, and accrued liabilities are exposed to liquidity risk.

Critical Accounting Policies and Estimates

The preparation of our consolidated Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated Financial Statements and accompanying notes. We review those estimates on an ongoing basis based on management's best knowledge of current events and actions that we may undertake in the future. Actual results could differ from these estimates. Areas requiring the most significant estimates and judgements are outlined below.

Business Combinations

Acquisition of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interest issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

Revenue Recognition

We recognize revenue from the sale of products, cloud solution revenue and maintenance revenue. For the sale of products, revenue is recognized by us when control of the goods has transferred to the customer, being at the point the goods leave our warehouse. Cloud solution revenue is recognized as a performance obligation is satisfied over time. Revenue relating to maintenance programs is recognized over time.

Research and Development Costs

Research and development costs are recognized as an expense in the period in which they are incurred.

Government Assistance and Investment Tax Credits

Government assistance is recorded as a reduction of the related expense. Government assistance is recorded in the accounts when reasonable assurance exists that we have complied with the terms and conditions of the approved grant program. Investment tax credits are accounted for under the cost reduction method, whereby the investment tax credits are applied against the carrying value of the related expense. Investment tax credits are recorded when the qualifying expenditures have been incurred and if there is a reasonable assurance that the tax credits will be realized.

Share-Based Payments

We grant stock options to our directors, officers and employees that are settled by the issuance of shares. All options have vesting features, and are only exercisable upon the occurrence of a liquidity event (such as an initial public offering or a change of control). No share-based payment expenses have been recorded since the options only become exercisable upon the occurrence of a specific event as exercisability was unpredictable and we could not determine at the end of any reporting period whether or not the event will occur before the expiration of the options.

The compensation expense related to stock options that would vest and become exercisable upon the occurrence of a liquidity event will be recorded upon the occurrence of this offering. Further, in connection with this offering, we will adopt the LTIP for a variety of equity-based awards that provide different types of incentives to be granted to our directors, executive officers, employees and consultants. For a description of the long-term incentive plan, see "Executive Compensation – Principal Elements of Compensation".

Authorized Share Capital prior to the Pre-Closing Capital Changes

As of July 31, 2020, our authorized share capital consisted of an unlimited number of Class A, Class B (non-voting), Class C, Class D (non-voting) and Class E shares of which 44,008.2 Class A, 17,488.0 Class B, 28,497.8 Class C, 50,781.9 Class D and 39,704.0 Class E shares are currently issued and outstanding. In addition, options to acquire a total of 33,198.0 Class B shares and 58,516.5 Class D shares are outstanding as of the date of this prospectus. In connection with, and prior to, the closing of this offering, the Pre-Closing Capital Changes will be implemented as outlined under “Description of Share Capital – Pre-Closing Capital Changes”.

USE OF PROCEEDS

The net proceeds of this offering are estimated to be approximately \$26.2 million (\$30.4 million if the Over-Allotment Option is exercised in full) after deduction of the Underwriters’ fee and the estimated expenses of this offering. The Underwriters’ fee and the expenses of this offering will be paid out of the gross proceeds of this offering. The principal reasons for this offering are to increase our capitalization and financial flexibility, increase our visibility in the marketplace and create a public market for our common shares.

We intend to use the net proceeds of this offering as follows:

- Approximately \$18.0 million to fund selective acquisitions that expand, complement or are otherwise related to our current business and which we believe will accelerate the development and deployment of new product and service offerings, enhance market opportunities and accelerate our entry into new geographic markets and which are consistent with our growth strategy;
- Approximately \$4.0 million to accelerate the introduction of new products, features and services, of which approximately \$2.0 million is expected to be used to accelerate the development of new cloud offerings and the final development and general rollout of Haivision Connect and the general rollout, after the introduction of additional features, of Haivision Hub, both scheduled for the first half of 2021, and approximately \$2.0 million is expected to be used to introduce new features and functionality into existing products, especially in the areas of artificial intelligence and machine learning and analytics as they pertain to video processing and transport, and increase our software application offerings;
- Approximately \$4.0 million to fund the expansion of our sales force into new geographic areas, build brand awareness through digital marketing, industry events and trade shows; to enhance our lead generation capabilities through digital promotion and cooperative marketing with strategic partners; and to increase the level and scope of global support activities; and
- The balance for general working capital and other general corporate purposes.

We will use the net proceeds, if any, from the issuance of common shares by us on exercise of the Over-Allotment Option for general working capital and other general corporate purposes

Management believes that the strengthening of our balance sheet as a result of this offering will better position us to execute on our growth strategy. See “Business and Industry – Our Growth Strategy”.

While we currently anticipate that we will use the net proceeds of this offering we receive as described above, we may re-allocate the net proceeds from time to time having consideration to our growth strategy, in response to market conditions or to changes in business conditions prevalent at that time. See “Risk Factors – Risks Related to the Offering and Ownership of the Common Shares”.

We currently have no potential acquisition or investment opportunities targeted for use of the proceeds of this offering and no outstanding agreements or commitments relating to any acquisition. To the extent that we identify and proceed with an acquisition or investment opportunity in the future, this may result in a use of funds that materially affects the allocation of the net proceeds of this offering received by us. Pending the application of the net proceeds in the manner described above, we intend to invest the net proceeds in short-term, interest-bearing securities such as government securities, commercial paper and other highly rated investment grade securities. “Risk Factors – Risks Related to our Business”.

DESCRIPTION OF SHARE CAPITAL

The following describes material terms of our share capital upon completion of this offering. The following description may not be complete and is subject to, and qualified in its entirety by reference to, the terms and provisions of our articles.

Authorized Share Capital upon Completion of this Offering

Upon the completion of the Pre-Closing Capital Changes and this offering, our authorized share capital will consist of: (i) an unlimited number of common shares, and (ii) an unlimited number of preferred shares, issuable in series.

Upon completion of this offering, an aggregate of 25,862,019 common shares (26,612,019 common shares if the Over Allotment Option is exercised in full) and no preferred shares will be issued and outstanding.

Common Shares

Dividend Rights

Holders of common shares are entitled to receive dividends out of our assets legally available for the payment of dividends at such times and in such amount and form as our Board may from time to time determine, subject to any preferential rights of the holders of any outstanding preferred shares. See “Dividend Policy”.

Voting Rights

Holders of common shares are entitled to one vote per common share on all matters upon which holders of common shares are entitled to vote.

Conversion

The common shares are not convertible into any other class of shares.

Meetings of Shareholders

Holders of common share will be entitled to receive notice of any meeting of our shareholders and may attend and vote at such meetings, except those meetings where only the holders of shares of another class or of a particular series are entitled to vote. A quorum for the transaction of business at a meeting of shareholders is present if shareholders who, together, hold not less than 25% of the votes attaching to our outstanding common shares entitled to vote at the meeting are present in person or represented by proxy.

Pre-Emptive and Retraction Rights

Holders of common shares will have no pre-emptive or retraction rights.

Redemption Rights

The Company will have no redemption or purchase for cancellation rights.

Liquidation Rights

Upon our liquidation, dissolution or winding-up, whether voluntary or involuntary, the holders of common shares, without preference or distinction, will be entitled to receive rateably all of our assets remaining after payment of all debts and other liabilities, subject to any preferential rights of the holders of any outstanding preferred shares.

Preferred Shares

We are authorized to issue an unlimited number of preferred shares issuable in series. Each series of preferred shares shall consist of such number of preferred shares and having such rights, privileges, restrictions and conditions as may be determined by our Board prior to the issuance thereof. Holders of preferred shares, except as otherwise provided in the terms specific to a series of preferred shares or as required by law, will not be entitled to vote at meetings of holders of common shares, and will not be entitled to vote separately as a class upon a proposal to amend our articles in the case of an amendment of the kind referred to in paragraph (a),(b) or (e) of subsection 176(1) of the CBCA. With respect to the payment of dividends and distribution of assets in the event of liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the preferred shares are entitled to preference over the common shares and any other shares ranking junior to the preferred shares from time to time with respect to the payment of paid up capital remaining after the payment of all outstanding debts on a pro rata basis, and, the payment of any or all declared but unpaid cumulative dividends or any or all declared but unpaid dividends on the preferred shares and may also be given such other preferences over common shares and any other shares ranking junior to the preferred shares as may be determined at the time of creation of such series.

The issuance of preferred shares and the terms selected by our Board could decrease the amount of earnings and assets available for distribution to holders of our common shares or adversely affect the rights and powers, including the voting rights, of the holders of our common shares without any further vote or action by the holders of our common shares. The issuance of preferred shares, or the issuance of rights to purchase preferred shares, could make it more difficult for a third party to acquire a majority of our outstanding voting shares and thereby have the effect of delaying, deferring or preventing a change of control of us or an unsolicited acquisition proposal or of making the removal of management more difficult. Additionally, the issuance of preferred shares may have the effect of decreasing the market price of our common shares.

Advance Notice Provision

We will include certain advance notice by-laws with respect to the election of our directors (the “**Advance Notice Provisions**”). The Advance Notice Provisions are intended to: (i) facilitate orderly and efficient annual general meetings or, where the need arises, special meetings; (ii) ensure that all our shareholders receive adequate notice of board nominations and sufficient information with respect to all nominees; and (iii) allow our shareholders to register an informed vote. Only persons who are nominated by shareholders in accordance with the Advance Notice Provisions will be eligible for election as directors at any annual meeting of our shareholders, or at any special meeting of our shareholders if one of the purposes for which the special meeting was called was the election of directors.

Under the Advance Notice Provisions, a shareholder wishing to nominate a director would be required to provide us notice, in the prescribed form, within the prescribed time periods. These time periods include, (i) in the case of an annual meeting of shareholders (including annual and special meetings), not less than 30 days prior to the date of the annual meeting of shareholders; provided, that if the first public announcement of the date of the annual meeting of shareholders (the “**Notice Date**”) is less than 50 days before the meeting date, not later than the close of business on the 10th day following the Notice Date; and (ii) in the case of a special meeting (which is not also an annual meeting) of shareholders called for any purpose which includes electing directors, not later than the close of business on the 15th day following the Notice Date, provided that, in either instance, if notice-and-access (as defined in National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*) is used for delivery of proxy-related materials in respect of a meeting described above, and the Notice Date in respect of the meeting is not less than 50 days prior to the date of the applicable meeting, the notice must be received not later than the close of business on the 40th day before the applicable meeting.

Forum Selection

We have included a forum selection by-law that provides that, unless we consent in writing to the selection of an alternative forum, the courts of the Province of Québec, Canada and appellate courts therefrom (or, failing such court, any other “court” as defined in the CBCA having jurisdiction, and the appellate courts therefrom), will be the sole and exclusive forum for: (i) any derivative action or proceeding brought on our behalf; (ii) any action or proceeding asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or other employees to us; (iii) any action or proceeding asserting a claim arising pursuant to any provision of the CBCA or our articles or by laws; or

(iv) any action or proceeding asserting a claim otherwise related to our “affairs” (as defined in the CBCA). Our forum selection by-law also provides that our securityholders are deemed to have consented to personal jurisdiction in the Province of Québec and to service of process on their counsel in any foreign action initiated in violation of our by-law.

Pre-Closing Capital Changes

In connection with, and prior to, the closing of this offering, the following pre-closing capital changes (“**Pre-Closing Capital Changes**”) will be implemented:

- (a) each option to acquire a Class B share or Class D share will be exercised for cash or on a cashless basis, which will result in the issuance of 64,955.7 Class B shares and Class D shares;
- (b) certain current and former holders of Class A shares and Class B shares will receive from the Company a total payment of \$1,532,180.10, as a result of a prior undertaking of the Company in 2009 to pay such amount upon the closing of an initial public offering, which payment will be made by way of a dividend or otherwise;
- (c) all of our issued and outstanding Class A shares, Class B shares, Class C shares, Class D shares and Class E shares will be split on the basis of 85 post-split shares for each pre-split share;
- (d) our authorized share capital will be amended such that it will be comprised of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series; and
- (e) each Class A share, Class B share, Class C share, Class D share and Class E share held by a holder will be converted into one common share, which will result in the issuance of 20,862,019 common shares.

These split, amendment and conversion transactions are collectively referred to as the “**Pre-Closing Capital Changes**”.

The following table summarizes the changes in share structure of the Company in advance of, and immediately following, the closing of this offering:

	Percentage of Shares Owned or Controlled Immediately Prior to the Pre-Closing Capital Changes and Prior to the Closing of this Offering ⁽²⁾⁽³⁾	Number of Common Shares Owned or Controlled Following the Pre-Closing Capital Changes and Prior to the Closing of this Offering ⁽⁴⁾	Number of Common Shares Owned or Controlled Following the Pre-Closing Capital Changes and Following the Closing of this Offering ⁽⁵⁾⁽⁶⁾
All of our executive officers, as a group ⁽¹⁾	24.7%	5,048,065	5,048,065
All of our non-employee directors, as a group	23.7%	2,908,208	2,908,208
All of our other employees	16.9%	4,042,549	4,042,549
Other pre-offering shareholders	34.7%	8,863,197	8,863,197
Public shareholders	—	—	5,000,000

Notes:

- (1) Includes Miroslav (Mirko) Wicha. See “Principal Shareholders”.
- (2) Figure represents ownership on a fully-diluted basis (assuming the exercise of all options outstanding immediately prior to the Pre-Closing Capital Changes and prior to closing of this offering).
- (3) Includes all of our issued and outstanding Class A shares, Class B shares, Class C shares, Class D shares and Class E shares.
- (4) Figure represents ownership on a fully-diluted basis.
- (5) Assuming no exercise of the Over-Allotment Option.
- (6) The NEOs will receive at closing of this offering a grant of options and RSUs under the LTIP. See “Executive Compensation - Summary Compensation Table”.

DIVIDEND POLICY

We currently intend to retain any future earnings to fund the development and growth of our business and do not currently anticipate paying dividends on our common shares. Any determination to pay dividends in the future will be at the discretion of our Board and will depend on many factors, including, among others, our financial condition, current and anticipated cash requirements, contractual restrictions and financing agreement covenants, solvency tests imposed by applicable corporate law and other factors that our Board may deem relevant.

PRINCIPAL SHAREHOLDERS

The following table shows the names of the persons who, immediately following the closing of this offering, will, to our knowledge, beneficially own, control or direct, directly or indirectly voting securities carrying 10% or more of the voting rights attached to any class of our voting securities. Such persons will, collectively, directly or indirectly own or control approximately 26.4% of the issued and outstanding common shares (approximately 25.6%, if the Over Allotment Option is exercised in full) and, as a result, will have a significant influence over us and our affairs. See “Risk Factors”. All of the persons listed below will enter into the Lock-up Agreements with respect to the common shares held by them with the Underwriters. See “Plan of Distribution – Lock-up Arrangements”.

<u>Name of Shareholder</u>	<u>Number of Common Shares Owned Following the Pre-Closing Capital Changes and Prior to Closing of this Offering</u>	<u>Immediately Following the Closing of this Offering</u>		
		<u>Number of Common Shares Owned</u>	<u>Percentage of Outstanding Common Shares (Assuming no Exercise of the Over-Allotment Option)</u>	<u>Percentage of Outstanding Common Shares (Assuming Full Exercise of the Over-Allotment Option)</u>
Miroslav (Mirko) Wicha	3,561,889 ⁽¹⁾	3,561,889 ⁽¹⁾	13.7% ⁽²⁾	13.3% ⁽³⁾
Thomas O. Hecht	3,268,352 ⁽⁴⁾	3,268,352 ⁽⁴⁾	12.6% ⁽⁵⁾	12.2% ⁽⁶⁾

Notes:

- (1) Represents 1,642,744 common shares owned by Miroslav (Mirko) Wicha and 1,795,115 common shares owned by Hudson Wicha Family Trust, a family trust of which he is a trustee.
- (2) Figure represents ownership on a non-diluted basis. On a fully-diluted basis (assuming the exercise of all options and settlement of all RSUs and DSUs outstanding immediately following the closing of this offering), Miroslav (Mirko) Wicha will, immediately following the closing of this offering, beneficially own, control or direct 14.3% of the issued and outstanding common shares.
- (3) If the Over-Allotment Option is exercised in full, Miroslav (Mirko) Wicha will, immediately following the closing of this offering, beneficially own, control or direct 13.9% of the issued and outstanding common shares on a fully diluted basis (assuming the exercise of all options and settlement of all DSUs and RSUs outstanding immediately following the closing of this offering).
- (4) Represents 2,369,545 common shares owned by Haemosan Inc. and 898,807 common shares owned by 9154728 Canada Inc. Thomas O. Hecht beneficially owns, controls or directs, directly or indirectly, all of the equity interests of Haemosan Inc. and a majority of the equity interests of 9154728 Canada Inc.
- (5) Figure represents ownership on a non-diluted basis. On a fully-diluted basis (assuming the exercise of all options and settlement of all DSUs and RSUs outstanding immediately following the closing of this offering), Thomas O. Hecht will, immediately following the closing of this offering, beneficially own, control or direct 11.9% of the issued and outstanding common shares.
- (6) If the Over-Allotment Option is exercised in full, Thomas O. Hecht will, immediately following the closing of this offering, beneficially own, control or direct 11.6% of the issued and outstanding common shares on a fully diluted basis (assuming the exercise of all options and settlement of all DSUs and RSUs outstanding immediately following the closing of this offering).

DESCRIPTION OF MATERIAL INDEBTEDNESS

Description of Material Indebtedness

The following is a description of our material indebtedness. The following summaries are not exhaustive and are qualified by the terms of the agreements referred to below, each of which will be filed with the Canadian securities regulatory authorities and will be available on SEDAR at www.sedar.com, under our profile. Investors are encouraged to read the full text of these agreements.

Loan and Security Agreement with Silicon Valley Bank

On October 5, 2020, we entered into an amended and restated loan and security agreement (the “**SVB Loan Agreement**”) with our U.S. subsidiary Haivision Network Video Inc., as co-borrower, and Silicon Valley Bank (“**SVB**”), as lender, which provides for (i) a US\$5 million term loan (the “**Term Loan**”) bearing interest at the greater of (x) the U.S. prime rate, as published by the Wall Street Journal, plus 2.25% and (y) 5.00% and (ii) a US\$10 million working capital line of credit (the “**Revolving Line**”, and together with the Term Loan, the “**SVB Loan**”) bearing interest at the greater of (x) the U.S. prime rate, as published by the Wall Street Journal, plus 1.65% and (y) 4.25%. The SVB Loan is available for general corporate purposes, with the inclusion of share buybacks under the Term Loan.

The SVB Loan is secured by the SVB Loan Agreement as well as an amended and restated intellectual property security agreement and a movable hypothec, which provide the lender with first priority security interests over all assets of the Company, including intellectual property.

As of November 30, 2020, the effective rate under the Term Loan and the Revolving Line were 5.50% and 4.90%, respectively, and advances under the Term Loan and the Revolving Line were US\$1,500,000 and nil, respectively. Available capacity under the Term Loan was US\$3,500,000 as of November 30, 2020 and US\$10,000,000 under the Revolving Line. As at the date hereof, we are in compliance with all covenants under the SVB Loan.

CONSOLIDATED CAPITALIZATION

The following table sets forth our consolidated capitalization as at July 31, 2020 on an actual basis and on a pro forma as adjusted basis to give effect to the Pre-Closing Capital Changes and this offering (assuming no exercise of the Over-Allotment Option).

This table should be read in conjunction with *the Company's unaudited interim consolidated financial statements and the Company's audited annual consolidated financial statements, along with the related notes thereto, included elsewhere in this prospectus*, and the information set forth under “Selected Historical Financial and Other Data”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Description of Share Capital”.

	As at July 31, 2020	
	Actual	After giving effect to the Pre-Closing Capital Changes and this Offering
	(in thousands)	
Cash and cash equivalents	\$ 9,824	\$39,345⁽¹⁾
Debt		
Revolving Line	—	—
Term Loan	—	—
Unsecured term loan	1,944	1,944
Shareholders' equity		
Issued share capital ⁽²⁾	20,934	63,982 ⁽³⁾
Stock option reserve	—	2,635
Contributed surplus	—	—
Accumulated other comprehensive income (loss)	1,905	1,905
Retained earnings (deficit)	5,827	(10,335)
Total equity	\$28,666	\$58,187
Total capitalization	\$30,610	\$60,131

Notes:

- (1) The amount included in this table includes the estimated net proceeds of this offering after deducting the estimated expenses of this offering and assuming no exercise of the Over-Allotment Option. The amount does not reflect the use of proceeds set out under “Use of Proceeds”. The amount also includes net proceeds of \$4.853 million as a result of the exercise of options on a cash basis under the Pre-Closing Capital Changes and the payment of an amount of \$1.532 million to certain shareholders as disclosed under “Description of Share Capital – Pre-Closing Capital Changes”.
- (2) As at July 31, 2020, the Company’s authorized share capital was comprised of an unlimited number of Class A shares, Class B shares, Class C shares, Class D shares and Class E shares. As a result of the Pre-Closing Capital Changes, the Company’s authorized share capital immediately prior to the closing of this offering will consist of (i) an unlimited number of common shares and (iii) an unlimited number of preferred shares, issuable in series. See “Description of Share Capital – Pre-Closing Capital Changes”. Immediately following the closing of this offering and assuming no exercise of the Over-Allotment Option, 25,862,019 common shares and no preferred shares will be issued and outstanding.
- (3) The amount included in this table includes additional share capital raised by the Company through this offering estimated to amount to \$28,200,000, excluding any proceeds from the Over-Allotment Option and the estimated expenses of this offering. The amounts included in this table also do not include any of our common shares issuable upon the exercise of options under the LTIP.

OPTIONS TO PURCHASE COMMON SHARES

The following table sets forth the aggregate number of options to purchase common shares that will be outstanding upon completion of this offering, including after giving effect to the Pre-Closing Capital Changes, as a result of which all outstanding options will be exercised prior to the closing of this offering on a cash or cashless basis, resulting in 5,521,237 common shares being issued:

<u>Category</u>	<u>Number of Options to Acquire Common Shares</u>	<u>Exercise Price⁽¹⁾</u>	<u>Expiration Date</u>
All of our executive officers and past executive officers, and all of our directors and past directors, as a group (4 in total)	348,500	\$6.00	December 2030
All other of our employees and past employees, as a group (22 in total)	<u>680,000</u>	<u>\$6.00</u>	<u>December 2030</u>
Total⁽²⁾	<u><u>1,028,500</u></u>	<u><u>\$6.00</u></u>	<u><u>December 2030</u></u>

Notes:

- (1) Pursuant to a grant of options under the LTIP to be made prior to the closing of this offering at the Offering Price.
- (2) Pursuant to a grant of options under the LTIP to be made prior to the closing of this offering at the Offering Price.

For a description of our equity-based incentive compensation plans, see “Executive Compensation”. In connection with the offering, we intend to grant to (i) our executive officers and employees up to 1,028,500 options to acquire common shares having an exercise price equal to the Offering Price under the LTIP, (ii) our executive officers up to 348,500 RSUs under the LTIP, and (iii) our directors up to 18,331 DSUs under the LTIP.

PRIOR SALES

There have been no issuances of our common shares, or securities convertible into common shares, during the 12-month period preceding the date of this prospectus. In connection with the Pre-Closing Capital Changes, all outstanding options to acquire shares will be exercised prior to closing on a cash or cashless basis. See “Description of Share Capital”, “Executive Compensation” and “Options to Purchase Common Shares”.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth certain information regarding our directors and executive officers:

Name, Province or State and Country of Residence	Position/Title	Independent Director ⁽¹⁾	Principal Occupation
Harvey Bienenstock ⁽¹⁾⁽²⁾⁽³⁾ . . . <i>Québec, Canada</i>	Director (Appointed in April 2019)	Yes	Vice-President, Finance of Haemosan Inc.
Glenn E. Duval ⁽¹⁾⁽⁴⁾ <i>California, U.S.</i>	Director (Appointed in February 2009)	Yes	Chief Executive Officer of Challenger Cable Sales
Neil Hindle ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ <i>Québec, Canada</i>	Lead Director (Appointed in August 2010)	Yes	Chief Executive Officer and a director of Barrontech Inc.
Robin M. Rush ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ <i>Texas, U.S.</i>	Director (Appointed in February 2018)	Yes	Managing member of HaiKula Holdings LLC
Miroslav (Mirko) Wicha <i>Québec, Canada</i>	Director (Chair), President and Chief Executive Officer (Appointed Director in April 2004)	No	President and Chief Executive Officer of the Company
Dan Rabinowitz <i>Illinois, United States</i>	Chief Financial Officer and Executive Vice President, Operations	n/a	Chief Financial Officer and Executive Vice President, Operations of the Company
Peter Maag <i>Québec, Canada</i>	Chief Marketing Officer and Executive Vice President, Partnerships	n/a	Chief Marketing Officer and Executive Vice President, Partnerships of the Company
Mahmoud J. Al-Daccak <i>Québec, Canada</i>	Chief Technology Officer and Executive Vice President, Product Development	n/a	Chief Technology Officer and Executive Vice President, Product Development of the Company

Notes:

- (1) Independent director for the purposes of NI 58-101. See “– Corporate Governance – Director Independence”.
- (2) Member of our Audit Committee.
- (3) Member of our Nominating and Governance Committee.
- (4) Member of our Compensation Committee

Biographical Information Regarding Our Directors and Executive Officers

Harvey Bienenstock, Director

Harvey Bienenstock has been the Vice-President, Finance of Haemosan Inc., an investment holding company in Montréal since 1993. Previously, Mr. Bienenstock held the position of Corporate Consolidations accountant and information systems analyst at Northern Telecom Ltd. from 1975 to 1978. Mr. Bienenstock was the Controller at First Quebec Corporation, a major Montréal office building developer from 1978 to 1982. Mr. Bienenstock was Vice-President at Continental Pharma Cryosan Inc. from 1982 to 1993. Mr. Bienenstock received his Master of Business Administration degree and his Bachelor of Science degree from McGill University. Mr. Bienenstock is a designated Chartered Professional Accountant (CPA), and qualifies as a Chartered Accountant (CA).

Glenn E. Duval, Director

Glenn Duval has been the Chief Executive Officer of Challenger Cable Sales since 1986, a privately held company delivering technology solutions to the cable television industry. Mr. Duval is a cable television pioneer who has actively been involved in the industry for over 40 years, working for companies that serve as a primary supplier of customer devices and components to most cable operators in North America. Mr. Duval has served as a trustee on the Foundation Board of the University of California Santa Barbara since 2008 and as a board member of the Energy Efficiency Institute at the University of California Santa Barbara since 2015. Mr. Duval earned a Bachelor of Arts degree in Foreign Affairs at the University of California, Santa Barbara, U.S.

Neil Hindle, Lead Director

Neil Hindle is Chief Executive Officer and a director of Barrontech Inc., a private Canadian investment holding company, a position he has held since 1995. Mr. Hindle also held various positions including Executive Chairman, Executive Vice President and Chief Financial Officer of Atrion International Inc., a Montréal-based global leader in the Product Compliance market from 2000 to 2007. Prior to Atrion, from 1997 to 2000, Mr. Hindle was Managing Partner for Knorr Capital Partners Inc., a wholly-owned subsidiary of Knorr Capital Partner AG. Mr. Hindle spent the initial part of his career from 1975 to 1986 with Coopers & Lybrand, Chartered Accountants. Upon leaving Coopers & Lybrand, he held senior executive management positions at a private Canadian wholesale distribution business and a publicly traded technology development company in the oil & gas industry. Mr. Hindle earned his Bachelor of Commerce (Honours) degree from Queen's University and his Graduate Diploma in Public Accountancy from McGill University. He is a member of the Canadian Institute of Chartered Accountants, l'Ordre des comptables agréés du Québec and the Institute of Chartered Accountants of Ontario. He is currently a director and Chair of the Audit Committee of Voti Detection Inc., a Montreal-based company listed on the TSX Venture Exchange specializing in X-ray screening platforms and detection software. He is also the Chair of the Board of Governors of St. Mary's Hospital.

Robin M. Rush, Director

Robin Rush has been a serial entrepreneur and angel investor since 1983. Mr. Rush played a pivotal role in developing the business of Kulabyte Corporation from 2005 until its acquisition by Haivision in 2011. Mr. Rush has been a managing member of HaiKula Holdings LLC since 2006. Previously, Mr. Rush held various positions at Rush Enterprises (NASDAQ: RUSHA), an international retailer of commercial vehicles, primarily new and used trucks, from 1990 until 2004, including Vice President, General Manager, Secretary, Treasurer and Executive Vice President and served as a member of the board of directors. Mr. Rush served as a director of Mass Ventures LLC, a crowdfunding company, from 2013 until 2017.

Miroslav (Mirko) Wicha, Director (Chair), President and Chief Executive Officer

Miroslav (Mirko) Wicha has served as Chairman and Chief Executive Officer of the Company since founding Haivision in 2004. Mr. Wicha has over 35 years of executive management and worldwide sales experience with software and hardware companies in the graphics, high performance computing, and multi-media industries such as Discreet Logic (NASDAQ: DSLGF), Autodesk Inc. (NASDAQ: ADSK), from 1999 to 2000, Alias/wavefront, Alias Research Ltd. (NASDAQ: ADDDF), from 1993 to 1998, Silicon Graphics (NASDAQ: SGI) from 1988 to 1993 and Hewlett-Packard (NYSE: HWP) from 1983 to 1988. Mr. Wicha has also served as a director of ToonBoom Technologies Inc. in Montréal from 2001 to 2003 and St. George's School of Montréal from 2002 to 2005. Mr. Wicha is currently Chairman and Director of the Wicha Music Foundation since 2009 and an Industrial Advisory Board Member for the Jodrey School of Computer Science, Acadia University since 2012. Mr. Wicha has lived and worked internationally, managing successful high-tech operations throughout the world with a focus on building global companies and shareholder value. Mr. Wicha received his Bachelor of Science in Computer Science and Mathematics degree from Acadia University.

Dan Rabinowitz, Chief Financial Officer and Executive Vice President, Operations

Dan Rabinowitz has served as Chief Financial Officer of the Company since November 2008 and currently serves as Chief Financial Officer and Executive Vice-President, Operations. Mr. Rabinowitz has over 30 years of experience

in finance and management. Prior to joining Haivision, Mr. Rabinowitz served as Executive Vice President and Chief Financial Officer for FinanSure, Inc., a student loan lender, from 2005 to 2008, TUSC, an IT professional services firm, from 2001 to 2004 and Peapod, Inc. (NASDAQ: PPOD), the world's first internet grocer, from 1995 to 2001. He also served as an M&A intermediary for Geneva Capital Markets, a subsidiary of Citibank from 1994 to 1995. Mr. Rabinowitz received his Bachelor of Science degree in Business Administration from the University of Illinois, and his Masters of Business Administration from the Kellogg School of Management at Northwestern University.

Peter Maag, Chief Marketing Officer and Executive Vice President, Partnerships

Peter Maag has served as Chief Marketing Officer of the Company since October 2010 and has been part of the executive management team since joining Haivision in 2004. Mr. Maag has over 26 years of experience in business development, sales, marketing and partner development. Previously, Mr. Maag served as Vice President Business Development at Hyperchip Inc., a company operating in the telecommunications sector, from 2001 to 2004 and as Vice President at Discreet Logic (NASDAQ: DSLGF), a public company that specialized in digital video effects and editing software tools, which was acquired by Autodesk (NASDAQ: ADSK), an American multinational software corporation. Mr. Maag received his Masters of Business Administration degree from McGill University and his Bachelor of Engineering Science degree from the University of Western Ontario.

Mahmoud J. Al-Daccak, Chief Technology Officer and Executive Vice President, Product Development

Mahmoud Al-Daccak has served as Executive Vice President, Product Development of the Company since August 2009. Mr. Al-Daccak has over 25 years of experience in product development. Prior to joining Haivision, Mr. Al-Daccak served as Vice President of Engineering from December 2002 to November 2006 and then Chief Technology Officer from December 2007 to July 2009 of MaxT Systems, a Canadian company that provided storage solutions and collaborative content creation, where he overhauled the technology and strategic direction of the Company, culminating in the acquisition of the company by Avid Technology, Inc. Previously, Mr. Al-Daccak held positions as Chief Technology Officer of ZipLocal from November 2006 to November 2007, Chief Operating Officer and co-founder of Polyester Media from February 2000 to November 2002, and Vice President of Product Development from February 1994 to November 1999 at Discreet Logic (NASDAQ: DSLGF), a public company that specialized in digital video effects and editing software tools, which was acquired by Autodesk (NASDAQ: ADSK), an American multinational software corporation. Mr. Al-Daccak received his Bachelor's degree in Electrical Engineering and his Master's degree in Mechanical Engineering from McGill University.

Ownership Interest

Immediately after the closing of this offering, our directors and executive officers, as a group, are expected to beneficially own, or control or direct, directly or indirectly, an aggregate of 30.7% of our issued and outstanding common shares on a non-diluted basis (29.9% if the Over-Allotment Option is exercised in full).

Penalties or Sanctions

None of our directors or executive officers, and to the best of our knowledge, no shareholder holding a sufficient number of securities to affect materially the control of the Company, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Individual Bankruptcies

None of our directors or executive officers, and to the best of our knowledge, no shareholder holding a sufficient number of securities to affect materially the control of the Company, has, within the 10 years prior to the date of this prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or director appointed to hold his or her assets.

Corporate Cease Trade Orders and Bankruptcies

None of our directors or executive officers, and to the best of our knowledge, no shareholder holding a sufficient number of securities to affect materially the control of the Company is, as at the date of this prospectus, or has been within the 10 years before the date of this prospectus: (a) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; (b) was subject to an order that was issued after the director or executive officer 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; or (c) 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 director appointed to hold its assets. For the purposes of this paragraph, “order” means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

Corporate Governance

We recognize that good corporate governance plays an important role in our overall success and in enhancing shareholder value and, accordingly, we will be adopting upon the closing of this offering certain corporate governance policies and practices. The disclosure set out below describes our approach to corporate governance.

Composition of our Board and Board Committees

Under our articles, our Board is to consist of a minimum of 1 and a maximum of 10 directors as determined from time to time by the directors. Upon completion of this offering, our Board will consist of 5 directors. Under the CBCA, a director may be removed with or without cause by a resolution passed by a majority of the votes cast by shareholders present in person or by proxy at a meeting and who are entitled to vote. The directors will be elected by shareholders at each annual meeting of shareholders, and all directors will hold office for a term expiring at the close of the next annual meeting or until their respective successors are elected or appointed. Our articles provide that, between annual general meetings of shareholders, the directors may appoint one or more additional directors, but the number of additional directors may not at any time exceed one third of the number of current directors who were elected or appointed other than as additional directors.

The nominees for election as directors will be determined by our Nominating and Governance Committee in accordance with the charter of our Nominating and Governance Committee. See also “– Committees of our Board – Nominating and Governance Committee”.

Chair of the Board

Miroslav (Mirko) Wicha is the Chair of our Board. Our Board will adopt a written position description for the Chair, which will set out the Chair’s key responsibilities, including, among others, duties relating to setting board meeting agendas, chairing board and shareholder meetings and director development. See “– Meetings of Independent Directors and Conflicts of Interest”.

Lead Director

Neil Hindle, an independent director, is the lead director of Haivision (the “**Lead Director**”) and ensures that the Board discharges its responsibilities, evaluates the performance of management objectively and understands the boundaries between the responsibilities of the Board and of management.

Director Independence

Under NI 58-101, a director is considered to be independent if he or she is independent within the meaning of section 1.4 of NI 52-110. Pursuant to NI 52-110, an independent director is a director who is free from any direct or

indirect relationship which could, in the view of our Board, be reasonably expected to interfere with a director's independent judgment. Based on information provided by each director concerning his or her background, employment and affiliations, our Board has determined that, of the five directors on our Board, Miroslav (Mirko) Wicha will not be independent because he is our President and Chief Executive Officer. Certain members of our Board are also members of the board of directors of other public companies. Our Board has not adopted a director interlock policy, but stays informed of other public directorships held by its members.

The Company has taken steps to ensure that adequate structures and processes will be in place following the completion of this offering to permit the Board to function independently of management of the Company. The Board has designated Neil Hindle as Lead Director. See “– Lead Director”.

Meetings of Independent Directors and Conflicts of Interest

Our Board believes that, given its size and structure, it is able to exercise independent judgment in carrying out its responsibilities and will continue to do so following the closing of this offering. To enhance such independent judgment, the independent members of our Board may meet in the absence of senior executive officers and management, or any non-independent directors. Our Chair, or Lead Director if the Chair is not independent within the meaning of NI 52-110, will be responsible for ensuring that the directors who are independent of management have opportunities to meet without management present, as required.

A director who has a material interest in a matter before our Board, or any committee on which he or she serves, is required to disclose such interest as soon as the director becomes aware of it. In situations where a director has a material interest in a matter to be considered by our Board or any committee on which he or she serves, such director may be required to excuse himself or herself from the meeting while discussions are being held and, depending on the circumstances, abstain from voting with respect to the matter at stake. Directors will also be required to comply with the relevant provisions of the CBCA regarding conflicts of interest.

Majority Voting Policy

In accordance with the requirements of the TSX, our Board will adopt a “Majority Voting Policy” to the effect that a nominee for election as a director who does not receive a greater number of votes “for” than votes “withheld” with respect to his or her election by shareholders shall tender his or her resignation to the Chair promptly following the meeting of shareholders at which the director was elected. Our Nominating and Governance Committee will consider such tendered resignation and make a recommendation to our Board whether to accept it or not. Our Board will promptly accept the resignation unless it determines, in consultation with our Nominating and Governance Committee, that there are exceptional circumstances that should delay the acceptance of the resignation or justify rejecting it. Our Board will disclose by news release its decision whether or not to accept that resignation and the reasons for its decision no later than 90 days after the date of the relevant shareholders' meeting. A director who tenders a resignation pursuant to the Majority Voting Policy will not participate in any meeting of our Board or our Nominating and Governance Committee at which the resignation is considered.

Director Term Limits and Other Mechanisms of Board Renewal

Our Board has not adopted director term limits or other automatic mechanisms of board renewal. Rather than adopting formal term limits, mandatory age-related retirement policies and other mechanisms of board renewal, the Nominating and Governance Committee will seek to maintain the composition of our Board in a way that provides, in the judgement of our Board, the best mix of skills and experience to provide for our overall stewardship. Our Nominating and Governance Committee is also expected to conduct a process for the assessment of our Board, each committee and each director regarding his, her or its effectiveness and performance, and to report evaluation results to our Board. See also “– Diversity”.

Mandate of our Board

Our Board is responsible for supervising the management of our business and affairs, including providing guidance and strategic oversight to management. Our Board will adopt a formal mandate in the form set forth in Appendix A that includes the following:

- appointing our executive officers;

- supervising our activities and managing our investments and affairs;
- approving major decisions regarding us;
- defining the roles and responsibilities of management and determining compensation of our directors upon the recommendation of the Nominating and Governance Committee and the Compensation Committee;
- approving the corporate goals and objectives that the Chief Executive Officer is responsible for meeting and reviewing the performance of the Chief Executive Officer against such corporate goals and objectives;
- taking steps to satisfy itself as to the integrity of the Chief Executive Officer and other senior executive officers and that the Chief Executive Officer and other senior executive officers create a culture of integrity throughout the organization; and
- reviewing and approving management's strategic and business plans.

Our Board will adopt a written position description for our Chief Executive Officer which will set out the key responsibilities of our Chief Executive Officer, including, among other duties in relation to providing overall leadership, ensuring the development of a strategic plan and recommending such plan to our Board for consideration, ensuring the development of an annual corporate plan and budget that supports the strategic plan and recommending such plan to our Board for consideration, and supervising day-to-day management and communicating with shareholders and regulators.

Orientation and Continuing Education

Following the closing of this offering, we will implement an orientation program for new directors under which a new director will meet with the Chair, members of senior management and our secretary. In addition, new directors will be provided with comprehensive orientation and education as to our activities and our industry, the role of our Board and its committees, and the contribution that an individual director is expected to make. Our Nominating and Governance Committee will be responsible for overseeing director continuing education designed to maintain and enhance the skills and abilities of the directors and to ensure that their knowledge and understanding of our business remains current. The chair of each committee will be responsible for coordinating orientation and continuing director development programs relating to the committee's mandate.

Our Nominating and Governance Committee will also coordinate the development of continuing education activities or programs for directors, from time to time as appropriate, that shall, among other things, assist directors to maintain or enhance their skills and abilities as directors, and assist directors in ensuring that their knowledge and understanding of the Company and its business remain current.

In addition, Board members will be expected to keep themselves current with industry trends and developments and will be encouraged to communicate with management and, where applicable, auditors, advisors and other consultants of the Company. Board members will have access to the Company's in-house and external legal counsel in the event of any questions or matters relating to our Board members' corporate and director responsibilities and to keep themselves current with changes in legislation. Board members have full access to the Company's records.

Code of Conduct

We will adopt a written code of conduct (the "**Code of Conduct**") that applies to all of our officers, directors, employees, contractors and agents acting on behalf of us. The objective of the Code of Conduct will be to provide guidelines for maintaining our integrity, trust and respect. The Code of Conduct will address compliance with laws, rules and regulations, conflicts of interest, confidentiality, commitment, preferential treatment, financial information, internal controls and disclosure, protection and proper use of our assets, communications, fair dealing, fair competition, due diligence, illegal payments, equal employment opportunities and harassment, privacy, use of our computers and the internet, political and charitable activities and reporting any violations of law, regulation or the Code of Conduct. Our Board will have ultimate responsibility for monitoring compliance with the Code of Conduct and it will monitor compliance through our Nominating and Governance Committee. The Code of Conduct will be filed with the Canadian securities regulatory authorities on SEDAR at www.sedar.com, under our profile.

Committees of our Board

Our Board will establish three standing committees: the Audit Committee, the Nominating and Governance Committee and the Compensation Committee.

Audit Committee

Our Audit Committee will initially consist of three directors, each of whom will be persons determined by our Board to be independent directors and financially literate, in each case, within the meaning of NI 52-110. Our Audit Committee will initially be comprised of Neil Hindle, who will act as chair of this committee, Harvey Bienenstock and Robin M. Rush. Each of our Audit Committee members has an understanding of the accounting principles used to prepare financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting. For additional details regarding the relevant education and experience of each member of our Audit Committee, see also “- Biographical Information Regarding Our Directors and Executive Officers”.

Our Board will adopt a written charter in the form set forth in Appendix B, setting forth the purpose, composition, authority and responsibility of our Audit Committee, consistent with NI 52-110. Our Audit Committee will assist our Board in fulfilling its oversight of:

- our financial statements and financial reporting processes;
- our systems of internal accounting and financial controls;
- the qualifications and independence of our external auditors;
- the work of our financial management, internal auditors and external auditors;
- legal and regulatory compliance;
- financial reporting risk;
- investments, acquisitions and divestitures that may have a material effect on financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves, or significant components of revenues or expenses;
- matters pertaining to our material policies and practices respecting cash management and material financing strategies or policies or proposed financing arrangements and objectives; and
- public disclosure items such as earnings press releases, financial information and guidance and other public reporting requirements.

It will be the responsibility of our Audit Committee to maintain free and open channels of communication between the Audit Committee, our external auditors and our management. Our Audit Committee will be given full access to our management and records and external auditors as necessary to carry out these responsibilities. We will provide appropriate funding, as determined by our Audit Committee, for the payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report and to any advisors employed by our Audit Committee.

External Auditor Service Fee

For Fiscal 2019 and Fiscal 2018, the following fees were paid to our external auditors, Deloitte LLP:

	<u>Fiscal 2019</u>	<u>Fiscal 2018</u>
Audit Fees ⁽¹⁾	\$ 110,908	\$ 89,345
Audit-Related Fees ⁽²⁾	\$ 21,507	\$ 2,140
Tax Fees ⁽³⁾	\$ 92,864	\$ 74,651
All Other Fees ⁽⁴⁾	\$ 15,031	\$ 23,500
Total	<u>\$240,310</u>	<u>\$189,636</u>

Notes:

(1) Fees for audit services on an accrued basis.

(2) Fees for assurance and related services not included in audit services above.

- (3) Fees for tax compliance, tax advice and tax planning.
- (4) All other fees not included above. Fees relate to services provided by Deloitte LLP in connection with human resources.

Nominating and Governance Committee

Our Nominating and Governance Committee will initially consist of three directors, each of whom will be a person determined by our Board to be an independent director, and will be charged with reviewing, overseeing and evaluating our corporate governance and nominating policies. Our Nominating and Governance Committee will initially be comprised of Harvey Bienenstock, Neil Hindle and Robin M. Rush. Mr. Bienenstock will chair the Nominating and Governance Committee. No member of our Nominating and Governance Committee will be one of our officers, and as such, our Board believes that our Nominating and Governance Committee will be able to conduct its activities in an objective manner.

For additional details regarding the relevant education and experience of each member of our Nominating and Governance Committee, see also “– Biographical Information Regarding Our Directors and Executive Officers”.

Our Board will adopt a written charter setting forth the purpose, composition, authority and responsibility of our Nominating and Governance Committee. Our Nominating and Governance Committee’s purpose will be to assist our Board in:

- developing our corporate governance guidelines and principles and providing governance leadership;
- identifying individuals qualified to be nominated as members of our Board;
- overseeing director orientation and continuing education;
- monitoring compliance with our Code of Conduct;
- reviewing the structure, composition and mandate of our Board committees; and
- evaluating the performance and effectiveness of our Board and of our Board committees.

Our Nominating and Governance Committee will be responsible for, annually or as required, recruiting and identifying, and recommending to our Board for nomination, individuals qualified to become new Board members, as well as recommending individual directors to serve on the various Board committees. In making its recommendations, the Nominating and Governance Committee shall consider the competencies that our Board considers to be necessary and desirable for our Board as a whole, and Board committees, to possess, the competencies and skills that our Board considers each existing director to possess, and the competencies and skills each new nominee will bring to the boardroom. The Nominating and Governance Committee shall also consider the amount of time and resources that nominees have available to fulfill their duties as a Board member.

Our Nominating and Governance Committee will be responsible for establishing and implementing procedures to evaluate the desired competencies and skills of our Board, committees of our Board and the contributions of individual Board members. Our Nominating and Governance Committee will also take reasonable steps to evaluate and assess, on an annual basis, directors’ performance and effectiveness of our Board, committees of our Board, individual Board members, our Chair and committee chairs. The assessment may address, among other things, individual director independence, individual director and overall board skills, and individual director financial literacy. Our Board will receive and consider the recommendations from our Nominating and Governance Committee regarding the results of the evaluation of the performance and effectiveness of our Board, committees of our Board, individual Board members, our Chair and committee chairs. Our Nominating and Governance Committee will also be responsible for orientation and continuing education programs for our directors. See also “– Orientation and Continuing Education”.

Compensation Committee

Our Compensation Committee will initially consist of three directors, each of whom will be a person determined by our Board to be an independent director, and will be charged with reviewing, overseeing and evaluating our compensation policies. Our Compensation Committee will initially be comprised of Glenn E. Duval, Neil Hindle and Robin M. Rush. Mr. Rush will chair the Compensation Committee. No member of our Compensation Committee will be one of our officers, and as such, our Board believes that our Compensation Committee will be able to conduct its activities in an objective manner.

For additional details regarding the relevant education and experience of each member of our Compensation Committee, including the direct experience that is relevant to each committee member's responsibilities in executive compensation, see also "– Biographical Information Regarding Our Directors and Executive Officers".

Our Board will adopt a written charter setting forth the purpose, composition, authority and responsibility of our Compensation Committee. Our Compensation Committee's purpose will be to assist our Board in:

- at least annually, assessing the compensation of our directors and making recommendations to our Board;
- from time to time, as appropriate, reviewing with the chair of the Board, the Lead Director, if applicable, and the Chief Executive Officer of the Company the long-term goals and objectives of the Company in relation to compensation;
- at least annually, reviewing and making recommendations to the Board with respect to the corporate goals and objectives relevant to the compensation of the Chief Executive Officer and evaluating the Chief Executive Officer's performance in light of those goals and objectives.
- at least annually, reviewing and making recommendations to the Board with respect to the compensation of the Chief Executive Officer and, based on the recommendation of the Chief Executive Officer, the other members of the executive management group, including salary, incentive compensation plans, equity-based plans, the terms of any employment agreements, severance arrangements and change of control arrangements or provisions, and any special or supplemental benefits provided that the committee will not be required to review or approve annual cash bonuses to employees of the Company other than the executive management group.
- from time to time, as appropriate, reviewing the Company's policies on salary administration, pay and employment equity, basic incentive and total cash compensation, retirement benefits, and long-term incentives and recommending changes to the Board if appropriate; and
- reviewing management's policies and practices for ensuring that the Company complies with legal prohibitions, disclosure and other requirements on making or arranging for personal loans and amending or extending any such loans or arrangements.

Further particulars of the process by which compensation for our executive officers is determined is provided under the heading "Executive Compensation".

Diversity

We recognize the importance and benefit of having a board of directors and senior management comprised of highly talented and experienced individuals having regard to the need to foster and promote diversity among board members and senior management with respect to attributes such as gender, ethnicity and other factors.

In support of this goal, our Nominating and Governance Committee will, when identifying candidates to nominate for election to our Board or appoint as senior management:

- consider individuals who are highly qualified, based on their talents, experience, functional expertise and personal skills, character and qualities having regard to our current and future plans and objectives, as well as anticipated regulatory and market developments;
- consider criteria that promote diversity, including with regard to women, visible minorities, aboriginal persons and persons with disabilities and other factors;
- consider the level of representation of women, visible minorities, aboriginal persons and persons with disabilities on our Board and in senior management positions, along with other markers of diversity, when making recommendations for nominees to our Board or for appointment as senior management and in general with regard to succession planning for our Board and senior management; and
- as required, engage qualified independent external advisors to assist our Board in conducting its search for candidates that meet our Board's criteria regarding skills, experience and diversity.

Following the closing of this offering, we expect to adopt a formal policy for the representation and nomination of women, visible minorities, aboriginal persons and persons with disabilities on our Board and our senior management consistent with our commitment to diversity described above. We do not expect to adopt formal targets regarding the number of women, visible minorities, aboriginal persons and persons with disabilities on our Board or in executive

officer positions because our Nominating and Governance Committee generally identifies, evaluates and recommends candidates that, as a whole, consist of individuals with various and relevant career experience, industry knowledge and experience, and financial and other specialized experience, while taking diversity, including gender diversity, into account.

There are currently no women on our Board or as part of our executive team. However, women are represented in our senior management positions.

Disclosure, Confidentiality and Trading Policy

Our Board will adopt a Disclosure, Confidentiality and Trading Policy to deal with the timely dissemination of all material information. The Disclosure, Confidentiality and Trading Policy, which will be reviewed annually, will establish guidance for determining what information is material and how it is to be disclosed to avoid selective disclosure and to ensure wide dissemination. Our board, directly and through its committees, will review and approve the contents of major disclosure documents, including annual and interim consolidated financial statements, prospectuses, our annual information form, management's discussion and analysis and our management information circular. We seek to communicate with our shareholders through these documents as well as by means of news releases, our website and investor relations calls and meetings.

Directors' and Officers' Liability Insurance

Our and our subsidiaries' directors and officers are and will be covered under our directors' and officers' liability insurance. Under this insurance coverage, we and our subsidiaries will be reimbursed for insured claims where payments have been made under indemnity provisions on behalf of our and our subsidiaries' directors and officers, subject to a deductible for each loss, which will be paid by us. Our and our subsidiaries' individual directors and officers will also be reimbursed for insured claims arising during the performance of their duties for which they are not indemnified by us or our subsidiaries. Excluded from insurance coverage are illegal acts, acts which result in personal profit and certain other acts.

EXECUTIVE COMPENSATION

The following discussion describes the significant elements of the compensation of our President and Chief Executive Officer, Chief Financial Officer and Executive Vice President, Operations, Chief Marketing Officer and Executive Vice President, Partnerships, and Chief Technology Officer and Executive Vice President, Product Development (collectively, the “**named executive officers**” or “**NEOs**”), namely:

- Miroslav (Mirko) Wicha, President and Chief Executive Officer;
- Dan Rabinowitz, Chief Financial Officer and Executive Vice President, Operations;
- Peter Maag, Chief Marketing Officer and Executive Vice President, Partnerships; and
- Mahmoud J. Al-Daccak, Chief Technology Officer and Executive Vice President, Product Development.

Overview

We operate in a dynamic and rapidly evolving market. To succeed in this environment and to achieve our business and financial objectives, we need to attract, retain and motivate a highly talented team of executive officers.

Our executive officer compensation program is designed to achieve the following objectives:

- provide market-competitive compensation opportunities in order to attract and retain talented, high-performing and experienced executive officers, whose knowledge, skills and performance are critical to our success;
- motivate our executive officers to achieve our business and financial objectives;
- align the interests of our executive officers with those of our shareholders by tying a meaningful portion of compensation directly to the long-term value and growth of our business; and
- provide incentives that encourage appropriate levels of risk-taking by our executive officers and provide a strong pay-for-performance relationship.

We offer our executive officers cash compensation in the form of base salary and an annual cash bonus, and equity-based or equity-like compensation. We believe that equity-based compensation awards motivate our executive officers to achieve our business and financial objectives, and also align their interests with the long-term interests of our shareholders. We provide base salary to compensate employees for their day-to-day responsibilities, at levels that we believe are necessary to attract and retain executive officer talent. While we have determined that our current executive officer compensation program is effective at attracting and maintaining executive officer talent, we evaluate our compensation practices on an ongoing basis to ensure that we are providing market-competitive compensation opportunities for our executive team. See “– Principal Elements of Compensation – LTIP”.

As we transition from being a privately-held company to a publicly-traded company, we will continue to evaluate our compensation philosophy and compensation program as circumstances require and plan to continue to review compensation on an annual basis. As part of this review process, we expect to be guided by the philosophy and objectives outlined above, as well as other factors which may become relevant, such as the cost to us if we were required to find a replacement for a key employee.

Compensation-Setting Process

Our Compensation Committee will be responsible for assisting our Board in overseeing our compensation policies, processes and practices. Our Compensation Committee will also be responsible for ensuring that our compensation policies and practices provide an appropriate balance of risk and reward consistent with our risk profile. Following the closing of this offering, our Board will adopt a written charter for our Compensation Committee setting out its responsibilities for administering our compensation programs and reviewing and making recommendations to our Board concerning the level and nature of the compensation payable to our directors and officers. Our Compensation Committee’s oversight will include reviewing objectives, evaluating performance and ensuring that total compensation paid to our executive officers, personnel who report directly to our CEO and various other key executive officers and managers is fair, reasonable and consistent with the objectives of our philosophy and compensation program. See also “Directors and Executive Officers – Committees of our Board – Compensation Committee”.

The compensation expected to be paid to our NEOs for Fiscal 2021, which will be our first year as a public company, is summarized below under the heading “Summary Compensation Table”.

Principal Elements of Compensation

Upon completion of this offering, the compensation of our executive officers will include three major elements: (i) base salary; (ii) short-term incentives, consisting of a quarterly annual cash bonus; and (iii) long-term equity incentives, consisting of equity-based awards granted from time to time under our omnibus long-term incentive plan (the “LTIP”). Perquisites and personal benefits are not a significant element of compensation of our executive officers.

Base Salaries

Base salary is provided as a fixed source of compensation for our executive officers. Adjustments to base salaries are expected to be determined annually and may be increased based on the executive officer’s success in meeting or exceeding individual objectives, as well as to maintain market competitiveness. Additionally, base salaries can be adjusted as warranted throughout the year to reflect promotions or other changes in the scope of breadth of an executive officer’s role or responsibilities.

Cash Bonuses

Cash bonuses are designed to motivate our executive officers to meet our business and financial objectives generally and our annual financial performance targets in particular.

For Fiscal 2021, the NEOs are eligible to earn a quarterly cash bonus based on a target percentage of base salary, all of which is based on the achievement of certain financial objectives. Annual bonus targets are set as a percentage of the relevant executive officers’ base salary, up to a maximum on an annual basis of approximately 86% of base salary if maximum financial performance targets are achieved.

We currently make bonus payments in cash and anticipate continuing to do so upon completion of this offering.

Long-term Incentives

The executive officers, along with our directors, employees and consultants, will be eligible to participate in our long-term incentive program which will be comprised of stock options and other equity-based awards issued pursuant to the LTIP. The purpose of the long-term incentive program is to promote greater alignment of interests between employees and shareholders, and to support the achievement of the Company’s longer-term performance objectives, while providing a long-term retention element.

Our Board will be responsible for administering the LTIP, and the Compensation Committee will make recommendations to our Board in respect of matters relating to the LTIP.

Our Board, upon the recommendation of the Compensation Committee, is expected to determine the precise structure of long-term incentive compensation both in terms of quantum and instrument mix to be awarded to each NEO. For Fiscal 2021, the NEOs will receive at closing of this offering a grant of options and RSUs under the LTIP. See “Summary Compensation Table”.

Compensation Risk Management

Our Board and the Compensation Committee will consider the implications of the risks associated with the Company’s compensation policies and practices as part of their respective responsibilities to monitor the Company’s exposure to risks related to its executive compensation policies and practices and to identify compensation policies and practices that mitigate any such risk. In this regard, our Board and Compensation Committee will review the Company’s compensation policies and practices with a view to ensuring that they do not encourage an executive officer or an employee to take inappropriate or excessive risks.

The Company’s Code of Conduct also prohibits all directors, officers and employees of the Company from engaging in transactions that hedge, limit or otherwise change such individuals’ economic interest in and exposure to the full rewards and risks of ownership in the Company’s securities.

LTIP

In connection with this offering, we will adopt the LTIP to allow for a variety of equity-based awards that provide different types of incentives to be granted to our directors, executive officers, employees and consultants. The LTIP will facilitate granting of options, RSUs, PSUs, DSUs, restricted shares, and other share-based awards. Below is a summary of the key terms of the LTIP.

LTIP Administration

The plan administrator of the LTIP (the “**Plan Administrator**”) will initially be our Board, and the Compensation Committee will make recommendations to our Board in respect of matters relating to the LTIP, but the LTIP may in the future be administered by our Compensation Committee or delegated to such other committee as may be established by our Board from time to time. The Plan Administrator will determine which employees, directors, officers or consultants are eligible to receive awards under the LTIP. In addition, the Plan Administrator will interpret the LTIP and may adopt administrative rules, regulations, procedures and guidelines governing the LTIP or any awards granted under the LTIP as it deems to be appropriate.

Common Shares Subject to the LTIP

Subject to the adjustment provisions in the LTIP and the rules of any applicable stock exchange, the total number of common shares reserved for issuance pursuant to awards granted under the LTIP shall not exceed 15% of the issued and outstanding common shares from time to time. To the extent any awards under the LTIP are cancelled for any reason prior to exercise in full or are surrendered to the Company, except surrenders relating to the payment of the purchase price of any such award or the satisfaction of the tax withholding obligations relating to any such award, the common shares subject to such awards (or portion(s) thereof) shall be added back to the number of shares reserved for issuance under the LTIP. The number of common shares issuable to insiders under the LTIP and all other security-based compensation arrangements cannot exceed 10% of the issued and outstanding common shares at any time. The number of common shares issued to insiders within any one-year period under the LTIP and all other security-based compensation arrangements cannot exceed 10% of the issued and outstanding common shares. Furthermore, the aggregate number of common shares issuable to eligible persons who are directors but not otherwise employees of the Company, including its affiliates (as defined therein), under all of the Company’s security based compensation arrangements shall not exceed 1% of the issued and outstanding common shares, and within any one financial year of the Company, the aggregate fair value on the date of grant of all awards granted to any director under all of the Company’s security based compensation arrangements shall not exceed \$150,000, of which no more than \$100,000 shall be granted in the form of options. The foregoing limits shall not apply to DSUs granted to a director in lieu of any cash retainer or meeting fees, provided that DSUs shall not be included in determining the aggregate fair value on the date of grant of DSUs granted within any one financial year.

Types of Awards

All the awards described below are subject to the conditions, limitations, restrictions, exercise price, vesting and forfeiture provisions determined by the Plan Administrator, in its sole discretion, subject to such limitations provided in the LTIP, and will generally be evidenced by an award agreement. In addition, subject to the limitations provided in the LTIP and in accordance with applicable law, the Plan Administrator may accelerate or defer the vesting or payment of awards, cancel or modify outstanding awards, and waive any condition imposed with respect to awards or common shares issued pursuant to awards.

Stock Options

A stock option is a right to purchase common shares upon the payment of a specified exercise price as determined by the Plan Administrator at the time the stock option is granted. Subject to certain adjustments and whether the common shares are then listed and posted for trading on any stock exchange, and in fact traded on the date of grant, the exercise price shall not be less than the highest closing price of the common shares on any stock exchange on which the common shares are then listed on the date of grant (the “**Market Price**”). Subject to the discretion of the Plan Administrator, stock options granted under the LTIP will vest in equal tranches annually over the three years following the date of grant. Subject to any accelerated termination as set forth in the LTIP, each stock option expires on the date that is the earlier of ten years from the date of grant or such earlier date as may be set out in the participant’s award agreement.

Unless otherwise specified by the Plan Administrator at the time of granting a stock option, the exercise notice of such option must be accompanied by payment in full of the purchase price for the common shares to be purchased underlying the options. The exercise price must be fully paid by certified cheque, bank draft or money order payable to the Company or by such other means as might be specified from time to time by the Plan Administrator, which may include (i) through an arrangement with a broker approved by the Company (or through an arrangement directly with the Company) whereby payment of the exercise price is accomplished with the proceeds of the sale of common shares deliverable upon the exercise of the stock option, (ii) through any cashless exercise process as may be approved by the Plan Administrator, (iii) such other consideration and method of payment for the issuance of common shares to the extent permitted by applicable securities laws, or (iv) any combination of the foregoing methods of payment. No common shares will be issued or transferred upon the exercise of stock options in accordance with the terms of the grant until the Company receives full payment therefor.

Restricted Share Units

An RSU is a unit equivalent in value to a common share credited by means of a bookkeeping entry in the books of the Company that entitles the holder to receive common shares after a specified vesting period determined by the Plan Administrator, in its sole discretion. Upon settlement, holders will receive one fully paid and non-assessable common share in respect of each vested RSU.

Performance Share Units

A PSU is a unit equivalent in value to a common share credited by means of a bookkeeping entry in the books of the Company that entitles the holder to receive common shares based on the achievement of performance goals established by the Plan Administrator over a performance period. The performance goals may be based upon the achievement of corporate, divisional or individual goals, and may be applied relative to performance of an index or comparator group, in each case as determined by the Plan Administrator. The Plan Administrator may modify the performance goals as necessary to align them with the corporate objectives of the Company. The performance goals may include a threshold level of performance below which no payment will be made (or no vesting will occur), levels of performance at which specified payments will be made (or specified vesting will occur), and a maximum level of performance above which no additional payment will be made (or at which full vesting will occur). Upon settlement, holders will receive fully paid and non-assessable common shares in proportion to the number of vested PSUs held and the level of performance achieved.

Restricted Shares

A restricted share is a fully paid and non-assessable common share that is subject to restrictions on transfer and a risk of forfeiture for a period of time, and which shall be held by the Company or its designee in escrow until such time as the restricted period lapses. The Plan Administrator shall have the authority to determine at the time of grant, in its sole discretion, the duration of the restricted period and other restrictions applicable to the restricted common shares. Except for the restrictions applicable to the restricted common shares, during the restricted period, the holder shall have all the rights and privileges of a holder of common shares as to the restricted common shares, including the right to vote. However, unless otherwise set forth in a holder's award agreement, cash dividends and stock dividends, if any, with respect to the restricted common shares shall be withheld by the Company for the holder's account, and shall be subject to forfeiture until released, in each case, to be released at the same time and in the same proportion as the lapse of restrictions on the restricted common shares to which such dividends relate. Except as otherwise determined by the Plan Administrator, no interest will accrue or be paid on the amount of any dividends withheld.

Deferred Share Units

A DSU is a unit equivalent in value to a common share credited by means of a bookkeeping entry in the books of the Company that entitles the holder to receive common shares on a future date, generally upon termination of service with the Company. Upon settlement, holders will receive one fully paid and non-assessable common share in respect of each vested DSU.

Other Share-Based Awards

The Plan Administrator may, subject to the provisions of the LTIP and applicable law, grant other share-based awards to any director, officer, employee or consultant, other than those described above. Such awards are to be

denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, common shares (including securities convertible into common shares).

Dividend Equivalents

RSUs, PSUs, DSUs and, if so determined by the Plan Administrator in its discretion, other common share-based awards, may be credited with dividend equivalents in the form of additional RSUs, PSUs, DSUs and other share-based awards, as applicable. Dividend equivalents shall vest in proportion to the awards to which they relate. Such dividend equivalents shall be computed by dividing: (i) the amount obtained by multiplying the amount of the dividend declared and paid per common share by the number of RSUs, PSUs, DSUs or other share-based awards, as applicable, held by the participant on the record date for the payment of such dividend, by (ii) the Market Price at the close of the first business day immediately following the dividend record date, with fractions computed to three decimal places.

Black-out Periods

If an award expires during, or within five business days after, a trading black-out period imposed by the Company to restrict trades in its securities, then, notwithstanding any other provision of the LTIP, unless the delayed expiration would result in tax penalties, the award shall expire ten business days after the trading black-out period is lifted by the Company.

Expiration

All awards granted under the LTIP will expire on the date set out in the applicable award agreement, subject to early expiry in certain circumstances, provided that in no circumstances will the duration of an award granted under the LTIP exceed 10 years from its date of grant.

Termination of Employment or Services

The following table describes the impact of certain events that may, unless otherwise specified by the Plan Administrator at the date of grant or otherwise set forth in an employment or written agreement, lead to the acceleration or early expiry of awards granted under the LTIP:

<u>Event</u>	<u>Provisions</u>
<u>For all Participants</u> – in the case of death or disability	<ul style="list-style-type: none"> • Acceleration of portion of next instalment due to vest • Forfeiture of all remaining unvested awards 30 days after the date of death or disability
<u>Employees</u>	
Termination for cause	<ul style="list-style-type: none"> • Forfeiture of all unvested and vested awards
Termination other than for cause	<ul style="list-style-type: none"> • Forfeiture of all unvested awards • Exercise of vested options until the earlier of (i) 90 days after termination and (ii) expiry date
Voluntary resignation	<ul style="list-style-type: none"> • Forfeiture of all unvested awards • Exercise of vested options until the earlier of (i) 90 days after resignation and (ii) expiry date
<u>Consultants</u>	
Voluntary resignation or termination due to breach of consulting agreement or arrangement	<ul style="list-style-type: none"> • Forfeiture of all unvested and vested awards
Termination other than for breach of consulting agreement or arrangement	<ul style="list-style-type: none"> • Forfeiture of all unvested awards • Exercise of vested options until the earlier of (i) 90 days after termination and (ii) expiry date
<u>Non-employee directors</u> – ceasing to hold office other than due to death or disability	<ul style="list-style-type: none"> • Forfeiture of all unvested awards • Exercise of vested options until the earlier of (i) 90 days following cessation and (ii) expiry date

Change in Control

Except as specified by the Plan Administrator at the date of grant or otherwise set forth in an employment or written agreement, if an employee is terminated within 12 months following a “change in control”, all awards vest and options may be exercised until the earlier of (i) 90 days after termination and (ii) the expiry date of the option. However, the LTIP provides that in connection with a “change in control”, the Plan Administrator may (i) cause awards to be converted or exchanged into or for rights or other securities in any entity participating in or resulting from the “change in control”, (ii) cause any unvested or unearned awards to become fully vested or earned or free of restriction upon or immediately prior to the occurrence of such “change in control”, or (iii) replace the awards with other rights. Subject to certain exceptions, a “change in control” means (i) any transaction pursuant to which a person or group acquires more than 50% of the outstanding common shares, (ii) the sale of all or substantially all of the assets or the dissolution of the Company, (iii) the acquisition of the Company via consolidation, merger, exchange of securities, purchase of assets, amalgamation, statutory arrangement or otherwise, (iv) individuals who comprise our Board at the last annual meeting of shareholders (the “**Incumbent Board**”) cease to constitute at least a majority of our Board, unless the election, or nomination for election by the Shareholders, of any new director was approved by a vote of at least a majority of the Incumbent Board, in which case such new director shall be considered as a member of the Incumbent Board, or (v) such other event our Board determines as being a “change in control”.

Non-Transferability of Awards

Subject to certain exceptions provided under the LTIP (including the assignment of awards to certain Permitted Assigns (as defined under National Instrument 45-106 – *Prospectus Exemptions* of the Canadian Securities Administrators, as amended from time to time)), and unless otherwise provided by the Plan Administrator, no assignment or transfer of awards granted under the LTIP, whether voluntary, involuntary, by operation of law or otherwise, is permitted.

Amendments to the LTIP

The Plan Administrator may also from time to time, without notice and without approval of the holders of voting shares, amend, modify, change, suspend or terminate the LTIP or any awards granted pursuant thereto as it, in its discretion, determines appropriate, provided that (i) no such amendment, modification, change, suspension or termination of the LTIP or any award granted pursuant thereto may materially impair any rights of a holder or materially increase any obligations of a holder under the LTIP without the consent of such holder, unless the Plan Administrator determines such adjustment is required or desirable in order to comply with any applicable securities laws or stock exchange requirements, and (ii) any amendment that would cause an award held by a Foreign Taxpayer (as such term is defined in the LTIP) to be subject to the additional tax penalty under Section 409A(1)(b)(i)(ii) of the U.S. Internal Revenue Code of 1986, as amended, shall be null and void ab initio.

Notwithstanding the above, none of the following amendments shall be made to the LTIP without the approval of the holders of common shares:

- increasing the percentage of common shares reserved for issuance under the LTIP, except pursuant to the provisions in the LTIP, which permit the Plan Administrator to make equitable adjustments in the event of transactions affecting the Company or its capital;
- increasing or removing the 10% limits on common shares issuable or issued to insiders;
- reducing the exercise price of an award except pursuant to the provisions in the LTIP, which permit the Plan Administrator to make equitable adjustments in the event of transactions affecting the Company or its capital;
- extending the term of an award beyond the original expiry date (except in connection with a black-out period as described above);
- permitting an award to be exercisable beyond 10 years from the date of grant (except in connection with a black-out period as described above);
- increasing or removing the limits on the participation of non-employee directors;

- permitting awards to be transferred to a person other than a Permitted Assign (as defined under National Instrument 45–106 *Prospectus Exemptions*, as amended from time to time) or for normal estate settlement purposes; or
- deleting or otherwise limiting the amendments that require approval of the shareholders.

Except for the items listed above, amendments to the LTIP do not require shareholder approval. Such amendments include, without limitation: (i) amending the general vesting provisions or restricted period of an award; (ii) amending the provisions for early termination of awards in connection with a termination of employment or service; (iii) adding covenants of the Company for the protection of the participants; (iv) amendments that are desirable as a result of changes in law in any jurisdiction where a participant resides; and (v) curing or correcting any ambiguity or defect or inconsistent provision or clerical omission or mistake or manifest error.

Summary Compensation Table

The following table sets out information concerning the expected Fiscal 2021 compensation to be earned by, paid to, or awarded to the NEOs:

Name and Principal Position	Fiscal Year	Salary (\$) ⁽¹⁾⁽²⁾	Share- Based Awards (\$) ⁽³⁾	Option- Based Awards (\$) ⁽⁴⁾	Non-equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$) ⁽⁶⁾	Total Compensation (\$)
					Annual Incentive Plan ⁽²⁾⁽⁵⁾	Long- term Incentive Plans			
<i>Miroslav (Mirko) Wicha President and Chief Executive Officer</i>	2021	635,000	1,020,000	346,961	275,000	—	—	—	2,276,961
<i>Dan Rabinowitz Chief Financial Officer and Executive Vice President, Operations</i>	2021	504,400	357,000	121,436	217,100	—	—	—	1,199,936
<i>Peter Maag Chief Marketing Officer and Executive Vice President, Partnerships</i>	2021	350,000	357,000	121,436	150,000	—	—	—	978,436
<i>Mahmoud J. Al-Daccak Chief Technology Officer and Executive Vice President, Product Development</i>	2021	350,000	357,000	121,436	150,000	—	—	—	978,436

Notes:

- (1) Represents the annualized based salary expected to be paid in Fiscal 2021.
- (2) Compensation for Dan Rabinowitz is paid in U.S. dollars but has been converted for the table above at the exchange rate of US\$1.00 = \$1.30.
- (3) Represents grants of RSUs made at closing of this offering under the LTIP, at a price per unit equal to the Offering Price.
- (4) Represents grants of options made at closing of this offering under the LTIP, having an exercise price equal to the Offering Price. Amounts shown in this column represent the grant date fair value of the options, which has been calculated using the Black-Scholes method. The grant date fair value of these options is the same as the fair value determined for accounting purposes.
- (5) Represents amounts expected to be earned pursuant to the Company's annual bonus plan based on the achievement of target performance (approximately 43% of base salary). Actual payments will depend upon the achievement of performance goals and will be paid in cash.
- (6) None of the NEOs are entitled to perquisites or other personal benefits which, in the aggregate, are worth over \$50,000 or over 10% of their base salary.

Employment Agreements, Termination and Change of Control Benefits

General

Each of the Named Executive Officers will, prior to the closing of this offering, enter into a written executive employment agreement with the Company. These agreements will provide for, among other things, the continuation of the executive's employment for an indeterminate term as well as the executive's compensation including base salary and eligibility to receive quarterly and annual cash bonuses and to participate in the LTIP and other employee benefit plans. These agreements will also include certain confidentiality, non-competition and non-solicitation undertakings.

The terms of certain additional entitlements of the Named Executive Officers under various post-employment scenarios, pursuant to their respective employment agreement and the Company's plans and policies, are described below.

Termination with Cause

In the event of a termination of employment with cause, each Named Executive Officer is entitled to base salary, vacation pay and other cash allowances accrued but unpaid as of the termination date. Any option or other award under the LTIP held by the Named Executive Officer as of the termination date, whether or not it has vested, is immediately forfeited and cancelled as of the termination date. Each Named Executive Officer is also subject to non-competition and non-solicitation covenants which remain in effect for 12 months after a termination of employment with cause.

Voluntary Resignation

In the event of voluntary resignation, each Named Executive Officer is entitled to the continuation of his base salary and other employee benefits during a 90-day resignation notice period. The Named Executive Officer is also entitled, in such cases, to a lump sum payment equal to a *pro rata* portion of the projected quarterly and annual cash bonus for the quarter and fiscal year in which the Named Executive Officer terminates employment (for all performance objectives being met on target) determined based on the number of days the Named Executive Officer is employed by the Company during the applicable period. Any option or other award under the LTIP on the termination date which has not yet vested is forfeited and cancelled as of the termination date. Any vested option or other award on the termination date will settle in accordance with the terms of the LTIP. Each Named Executive Officer is also subject to non-competition and non-solicitation covenants which remain in effect for 12 months after a voluntary resignation.

Death

In the event of a termination of employment due to the death of a Named Executive Officer, his estate will be entitled to a lump sum equal to the sum of (i) the base salary, vacation pay and other cash allowances accrued but unpaid as of the termination date, and (ii) a *pro rata* portion of the projected quarterly and annual cash bonus for the quarter and fiscal year in which the Named Executive Officer died (for all performance objectives being met on target) determined based on the number of days the Named Executive Officer was employed by the Company during the applicable period.

A portion of the next instalment of any awards under the LTIP due to vest (or for which the restricted period is due to lapse) immediately vests (or cease to be restricted). Such portion is to be determined in accordance with the terms of the LTIP. Each option held by the Named Executive Officer that has vested as of the date of death continues to be exercisable in accordance with the terms of the LTIP. Any option or award that has not vested (or for which the restricted period has not lapsed) is forfeited 30 days after the date of death.

Disability

In the event of a termination of employment resulting from a leave of absence of the Named Executive Officer for more than six months during any twelve-month period and the absence of a reasonable prospect that the Named Executive Officer will be able to perform the essential duties of his position in the foreseeable future, the Named Executive Officer is entitled to a lump sum payment equal to the sum of (i) the base salary, vacation pay and other cash allowances accrued but unpaid as of the termination date as well as eligible business expenses incurred prior to the termination date that have not yet been reimbursed, and (ii) the greater of (A) the Named Executive Officer's total

compensation for the fiscal year immediately preceding the fiscal year in which the termination of employment occurs (including the value of equity-based awards recognized for financial statement reporting purposes in respect of that period), and (B) the Named Executive Officer's projected total compensation for the fiscal year in which the termination occurs (assuming all performance objectives have been met on target).

A portion of the next instalment of any awards under the LTIP due to vest (or for which the restricted period is due to lapse) immediately vests (or cease to be restricted). Such portion is to be determined in accordance with the terms of the LTIP. Each option held by the Named Executive Officer that has vested as of the date of disability continues to be exercisable in accordance with the terms of the LTIP. Any option or award that has not vested (or for which the restricted period has not lapsed) is forfeited 30 days after the date of disability.

Termination Without Cause

In the event of termination without cause, each Named Executive Officer is entitled to the following payments and benefits:

- lump sum payment equal to the base salary, vacation pay and other cash allowances accrued but unpaid as of the termination date;
- lump sum payment equal to the greater of (i) the Named Executive Officer's total compensation for the fiscal year immediately preceding the fiscal year in which the termination of employment occurs (including the value of equity-based awards recognized for financial statement reporting purposes in respect of that period), and (ii) the Named Executive Officer's projected total compensation for the fiscal year in which the termination occurs (assuming all performance objectives have been met on target);
- vesting of any option or other award held by the Named Executive Officer that has not vested as of the date of termination and the settlement thereof in accordance with the terms of the LTIP.

Change of Control Provisions

The employment agreements of the Named Executive Officers contain a "double-trigger" provision in the event of a "change of control", under which each Named Executive Officer may, at any time within 12 months following a "change of control", terminate his employment for "good reason". Upon such event, such Named Executive Officer will be entitled to the same rights and benefits as would be the case in the event of a termination without cause outlined in the previous section including the acceleration of the vesting of any option or other award held by the Named Executive Officer that has not vested as of the date of termination.

For purposes of the foregoing, a resignation for "good reason" means (i) a material adverse change in the Named Executive Officer's status or position, (ii) the assignment to the Named Executive Officer of any duties or responsibilities which are materially inconsistent with such status or position, (iii) a substantial reduction in the Named Executive Officer's compensation (including benefits, perquisites or allowances), or (iv) any other action by the Company which would constitute constructive dismissal at law. A "change of control" is defined as the acquisition by any person or any group of two or more persons acting jointly or in concert (other than the Company or a wholly-owned subsidiary of the Company) of (y) issued and outstanding shares of the Company carrying 50% or more of the votes attaching to shares of the Company in any manner whatsoever (including, without limitation, as a result of a take-over bid, an exchange of securities, an amalgamation, an arrangement or any other business combination or reorganization) or (z) 50% or more of the assets of the Company, or the determination by the Board that a "change of control" has occurred.

Estimated Incremental Payment

The following table presents the estimated potential incremental payments to each Named Executive Officer that would have resulted had the relevant trigger event occurred immediately following the completion of this offering (based on the compensation expected to be paid to our NEOs for Fiscal 2021 and assuming the same compensation was in effect for Fiscal 2020).

The amount that a Named Executive Officer may receive upon termination of employment can only be determined at the time that he leaves the Company. There are many factors that affect the nature and the amount of any benefits provided and, as a result, actual amounts may be higher or lower than what is reported below. Factors that may affect the reported amounts include the timing of termination of employment during the year of departure and the common share price at the time of departure.

Name and Principal Position	Event	Estimated Incremental Payments					Total (\$)
		Base Salary (\$) ⁽¹⁾⁽²⁾	Equity Incentive Plan Compensation (\$) ⁽³⁾	Non equity Incentive Plan Compensation (\$) ⁽⁴⁾	Acceleration of Vesting of Awards (\$) ⁽⁵⁾	Other Payments (\$) ⁽⁶⁾	
<i>Miroslav (Mirko) Wicha, President and Chief Executive Officer</i>	Termination with cause	—	—	—	—	—	—
	Voluntary resignation	—	—	—	—	—	—
	Termination by reason of death	—	—	—	340,000	—	340,000
	Termination by reason of disability	\$635,000	1,366,961	\$275,000	340,000	—	2,616,961
	Termination without cause or resignation for good reason following a change in control	\$635,000	1,366,961	\$275,000	1,020,000	—	3,296,961
<i>Dan Rabinowitz, Chief Financial Officer and Executive Vice President, Operations</i>	Termination with cause	—	—	—	—	—	—
	Voluntary resignation	—	—	—	—	—	—
	Termination by reason of death	—	—	—	119,000	—	119,000
	Termination by reason of disability	\$504,400	478,436	\$217,100	119,000	—	1,318,936
	Termination without cause or resignation for good reason following a change in control	\$504,400	478,436	\$217,100	357,000	—	1,556,936
<i>Peter Maag, Chief Marketing Officer and Executive Vice President, Partnerships</i>	Termination with cause	—	—	—	—	—	—
	Voluntary resignation	—	—	—	—	—	—
	Termination by reason of death	—	—	—	119,000	—	119,000
	Termination by reason of disability	\$350,000	478,436	\$150,000	119,000	—	1,097,436
	Termination without cause or resignation for good reason following a change in control	\$350,000	478,436	\$150,000	357,000	—	1,335,436
<i>Mahmoud J. Al-Daccak, Chief Technology Officer and Executive Vice President, Product Development</i>	Termination with cause	—	—	—	—	—	—
	Voluntary resignation	—	—	—	—	—	—
	Termination by reason of death	—	—	—	119,000	—	119,000
	Termination by reason of disability	\$350,000	478,436	\$150,000	119,000	—	1,097,436
	Termination without cause or resignation for good reason following a change in control	\$350,000	478,436	\$150,000	357,000	—	1,335,436

Notes:

- (1) Calculated based on the base salary payable to the Named Executive Officers following the closing of this offering for Fiscal 2021.
- (2) Compensation for Dan Rabinowitz is paid in U.S. dollars but has been converted for the table above at the exchange rate of US\$1.00 = \$1.30.

- (3) In cases where an amount is shown, the NEO is entitled to a lump sum equal to the greater of the grant-date fair value of equity-based awards granted for the fiscal year immediately preceding the fiscal year in which the termination occurs, and the grant-date fair value of equity-based awards expected to be granted for the fiscal year in which the termination occurs. The value reported in the table is based on the value of grants of RSUs and options made at closing of this offering under the LTIP, as disclosed under “Executive Compensation – Summary Compensation Table”.
- (4) Calculated assuming a termination on the first day of Fiscal 2021. The value is based on the short-term and long-term incentive compensation payable in Fiscal 2021 based on the achievement on target performance.
- (5) The value of options and RSUs, as applicable, is calculated based on the Offering Price of \$6.00 per Offered Share. All options held by Named Executive Officers immediately following the completion of this offering will have an exercise price equal to the Offering Price.
- (6) None of the NEOs are entitled to perquisites or other personal benefits on termination which, in the aggregate, are worth over \$50,000 or over 10% of their base salary.

Outstanding Option-Based Awards and Share-Based Awards

The following table sets out information concerning the option-based and share-based awards granted to our NEOs that we expect to be outstanding upon completion of this offering:

Name and Principal Position	Option-based Awards				Share-based Awards		
	Number of Common Shares Underlying Unexercised Options ⁽¹⁾	Option Exercise Price	Option Expiration Date	Value of Unexercised In-the-Money Options ⁽²⁾	Number of Shares that Have not Vested ⁽³⁾	Market or Payout Value of Share-based Awards that Have not Vested ⁽²⁾	Value of Vested Share-based Awards not Paid out or Distributed
<i>Miroslav (Mirko) Wicha President and Chief Executive Officer</i>	170,000	\$6.00	December 2030	\$nil	170,000	1,020,000	—
<i>Dan Rabinowitz Chief Financial Officer and Executive Vice President, Operations</i>	59,500	\$6.00	December 2030	\$nil	59,500	357,000	—
<i>Peter Maag Chief Marketing Officer and Executive Vice President, Partnerships</i>	59,500	\$6.00	December 2030	\$nil	59,500	357,000	—
<i>Mahmoud J. Al-Daccak Chief Technology Officer and Executive Vice President, Product Development</i>	59,500	\$6.00	December 2030	\$nil	59,500	357,000	—

Notes:

- (1) The options reflected in this column will be granted pursuant to our LTIP.
- (2) Based on the Offering Price of \$6.00 per Offered Share.
- (3) Represents RSUs that will be granted pursuant to our LTIP.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table indicates, for each of our NEOs, a summary of the value of the option-based and share-based awards expected to be vested in accordance with their terms during Fiscal 2021 (assuming the continued employment of each NEO):

<u>Name and Principal Position</u>	<u>Option-Based Awards – Value Expected to be Vested During the Year⁽¹⁾</u>	<u>Share-Based Awards – Value Expected to be Vested During the Year⁽¹⁾</u>
<i>Miroslav (Mirko) Wicha</i> <i>President and Chief Executive Officer</i>	\$nil	\$nil
<i>Dan Rabinowitz</i> <i>Chief Financial Officer and Executive Vice President, Operations</i>	\$nil	\$nil
<i>Peter Maag</i> <i>Chief Marketing Officer and Executive Vice President, Partnerships</i>	\$nil	\$nil
<i>Mahmoud J. Al-Daccak</i> <i>Chief Technology Officer and Executive Vice President, Product Development</i>	\$nil	\$nil

Note:

(1) The value of options and RSUs expected to be vested during the year is calculated based on the Offering Price of \$6.00 per Offered Share.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

None of our directors, executive officers, employees, former directors, former executive officers or former employees or of any of our subsidiaries, and none of their respective associates, is or has within 30 days before the date of this prospectus or at any time since the beginning of the most recently completed financial year been indebted to us or any of our subsidiaries or another entity whose indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar agreement or understanding provided by us or any of our subsidiaries.

DIRECTOR COMPENSATION

Our director compensation program is designed to attract and retain the most qualified individuals to serve on our Board. Each non-executive director will be entitled to an annual retainer of \$25,000 payable in cash on a quarterly basis and to an annual grant of equity-based awards having a value, as determined by the Board, of \$25,000. The Company will not provide a meeting fee for our Board members. The total retainer is deemed to be full payment for the role as director. An exception to this approach may be made in the event of a special transaction or other special circumstance that would require attendance at more meetings than are typically held. In addition, each committee chair will be entitled to an annual retainer of \$1,500 payable in cash on a quarterly basis, and the Lead Director will be entitled to an additional annual retainer of \$10,000 payable in cash on a quarterly basis and to an annual grant of equity-based awards having a value, as determined by the Board, of \$10,000.

Our directors will also be reimbursed for their out-of-pocket expenses incurred in acting as directors. Directors who are employees of and who receive salary from the Company or one of its affiliates will not be entitled to receive any remuneration for their services in acting as directors, but will be entitled to reimbursement of their out-of-pocket expenses incurred in acting as directors.

PLAN OF DISTRIBUTION

General

Pursuant to an underwriting agreement dated December 9, 2020 among us and the Underwriters (the “**Underwriting Agreement**”), we have agreed to sell and the Underwriters have agreed to jointly (the notion equivalent to “severally” in common law) (and not solidarily, nor jointly and severally) purchase on the closing of this offering an aggregate of 5,000,000 common shares at a price of \$6.00 per common share payable in cash to us against delivery of the common shares for aggregate gross proceeds of \$30,000,000. We have agreed to pay the Underwriters a fee equal to \$0.36 per common share (being 6% of the Offering Price), including any common shares issued pursuant to the exercise of the Over-Allotment Option. It is estimated that the total expenses of this offering, not including the Underwriters’ fee, will be approximately \$2,000,000. All such expenses of this offering will be paid by us.

Prior to this offering, there was no public market for our common shares. The Offering Price of \$6.00 per common share was determined by negotiation among us and the Underwriters, and the Underwriters propose to offer the common shares initially at the Offering Price. After the Underwriters have made a reasonable effort to sell all of the common shares at the price specified on the cover page of this prospectus, the Offering Price may be decreased and may be further changed from time to time to an amount not greater than that set out on the cover page of this prospectus, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers for the common shares is less than the price paid by the Underwriters to us. Any such reduction will not affect the net proceeds received by us. The Underwriters may form a selling group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Underwriters out of their fees.

Pursuant to the Underwriting Agreement, we have granted to the Underwriters the Over-Allotment Option, which is exercisable, in whole or in part, at any time for a period of 30 days after the Closing Date to purchase from us up to an additional 750,000 common shares (representing 15% of the aggregate number of common shares sold in the base offering) on the same terms as set forth above solely for the purpose of covering over-allotments, if any, and for market stabilization purposes. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the common shares to be delivered upon the exercise of the Over-Allotment Option. A purchaser who acquires common shares forming part of the Underwriters’ over-allocation position acquires such common shares under this prospectus, regardless of whether the Underwriters’ over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Under the terms of the Underwriting Agreement, the Underwriters may, at their discretion, terminate the Underwriting Agreement upon the occurrence of certain events, including those set out in customary “material change out”, “disaster out”, “proceedings to restrict distribution out” and “market out” clauses, and in the event that certain conditions in the Underwriting Agreement are not satisfied or waived. The Underwriters are, however, jointly (the notion equivalent to “severally” in common law) (and not solidarily, nor jointly and severally) obligated to take up and pay for all of the common shares that they have agreed to purchase if any of the common shares are purchased under the Underwriting Agreement.

Under applicable securities laws in Canada, certain persons and individuals, including the Company and the Underwriters, have statutory liability for any misrepresentation in this prospectus, subject to available defences. The Company has agreed to indemnify the Underwriters and their affiliates and their directors, officers, employees and agents against certain liabilities, including, without restriction, civil liabilities under securities legislation in Canada, and to contribute to any payments that the Underwriters may be required to make in respect thereof.

The TSX has conditionally approved the listing of the common shares under the symbol “HAI”. Listing is subject to the Company fulfilling all of the requirements of the TSX on or before February 28, 2021, including distribution of the Common Shares to a minimum number of public shareholders.

There is currently no market through which the common shares may be sold and purchasers may not be able to resell common shares purchased under this prospectus. This may affect the pricing of our common shares in the secondary market, the transparency and availability of trading prices, the liquidity of our common shares and the extent of issuer regulation. See “Risk Factors”. Subscriptions for common shares will be received subject to rejection or

allocation in whole or in part and the right is reserved to close the subscription books at any time without notice. The closing of this offering is expected to occur on December 16, 2020 or such other date as we and the Underwriters may agree, but in any event not later than December 30, 2020. Closing is conditional upon our common shares being approved for listing on the TSX.

Our common shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered, sold or delivered, directly or indirectly, in the United States, except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. Each Underwriter has agreed that it will not offer or sell common shares within the United States, except as permitted in the Underwriting Agreement and as expressly permitted by applicable laws of the United States and applicable state securities laws. The Underwriting Agreement provides that the Underwriters may re-offer and re-sell the common shares that they have acquired pursuant to the Underwriting Agreement in the United States to “qualified institutional buyers” (as defined in Rule 144A under the U.S. Securities Act) in accordance with Rule 144A under the U.S. Securities Act and exemptions from registration under applicable state securities laws.

The Underwriting Agreement also provides that the Underwriters may offer and sell the common shares outside the United States in accordance with Rule 903 of Regulation S under the U.S. Securities Act. In addition, until 40 days after the commencement of this offering, an offer or sale of the common shares within the United States by any dealer (whether or not participating in this offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from registration under the U.S. Securities Act.

Price Stabilization, Short Positions and Passive Market Making

In connection with this offering, the Underwriters may, subject to applicable law, over-allocate or effect transactions which stabilize or maintain the market price of our common shares at levels other than those which otherwise might prevail on the open market, including: stabilizing transactions, short sales, purchases to cover positions created by short sales, imposition of penalty bids, and syndicate covering transactions.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of our common shares while this offering is in progress. These transactions may also include over-allocating or making short sales of our common shares, which involves the sale by the Underwriters of a greater number of common shares than they are required to purchase in this offering. Short sales may be “covered short sales”, which are short positions in an amount not greater than the Over-Allotment Option, or may be “naked short sales”, which are short positions in excess of that amount.

The Underwriters may close out any covered short position either by exercising the Over-Allotment Option, in whole or in part, or by purchasing common shares in the open market. In making this determination, the Underwriters will consider, among other things, the price of common shares available for purchase in the open market compared with the price at which they may purchase common shares from us through the Over-Allotment Option.

The Underwriters must close out any naked short position by purchasing common shares in the open market. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward pressure on the price of the common shares in the open market. Any naked short sales will form part of the Underwriters’ over-allocation position. A purchaser who acquires common shares forming part of the Underwriters’ over-allocation position resulting from any covered short sales or naked short sales will, in each case, acquire such common shares under this prospectus, regardless of whether the Underwriters’ over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

In addition, in accordance with rules and policy statements of certain Canadian securities regulatory authorities and the Universal Market Integrity Rules for Canadian Marketplaces (“UMIR”), the Underwriters may not, at any time during the period of distribution, bid for or purchase common shares. The foregoing restriction is, however, subject to certain exceptions as permitted by such rules and policy statements and UMIR. These exceptions include a bid or purchase permitted under the provisions of such rules and policy statements and UMIR relating to market stabilization and market balancing activities and a bid or purchase on behalf of a customer where the order was not solicited.

As a result of these activities, the price of our common shares may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Underwriters at any time. The Underwriters may carry out these transactions on any stock exchange on which our common shares are listed, in the over-the-counter market, or otherwise.

Non-Certified Inventory System

No certificates representing common shares to be sold in this offering will be issued to purchasers under this prospectus. The common shares offered under this prospectus will be deposited with CDS in electronic form on the Closing Date. Registration will be made in the depository service of CDS, or its nominee, and electronically deposited with CDS on the Closing Date. Each purchaser of common shares will typically only receive a customer confirmation of purchase from the participants in the CDS depository service (“**CDS Participants**”) from or through which such common shares are purchased, in accordance with the practices and procedures of such CDS Participant. Transfers of ownership of common shares will be effected through records maintained by the CDS Participants, which include securities brokers and dealers, banks and trust companies.

Lock-up Arrangements

In connection with this offering, each of our executive officers and directors, each such shareholder’s associates and affiliates, and certain other shareholders have agreed to enter into Lock-up Agreements pursuant to which he, she or it will not, directly or indirectly, without the prior written consent of the Joint Bookrunners, on behalf of the Underwriters, offer, issue, sell, grant, secure, pledge, or otherwise transfer, dispose of or monetize, or engage in any hedging transaction, or enter into any form of agreement or arrangement the consequence of which is to alter economic exposure to, or announce any intention to do so, in any manner whatsoever, any Locked-up Securities for a period commencing on the Closing Date and ending (i) in the case of our executive officers, 18 months after the Closing Date, and (ii) in the case of our directors and other shareholders, 180 days after the Closing Date, in both cases subject to certain limited exceptions.

Pursuant to the terms and conditions of their Lock-up Agreements, each of our executive officers will be released of the restrictions applicable to him under his Lock-up Agreement in respect of (i) one third of his Locked-up Securities as of 180 days after the Closing Date, (ii) an additional one third of his Locked-up Securities as of 12 months after the Closing Date, and (iii) the remaining one third of Locked-up Securities as of 18 months after the Closing Date.

Holders of approximately 92% of our issued and outstanding common shares and options immediately prior to the closing of this offering will be subject to these lock-up arrangements.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Company, and Blake, Cassels & Graydon LLP, counsel to the Underwriters, the following is a general summary, as of the date hereof, of the principal Canadian federal income tax considerations under the Tax Act generally applicable to a holder who (a) acquires as beneficial owner common shares pursuant to this offering, (b) at all relevant times, for purposes of the Tax Act, holds the common shares as capital property, and (c) deals at arm’s length with the Company and the Underwriters and is not affiliated with the Company or the Underwriters (a “**Holder**”). Generally, the common shares will be considered to be capital property to a Holder unless they are held or acquired in the course of carrying on a business of trading in or dealing in securities or as part of an adventure or concern in the nature of trade.

This summary is not applicable to: (a) a Holder that is a “financial institution”, as defined in the Tax Act for purposes of the mark-to-market rules, (b) a Holder an interest in which would be a “tax shelter investment” as defined in the Tax Act, (c) a Holder that is a “specified financial institution” as defined in the Tax Act, or (d) a Holder which has made an election under the Tax Act to determine its Canadian tax results in a foreign currency. This summary does not apply to a Holder who has entered or will enter into a “derivative forward agreement”, a “synthetic disposition arrangement” or a “dividend rental arrangement”, each as defined under the Tax Act, with respect to common shares. Any such Holder to which this summary does not apply should consult its own tax advisor with respect to the tax consequences of this offering.

This summary is based on the facts set out in this prospectus, the provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (“**Tax Proposals**”) and the current published administrative practices of the Canada Revenue Agency. No assurance can be made that the Tax Proposals will be enacted in the form proposed or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except as mentioned above, does not take into account or anticipate any changes in law, whether by legislative, regulatory, administrative or judicial decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ significantly from the Canadian federal income tax considerations discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder of a common share, and no representations concerning the tax consequences to any particular Holder or prospective Holder are made. Accordingly, prospective Holders of common shares should consult their own tax advisors with respect to an investment in the common shares having regard to their particular circumstances.

Holders Resident in Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for the purposes of the Tax Act and any applicable income tax treaty or convention, is (or is deemed to be) resident in Canada (a “**Resident Holder**”).

This summary does not address the possible application of the “foreign affiliate dumping” rules that may be applicable to a Resident Holder that is a corporation resident in Canada that is, or that becomes as part of a transaction or event or series of transactions or events that includes the acquisition of the common shares, controlled by a non-resident person or a group of non-resident persons for purposes of the rules in section 212.3 of the Tax Act.

Certain Resident Holders whose common shares might not otherwise qualify as capital property may, in certain circumstances, make the irrevocable election pursuant to subsection 39(4) of the Tax Act to have their common shares, and every other “Canadian Security”, as defined in the Tax Act, owned by such Resident Holders in the taxation year of the election and in all subsequent taxation years, deemed to be capital property. Resident Holders should consult their own tax advisors for advice as to whether an election under subsection 39(4) of the Tax Act is available or advisable in their own circumstances.

Dividends on Common Shares

In the case of a Resident Holder who is an individual (other than certain trusts), dividends received or deemed to be received on the common shares will be included in computing the Resident Holder’s income and will be subject to the gross-up and dividend tax credit rules that apply to taxable dividends received or deemed to be received from taxable Canadian corporations. Provided that appropriate designations are made by the Company, such dividend or deemed dividend will be treated as an “eligible dividend” for the purposes of the Tax Act and a Resident Holder who is an individual will be entitled to an enhanced dividend tax credit in respect of such dividend. There may be limitations on the ability of the Company to designate dividends and deemed dividends as eligible dividends.

Dividends received or deemed to be received on the common shares by a Resident Holder that is a corporation will be required to be included in computing such Resident Holder’s income for the taxation year in which such dividends are received, but such dividends will generally be deductible in computing such Resident Holder’s taxable income for that taxation year. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received or deemed to be received by a Resident Holder that is a corporation as proceeds of disposition or a capital gain. Resident Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

A Resident Holder that is a “private corporation” or a “subject corporation” (each as defined in the Tax Act) may be liable under Part IV of the Tax Act to pay a refundable tax on dividends received or deemed to be received on the common shares to the extent that such dividends are deductible in computing the Resident Holder’s taxable income for the taxation year.

Dividends received by a Resident Holder who is an individual (including certain trusts) may result in such Resident Holder being liable for alternative minimum tax under the Tax Act. Resident Holders who are individuals should consult their own tax advisors in this regard.

Disposition of Common Shares

Upon a disposition or deemed disposition of a common share by a Resident Holder (other than to the Company, unless purchased by the Company in the open market in the manner in which shares are normally purchased by any member of the public in the open market), a capital gain (or loss) will generally be realized by a Resident Holder to the extent that the proceeds of disposition are greater (or less) than the aggregate of the adjusted cost base of the common share to the Resident Holder immediately before the disposition and any reasonable costs of disposition. The adjusted cost base of a common share to a Resident Holder will be determined in accordance with certain rules in the Tax Act by averaging the cost to the Resident Holder of a common share with the adjusted cost base of all other common shares held by the Resident Holder and by making certain other adjustments required under the Tax Act. Such capital gain (or capital loss) will be subject to the treatment described below under “– Taxation of Capital Gains and Capital Losses”.

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain (a “**taxable capital gain**”) realized by a Resident Holder in a taxation year must be included in computing the Resident Holder’s income for the year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of any capital loss (an “**allowable capital loss**”) realized in a taxation year from taxable capital gains realized in that taxation year and allowable capital losses in excess of taxable capital gains for the taxation year of disposition may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent year against net taxable capital gains realized in such years.

If the Resident Holder is a corporation, any such capital loss realized on the sale of a common share may be reduced by the amount of any dividends received (or deemed to be received) by the Resident Holder on such common share to the extent and in circumstances prescribed by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns common shares, directly or indirectly through a partnership or a trust. A Resident Holder that is throughout the year a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay a refundable tax on certain investment income, including taxable capital gains.

A capital gain realized by a Resident Holder who is an individual (including certain trusts) may result in such Resident Holder being liable for alternative minimum tax under the Tax Act. Resident Holders who are individuals should consult their own tax advisors in this regard.

Holders Not Resident in Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for the purposes of the Tax Act and any applicable income tax treaty or convention, is not (and is not deemed to be) resident in Canada and will not use or hold (and will not be deemed to use or hold) the common shares in, or in the course of, carrying on a business or part of a business in Canada (a “**Non-Resident Holder**”). This summary does not apply to a Non-Resident Holder that carries on an insurance business in Canada and elsewhere or an “authorized foreign bank” (as defined in the Tax Act) and such Non-Resident Holders should consult their own tax advisors.

Dividends on Common Shares

Dividends paid or credited, or deemed to be paid or credited, on a common share to a Non-Resident Holder will generally be subject to Canadian withholding tax at the rate of 25%, subject to any reduction in the rate of withholding to which such Non-Resident Holder may be entitled under an applicable income tax treaty or convention between Canada and the country in which the Non-Resident Holder is resident. For example, the rate of withholding tax applicable to a dividend paid on a common share to a Non-Resident Holder who is a resident of the United States for purposes of the *Canada-U.S. Income Tax Convention* (the “**Convention**”), beneficially owns the dividend and is fully entitled to the benefits of the Convention, will generally be reduced to 15%.

Disposition of Common Shares

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Resident Holder on a disposition or deemed disposition of a common share unless the common share constitutes “taxable Canadian property” (as defined in the Tax Act) of the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable income tax treaty or convention between Canada and the country in which the Non-Resident Holder is resident. Generally, a common share will not constitute taxable Canadian property of a Non-Resident Holder at any particular time provided that the common share is listed on a “designated stock exchange” for the purposes of the Tax Act (which currently includes the TSX), unless at any time during the 60-month period immediately preceding such time: (a) 25% or more of the issued shares of any class or series of the capital stock of the Company was owned by or belonged to any combination of (x) the Non-Resident Holder, (y) persons with whom the Non-Resident Holder did not deal at arm’s length (for the purposes of the Tax Act), and (z) partnerships in which the Non-Resident Holder or a person described in (y) holds a membership interest directly or indirectly through one or more partnerships; and (b) more than 50% of the fair market value of the common share was derived directly or indirectly from one, or any combination of, real or immovable property situated in Canada, Canadian resource property (as defined in the Tax Act), timber resource property (as defined in the Tax Act) or options in respect of, interests in, or for civil law, rights in any such property (whether or not such property exists).

Notwithstanding the foregoing, a common share may also be deemed to be “taxable Canadian property” in certain circumstances. If a common share constitutes “taxable Canadian property” of a Non-Resident Holder and such Non-Resident Holder is not entitled to relief under an applicable income tax treaty or convention, then the disposition of the common share by such Non-Resident Holder will generally be subject to the same Canadian income tax consequences applicable to a Resident Holder with respect to the disposition of such Resident Holder’s common shares, as discussed above under the headings “Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Disposition of Common Shares” and “Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Taxation of Capital Gains and Capital Losses”. Non-Resident Holders for whom a common share is, or may be, taxable Canadian property should consult their own tax advisors.

RISK FACTORS

Investing in the common shares involves a high degree of risk. In addition to all other information set out in this prospectus, including our financial statements and related notes thereto, the following specific factors could materially adversely affect us and should be considered when deciding whether to make an investment in the Company and our common shares. Other risks and uncertainties that we do not presently consider to be material, or of which we are not presently aware, may also become important factors that affect our future business, financial condition and results of operations. The occurrence of any of these risks could materially and adversely affect our business, prospects, financial condition, results of operations or cash flow. In these circumstances, the market price of our common shares could decline, and a purchaser of our common shares may lose all or part of their investment.

Risks Related to our Business

Our products are manufactured at a limited number of locations, and any manufacturing problems at a location could adversely affect our ability to meet our customers’ orders.

Our products are manufactured at a limited number of locations, primarily in Canada. If we experience manufacturing problems at a particular location, we would be required to transfer manufacturing to a backup location or supplier. Converting or transferring manufacturing from a primary location or supplier to a backup manufacturing facility can result in additional costs and cause delays in manufacturing, depending on the availability of resources. During such a transition, we would be required to meet customer demand from our then-existing inventory, as well as any partially finished goods that can be modified to the required product specifications. We carry very little inventory of our products, and we may not be able to meet customer needs during such a transition, which could delay shipments, cause a production delay or stoppage for our customers, result in a decline in our sales and damage our customer relationships.

We outsource our manufacturing operations to third parties, and the inability of those parties to meet our product specifications and schedules could harm our business and damage our customer relationships.

We outsource the manufacturing of our products to contract manufacturers, and are, therefore, subject to the risk that our contract manufacturers do not provide our customers with the quality and performance that they expect from our products. Our contract manufacturers may not view fulfilling our orders a priority in the event they are constrained in their ability to fulfill all of their customer obligations in a timely manner. In addition, if we need to increase our manufacturing capacity beyond what our current contract manufacturers are able to provide, we may not be able to meet customer demand on a timely basis. If we are unable to fulfill customer demand, we may lose revenue opportunities and our reputation could suffer. In addition, we must also predict the number of products that we will require. If we underestimate our requirements, our manufacturer may have inadequate materials and components required to produce our products. This could result in an interruption of the manufacturing of our products, delays in shipments and deferral or loss of revenue. Quality or performance failures of our products or changes in our contract manufacturers' financial or business condition could disrupt our ability to supply quality products to our customers and thereby have a material and adverse effect on our operating results, financial condition and cash flows.

We use several key components and subassemblies in our products that are supplied from a single source or a limited number of sources. The loss of any of these suppliers may cause us to incur transition costs, result in delays in the manufacturing and delivery of our products, or cause us to carry excess or obsolete inventory and could cause us to redesign our products.

While supplies of our components are generally available from a variety of sources and a majority of the components necessary for production are standard off-the-shelf components, we currently depend on a limited number of sources for several components for our products. If we lost any of these suppliers, or if the supply of any of these components is discontinued by the relevant supplier, we could be required to transition to a new supplier, which could increase our costs, result in delays in the manufacturing and delivery of our products or cause us to carry excess or obsolete inventory, and we could be required to redesign our hardware and software in order to incorporate components or technologies from alternative sources.

In addition, even for certain components for which there are multiple sources, we are subject to potential price increases and limited availability due to market demand for such components. An increase in demand for components and subassemblies that we use could cause shortages of these parts and cause an increase in the costs of these parts. If such shortages or price increases occur in the future, our business would be adversely affected.

We and our contract manufacturers rely on our suppliers to deliver necessary assemblies in a timely manner. We and our contract manufacturers rely on purchase orders rather than long-term contracts with these suppliers, and as a result, even if available, we or our contract manufacturers may not be able to secure sufficient components at reasonable prices or of acceptable quality to build products in a timely manner and, therefore, may not be able to meet customer demands for our products, which could have a material and adverse effect on our operating results, financial condition and cash flows.

Our sales cycles can be long and unpredictable. As a result, our sales are difficult to predict and may vary substantially from quarter to quarter, which may cause our operating results to fluctuate significantly.

The timing of our sales is difficult to predict. Our sales efforts involve educating our channel partners and customers about the use and benefits of our products and services, including the technical capabilities of our products and services and the potential cost savings achievable by organizations deploying our products and services. Customers typically undertake a significant evaluation process, which frequently involves not only our products and services but also those of our competitors and can result in a lengthy sales cycle. We spend substantial time, effort and money on our sales efforts without any assurance that such efforts will produce any sales. In addition, purchases of our products and services are frequently subject to budget constraints, multiple approvals, and unplanned administrative, processing and other delays. The length of a customer's deployment period may directly affect the timing of any subsequent purchase of additional products or services by that customer. In addition, once we deliver our products and services to our customers, we may not be able to recognize all the revenue resulting from the sale until the customer completes its acceptance procedures. If sales expected from a specific customer for a particular quarter are not realized or completed in that quarter or at all, our operating results, financial condition and cash flows could be materially and adversely affected.

The ongoing COVID-19 pandemic, including the resulting global economic uncertainty and measures taken in response to the pandemic, could materially impact our business and future results of operations and financial condition.

In December 2019, COVID-19 surfaced in Wuhan, China. Since then, the outbreak has spread to over 200 countries and territories and infections have been reported around the world. The World Health Organization declared a global emergency on January 30, 2020 with respect to the outbreak then characterized it as a pandemic on March 11, 2020.

In response to the outbreak, governmental authorities in Canada and internationally have introduced various recommendations and measures to try to limit the pandemic, including travel restrictions, border closures, nonessential business closures, quarantines, self-isolations, shelters-in-place and social distancing. While these effects are expected to be temporary, their duration and the related business disruptions and financial impact cannot be reasonably estimated at this time. Although management believes that, at this time, these disruptions will not have a long-term impact on our results from operations, we cannot estimate the duration and severity of this outbreak and its financial impact. As such, the extent to which COVID-19 may have a sustained impact on our results is uncertain.

In addition, the continued impact of COVID-19 may have adverse impacts on us, including, among others:

- continued disruptions and volatility in the global capital markets, which may increase cost of capital and adversely impacts access to capital;
- continued impacts on workforces throughout the regions in which COVID-19 is present, which may result in our workforce being unable to work effectively, including because of illness, quarantines, government actions, facility closures or other restrictions in connection with the COVID-19 pandemic;
- a sustained decrease in the number of business transactions;
- sustained disruptions in global supply chains, which could limit or inhibit our customers' operations, including their ability to make timely payments to us; and
- other unpredictable impacts.

The spread of COVID-19 has caused us to modify our business practices to help minimize the risk of the virus to our employees, our partners, our customers, and the communities in which we participate, which could negatively impact our business. In response to the COVID-19 pandemic, we have enabled our employees to work remotely, implemented travel restrictions for all non-essential business and shifted company events to virtual-only experiences, and we may deem it advisable to similarly alter, postpone or cancel additional events in the future. There is no certainty that the measures we have taken will be sufficient to mitigate the risks posed by the virus. If the COVID-19 pandemic worsens, especially in regions where we have offices, our business activities originating from affected areas could be adversely affected. Disruptive activities could include additional business closures in impacted areas, further restrictions on our employees' and service providers' ability to travel, impacts to productivity if our employees or their family members experience health issues and potential delays in hiring and onboarding of new employees. We may take further actions that alter our business operations as may be required by local, provincial, state or federal authorities or that we determine are in the best interests of our employees. Such measures could negatively affect our sales and marketing efforts, sales cycles, employee productivity or customer retention, any of which could harm our financial condition and business operations. Changes in internal controls due to remote work arrangements may result in control deficiencies and impact our financial reporting systems, which may also be material.

This outbreak, as well as intensified measures undertaken to contain the spread of COVID-19, could decrease consumer spending, adversely affect demand for our technology and services, cause one or more of our customers and partners to file for bankruptcy protection or go out of business, cause one or more of our customers to fail to renew, terminate, or renegotiate their contracts, impact expected spending from new customers, and negatively impact collections of accounts receivable, all of which could adversely affect our business, results of operations, financial condition and cash flows.

Further, the sales cycle for a new customer of our technology and services could lengthen, resulting in a potentially longer delay between increasing expenses and the generation of corresponding revenue, if any. We cannot predict with any certainty whether and to what degree the disruption caused by the COVID-19 pandemic and reactions thereto will continue, and expect to face difficulty accurately predicting our internal financial forecasts. It is not

possible for us to predict the duration or magnitude of the adverse results of the outbreak and its effects on our business, results of operations, or financial condition at this time.

The Company submitted an application to the Government of Canada for the Canadian Emergency Wage Subsidy (“CEWS”) for which it was eligible due to the COVID-19 pandemic for the periods of April 12 to May 9, 2020 and May 10 to June 6, 2020. CEWS of \$769,215 has been recorded principally as a reduction of employee costs in the unaudited interim consolidated financial statements of the Company for the three and nine months ended July 31, 2020.

To the extent that the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this “Risk Factors” section.

Our customers may change or cancel their orders or delay their scheduled receipt, and if we fail to forecast demand for our products accurately, we may incur product shortages, delays in product shipments or excess or insufficient product inventory.

We generally do not obtain firm, long-term purchase commitments from our customers. Because production lead times often exceed the amount of time required to fulfill orders, we often must build in advance of orders, relying on an imperfect demand forecast to project volumes and product mix. Our demand forecast accuracy can be adversely affected by a number of factors, including inaccurate forecasting by our employees, changes in market conditions, adverse changes in our product order mix and fluctuations in demand. Even after an order is received, a customer may cancel the order or request a change in quantities. Any such cancellation or decrease subjects us to a number of risks, most notably that we will not achieve our projected sales on schedule or at all, leading to unanticipated revenue shortfalls and excess or obsolete inventory which we may be unable to sell to other customers. Alternatively, if we are unable to project customer requirements accurately, we may not build enough products, which could lead to delays in product shipments and lost sales opportunities in the near term, and force our customers to identify alternative sources, which could affect our ongoing relationships with these customers. We have in the past had customers dramatically increase their requested production quantities with little or no advance notice. If we do not timely fulfill customer demands, our customers may cancel their orders. Either underestimating or overestimating demand would lead to insufficient, excess or obsolete inventory, which could harm our operating results, cash flows and financial condition, as well as our relationships with our customers.

Our products incorporate complex technology and may contain defects or errors, which could negatively affect the performance of our products and services, and could harm our reputation and adversely affect our business.

Our products incorporate complex technology that must operate with a significant number and types of devices, which attempt to run new and complex applications in a variety of environments that utilize different communication industry standards. Our products and services have contained and may in the future contain defects or errors. In some cases, these defects or errors have delayed the introduction of our new products and services. Some errors in our products and services have only been discovered after a product has been installed and used by customers. These problems have in the past, and may in the future cause us to divert the attention of our engineering personnel from our development efforts and cause customer relations problems. We may also incur significant warranty and repair costs or be subject to liability claims for damages related to product errors or defects. While we carry insurance policies covering these types of liability claims, which we believe to be reasonable for the level of our business activity, these policies may not provide sufficient protection in the event of a liability claim. Moreover, errors in our products and services are most prevalent when new products and services are introduced into the market. Any errors or defects discovered in our products and services after commercial release could result in loss of revenue or delay in revenue recognition, loss of customers, damage to our brand and reputation, and increased service and warranty cost, any of which could materially and adversely affect our operating results, financial condition and cash flows.

Our products include third-party technology and intellectual property, and our inability to use that technology in the future could harm our business.

We incorporate certain third-party technologies, including software programs, into our products, and intend to utilize additional third-party technologies in the future. We have entered into license agreements with some of our suppliers for technologies that are used in our products, and the termination of these licenses, which can generally be done on relatively short notice without penalty, could have a material adverse effect on our business. Licenses to

relevant third-party technologies or updates to those technologies may not continue to be available to us on commercially reasonable terms, or at all. In addition, the technologies that we license may not operate properly or as specified, and we may not be able to secure alternatives in a timely manner, either of which could harm our business. We could face delays in product releases until alternative technology can be identified, licensed or developed, and integrated into our products, and we may not be able to do so at all. These delays, or a failure to secure or develop adequate technology, could materially and adversely affect our operating results, financial condition and cash flows.

Disputes may arise regarding intellectual property, including software and data, that is subject to a licensing agreement, including the scope of rights granted under the license agreement and other interpretation-related issues. In addition, the agreements under which we currently license intellectual property or technology from third parties are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what we believe to be the scope of our rights to the relevant intellectual property or technology, or increase what we believe to be our financial or other obligations under the relevant agreement. If these events were to occur, we may lose the right to continue to use and exploit such licensed intellectual property or technology in connection with our operations and solutions, which could have a material adverse effect on our operating results, financial condition and cash flows.

We incorporate into our product offerings third-party hardware that could cause errors or failures of our solution and damage our reputation.

We incorporate hardware purchased from third parties into our products. This hardware has in the past contained, and may in the future contain errors or defects, which in turn could result in errors or a failure of our solution. We may not learn of these hardware errors or defects until after we have shipped our solution to our customers. Errors or defects in the third-party hardware that we incorporate into our products could significantly damage our reputation, even though we did not cause these errors or defects, which could have a material and adverse effect on our operating results, financial condition and cash flows.

We rely on systems integrators and resellers, who serve as our channel partners, for a significant portion of our revenue, and disruptions to, or our failure to develop and manage, our relationships with these channel partners and the processes and procedures that support them could materially and adversely affect our business.

We generate a significant portion of our revenue through sales to channel partners, principally to assist us with the integration of our proprietary hardware and software-based solution with other third-party products to provide a tailored solution for the end-client. We expect that these sales to channel partners will continue to generate a significant percentage of our revenue in the future. Accordingly, our future success is highly dependent upon establishing and maintaining successful relationships with a variety of channel partners.

We do not have long-term contracts or minimum purchase commitments with any of our channel partners, and our contracts with these parties do not prohibit them from purchasing or offering products or services that compete with ours. Some of our competitors may have stronger relationships with certain of our channel partners than we do, and may also provide incentives to these partners to persuade them to favor our competitors' products or, in effect, to prevent or reduce sales of our products. Our channel partners may independently choose not to purchase or offer our products. Many of our channel partners are small, are based in a variety of international locations and may have relatively unsophisticated processes and limited financial resources to conduct their business. Any significant disruption to our sales to these channel partners, including as a result of the inability or unwillingness of these channel partners to continue purchasing our products, or their failure to properly manage their business with respect to the purchase of and payment for our products, could materially and adversely impact our business, operating results, financial condition and cash flows. Establishing relationships with new channel partners and training them in our solution requires significant time and resources. Our failure to continue to establish or maintain successful relationships with channel partners could likewise materially and adversely affect our operating results, financial condition and cash flows.

Rapidly evolving technologies or new business models could cause demand for our services to decline or could cause these services to become obsolete.

Customers, potential customers or third parties may develop technological or business model innovations that address digital delivery requirements in a manner that is, or is perceived to be, equivalent or superior to our service

offerings. This is particularly true as our customers increase their operations and begin expending greater resources on delivering their content using third-party solutions. If we fail to offer products and services that are competitive to in-sourced solutions, we may lose additional customers or fail to attract customers that may consider pursuing this in-sourced approach, and our business and financial results would suffer.

If competitors introduce new products or services that compete with or surpass the quality or the price or performance of our services, we may be unable to attract new customers at the prices and levels that allow us to generate attractive rates of return on our investment or renew our agreements with existing customers. We may not anticipate such developments and may be unable to adequately compete with these potential solutions. In addition, our customers' business models may change in ways that we do not anticipate, and these changes could reduce or eliminate our customers' needs for our services. If this occurred, we could lose customers or potential customers, and our business and financial results would suffer.

As a result of these or similar potential developments, it is possible that competitive dynamics in our market may require us to reduce our prices faster than we anticipate, which could harm our revenue, gross margin and operating results.

The loss of any of our key personnel could seriously harm our business, and our failure to attract or retain specialized technical, management or sales and marketing talent could impair our ability to grow our business.

We believe our future success will depend in large part upon our ability to attract, retain and motivate highly skilled managerial, engineering, sales and marketing personnel. The loss of any key employees or the inability to attract, retain or motivate qualified personnel, including engineers and sales and marketing personnel, could delay the development and introduction of, and harm our ability to sell, our products.

We believe that our future success is highly dependent on the contributions of our senior management team, including Miroslav Wicha, our founder and Chairman and Chief Executive Officer. The loss of the services of Mr. Wicha, other executive officers or certain other key personnel could materially and adversely affect our business, financial condition and results of operations. In particular, we depend significantly on our senior management's execution know-how and technological expertise. For instance, if any of these individuals were to leave our company unexpectedly, we could face substantial difficulty in hiring qualified successors and could experience a loss in productivity during the search for a successor and while any such successor is integrated into our business and operations. Except with respect to Miroslav Wicha, we do not maintain corporate life insurance policies on any of our key personnel.

There is intense competition for qualified technical personnel with significant experience in the design, development, manufacturing, marketing and sales of video products. Our key technical personnel represent a significant asset and serve as the source of our technological and product innovations. We may not be successful in attracting, retaining and motivating sufficient numbers of technical personnel to support our anticipated growth. Our effort to retain and develop personnel may also result in significant additional expenses, which could adversely affect our profitability.

To date, we have relied primarily on our direct marketing and sales force to drive new channel partners, customer and OEM design wins and to sell our products. Because we are looking to expand our customer base and grow our sales to existing customers, we will need to hire additional qualified sales personnel in the near term and beyond if we are to achieve revenue growth. The competition for qualified marketing and sales personnel in our industry is very intense. If we are unable to hire, train, deploy and manage qualified sales personnel in a timely manner, our ability to grow our business will be impaired. In addition, if we are unable to retain our existing sales personnel, our ability to maintain or grow our revenue will be adversely affected. Our inability to attract, retain and motivate additional key employees could have an adverse effect on our business, financial condition and results of operations.

We may be subject to customs duties that could have a significant adverse impact on our operating results.

We may be subject to customs duties that could have a significant adverse impact on our operating results or, if we are able to pass on the related costs in any particular situation, would increase the cost of the related product to our customers. As a result, the future imposition of significant increases in the level of customs duties or the creation of

import quotas on our products in Europe or in other jurisdictions, or any of the limitations on international sales described above, could have a material adverse effect on our business, operating results, financial condition and cash flows.

We expect gross margin to vary over time, and our level of gross margin may not be sustainable.

Our level of gross margin may not be sustainable and may be adversely affected by numerous factors, including:

- increased price competition;
- changes in customer or product and service mix;
- introduction of new products;
- introduction of new services;
- our ability to reduce production costs;
- increases in material or labour costs;
- excess inventory, inventory holding charges and obsolescence charges;
- the timing of revenue recognition and revenue deferrals;
- changes in our distribution channels or arrangements with our channel sales partners;
- increased warranty costs; and
- inbound shipping charges.

As a result of any of these factors, or other factors, our gross margin may be adversely affected, which in turn would harm our operating results.

We depend on maintaining our existing strategic relationships with customers and on forming new strategic relationships.

In the past, we have relied in significant part on our strategic relationships with customers that are technology leaders in our markets. We intend to pursue the expansion of such relationships and the formation of new strategic relationships, but we may not be able to do so successfully. These relationships often require us to develop new products and/or services that may involve significant technological challenges. Accordingly, we may have to devote a substantial amount of our resources to our strategic relationships, which could detract from or delay our completion of other important development projects. Delays in development could impair our relationships with our strategic customers and negatively impact sales of the products and services under development.

From time to time, we may become defendants in legal proceedings as to which we are unable to assess our exposure and which could become significant liabilities in the event of an adverse judgment.

From time to time in the ordinary course of our business, we may become involved in various legal proceedings, including commercial, product liability, employment, class action and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources and cause us to incur significant expenses. Litigation is inherently unpredictable, and excessive verdicts, both in the form of monetary damages and injunctions, could occur. Litigation can result in substantial costs and diversion of resources and we could incur judgments or enter into settlements of claims that could have a material adverse effect on our business, operating results or financial condition. Insurance may not cover such investigations and claims, may not be sufficient for one or more such investigations or claims and may not continue to be available on acceptable terms. An investigation or claim brought against us could also result in unanticipated costs and reputational harm. See "Legal Proceedings".

The selling prices of products and services in our markets historically have decreased over time and will likely continue to do so in the future, which could reduce our revenue and gross profits.

Selling prices of technology products and services tend to decrease over time. The average sales prices for our products and services may decline for a variety of reasons, including competitive pricing pressures, a change in our

mix of products and services, anticipation of the introduction of new products and services and/or promotional programs. The markets in which we compete are highly competitive and we expect this competition to increase in the future, thereby leading to increased pricing pressures. Larger competitors with more diverse product and service offerings may reduce the price of products and services that compete with ours in order to promote the sale of other products or may bundle them with other products and services. Furthermore, average sales prices for our products and services may decrease over product life cycles.

Our gross profits and financial results will suffer if we are unable to offset any reductions in our selling prices by reducing our costs, developing new or enhanced products and services on a timely basis with higher selling prices or gross profits, or increasing our sales volumes.

Additionally, because we do not operate our own manufacturing facilities, we may not be able to reduce our costs as rapidly as companies that operate their own facilities, and our costs may even increase, which could also reduce our margins. A decline in our average sales prices in excess of our expectations may harm our operating results, financial condition and cash flows.

We may not be able to successfully implement our growth strategy on a timely basis or at all.

Our future growth, profitability and cash flows depend upon our ability to successfully implement our growth strategy, which, in turn, is dependent upon a number of factors, including our ability to:

- drive strategic alliances;
- increase our share of our customers' network footprint;
- leverage SaaS cloud-native video workflows to drive recurring revenue;
- expand our customer base;
- enhance our products and services; and
- selectively pursue acquisitions.

There can be no assurance that we can successfully achieve any or all of the above initiatives in the manner or time period that we expect. Further, achieving these objectives will require investments which may result in short-term costs without generating any current revenue and therefore may be dilutive to our earnings. We cannot provide any assurance that we will realize, in full or in part, the anticipated benefits we expect our strategy will achieve. The failure to realize those benefits could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to manage any future growth effectively.

You should not rely on our operating results for any prior quarterly or annual periods as an indication of our future operating performance. If we are unable to attain adequate revenue growth, our financial results could suffer and our share price could decline. To manage any future growth successfully we believe we must effectively, among other things:

- recruit, hire, train and manage additional qualified engineers for our research and development activities;
- add additional sales personnel and expand sales offices;
- implement and improve our administrative, financial and operational systems, procedures and controls; and
- enhance our information technology support our systems and tool capabilities, and properly training new hires as to their use.

If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities or develop new products and services, and we may fail to satisfy customer requirements, maintain product and service quality, execute our business plan or respond to competitive pressures.

Any unplanned interruption or degradation in the functioning or availability of our network infrastructure or services, or attacks on or disruptions to our internal information technology systems, could lead to increased costs, a significant decline in our revenue and harm to our reputation.

Our business is in part dependent on providing our customers with fast, efficient, and reliable distribution of content delivery over the internet. Consequently, any disruption, or substantial and extensive degradation of our services could have a material impact on our customers' businesses. Our network or services could be disrupted by numerous events, including natural disasters, failure or refusal of our third-party network providers to provide the necessary capacity or access, failure of our software or global network infrastructure and power losses. We may also experience disruptions caused by software viruses, unauthorized hacking of our systems, security breaches or other cyberattacks by unauthorized users. Any hacking of our systems or other cyberattacks could lead to the unauthorized release of confidential information that could damage our customers' business and reputation, as well as our own. The economic costs to us to eliminate or alleviate cyber or other security problems, viruses, worms, malicious software programs, and other security vulnerabilities could be significant, and our efforts to address these problems may not be successful and could result in interruptions, delays, cessation of service, and loss of existing or potential customers. In addition, our release of a security-related solution may increase our visibility as a security focused company and make us a more attractive target for attacks on our infrastructure intended to steal information about our technology, financial data, or customer information or take other actions that would be damaging to our customers and us.

We could experience a significant, unplanned disruption, or substantial and extensive degradation of our services, or our network infrastructure may fail in the future. Despite our significant infrastructure investments, we may have insufficient communications and server capacity to address these or other disruptions, which could result in interruptions in our services.

Any widespread interruption or substantial and extensive degradation in the functioning of our services for any reason would reduce our revenue and could harm our business and results of operations. If such a widespread interruption occurred, or if we failed to deliver content to users as expected during a high-profile media event, game release or other well-publicized circumstance, our reputation could be damaged severely.

We may be subject to warranty claims, product liability and product recalls.

From time to time, we may be subject to warranty or product liability claims that may require us to make significant expenditures to defend these claims or pay damage awards. In the event of a warranty claim, we may incur costs if we compensate the affected customer. We warrant to our customers that the products we supply to them will function as intended, and we allow our customers to return defective products for repair or replacement. The functionality of our products is determined in part by the manufacturing process under which they are produced, which we subcontract. As a result, we may encounter future warranty claims resulting from production issues that are outside of our control. We may not be able to successfully recover the costs of replacing defective products from our contract manufacturers. We also may incur costs and expenses relating to a recall of one of our customers' products containing one of our devices, even if we are not obligated to do so, in order to maintain long-term customer relationships and to protect our brand reputation. The process of identifying a recalled product in devices that have been widely distributed may be lengthy and require significant resources, and we may incur significant replacement costs, contract damage claims from our customers and reputational harm. While we carry insurance policies covering these types of liability claims, which we believe to be reasonable for the level of our business activity, these policies may not provide sufficient protection in the event of a liability claim. Costs or payments made in connection with warranty and product liability claims and product recalls could materially affect our financial condition and results of operations. A product liability claim brought against us, even if unsuccessful, would likely be time consuming and costly to defend.

Our limited use of open source software could impose limitations on our ability to commercialize our products and subject us to possible litigation.

Our products may contain software modules licensed for use from third-party authors under open source licenses, including the GNU Public License, the GNU Lesser Public License, the Apache License and others. Use and distribution of open source software may entail greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. Some open source licenses contain requirements that we make available source code for

modifications or derivative works we create based upon the type of open source software we use. If we combine our proprietary software with open source software in a certain manner, we could, under certain of the open source licenses, be required to release the source code of our proprietary software to the public. This could allow our competitors to create similar products with lower development effort and in less time and ultimately could result in a loss of product sales for us.

Although we monitor our use of open source closely, it is possible our past, present or future use of open source has triggered or may trigger the foregoing requirements. Furthermore, the terms of many open source licenses have not been interpreted by U.S. courts, and there is a risk that such licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to commercialize our products. In such event, we could be required to seek licenses from third parties in order to continue offering our products, to re-engineer our products or to discontinue the sale of our products in the event re-engineering cannot be accomplished on a timely basis, any of which could materially and adversely affect our operating results, financial condition and cash flows.

We face intense competition and expect competition to intensify in the future, which could reduce our revenue and customer base.

The markets for our products are highly competitive, and we expect competition to intensify in the future. This competition could make it more difficult for us to sell our products, and result in increased pricing pressure, reduced profit margins, increased sales and marketing expenses and failure to increase, or the loss of, market share or expected market share, any of which would likely seriously harm our business, financial condition and operating results.

Currently, we face competition from a number of well-established companies. A few of our current competitors, and some of our potential competitors, have longer operating histories, greater name recognition, larger customer bases and significantly greater financial, technical, sales, marketing and other resources to pursue development, engineering, manufacturing, marketing and distribution of their products than we have. They often have broader product lines and market focus, and may not be as susceptible to downturns in a particular market. These competitors may also be able to bundle their products together to meet the needs of a particular customer, and may be capable of delivering more complete solutions than we are able to provide. Further, potential customers may prefer to purchase from their existing suppliers rather than a new supplier, regardless of product performance or features, and there are substantial costs associated with switching suppliers which could make it more difficult for us to expand our market share. In addition, our existing customers or potential customers may develop their own products, purchase competitive products or acquire companies that use alternative methods to achieve similar results as our products. Any of these competitive threats, alone or in combination with others, could seriously harm our business, financial condition and results of operations.

We expect these trends to continue as companies attempt to strengthen or maintain their market positions in an evolving industry. In the future, further development by our competitors could cause our products to become obsolete. Our ability to compete depends on a number of factors, including:

- technological leadership and maintenance and growth of intellectual property;
- adding new customers;
- introduction of products or alternative solutions by other companies;
- customer support;
- building brand awareness;
- broadening product offering and expanding into emerging/adjacent markets;
- relationships with significant customers;
- further integration into key customers' products;
- performance, features, quality and value of our products;
- emergence of new industry standards; and
- general macroeconomic conditions.

If we are unable to compete effectively in any of our markets, or are forced to reduce the prices of our products in order to continue to be competitive, our operating results, financial condition and cash flows could be materially and adversely affected.

We may need to raise additional funds to pursue our growth strategy or continue our operations, and we may be unable to raise capital when needed or on acceptable terms.

We expect to seek additional equity or debt financing to fund our growth, enhance our platform and related infrastructure, respond to competitive pressures or make acquisitions or other investments. Our business plans may change, general economic, financial or political conditions in our markets may deteriorate or other circumstances may arise, in each case that have a material adverse effect on our cash flows and the anticipated cash needs of our business. Any of these events or circumstances could result in significant additional funding needs, requiring us to raise additional capital. We cannot predict the timing or amount of any such capital requirements at this time. If financing is not available on satisfactory terms, or at all, we may be unable to expand our business at the rate desired and our results of operations may suffer. In addition, any financing through issuances of equity securities would be dilutive to holders of our common shares.

Capital raised through debt financing would require us to make periodic interest payments, repayments of principal, and may impose restrictive covenants on the conduct of our business. Furthermore, additional financing may not be available on terms favourable to us, or at all. Failure to obtain additional funding could prevent us from making expenditures that may be required to maintain our operations and implement our growth strategy.

The industry in which we operate is characterized by rapid technological changes, and our continued success will depend upon our ability to react to such changes.

The markets for our products and services are characterized by rapidly changing technology, evolving industry standards and increasingly sophisticated customer requirements. The introduction of products and services embodying new technology and the emergence of new industry standards can render our existing products and services obsolete and unmarketable and can exert price pressures on existing products and services. Our success is dependent upon our ability to be able to anticipate and react quickly to changes in technology or in industry standards and to successfully develop and introduce new, enhanced and competitive products and services on a timely basis. We cannot give assurance that we will successfully develop new products and services or enhance and improve our existing products and services, that new products and services, as well as enhanced and improved existing products and services, will achieve market acceptance or that the introduction of new products and services or enhanced existing products and services by others will not render our products and services obsolete. Our inability to develop products and services that are competitive in technology and price and that meet end-user needs could have a material adverse effect on our business, financial condition or results of operations.

The timing and nature of regulatory rulings may result in unforeseen variability in revenues and operations.

The broadcasting and communications industries are regulated by the Federal Communications Commission in the United States, the Canadian Radio-Television and Telecommunications Commission in Canada and by similar regulatory bodies throughout the world. These agencies have made rulings in recent years relating to the adoption of new standards for broadcasters. The timing and nature of these rulings may impact the equipment purchased by broadcasters and telecommunications companies, which may result in us experiencing unforeseen variability in revenues and operations results.

Our operating results and future prospects could be materially harmed by uncertainties of regulation of the Internet.

We are subject to general business regulations and laws as well as regulations and laws specifically governing the internet. Existing and future regulations and laws could impede the growth of the internet. These regulations and laws may involve taxes, tariffs, privacy and data security, anti-spam, content protection, electronic contracts and communications, consumer protection and internet neutrality. Certain existing laws governing issues such as sales and other taxes and consumer privacy were adopted prior to the advent of the internet and do not contemplate or address the unique issues raised by the internet, and certain jurisdictions may interpret existing laws or adopt new laws that

could adversely affect us. For example, certain jurisdictions may seek to tax streaming services that are provided in jurisdictions where the provider of the services has no physical presence. It is possible that general business regulations and laws, or those specifically governing the internet, may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. We cannot be sure that our practices have complied, comply or will comply fully with all such laws and regulations. Any failure, or perceived failure, by us to comply with any of these laws or regulations could result in damage to our reputation, a loss in business and proceedings or actions against us by governmental entities or others. Any such proceeding or action could hurt our reputation, force us to spend significant amounts in defense of these proceedings, distract our management, increase our costs of doing business, decrease the use of our sites by consumers and suppliers and may result in the imposition of monetary liability. We may also be contractually liable to indemnify and hold harmless third parties from the costs or consequences of non-compliance with any such laws or regulations. Adverse legal or regulatory developments could decrease demand for our products and, at the same time, increase the cost of selling our products, which could have a material adverse effect on our business, operating results, and financial condition.

If our software contains serious errors or defects, we may lose revenue and market acceptance and may incur costs to defend or settle claims with our customers.

Software such as ours often contains errors, defects, security vulnerabilities or software bugs that are difficult to detect and correct, particularly when first introduced or when new versions or enhancements are released. Despite internal testing, our product and service offerings may contain serious errors or defects, security vulnerabilities or software bugs that we may be unable to successfully correct in a timely manner or at all, which could result in lost revenue, significant expenditures of capital, a delay or loss in market acceptance and damage to our reputation and brand, any of which could have an adverse effect on our business, financial condition and results of operations. Furthermore, our cloud-based platform is a multi-tenant cloud-based system that allows us to deploy new versions and enhancements to all of our customers simultaneously. To the extent we deploy new versions or enhancements that contain errors, defects, security vulnerabilities or software bugs to all of our customers simultaneously, the consequences would be more severe than if such versions or enhancements were only deployed to a smaller number of our customers.

Since our customers use our products and services for processes that are critical to their businesses, errors, defects, security vulnerabilities, service interruptions or software bugs in our product and service offerings could result in losses to our customers. Our customers may seek significant compensation from us for any losses they suffer or cease conducting business with us altogether. There can be no assurance that provisions typically included in our agreements with our customers that attempt to limit our exposure to claims would be enforceable or adequate or would otherwise protect us from liabilities or damages with respect to any particular claim. Even if not successful, a claim brought against us by any of our customers would likely be time-consuming and costly to defend and could seriously damage our reputation and brand, making it harder for us to sell our solutions.

We may be unable to obtain, maintain and protect our intellectual property rights and proprietary information or prevent third parties from making unauthorized use of our technology.

Our intellectual property is a key element of the success of our business. In accordance with industry practice, we protect our proprietary products, technology and our competitive advantage through a combination of contractual provisions and trade secret, patents, copyright and trademark laws in Canada, the United States, Europe and other jurisdictions in which we conduct our business. We also have confidentiality agreements, assignment agreements and license agreements with employees and third parties, which limit access to and use of our intellectual property. The steps we take to protect our intellectual property require significant resources and may be inadequate. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property. We may be required to use significant resources to monitor and protect these rights. Despite our precautions, it may be possible for unauthorized third parties to copy our platform and use information that we regard as proprietary to create services that compete with ours. Some license provisions protecting against unauthorized use, copying, transfer and disclosure of our proprietary information may be unenforceable under the laws of certain jurisdictions and foreign countries. In addition, we may not be able to acquire or maintain appropriate domain names in all countries in which we do business, or prevent third parties from acquiring domain names that are similar to, infringe upon, or diminish the value of our trademarks and other proprietary rights. Furthermore, regulations governing domain names may not protect our trademarks or similar proprietary rights.

While we aim to acquire adequate protection of our brand through trademark registrations in key markets, occasionally third parties may have already registered or otherwise acquired rights to identical or similar marks for services that also address our market. We rely on our brand and trademarks to identify our platform and to differentiate our platform and services from those of our competitors, and if we are unable to adequately protect our trademarks third parties may use our brand names or trademarks similar to ours in a manner that may cause confusion in the market, which could decrease the value of our brand and adversely affect our business and competitive advantages.

Policing unauthorized use of our intellectual property and misappropriation of our technology and trade secrets is difficult and we may not always be aware of such unauthorized use or misappropriation. Despite our efforts to protect our intellectual property rights, unauthorized third parties may attempt to use, copy or otherwise obtain and market or distribute our intellectual property rights or technology or otherwise develop services with the same or similar functionality as our platform. If our competitors infringe, misappropriate or otherwise misuse our intellectual property rights and we are not adequately protected, or if our competitors are able to develop a platform with the same or similar functionality as ours without infringing our intellectual property, our competitive advantage and results of operations could be harmed. Litigation brought to protect and enforce our intellectual property rights could be costly, time consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. As a result, we may be aware of infringement by our competitors but may choose not to bring litigation to enforce our intellectual property rights due to the cost, time and distraction of bringing such litigation. Furthermore, if we do decide to bring litigation, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits challenging or opposing our right to use and otherwise exploit particular intellectual property, services and technology or the enforceability of our intellectual property rights. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management's attention and resources, could delay further sales or the implementation of our solutions, impair the functionality of our platform, prevent or delay introductions of new or enhanced solutions, result in our substituting inferior or more costly technologies into our platform or injure our reputation. Furthermore, many of our current and potential competitors have the ability to dedicate substantially greater resources to developing and protecting their technology or intellectual property rights than we do.

We enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with the parties with whom we have strategic relationships and business alliances. No assurance can be given that these agreements will be effective in controlling access to our proprietary information and trade secrets. The confidentiality agreements on which we rely to protect certain technologies may be breached, may not be adequate to protect our confidential information, trade secrets and proprietary technologies and may not provide an adequate remedy in the event of unauthorized use or disclosure of our confidential information, trade secrets or proprietary technology. Further, these agreements do not prevent our competitors or others from independently developing software that is substantially equivalent or superior to our software. In addition, others may independently discover our trade secrets and confidential information, and in such cases, we likely would not be able to assert any trade secret rights against such parties. Additionally, we may from time to time be subject to opposition or similar proceedings with respect to applications for registrations of our intellectual property, including our trademarks.

We may be subject to claims by third parties of intellectual property infringement.

The industry in which we operate is characterized by the existence of a large number of patents and frequent claims and related litigation regarding patents, copyright and other intellectual property rights. Third parties have in the past asserted and may in the future assert that our products, services, technology, methods or practices infringe, misappropriate or otherwise violate their intellectual property or other proprietary rights. Such claims may be made by our competitors seeking to obtain a competitive advantage or by other parties. Additionally, in recent years, non-practicing entities have begun purchasing intellectual property assets for the purpose of making claims of infringement and attempting to extract settlements from companies like ours. In this regard, we have recently received correspondence from a non-practicing entity extending an offer to license a portfolio of patents directed to one or more video standard technologies on the basis that certain of our products allegedly infringe such patents. We are currently evaluating whether there is a need for such a license, the potential to involve one or more of our technology suppliers and our potential exposure, which at the present time is not believed to have a material effect on our business. The risk of claims may increase as the number of solutions that we offer and competitors in our market increases and overlaps occur. In addition, to the extent that we gain greater visibility and market exposure, we face a higher risk of being the subject of intellectual property infringement claims. See "Legal Proceedings".

Any such claims, regardless of merit, that result in litigation could result in substantial expenses, divert the attention of management, cause significant delays in introducing new or enhanced services or technology, materially disrupt the conduct of our business and have a material and adverse effect on our brand, business, financial condition and results of operations. Although we do not believe that our proprietary technology, processes and methods have been registered by any third-party, it is possible that intellectual property rights have been issued to third parties that cover all or a portion of our business. As a consequence of any patent or other intellectual property claims, we could be required to pay substantial damages, develop non-infringing technology, enter into royalty-bearing licensing agreements, stop selling or marketing some or all of our solutions or re-brand our solutions. We may also be obligated to indemnify our customers or partners or pay substantial settlement costs, including royalty payments, in connection with any such claim or litigation and to obtain licenses, modify applications or refund fees, which could be costly. If it appears necessary, we may seek to secure license rights to intellectual property that we are alleged to infringe at a significant cost, potentially even if we believe such claims to be without merit. If required licenses cannot be obtained, or if existing licenses are not renewed, litigation could result. Litigation is inherently uncertain and can cause us to expend significant money, time and attention to it, even if we are ultimately successful. Any adverse decision could result in a loss of our proprietary rights, subject us to significant liabilities, require us to seek licenses for alternative technologies from third parties, prevent us from offering all or a portion of our solutions and otherwise negatively affect our business and operating results.

We have a limited patent portfolio.

While we plan to protect our intellectual property with, among other things, patent protection, there can be no assurance that:

- future foreign patent applications will be approved;
- our issued patents will protect our intellectual property and not be held invalid or unenforceable if challenged by third parties;
- we will succeed in protecting our technology adequately in all key jurisdictions in which we or our competitors operate;
- the patents of others will not have an adverse effect on our ability to do business; or
- others will not independently develop similar or competing products or methods or design around any patents that may be issued to us.

The failure to obtain patents with claims of a scope necessary to cover our technology, or the invalidation of our patents, or our inability to protect any of our intellectual property, may weaken our competitive position and may materially and adversely affect our operating results, financial condition and cash flows.

We rely on third parties to provide services and technologies necessary for the operation of our business. Any failure of one or more of our vendors, suppliers or licensors to provide these services or technologies could harm our business.

We rely on third-party vendors to provide critical services, including supplying and manufacturing certain products, selling our products and services, services related to payroll, customer relationship management, research and development management and video asset management that we cannot or do not provide ourselves. We depend on these vendors to ensure that our corporate infrastructure or streaming services will consistently meet our business requirements. The ability of these third-party vendors to successfully provide reliable and high quality services is subject to technical and operational uncertainties that are beyond our control. While we may be entitled to damages if our vendors fail to perform under their agreements with us, our agreements with these vendors limit the amount of damages we may receive. In addition, we do not know whether we will be able to collect on any award of damages or that these damages would be sufficient to cover the actual costs we would incur as a result of any vendor's failure to perform under its agreement with us. Any failure of our corporate infrastructure or streaming services could have a material adverse effect on our business, financial condition and results of operations. Upon expiration or termination of any of our agreements with third-party vendors, we may not be able to replace the services provided to us in a timely manner or on terms and conditions, including service levels and cost, that are favourable to us, and a transition from one vendor to another vendor could subject us to operational delays and inefficiencies until the transition is complete.

Our business is susceptible to risks associated with international sales and the use of our services in various countries.

We currently have customers in a number of countries outside North America and we expect to continue to expand our international operations in the future. However, our international sales and the use of our services in various countries subject us to risks that we do not generally face with respect to domestic sales within North America. These risks include, but are not limited to:

- general economic conditions in international economies, which may adversely affect our customers' capital spending;
- changes in foreign government regulations and standards;
- import and export license requirements, tariffs, taxes and other trade barriers;
- fluctuations in currency exchange rates;
- a significant reliance on distributors, resellers and other third parties to sell our products and services, particularly in emerging market countries;
- difficulty in collecting accounts receivable, especially from smaller customers and resellers, particularly in emerging market countries;
- compliance with the *United States Foreign Corrupt Practices Act*, or FCPA, and the *Office of Foreign Asset Control* regulations, particularly in emerging market countries;
- the burden of complying with a wide variety of foreign laws, treaties and technical standards;
- fulfilling "country of origin" requirements for our products and services for certain customers;
- difficulty in staffing and managing foreign operations;
- difficulty in enforcing contracts generally;
- political and economic instability, including risks related to terrorist activity, particularly in emerging market countries;
- changes in economic policies by foreign governments;
- local business and cultural factors that differ from our normal standards and practices;
- differing employment practices and labour issues;
- limited protection of our intellectual property and other assets;
- lack of basic infrastructure, particularly in emerging market countries;
- availability of credit, particularly in emerging market countries; and
- impact of the recent escalating social and political unrest, particularly in the Middle East.

These factors may cause our international costs of doing business to exceed our comparable domestic costs and may also require significant management attention and financial resources. Any negative impact from our international business efforts could adversely affect our business, results of operations and financial condition.

We have in the past made and in the future may make acquisitions and investments that could divert management's attention, result in operating difficulties and dilution to our shareholders and otherwise disrupt our operations and adversely affect our business, operating results or financial position.

Pursuing potential strategic acquisitions or investment opportunities is one of our key growth strategies. Any transactions that we enter into could be material to our financial condition and results of operations. The process of acquiring and integrating another company or technology could create unforeseen operating difficulties and expenditures. Acquisitions and investments involve a number of risks, such as:

- diversion of management time and focus from operating our business;
- use of resources that are needed in other areas of our business;

- in the case of an acquisition, implementation or remediation of controls, procedures and policies of the acquired company;
- in the case of an acquisition, difficulty integrating the accounting systems and operations of the acquired company;
- in the case of an acquisition, coordination of product, engineering and selling and marketing functions, including difficulties and additional expenses associated with supporting legacy services and products and hosting infrastructure of the acquired company and difficulty converting the customers of the acquired company onto our services and contract terms, including disparities in the revenues, licensing, support or professional services model of the acquired company;
- in the case of an acquisition, difficulty integrating, supporting or enhancing acquired product lines or services, including difficulty in transitioning acquired solutions developed with different source code architectures to our integrated services and difficulty in supporting feature development across our full suite of house-built and acquired solutions;
- in the case of an acquisition, retention and integration of employees from the acquired company, and preservation of our corporate culture;
- unforeseen costs or liabilities;
- adverse effects to our existing business relationships with partners and customers as a result of the acquisition or investment;
- the possibility of adverse tax consequences;
- litigation or other claims arising in connection with the acquired company or investment; and
- in the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process, which could adversely affect our results of operations.

Acquisitions and investments may also result in dilutive issuances of equity securities, which could adversely affect our share price, or result in issuances of securities with superior rights and preferences to the common shares or the incurrence of debt with restrictive covenants that limit our future uses of capital in pursuit of business opportunities.

We may not be able to identify acquisition or investment opportunities that meet our strategic objectives, or to the extent such opportunities are identified, we may not be able to negotiate terms with respect to the acquisition or investment that are acceptable to us. We currently have no potential acquisition or investment opportunities targeted for use of the proceeds of the offering and no outstanding agreements or commitments relating to any acquisition.

New tax laws could be enacted or existing laws could be applied to us or our customers, which could increase the costs of our solutions and adversely impact our business.

The application of federal, state, provincial, local and foreign tax laws to products and services provided in part over the internet is evolving. New income, sales, use or other tax laws, statutes, rules, regulations or ordinances could be enacted at any time, possibly with retroactive effect, and could be applied solely or disproportionately to solutions provided over the internet. These enactments could adversely affect our sales activity due to the inherent cost increase the taxes would represent, and could ultimately result in a negative impact on our results of operations and cash flows.

Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our operating results and financial condition.

With sales in various countries, we are subject to taxation in several jurisdictions around the world with increasingly complex tax laws, the application of which can be uncertain. The amount of taxes we pay in these

jurisdictions could increase substantially as a result of changes in the applicable tax principles, including increased tax rates, new tax laws or revised interpretations of existing tax laws and precedents, which could have an adverse impact on our liquidity and results of operations.

In addition, the authorities in several jurisdictions could review our tax returns and impose additional tax, interest and penalties, which could have an impact on us and on our results of operations. We claim Canadian federal and Québec refundable investment tax credits based upon qualifying scientific research and experimental development expenditures, or SR&ED credits. If Canadian federal or Québec taxation authorities successfully challenge such expenses or the correctness of such SR&ED credits claimed, our historical operating results could be adversely affected. As a public company, we will no longer be eligible for refundable Canadian federal SR&ED credits. However, we will still be eligible for non-refundable SR&ED credits under this program, which are eligible to reduce future income taxes payable. We will also remain eligible to claim refundable SR&ED credits for Québec income tax purposes, albeit at a lower rate than before the offering.

Our transition of a portion of our business from a Capex based business model to an Opex model may negatively impact our revenue, and if we fail to successfully manage the transition, our business, financial condition and operating results may be adversely affected.

We are currently transitioning a portion of our business to an opex-based business model and may undergo additional business model changes in the future in order to adapt to changing market demands. Historically, broadcasters and video solution providers have been operating under a capex model, planning expenditures to build media routing capacity through satellite links, purpose-built fiber networks, or proprietary transport solutions. With the increasing availability of secure and reliable cloud-native solutions, we are moving a portion of our business away from capital intensive infrastructure and moving to pay-per-use solutions. Such business model changes entail significant known and unknown risks and uncertainties, and we cannot provide assurance that we will be able to complete the transition or manage the transition successfully and in a timely manner. If we do not successfully complete the transition, or fail to do so in a timely manner, our revenue, business and operating results may be adversely affected. The transition of a portion of our business to an opex business model also means that our historical results, especially those achieved before we began the transition, may not be indicative of our future results.

Our operating results are subject to seasonal fluctuations.

Our revenue has experienced and is expected to continue to experience moderate seasonality due to the buying patterns of certain of our customers. Typically, our fourth quarter (which is commensurate with the US government's year-end) generates the highest level of revenues within a given fiscal year, whereas our first quarter generates the lowest level of revenues within a given fiscal year. Seasonality effects could negatively affect our results of operations during the period in question and/or future periods or cause our share price to decline.

We receive a significant portion of our revenue from a limited number of customers. The loss of several of our significant customers could materially and adversely affect our operating results, financial condition and cash flows.

We receive a significant portion of our sales from a limited number of customers. We received an aggregate of 16%, 25% and 28% of our sales from our top five customers for Fiscal 2017 Fiscal 2018 and Fiscal 2019, respectively. However, we are not dependent on any one customer. Because our products and services are often sold for a specific project, the top five customers in any given year may not be the same top five customers in a previous or subsequent year. The loss of several of our significant customers could materially and adversely affect our operating results, financial condition and cash flows.

Our future effective tax rates could be subject to volatility or adversely affected by a number of factors.

We are subject to income taxes in Canada and various jurisdictions outside of Canada. Our effective tax rate could fluctuate due to changes in the mix of earnings and losses in countries with differing statutory tax rates. Our tax expense could also be impacted by changes in the valuation of our deferred tax assets and liabilities and our ability to utilize them, the tax effects of stock-based compensation, costs related to intercompany restructurings, and the evaluation of new information that results in a change of a tax position taken in a prior year.

We currently conduct activities in the United States and other jurisdictions through our subsidiaries pursuant to transfer pricing arrangements and may in the future conduct operations in other jurisdictions pursuant to similar arrangements. If two or more affiliated companies are located in different countries, the tax laws or regulations of each country generally will require that transfer prices be the same as those between unrelated companies dealing at arms' length. While we believe that we operate in compliance with applicable transfer pricing laws and intend to continue to do so, our transfer pricing procedures are not binding on applicable tax authorities. If tax authorities in any of these countries were to successfully challenge our transfer prices as not reflecting arm's length transactions, they could require us to adjust our transfer prices and thereby reallocate our income to reflect these revised transfer prices, which could result in a higher tax liability to us.

U.S. federal, state and local tax authorities may seek to assess federal, state and local business taxes and sales and use taxes. If we are required to collect sales and use taxes in additional jurisdictions, we might be subject to tax liability for past sales.

There is a risk that U.S. jurisdictions could assert that we are liable for U.S. federal, state and local business activity taxes, which are levied upon income or gross receipts, or for the collection of U.S. state or local sales and use taxes. This risk exists regardless of whether we are subject to U.S. federal, state or local income tax. States are becoming increasingly active in asserting nexus for business activity tax purposes, including by imposing sales and use taxes on products and services provided over the internet. We may be subject to U.S. state and local business activity taxes if a state tax authority asserts that our activities or the activities of our subsidiaries are sufficient to establish nexus. We could also be liable for the collection of U.S. state and local sales and use taxes if a state tax authority asserts that distribution of our products and services over the internet is subject to sales and use taxes. Each state has different rules and regulations governing sales and use taxes, and these rules and regulations are subject to change over time and to varying interpretations. We review these rules and regulations periodically and, when we believe we are subject to sales and use taxes in a particular state, voluntarily engage state and local tax authorities in order to determine how to comply with their rules and regulations. New legislation adopted by state and local taxing jurisdictions could require us or our customers to incur substantial costs in order to comply, including costs associated with legal advice, tax calculation, collection, remittance and audit requirements, which could make selling in such markets less attractive and could adversely affect our business. Moreover, if a state or local tax authority asserts that distribution of our solutions is subject to such sales or use taxes, the additional cost may decrease the likelihood that customers would purchase our solutions or continue to renew their subscriptions.

If an applicable state or local tax authority were to successfully assert that the distribution of our solutions is subject to sales or use taxes, this could result in tax assessments, penalties, and interest, and we may be required to collect sales or other taxes in the future on subscription service revenue. In addition, such a successful assertion may also result in substantial tax liabilities for past transactions and otherwise harm our business. We cannot assure you that we will not be subject to sales and use taxes or related penalties for past sales in jurisdictions where we currently believe no such taxes are required. New obligations to collect or pay taxes of any kind could increase our cost of doing business.

We are subject to certain import and export controls that could subject us to liability or impair our ability to compete in international markets. Our exports may also be subject to re-export controls, restricted from being supplied to certain countries and persons subject to economic sanctions and anti-terrorism laws.

We incorporate cryptographic functionality technology into many of our products and services making them subject to Canadian and United States export controls. Our ability to export outside Canada or the United States is dependant on relevant government authorities issuing the required export permits or licenses or using regulatory exceptions.

In addition, various countries regulate the import and re-export of certain technology and have enacted laws that could limit our ability to distribute our products and services or could limit our customers' ability to utilize our products and services in those countries. Changes in our products and services or changes in export and import regulations may create delays in the introduction of our products and services in international markets, prevent our customers with international operations from deploying our products and services throughout their global systems or, in some cases, prevent the export or import of our products and services.

In addition to export and import restrictions, our products and services could be subject to economic and trade sanctions as well as laws and regulations on anti-terrorism. These sanctions and anti-terrorism restrictions can be based on United Nations Security Council Resolutions or unilateral restrictions of any one of the countries where we do business.

Any change in export or import regulations, economic and trade sanctions, or anti-terrorism laws or related legislation, shift in approach to the enforcement or scope of existing regulations, or change in the countries, persons or technologies targeted by such regulations, could result in decreased use of our products and services by, or in our decreased ability to export or sell our products and services to, existing or potential customers internationally.

Our brand is integral to our success. If we fail to effectively maintain, promote and enhance our brand, our business and competitive advantage may be harmed.

We believe that maintaining, promoting and enhancing our brand is critical to expanding our business. Maintaining and enhancing our brand will depend largely on our ability to continue to provide high-quality, well-designed, useful, reliable and innovative products and services, which we may not do successfully.

Errors, defects, data breaches, disruptions or other performance problems with our products and services may harm our reputation and brand. We may introduce new products and services or terms of service that our customers and their consumers do not like, which may negatively affect our brand. Additionally, if our customers or their consumers have a negative experience using our products and services such an experience may affect our brand, especially as we continue to attract larger customers to our products and services.

We may receive media coverage globally. Any unfavorable media coverage or negative publicity about our industry or us, including, for example, publicity relating to the quality and reliability of our products and services, our privacy and security practices, our product changes, litigation, regulatory activity, or the actions of our partners or our customers, could seriously harm our reputation. Such negative publicity could also adversely affect the size, demographics, engagement, and loyalty of our customers and result in decreased revenue, which could seriously harm our business.

We believe that the importance of brand recognition will increase as competition in our market increases. In addition to our ability to provide reliable and useful solutions at competitive prices, successful promotion of our brand will depend on the effectiveness of our marketing efforts. Our efforts to market our brand have involved significant expenses, which we intend to increase. Our marketing spend may not yield increased revenue, and even if it does, any increased revenue may not offset the expenses we incur in building and maintaining our brand.

The estimates of market opportunity and growth forecasts included in this prospectus may prove to be inaccurate and may not be indicative of our future growth.

The estimates of market opportunity included in this prospectus may prove to be inaccurate and may not be indicative of our future growth. Market opportunity estimates and growth forecasts are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. While our estimate of the total addressable market included in this prospectus was made in good faith and is based on assumptions and estimates we believe to be reasonable, this estimate may not prove to be accurate. Further, even if the estimate of our market opportunity does prove to be accurate, we could fail to capture a significant portion, or any portion, of the available market.

Provisions of our present and future debt instruments may restrict our ability to pursue business strategies.

We currently have one term loan and one working capital line of credit pursuant to a loan and security agreement, which is collateralized by substantially all of our assets. This credit facility requires us, and any debt instruments we may enter into in the future may require us, to comply with various covenants that limit our ability to, among other things:

- dispose of assets;
- complete mergers or acquisitions or change of control transactions;

- change certain key management personnel;
- engage in any business other than that in which we currently engage;
- incur indebtedness;
- encumber assets;
- pay dividends or make other distributions to holders of our shares; and
- engage in transactions with our affiliates.

These restrictions could inhibit our ability to pursue our business strategies. If we default under this credit facility, and such event of default is not cured or waived, the lenders could terminate commitments to lend and cause all amounts outstanding with respect to the debt to be due and payable immediately.

We may also incur additional indebtedness in the future. The instruments governing such indebtedness could contain provisions that are as, or more, restrictive than those to which we are presently subject. If we are unable to repay, refinance or restructure our indebtedness when payment is due, the lenders could proceed against the collateral granted to them to secure such indebtedness, as applicable, or force us into bankruptcy or liquidation.

Changes in accounting standards and interpretations, and our adoption thereof, as well as subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect our reported financial results or financial condition.

IFRS accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our business, including revenue recognition, impairment of goodwill and intangible assets, inventory, income taxes and litigation, are highly complex and involve many subjective assumptions, estimates and judgments. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments could significantly change our reported financial performance or financial condition in accordance with generally accepted accounting principles.

Further, our implementation of and compliance with changes in accounting rules, including new accounting rules and interpretations, could adversely affect our reported financial position or operating results or cause unanticipated fluctuations in our reported operating results in future periods.

Our financial results may be adversely affected by fluctuations in exchange rates, principally in the value of the Canadian dollar versus the U.S. dollar.

Currency exchange rate fluctuations affect our results of operations because our functional currency is the U.S. dollar and the local currency for each of our subsidiaries and our presentation currency is the Canadian dollar. We receive and incur a significant portion of revenue and product costs and operating costs in U.S. dollars. Our results of operations are converted from our functional currency to Canadian dollars using the average foreign exchange rates for each period presented. As a result, our results of operations will be adversely impacted by a decrease in the value of the Canadian dollar relative to the Euro and U.S. dollar.

We do not currently engage in currency hedging activities to limit the risk of exchange rate fluctuations. In the future, we may use derivative instruments, such as foreign currency forward and option contracts, to hedge certain exposures to fluctuations in foreign currency exchange rates. The use of such hedging activities may not offset any or more than a portion of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place. Moreover, the use of hedging instruments may introduce additional risks if we are unable to structure effective hedges with such instruments.

Future operating results depend upon our ability to obtain components in sufficient quantities on commercially reasonable terms.

Because we currently obtain certain components from single or limited sources, we are subject to significant supply and pricing risks. Many components, including those that are available from multiple sources, are at times

subject to industry-wide shortages that could materially adversely affect our financial condition and operating results. While we have entered into agreements for the supply of many components, there can be no assurance that we will be able to extend or renew these agreements on similar terms, or at all. Component suppliers may suffer from poor financial conditions, which can lead to business failure for the supplier or consolidation within a particular industry, further limiting our ability to obtain sufficient quantities of components on commercially reasonable terms. Health crises, like the COVID-19 pandemic, could lead to quarantines or labour shortages, thus impacting the output of key suppliers. If our supply of components for a new or existing product were delayed or constrained, or if an outsourcing partner delayed shipments of completed products to us, our financial condition and operating results could be materially adversely affected. Our business and financial performance could also be materially adversely affected depending on the time required to obtain sufficient quantities from the original source, or to identify and obtain sufficient quantities from an alternative source.

We may be unable to achieve our strategic priorities in emerging markets.

Emerging markets are a component of our strategic plan. The developing nature of these markets presents a number of risks. We may be unable to attract, develop, and retain appropriate talent to manage our businesses in emerging markets. Deterioration of social, political, labour, or economic conditions in a specific country or region may adversely affect our operations or financial results. Emerging markets may not meet our growth expectations, and we may be unable to maintain such growth or to balance such growth with financial goals and compliance requirements. Among the risks in emerging market countries are bureaucratic intrusions and delays, contract compliance failures, engrained business partners that do not comply with local or Canadian law, fluctuating currencies and interest rates, limitations on the amount and nature of investments, restrictions on permissible forms and structures of investment, unreliable legal and financial infrastructure, regime disruption and political unrest, uncontrolled inflation and commodity prices, fierce local competition by companies with better political connections, and corruption. In addition, the costs of compliance with local laws and regulations in emerging markets may negatively impact our competitive position as compared to locally owned manufacturers.

The increased prevalence of cloud computing and other disruptive business models may negatively impact certain aspects of our business.

The nature in which many of our products are purchased or used is evolving with the increasing prevalence of cloud computing and other methods of off-premises computing and data storage. This may negatively impact one or more of our businesses in a number of ways, including:

- Consolidation of procurement power leading to the commoditization of IT products;
- Reduction in the demand for infrastructure products previously used to support on-site data centers;
- Lowering barriers to entry for certain markets, leading to new market entrants and enhanced competition; and
- Preferences for software as a service billing and pricing models may reduce demand for non-cloud “packaged” software.

Fluctuations in the mix of products we sell may adversely affect our financial results.

Because of the differences in selling prices between our individual products, the mix of products sold affects their average selling price and has a significant impact on our revenue and gross margins. We currently offer products with more features and products with fewer features within our Makito product families. To the extent our mix of product sales shifts towards sales of products with fewer features and lower selling prices, our overall revenue and gross margins will be negatively affected. Fluctuations in the mix of our product sales between higher- and lower-margin products may also affect the extent to which we are able to recover our fixed costs and investments that are associated with a particular product, and as a result can negatively impact our financial results.

Our ability to sell our products is highly dependent on the quality of our support and service offerings, and our failure to offer high-quality support and services would harm our operating results and reputation.

Once our products are deployed within our customers’ networks, our customers depend on our support organization to resolve any issues relating to our products. A high level of support is critical for the successful

marketing and sale of our products. If we or our channel partners do not effectively assist our customers in deploying our products, succeed in helping our customers quickly resolve post-deployment issues, and provide effective ongoing support, it would adversely affect our ability to sell our products to existing customers and would harm our reputation with potential customers. In addition, as we expand our operations internationally, our support organization will face additional challenges, including those associated with delivering support, training and documentation in languages other than English. Any failure to maintain high-quality support and services could materially and adversely affect our operating results, financial condition and cash flows.

We derive a significant portion of our revenue from certain government agencies, especially U.S. government agencies.

We provide our services and products to governments, especially the U.S. government, through fulfillment houses for a variety of programs, including emergency response, border protection, homeland security, and other mission critical video-centric government initiatives. We derive a significant portion of our such sales from certain U.S. government agencies. U.S. government spending can be very difficult to predict and may be impacted by numerous factors such as the evolving nature of the national security threat, U.S. foreign policy, the domestic political environment, macroeconomic conditions and the ability of the U.S. government to enact relevant legislation such as authorization and appropriations bills. A lapse in appropriations for government agencies would result in a full or partial government shutdown, which could materially and adversely affect our operating results, financial condition and cash flows.

We are subject to applicable Canadian and foreign privacy laws.

We are subject to applicable Canadian and foreign privacy laws regarding the collection, use, disclosure and protection of client and employee data. Among other things, Canada's federal Personal Information Protection and Electronic Documents Act (“**PIPEDA**”) and its provincial counterparts, govern the collection, use and disclosure of personal information in the course of commercial activities by private sector organizations in Canada. In addition, personal information protection legislation regulates our handling of employee personal information. PIPEDA and its provincial counterparts impose various obligations on us and restrict our use of personal information to the purposes for which it was originally collected or for other specific purposes specified in the applicable legislation.

Risks Related to the Offering and Ownership of the Common Shares

There are risks related to forward-looking information in this prospectus.

The forward-looking information included in this prospectus relating to, among other things, our future results, performance, achievements, prospects, targets, intentions or opportunities or the markets in which we operate (including, in particular, the information contained in “Prospectus Summary”, “Business and Industry”, “Use of Proceeds” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”), is based on opinions, assumptions and estimates made by our management in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. Our actual results in the future may vary significantly from the historical and estimated results and those variations may be material. We make no representation that our actual results in the future will be the same, in whole or in part, as those included in this prospectus. See “Forward-Looking Information”.

The market price of our common shares may be volatile and your investment could suffer or decline in value.

The market price of our common shares could be subject to significant fluctuations after this offering, and it may decline below the Offering Price. Some of the factors that may cause the market price of our common shares to fluctuate include: volatility in the market price and trading volume of comparable companies; actual or anticipated changes or fluctuations in our operating results or in the expectations of market analysts; adverse market reaction to any indebtedness we may incur or securities we may issue in the future; short sales, hedging and other derivative transactions in our common shares; litigation or regulatory action against us; investors’ general perception of us and the public’s reaction to our press releases, our other public announcements and our filings with Canadian securities regulators, including our financial statements; publication of research reports or news stories about us, our competitors

or our industry; positive or negative recommendations or withdrawal of research coverage by securities analysts; changes in general political, economic, industry and market conditions and trends; sales of our common shares by existing shareholders; recruitment or departure of key personnel; significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors; and the other risk factors described in this section of this prospectus.

Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of our environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to satisfy such criteria may result in limited or no investment in our common shares by those institutions, which could materially adversely affect the trading price of our common shares. There can be no assurance that fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, our operations and the trading price of our common shares may be materially adversely affected.

In addition, broad market and industry factors may harm the market price of our common shares. Therefore, the price of our common shares could fluctuate based upon factors that have little or nothing to do with us, and these fluctuations could materially reduce the price of our common shares regardless of our operating performance. In the past, following a significant decline in the market price of a company's securities, there have been instances of securities class action litigation having been instituted against that company. If we were involved in any similar litigation, we could incur substantial costs, our management's attention and resources could be diverted and it could harm our business, operating results and financial condition.

A public market for our common shares may not develop subsequent to the offering.

Our common shares have been conditionally approved for listing on the TSX under the symbol "HAI". Listing is subject to the Company fulfilling all the listing requirements of the TSX. There is currently no market through which our common shares may be sold and, if a market for our common shares does not develop or is not sustained, you may not be able to resell common shares purchased in the offering. This may affect the pricing of our common shares in the secondary market, the transparency and availability of trading prices, the liquidity of our common shares and the extent of issuer regulation. The Offering Price of our common shares was determined through negotiations between us and the Underwriters. The Offering Price may not be indicative of the market price of our common shares after this offering. In the absence of an active trading market for our common shares, investors may have difficulty selling our common shares. We cannot predict the prices at which our common shares will trade.

We do not currently anticipate paying dividends on the common shares, and, consequently, purchasers in this offering may never receive a return on their investment.

We currently intend to retain any future earnings to fund the development and growth of our business and do not currently anticipate paying dividends on the common shares. Any determination to pay dividends in the future will be at the discretion of our Board and will depend on many factors, including, among others, our financial condition, current and anticipated cash requirements, contractual restrictions and financing agreement covenants, solvency tests imposed by applicable corporate law and other factors that our Board may deem relevant. Until the time that we do pay dividends, which we might never do, our shareholders will not be able to receive a return on their common shares unless they sell such common shares for a price greater than their acquisition price, and such appreciation may never occur. See "Dividend Policy".

Future sales of common shares by existing shareholders or by us, or future dilutive issuances of common shares by us, could adversely affect prevailing market prices for the common shares.

Subject to compliance with applicable securities laws, sales of a substantial number of common shares in the public market could occur at any time before or after the expiration of the Lock-up Agreements described under "Plan of Distribution – Lock-up Arrangements". These sales, or the market perception that the holders of a large number of common shares or securities convertible into common shares intend to sell common shares, could reduce the market price of our common shares. In addition, the Underwriters might waive the provisions of these Lock-up Agreements and allow the subject shareholders to sell their common shares at any time. There are no pre-established conditions for

the grant of such a waiver by the Underwriters, and any decision by them to waive those conditions may depend on a number of factors, which might include market conditions, the performance of our common shares in the market and our financial condition at that time. If the restrictions in such Lock-up Agreements are waived, additional common shares will be available for sale into the public market, subject to applicable securities laws, which could reduce the market price for common shares.

In addition, certain holders of options will have an immediate income inclusion for tax purposes when they exercise their options (that is, tax is not deferred until they sell the underlying common shares). As a result, these holders may need to sell common shares purchased on the exercise of options in the same year that they exercise their options. This might result in a greater number of common shares being sold in the public market, and reduced long-term holdings of common shares by our management and employees.

Our operating results are likely to fluctuate and may fail to meet or exceed expectations of investors or securities analysts, causing our share price to decline.

Our operating results have fluctuated in the past and are likely to continue to fluctuate in the future, on a quarterly and annual basis, as a result of several factors, many of which are outside of our control. Some of the factors that may cause these fluctuations include:

- the level and timing of capital spending of, and orders from, our customers;
- economic and financial conditions specific to our customers;
- changes in market demand for our products or our customers' services or products;
- increases and decreases in the number and size of relatively larger transactions, and projects in which we are involved, from quarter to quarter;
- the timing of revenue recognition with respect to certain of our sales arrangements, which may include multiple deliverables and timing of customer acceptance and the timing of completion of our customers' projects;
- the impact of seasonality in our business, particularly in the first quarter of each fiscal year;
- competitive market conditions, including pricing actions by our competitors;
- the level and mix of our international revenue;
- new product introductions by our competitors or by us;
- changes in domestic and international regulatory environments affecting our business;
- change in export or import regulations, economic and trade sanctions, or anti-terrorism laws;
- market acceptance of our new or existing products;
- the cost and availability to us of components and subassemblies;
- the mix of our customer base, by industry and size, and sales channels;
- the mix of our products sold and the effect it has on gross margins;
- changes in our operating and extraordinary expenses, such as litigation expenses and settlement costs;
- write-downs of inventory;
- the impact of applicable accounting guidance including on incentive plans, uncertainty in income taxes and acquisitions;
- changes in our effective tax rate;
- the timing of any acquisitions and the financial impact of any such acquisitions; and
- general economic conditions.

We often recognize a significant portion of our quarterly revenue in the last month of the quarter. We establish our expenditure levels for product development and other expenses based on projected revenue levels for a specified

period, and expenses are relatively fixed in the short term. Accordingly, even small variations in timing of revenue or revenue recognition, particularly with respect to large individual transactions, can cause significant fluctuations in operating results in a particular quarter.

As a result of these factors and other factors, our operating results in one or more future periods may fail to meet or exceed the expectations of securities analysts or investors which may affect the trading price of our common shares.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about us or our business, our trading price and volume could decline.

The trading market for our common shares will depend in part on the research and reports that securities or industry analysts publish about us or our business. We do not currently have and may never obtain research coverage by securities and industry analysts. If no securities or industry analysts commence covering us, the trading price for our common shares would be negatively impacted. If we obtain securities or industry analyst coverage and if one or more of the analysts who cover us downgrade our common shares or publish inaccurate or unfavorable research about our business, our trading price may decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our common shares could decrease, which could cause our trading price and volume to decline.

Shareholders will have limited control over our operations.

Holders of common shares will have limited control over changes in our policies and operations, which increases the uncertainty and risks of an investment in our Company. Our Board will determine major policies, including policies regarding financing, growth, debt capitalization and any future dividends to shareholders. Generally, our Board may amend or revise these and other policies without a vote of the holders of common shares. Holders of common shares will only have a right to vote in the limited circumstances described elsewhere in this prospectus. Our Board's broad discretion in setting policies and the limited ability of holders of common shares to exert control over those policies increases the uncertainty and risks of an investment in our Company.

We will incur increased expenses as a result of being a public company.

We will incur significant legal, accounting, insurance and other expenses as a result of being a public company, which may negatively impact our performance and could cause our results of operations and financial condition to suffer. Compliance with applicable securities laws in Canada and the rules of the TSX substantially increases our expenses, including our legal and accounting costs, and make some activities more time consuming and costly. Reporting obligations as a public company and our anticipated growth may place a strain on our financial and management systems, processes and controls, as well as on our personnel.

We also expect these laws, rules and regulations to make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our Board or as officers. As a result of the foregoing, we expect a substantial increase in legal, accounting, insurance and certain other expenses in the future, which will negatively impact our financial performance and could cause our results of operations and financial condition to suffer.

Our senior management team has limited experience managing a public company, and regulatory compliance may divert its attention from the day-to-day management of our business.

The individuals who now constitute our senior management team have limited experience managing a publicly-traded company and limited experience complying with the increasingly complex laws pertaining to public companies. Our senior management team may not successfully or efficiently manage our transition to being a public company subject to significant regulatory oversight and reporting obligations under Canadian securities laws. In particular, these new obligations will require substantial attention from our senior management and could divert their attention away from the day-to-day management of our business.

As a public company, we will be required to develop and maintain proper and effective internal controls over financial reporting. We may not complete our analysis of our internal controls over financial reporting in a timely manner, or these internal controls may not be effective, which could adversely affect investor confidence in us and, as a result, negatively impact the value of our common shares.

We are not currently required to comply with NI 52-109. As a publicly traded company, we will become subject to reporting and other obligations under applicable Canadian securities laws, including NI 52-109, and the rules of the TSX. These reporting and other obligations will place significant demands on our management, administrative, operational and accounting resources. In order to meet such requirements, we will, among other things, establish systems, implement financial and management controls, reporting systems and procedures and, if necessary, hire qualified accounting and finance staff. However, if we are unable to accomplish any such necessary objectives in a timely and effective manner, our ability to comply with our financial reporting obligations and other rules applicable to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls could cause us to fail to satisfy our reporting obligations or result in material misstatements in our financial statements. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results could be materially adversely affected which could also cause investors to lose confidence in our reported financial information, which could result in a reduction in the market price of our common shares.

We do not expect that our disclosure controls and procedures and internal controls over financial reporting will prevent all errors and fraud. A control system, no matter how well-designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all.

Our management will have broad discretion in the application of the net proceeds of this offering.

We cannot specify with certainty the particular uses of the net proceeds we will receive from this offering. Our management will have broad discretion in the application of the net proceeds, including for any of the purposes described in "Use of Proceeds". Accordingly, a purchaser of common shares will have to rely upon the judgment of our management with respect to the use of the proceeds, with only limited information concerning management's specific intentions. Our management may spend a portion or all of the net proceeds from this offering in ways that our shareholders might not desire, that might not yield a favourable return and that might not increase the value of a purchaser's investment. The failure by our management to apply these funds effectively could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows. Pending their use, we may invest the net proceeds of this offering in a manner that does not produce income or that loses value.

Our by-laws provide that any derivative actions, actions relating to breach of fiduciary duties and other matters relating to our internal affairs will be required to be litigated in the Province of Québec, which could limit your ability to obtain a favorable judicial forum for disputes with us.

We have adopted a forum selection by-law that provides that, unless we consent in writing to the selection of an alternative forum, the Superior Court of the Province of Québec, Canada and appellate Courts therefrom (or, failing such Court, any other "court" as defined in the CBCA having jurisdiction, and the appellate Courts therefrom), will be the sole and exclusive forum for: any derivative action or proceeding brought on our behalf; any action or proceeding asserting a breach of fiduciary duty owed by any of our directors, officers or other employees to us; any action or proceeding asserting a claim arising pursuant to any provision of the CBCA or our articles or by-laws; or any action or proceeding asserting a claim otherwise related to our "affairs" (as defined in the CBCA). Our forum selection by-law also provides that our securityholders are deemed to have consented to personal jurisdiction in the Province of Québec and to service of process on their counsel in any foreign (non-Canadian) action initiated in violation of our by-law. Therefore, it may not be possible for securityholders to litigate any action relating to the foregoing matters outside of the Province of Québec.

Our forum selection by-law seeks to reduce litigation costs and increase outcome predictability by requiring derivative actions and other matters relating to our affairs to be litigated in a single forum. While forum selection clauses in corporate charters and by-laws are becoming more commonplace for public companies in the United States and have been upheld by courts in certain states, they are untested in Canada. It is possible that the validity of our forum selection by-law could be challenged and that a court could rule that such by-law is inapplicable or unenforceable. If a court were to find our forum selection by-law inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions and we may not obtain the benefits of limiting jurisdiction to the courts selected.

Any issuance of preferred shares could make it difficult for another company to acquire us or could otherwise adversely affect holders of our common shares, which could depress the price of our common shares.

Upon completion of the offering, our Board will have the authority to issue preferred shares and to determine the preferences, limitations and relative rights of preferred shares and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our shareholders. Our preferred shares may be issued with liquidation, dividend and other rights superior to the rights of our common shares. The potential issuance of preferred shares may delay or prevent a change in our control, discourage bids for our common shares at a premium over the market price and adversely affect the market price and other rights of the holders of our common shares.

Our constating documents permit us to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series without additional shareholder approval.

Our amended articles permit us to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. We anticipate that we will, from time to time, issue additional common shares in the future. Subject to the requirements of the TSX, we will not be required to obtain the approval of shareholders for the issuance of additional common shares. Although the rules of the TSX generally prohibit us from issuing preferred shares, there may be certain circumstances where preferred shares may be issued, including upon receiving shareholder approval. Any further issuances of common shares or preferred shares will result in immediate dilution to existing shareholders and may have an adverse effect on the value of their shareholdings. Additionally, any further issuances of preferred shares may significantly lessen the combined voting power of our common shares.

LEGAL PROCEEDINGS

We are, from time to time, involved in legal proceedings of a nature considered normal to our business. We believe that, other than the proceedings described in the next paragraph, none of the litigation in which we have been involved since the beginning of our most recently completed financial year, individually or in the aggregate, is material to our consolidated financial condition, cash flows or results of operations.

On March 9, 2017, Vitec SA (the “**Plaintiff**”) filed proceedings against us in Quebec Superior Court which were last amended on November 26, 2020. The Plaintiff alleges that: (i) Haivision was not entitled to terminate the supply agreement entered into between the parties on September 29, 2014 (the “**Vitec Supply Agreement**”); and (ii) Haivision breached an exclusivity undertaking under the Vitec Supply Agreement by using a contractor other than Vitec for the manufacturing of the Makito X HEVC edge device. The Plaintiff seeks: (i) that the Vitec Supply Agreement be declared valid and that Haivision and the Plaintiff perform their respective obligations thereunder; and (ii) \$33,021,941 in damages, plus interest and indemnity. We strongly disagree with the Plaintiff’s position, hold that the claims are without merit and that the amounts sought are unsubstantiated, and continue to vigorously assert our defenses to these claims. See “Risks Related to our Business – From time to time, we may become defendants in legal proceedings as to which we are unable to assess our exposure and which could become significant liabilities in the event of an adverse judgment.”.

LEGAL MATTERS

The matters referred to under “Eligibility for Investment” and “Certain Canadian Federal Income Tax Considerations”, as well as certain other legal matters relating to the issue and sale of our common shares, will be

passed upon on our behalf by Osler, Hoskin & Harcourt LLP and on behalf of the Underwriters by Blake, Cassels & Graydon LLP. As of the date of this prospectus, the partners and associates of each of Osler, Hoskin & Harcourt LLP and Blake, Cassels & Graydon LLP beneficially own, directly and indirectly, less than 1% of our outstanding securities and the securities of our associates and affiliates.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than the Pre-Closing Capital Changes described under “Description of Share Capital – Pre-Closing Capital Changes” and in respect of executive management compensation as described under “Executive Compensation”, there are no material interests, direct or indirect, of any of our directors or executive officers, any common shareholder that beneficially owns, or controls or directs (directly or indirectly), more than 10% of any class or series of our outstanding voting securities, or any associate or affiliate of any of the foregoing persons, in any transaction within the three years before the date hereof that has materially affected or is reasonably expected to materially affect us or any of our subsidiaries. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Related Party Transaction”.

AUDITOR, TRANSFER AGENT AND REGISTRAR

The Company’s auditors are Deloitte LLP, located in Montréal, Québec. Deloitte LLP is independent of the Company within the meaning of the Code of Ethic of the Ordre des comptables professionnels agréés du Québec.

The transfer agent and registrar for our common shares will be Computershare Trust Company of Canada at its principal office in Montréal, Québec.

ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS

Certain of our directors and executive officers, namely Glenn E. Duval, Robin M. Rush and Dan Rabinowitz, reside outside of Canada. Each of them has appointed the Company at 2600 Alfred-Nobel Boulevard, 5th Floor, Montréal, Québec H4S 0A9 as his agent for service of process in Canada. Purchasers are also advised that it may not be possible for investors to enforce against such persons judgments obtained in Canadian courts predicated on the civil liability provisions of applicable securities laws in Canada.

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

MATERIAL CONTRACTS

This prospectus includes a summary description of certain of our material agreements. The summary description discloses all attributes material to an investor in our common shares but is not complete and is qualified by reference to the terms of the material agreements, which will be filed with the Canadian securities regulatory authorities and available on SEDAR at www.sedar.com, under our profile. Investors are encouraged to read the full text of such material agreements.

The following are our only material contracts that will be in effect on the closing of this offering (other than certain agreements entered into in the ordinary course of business):

- the Underwriting Agreement (see “Plan of Distribution”); and
- the SVB Loan Agreement.

PURCHASER'S STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

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**AMENDED AND RESTATED CONSOLIDATED FINANCIAL STATEMENTS OF
HAIVISION SYSTEMS INC.**

Years Ended October 31, 2019, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
HAIVISION SYSTEMS INC.

Opinion

We have audited the amended and restated consolidated financial statements of Haivision Systems Inc. (the "Company"), which comprise the amended and restated consolidated statements of financial position as at October 31, 2019, October 31, 2018 and November 1, 2017, and the amended and restated consolidated statements of income and comprehensive income, changes in equity and cash flows for the years ended October 31, 2019, 2018 and 2017, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements"). In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2019, October 31, 2018 and November 1, 2017, and its financial performance and its cash flows for the years ended October 31, 2019, 2018 and 2017 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Amended and Restated Consolidated Financial Statements

We draw attention to note 26 to the financial statements, which explains that the financial statements for the years ended October 31, 2019, 2018 and 2017 have been amended and restated from those on which we originally reported on. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

/s/ Deloitte LLP¹

December 4, 2020

¹ CPA auditor, CA, public accountancy permit No. A118581

HAIVISION SYSTEMS INC.
AMENDED AND RESTATED CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME
Years ended October 31, 2019, 2018 and 2017
(In Canadian dollars)

	Notes	As restated (Note 26)		
		2019	2018	2017
		\$	\$	\$
Revenue	15	74,089,998	67,479,663	55,060,794
Cost of sales		18,424,171	15,753,256	14,275,931
Gross profit		55,665,827	51,726,407	40,784,863
Expenses				
Sales and marketing		19,007,261	20,706,082	19,003,365
Operations and support		5,220,433	5,895,056	3,710,566
Research and development		18,389,434	12,999,977	11,172,037
General and administrative		7,844,067	7,652,007	6,185,701
		50,461,195	47,253,122	40,071,669
Operating profit		5,204,632	4,473,285	713,194
Financial expenses (recoveries)	18	(115,763)	660,063	(1,622,627)
Income before income taxes		5,320,395	3,813,222	2,335,821
Income taxes				
Current	16	1,286,324	583,777	33,222
Deferred	16	356,598	652,685	(37,215)
		1,642,922	1,236,462	(3,993)
Net income		3,677,473	2,576,760	2,339,814
Other comprehensive income (loss)				
Foreign currency translation adjustment		16,379	226,583	(471,364)
Comprehensive income		3,693,852	2,803,343	1,868,450
Net income per share				
Net income per share (basic and diluted)	14	20.08	13.72	12.46
Weighted average number of common shares outstanding (basic and diluted)		183,171	187,835	187,835

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

HAIVISION SYSTEMS INC.

AMENDED AND RESTATED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended October 31, 2019, 2018 and 2017

(In Canadian dollars)

		As restated (Note 26)				
	Notes	Shares outstanding	Share capital	Cumulative translation adjustment	Retained earnings (Deficit)	Total equity
		#	\$	\$	\$	\$
Balance, October 31, 2016		187,835	21,868,758	1,911,351	(6,076,998)	17,703,111
Other comprehensive income		—	—	(471,364)	—	(471,364)
Net income		—	—	—	2,339,814	2,339,814
Balance, October 31, 2017		187,835	21,868,758	1,439,987	(3,737,184)	19,571,561
Other comprehensive income		—	—	226,583	—	226,583
Net income		—	—	—	2,576,760	2,576,760
Balance, October 31, 2018		187,835	21,868,758	1,666,570	(1,160,424)	22,374,904
Other comprehensive income		—	—	16,379	—	16,379
Net income		—	—	—	3,677,473	3,677,473
Repurchase of Class “A”, Class “B”, Class “C” and Class “D” shares	14	(6,489)	(769,188)	—	(938,236)	(1,707,424)
Balance, October 31, 2019		<u>181,346</u>	<u>21,099,570</u>	<u>1,682,949</u>	<u>1,578,813</u>	<u>24,361,332</u>

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

HAIVISION SYSTEMS INC.

AMENDED AND RESTATED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at October 31, 2019 and 2018 and November 1, 2017

(In Canadian dollars)

		As restated (Note 26)		
		October 31, 2019	October 31, 2018	November 1, 2017
		\$	\$	
Assets				
Current assets				
		2,516,863	6,943,334	5,372,575
		15,014,203	16,452,491	11,997,674
	16	2,100,000	1,057,742	1,132,904
	7	3,756,541	4,374,539	4,145,713
		834,664	842,934	598,122
		<u>24,222,271</u>	<u>29,671,040</u>	<u>23,246,988</u>
Non-current assets				
	8	1,162,962	1,151,119	987,581
	6 and 9	2,073,135	—	38,550
	6 and 9	14,601,365	13,522,712	13,296,129
	16	3,992,956	4,500,000	3,600,000
	16	—	471,574	1,120,192
		<u>21,830,418</u>	<u>19,645,405</u>	<u>19,042,452</u>
		<u>46,052,689</u>	<u>49,316,445</u>	<u>42,289,440</u>
Liabilities				
Current liabilities				
	11	8,561,066	9,383,426	5,298,903
	6	1,467,100	—	—
		1,001,074	575,527	193,892
	15	7,556,723	6,520,966	5,768,758
	12	1,023,556	1,533,233	4,011,155
	13	—	6,311,486	5,899,944
		<u>19,609,519</u>	<u>24,324,638</u>	<u>21,172,652</u>
Non-current liabilities				
	15	1,328,876	1,594,747	1,545,227
	12	—	1,022,156	—
	16	403,612	—	—
		349,350	—	—
		<u>21,691,357</u>	<u>26,941,541</u>	<u>22,717,879</u>
	23			
Equity				
	14	21,099,570	21,868,758	21,868,758
		1,578,813	(1,160,424)	(3,737,184)
		1,682,949	1,666,570	1,439,987
		<u>24,361,332</u>	<u>22,374,904</u>	<u>19,571,561</u>
		<u>46,052,689</u>	<u>49,316,445</u>	<u>42,289,440</u>

Approved by the Board

Neil Hindle, Director

Harvey Bienenstock, Director

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

HAIVISION SYSTEMS INC.

AMENDED AND RESTATED CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended October 31, 2019, 2018 and 2017

(In Canadian dollars)

	Notes	As restated (Note 26)		
		2019	2018	2017
		\$	\$	\$
Operating activities				
Net income		3,677,473	2,576,760	2,339,814
Items not affecting cash				
Depreciation of property and equipment		705,014	782,644	1,369,167
Amortization of intangible assets		—	38,550	87,600
Amortization of deferred lease inducement		(6,585)	—	(17,437)
Unrealized foreign exchange loss (gain)		10,052	(23,425)	6,932
Current income tax expense		1,286,324	583,777	33,222
Financial expenses (recoveries)	18	(115,763)	660,063	(1,622,627)
Non-refundable investment tax credits receivable		507,044	(900,000)	(1,200,000)
Deferred income tax expense		356,598	652,685	(37,215)
		<u>6,420,157</u>	<u>4,371,054</u>	<u>959,456</u>
Net changes in non-cash operating working capital items	19	947,922	32,958	1,833,066
Interest paid		(178,545)	(248,521)	(224,727)
Income taxes paid		(860,777)	(202,142)	(204,042)
		<u>6,328,757</u>	<u>3,953,349</u>	<u>2,363,753</u>
Investing activities				
Business acquisition, net of cash acquired	6	(1,156,820)	—	—
Additions to property and equipment		(703,180)	(946,182)	(820,171)
		<u>(1,860,000)</u>	<u>(946,182)</u>	<u>(820,171)</u>
Financing activities				
Decrease in credit facility, net		—	—	(1,473,807)
Increase in term loan		—	—	4,512,550
Repayment of term loan		(1,535,333)	(1,533,233)	(1,289,300)
Deferred lease inducement		355,935	—	—
Repurchase of redeemable financial instruments	13	(6,017,178)	—	—
Repurchase of Class "A", Class "B", Class "C" and Class "D" shares	14	(1,707,424)	—	—
		<u>(8,904,000)</u>	<u>(1,533,233)</u>	<u>1,749,443</u>
Effect of foreign exchange gain (loss) on cash		8,772	96,825	(75,268)
Net (decrease) increase in cash		(4,426,471)	1,570,759	3,217,757
Cash, beginning of year		6,943,334	5,372,575	2,154,818
Cash, end of year		<u>2,516,863</u>	<u>6,943,334</u>	<u>5,372,575</u>

See Note 17 for supplementary cash flow information.

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

HAIVISION SYSTEMS INC.

NOTES TO THE AMENDED AND RESTATED CONSOLIDATED FINANCIAL STATEMENTS

October 31, 2019, 2018 and 2017

(In Canadian dollars)

1. STATUTES OF INCORPORATION AND NATURE OF ACTIVITIES

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

The Board of Directors approved the consolidated financial statements for the year ended October 31, 2019, and authorized their publication on December 4, 2020.

2. ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis. Historical cost is based on the fair value of the consideration given in exchange for goods and services.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Haivision Network Video Inc., Haivision Network Video GmbH and Lightflow Media Technologies S.L.

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

Details of the Company’s material subsidiaries at the end of the reporting period are as follows:

<u>Name of subsidiary</u>	<u>Principal activity</u>	<u>Place of incorporation and operation</u>	<u>Proportion of ownership interest and voting power held by the Company</u>	
			<u>2019</u>	<u>2018</u>
Haivision Network Video Inc.	Sale of end-to-end video streaming solutions	United States	100%	100%
Haivision Network Video GmbH	Development of end-to-end video streaming solutions	Germany	100%	100%
Lightflow Media Technologies S.L.	Development of end-to-end video streaming solutions	Spain	100%	—

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interest issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

When the consideration transferred by the Company in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the “measurement period” (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognized in profit or loss.

When a business combination is achieved in stages, the Company's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest was disposed of.

Revenue recognition

The Company recognizes revenue from the following major sources:

- Sale of products;
- cloud solution revenue; and
- maintenance revenue

Identifying the performance obligations in the contract

The Company assesses whether each product or service is distinct for the purpose of identifying the various performance obligations in each contract. Products and services are considered distinct provided that: (i) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer and (ii) the Company's promise to transfer the good or service to the customer is separately identifiable or distinct from other promises in the contract. Identifying and evaluating whether products and services are considered distinct performance obligations may require significant judgment due to the nature of the product and service offerings.

Allocation of the transaction price to performance obligations in the contract

If the contract contains a single performance obligation, the entire transaction price is allocated to that performance obligation. A contract may include multiple performance obligations with a combination of distinct products, services and maintenance. For contracts with multiple performance obligations, the Company allocates the total transaction value to each distinct performance obligation based on relative standalone selling price. The Corporation determines the standalone selling price by considering its overall pricing objectives and market conditions. As the Corporation's go-to-market strategies evolve, the Corporation may modify its pricing practices in the future, which could result in changes in relative standalone selling prices.

Sale of products

The Company sells products to customers both through the use of sales representatives and resellers. Revenue for hardware sales, perpetual software licenses, and training and professional services is recognized at a point in time, being when the buyer takes control of the asset or the Company has objective evidence that all criteria for acceptance have been satisfied.

Cloud solution revenue

The Company provides cloud solution services to its clients. Such services are recognized as a performance obligation satisfied over time. Revenue is recognized for these services over the term of the contract.

Maintenance revenue

The company sells maintenance programs which act as an after-sales service. This service relates to maintenance work that may be required to be carried out on the equipment for a period after sale. This period can then be extended if the customer requires additional years of maintenance services. The renewal of services after the period will be for the price at which these are sold by the Company to all of its customers as at the date of renewal regardless of the existence of a renewal option. Consequently, the option to extend the renewal period does not provide customers with any advantage when they enter into the initial contract and therefore no revenue has been deferred relating to this renewal option.

Revenue relating to the maintenance programs is recognized over time. The transaction price allocated to these services is recognized as deferred revenue at the time of the initial sales transaction and is released on a straight-line basis over the period of service (i.e. one to five years when the services are purchased together with the underlying equipment).

Inventories

Inventory is comprised of finished goods and is valued at the lower of cost and net realizable value. Cost is determined using the average cost method. The net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and any applicable variable selling costs.

Reserves for potentially obsolete or slow-moving inventory are estimated periodically based on an analysis of inventory levels.

Property and equipment

Property and equipment are stated at cost, less accumulated depreciation and impairment. Cost includes expenditures that are directly attributable to the acquisition of the item.

Depreciation is calculated on a straight-line basis over the expected useful life to the estimated residual value of the related assets. Leasehold improvements are depreciated over the period of the lease or the estimated useful life, whichever is shorter, using the straight-line method. The following estimated useful lives are used in the calculation of depreciation:

Equipment	24 to 40 months
Computer equipment	30 to 40 months
Furniture and fixtures	48 to 60 months
Leasehold improvements	36 to 120 months

The estimated useful lives, depreciation methods and residual values are reviewed, at a minimum, annually.

Intangible assets

Intangible assets, excluding development costs, consist mainly of acquired technology, customer relationships and trademarks. Acquired technology through a business combination is initially recorded at fair value based on the estimated net future income-producing capabilities of the technology products. Customer relationships and trademarks acquired through business combinations are initially recorded at their fair value based on the present value of expected future cash flows. The Company amortizes its intangible assets on a straight-line basis over the following estimated useful lives:

Acquired technology	5 to 8 years
Customer relationships	7 years
Trademarks	5 years

Subsequent to initial recognition, internally generated intangible assets are reported at cost, less accumulated amortization and accumulated impairment losses.

Research and development costs

Expenditures on research activities are recognized as an expense in the period in which they are incurred.

An internally generated intangible asset arising from development is recognized if, and only if, all of the following criteria have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and to use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of the expenditures incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditures are recognized in profit or loss in the period in which they are incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Capitalized development costs are amortized on a straight-line basis over three years.

Up to October 31, 2019, development costs of \$482,919 (\$482,919 in 2018 and 2017) had been capitalized and included in intangible assets and have been fully amortized.

Government assistance and investment tax credits

Government assistance is recorded as a reduction of the related expense. Government assistance is recorded in the accounts when reasonable assurance exists that the Company has complied with the terms and conditions of the approved grant program. Investment tax credits are accounted for under the cost reduction method, whereby the investment tax credits are applied against the carrying value of the related expense. Investment tax credits are recorded when the qualifying expenditures have been incurred and if there is reasonable assurance that the tax credits will be realized. Investment tax credits are subject to audit by the tax authorities.

Goodwill

Goodwill arising on a business acquisition is recognized as an asset at the date that control is acquired (the “acquisition date”). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer’s previously held equity interest (if any) in the entity over the fair value of the identifiable net assets.

Goodwill is not amortized but is reviewed for impairment at least annually or sooner if indicators of impairment exist. A cash-generating unit (CGU) is defined as the smallest identifiable group of assets that generates cash flows that are largely independent of the cash flows from other assets or groups of assets. As there are no independent CGUs, goodwill is tested for impairment at the group level representing the lowest level at which management monitors it. Any impairment loss is recognized immediately in profit or loss and is not subsequently reversed.

For the year ended October 31, 2019, the Company did not experience any triggering events or additional information that the goodwill's recoverable amount was significantly greater than its carrying amount, and no events have occurred that would eliminate that difference.

Impairment of long-lived assets

At each reporting date, the carrying amounts of the tangible and definite-life intangible assets are reviewed to determine whether there is any indication of impairment. If any such indication exists for an asset, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs.

The recoverable amount is the higher of fair value, less costs of disposal, and value in use. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

An impairment loss is expensed immediately in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

Taxation

Income tax expense represents the sum of the current and deferred taxes.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of income and comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset, realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority, and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred taxes for the period

Current and deferred taxes are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Share-based payments

The Company grants stock options to directors, officers and employees of the Company, that are settled by the issuance of common shares. All options have graded vesting features. In addition to graded vesting features, options vest only upon the occurrence of a liquidity event (such as an initial public offering or a change of control). The Company establishes compensation expense for those grants based on the fair value of each tranche of options at the grant date. The corresponding amount is disclosed in Note 14.

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

The compensation expense related to stock options or other equity instruments that would vest upon the occurrence of a liquidity event will be recorded upon the occurrence of the liquidity event as it is unpredictable and the Company cannot determine at the end of the reporting period whether or not the event will occur before the expiration date of the options.

Functional and presentation currency

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

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

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

Translation to presentation currency

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

Financial instruments

Financial assets and financial liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. All recognized financial assets and financial liabilities are subsequently measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets and financial liabilities.

Classification of financial instruments

The Company has classified each of its financial instruments at amortized cost.

Financial assets at amortized cost

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognized in profit or loss.

Impairment of financial assets

The Company always recognizes lifetime expected credit losses for trade and other receivables. The expected credit losses on these financial assets are estimated based on the Company’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The Company also records 12-month expected credit losses for those financial assets which have low credit risk and where the low credit risk exemption has been applied. The classes of financial assets that have been identified to have low credit risk are cash and cash equivalents.

Lifetime expected credit losses represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month expected credit losses represent the portion of lifetime expected credit losses that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets’ gross carrying amount at the reporting date.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities

Financial liabilities are classified as either financial liabilities “at fair value through profit or loss” or “amortized cost”.

Trade and other payables and term loan are classified as amortized cost.

Redeemable financial instruments are classified as at fair value through profit or loss.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the consolidated statement of income and comprehensive income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

The Company has lease agreements with lease and non-lease components, which it has elected not to combine for all asset classes.

As at the consolidated statement of financial position date, the Company did not enter into any finance leases.

Operating lease payments are recognized as an expense in the consolidated statement of income and comprehensive income on a straight-line basis over the lease term, net of lease inducements.

3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS IN APPLYING THE COMPANY’S ACCOUNTING POLICIES

The preparation of the Company’s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Company’s accounting policies, management has made the following significant judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Revenue recognition

Application of the accounting principles related to the measurement and recognition of revenue requires the Company to make judgments and estimates. Revenue arrangements may be comprised of multiple performance obligations. Judgment is required in determining the performance obligations that exist in an arrangement and the nature of these deliverables. Revenue recognition requires the consideration of the contract to be allocated to the elements on the basis of standalone selling price of each respective performance obligation. Judgment and estimates are required when determining the relative fair value of elements utilizing standalone prices for similar deliverables where they exist or internally generated estimates of standalone price.

Functional currency

The Company operates worldwide, but its decision-making process and product development are centrally located, which requires significant judgment from management in order to determine the functional currency of each entity.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Income taxes

The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues, depending on the conditions prevailing in the respective entity’s domicile.

Deferred tax assets are recognized based on an assessment of the Company's ability to utilize underlying future tax deductions against future taxable income. If the assessment of the Company's ability to utilize the underlying future tax deductions changed, the Company would be required to recognize more or fewer tax deductions as assets, which would decrease or increase the income tax expense in the period in which it is determined.

Impairment tests for property and equipment, intangible assets, and goodwill

The determination of fair value and value-in-use of the cash generation unit depends on a number of assumptions, in particular, market data, estimated future cash flows, and the discount rate.

These assumptions are subject to risk and uncertainty. Any material changes in these assumptions could result in a significant change in the recoverable value of the company's property and equipment, intangible assets, and goodwill.

Investment tax credits

The Company earns Canadian investment tax credits, which are calculated based on the amount of qualifying research and development expenditures incurred in each taxation year. A portion of these credits is refundable in cash. The balance is non-refundable and may only be claimed as a reduction of Canadian income taxes payable.

Management estimates the amount of refundable and non-refundable investment tax credits based on historic claims, its expectations of its taxable status for the taxation year and its determination of the amount of its qualifying expenditures. The amount of any tax credit is subject to review and adjustment by governmental authorities, which may vary from management's estimates.

Significant management judgment is required to determine the amount of refundable and non-refundable tax credits to recognize, based on the likely timing and the level of future income taxes payable in Canada, the expiration dates of non-refundable tax credits, any limitations on the amount of tax credits that may be refunded in any year, the determination of qualifying expenditures and available tax planning strategies.

Share-based payments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield, and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 14.

Business combinations

For business combinations, the Company must make assumptions and estimates to determine the purchase price accounting of the business being acquired. To do so, the Company must determine the acquisition date fair value of the identifiable assets acquired, including such intangible assets as technology and liabilities assumed. Among other things, the determination of these fair market values involves the use of discounted cash flow analyses and future sales growth. Goodwill is measured as the excess of the fair value of the consideration transferred measured at the acquisition date. These assumptions and estimates have an impact on the asset and liability amounts recorded in the consolidated statement of financial position on the acquisition date. In addition, the estimated useful lives of the acquired amortizable assets, the identification of intangible assets and the determination of the indefinite or finite useful lives of intangible assets acquired will have an impact on the Company's future profit or loss.

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED WITH NO EFFECT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Impact of application of IFRS 15, Revenue from Contracts with Customers

In the current year, the Company has applied IFRS 15, *Revenue from Contracts with Customers* (as amended in April 2016) which is effective for an annual period that begins on or after January 1, 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Company's financial statements are described below.

The Company has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15:C5(a) and (b), or for modified contracts in IFRS 15:C5(c), but using the expedient in IFRS 15:C5(d), allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognize that amount as revenue for all reporting periods presented before the date of initial application.

The Company's accounting policies for its revenue streams are disclosed in detail in Note 2. Apart from providing more extensive disclosures for the Company's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Company.

Impact of initial application of IFRS 9, Financial instruments

In the current year, the Company has applied IFRS 9, *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after January 1, 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. However, the Company has elected to restate comparatives in respect of the classification and measurement of financial instruments.

Additionally, the Company adopted consequential amendments to IFRS 7, *Financial Instruments: Disclosures* that were applied to the disclosures for 2018 and to the comparative period.

(a) *Classification and measurement of financial assets and liabilities*

The date of the initial application is November 1, 2018. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that continue to be recognized as at November 1, 2018, and has not applied the requirements to instruments that have already been derecognized as at November 1, 2018. Comparative amounts in relation to instruments that continue to be recognized as at November 1, 2018, have been restated where appropriate.

All recognized financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Company reviewed and assessed the existing financial assets as at November 1, 2018, based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 had the following impact on the Company's financial assets in terms of their classification and measurement:

Financial assets classified as loans and receivables under IAS 39 that were measured at amortized cost continue to be measured at amortized cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

The application of IFRS 9 has had no impact on the classification and measurement of the Company's financial liabilities.

The table below illustrates the classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 39 as at November 1, 2018.

Financial instrument	Category under IAS 39	Category under IFRS 9
Cash	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Term loan	Other financial liabilities	Amortized cost
Redeemable financial instruments	Other financial liabilities	At fair value through profit or loss

(b) *Impairment of financial assets*

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

As at November 1, 2018, management reviewed and assessed the Company's existing financial assets and amounts due from customers for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognized, and compared that to the credit risk as at November 1, 2017 and November 1, 2018.

The comparison made as at November 1, 2017, November 1, 2018, and October 31, 2018, determines whether 12-month expected credit losses should be recognized or lifetime expected credit losses should be recognized where credit risk has increased significantly for the respective financial instruments at that date. The change resulting from the application of the impairment model under IFRS 9 has not resulted in a material adjustment from what was previously recorded under IAS 39.

(c) *Impact of initial application of IFRS 9 on financial performance*

The application of IFRS 9 has had no impact on the cash flows of the Company.

IFRIC 22, Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the "date of transaction" for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g., a non-refundable deposit or deferred revenue).

The interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The interpretation is effective for annual periods beginning on or after January 1, 2018.

The Company evaluated that the adoption of IFRIC 22 had no significant impact on its consolidated financial statements. This is because the Company already accounts for transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the amendments.

5. ACCOUNTING POLICY DEVELOPMENTS AND STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE ISSUED BUT NOT YET EFFECTIVE

The following revised standards are effective for annual periods beginning on January 1, 2019, or January 1, 2020, and have not been adopted in the current year, but may affect the accounting for future transactions or arrangements:

IFRS 16, Leases

On January 13, 2016, the IASB issued IFRS 16, which provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17, *Leases*, and its associated interpretive guidance. Significant changes were made to lessee accounting with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low-value assets). In contrast, IFRS 16 does not include significant changes to the requirements for lessors. IFRS 16 is effective January 1, 2019.

Upon implementing IFRS 16 on November 1, 2019, the Company will recognize \$4,199,614 of lease liabilities, \$3,850,389 of right of use assets and reduced its deferred lease inducements by \$349,225.

IFRIC 23, Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to:

- Determine whether uncertain tax positions are assessed separately or as a group; and
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
 - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
 - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The interpretation is effective for annual periods beginning on or after January 1, 2019. Entities can apply the interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

The Company does not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Amendments to IFRS 3, Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after January 1, 2020, with early application permitted.

Amendments to IAS 1 and IAS 8, Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of “obscuring” material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected to influence”.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the *Conceptual Framework* that contain a definition of material or refer to the term “material” to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after January 1, 2020, with earlier application permitted.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised *Conceptual Framework*, which became effective upon publication on March 29, 2018, the IASB has also issued *Amendments to References* to the Conceptual Framework in *IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASB Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

The amendments, where they actually are updates, are effective for annual periods beginning on or after January 1, 2020, with early application permitted.

6. BUSINESS COMBINATIONS

On October 29, 2019, the Company acquired 100% of the outstanding shares of Lightflow Media Technologies S.L. (“Lightflow”), in exchange for cash consideration of \$1,399,505 (€963,846) and two future semi-annual payments of \$726,000 (€500,000) each.

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

	\$
Trade receivables	17,724
Property and equipment	13,677
Technology	2,073,135
Goodwill	1,062,274
Non-cash assets acquired	<u>3,166,810</u>
Trade and other payables liabilities	39,626
Deferred income taxes	518,364
Liabilities assumed	<u>557,990</u>
Net non-cash assets acquired	2,608,820
Cash acquired	242,685
Net assets acquired	<u>2,851,505</u>
Consideration	
Cash	1,399,505
Future payments	1,452,000
	<u>2,851,505</u>

The goodwill of \$1,062,274 arising from the acquisition consists mainly of expected synergies. None of the goodwill is expected to be deductible for income tax purposes.

As at October 31, 2019, the future semi-annual payments are included in the consolidated statement of financial position and have been guaranteed by a letter of credit issued by the Company’s financial institution.

Lightflow contributed revenues of nil and net income of nil to the Company for the period from the acquisition date to October 31, 2019.

The acquisition costs incurred in the above transaction amounted to \$102,037 and were expensed as part of general and administrative expenses in the consolidated statement of income and comprehensive income.

The acquisition included potential additional consideration based on the attainment of certain future revenue thresholds. Management estimated that no additional consideration would be paid.

7. INVENTORIES

	<u>2019</u>	<u>2018</u>
	\$	\$
Finished goods	6,426,541	6,484,539
Provision for obsolescence	<u>(2,670,000)</u>	<u>(2,110,000)</u>
	<u>3,756,541</u>	<u>4,374,539</u>

The amount of inventory recognized in cost of sales during the year ended October 31, 2019, was \$14,035,150 (\$11,952,391 in 2018; \$9,837,065 in 2017).

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

	<u>2019</u>	<u>2018</u>
	\$	\$
Balance, beginning of year	2,110,000	1,840,000
Increase in provision for obsolescence	1,239,853	1,272,165
Write-down of inventories	<u>(679,853)</u>	<u>(1,002,165)</u>
Balance, end of year	<u>2,670,000</u>	<u>2,110,000</u>

8. PROPERTY AND EQUIPMENT

	Equipment	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
	\$	\$	\$	\$	\$
Cost					
Balance, October 31, 2018	886,884	1,623,683	157,903	358,313	3,026,783
Additions	178,253	130,974	207,292	186,661	703,180
Business combination	—	13,677	—	—	13,677
Disposals	—	—	—	—	—
Balance, October 31, 2019	1,065,137	1,768,334	365,195	544,974	3,743,640
Accumulated depreciation					
Balance, October 31, 2018	677,832	1,041,443	140,774	15,615	1,875,664
Depreciation	156,193	437,418	61,249	50,154	705,014
Disposals	—	—	—	—	—
Balance, October 31, 2019	834,025	1,478,861	202,023	65,769	2,580,678
Net book value as at October 31, 2019	231,112	289,473	163,172	479,205	1,162,962

	Equipment	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
	\$	\$	\$	\$	\$
Cost					
Balance, October 31, 2017	4,753,740	4,220,579	338,097	1,060,660	10,373,076
Additions	57,698	543,138	2,425	342,921	946,182
Business combination	—	—	—	—	—
Disposals	(3,924,554)	(3,140,034)	(182,619)	(1,045,268)	(8,292,475)
Balance, October 31, 2018	886,884	1,623,683	157,903	358,313	3,026,783
Accumulated depreciation					
Balance, October 31, 2017	4,472,155	3,556,582	304,471	1,052,287	9,385,495
Depreciation	130,231	624,895	18,922	8,596	782,644
Disposals	(3,924,554)	(3,140,034)	(182,619)	(1,045,268)	(8,292,475)
Balance, October 31, 2018	677,832	1,041,443	140,774	15,615	1,875,664
Net book value as at October 31, 2018	209,052	582,240	17,129	342,698	1,151,119

	Equipment	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
	\$	\$	\$	\$	\$
Gross carrying amount					
Balance, October 31, 2016	4,341,863	3,812,285	338,097	1,060,660	9,552,905
Additions	411,877	408,294	—	—	820,171
Disposals	—	—	—	—	—
Balance, October 31, 2017	4,753,740	4,220,579	338,097	1,060,660	10,373,076
Accumulated depreciation					
Balance, October 31, 2016	4,039,772	2,950,772	276,713	749,071	8,016,328
Depreciation	432,383	605,810	27,758	303,216	1,369,167
Disposals	—	—	—	—	—
Balance, October 31, 2017	4,472,155	3,556,582	304,471	1,052,287	9,385,495
Net book value as at October 31, 2017	281,585	663,997	33,626	8,373	987,581

9. INTANGIBLE ASSETS AND GOODWILL

	As restated (Note 26)					
	Acquired technology	Customer relationships	Trademarks	Development costs	Total intangible assets	Goodwill
	\$	\$	\$	\$	\$	\$
Cost						
Balance, October 31, 2018	5,895,724	2,999,680	2,370,096	482,919	11,748,419	13,522,712
Business combination	2,073,135	—	—	—	2,073,135	1,062,274
Foreign currency translation adjustment	—	—	—	—	—	16,379
Balance, October 31, 2019	7,968,859	2,999,680	2,370,096	482,919	13,821,554	14,601,365
Accumulated amortization and impairment						
Balance, October 31, 2018	5,895,724	2,999,680	2,370,096	482,919	11,748,419	—
Amortization	—	—	—	—	—	—
Balance, October 31, 2019	5,895,724	2,999,680	2,370,096	482,919	11,748,419	—
Net book value as at October 31, 2019	2,073,135	—	—	—	2,073,135	14,601,365

	As restated (Note 26)					
	Acquired technology	Customer relationships	Trademarks	Development costs	Total intangible assets	Goodwill
	\$	\$	\$	\$	\$	\$
Cost						
Balance, October 31, 2017	5,895,724	2,999,680	2,370,096	482,919	11,748,419	13,296,129
Foreign currency translation adjustment	—	—	—	—	—	226,583
Balance, October 31, 2018	5,895,724	2,999,680	2,370,096	482,919	11,748,419	13,522,712
Accumulated amortization and impairment						
Balance, October 31, 2017	5,895,724	2,961,130	2,370,096	482,919	11,709,869	—
Amortization	—	38,550	—	—	38,550	—
Balance, October 31, 2018	5,895,724	2,999,680	2,370,096	482,919	11,748,419	—
Net book value as at October 31, 2018	—	—	—	—	—	13,522,712

	As restated (Note 26)					
	Acquired technology	Customer relationships	Trademarks	Development costs	Total intangible assets	Goodwill
	\$	\$	\$	\$	\$	\$
Gross carrying amount						
Balance, October 31, 2016	5,895,724	2,999,680	2,370,096	482,919	11,748,419	13,767,493
Foreign currency translation adjustment	—	—	—	—	—	(471,364)
Balance, October 31, 2017	5,895,724	2,999,680	2,370,096	482,919	11,748,419	13,296,129
Accumulated amortization and impairment						
Balance, October 31, 2016	5,895,724	2,873,530	2,370,096	482,919	11,622,269	—
Amortization	—	87,600	—	—	87,600	—
Balance, October 31, 2017	5,895,724	2,961,130	2,370,096	482,919	11,709,869	—
Net book value as at October 31, 2017	—	38,550	—	—	38,550	13,296,129

10. CREDIT FACILITY

The Company has a secured operating line of credit with a financial institution, which provides for advances of up to \$13,160,000 (US\$10,000,000), bearing interest at the financial institution's prime rate plus 1.65% and limited to the Company's eligible accounts receivable, tax credits receivable and inventories. Eligible accounts receivable are measured as 80% of receivables. Eligible tax credits receivable are measured as 80% of filed tax credits receivable and 50% of accrued tax credits receivable. Eligible inventories are measured as 50% of inventories to a maximum of \$3,290,000 (US\$2,500,000). The facility is collateralized by a first-ranking pledge on all of the Company's present and future tangible and intangible assets.

As at October 31, 2019, the amount outstanding under the above credit facility was nil (nil in 2018). The remaining amount available under this credit facility as at October 31, 2019, was \$13,160,000 (US\$10,000,000), (\$11,170,700 (US\$8,500,000) in 2018). The credit facility is subject to the maintenance of the following financial covenants:

- Minimum EBITDA of at least \$4,500,000 for the year ended October 31, 2019;
- Minimum adjusted quick ratio of 1.15:1.00.

As at October 31, 2019, the Company was in compliance with its covenants.

The referenced prime rate as at October 31, 2019, was 4.75% (5.25% as at October 31, 2018).

11. TRADE AND OTHER PAYABLES

	<u>2019</u>	<u>2018</u>
	\$	\$
Trade	3,064,370	3,232,472
Payroll-related accruals	3,498,988	5,112,914
Other accrued liabilities	1,997,708	1,038,040
	<u>8,561,066</u>	<u>9,383,426</u>

12. TERM LOAN

	<u>2019</u>	<u>2018</u>
	\$	\$
Term loan, bearing interest at the financial institution's prime rate plus 1.90%, principal payable by monthly instalments of \$127,944 (US\$97,222), collateralized by a first-ranking pledge on all of the Company's present and future tangible and intangible assets, maturing June 30, 2020 ⁽ⁱ⁾	1,023,556	2,555,389
Current portion	1,023,556	1,533,233
	<u>—</u>	<u>1,022,156</u>

⁽ⁱ⁾ Under the terms and conditions of the term loan, the Company must maintain certain financial covenants, which are the same as the covenants for the credit facility described at Note 10. As at October 31, 2019, the Company was in compliance with its covenants. The referenced prime rate as at October 31, 2019, was 4.75% (5.25% as at October 31, 2018).

Principal payments required in 2020 are \$1,023,556 (US\$777,778).

13. REDEEMABLE FINANCIAL INSTRUMENTS

In accordance with the Unanimous Shareholders' Agreement, a holder of Class "A" shares (the "Institutional Investor") was granted a put option. The put option allows the Institutional Investor to sell their shares back to the Company at any time after February 2015, subject to a 180-day prior written notice, in the event the shares are not listed on a recognized stock exchange.

The shares can be redeemed at a price ("Redemption price") equal to the greater of:

- Aggregate fair market value of the shares;
- Book value of the Company;
- \$258 per share; or
- An amount equal to the highest price paid for any share in the 12 months preceding the exercise of the put option.

In the event the Company does not pay the put option price, the Institutional Investor has the option to trigger a "call right," which allows the Institutional Investor to launch an active search for a buyer of the Company in order to complete the sale of the Company.

As a result, the Class "A" shares subject to the put option have characteristics of a current liability and are accounted for as such in accordance with their substance and are remeasured at their redemption price at every reporting period. Any future increase in the amount of the liability of such shares is to be accounted for as a charge in the determination of net income.

On June 26, 2013 and August 2, 2013, the Unanimous Shareholders' Agreement was modified to defer the exercise date of the put option to June 2014 and February 2015, respectively.

The following table presents the value of the redeemable financial instruments' shares as at October 31:

	<u>As restated (Note 26)</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
	\$	\$	\$
Nil Class "A" shares (22,868 in 2018 and 2017)	—	5,899,944	7,747,298
Revaluation adjustment on redeemable instruments	—	411,542	(1,847,354)
	<u>—</u>	<u>6,311,486</u>	<u>5,899,944</u>

On February 11, 2019, the Company accounted for the revaluation adjustment in the value of the redeemable Class “A” shares resulting in a decrease in the value of \$294,308. Subsequently, the Company repurchased for cancellation all 22,868 redeemable Class “A” shares for a total cash consideration of \$6,017,178.

14. SHARE CAPITAL

Authorized, unlimited number

- Class “A” common shares, voting and participating
- Class “B” common shares, non-voting and participating
- Class “C” common shares, voting and participating
- Class “D” common shares, non-voting and participating
- Class “E” common shares, voting and participating

Issued

	As restated (Note 26)		
	2019	2018	2017
	\$	\$	\$
44,008 (46,184 in 2018 and 2017) Class “A” shares	2,955,593	3,101,732	3,101,732
17,488 (20,428 in 2018 and 2017) Class “B” shares	2,140,219	2,500,022	2,500,022
28,805 (29,781 in 2018 and 2017) Class “C” shares	5,536,209	5,723,773	5,723,773
51,341 (51,738 in 2018 and 2017) Class “D” shares	9,787,405	9,863,087	9,863,087
39,704 (39,704 in 2018 and 2017) Class “E” shares	680,144	680,144	680,144
	<u>21,099,570</u>	<u>21,868,758</u>	<u>21,868,758</u>

On February 11, 2019, the Company repurchased for cancellation 2,176 Class “A” shares, 2,940 Class “B” shares, 976 Class “C” shares and 397 Class “D” shares for a total cash consideration of \$1,707,424. The stated capital of the Class “A” shares has been reduced by \$146,139, the Class “B” shares by \$359,803, the Class “C” shares by \$187,564 and the Class “D” shares by \$75,682 being the carrying amount of the shares, and the excess of \$938,236 has been charged to retained earnings.

As a condition of a previous equity issuance, the Company entered into an agreement with certain shareholders. Under this agreement, upon a change of control or an initial public offering (the “Qualified Transaction”), these shareholders are entitled to the proceeds resulting from the exercise of stock options, as defined, in the amount of \$1,532,180. Given that this Qualified Transaction has not occurred and that the amount is contingent on the Qualified Transaction, no liability has been recorded in the consolidated financial statements.

Share-based compensation plan

On October 17, 2019, the shareholders amended their stock option plan in favour of their directors, officers and employees. The amendment provided an additional 37,000 options to purchase Class “D” shares to be granted and increased the aggregate number of options to purchase Class “B” or Class “D” shares to 88,946 options. The vesting period is generally four years. These options expire ten years from the date granted.

All options are exercisable upon the earlier of the completion date of a change of control or an initial public offering.

A summary of the changes in the plan’s position for the years ended October 31, 2019, 2018, and 2017 is presented below:

	Class “B”		Class “D”		Class “B”		Class “D”	
	2019		2019		2018		2018	
	Number of options	Weighted average exercise price per share	Number of options	Weighted average exercise price per share	Number of options	Weighted average exercise price per share	Number of options	Weighted average exercise price per share
		\$		\$		\$		\$
Outstanding, beginning of year	28,655	139.80	21,817	151.09	23,955	136.49	18,517	150.10
Granted	2,350	235.13	38,600	263.00	5,000	155.57	3,500	155.57
Forfeited	(825)	137.91	(1,650)	190.71	(300)	137.91	(200)	137.91
Outstanding, end of year	<u>30,180</u>	<u>147.28</u>	<u>58,767</u>	<u>223.69</u>	<u>28,655</u>	<u>139.80</u>	<u>21,817</u>	<u>151.09</u>

	Class "B"		Class "D"	
	2017		2017	
	Number of options	Weighted-average exercise price per share	Number of options	Weighted-average exercise price per share
		\$		\$
Outstanding, beginning of year	27,985	138.99	23,167	158.88
Forfeited	(4,030)	153.84	(4,650)	190.23
Outstanding, end of year	<u>23,955</u>	<u>136.49</u>	<u>18,517</u>	<u>150.10</u>

As at October 31, 2019, none of the options are exercisable.

The Company uses the Black-Scholes option pricing model to calculate the fair value of options at the date of grant.

	2019	2018	2017
Weighted average risk-free interest rate	1.46%	2.47%	1.90%
Weighted average expected life of options	7 years	7 years	7 years
Expected dividend yield	—	—	—
Expected volatility	34.00%	34.00%	75.00%
Expected forfeiture rate (Class "B")	3.33%	3.64%	4.35%
Expected forfeiture rate (Class "D")	<u>1.99%</u>	<u>4.05%</u>	<u>4.91%</u>

As the Company's shares are not listed, expected volatility used in the option pricing model is calculated based on historical volatility of similar listed entities.

The fair values of the Class "B" and Class "D" options vested during the year 2019 were \$222,022 (\$188,571 in 2018, \$170,687 in 2017) and \$2,079,485 (\$156,990 in 2018, \$121,773 in 2017), respectively. No share-based payment expense was recorded during the year since the options only become exercisable upon the occurrence of a specific event, as described previously. The cumulative fair values of the Class "B" and Class "D" options vested as at October 31, 2019, were \$5,312,687 (\$5,090,665 in 2018, \$4,902,094 in 2017) and \$6,277,171 (\$4,197,686 in 2018, \$4,040,696 in 2017), respectively.

The following table summarizes information about stock options outstanding as at October 31, 2019:

	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price
		Years	\$
\$1.00 – \$98.05	3,043	2.6	23.54
\$127.47 – \$137.91	27,423	2.9	137.21
\$155.57 – \$263.00	<u>58,481</u>	<u>8.6</u>	<u>235.22</u>
	<u>88,947</u>	<u>6.6</u>	<u>197.76</u>

Net income per share

The denominator for the diluted earnings per share calculation was equal to the weighted average number of common shares outstanding with no consideration for outstanding stock options because the stock options only become exercisable upon the occurrence of a specific event, as described previously.

15. REVENUE

	2019	2018	2017
	\$	\$	\$
Product	54,603,618	49,510,205	36,278,093
Cloud solutions	7,944,365	8,348,645	9,262,935
Maintenance and support	<u>11,542,015</u>	<u>9,620,813</u>	<u>9,519,766</u>
	<u>74,089,998</u>	<u>67,479,663</u>	<u>55,060,794</u>

Deferred revenue

The following table provides a reconciliation of deferred revenue balances to invoiced billings and revenue:

	2019	2018	2017
	\$	\$	\$
Balance, beginning of year	8,115,713	7,313,985	6,897,773
Billings	12,311,901	10,422,541	9,935,978
Revenue recognized	<u>(11,542,015)</u>	<u>(9,620,813)</u>	<u>(9,519,766)</u>
Balance, end of year	8,885,599	8,115,713	7,313,985
Less: current portion	<u>(7,556,723)</u>	<u>(6,520,966)</u>	<u>(5,768,758)</u>
	<u>1,328,876</u>	<u>1,594,747</u>	<u>1,545,227</u>

The amount of deferred revenue at the beginning of the year that was recognized as revenue during the year ended October 31, 2019, was \$6,520,966 (\$5,768,758 in 2018 and \$5,856,648 in 2017).

Management expects that deferred revenue as at October 31, 2019 will be recognized as follows:

	\$
2020	7,556,723
2021	881,745
2022	330,836
2023	88,706
2024	27,859
	<u>8,885,869</u>

16. TAXATION

a) The reconciliation of income taxes computed at the Canadian statutory rates to income tax expense recorded was as follows:

	2019	2018	2017
	\$	\$	\$
Income taxes calculated at statutory rates	1,337,781	1,128,715	628,342
Increase (decrease) resulting from			
Income tax rate differential of foreign subsidiaries	(35,025)	(17,333)	15,394
Recognition of income taxes on foreign currency translation	—	(72,271)	82,991
Permanent differences	76,697	141,584	(357,828)
Adjustments in respect of prior years	234,288	119,241	(287,171)
Other	29,181	(63,474)	(85,721)
Income tax expense	<u>1,642,922</u>	<u>1,236,462</u>	<u>(3,993)</u>

The income tax statutory rate is 26.7% (26.7% in 2018, 26.9% in 2017) for the year ended October 31, 2019. The income tax statutory rate is the Company's combined rate applicable in the jurisdictions in which it operates.

b) The significant components of the Company's deferred income tax assets and liabilities are as follows:

	2019	2018
	\$	\$
Deferred tax assets		
Trade and other payables	174,388	143,574
Deferred revenue	253,000	243,000
Unclaimed research and development expenses	—	193,000
Property and equipment	1,032,000	1,179,000
Lease inducement	90,000	—
	<u>1,549,388</u>	<u>1,758,574</u>
Deferred tax liabilities		
Intangible assets	(727,000)	(189,000)
Investment tax credits	<u>(1,226,000)</u>	<u>(1,098,000)</u>
Net deferred tax (liabilities) assets	<u>(403,612)</u>	<u>471,574</u>

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and/or tax planning strategies.

The Company has research and development expenses carried forward for provincial income tax purposes of approximately nil (\$1,680,000 as at October 31, 2018), which can be used to reduce provincial taxable income at any time in the future.

Non-refundable investment tax credits receivable

The Company also has federal investment tax credits of approximately \$4,000,000 (\$4,500,000 as at October 31, 2018), which can be used to reduce income taxes payable, expiring at various dates to 2039. The benefit of these items has been recorded in the consolidated financial statements.

17. OPERATING COSTS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
	\$	\$	\$
Salaries, commissions and benefits	34,651,780	34,835,892	29,112,112
Rent	1,190,692	1,052,369	992,699
Bad debt recovery	(86,115)	(2,871)	3,798
Depreciation of property and equipment	705,014	782,644	1,369,167
Amortization of intangible assets	<u>—</u>	<u>38,550</u>	<u>87,600</u>

Depreciation included in cost of sales during the year ended October 31, 2019, was \$28,409 (\$42,531 in 2018; \$53,486 in 2017).

18. FINANCIAL EXPENSES

	<u>As restated (Note 26)</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
	\$	\$	\$
Interest on term loan	143,889	221,879	133,688
Interest on credit facility	34,656	26,642	91,039
Revaluation adjustment on redeemable financial instruments (note 13)	(294,308)	411,542	(1,847,354)
	<u>(115,763)</u>	<u>660,063</u>	<u>(1,622,627)</u>

19. SUPPLEMENTARY CASH FLOW INFORMATION

	<u>2019</u>	<u>2018</u>	<u>2017</u>
	\$	\$	\$
Net changes in non-cash operating working capital items			
Trade and other receivables	1,456,012	(4,454,817)	5,705,190
Investment tax credits receivable	(1,042,258)	75,162	1,261,083
Inventories	617,998	(228,826)	(617,313)
Prepaid expenses	8,270	(244,812)	(74,399)
Trade and other payables	(861,986)	4,084,523	(4,857,707)
Deferred revenue	769,886	801,728	416,212
	<u>947,922</u>	<u>32,958</u>	<u>1,833,066</u>

20. FINANCIAL INSTRUMENTS

Fair value hierarchy

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

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

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

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

The following schedule represents the carrying values and the fair values of other financial instruments:

	<u>2019</u>	
	<u>Carrying value</u>	<u>Fair value</u>
	\$	\$
Term loan (Level 2)	<u>1,023,556</u>	<u>1,023,556</u>

	2018	
	Carrying value	Fair value
	\$	\$
Term loan (Level 2)	2,555,389	2,555,389

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

No financial instruments existed as at October 31, 2019 and October 31, 2018, that were measured at fair value in the consolidated statement of financial position.

Fair value of financial instruments

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

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

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

Credit risk

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. The Company carries out, on a continuing basis, credit checks on its customers and regularly monitors the credit risk exposure and takes steps to mitigate the likelihood of exposure resulting in actual loss.

The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognized a loss allowance of 100 per cent against all receivables that have indicated that they are generally not recoverable.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off are subject to enforcement activities.

The components of trade receivables are as follows:

	2019	2018
	\$	\$
Current	13,400,333	11,905,203
Past due less than 30 days	899,261	3,194,716
Past due less than 60 days	209,284	1,225,251
Past due less than 90 days	378,637	141,873
Past due over 90 days	334,608	294,149
Trade receivables (before allowance for doubtful accounts)	15,222,123	16,761,192
Allowance for doubtful accounts	(207,920)	(308,701)
Trade and other receivables (net of allowance for doubtful accounts)	15,014,203	16,452,491
Allowance for doubtful accounts		
Balance, beginning of year	308,701	307,735
Bad debt (recovery) expense	(100,781)	966
Balance, end of year	207,920	308,701

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

Concentration of credit risk

Two customers (three in 2018 and two in 2017) represented approximately 26.5% of the accounts receivable balance as at October 31, 2019 (33.5% in 2018 and 17.8% in 2017). In addition, the Company generated 19.6% (17.4% in 2018 and 9.6% in 2017) of its revenue from three customers (three in 2018 and three in 2017) in the approximate amount of \$14,534,000 (\$11,733,000 in 2018 and \$5,269,000 in 2017).

Interest rate risk

The Company is exposed to interest rate risk on its credit facility and debt that bear variable interest rates and does not currently hold any financial instruments that mitigate this risk. The Company regularly monitors its level of borrowing and renegotiates its credit agreements as required in order to mitigate this risk.

A 10% change in the interest rate would result in a \$5,000 (\$13,000 in 2018 and \$17,000 in 2017) impact on the consolidated statement of income and comprehensive income.

Foreign exchange risk

The foreign exchange risk is the risk to the Company's earnings that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. Fluctuations in payments made for the Company's products could cause unanticipated fluctuations in the Company's operating results. From time to time, the Company uses derivative instruments to reduce its exposure to foreign exchange fluctuations. As at October 31, 2019 and 2018, the Company did not hold any foreign currency forward contracts.

The following account balances include amounts expressed in Canadian dollars for which cash flows are denominated in a currency other than the U.S. dollar:

	<u>2019</u>	<u>2018</u>
	\$	\$
Cash	544,847	538,475
Trade and other receivables	349,034	110,000
Investment tax credits receivable	6,092,956	5,557,742
Trade and other payables	3,066,401	3,551,773
Purchase price payable	1,467,100	—

If the Canadian dollar were to change by 10% against the U.S. dollar, the impact would be \$181,000 (\$238,000 in 2018 and \$312,000 in 2017) on the consolidated statement of income and comprehensive income.

Liquidity risk

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balances and cash flows generated from operations to meet its requirements. As at October 31, 2019, the most significant financial liabilities are trade and other payables, purchase price payable and term loan.

The Company's financial liabilities have the following maturities as at October 31, 2019:

	<u>Net book value</u>	<u>2020</u>	<u>2021 and thereafter</u>
	\$	\$	\$
Trade and other payables	8,561,066	8,561,066	—
Purchase price payable	1,467,100	1,467,100	—
Term loan	1,023,556	1,023,556	—

21. CAPITAL RISK MANAGEMENT

The Company's primary uses of capital are for working capital and capital investment. Based on the current level of operations, management believes that cash on hand, cash flows from operations and available borrowings under the credit facility will enable the Company to meet its working capital, capital expenditure, debt service and other funding requirements.

The Company's capital is composed of (i) shareholders' equity and (ii) credit facility and term debt (collectively the "Net Debt"). The Company's aim is to maintain a level of capital that is adequate to meet several objectives, including: (i) an acceptable Net Debt level ratio of interest-bearing debt to EBITDA and (ii) a level of debt service coverage to meet financial covenants in order to provide access to adequate funding sources to support current operations, pursue its internal growth strategy and maintain capital flexibility. The Company's strategy is to maintain a ratio of Net Debt to EBITDA of 2.5 or less.

The Company's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

22. RELATED PARTY DISCLOSURES

Compensation of four (five in 2018, eight in 2017) key management personnel:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
	\$	\$	\$
Salaries, bonuses and benefits	3,126,251	4,199,247	4,878,569

The following table shows the number of options to purchase Class “B” common shares issued under the Company’s share option plan, which were held by members of the Board of Directors:

	Expiry date	Number of options	Exercise price	2019	2018	2017
			\$	\$	\$	\$
Issue date						
Non-executive directors 2010	2020	250	1.00	250	250	250
Non-executive directors 2014	2024	250	1.00	250	250	250
Non-executive directors 2019	2028	250	1.00	250	—	—
Executive directors 2014	2024	2,000	137.91	275,820	275,820	275,820

See Note 3 for information about the share option plan.

Compensation of non-employee directors

For the year ended October 31, 2019, October 31, 2018, and October 31, 2017 independent directors were entitled to cash compensation totalling \$15,750 (\$15,000 in 2018; \$7,500 in 2017), which has been accrued for within trade and other payables. The Company reimburses reasonable costs to attend board and committee meetings.

23. COMMITMENTS AND CONTINGENCIES

(a) Commitments

The commitments of the Company under lease agreements until 2030 aggregate \$6,305,000. The instalments over the forthcoming years are the following:

	\$
2020	1,465,000
2021	879,000
2022	601,000
2023	594,000
2024	582,000
2025 and thereafter	2,184,000

The Company has arrangements whereby royalties are payable on certain sales and the royalty rates decrease as specific volumes are achieved. The royalty expense amounted to \$22,188 in 2019 (\$32,867 in 2018; \$23,718 in 2017).

(b) Contingencies

On March 9, 2017, an entity filed proceedings against the Company alleging that the Company was not entitled to terminate the supply agreement entered into between the parties and breached an exclusivity undertaking. The entity is claiming an amount of \$33,021,941 in damages, plus interest and indemnity. The Company believes the likelihood of an unfavorable outcome in this dispute is not probable. Accordingly, no provision has been recorded.

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

24. OPERATING SEGMENTS

The Company has one reportable segment, the provision of end-to-end video streaming solutions in the North American and international markets.

Geographical information

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

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

	2019	2018	2017
	\$	\$	\$
Canada	1,503,527	1,090,332	1,125,427
International	11,263,590	9,261,049	9,434,760
United States	61,322,881	57,128,282	44,500,607
	74,089,998	67,479,663	55,060,794

Non-current assets by geographical area is as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Canada	21,678,590	19,201,009
United States	151,828	444,396
	<u>21,830,418</u>	<u>19,645,405</u>

25. SUBSEQUENT EVENTS

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

In April 2020, the Company repurchased for cancellation 307 Class “C” shares and 559 Class “D” shares for a total cash consideration of \$227,968. The stated capital of the Class “C” shares has been reduced by \$59,100 and of the Class “D” shares by \$106,222 being the carrying amount of the shares, and the excess of \$62,246 has been charged to deficit.

On May 7, 2020, the Company entered into an agreement with its financial institution for a term loan in the amount of \$1,999,115 (US\$1,450,000) bearing interest at 1%, principal payable by monthly instalments of \$111,062 (US\$80,556) commencing December 7, 2020. The loan was made under the Small Business Administration’s (“SBA”) Paycheck Protection Program (“PPP”) and forgiveness of the principal of the term loan is available if the proceeds of the term loan are used for the limited purposes that qualify for forgiveness under SBA requirements. The Company believes it has complied with the requirements and has submitted an application for forgiveness to its financial institution.

On July 1, 2020, the Company acquired the business assets and assumed certain liabilities of Teltoo (US) Inc., in exchange for cash consideration of \$659,211 (US\$483,718). The acquisition was accounted for using the purchase method and the results of operations have been included from the effective date of acquisition. The purchase price allocation was based on management’s best estimates and virtually the entire purchase price was allocated to technology.

On October 5, 2020, the Company renewed its credit facility with its financial institution. The terms and conditions of the line of credit remained unchanged except that advances bear interest at the greater of the financial institution’s prime rate plus 1.65% and 4.25%. A term loan of up to \$6,702,000 (US\$5,000,000) was provided bearing interest at the greater of the financial institution’s prime rate plus 2.25% and 5.00%. The Company has up to 12 months to borrow the entire amount of the term loan following which the principal is payable by equal monthly instalments over 36 months. The facility is collateralized by a first-ranking pledge on all of the Company’s present and future tangible and intangible assets. On October 5, 2020 the Company borrowed \$2,010,600 (US\$1,500,000) of the available term loan. The credit facility is subject to the maintenance of the following financial covenants.

- Minimum trailing six month EBITDA of \$500,000 at the end of each fiscal quarter to April 30, 2021 and \$750,000 thereafter to October 31, 2021.
- Minimum liquidity ratio of 1.30:1.00.

On December 4, 2020, the Board of Directors approved the filing of a prospectus with the securities regulatory authorities in each of the provinces of Canada in connection with an IPO of common shares in the capital of the Company (the Offering). The Offering is expected to consist of a treasury offering of common shares issued from treasury by the Company, payable on closing of the Offering for aggregate proceeds of \$30,000,000. Immediately prior to the completion of the Offering, the Company will complete the following transactions:

- Options to acquire Class B shares or Class D shares will be exercised on a cash or cashless basis, which will result in the issuance of an aggregate of 64,955.7 Class B shares and Class D shares;
- The holders of Class A shares and Class B shares will receive from the Company a total payment of \$1,532,180 by way of a dividend or otherwise;
- All outstanding Class A shares, Class B shares, Class C shares, Class D shares and Class E shares will be split on the basis of 85 post-split shares for each pre-split share;
- The authorized share capital will be amended such that it will be comprised of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series;
- All Class A shares, Class B shares, Class C shares, Class D shares and Class E shares will be exchanged for one common share, which will result in the issuance of 20,862,019 common shares; and
- Class A shares, Class B shares, Class C shares, Class D shares and Class E shares included in authorized share capital will be deleted from the articles of incorporation.

26. RESTATEMENT OF PREVIOUSLY REPORTED CONSOLIDATED FINANCIAL STATEMENTS

Subsequent to the issuance of the previously reported consolidated financial statements for the years ended October 31, 2019, October 31, 2018 and October 31, 2017, an analysis of the functional currency concluded that the U.S. dollar was the functional currency and as a result, the goodwill balance has been restated. Other balances have changed; however, these balances have been deemed immaterial and have not been adjusted in these consolidated financial statements. It was also concluded that the redeemable financial instrument presented as equity should have been classified as a liability and accounted for at fair value with changes in fair value being recorded through the statements of income and comprehensive income.

In addition, we have retrospectively adjusted the presentation of the consolidated financial statements, including a portion of deferred revenue to be presented as non-current liabilities and depreciation of property and equipment and amortization of intangible assets to be allocated to the cost of sales and expenses based on the related functions.

The following table summarizes the impact of the restatement on the consolidated financial statements of the Company.

	As previously reported			Effect of restatement			As restated		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Consolidated statements of income and comprehensive income									
Cost of sales (reallocation of depreciation)	18,395,762	15,710,725	14,222,445	28,409	42,531	53,486	18,424,171	15,753,256	14,275,931
Sales and marketing expenses (reallocation of depreciation and amortization)	18,922,616	20,594,316	18,581,063	84,645	111,766	422,302	19,007,261	20,706,082	19,003,365
Operations and support expenses (reallocation of depreciation)	5,092,713	5,728,124	3,520,441	127,720	166,932	190,125	5,220,433	5,895,056	3,710,566
Research and development expenses (reallocation of depreciation and amortization)	18,029,832	12,527,954	10,718,551	359,602	472,023	453,486	18,389,434	12,999,977	11,172,037
General and Administrative expenses (reallocation of depreciation)	7,739,429	7,624,065	5,848,333	104,638	27,942	337,368	7,844,067	7,652,007	6,185,701
Financial expenses (revaluation adjustment on redeemable financial instruments)	178,545	248,521	(1,622,627)	(294,308)	411,542	—	(115,763)	660,063	(1,622,627)
Net income effect	3,383,165	2,988,302	2,339,814	294,308	(411,542)	—	3,677,473	2,576,760	2,339,814
Foreign currency translation adjustment (functional currency analysis)	—	—	—	16,379	226,583	(471,364)	16,379	226,583	(471,364)
Comprehensive income effect . . .	3,383,165	2,988,302	2,339,814	310,687	(184,959)	(471,364)	3,693,852	2,803,343	1,868,450

	As previously reported			Effect of restatement			As restated		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Consolidated statements of financial position									
Goodwill (functional currency analysis) . . .	12,918,416	11,856,142	11,856,142	1,682,949	1,666,570	1,439,987	14,601,365	13,522,712	13,296,129
Deferred revenue (current liabilities) . . .	8,885,599	8,115,713	7,313,985	(1,328,876)	(1,594,747)	(1,545,227)	7,556,723	6,520,966	5,768,758
Deferred revenue (non-current liabilities)	—	—	—	1,328,876	1,594,747	1,545,227	1,328,876	1,594,747	1,545,227
Redeemable financial instruments (classified as a liability)	—	—	—	—	6,311,486	5,899,944	—	6,311,486	5,899,944
Consolidated statements of changes in total equity									
Share capital (redeemable financial instrument classified as a liability)	23,880,939	27,768,702	27,768,702	(2,781,369)	(5,899,944)	(5,899,944)	21,099,570	21,868,758	21,868,758
Cumulative translation adjustment (functional currency analysis) . . .	—	—	—	1,682,949	1,666,570	1,439,987	1,682,949	1,666,570	1,439,987
Retained earnings effect . . .	(1,202,556)	(748,882)	(3,737,184)	2,781,369	(411,542)	—	1,578,813	(1,160,424)	(3,737,184)
Total equity effect	22,678,383	27,019,820	24,031,518	1,682,949	(4,644,916)	(4,459,957)	24,361,332	22,374,904	19,571,561
Consolidated statements of cash flows									
Repurchase of redeemable financial instruments	—	—	—	(6,017,178)	—	—	(6,017,178)	—	—
Repurchase of shares . . .	(7,724,602)	—	—	6,017,178	—	—	(1,707,424)	—	—

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
HAIVISION SYSTEMS INC.**

For the three-month and nine-month periods ended July 31, 2020 and 2019 (Unaudited)

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HAIVISION SYSTEMS INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at July 31, 2020 and October 31, 2019 (Unaudited)

(In Canadian dollars)

	Notes	July 31, 2020 \$	October 31, 2019 As restated (Note 23) \$
Assets			
Current assets			
Cash		9,824,393	2,516,863
Trade and other receivables		12,589,086	15,014,203
Investment tax credits receivable		2,100,000	2,100,000
Inventories	7	5,415,339	3,756,541
Prepaid expenses		983,404	834,664
		<u>30,912,222</u>	<u>24,222,271</u>
Non-current assets			
Property and equipment		1,017,996	1,162,962
Right-of-use assets	8	3,333,466	—
Intangible assets		2,421,161	2,073,135
Goodwill		14,823,398	14,601,365
Non-refundable investment tax credits receivable		3,414,186	3,992,956
		<u>25,010,207</u>	<u>21,830,418</u>
		<u>55,922,429</u>	<u>46,052,689</u>
Liabilities			
Current liabilities			
Trade and other payables	10	9,092,842	8,561,066
Purchase price payable		791,550	1,467,100
Income taxes payable		1,934,085	1,001,074
Current position of lease liabilities	8	601,275	—
Deferred revenue		7,429,890	7,556,723
Current portion of term loan	11	863,813	1,023,556
		<u>20,713,455</u>	<u>19,609,519</u>
Non-current liabilities			
Lease liabilities	8	3,208,249	—
Deferred revenue		1,394,878	1,328,876
Term loan	11	1,079,767	—
Deferred income taxes		860,101	403,612
Deferred lease inducement		—	349,350
		<u>27,256,450</u>	<u>21,691,357</u>
Commitment and contingencies	20		
Equity			
Capital	12	20,933,848	21,099,570
Retained earnings		5,827,149	1,578,813
Cumulative translation adjustment		1,904,982	1,682,949
		<u>28,665,979</u>	<u>24,361,332</u>
		<u>55,922,429</u>	<u>46,052,689</u>

Approved by the Board

Neil Hindle, Director

Harvey Bienenstock, Director

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

HAIVISION SYSTEMS INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND
COMPREHENSIVE INCOME

Three-month and nine-month periods ended July 31, 2020 and 2019 (Unaudited)
(In Canadian dollars)

	Notes	Three-months ended July 31,		Nine-months ended July 31,	
		2020	2019	2020	2019
		\$	\$	\$	\$
Revenue	13	20,346,087	16,627,010	60,987,861	53,622,332
Cost of sales		4,709,531	4,288,390	14,151,613	13,226,295
Gross profit		15,636,556	12,338,620	46,836,248	40,396,037
Expenses					
Sales and marketing		4,678,792	4,331,674	14,604,584	13,962,685
Operations and support		1,162,000	1,263,494	3,807,200	3,918,299
Research and development		4,479,026	4,746,111	14,855,641	13,753,172
General and administrative		2,184,957	1,894,355	6,823,525	5,936,538
		12,504,775	12,235,634	40,090,950	37,570,694
Operating profit		3,131,781	102,986	6,745,298	2,825,343
Financial expenses (recoveries)	15	76,689	43,527	266,903	(150,879)
Income before income taxes		3,055,092	59,459	6,478,395	2,976,222
Income taxes					
Current		779,502	15,217	1,697,287	686,381
Deferred		216,095	4,219	470,526	190,280
		995,597	19,436	2,167,813	876,661
Net income		2,059,495	40,023	4,310,582	2,099,561
Other comprehensive income (loss)					
Foreign currency translation adjustment		(460,445)	(250,242)	222,033	5,460
Comprehensive income (loss)		1,599,050	(210,219)	4,532,615	2,105,021
Net income per share					
Net income per share (basic)	12	11.41	0.22	23.81	11.42
Weighted average number of common shares outstanding (basic)		180,480	181,346	181,010	183,786

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

HAIVISION SYSTEMS INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Nine-month periods ended July 31, 2020 and 2019 (Unaudited)

(In Canadian dollars)

	Notes	Shares outstanding	Share capital	Cumulative translation adjustment	Retained earnings (deficit)	Total equity
		#	\$		\$	\$
Balance, October 31, 2018		187,835	21,868,758	1,666,570	(1,160,424)	22,374,904
Other comprehensive income		—	—	5,460	—	5,460
Net income		—	—	—	2,099,561	2,099,561
Repurchase of Class “A”, Class “B”, Class “C” and Class “D” shares	12	(6,489)	(769,188)	—	(938,236)	(1,707,424)
Balance, July 31, 2019		<u>181,346</u>	<u>21,099,570</u>	<u>1,672,030</u>	<u>901</u>	<u>22,772,501</u>
Balance, October 31, 2019		181,346	21,099,570	1,682,949	1,578,813	24,361,332
Other comprehensive income		—	—	222,033	—	222,033
Net income		—	—	—	4,310,582	4,310,582
Repurchase of Class “C” and Class “D” shares	12	(866)	(165,722)	—	(62,246)	(227,968)
Balance, July 31, 2020		<u>180,480</u>	<u>20,933,848</u>	<u>1,904,982</u>	<u>5,827,149</u>	<u>28,665,979</u>

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

HAIVISION SYSTEMS INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine-month periods ended July 31, 2020 and 2019 (Unaudited)

(In Canadian dollars)

	Notes	<u>2020</u>	<u>2019</u>
		\$	\$
Operating activities			
Net income		4,310,582	2,099,561
Items not affecting cash			
Depreciation of property and equipment		459,424	536,779
Amortization of right-of-use assets		516,923	—
Amortization of intangible assets		324,532	—
Amortization of deferred lease inducement		—	(3,851)
Unrealized foreign exchange loss (gain)		131,998	(43,680)
Current income tax expense		1,697,287	686,381
Financial expenses (recoveries)	15	266,903	(150,879)
Non-refundable investment tax credits receivable		578,770	(174,890)
Deferred income tax expense		470,526	190,280
		<u>8,756,945</u>	<u>3,139,701</u>
Net changes in non-cash operating working capital items	16	1,088,523	2,409,293
Interest paid		(50,168)	(143,429)
Income taxes paid		(764,276)	(364,831)
		<u>9,031,024</u>	<u>5,040,734</u>
Investing activities			
Business acquisition	6	(672,558)	—
Repayment of purchase price payable		(791,550)	—
Additions to property and equipment		(314,458)	(605,226)
		<u>(1,778,566)</u>	<u>(605,226)</u>
Financing activities			
Payment of lease liabilities	8	(654,570)	—
Repayment of term loan		(1,042,533)	(1,150,450)
Additions to term loan		1,943,580	—
Deferred lease inducement		—	306,578
Repurchase of redeemable financial instruments	12	—	(6,017,178)
Repurchase of Class “A”, Class “B”, Class “C” and Class “D” shares	12	(227,968)	(1,707,424)
		<u>18,509</u>	<u>(8,568,474)</u>
Effect of foreign exchange gain on cash		36,563	2,924
Net increase (decrease) in cash		7,307,530	(4,130,042)
Cash, beginning of period		<u>2,516,863</u>	<u>6,943,334</u>
Cash, end of period		<u><u>9,824,393</u></u>	<u><u>2,813,292</u></u>

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

HAIVISION SYSTEMS INC.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2020 and 2019 (Unaudited)

(In Canadian dollars)

1. STATUTES OF INCORPORATION AND NATURE OF ACTIVITIES

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

2. ACCOUNTING POLICIES

Statement of compliance

The unaudited interim condensed financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee applicable to the preparation of interim financial statements, including IAS 34, “Interim Financial Reporting”, effective as at and for the nine-month period ended July 31, 2020.

Certain information and disclosures have been omitted or condensed. The same accounting policies and methods of computation were followed in the preparation of these condensed interim consolidated financial statements as were followed in the preparation of the most recent annual audited consolidated financial statements except for the new accounting standards and interpretations adopted as at November 1, 2019 (see Note 4). There are no other material changes to the Company’s significant accounting policies during the nine months ended July 31, 2020, as compared to the significant accounting policies described in the Company’s annual consolidated financial statements for the year ended October 31, 2019. Accordingly, these condensed interim consolidated financial statements should be read together with the Company’s audited consolidated financial statements and notes thereto for the year ended October 31, 2019.

Basis of presentation

The Board of Directors of the Company approved the unaudited interim condensed consolidated financial statements for the three-month and nine-month periods ended July 31, 2020 and 2019, and authorized their publication on December 4, 2020. The Company operates in a single reporting segment.

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

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

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

Basis of measurement

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

Cash-generating units

A cash-generating unit (“CGU”) is defined as the smallest identifiable group of assets that generates cash flows that are largely independent of the cash flows from other assets or groups of assets. Management monitors the performance and financial position of the Company at the group level. The reporting unit, corresponding to the group and the lowest level of the Company’s internal reporting, has been identified as its CGU.

Functional and presentation currency

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

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

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

Translation to presentation currency

The unaudited interim condensed consolidated financial statements of the Company are translated from their functional currency to the Canadian dollar, the presentation currency. Assets and liabilities are translated at the closing exchange rates prevailing at the financial position date, and

income and expenses are translated using the average exchange rates. The accumulated gains or losses arising from translation of functional currencies to the presentation currency are included as a separate component of other comprehensive income (“OCI”).

Basis of consolidation

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

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

Details of the Company’s material subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Company	
			2020	2019
Haivision Network Video Inc.	Sale of end-to-end video streaming solutions	United States	100%	100%
Haivision Network Video GmbH	Development of end-to-end video streaming solutions	Germany	100%	100%
Lightflow Media Technologies S.L.	Development of end-to-end video streaming solutions	Spain	100%	100%

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interest issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

When the consideration transferred by the Company in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the “measurement period” (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognized in profit or loss.

When a business combination is achieved in stages, the Company’s previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest was disposed of.

Revenue recognition

The Company provides services and products under arrangements that contain various pricing mechanisms. The Company accounts for a contract or a group of contracts when the following criteria are met: the parties to the contract have approved the contract in which their rights, their obligations and the payment terms have been identified, the contract has commercial substance, and the collectability of the consideration is probable.

The Company recognizes revenue from the following major sources:

- Sale of products;
- cloud solution revenue; and
- maintenance revenue

There is not a significant length of time between invoicing and when payment is due; hence, none of the Company's contracts contained terms that would result in the existence of a significant financing component. The Company's standard terms of payment for most customers are typically 30 days after invoicing, while certain services are paid to the Company in advance of the contracted services.

Amounts received in advance of the transfer of control of the products or performance of services are classified as deferred revenue.

Identifying the performance obligations in the contract

The Company assesses whether each product or service is distinct for the purpose of identifying the various performance obligations in each contract. Products and services are considered distinct provided that: (i) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer and (ii) the Company's promise to transfer the good or service to the customer is separately identifiable or distinct from other promises in the contract. Identifying and evaluating whether products and services are considered distinct performance obligations may require significant judgment due to the nature of the product and service offerings.

Allocation of the transaction price to performance obligations in the contract

If the contract contains a single performance obligation, the entire transaction price is allocated to that performance obligation. A contract may include multiple performance obligations with a combination of distinct products, services and maintenance. For contracts with multiple performance obligations, the Company allocates the total transaction value to each distinct performance obligation based on relative standalone selling price. The Corporation determines the standalone selling price by considering its overall pricing objectives and market conditions. As the Corporation's go-to-market strategies evolve, the Corporation may modify its pricing practices in the future, which could result in changes in relative standalone selling prices.

Sale of products

The Company sells products to customers both through the use of sales representatives and resellers. Revenue for hardware sales, perpetual software licenses, and training and professional services is recognized at a point in time, being when the buyer takes control of the asset or the Company has objective evidence that all criteria for acceptance have been satisfied.

Cloud solution revenue

The Company provides cloud solution services to its clients. Such services are recognized as a performance obligation satisfied over time. Revenue is recognized for these services over the term of the contract.

Maintenance revenue

The company sells maintenance programs which act as an after-sales service. This service relates to maintenance work that may be required to be carried out on the equipment for a period after sale. This period can then be extended if the customer requires additional years of maintenance services. The renewal of services after the period will be for the price at which these are sold by the Company to all of its customers as at the date of renewal regardless of the existence of a renewal option. Consequently, the option to extend the renewal period does not provide customers with any advantage when they enter into the initial contract, and, therefore, no revenue has been deferred relating to this renewal option.

Revenue relating to the maintenance programs is recognized over time. The transaction price allocated to these services is recognized as deferred revenue at the time of the initial sales transaction and is released on a straight-line basis over the period of service (i.e. one to five years when the services are purchased together with the underlying equipment).

Research and development costs

Expenditures on research activities are recognized as an expense in the period in which they are incurred.

An internally generated intangible asset arising from development is recognized if, and only if, all of the following criteria have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and to use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

The ability to measure reliably the expenditure attributable to the intangible asset during its development. The amount initially recognized for internally generated intangible assets is the sum of the expenditures incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditures are recognized in profit or loss in the period in which they are incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Capitalized development costs are amortized on a straight-line basis over three years.

For the nine months ended July 31, 2020, development costs of \$482,919 (\$482,919 in 2019) had been capitalized and included in intangible assets and have been fully amortized.

Government assistance and investment tax credits

Government assistance is recorded as a reduction of the related expense. Government assistance is recorded in the accounts when reasonable assurance exists that the Company has complied with the terms and conditions of the approved grant program. Investment tax credits are accounted for under the cost reduction method, whereby the investment tax credits are applied against the carrying value of the related expense. Investment tax credits are recorded when the qualifying expenditures have been incurred and if there is reasonable assurance that the tax credits will be realized. Investment tax credits are subject to audit by the tax authorities.

Share-based payments

The Company grants stock options to directors, officers and employees of the Company, that are settled by the issuance of common shares. All options have graded vesting features. In addition to graded vesting features, options vest only upon the occurrence of a liquidity event (such as an initial public offering or a change of control). The Company establishes compensation expense for those grants based on the fair value of each tranche of options at the grant date. The corresponding amount is disclosed in Note 12 – Share capital.

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

The compensation expense related to stock options or other equity instruments that would vest upon the occurrence of a liquidity event will be recorded upon the occurrence of the liquidity event as it is unpredictable and the Company cannot determine at the end of the reporting period whether or not the event will occur before the expiration date of the options.

Inventories

Inventory is comprised of finished goods and is valued at the lower of cost and net realizable value. Cost is determined using the average cost method. The net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and any applicable variable selling costs.

Reserves for potentially obsolete or slow-moving inventory are estimated periodically based on an analysis of inventory levels.

Property and equipment

Property and equipment are stated at cost, less accumulated depreciation and impairment, if any. Cost includes expenditures that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated on a straight-line basis over the expected useful life to the estimated residual value of the related assets. Leasehold improvements are depreciated over the period of the lease or the estimated useful life, whichever is shorter, using the straight-line method. The following estimated useful lives are used in the calculation of depreciation:

Equipment	24 to 40 months
Computer equipment	30 to 40 months
Furniture and fixtures	48 to 60 months
Leasehold improvements	36 to 120 months

The estimated useful lives, depreciation methods and residual values are reviewed, at a minimum, annually.

Enhancements and replacements are capitalized as additions to property and equipment only when it is probable that future economic benefits associated with them will flow to the Company and the cost of the item can be measured with reliability. Ongoing regular maintenance costs related to property and equipment are expensed as incurred.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the assets and are recognized within the unaudited interim condensed consolidated statements of income and comprehensive income.

Intangible assets

Intangible assets, excluding development costs, consist mainly of acquired technology, customer relationships and trademarks. Acquired technology through a business combination is initially recorded at fair value based on the estimated net future income-producing capabilities of the technology products. Customer relationships and trademarks acquired through business combinations are initially recorded at their fair value based on the present value of expected future cash flows. The Company amortizes its intangible assets on a straight-line basis over the following estimated useful lives:

Acquired technology	5 to 8 years
Customer relationships	7 years
Trademarks	5 years

Subsequent to initial recognition, internally generated intangible assets are reported at cost, less accumulated amortization and accumulated impairment losses, if any.

Goodwill

Goodwill arising on a business acquisition is recognized as an asset at the date that control is acquired (the “acquisition date”). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer’s previously held equity interest (if any) in the entity over the fair value of the identifiable net assets.

Goodwill is not amortized, but is reviewed for impairment at least annually or sooner if indicators of impairment exist. As there are no independent CGUs, goodwill is tested for impairment at the group level representing the lowest level at which management monitors it. Any impairment loss is recognized immediately in profit or loss and is not subsequently reversed.

For the period ended July 31, 2020, the Company did not experience any triggering events or additional information that the goodwill’s recoverable amount was significantly greater than its carrying amount, and no events have occurred that would eliminate that difference.

Impairment of long-lived assets

At each reporting date, the carrying amounts of the tangible and definite-life intangible assets are reviewed to determine whether there is any indication of impairment. If any such indication exists for an asset, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs.

The recoverable amount is the higher of fair value, less disposal costs, and value in use. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

An impairment loss is expensed immediately in profit or loss. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

No impairment losses have been recognized in the unaudited interim condensed consolidated statement of income and comprehensive income related to property and equipment, intangible assets and goodwill.

Taxation

Income tax expense represents the sum of the current and deferred taxes.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the unaudited interim condensed consolidated statement of income and comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the unaudited interim condensed consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset, realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority, and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred taxes for the period

Current and deferred taxes are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Financial instruments

Financial assets and financial liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss

(FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. All recognized financial assets and financial liabilities are subsequently measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets and financial liabilities.

Classification of financial instruments

The Company has classified each of its financial instruments at amortized cost.

Financial assets at amortized cost

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognized in profit or loss.

Impairment of financial assets

The Company always recognizes lifetime expected credit losses for trade and other receivables. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The Company also records 12-month expected credit losses for those financial assets which have low credit risk and where the low credit risk exemption has been applied. The classes of financial assets that have been identified to have low credit risk are cash and cash equivalents.

Lifetime expected credit losses represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month expected credit losses represent the portion of lifetime expected credit losses that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities

Financial liabilities are classified as either financial liabilities "at fair value through profit or loss" or "amortized cost".

Trade and other payables and term loan are classified as amortized cost.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Leases (as of November 1, 2019)

Right-of-use assets

The Company recognizes right-of-use ("ROU") assets at the commencement date of the lease. ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and are adjusted for remeasurement of lease liabilities resulting from a change in future lease payments arising from a change in an index or a rate, or a change in the assessment of whether the purchase, extension or termination options will be exercised.

The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. ROU assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognizes a lease liability measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentive receivables, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the implicit interest rate in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced by the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, or a change in the assessment to purchase the underlying asset.

Lease components are considered in the present value calculation, while non-lease components are expensed as incurred. The Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and which do not contain a purchase option. The Company also applies the low-value asset recognition exemption to leases of assets with a value below \$5,000. Lease payments on short-term leases and low-value asset leases are recognized as expense on a straight-line basis over the lease term.

Leases (prior to November 1, 2019)

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the consolidated statement of income and comprehensive income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

The Company has lease agreements with lease and non-lease components, which it has elected not to combine for all asset classes.

As at the consolidated statement of financial position date, the Company did not enter into any finance leases.

Operating lease payments are recognized as an expense in the consolidated statement of income and comprehensive income on a straight-line basis over the lease term, net of lease inducements.

Provisions

Provisions are recorded for the best estimate of expenditures required to settle liabilities of uncertain timing or amount when management determines that a legal or constructive obligation exists as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and such amounts can be reasonably estimated. Provisions are measured at the present value of the expected expenditures to be required to settle the obligation.

The ultimate cost to settle such liabilities is at times uncertain, and cost estimates can vary in response to many factors. The settlement of these liabilities could materially differ from recorded amounts. In addition, the expected timing of expenditures can also change. As a result, there could be significant adjustments to provisions, which could result in additional charges or recoveries affecting future financial results.

A provision for loss-making (onerous) contracts is recognized when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received by the Company under those contracts. The Company has considered the least net costs of exiting any loss-making contracts and has assessed the profitability (revenue net of unavoidable costs) of the contracts over their lifetime. The Company did not record any provisions for onerous contracts as at July 31, 2020 and October 31, 2019.

Earnings per share

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

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

Related party transactions

Transactions with related parties that are executed in the normal course of operations are recorded at fair value.

Segment reporting

The Company reports segment information in a manner consistent with the internal reporting provided to the chief operating decision-maker (“CODM”) who is responsible for allocating resources and assessing performance of the Company’s operating segments. The Company operates as a single reportable segment.

Presentation of unaudited interim condensed consolidated financial statements

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

3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS IN APPLYING THE COMPANY’S ACCOUNTING POLICIES

The preparation of the Company’s unaudited interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Company’s accounting policies, management has made the following significant judgments, which have the most significant effect on the amounts recognized in the condensed consolidated financial statements:

Revenue recognition

Application of the accounting principles related to the measurement and recognition of revenue requires the Company to make judgments and estimates. Revenue arrangements may be comprised of multiple performance obligations. Judgment is required in determining the performance obligations that exist in an arrangement and the nature of these deliverables. Revenue recognition requires the consideration of the contract to be allocated to the elements on the basis of standalone selling price of each respective performance obligation. Judgment and estimates are required when determining the relative fair value of elements utilizing standalone prices for similar deliverables where they exist or internally generated estimates of standalone price.

Functional currency

The Company operates worldwide, but its decision-making process and product development are centrally located, which requires significant judgment from management in order to determine the functional currency of each entity.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

COVID-19

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

Assessment of revenue recognition under IFRS 15

During the period, management assessed the various performance obligations present in each contract in effect and if revenue was to be recognized at a point in time or over a period of time. Judgment regarding the identification of those performance obligations was used to determine the relevant pattern of revenue recognition for each customer contract.

Impairment tests for property and equipment, intangible assets, and goodwill

The determination of fair value and value-in-use of the cash generating unit depends on a number of assumptions, in particular market data, estimated future cash flows, and the discount rate.

These assumptions are subject to risk and uncertainty. Any material changes in these assumptions could result in a significant change in the recoverable value of the Company’s property, plant and equipment, intangible assets, and goodwill.

Income taxes

The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues, depending on the conditions prevailing in the respective entity's domicile.

Deferred tax assets are recognized based on an assessment of the Company's ability to utilize underlying future tax deductions against future taxable income. If the assessment of the Company's ability to utilize the underlying future tax deductions changed, the Company would be required to recognize more or fewer tax deductions as assets, which would decrease or increase the income tax expense in the period in which it is determined.

Investment tax credits

The Company earns Canadian investment tax credits, which are calculated based on the amount of qualifying research and development expenditures incurred in each taxation year. A portion of these credits is refundable in cash. The balance is non-refundable and may only be claimed as a reduction of Canadian income taxes payable.

Management estimates the amount of refundable and non-refundable investment tax credits based on historic claims, its expectations of its taxable status for the taxation year and its determination of the amount of its qualifying expenditures. The amount of any tax credit is subject to review and adjustment by governmental authorities, which may vary from management's estimates.

Significant management judgment is required to determine the amount of refundable and non-refundable tax credits to recognize, based on the likely timing and the level of future income taxes payable in Canada, the expiration dates of non-refundable tax credits, any limitations on the amount of tax credits that may be refunded in any year, the determination of qualifying expenditures and available tax planning strategies.

Share-based payments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model, including the expected life of the share option, forfeiture rates, discount rates, volatility and dividend yield, and making assumptions about them used in the Black-Scholes valuation model. Any material changes in these assumptions could result in a significant change in the grant date fair value of the share-based payment awards and expense recognized. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 12.

Provisions

Provisions for the following are considered on an ongoing basis: (a) legal and other potential claims; and (b) onerous contracts. Presently, no provisions have been recorded for these matters. However, future provisions could become necessary as circumstances change and could be material. Any potential amounts for provisions represent management's best estimates of the expenditure required to settle the obligation at the date of the condensed statements of financial position and are revised each year until the actual liability is settled.

Business combinations

For business combinations, the Company must make assumptions and estimates to determine the purchase price accounting of the business being acquired. To do so, the Company must determine the acquisition date fair value of the identifiable assets acquired, including such intangible assets as technology and liabilities assumed. Among other things, the determination of these fair market values involves the use of discounted cash flow analyses and future sales growth. Goodwill is measured as the excess of the fair value of the consideration transferred measured at the acquisition date. These assumptions and estimates have an impact on the asset and liability amounts recorded in the unaudited interim condensed consolidated statement of financial position on the acquisition date. In addition, the estimated useful lives of the acquired amortizable assets, the identification of intangible assets and the determination of the indefinite or finite useful lives of intangible assets acquired will have an impact on the Company's future profit or loss.

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED IN THE CONSOLIDATED FINANCIAL STATEMENTS

IFRS 16, Leases

On January 13, 2016, the IASB issued *IFRS 16, Leases* ("IFRS 16"), which provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17, *Leases*, and its associated interpretive guidance. Significant changes were made to lessee accounting with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low-value assets). In contrast, IFRS 16 does not include significant changes to the requirements for lessors. IFRS 16 was adopted on November 1, 2019. Refer to *Leases* under Accounting Policies and Note 8.

The Company adopted IFRS 16 using the modified retrospective approach. As permitted by IFRS 16, the Company has elected to apply the following practical expedients:

- Electing to not reassess whether a contract is, or contains, a lease at the date of initial application (instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application);
- Excluding initial direct costs from measuring the right-of-use assets as at the date of initial application;

- Using hindsight in determining the lease term where the contract contains extension or termination options;
- Electing not to recognize lease liabilities and right-of-use assets for short-term leases or low-value leases;
- Relying on its assessment of whether leases are onerous applying IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review.

The table below shows the impact of adopting IFRS 16 on the November 1, 2019 consolidated statement of financial position:

	October 31, 2019	IFRS 16 impact	November 1, 2019
	\$	\$	\$
Right-of-use assets	—	3,850,389	3,850,389
Lease liabilities	—	4,199,614	4,199,614
Deferred lease inducement	349,350	(349,350)	—

The following table reconciles the operating lease commitments disclosed applying IAS 17 as at October 31, 2019, with the lease liabilities at the date of initial application:

	\$
Operating lease commitments as at October 31, 2019	6,305,000
Non-lease components included in commitments as at October 31, 2019	(594,000)
Short-term and low value asset leases	(114,000)
Effect of discounting using the Company's incremental borrowing rate	(1,397,386)
Lease liabilities recognized as at November 1, 2019	4,199,614

The Company's weighted average incremental borrowing rate applied to lease liabilities recognized in the consolidated statement of financial position as at November 1, 2019 is 7.22%.

IFRIC 23, Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to:

- Determine whether uncertain tax positions are assessed separately or as a group; and
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
 - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
 - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The interpretation was adopted on November 1, 2019, using a modified retrospective application without restatement of comparatives.

The application of the amendments did not have a material impact on the unaudited interim condensed consolidated financial statements.

5. ACCOUNTING POLICY DEVELOPMENTS AND STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE ISSUED BUT NOT YET EFFECTIVE

The following revised standards are effective for annual periods beginning on January 1, 2020, or January 1, 2021, and have not been adopted in the current period, but may affect the accounting for future transactions or arrangements:

Amendment to IFRS 16, COVID-19-Related Rent Concessions

In May 2020, the IASB issued an amendment to permit lessees, as a practical expedient, not to assess whether particular rent concessions that reduce lease payments occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted. The Company has evaluated the impact of this standard and determined that there will be no impact on its financial statements upon adoption.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform

In September 2019, the IASB has amended some of its requirements to address the uncertainty arising from the phasing out of interest-rate benchmarks such as interbank offered rates (IBORS). The amendments issued focused on the accounting effects of uncertainty in the period leading up to the reform. The IASB is also working on the potential consequences to financial reporting of replacing an existing benchmark with an alternative. The amendments impact IFRS 9 – Financial instruments, IAS 39 – Financial instruments: Recognition and measurement and IFRS 7 – Financial instruments: Disclosures. The amendments come into effect for annual periods beginning on or after January 1, 2020 subject to European Union endorsement. In August 2020, the IASB has published 'Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' with amendments that address issues that might affect financial reporting after the reform of an interest

rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. The Company has evaluated the impact of this standard and determined that there will be no impact on its financial statements upon adoption.

Amendments to IFRS 3, Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after January 1, 2020, with early application permitted.

Amendments to IAS 1 and IAS 8, Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of “obscuring” material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected to influence”.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the *Conceptual Framework* that contain a definition of material or refer to the term “material” to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after January 1, 2020, with earlier application permitted.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised *Conceptual Framework*, which became effective upon publication on March 29, 2018, the IASB has also issued *Amendments to References* to the Conceptual Framework in *IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASB *Framework* adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

The amendments, where they actually are updates, are effective for annual periods beginning on or after January 1, 2020, with early application permitted.

6. BUSINESS COMBINATIONS

On July 1, 2020, the Company acquired the business assets and assumed certain liabilities of Teltoo (US) Inc. (“Teltoo”), in exchange for cash consideration of \$672,558 (US\$493,512).

The acquisition was accounted for using the purchase method and the results of operations have been included from the effective date of the acquisition. The purchase price allocation was based on management’s best estimates and virtually all of the purchase price was allocated to technology.

Teltoo contributed revenues of nil and net loss of \$145,884 to the Company for the period from the acquisition date to July 31, 2020.

On October 29, 2019, the Company acquired 100% of the outstanding shares of Lightflow Media Technologies S.L. (“Lightflow”), in exchange for cash consideration of \$1,399,505 (€963,846) and two future semi-annual payments of \$726,000 (€500,000) each.

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

	\$
Trade receivables	17,724
Property and equipment	13,677
Technology	2,073,135
Goodwill	<u>1,062,274</u>
Non-cash assets acquired	<u>3,166,810</u>
Trade and other payables liabilities	39,626
Deferred income taxes	<u>518,364</u>
Liabilities assumed	<u>557,990</u>
Net non-cash assets acquired	<u>2,608,820</u>
Cash acquired	<u>242,685</u>
Net assets acquired	<u>2,851,505</u>
	\$
Consideration	
Cash	1,399,505
Future payments	<u>1,452,000</u>
	<u>2,851,505</u>

The goodwill of \$1,062,274 arising from the acquisition consists mainly of expected synergies. None of the goodwill is expected to be deductible for income tax purposes.

As at October 31, 2019, the future semi-annual payments are included in the consolidated statement of financial position and have been guaranteed by a letter of credit issued by the Company's financial institution.

Lightflow contributed revenues of nil and net income of nil to the Company for the period from the acquisition date to October 31, 2019. Had the acquisition of Lightflow occurred on November 1, 2018, the Company's pro forma consolidated revenues and net income would have been approximately \$74,356,000 and \$3,105,000, respectively. These pro forma figures have been estimated based on the results of the acquired business prior to the acquisition date and should not be viewed as indicative of the Company's consolidated future performance.

The acquisition costs incurred in the above transaction amounted to \$102,037 and were expensed as part of general and administrative expenses in the consolidated statement of income and comprehensive income.

The acquisition included potential additional consideration based on the attainment of certain future revenue thresholds. Management estimated that no additional consideration would be paid.

7. INVENTORIES

	July 31, 2020	October 31, 2019
	\$	\$
Finished goods	8,585,339	6,426,541
Provision for obsolescence	<u>(3,170,000)</u>	<u>(2,670,000)</u>
	<u>5,415,339</u>	<u>3,756,541</u>

The amount of inventory recognized in cost of sales during the nine months ended July 31, 2020, was \$10,467,922 (\$9,946,445 in 2019).

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

	July 31, 2020	October 31, 2019
	\$	\$
Balance, beginning of year	2,670,000	2,110,000
Increase in provision for obsolescence	623,841	1,239,853
Write-down of inventories	<u>(123,841)</u>	<u>(679,853)</u>
Balance, end of year	<u>3,170,000</u>	<u>2,670,000</u>

8. LEASES

The Company's leases consist of office spaces.

Right of use assets

	<u>Office Spaces</u>
Net carrying amount	\$
Balance as at November 1, 2019	3,850,389
Depreciation expense	(516,923)
Balance as at July 31, 2020	<u>3,333,466</u>

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

	<u>Three-months ended July 31, 2020</u>	<u>Nine-months ended July 31, 2020</u>
Interest accrued on lease liabilities	\$ 70,062	\$ 216,735
Expenses related to short-term leases and variable lease payments	<u>218,372</u>	<u>571,338</u>

Information on cash flows

	<u>Three-months ended July 31, 2020</u>	<u>Nine-months ended July 31, 2020</u>
Total cash outflow for leases	\$ 438,851	\$ 1,225,908

Lease liabilities

The changes to the lease liabilities during the nine-month period ended July 31, 2020 are as follows:

	<u>2020</u>
Balance as at November 1, 2019	\$ 4,199,614
Interest accretion expense	216,735
Payment of lease liabilities	(654,570)
Foreign exchange	47,745
Balance as at July 31, 2020	<u>3,809,524</u>

At July 31, 2020, under the terms of the operating lease contracts for premises, the Company committed to pay, over the following five fiscal years, the following payments:

	<u>July 31, 2020</u>
Maturity schedule – contractual undiscounted cash flows	\$
Less than one year	853,217
One to five years	3,209,539
More than five years	963,614
Total undiscounted liabilities	<u>5,026,370</u>

9. CREDIT FACILITY

The Company has a secured operating line of credit with a financial institution, which provides for advances of up to \$13,404,000 (US\$10,000,000), bearing interest at the financial institution's prime rate plus 1.65% and limited to the Company's eligible accounts receivable, tax credits receivable and inventories. Eligible accounts receivable are measured as 80% of receivables. Eligible tax credits receivable are measured as 80% of filed tax credits receivable and 50% of accrued tax credits receivable. Eligible inventories are measured as 50% of inventories to a maximum of \$3,351,000 (US\$2,500,000). The facility is collateralized by a first-ranking pledge on all of the Company's present and future tangible and intangible assets.

As at July 31, 2020, the amount outstanding under the above credit facility was nil (nil at October 31, 2019). The remaining amount available under this credit facility as at July 31, 2020, was \$13,404,000 (US\$10,000,000), (\$13,160,000 (US\$10,000,000) at October 31, 2019). The credit facility is subject to the maintenance of the following financial covenants:

- Minimum EBITDA of at least \$(2,000,000) for the nine months ended July 31, 2020, and \$750,000 for the year ended October 31, 2020;
- Minimum liquidity ratio of 1.35:1.00.

As at July 31, 2020, the Company was in compliance with its covenants.

The referenced prime rate as at July 31, 2020, was 3.25% (4.75% as at October 31, 2019).

10. TRADE AND OTHER PAYABLES

	July 31, 2020	October 31, 2019
	\$	\$
Trade	3,692,776	3,064,370
Payroll-related accruals	3,653,789	3,498,988
Other accrued liabilities	1,746,277	1,997,708
	<u>9,092,842</u>	<u>8,561,066</u>

11. TERM LOAN

	July 31, 2020	October 31, 2019
	\$	\$
Term loan, bearing interest at the financial institution's prime rate plus 1.90%, repaid during the period . . .	—	1,023,556
Term loan, bearing interest at 1%, principal payable by monthly mistatements of \$107,977 (US\$80,566) commencing on December 7, 2020 ⁽ⁱ⁾	1,943,580	—
Current portion	863,813	1,023,556
	<u>1,079,767</u>	<u>—</u>

⁽ⁱ⁾ The term loan was made under the Small Business Administration's ("SBA") Paycheck Protection Program ("PPP") and forgiveness of the principal of the term loan is available if the proceeds of the term loan are used for the limited purposes that qualify for forgiveness under SBA requirements.

Subsequent to the period, the company believed it has complied with the requirements and has submitted an application for forgiveness to its financial institution.

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

	\$	
2021	1,187,743	(US\$886,111)
2022	755,837	(US\$563,889)

12. SHARE CAPITAL

Authorized, unlimited number

- Class "A" common shares, voting and participating
- Class "B" common shares, non-voting and participating
- Class "C" common shares, voting and participating
- Class "D" common shares, non-voting and participating
- Class "E" common shares, voting and participating

Issued

	July 31, 2020	October 31, 2019
	\$	\$
44,008 Class "A" shares	2,955,593	2,955,593
17,488 Class "B" shares	2,140,219	2,140,219
28,498 (28,805 at October 31, 2019) Class "C" shares	5,477,109	5,536,209
50,872 (51,341 at October 31, 2019) Class "D" shares	9,680,783	9,787,405
39,704 Class "E" shares	680,144	680,144
	<u>20,933,848</u>	<u>21,099,570</u>

In April 2020, the Company repurchased for cancellation 307 Class “C” shares and 559 Class “D” shares for a total cash consideration of \$227,968. The stated capital of the Class “C” shares has been reduced by \$59,100, the Class “D” shares by \$106,622 being the carrying amount of the shares, and the excess of \$62,246 has been charged to deficit.

On February 11, 2019, the Company repurchased for cancellation 2,176 Class “A” shares, 2,940 Class “B” shares, 976 Class “C” shares and 397 Class “D” shares for a total cash consideration of \$1,707,424. The stated capital of the Class “A” shares has been reduced by \$146,139, the Class “B” shares by \$359,803, the Class “C” shares by \$187,564 and the Class “D” shares by \$75,682 being the carrying amount of the shares, and the excess of \$938,236 has been charged to deficit.

Also, on February 11, 2019, the Company accounted for the revaluation adjustment in the value of the redeemable Class “A” shares resulting in a decrease in the value of \$294,308. Subsequently, the Company repurchased for cancellation all 22,868 redeemable Class “A” shares for a total cash consideration of \$6,017,178 being the carrying amount of the shares.

As a condition of a previous equity issuance, the Company entered into an agreement with certain shareholders. Under this agreement, upon a change of control or an initial public offering (the “Qualified Transaction”), these shareholders are entitled to the proceeds resulting from the exercise of stock options, as defined, in the amount of \$1,532,180. Given that this Qualified Transaction has not occurred and that the amount is contingent on the Qualified Transaction, no liability has been recorded in the unaudited interim condensed consolidated financial statements.

Share-based compensation plan

On June 16, 2020, the shareholders amended their stock option plan in favour of their directors, officers and employees. The amendment provided an additional 3,100 options to purchase class “B” or class “D” shares to be granted and increased the aggregate number of options to purchase class “B” or class “D” shares to 92,046 options. The vesting period is generally four years. These options expire ten years from the date granted.

On October 17, 2019, the shareholders amended their stock option plan in favour of their directors, officers and employees. The amendment provided an additional 37,000 options to purchase Class “D” shares to be granted.

All options are exercisable upon the earlier of the completion date of a change of control or an initial public offering.

A summary of the changes in the plan’s position for the nine months ended July 31, 2020 and the year ended October 31, 2019, is presented below:

	Class “B”		Class “D”		Class “B”		Class “D”	
	2020		2020		2019		2019	
	Number of options	Weighted average exercise price per share	Number of options	Weighted average exercise price per share	Number of options	Weighted average exercise price per share	Number of options	Weighted average exercise price per share
		\$		\$		\$		\$
Outstanding, beginning of period	30,180	147.28	58,767	223.69	28,655	139.80	21,817	151.09
Granted	4,050	263.00	400	263.00	2,350	235.13	38,600	263.00
Forfeited	(700)	137.91	(650)	171.60	(825)	137.91	(1,650)	190.71
Outstanding, end of period	<u>33,530</u>	<u>161.45</u>	<u>58,517</u>	<u>224.49</u>	<u>30,180</u>	<u>147.28</u>	<u>58,767</u>	<u>223.69</u>

As at July 31, 2020, none of the options are exercisable.

The Company uses the Black-Scholes option pricing model to calculate the fair value of options at the date of grant.

	2020	2019
Weighted average risk-free interest rate	0.39%	1.46%
Weighted average expected life of options	7 years	7 years
Expected dividend yield	—	—
Expected volatility	34.00%	34.00%
Expected forfeiture rate (Class “B”)	2.96%	3.33%
Expected forfeiture rate (Class “D”)	<u>1.89%</u>	<u>1.99%</u>

As the Company’s shares are not listed, expected volatility used in the option pricing model is calculated based on historical volatility of similar listed entities.

The fair values of the Class “B” and Class “D” options vested for the nine months ending July 31, 2020 were \$310,902 (\$222,022 in 2019) and \$94,345 (\$159,593 in 2019), respectively. No share-based payment expense was recorded during the year since the options only become exercisable upon the occurrence of a specific event, as described previously. The cumulative fair values of the Class “B” and Class “D” options vested as at July 31, 2020, were \$5,623,589 (\$5,312,687 in 2019) and \$6,371,516 (\$4,357,279 in 2019), respectively.

The following table summarizes information about stock options outstanding as at July 31, 2020:

	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price
		Years	\$
\$1.00 – \$98.05	3,043	2.2	23.54
\$127.47 – \$137.91	26,523	2.7	137.18
\$155.57 – \$263.00	62,481	8.1	235.55
	<u>92,047</u>	<u>6.4</u>	<u>201.55</u>

Net income per share

The denominator for the diluted earnings per share calculation was equal to the weighted average number of common shares outstanding with no consideration for outstanding stock options because the stock options only become exercisable upon the occurrence of a specific event, as described previously.

13. REVENUE

	Three-months ended July 31,		Nine-months ended July 31,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Product	15,067,188	11,685,465	45,595,071	39,157,523
Cloud solutions	2,076,205	1,968,699	5,933,185	5,939,329
Maintenance and support	3,202,694	2,972,846	9,459,605	8,525,480
	<u>20,346,087</u>	<u>16,627,010</u>	<u>60,987,861</u>	<u>53,622,332</u>

14. OPERATING COSTS

	Three-months ended July 31,		Nine-months ended July 31,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Salaries, commissions and benefits	9,396,428	7,899,866	29,058,749	25,498,018
Rent	429,456	294,819	1,197,804	865,010
Bad debt expense	37,921	45,216	111,199	135,130
Depreciation of property and equipment	140,043	173,084	459,424	536,779
Amortization of intangible assets	115,650	—	324,532	—
	<u>10,019,498</u>	<u>8,412,985</u>	<u>31,051,608</u>	<u>27,035,137</u>

Depreciation included in cost of sales during the nine months ended July 31, 2020 was \$9,698 (\$22,039 in 2019).

15. FINANCIAL EXPENSES

	Three-months ended July 31,		Nine-months ended July 31,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Interest on term loan	1,814	31,733	25,083	120,633
Interest on credit facility	4,813	11,794	25,085	22,796
Interest on lease liabilities	70,062	—	216,735	—
Revaluation adjustment on redeemable financial instruments	—	—	—	(294,308)
	<u>76,689</u>	<u>43,527</u>	<u>266,903</u>	<u>(150,879)</u>

16. SUPPLEMENTARY CASH FLOW INFORMATION

	Nine-months ended July 31,	
	2020	2019
	\$	\$
<i>Net changes in non-cash operating working capital items</i>		
Trade and other receivables	2,425,117	6,713,578
Investment tax credits receivable	—	(1,042,258)
Inventories	(1,658,798)	(675,311)
Prepaid expenses	(148,740)	(182,869)
Trade and other payables	531,775	(2,525,521)
Deferred revenue	(60,831)	121,674
	<u>1,088,523</u>	<u>2,409,293</u>

17. FINANCIAL INSTRUMENTS

Fair value hierarchy

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

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

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

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

The following schedule represents the carrying values and the fair values of other financial instruments:

	July 31, 2020	
	Carrying value	Fair value
	\$	\$
Term loan (Level 2)	<u>1,943,580</u>	<u>1,943,580</u>
	October 31, 2019	
	Carrying value	Fair value
	\$	\$
Term loan (Level 2)	<u>1,023,556</u>	<u>1,023,556</u>

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

No financial instruments existed as at July 31, 2020 and October 31, 2019, that were measured at fair value in the unaudited interim condensed consolidated statement of financial position.

Fair value of financial instruments

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

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

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

Credit risk

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. The Company carries out, on a continuing basis, credit checks on its customers and regularly monitors the credit risk exposure and takes steps to mitigate the likelihood of exposure resulting in actual loss.

The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognized a loss allowance of 100 per cent against all receivables that have indicated that they are generally not recoverable.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off are subject to enforcement activities.

The components of trade receivables are as follows:

	July 31, 2020	October 31, 2019
	\$	\$
Current	9,538,102	13,400,333
Past due less than 30 days	1,208,233	899,261
Past due less than 60 days	600,946	209,284
Past due less than 90 days	688,042	378,637
Past due over 90 days	872,993	334,608
Trade receivables (before allowance for doubtful accounts)	12,908,316	15,222,123
Allowance for doubtful accounts	(319,230)	(207,920)
Trade and other receivables (net of allowance for doubtful accounts)	12,589,086	15,014,203
Allowance for doubtful accounts		
Balance, beginning of year	207,920	308,701
Bad debt (recovery) expense	111,310	(100,781)
Balance, end of year	319,230	207,920

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

Concentration of credit risk

One customer (two at October 31, 2019) represented approximately 16.2% of the accounts receivable balance as at July 31, 2020 (26.5% at October 31, 2019). In addition, during the nine months ending July 31, 2020, the Company generated 16.0% (16.7% in 2019) of its revenue from two customers (two in 2019) in the approximate amount of \$9,737,000 (\$8,937,000 in 2019).

Interest rate risk

The Company is exposed to interest rate risk on its credit facility and debt that bear variable interest rates and does not currently hold any financial instruments that mitigate this risk. The Company regularly monitors its level of borrowing and renegotiates its credit agreements as required in order to mitigate this risk.

A 10% change in the interest rate would result in a \$6,000 (\$5,000 in 2019) impact on the unaudited interim condensed consolidated statement of income and comprehensive income.

Foreign exchange risk

The foreign exchange risk is the risk to the Company's earnings that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. Fluctuations in payments made for the Company's products could cause unanticipated fluctuations in the Company's operating results. From time to time, the Company uses derivative instruments to reduce its exposure to foreign exchange fluctuations. As at July 31, 2020 and October 31, 2019, the Company did not hold any foreign currency forward contracts.

The following account balances include amounts expressed in Canadian dollars for which cash flows are denominated in a currency other than the U.S. dollar:

	July 31, 2020	October 31, 2019
	\$	\$
Cash	1,025,414	544,847
Trade and other receivables	19,981	349,034
Investment tax credits receivable	5,514,186	6,092,956
Trade and other payables	3,505,260	3,066,401
Purchase price payable	791,550	1,467,100

If the Canadian dollar were to change by 10% against the U.S. dollar, the impact would be \$110,000 (\$181,000 in 2019) on the unaudited interim condensed consolidated statement of income and comprehensive income.

Liquidity risk

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balances and cash flows generated from operations to meet its requirements. As at July 31, 2020, the most significant financial liabilities are trade and other payables, purchase price payable and term loan.

The Company's financial liabilities have the following maturities as at July 31, 2020:

	Net book value	2021	2022 and thereafter
	\$	\$	\$
Trade and other payables	9,092,842	9,092,842	—
Purchase price payable	791,550	791,550	—
Term loan	1,943,580	1,187,743	755,837

18. CAPITAL RISK MANAGEMENT

The Company's primary uses of capital are for working capital and capital investment. Based on the current level of operations, management believes that cash on hand, cash flows from operations and available borrowings under the credit facility will enable the Company to meet its working capital, capital expenditure, debt service and other funding requirements.

The Company's capital is composed of (i) shareholders' equity and (ii) credit facility and term debt (collectively the "Net Debt"). The Company's aim is to maintain a level of capital that is adequate to meet several objectives, including: (i) an acceptable Net Debt level ratio of interest-bearing debt to EBITDA and (ii) a level of debt service coverage to meet financial covenants in order to provide access to adequate funding sources to support current operations, pursue its internal growth strategy and maintain capital flexibility. The Company's strategy is to maintain a ratio of Net Debt to EBITDA of 2.5 or less.

The Company's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

19. RELATED PARTY DISCLOSURES

Compensation of four (four in 2019) key management personnel:

	Three-months ended July 31,		Nine-months ended July 31,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Salaries, bonuses and benefits	592,518	621,909	2,367,597	2,169,741

The following table shows the number of options to purchase Class "B" common shares issued under the Company's share option plan, which were held by members of the Board of Directors:

	Expiry date	Number of options	Exercise price	July 31, 2020	October 31, 2019
			\$	\$	\$
Issue date					
Non-executive directors 2010	2020	250	1.00	250	250
Non-executive directors 2014	2024	250	1.00	250	250
Non-executive directors 2019	2028	250	1.00	250	250
Executive directors 2014	2024	2000	137.91	275,820	275,820

See Note 3 for information about the share option plan.

Compensation of non-employee directors

For the nine months ended July 31, 2020, and July 31, 2019, independent directors were entitled to cash compensation totaling nil (\$6,750 in 2019), which has been accrued for within trade and other payables. The Company reimburses reasonable costs to attend board and committee meetings.

20. COMMITMENT AND CONTINGENCIES

(a) Commitment

The Company has arrangements whereby royalties are payable on certain sales and the royalty rates decrease as specific volumes are achieved. For the nine-months ended July 31, 2020, and July 31, 2019, the royalty expense amounted to \$28,513 (\$18,656 in 2019).

(b) Contingencies

On March 9, 2017, an entity filed proceedings against the Company alleging that the Company was not entitled to terminate the supply agreement entered into between the parties and breached an exclusivity undertaking. The entity is claiming an amount of \$33,021,941 in damages, plus interest and indemnity. The Company believes the likelihood of an unfavorable outcome in this dispute is not probable. Accordingly, no provision has been recorded.

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

21. OPERATING SEGMENTS

The Company has one reportable segment, the provision of end-to-end video streaming solutions in the North American and international markets.

Geographical information

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

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

	Three-months ended July 31,		Nine-months ended July 31,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Canada	1,247,023	534,987	2,088,544	1,159,303
International	3,641,874	3,540,894	10,302,387	8,961,286
United States	15,457,190	12,551,129	48,596,930	43,501,743
	<u>20,346,087</u>	<u>16,627,010</u>	<u>60,987,861</u>	<u>53,622,332</u>

Non-current assets by geographical area are as follows:

	July 31, 2020	October 31, 2019
	\$	\$
Canada	24,895,304	21,678,590
United States	114,903	151,828
	<u>25,010,207</u>	<u>21,830,418</u>

22. SUBSEQUENT EVENTS

On December 4, 2020, the Board of Directors approved the filing of a prospectus with the securities regulatory authorities in each of the provinces of Canada in connection with an IPO of common shares in the capital of the Company (the Offering). The Offering is expected to consist of a treasury offering of common shares issued from treasury by the Company, payable on closing of the Offering for aggregate proceeds of \$30,000,000. Immediately prior to the completion of the Offering, the Company will complete the following transactions:

- Options to acquire Class B shares or Class D shares will exercised on a cash or cashless basis, which will result in the issuance of an aggregate of 64,955.7 Class B shares and Class D shares;
- The holders of Class A shares and Class B shares will receive from the Company a total payment of \$1,532,180 by way of a dividend or otherwise;
- All outstanding Class A shares, Class B shares, Class C shares, Class D shares and Class E shares will be split on the basis of 85 post-split shares for each pre-split share;

- The authorized share capital will be amended such that it will be comprised of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series;
- All Class A shares, Class B shares, Class C shares, Class D shares and Class E shares will be exchanged for one common share, which will result in the issuance of 20,862,019 common shares; and
- Class A shares, Class B shares, Class C shares, Class D shares and Class E shares included in authorized share capital will be deleted from the articles of incorporation.

23. RESTATEMENT OF PREVIOUSLY REPORTED CONSOLIDATED FINANCIAL STATEMENTS

Subsequent to the issuance of the previously reported consolidated financial statements for the year ended October 31, 2019, an analysis of the functional currency concluded that the U.S. dollar was the functional currency and as a result, the goodwill balance has been restated. Other balances have changed; however, these balances have been deemed immaterial and have not been adjusted in these consolidated financial statements. It was also concluded that the redeemable financial instrument presented as equity should have been classified as a liability and accounted for at fair value with changes in fair value being recorded through the statements of income and comprehensive income.

In addition, we have retrospectively adjusted the presentation of the consolidated financial statements to include a portion of deferred revenue to be presented as non-current liabilities.

The following table summarizes the impact of the restatement on the consolidated financial statements of the Company.

	<u>As previously reported</u>	<u>Effect of restatement</u>	<u>As Restated</u>
	<u>2019</u>	<u>2019</u>	<u>2019</u>
	\$	\$	\$
Consolidated statement of financial position			
Goodwill	12,918,416	1,682,949	14,601,365
Deferred revenue (current liabilities)	8,885,599	(1,328,876)	7,556,723
Deferred revenue (non-current liabilities)	—	1,328,876	1,328,876
Share capital	23,880,939	(2,781,369)	21,099,570
Cumulative translation adjustment	—	1,682,949	1,682,949
Retained earnings	<u>(1,202,556)</u>	<u>2,781,369</u>	<u>1,578,813</u>

**APPENDIX A
BOARD CHARTER**

See attached document.

Haivision

BOARD OF DIRECTORS CHARTER

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I. PURPOSE

The Board of Directors (the “**Board**”) of Haivision Systems Inc. (the “**Corporation**”) is responsible for the supervision of the management of the business and affairs of the Corporation. The Board shall act honestly and in good faith with a view to pursue the best interests of the Corporation, shall discharge its duties directly and through its various subcommittees that may exist from time to time and shall exercise the care, diligence and skill that reasonably prudent persons would exercise in comparable circumstances. The Board shall have the authority to delegate to subcommittees of the Board, provided however that the Board shall not delegate any power or authority required by any law, regulation, rule or stock exchange listing requirement to be exercised by the Board as a whole.

The composition and meetings of the Board are subject to the requirements set forth in the articles and by-laws of the Corporation, as well as in applicable laws and the rules of the Toronto Stock Exchange (the “**TSX**”). The present board of directors charter (“**Board Charter**”) is not intended to limit, enlarge or change in any way the responsibilities of the Board as determined by such articles, by-laws, applicable laws and the rules of the TSX.

II. DUTIES AND RESPONSIBILITIES OF THE BOARD

In furtherance of its purpose, the Board assumes the following duties and responsibilities, some of which are initially reviewed and recommended by the applicable subcommittee of the Board (each, a “**Committee**”) to the full Board for approval:

A. STRATEGY AND BUDGET

1. Review and approve, as appropriate, the Corporation’s mission and business vision.
2. Ensure a strategic planning process is in place and approve, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the business.
3. Approve the Corporation’s annual operating and capital budgets.
4. Review and monitor the Corporation’s performance with reference to the adopted business plan and budgets.
5. Review and approve material transactions and capital investments, not in the ordinary course of business.

B. GOVERNANCE

1. Oversee the Corporation’s policies concerning business conduct, ethics, public disclosure of material information and other matters.
2. Oversee any charitable contributions made by the Corporation that are outside of normal course of business and exceeding \$25,000.
3. Develop, adopt, implement, review and enforce the Corporation’s Code of Conduct, Majority Voting Policy, Disclosure Policy and Whistleblower Policy and any other policies, charters, by-laws or similar documentation covering such related matters that may be adopted by the Board from time to time, and the actions, reports and recommendations received periodically from the Audit Committee, the Nominating and Governance Committee and the Compensation Committee with respect to the conduct of the business in compliance with such policies.

C. BOARD AND COMMITTEE MEMBERS

1. Identify individuals qualified to become Board members, considering, among other things, the size of the Board, the industry in which the Corporation operates, companies similar to the Corporation and the competencies and skills of directors and proposed directors and the nominees for election at the next annual meeting of shareholders of the Corporation.
2. Approve the nomination of directors to the Board and its Committees, as well as:
 - a. ensure that the requisite number of the Corporation’s directors have no direct or indirect material relationship with the Corporation that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and determine who, in the reasonable opinion of the Board, are “independent” in accordance with the foregoing and applicable legislation, regulations and stock exchange listing requirements (including, for greater certainty, the rules and regulations of the TSX);
 - b. develop appropriate qualifications/criteria for the selection of Board members, including criteria for determining director independence; and
 - c. appoint the chair of the Board (the “**Board Chair**”), a lead independent director (the “**Lead Director**”) in accordance with this Board Charter, if necessary, the members of each Committee and the chair of each Committee (each a “**Committee Chair**”), in consultation with the members of the relevant Committee.
3. Determine the directors’ remuneration for Board and Committee service while ensuring that the Corporation’s compensation policy for directors reflects realistically the time spent, responsibilities and risks involved in being an effective director.
4. Assess annually the effectiveness and contribution of the Board, the Board Chair, the Lead Director, each Committee and their respective Committee Chairs and of individual directors.

5. Identify individuals qualified to become members of the audit committee of the Board (the “**Audit Committee**”) in light of the independence, financial literacy, accounting or related financial management experience and other membership requirements set forth under applicable laws, rules, regulations and stock exchange listing requirements (including, for greater certainty, the rules and regulations of the TSX).
6. Provide a comprehensive orientation program for new directors to the Board and continuing education opportunities for all directors to ensure that directors can maintain and enhance their abilities and ensure that their knowledge of the business of the Corporation remains current.
7. Develop written position descriptions for the Board Chair, the Lead Director and the respective Committee Chairs of each Committee.
8. Review and discuss with each of the Committees the appropriateness of their respective charters and any changes to such charters which may be recommended by such Committee to the Board.

D. CEO, CFO, OTHER EXECUTIVE OFFICERS AND COMPENSATION AND BENEFIT POLICIES

1. Appoint the executive officers of the Corporation including, but not limited to, the Chief Executive Officer (the “**CEO**”) and the Chief Financial Officer (the “**CFO**”) and together with the CEO and the other executive officers, as appropriate, the “**Executive Officers**”).
2. Develop a written position description for the role of the CEO.
3. Develop the corporate goals and objectives that each Executive Officer is responsible for meeting and review the performance of each Executive Officer against such corporate goals and objectives.
4. Evaluate, in conjunction with the Compensation Committee, the performance of each Executive Officer in relation with the corporate and, as applicable, personal objectives set by the Board.
5. Approve, upon recommendation of the Compensation Committee, the Corporation’s compensation and benefits policies or any changes thereto for Executive Officers.
6. Approve, by the independent directors, all forms of compensation for the Executive Officers.
7. Ensure, upon recommendation of the Compensation Committee, that the Corporation’s compensation and benefits policies create and reinforce good conduct, ethical behaviour and promote reasonable risk taking.
8. Satisfy itself as to the integrity of the Executive Officers and senior management and that the Executive Officers and senior management create a culture of integrity throughout the organization.
9. Provide stewardship in respect of succession planning, and approve, as may be required, (i) the succession plan with respect to the positions of the Executive Officers, and (ii) the appointment, training and monitoring of the Executive Officers and senior management.

E. RISK MANAGEMENT, CAPITAL MANAGEMENT AND INTERNAL CONTROLS

1. Identify and assess the principal risks of the Corporation’s business, and ensure the implementation of appropriate systems to manage these risks.
2. Ensure the integrity of the Corporation’s internal control system and management information systems and the safeguarding of the Corporation’s assets.
3. Review, approve and, as required, oversee compliance with the Corporation’s disclosure, confidentiality and trading policy (regarding corporate disclosure and confidentiality) (the “**Disclosure, Confidentiality and Trading Policy**”) by directors, Executive Officers, other members of management and employees of the Corporation, as well as such other persons that may, from time to time, have a relationship with the Corporation.
4. Review and approve the Corporation’s internal and external policies for overseeing, communicating and disseminating information with, among others, shareholders, other stakeholders, analysts and the public, the whole in accordance with the Disclosure, Confidentiality and Trading Policy.
5. Review and oversee the Corporation’s internal controls over financial reporting and its disclosure controls and procedures.

6. Review and approve the Corporation's code of conduct and business ethics (the "Code") with the purpose of promoting integrity and deterring wrongdoing, and encouraging and promoting a culture of ethical business conduct and, as required, oversee compliance with the Code by directors, Executive Officers, other members of management and employees of the Corporation, as well as such other persons that may, from time to time, have a relationship with the Corporation and reviewing any waivers or violations of such Code.

F. FINANCIAL REPORTING, AUDITORS AND TRANSACTIONS

1. Review and approve, as required, after they have been recommended for approval by the Audit Committee, the Corporation's annual and interim financial statements, MD&A, prospectus-type documents, earnings press releases (including financial outlook, future-oriented financial information and other forward-looking information) and other disclosure material or related financial information before such information is publicly filed in accordance with the Disclosure, Confidentiality and Trading Policy.
2. Appoint the external auditor of the Corporation (including compensation and the terms and review of their engagement), based on the recommendation of the Audit Committee and subject to the approval of the shareholders of the Corporation, as well as remove the external auditor of the Corporation as the case may be.
3. As appropriate, establish appropriate limits on the authority delegated to the Executive Officers and other members of management of the Corporation to manage the business and affairs of the Corporation.

G. LEGAL REQUIREMENTS AND DIALOGUE WITH STAKEHOLDERS

1. Oversee the adequacy of the Corporation's processes to ensure compliance by the Corporation with applicable legal and regulatory requirements.
2. Establish appropriate measures for receiving feedback from stakeholders.

H. OTHER

1. Review, approve and, as required, oversee, with the assistance of the Nominating and Governance Committee, the compliance with the Corporation's environmental, social, health and safety, governance and ethics policies and guidelines that may be established by the Board, from time to time, by the Corporation's directors, Executive Officers, other members of management and employees of the Corporation, as well as such other persons that may, from time to time, have a relationship with the Corporation.
2. Perform any other function as prescribed by law or as not delegated by the Board to one of the Committees or to management of the Corporation.

III. BOARD CHAIR

A. APPOINTMENT OF THE BOARD CHAIR

The Board shall annually appoint the Board Chair from among the Corporation's directors following the annual meeting of shareholders of the Corporation.

B. DUTIES AND RESPONSIBILITIES OF THE BOARD CHAIR

The Board Chair leads the Board in all aspects of its work and is responsible for effectively managing the affairs of the Board and ensuring that the Board is properly organized and functions efficiently.

More specifically, the Board Chair shall, in addition to any responsibilities that may be attributed to him/her pursuant to a written position description established for the Board Chair, with respect to:

1. Strategy
 - a. provide leadership to enable the Board to act effectively in carrying out its duties and responsibilities as described in this Board Charter and as otherwise may be appropriate; and

- b. work with the Executive Officers to monitor progress on the business plan, annual budgets, policy implementation and succession planning.
2. Board structure and management
- a. chair the meetings of the Board;
 - b. in consultation with the Executive Officers, the corporate secretary of the Corporation (or such other individual or Executive Officer serving in such capacity) (the “**Corporate Secretary**”) and the relevant Committee Chairs, as appropriate, determine the frequency, dates and locations of the meetings of (i) the Board, (ii) the Committees, and (iii) the shareholders of the Corporation;
 - c. in consultation with the Executive Officers and the Corporate Secretary, review the meeting agendas to ensure all required business is brought before the Board to enable it to efficiently carry out its duties and responsibilities;
 - d. ensure the Board has the opportunity, if and when required, to meet separately without non-independent directors and members of management of the Corporation present;
 - e. ensure, in consultation with the relevant Committee Chairs, that all items requiring Board and Committee approval are appropriately tabled;
 - f. ensure the proper flow of information to the Board and review, with the Executive Officers and the Corporate Secretary, the adequacy and timing of materials in support of management’s proposals;
 - g. in conjunction with the relevant Committee (and Committee Chairs), review and assess the directors’ meeting attendance records and the effectiveness and performance of the Board, the Committees (and their respective Committee Chairs) and individual directors;
 - h. ensure that the Board works in a cohesive manner and enable open communication among its members; and
 - i. in conjunction with the Lead Director, if applicable, ensure that the Board is provided with the resources, including external advisers and consultants to the Board as considered appropriate, to permit it to carry out its responsibilities and bring to the attention of the Board Chair and the CEO any issues that are preventing the Board from being able to carry out its responsibilities.
3. Shareholders
- a. chair the annual and any special meeting of the shareholders of the Corporation; and
 - b. ensure that all business that is required to be brought before a meeting of shareholders of the Corporation is brought before such meeting.

IV. LEAD DIRECTOR

A. APPOINTMENT OF LEAD DIRECTOR

If the appointed Board Chair is also an Executive Officer, the directors will annually appoint a Lead Director that will assist the Board Chair in performing the duties and responsibilities associated with the Board Chair. The Lead Director should be sufficiently removed from the day-to-day running of the business to ensure that the Board can objectively oversee the Corporation’s affairs and be attentive to its obligations to its shareholders.

B. DUTIES AND RESPONSIBILITIES OF THE LEAD DIRECTOR

The Lead Director, in addition to any responsibilities that may be attributed to him/her pursuant to the position description of the Lead Director pursuant to any additional position description of the Lead Director, shall have the following responsibilities:

- 1. oversee that the Board discharges its responsibilities, ensure that the Board evaluates performance of management objectively and that the Board understands the boundaries between the Board and management responsibilities;
- 2. perform the duties of the Board Chair when there is a conflict of interest between the Board Chair and Executive Officer roles;

3. evaluate any conflicts of interest affecting the Corporation and determine the process for dealing with the same;
4. in the absence of the Board Chair, serve as the acting chair of the Board presiding over meetings of the Board and meetings of the shareholders of the Corporation;
5. review agendas and give input for meetings of the Board in advance with the Board Chair;
6. act as a resource person and advisor to the CEO and CFO, as well as the various Committees;
7. convene and preside over meetings of the independent directors and communicate the results of these sessions, where appropriate, to the Board Chair, management of the Corporation or the Board;
8. generally serve as the principal liaison between the independent directors and the Board Chair and between the independent directors and management of the Corporation;
9. review annually, on a retrospective basis, the expenses of the Board Chair and of the Executive Officers; and
10. upon request of the Board, carry out any other duties or functions as may be appropriate in the circumstances.

V. EVALUATION OF THE BOARD

The Board shall, on an annual basis, evaluate and review its performance as a whole, as well as the performance of each individual director, Committee and Committee Chairs while taking into account: (i) in the case of the Board as a whole, this Board Charter, (ii) in the case of an individual director, the competencies and skills each individual director is expected to contribute to the Board, (iii) in the case of the Committees as a whole, the relevant committee charter or policy, and (iv) in the case of Committee Chairs, the applicable position description(s).

VI. OUTSIDE ADVISORS

The Board shall have the authority to engage outside counsel and other outside advisors as it deems appropriate to assist the Board in the performance of its functions. The Corporation shall provide appropriate funding for such advisors as determined by the Board.

VII. MEMBERSHIP

The majority of the directors shall, pursuant to applicable laws, rules, regulations and stock exchange listing requirements (including, for greater certainty, the rules and regulations of the TSX): (i) meet the independence requirements; and (ii) have the required experience and qualifications as determined by the Board from time to time.

VIII. PROCEDURES FOR MEETINGS

The Board shall fix its own procedure at meetings and for the calling of meetings. Meetings of the Board will be held quarterly, or more frequently, as required. Independent directors may meet before or after each Board meeting or more often if required. The independent directors shall decide, at each Board meeting, whether an *in camera* meeting without the non-independent directors and management present, as applicable, is appropriate at such meeting.

The Board may invite any of the Corporation's officers, employees, advisors or any other person to attend meetings of the Board to assist in the discussion and examination of the matters under consideration by the Board.

Directors are expected to attend all meetings of the Board and of the Committees (if applicable) and review, in advance, the meeting materials.

The proceedings and deliberations of the Board and the Committees are confidential. Each director shall maintain, at all times, the confidentiality of all information received in his or her capacity as a director of the Corporation.

IX. QUORUM AND VOTING

The majority of the Board shall constitute a quorum for the transaction of business at a meeting. For any meeting(s) at which the Board Chair is absent, the chair of the meeting will be the Lead Director. For any meeting(s) at which the Board Chair and the Lead Director are absent, the Board will, by majority vote, select another director to preside the meeting. At a duly convened meeting, any question shall be decided by a majority of the votes cast.

X. SECRETARY

Unless otherwise determined by resolution of the Board, the Corporate Secretary or his/her delegate shall act as the secretary of the Board and shall be tasked with taking minutes of the meetings of the Board and do such other things as may be requested by the Board, from time to time.

XI. RECORDS

The Board shall keep such records as it may deem necessary of its proceedings.

XII. REVIEW OF CHARTER

The Board shall review and assess the adequacy of this Board Charter annually and at such other times as it considers appropriate, and shall make such changes to this Board Charter as it considers necessary or appropriate.

**APPENDIX B
AUDIT COMMITTEE CHARTER**

See attached document.

Haivision

AUDIT COMMITTEE CHARTER

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I. PURPOSE

The purpose of the audit committee (the “**Audit Committee**”) of the board of directors (the “**Board**”) of Haivision Systems Inc. (the “**Corporation**”) is to assist the Board in its oversight of:

- A. the quality and integrity of the financial statements, the financial reporting process and related information;
- B. the independence, qualifications and appointment and performance of the Corporation’s external auditor (the “**External Auditor**”) and the performance of the Corporation’s internal audit function, if applicable;
- C. the accounting and financial reporting policies, practices and procedures of the Corporation and its subsidiaries and affiliates;
- D. the Corporation’s compliance with applicable legal and regulatory requirements, as applicable and subject to the advice of internal or external legal counsel;
- E. management’s design, implementation and effective conduct of disclosure, internal controls and audit procedures (internal and external) over financial reporting;
- F. preparation of disclosures and reports required to be prepared by the Audit Committee by any law, regulation, rule or stock exchange listing standard;
- G. enterprise risk management processes and practices, treasury, tax, hedging, and financial strategies and policies; and

- H. whistleblower policy and processes, including pursuant to, and in accordance with, the Corporation's whistleblower policy (the "**Whistleblower Policy**").

In addition, the Audit Committee provides an avenue for communication between the External Auditor, management, and other employees of the Corporation, as well as the Board, concerning, among other things, accounting and auditing matters.

The composition and meetings of the Audit Committee are subject to the requirements set forth in the articles and by-laws of the Corporation, as well as in applicable laws and the rules of the Toronto Stock Exchange (the "**TSX**"). The present charter ("**Audit Committee Charter**") is not intended to limit, enlarge or change in any way the responsibilities of the Audit Committee as determined by such articles, by-laws, applicable laws and the rules of the TSX.

II. DUTIES AND RESPONSIBILITIES

The Audit Committee shall perform the functions customarily performed by audit committees and any other functions assigned by the Board. The Audit Committee is responsible for, and has the explicit authority, to investigate any matters that fall within its responsibilities. To that end, the Audit Committee shall have the following duties and responsibilities:

A. FINANCIAL REPORTING AND CONTROL

1. Review and discuss with management and the External Auditor the following:
 - a. major issues regarding accounting principles and financial statement presentation, including any significant changes in the Corporation's selection or application of accounting principles, and issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material control deficiencies;
 - b. analyses prepared by management and/or the External Auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including the adoption of all major accounting policies and practices, any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgments of management that may be material to financial reporting;
 - c. the effect of regulatory and accounting developments, as well as any off-balance sheet arrangements, on the financial statements of the Corporation;
 - d. the type and presentation of information to be included in earnings press releases (including any use of pro-forma or non-IFRS information as well as the presentation of future-oriented financial information and other forward-looking information);
 - e. any going concern assumptions, if any;
 - f. any corporate governance issues which could significantly affect the financial statements; and
 - g. all matters required to be communicated to the Audit Committee under accounting policies, auditing standards or other applicable requirements.
2. Review and discuss with management and the External Auditor, report and, where appropriate, provide recommendations to the Board on the following, prior to its public disclosure in accordance with the Corporation's disclosure, confidentiality and trading policy (the "**Disclosure, Confidentiality and Trading Policy**"):
 - a. the annual and interim consolidated financial statements and related management's discussion and analysis, annual information forms, earnings press releases and the quality and integrity of the financial reporting and internal controls of the Corporation;
 - b. any audit issues raised by the External Auditor and management's response thereto, including any restrictions on the scope of the activities of the External Auditor or access to requested information and any significant disagreements with management;

- c. to the extent not previously reviewed by the Audit Committee, all financial statements included in any prospectus, business acquisition report and all other financial reports, financial statements and other financial information required by regulatory authorities, applicable laws, regulations, rules, stock exchange requirements and/or requiring approval by the Board; and
 - d. any other information deemed necessary to review as determined by the Board, the Executive Officers (as defined below), the External Auditor or the Audit Committee itself
3. Review and discuss reports from the External Auditor on:
- a. all critical accounting policies and practices used by the Corporation;
 - b. all material selections of accounting policies when there is a choice of policies available under IFRS (or other applicable accounting standard) that have been discussed with management, including the ramifications of the use of such alternative treatment and the alternative preferred by the External Auditor;
 - c. other material written communications between the External Auditor and management, and discuss such communications with the External Auditor;
 - d. the adequacy of procedures in place for the review of public disclosure of financial information extracted or derived from the financial statements; and
 - e. all such other reports prepared by the External Auditor, from time to time.

B. OVERSIGHT OF THE EXTERNAL AUDITOR

1. Recommend to the Board the External Auditor to be nominated for the purpose of preparing the External Auditor's report as well as the External Auditor's compensation for doing so. The External Auditor is expected to report directly to the Audit Committee.
2. Oversee the work of the External Auditor and any other auditor preparing or issuing an audit report or performing other audit services or attest services for the Corporation or any subsidiary of the Corporation, where required, and review, report and, provide recommendations to the Board on the appointment, terms and review of engagement, removal, independence and proposed fees of the External Auditor.
3. Approve in advance all audit, review or attest engagement fees and terms for all audit, review or attest services to be provided by the External Auditor to the Corporation and any consolidated subsidiary and any other auditor preparing or issuing an audit report or performing other audit services or attest services for the Corporation or any consolidated subsidiary of the Corporation, where required.
4. Pre-approve all engagements for permitted non-audit services provided by the External Auditor to the Corporation and any consolidated subsidiary, and to this effect, establish policies and procedures as appropriate for the engagement of the External Auditor to provide non-audit services.
5. Establish policies for the hiring of partners, employees and former partners and employees of the External Auditor in order to protect the independence of the External Auditor.
6. At least annually (or as frequently as may be required under applicable laws, regulations, rules or stock exchange requirements), consider, assess, and report to the Board on:
 - a. the independence of the External Auditor, including that the External Auditor's performance of permitted non-audit services does not impair the External Auditor's independence;
 - b. the External Auditor's written statement (i) delineating all relationships between the External Auditor and the Corporation; (ii) assuring that lead audit partner rotation is carried out, as required by law; and (iii) delineating any other relationships that may adversely affect the independence of the External Auditor; and
 - c. the evaluation of the lead audit partner, taking into account the opinions of management.
7. At least annually (or as frequently as may be required under applicable laws, regulations, rules or stock exchange requirements), obtain and review a report by the External Auditor describing:

- a. the External Auditor’s internal quality-control procedures; and
 - b. any material issues raised by the most recent internal quality-control review, or peer review of the External Auditor firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the External Auditor firm, and any steps taken to deal with any such issues.
8. Resolve any disagreement between management and the External Auditor regarding financial reporting.
 9. Review the annual audit plan with the External Auditor.
 10. At least quarterly and when otherwise required or deemed necessary by the Audit Committee, meet with the External Auditor in the absence of management.

C. COMPLIANCE WITH LEGAL AND ACCOUNTING REQUIREMENTS

1. Review and discuss with management, legal counsel and the External Auditor, monitor, report and, when appropriate, provide recommendations to the Board on the adequacy of the Corporation’s processes for complying with laws, regulations, rules, stock exchange listing requirements and applicable accounting standards.
2. Review, on a periodic basis with legal counsel, the Corporation’s legal compliance with respect to: (a) the legal and regulatory matters which may have a material effect on the Corporation and/or its financial statements, including with respect to pending or threatened material litigations; and (b) corporate compliance policies and codes of conduct.

D. OVERSIGHT OF THE CORPORATION’S INTERNAL CONTROL SYSTEM

1. Review and discuss with management (including the internal audit team, as applicable) and the External Auditor, monitor, report and, where appropriate, provide recommendations to the Board on the following:
 - a. the Corporation’s systems of internal controls over financial reporting, including information technology security and control, and any weakness, deficiency, significant finding or recommendation in relation therewith;
 - b. compliance with the policies and practices of the Corporation relating to business ethics;
 - c. compliance by directors, officers and other management personnel with the Disclosure, Confidentiality and Trading Policy; and
 - d. the relationship of the Audit Committee with other committees of the Board, management and the Corporation’s subsidiaries’ audit and other committees, as appropriate.
2. Review and discuss with the chief executive officer (the “CEO”) and chief financial officer (the “CFO”, and together with the CEO and the other executive officers, as appropriate, the “**Executive Officers**”) of the Corporation the process for the certifications to be provided in the Corporation’s public disclosure documents.
3. Review, monitor, report, and, where appropriate, provide recommendations to the Board on the Corporation’s disclosure controls and procedures.
4. Establish procedures for the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, including procedures for confidential, anonymous submissions by employees regarding questionable accounting or auditing matters pursuant to, and in accordance with, among other things, the Whistleblower Policy.

E. OVERSIGHT OF THE CORPORATION’S RISK MANAGEMENT

1. Review, monitor, report and, where appropriate, provide recommendations to the Board on the Corporation’s major business, operational, and financial risk exposures and the guidelines, policies and practices regarding risk assessment and risk management including the following:
 - a. the Corporation’s processes for identifying, assessing and managing risks;

- b. the Corporation's major financial risks, including derivative and tax risks, and operational risk exposures and the steps the Corporation has taken to monitor and control such exposures;
 - c. the Corporation's major security risks and security trends, including cybersecurity and privacy risks, that may impact the Corporation's operations and business; and
 - d. the Corporation's business continuity plans, including work stoppage and disaster recovery plans.
2. Review, monitor, report and, where appropriate, provide recommendations to the Board on the Corporation's compliance with internal policies and practices regarding risk assessment and risk management and the Corporation's progress in remedying any material deficiencies thereto.
 3. When appropriate, ensure that the Corporation and its subsidiaries establish risk assessment and risk management policies, and review and report thereon to the Board.
 4. Review with management the credit worthiness, liquidity and important treasury matters including financial plans and strategies of the Corporation.
 5. Review the Corporation's tax strategy, including its tax planning and compliance with applicable tax laws.
 6. Review with management any hedging strategy that may be in place from time to time, including with respect to foreign exchange and interest rate hedging, financial or physical, intended to manage, mitigate or eliminate risks relation to foreign exchange and interest rate fluctuations.
 7. Review all related party transactions and actual or potential conflicts of interest.

F. RELATIONSHIP WITH THE INTERNAL AUDITOR

1. If no internal audit function exists, the Audit Committee is responsible for periodically reviewing with management the need for such a function.

G. WHISTLEBLOWER, ETHICS, CONDUCT AND INTERNAL CONTROLS COMPLAINT PROCEDURES

In accordance with the terms of the Whistleblower Policy, ensure that the Corporation has in place adequate procedures for:

1. The receipt, retention and treatment of complaints received by the Corporation.
2. The confidential, anonymous submission of concerns regarding questionable matters or circumstances (including allegations with respect to fraud, accounting misconduct, harassment, violence, retaliation, etc.).

III. EVALUATION OF THE AUDIT COMMITTEE AND REPORT TO BOARD

1. The Audit Committee shall evaluate and review with the Board, at least on an annual basis (or as frequently as may be required under applicable laws, regulations, rules or stock exchange requirements), the performance of the Audit Committee as a whole, as well as the performance of the chair of the Audit Committee (the "**Audit Committee Chair**") and of each individual member of the Audit Committee while taking into account: (i) in the case of the Audit Committee as a whole, this Audit Committee Charter, (ii) in the case of the Audit Committee Chair, the applicable position description(s), and (iii) in the case of each individual member of the Audit Committee, the competencies and skills each individual member is expected to contribute to the Audit Committee.
2. The Audit Committee shall evaluate and assess, on an annual basis, the financial literacy and independence of the members of the Audit Committee (in accordance with applicable laws, rules, regulations and stock exchange listing requirements as referenced below).
3. The Audit Committee shall report to the Board periodically on the Audit Committee's activities.

IV. OUTSIDE ADVISORS

The Audit Committee shall have the authority to engage outside counsel and other outside advisors as it deems appropriate to assist the Audit Committee in the performance of its functions. The Corporation shall provide appropriate compensation for such advisors as determined by the Audit Committee.

V. MEMBERSHIP

The Audit Committee shall consist of such number of directors, in no event to be less than three, as the Board may from time to time by resolution determine. The members of the Audit Committee shall meet the independence test and other membership requirements (including the financial literacy requirements pursuant to National Instrument 52-110 – *Audit committees*) under applicable laws, rules, regulations and stock exchange listing requirements.

VI. AUDIT COMMITTEE CHAIR POSITION DESCRIPTION

The Audit Committee Chair shall be appointed by the Board, provided that if the Board does not so designate a chair, the Audit Committee, by majority vote, may designate the Audit Committee Chair. The Audit Committee Chair leads the Audit Committee in all aspects of its work and is responsible for effectively managing the affairs of the Audit Committee and ensuring that it is properly organized and functions efficiently. More specifically, the Audit Committee Chair shall:

1. Provide leadership to enable the Audit Committee to act effectively in carrying out its duties and responsibilities as described elsewhere in this Audit Committee Charter and as otherwise may be appropriate;
2. Ensure that there is an effective relationship between management of the Corporation and the members of the Audit Committee;
3. Chair meetings of the Audit Committee;
4. In consultation with the chair of the Board (the “**Board Chair**”), the lead independent director of the Board (the “**Lead Director**”), to the extent one is appointed, the corporate secretary of the Corporation (the “**Corporate Secretary**”), the Executive Officers, determine the frequency, dates and locations of meetings of the Audit Committee;
5. In consultation with the Executive Officers, review the annual work plan and the meeting agendas to ensure all required business is brought before the Audit Committee to enable it to efficiently carry out its duties and responsibilities;
6. Ensure, in consultation with the Board Chair and the Lead Director, that all items requiring the Audit Committee’s approval, are appropriately tabled;
7. Ensure the proper flow of information to the Audit Committee and review, with the Executive Officers and the Corporate Secretary, the adequacy and timing of materials in support of management’s proposals;
8. Report to the Board on the matters reviewed by, and on any decisions or recommendations of, the Audit Committee at the next meeting of the Board following any meeting of the Audit Committee;
9. Setting forth the Audit Committee’s expectations with respect to information (e.g. nature, level of detail, timing, reports, etc.) and ensuring the information received is responsive to important performance measures and to the key risks the Audit Committee oversees; and
10. Carry out any special assignments or any functions as requested by the Board.

VII. TERM

The members of the Audit Committee shall be appointed or changed by resolution of the Board to hold office from the time of their appointment until the next annual meeting of the shareholders, or until their successors are so appointed.

VIII. PROCEDURES FOR MEETINGS

Meetings of the Audit Committee may be called by any member of the Audit Committee or by the External Auditor. The Audit Committee shall fix its own procedures at meetings and for the calling of meetings. The Audit Committee will meet at least each quarter and otherwise as frequently necessary. The Audit Committee shall meet separately in an “in-camera” session, in the absence of management of the Corporation and the External Auditor, at each regularly scheduled meeting. The Audit Committee will also meet with the External Auditor without management being present.

The Audit Committee may invite any directors, officers or employees of the Corporation or any other person to attend meetings of the Audit Committee to assist in the discussion and examination of the matters under consideration by the Audit Committee. The External Auditor shall receive notice of and attend, at the expense of the Corporation, each meeting of the Audit Committee.

IX. QUORUM AND VOTING

Unless otherwise determined from time to time by resolution of the Board, two members of the Audit Committee shall constitute a quorum for the transaction of business at a meeting. For any meeting(s) at which the Audit Committee Chair is absent, the chair of the meeting shall be the person present who shall be decided upon by all members present. At a meeting, any question shall be decided by a majority of the votes cast by members of the Audit Committee, except where only two members are present, in which case any question shall be decided unanimously.

X. SECRETARY

The Audit Committee will appoint a secretary to the Audit Committee who need not be a director or officer of the Corporation.

XI. VACANCIES

Vacancies at any time occurring shall be filled by resolution of the Board.

XII. LIMITATION ON DUTIES

Notwithstanding the foregoing and subject to applicable law, nothing contained in the present charter is intended to require the Audit Committee to ensure the Corporation's compliance with applicable laws or regulations.

In contributing to the Audit Committee's discharge of its duties under this charter, each member shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this charter is intended or may be construed as imposing on any member a standard of care or diligence that is in any way more onerous or extensive than the standard to which the members of the Board are subject.

The Audit Committee is a committee of the Board and is not and shall not be deemed to be an agent of the Corporation's shareholders for any purpose whatsoever. The Board may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively. The terms contained herein are not intended to give rise to civil liability on the part of the Corporation or its directors or officers to shareholders, security holders, customers, suppliers, competitors, employees or other persons, or to any other liability whatsoever on their part.

The Audit Committee shall discharge its responsibilities and shall assess the information provided by the Corporation's management and any external advisors, including the External Auditor, in accordance with its business judgment. Audit Committee members are not full-time employees of the Corporation and are not, and do not represent themselves to be, professional accountants or auditors. The authority and responsibilities set forth in this Audit Committee Charter do not create any duty or obligation of the Audit Committee to (i) plan or conduct any audits, (ii) determine or certify that the Corporation's financial statements are complete, accurate, fairly presented or in accordance with applicable accounting and audit standards and applicable laws, regulation, rules or stock exchange listing standards, (iii) guarantee the External Auditor's reports, or (iv) provide any expert or special assurance as to internal controls or management of risk. Audit Committee members are entitled to rely, absent knowledge to the contrary, on the integrity of the persons from whom they receive information, the accuracy and completeness of the information provided and management's representations as to any audit or non-audit services provided by the External Auditor.

XIII. RECORDS

The Audit Committee shall keep such records as it may deem necessary of its proceedings and shall report regularly its activities and recommendations to the Board as appropriate.

XIV. ACCESS TO INFORMATION AND AUTHORITY

The Audit Committee will be granted access to all information regarding the Corporation that is necessary or desirable to fulfill its duties and all directors, officers and employees will be directed to cooperate as requested by the members of the Audit Committee. The Audit Committee also has the authority to communicate directly with the External Auditor, the CFO, the lead of the internal audit function, if applicable, as well as any other employee of the Corporation as it deems necessary. The Audit Committee shall have the authority to delegate to subcommittees of the Board, provided however that the Audit Committee shall not delegate any power or authority required by any law, regulation, rule or stock exchange listing requirement to be exercised by the Board, or the Audit Committee, as a whole

XV. REVIEW OF CHARTER

The Audit Committee will annually review and assess the adequacy of this Audit Committee Charter and recommend to the Board any proposed changes for consideration. The Board may amend this Audit Committee Charter, as required.

CERTIFICATE OF THE COMPANY

Dated: December 9, 2020.

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required under the securities legislation of each of the provinces of Canada.

(signed) MIROSLAV WICHA
Chief Executive Officer

(signed) DAN RABINOWITZ
Chief Financial Officer

On behalf of the Board of Directors

(signed) NEIL HINDLE
Director

(signed) HARVEY BIENENSTOCK
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: December 9, 2020.

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required under the securities legislation of each of the provinces of Canada.

CANACCORD GENUITY CORP.

(signed) MYLES HISCOCK

DESJARDINS SECURITIES INC.

(signed) FRANÇOIS CARRIER

BMO NESBITT BURNS INC.

(signed) DAVID WISMER

SCOTIA CAPITAL INC.

(signed) JOHN MEDLAND

BEACON SECURITIES LIMITED

(signed) JUSTIN GILMAN

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