



Quarterhill Inc.

Management's Discussion and Analysis
For the three months and year ended December 31, 2025 and 2024

March 23, 2026

CONTENTS

CONTENTS	1
INTRODUCTION	2
FOURTH QUARTER 2025 HIGHLIGHTS	3
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS	3
NON-IFRS FINANCIAL MEASURES AND NON-IFRS RATIOS	4
DESCRIPTION OF OUR BUSINESS	5
OVERALL PERFORMANCE	6
SELECTED CONSOLIDATED QUARTERLY RESULTS	9
CAPITAL AND LIQUIDITY	10
CONTRACTUAL OBLIGATIONS	11
OUTSTANDING COMMON SHARE DATA	11
OFF-BALANCE SHEET ARRANGEMENTS	11
RELATED PARTY TRANSACTIONS	12
PROPOSED TRANSACTIONS	12
CRITICAL ACCOUNTING ESTIMATES	12
FUTURE ACCOUNTING PRONOUNCEMENTS	13
RISKS AND UNCERTAINTIES	13
DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING	15

INTRODUCTION

This Management's Discussion and Analysis of Quarterhill Inc. (this "MD&A") is dated March 23, 2026. References in this MD&A to "Quarterhill", "the Company", "we", "us" and "our" refer to Quarterhill Inc. and its consolidated subsidiaries during the periods presented, unless the context requires otherwise. References to "Common Shares" in this MD&A refer to common shares in the capital of Quarterhill. References to "Convertible Debentures" in this MD&A refer to Quarterhill's 6.0% Convertible Unsecured Subordinated Debentures due October 30, 2026.

The Common Shares and Convertible Debentures are listed under the symbols "QTRH" and "QTRH.DB" respectively on the Toronto Stock Exchange (the "TSX") and the Common Shares are listed on the United States OTCQX Best Market (the "OTCQX") under the symbol "QTRHF".

Quarterhill is a growth-oriented Canadian company operating in the intelligent transportation system ("ITS") industry. We are a global leader in ITS that manages attractive technology companies in the intelligent transportation systems industry and its adjacent markets.

This MD&A provides information for the three months and year ended December 31, 2025 and up to and including March 23, 2026. This MD&A should be read in conjunction with Quarterhill's consolidated financial statements ("financial statements") and the notes thereto for the three months and year ended December 31, 2025, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Unless otherwise indicated, all financial information in this MD&A is reported in thousands of United States ("U.S.") dollars, except for Common Share and loss per share data which is reported in number of Common Shares and U.S. dollars, respectively. The tables and charts included in this document form an integral part of this MD&A.

This MD&A has been prepared with reference to National Instrument 51-102 - Continuous Disclosure Obligations of the Canadian Securities Administrators. Additional information filed by us with the Canadian Securities Administrators, including quarterly reports, annual reports and our Annual Information Form for the year ended December 31, 2025 (our "AIF"), is available online at www.sedarplus.ca and also on our website at www.Quarterhill.com.

Quarterhill and our operating subsidiaries operate in ever-changing business and competitive economic environments that expose us to a number of risks and uncertainties, many of which are discussed under the heading "Risks and Uncertainties" in this MD&A and under the heading "Risk Factors" in our AIF available online at www.sedarplus.ca.

Our management is responsible for establishing appropriate information systems, procedures and controls to ensure that all financial information disclosed externally, including in this MD&A, and used internally by us, is complete and reliable. These procedures include the review and approval of our financial statements and associated information, including this MD&A, first by our management's Disclosure Committee, then by the Audit Committee of our Board of Directors (the "Board") and, finally, by our Board as a whole.

FOURTH QUARTER 2025 HIGHLIGHTS

Business Performance

Revenues for the three months and year ended December 31, 2025 were \$38,463 and \$155,170 compared to \$38,876 and \$153,305 in the comparative prior year periods, respectively. Revenues for the three months ended December 31, 2025 were comparable to the prior year period. Revenues for the year ended December 31, 2025 increased compared to the prior year, reflecting overall growth in the safety and enforcement business unit.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements and forward-looking information within the meaning of Canadian securities laws, including such statements relating to:

- assumptions and expectations described in our critical accounting policies and estimates;
- our expectation regarding the adoption and impact of certain accounting pronouncements;
- our expectation regarding the growth rates of our subsidiaries' businesses;
- our estimates regarding our effective tax rate;
- our expectations regarding our ability to acquire additional businesses to further our growth; and
- our expectations with respect to the sufficiency of our financial resources.

The words "expect", "anticipate", "estimate", "may", "will", "should", "would", "intend", "believe", "plan", "continue", "project", "could", the negatives of these words or other variations on these words, comparable terms and similar expressions are intended to identify forward-looking statements and forward-looking information. Forward-looking statements and forward-looking information are based on estimates and assumptions made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate in the circumstances. With respect to forward-looking statements contained herein, we have made assumptions regarding, but not limited to: our ability to execute on our business plan; successful integration of acquisitions; general economic and industry trends; operating assumptions relating to our operations; demand for our products and services; cost estimates for fixed price contracts; and the other assumptions set forth in our AIF available at www.sedarplus.ca. There are numerous material risk factors that could cause actual results to differ materially from the forward-looking information, including those discussed under the heading "Risks and Uncertainties" in this MD&A and under the heading "Risk Factors" in our AIF available at www.sedarplus.ca.

Quarterhill's actual results could differ materially from those anticipated in the forward-looking statements, as a result of numerous known and unknown risks and uncertainties and other factors including, but not limited to: changes in demand for our products and services; general economic, political, market and business conditions, including fluctuations in interest rates, foreign exchange rates and stock market volatility; the impacts of tariffs or other economic sanctions imposed; reliance on key management personnel; risks related to competition and technological advances; litigation risks; cyber-security risks; fixed price contracts may result in unexpected costs; risks of health epidemics, pandemics and similar outbreaks; and the other risks set forth in our AIF available at www.sedarplus.ca.

We provide forward-looking statements and forward-looking information to assist external stakeholders in understanding our management's expectations and plans relating to the future as of the date of this MD&A and such statements and information may not be appropriate for any other purposes. The forward-looking statements and forward-looking information in this MD&A are made as of the date of this MD&A only. Readers are cautioned that the foregoing lists of important factors are not exhaustive, and they should not unduly rely on the forward-looking statements included herein. We have no intention and undertake no

obligation to update or revise any forward-looking statements or forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

NON-IFRS FINANCIAL MEASURES AND NON-IFRS RATIOS

Non-IFRS Financial Measures and Non-IFRS Ratios

Quarterhill uses both IFRS and certain non-IFRS financial measures to assess performance. Non-IFRS financial measures are financial measures disclosed by a company that (a) depict historical or expected future financial performance, financial position or cash flow of a company, (b) with respect to their composition, exclude amounts that are included in, or include amounts that are excluded from the composition of the most directly comparable financial measure disclosed in the primary financial statements of the company, (c) are not disclosed in the financial statements of the company and (d) are not a ratio, fraction, percentage or similar representation. Non-IFRS ratios are financial measures disclosed by a company that are in the form of a ratio, fraction, percentage or similar representation that has a non-IFRS financial measure as one or more of its components, and that are not disclosed in the financial statements of the Company.

These non-IFRS financial measures and non-IFRS ratios are not standardized financial measures under IFRS and, therefore, are unlikely to be comparable to similar financial measures presented by other companies. Management believes these non-IFRS financial measures and non-IFRS ratios provide transparent and useful supplemental information to help investors evaluate our financial performance, financial condition, and liquidity using the same measures as management. These non-IFRS financial measures and non-IFRS ratios should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with IFRS.

Adjusted EBITDA - Non-IFRS Financial Measure

In this MD&A, we use the non-IFRS financial measure “Adjusted EBITDA” to mean net income (loss) adjusted for (i) income taxes; (ii) finance expense or income; (iii) amortization and impairment of intangibles; (iv) impairment of goodwill; (v) other charges and other one-time items; (vi) depreciation of right-of-use assets and property, plant and equipment; (vii) stock-based compensation; (viii) foreign exchange (gain) loss; (ix) other income which includes equity in earnings from joint ventures; and (x) changes in fair value of derivative liability. Adjusted EBITDA is used by our management to assess our normalized cash generated. Adjusted EBITDA is also a performance measure that may be used by investors to analyze the cash generated by Quarterhill. Adjusted EBITDA should not be interpreted as an alternative to net income (loss) and cash flows from operations as determined in accordance with IFRS or as a measure of liquidity. The most directly comparable IFRS financial measure is net loss. See the Reconciliation of Net Loss to Adjusted EBITDA within the Overall Performance section of this MD&A.

Adjusted EBITDA per share – Non-IFRS ratio

Adjusted EBITDA per share is calculated as Adjusted EBITDA divided by the basic weighted average of Common Shares. Adjusted EBITDA per share is used by our management and investors to analyze cash generated by Quarterhill on a per share basis. The most directly comparable IFRS measure is earnings per share.

Supplementary Financial Measures

Supplementary financial measures are financial measures disclosed by a company that (a) are, or are intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of a company, (b) are not disclosed in the financial statements of the company, (c) are not non-IFRS financial measures, and (d) are not non-IFRS ratios.

Key supplementary measures disclosed in this MD&A are as follows:

Gross margin %

Calculated as gross profit as a percentage of revenue.

Working capital

Calculated as total current assets minus total current liabilities.

DESCRIPTION OF OUR BUSINESS

Quarterhill is a disciplined manager and acquirer of established ITS companies. Our goal is to pursue both organic and inorganic growth that capitalizes on attractive market trends in the ITS industry and its adjacent markets. Additionally, in appropriate circumstances, we may also divest certain assets if favourable conditions for such a divestiture are presented.

Strategy

We are focusing our business on building a consistently profitable company through the management and growth of companies in the ITS industry and its adjacent markets.

We believe that if we increase the share of our revenue derived from recurring sources we will also increase the predictability of our revenues and cash flows. This will allow us to better scale our operations to ensure we meet our strategic mandate of operating profitably regardless of the prevailing economic market conditions as we grow both organically and through acquisitions. In appropriate circumstances, we may also divest certain assets if favourable conditions for such a divestiture are presented.

Our existing businesses are fully described in more detail in our AIF.

Our Business

Our businesses are focused on enhancing safety, mobility, efficiency and environmental performance across road and other transportation infrastructure by providing ITS products, solutions and services. Based on market research, we believe the global ITS industry is expected to exceed \$70 billion by 2029¹, influenced by major driving factors such as infrastructure spending, public safety, traffic congestion, smart city development and environmental impact. We believe that we are well positioned to capitalize on these trends.

Our businesses are leading providers of essential ITS products, solutions and services with more than 60 years of combined experience in areas such as commercial vehicle enforcement and tolling. Our customers include government transportation and tolling agencies, traffic engineering operators and industrial, and transportation service companies worldwide.

We have predictable and recurring revenue streams derived from selling ITS systems, products and solutions through long-term customer relationships and recurring service contracts. Our businesses offer a portfolio of integrated hardware and software to detect, measure and analyze a variety of transportation metrics which produces a valuable source of analytics and telematics for users. With a variety of product and service offerings throughout our operations in North America and Europe, we believe there is an abundance of opportunity to create scale and efficiencies. We remain focused on building robust cash flows and controlling expenses throughout all our businesses to facilitate a healthy and sustainable balance sheet capable of supporting both our organic and acquisitive growth strategies.

¹ "Intelligent Transportation System Market – Global Forecast to 2029", MarketsandMarkets, July 2024, p. 46.

OVERALL PERFORMANCE

	Three months ended December 31,		Year ended December 31,	
	2025	2024	2025	2024
Revenues	\$38,463	\$38,876	\$155,170	\$153,305
Direct cost of revenues	26,363	31,099	122,341	125,528
Gross profit	12,100	7,777	32,829	27,777
Operating expenses				
Selling, general and administrative expenses	11,212	6,913	38,820	28,486
Impairment of goodwill	31,412	-	31,412	-
Research and development expenses (recovery)	(639)	306	652	1,377
Depreciation of right-of-use assets	399	369	1,324	1,450
Depreciation of property, plant and equipment	269	394	1,372	1,538
Amortization of intangible assets	2,187	2,307	8,276	8,473
Other charges	1,102	923	1,909	2,391
	45,942	11,212	83,765	43,715
Results from operations	(33,842)	(3,435)	(50,936)	(15,938)
Finance income	(4)	(127)	(182)	(535)
Finance expense	1,575	1,468	6,139	6,470
Foreign exchange (gain) loss	899	(3,310)	3,095	(3,962)
Other income	(1,364)	(2,254)	(5,071)	(6,262)
Change in fair value of derivative liability	(1)	(248)	(520)	(1,674)
Loss before taxes	(34,947)	1,036	(54,397)	(9,975)
Current income tax expense	(172)	50	605	440
Deferred income tax expense (recovery)	(304)	714	(592)	607
Income tax expense (recovery)	(476)	764	13	1,047
Net loss	(34,471)	272	(54,410)	(11,022)
Other comprehensive income (loss) that may be reclassified subsequently to net loss:				
Foreign currency translation adjustment	19	(3,546)	1,875	(3,504)
Comprehensive loss	(\$34,452)	(\$3,274)	(\$52,535)	(\$14,526)
Loss per share - Basic	(\$0.29)	\$0.00	(\$0.47)	(\$0.10)
Loss per share - Diluted	(\$0.29)	\$0.00	(\$0.47)	(\$0.10)

Our revenue streams consist of revenues earned on contracted projects, which are generally recognized over time, product sales, hardware and software system implementations, and service and maintenance contracts. Service and maintenance projects generally range from one to five-year terms but can be renewed with some contracts that could reach up to ten years or more. For project-based work, revenues will routinely vary significantly depending on the timing and nature of the specific projects underway in each reporting period.

Revenues for the three months and year ended December 31, 2025 were \$38,463 and \$155,170 compared to \$38,876 and \$153,305 in the comparative prior year periods, respectively. Revenues for the three months ended December 31, 2025 were comparable to the prior year period. Revenues for the year ended December 31, 2025 increased compared to the prior year, reflecting overall growth in the safety and enforcement business unit.

Gross profit as a value and as a percentage of revenues may be subject to significant variance in each reporting period due to the nature and type of contract and service work performed and currency volatility. Gross profit for the three months and year ended December 31, 2025 were \$12,100 and \$32,829 or 31% and 21%, as compared to \$7,777 and 27,777, or 20% and 18%, in the prior year comparative periods. The increase in gross profit percentages compared to the prior year period was primarily due to the restructuring, improved margins on certain tolling contracts and continued strong margin performance in the Company's safety and enforcement operations.

Total operating expenses are comprised of selling, general and administrative costs ("SG&A"), research and development ("R&D") costs, impairment of goodwill, depreciation, amortization of intangible assets and other charges. Total operating expenses for the three months and year ended December 31, 2025 were \$45,942 and \$83,765, or 119.4% and 54.0% as a percentage of revenue, compared to \$11,212 and \$43,715 or 29.6% and 28.4% as a percentage of revenue, in the prior year comparative periods. The increase for the three months and year ended December 31, 2025 is primarily due to goodwill impairment, stock-based compensation, recruitment, technical consulting, facilities expenses and other charges.

We are committed to continual investments in R&D to enhance our current products and advance the availability of new products within the ITS industry. For the three months and year ended December 31, 2025, net R&D spending levels as a percentage of revenue were approximately -1.7% and 0.4% as compared to 0.8% and 0.9% in the comparative prior year periods, respectively. R&D expenses compared to the prior year comparative periods declined due to capitalization of development costs.

For the three months and year ended December 31, 2025 we recognized income tax expense of \$476 and income tax recovery of \$13 compared to income tax (recovery) expense of \$(764) and \$1,047 for the comparative prior year periods, respectively.

The Company is exposed to foreign exchange risk primarily relating to its revenue, operating and capital expenditures, and net assets held in foreign currencies. This is more fully described in the Risks and Uncertainties section.

For the three months and year ended December 31, 2025, other income was \$1,364 and \$5,071 compared to \$2,254 and \$6,262 in the prior year comparative periods. For the three months and year ended December 31, 2025, other income included dividends of \$1,148 and \$4,551 from WiLAN.

Reconciliation of Net Loss to Adjusted EBITDA

Management considers Adjusted EBITDA, a non-IFRS financial measure, to be a useful indicator for the business to capture financial performance in a given period related to the operations of Quarterhill.

We reported Adjusted EBITDA of \$4,387 and \$(343) for the three months and year ended December 31, 2025, compared to \$1,150 and \$233 for the comparative prior year periods, respectively. The increase in Adjusted EBITDA for the three months ended December 31, 2025, compared to the prior year period is due to the factors impacting revenue, gross margin and expenses, as previously described. Other charges generally consist of advisor fees, accounting and valuation fees, due diligence related

expenses and legal fees, restructuring charges, and other one-time items. Items not reflective of underlying operating performance in the period have been excluded in the calculation of Adjusted EBITDA. The remaining adjustments relate to finance income or expense, depreciation and amortization, non-cash stock-based compensation, change in fair value of derivative liability, other acquisition related accounting items and other one-time charges.

From time to time, we may acquire businesses in purchase transactions that typically result in the recognition of goodwill and other identifiable intangible assets. Acquired goodwill is not amortized but is subject to impairment testing at least annually and as other events and circumstances dictate. Other identifiable intangible assets are typically subject to amortization and, therefore, will likely increase future expenses. The determination of the value of such intangible assets requires us to make estimates and assumptions. We have ascribed value to identifiable intangible assets other than goodwill in our purchase price allocations including, but not limited to, backlog, trade name, non-competition agreements, customers and developed software related intangible assets. To the extent we ascribe values to identifiable intangible assets that have finite lives, we amortize those values over the estimated useful lives of the assets.

Reconciliation of Net Loss to Adjusted EBITDA

	Three months ended December 31,			
	2025		2024	
	\$	Per Share ^[3]	\$	Per Share
Net loss	(\$34,471)	(\$0.29)	\$272	\$0.00
Adjusted for:				
Income tax expense (recovery)	(476)	(0.00)	764	0.01
Foreign exchange (gain) loss	899	0.01	(3,310)	(0.03)
Finance expense, net	1,571	0.01	1,341	0.01
Impairment loss on goodwill	31,412	0.26	-	-
Other charges	1,102	0.01	923	0.01
Depreciation and amortization	2,855	0.02	3,070	0.03
Stock based compensation expense	2,720	0.02	592	0.02
Non-recurring project costs ^[1]	140	0.00	-	-
Change in fair value of derivative liability	(1)	-	(248)	(0.00)
Other income	(1,364)	(0.01)	(2,254)	(0.02)
Adjusted EBITDA ^[2]	\$4,387	\$0.04	\$1,150	\$0.02

Weighted average number of Common Shares

Basic	118,814,471	115,393,052
-------	--------------------	-------------

[1] Non-recurring project costs relates to legal expenses for a specific project that will not continue in the future.

[2] Refer to Adjusted EBITDA - Non-IFRS Financial Measure

[3] Refer to Adjusted EBITDA per share – Non-IFRS ratio

	Year ended December 31,			
	2025		2024	
	\$	Per Share ^[3]	\$	Per Share
Net loss	(\$54,410)	(\$0.47)	(\$11,022)	(\$0.10)
Adjusted for:				
Income tax expense	13	0.00	1,047	0.01
Foreign exchange loss (gain)	3,095	0.02	(3,962)	(0.03)
Finance expense, net	5,957	0.04	5,935	0.05
Impairment loss on goodwill	31,412	0.27	-	-
Other charges	1,909	0.02	2,391	0.02
Depreciation and amortization	10,972	0.09	11,461	0.10
Stock based compensation expense	6,160	0.05	2,319	0.02
Non-recurring project costs ^[1]	140	0.00	-	-
Change in fair value of derivative liability	(520)	0.00	(1,674)	(0.02)
Other income	(5,071)	(0.04)	(6,262)	(0.04)
Adjusted EBITDA ^[2]	(\$343)	(\$0.02)	\$233	\$0.01

Weighted average number of Common Shares

Basic	116,785,826	115,369,947
-------	-------------	-------------

[1] Non-recurring project costs relates to legal expenses for a specific project that will not continue in the future.

[2] Refer to Adjusted EBITDA - Non-IFRS Financial Measure

[3] Refer to Adjusted EBITDA per share – Non-IFRS ratio

SELECTED CONSOLIDATED QUARTERLY RESULTS

Selected Quarterly Results

Quarter ended	Revenues	Net (loss) income	Net (loss) income per share (basic)	Adjusted EBITDA*	Adjusted EBITDA per share* (basic)
	\$ 000s	\$ 000s	\$	\$ 000s	\$
December 31, 2025	38,463	(34,471)	(0.29)	4,387	0.04
September 30, 2025	39,743	(4,734)	(0.04)	1,386	0.01
June 30, 2025	43,075	(6,835)	(0.06)	(2,679)	(0.03)
March 31, 2025	33,889	(8,370)	(0.07)	(3,437)	(0.03)
December 31, 2024	38,876	272	0.00	1,150	0.01
September 30, 2024	38,019	(4,109)	(0.04)	(2,758)	(0.02)
June 30, 2024	41,513	(2,967)	(0.03)	1,672	0.01
March 31, 2024	34,897	(4,218)	(0.03)	169	0.01

* Adjusted EBITDA and the respective per share amounts are non-IFRS measures; please refer to "Non-IFRS Financial Measures and Non-IFRS Ratios" and "Reconciliation of Net Loss to Adjusted EBITDA" sections of this MD&A.

Historically, our operating results have fluctuated on a quarterly basis and we expect that quarterly results will continue to fluctuate in the future, as revenues derived from the ITS business may be subject to varying project phases and seasonality. Operating results for interim periods should not be relied upon as an indication of the results to be expected or achieved in any future period or any fiscal year as a whole. The risk factors affecting our revenue and results, many of which are outside of our control, include those set out under the heading “Risk Factors” in our AIF.

CAPITAL AND LIQUIDITY

The Company’s capital management objectives are to maintain financial flexibility in order to pursue its strategy of organic growth and acquisition. The Company defines our capital as cash, the aggregate of cash and cash equivalents, long-term debt, convertible debentures and shareholders’ equity. The Company manages its capital structure in accordance with changes in economic conditions. To maintain or adjust its capital structure, the Company may purchase Common Shares for cancellation pursuant to one or more normal course issuer bids and/or substantial issuer bids, issue new Common Shares, issue convertible debentures or raise or retire our debts.

Cash generated from operations for the three months and year ended December 31, 2025, was \$4,086 and \$2,340 compared to cash generated from (used in) operations of \$6,542 and \$(4,422) in the prior year comparative periods. Our cash and cash equivalents totaled \$24,846 as at December 31, 2025 compared to \$31,893 as at December 31, 2024, representing a decrease of \$7,047 primarily due to the operational losses, debt repayment, and working capital fluctuations. At December 31, 2025, working capital was \$(3,793) compared to \$28,886 at December 31, 2024. Negative working capital is a result of the reclassification to current liabilities of \$40,395 for convertible debentures which have a maturity date of October 30, 2026 and long-term debt of \$13,938 with a maturity of September 1, 2026.

Management is actively engaged in discussions with both current and potential lenders regarding the refinancing of our credit facilities, including long-term debt and convertible debentures. These efforts reflect the Company’s commitment to optimizing its capital structure and enhancing financial flexibility. Based on these discussions we believe that the Company will have sufficient funds available to meet its liquidity requirements for the foreseeable future and our forecasted cash flow requirements.

Due to the nature of our business activities, operating cash flows may vary significantly between periods due to changes and timing in working capital balances. Our cash resources are generally used to fund our operations, provide working capital to any of our subsidiaries if needed and to acquire additional businesses. We may also fund our ongoing cash requirements using additional short-term and long-term debt and, if desirable, based on market conditions, by selling Common Shares and debt securities to the public.

In 2021, to finance the acquisition of Electronic Transaction Consultants, LLC (“ETC”), we entered into a credit agreement to receive senior secured credit facilities from HSBC Bank Canada and Royal Bank of Canada consisting of a revolving credit facility in the maximum amount of \$15,000 and a term credit facility of \$50,000. These facilities replaced all existing credit facilities we had with HSBC Bank Canada. The interest rate as at December 31, 2025 was 6.45% and both facilities have a maturity date of September 1, 2026 with a general security agreement over all the assets in North America of IRD, ETC and its parent holding company, Quarterhill USA, Inc. The carrying value of these assets as at December 31, 2025 was \$199,739. As at and during the year ended December 31, 2025, we repaid \$3,062 of the term loan and had no borrowings or repayments on the revolving credit facility.

On August 6, 2025 (the “Amendment Date”), the Company finalized an amendment to its credit agreement. As of the Amendment Date, the balance of the term loan was \$16,469. The amendment modified certain terms and conditions of the credit agreement to provide the Company with additional flexibility in its covenant and cash management, including a waiver of the Senior Leverage Ratio to September 30, 2025. This waiver has been extended from September 30, 2025 to April 30, 2026.

The amendment required the Company to repay \$2,000 of principal in addition to the previously scheduled repayment amounts of long-term debt and includes the following financial covenants the Company must maintain:

- A Fixed Charge Coverage Ratio of at least 1.20 to 1.00 on a rolling four-quarter basis. The Fixed Charge Coverage Ratio has been waived to September 30, 2025. This waiver has been extended from September 30, 2025 to April 30, 2026.
- A Senior Leverage Ratio of not more than 3.00 to 1.00. This ratio may increase by 0.50 to 1.00 for the next two fiscal quarters immediately following an acquisition if the aggregate purchase price is equal to or greater than \$20,000. The Senior Leverage Ratio has been waived to September 30, 2025. This waiver has been extended from September 30, 2025 to April 30, 2026.
- Certain minimum earnings thresholds must be met at each reporting quarter.

The Company was in compliance with the minimum earnings threshold for the three months ended December 31, 2025.

CONTRACTUAL OBLIGATIONS

Contractual obligations relating to accounts payable and accrued liabilities, long-term debt, convertible debentures and lease liabilities as at December 31, 2025 are due as follows:

	Total	Less than 1 year	1 - 3 years	4 - 5 years	Thereafter
Accounts payable and accrued liabilities	\$34,156	\$34,156	-	-	-
Long-term debt	13,883	13,883	-	-	-
Convertible debentures	41,940	41,940	-	-	-
Lease liabilities	6,069	2,342	2,903	824	-
	\$96,048	\$92,321	\$2,903	\$824	\$-

OUTSTANDING COMMON SHARE DATA

We are authorized to issue an unlimited number of Common Shares, 6,351 special preferred, redeemable, retractable, non-voting shares and an unlimited number of preferred shares, issuable in series. As at December 31, 2025, there were 118,992,746 Common Shares and no special or preferred shares issued and outstanding. We also maintain the Quarterhill Inc. 2018 Equity Incentive Plan (the "Equity Plan"). Under the Equity Plan, we can issue a maximum of 12% of our issued and outstanding Common Shares from time to time which was, as at December 31, 2025, up to 14,050,544 Common Shares. As at December 31, 2025, we had options granted to purchase up to 3,705,132 Common Shares.

OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2025, the Company had no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Subsidiaries

The financial statements include the accounts of Quarterhill Inc. and its wholly-owned subsidiaries. Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this section.

PROPOSED TRANSACTIONS

There are no proposed transactions.

CRITICAL ACCOUNTING ESTIMATES

Key areas involving estimation, uncertainty and critical judgments include the following:

Revenue Recognition

Contract revenue, contract costs, contract liabilities and contract assets are based on estimates and judgments used in determining the progress of a contract. Estimates include amounts derived to measure the progress of the contract. Progress towards completion is measured by comparing the actual costs incurred to the total estimated costs for the contract. In determining the estimated costs to complete the contracts, assumptions and estimates are required to evaluate issues related to schedule, material and labour costs, changes in contract scope and subcontractor costs. Due to the nature of project contracts, estimates may change significantly between accounting periods. Changes in estimates are reflected in the period in which the circumstances that gave rise to the change became known and affect the Company's revenue, contract assets, and contract liabilities.

Impairments for Non-financial Assets and Impairment Reversals

Quarterhill's estimate of the recoverable amount for the purpose of impairment testing requires management to make assumptions regarding estimates of the present value of future cash flows including growth opportunities, economic risk, and the discount rate. These same assumptions are also used when assessing recoverability of impairments previously recognized.

Income Taxes and Deferred Taxes

Quarterhill is subject to income taxes in Canada and other foreign jurisdictions. The calculation of income taxes in many cases, however, requires significant judgment in interpreting tax rules and regulations. The Company's tax filings are subject to audits which could materially change the amount of current and deferred income taxes and liabilities. Additionally, estimation of the income tax provision includes evaluating the recoverability of deferred tax assets based on the assessment of the Company's ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based on existing tax laws, estimates of future profitability and tax planning strategies. If the future taxable results of the Company differ significantly from those expected, the Company would be required to increase or decrease the carrying value of the deferred tax assets with a potentially material impact on the Company's consolidated statements of financial position and consolidated statements of comprehensive income. The carrying amount of deferred tax assets is reassessed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to utilize all or part of the deferred tax assets. Unrecognized deferred tax assets are recognized to the extent that it is more likely than not that taxable income will be available against which deferred tax assets can be utilized.

FUTURE ACCOUNTING PRONOUNCEMENTS

IFRS 18, *Presentation and Disclosure in the Financial Statements* (“IFRS 18”)

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 and aims to improve the quality of financial reporting by introducing three sets of new requirements, which include new required categories and subtotals in the statement of profit and loss, disclosure about management-defined performance measures, and enhanced guidance on grouping of information. This standard is effective for annual periods beginning on or after January 1, 2027, with early adoption permitted.

Amendments to IFRS 9 and IFRS 7, “Classification and Measurement of Financial Instruments”

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) which aims to clarify the classification and measurement of certain financial instruments. For a financial liability, the amendments clarify derecognition should be on settlement date – when the obligation is discharged, canceled, expired or otherwise qualified for derecognition. In addition, a new accounting policy option allows for derecognition of financial liabilities through electronic payment systems before settlement date, provided specific conditions are met.

The amendments also clarify how to assess the contractual cash flow characteristics of financial assets with Environmental, social and governance (“ESG”)-linked features or other similar contingent features, and treatment of non-recourse assets and contractually linked instruments. Enhanced disclosure requirements are introduced for financial assets and liabilities with contractual terms referencing contingent events (including those that are ESG-linked) and equity instruments classified at fair value through other comprehensive income. The new requirements will be applied retrospectively with adjustment to opening retained earnings. Prior periods are not required to be restated and can only be restated without using hindsight. The amendments will be effective for annual periods beginning on or after January 1, 2026, with early adoption permitted for financial assets classification and the related disclosures.

Management is currently assessing the impact of these amendments.

RISKS AND UNCERTAINTIES

Quarterhill operates in a dynamic and competitive business environment that exposes it to a number of risks and uncertainties. This MD&A is qualified in its entirety by the risk factors described under the heading “Risk Factors” in the AIF. The risks and uncertainties discussed in greater detail under the heading “Risk Factors” in our AIF are not, however, the only risks we face. We may also be subject to additional risks and uncertainties that are currently unknown or not currently deemed material to our business operations. If any of the risks or uncertainties we face were to occur, they could materially affect our future operating results and could cause actual events and results to differ materially from those which we expect or that we have described in our forward-looking statements.

In addition to the risk factors identified in our AIF, we may be exposed to other risks as follows:

Credit Risk

Credit risk is the risk of financial loss to the Company if a counter-party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable and unbilled revenue.

Our cash and cash equivalents consist primarily of deposit investments that are held primarily with Canadian and American chartered banks. Management does not expect any counter-parties to fail to meet their obligations.

We recognize a loss allowance provision using the simplified approach based on lifetime expected credit losses. Our exposure to credit risk with our accounts receivable from customers is influenced mainly by the individual characteristics of each customer. Our operating subsidiaries' customers are for the most part, large multinational companies or government organizations which do not have a history of non-payment. Credit risk from accounts receivable encompasses the default risk of customers. Prior to entering into transactions with new customers, we assess the risk of default associated with the particular customer. In addition, on an ongoing basis, management monitors the level of accounts receivable attributable to each customer and the length of time taken for amounts to be settled and where necessary, takes appropriate action to follow up on those balances considered overdue. We have had no material bad debts for any periods presented.

None of the amounts outstanding have been challenged by the respective counterparties and we continue to conduct business with them on an ongoing basis.

Quarterhill reviews financial assets on an ongoing basis with the objective of identifying potential matters which could delay the collection of funds at an early stage. Once items are identified as being past due, contact is made with the respective customer to determine the reason for the delay in payment and to establish an agreement to rectify the breach of contractual terms.

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due. Our objective in managing liquidity risk is to ensure that we have sufficient liquidity available to meet our liabilities when due. We manage our liquidity needs through various sources including cash generated through operations, cash reserves, various revolving credit facilities, long-term debt, convertible debentures and the issuance of Common Shares.

Market Risk

Market risk is the risk that the fair value of future cash flows from our financial instruments will fluctuate due to changes in interest rates and foreign currency exchange rates.

Interest Rate Risk

The financial instruments that expose the Company to interest rate risk are its cash and cash equivalents, short-term investments, bank indebtedness and long-term debt. The Company's objectives of managing its cash and cash equivalents and short-term investments are to ensure sufficient funds are maintained on hand at all times to meet day-to-day requirements and to place any amounts that are considered in excess of day-to-day requirements on short-term deposit with the Company's banks so that they earn interest. When placing amounts of cash and cash equivalents into short-term investments, the Company only places investments with Canadian chartered banks and ensures that access to the amounts placed can be obtained on short notice. A one percent increase or decrease in interest rates would not have resulted in a material increase or decrease in interest income or expense during the year ended December 31, 2025.

Currency Risk

Portions of the Company's revenues and operating expenses are denominated in Canadian dollars, euros and British pounds. Because these financial statements are reported in U.S. dollars, the Company's operating results are subject to changes in the exchange rate of the foreign currencies (primarily Canadian dollars and euros) relative to the U.S. dollar. For instance, a decrease in the value of the Canadian dollar relative to the U.S. dollar has an unfavourable impact on Canadian dollar denominated revenues and a favourable impact on Canadian dollar denominated direct cost of revenues and operating expenses. Approximately 12% of the Company's cash and cash equivalents are denominated in Canadian dollars and euros, and are subject to changes in the exchange rate of the Canadian dollar and euro relative to the U.S. dollar.

U.S. Tariffs

The recent introduction of new U.S. tariffs on goods imported from Canada, Mexico and China, along with any retaliatory actions by trading partners, could increase the Company's operating and administrative expenses and result in a deterioration of broader economic conditions, which could materially affect our future operating results.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Our Chief Executive Officer and Chief Financial Officer have designed or caused to be designed under their supervision, disclosure controls and procedures which provide reasonable assurance that material information regarding Quarterhill is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer in a timely manner.

In addition, our Chief Executive Officer and Chief Financial Officer have designed or caused to be designed under their supervision internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements. The control framework used to design our ICFR is the "Internal Control - Integrated Framework (2013)" published by the Committee of Sponsoring Organizations of the Treadway Commission.

As of December 31, 2025, an evaluation was performed on the effectiveness of ICFR to provide reasonable assurance regarding the reliability of financial reporting and financial statement compliance with IFRS. Based on the evaluation, management believes that the Company's ICFR was designed and operating effectively in all material respects as at that date to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes to our ICFR during the three months and year ended December 31, 2025 that have materially affected, or are reasonably likely to materially affect, our ICFR.

A control system, no matter how well designed, can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, our disclosure controls and procedures and our internal controls over financial reporting are effective in providing reasonable, not absolute, assurance that the objectives of our control systems have been met.

Quarterhill Inc.
200 Bay Street, North Tower
Suite 1200
Toronto, ON Canada
M5J 2J2
www.quarterhill.com