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## Quarterhill Inc.

2026 First Quarter

Interim Condensed Consolidated Financial Statements

(Unaudited)

# Interim Condensed Consolidated Statements of Loss and Comprehensive Loss (Unaudited)



(in thousands and in United States dollars, except share and per share amounts)

	Note	Three months ended March 31,	
		2026	2025
Revenues	6	\$38,614	\$33,889
Direct cost of revenues		27,903	29,958
<b>Gross profit</b>		<b>10,711</b>	<b>3,931</b>
Operating expenses			
Selling, general and administrative expenses		11,131	8,031
Research and development expenses		307	281
Depreciation of right-of-use assets		400	335
Depreciation of property, plant and equipment		353	369
Amortization of intangible assets		2,178	1,974
Other charges	12	35	241
		14,404	11,231
Results from operations		(3,693)	(7,300)
Finance income		(40)	(55)
Finance expense		1,460	1,493
Foreign exchange (gain) loss		(271)	272
Other income		(125)	(317)
Change in fair value of derivative liability	10	-	(430)
Loss before taxes		(4,717)	(8,263)
Current income tax expense		723	109
Deferred income tax recovery		(191)	(2)
Income tax expense		532	107
<b>Net loss</b>		<b>(5,249)</b>	<b>(8,370)</b>
Other comprehensive income (loss) that may be reclassified subsequently to net loss:			
Foreign currency translation adjustment		(843)	561
<b>Comprehensive loss</b>		<b>(\$6,092)</b>	<b>(\$7,809)</b>
Loss per share - Basic	13	(\$0.04)	(\$0.07)

See accompanying notes to these interim condensed consolidated financial statements.

# Interim Condensed Consolidated Statements of Financial Position (Unaudited)



(in thousands and in United States dollars, except share and per share amounts)

As at	Note	March 31, 2026	December 31, 2025
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$14,716	\$24,846
Accounts receivable, net		29,801	18,126
Unbilled revenue	6	31,948	38,980
Inventories (net of obsolescence)		8,132	8,922
Prepaid expenses and deposits		6,408	5,550
		<b>91,005</b>	<b>96,424</b>
<b>Non-current assets</b>			
Accounts and other long-term receivables		5,406	5,274
Right-of-use assets, net		4,102	4,516
Property, plant and equipment, net		3,254	3,157
Intangible assets, net		75,719	76,548
Investment in other entity	7	3,919	3,919
Deferred compensation asset	8	502	1,175
		<b>92,902</b>	<b>94,589</b>
<b>TOTAL ASSETS</b>		<b>\$183,907</b>	<b>\$191,013</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$31,686	\$34,156
Income taxes payable		1,101	254
Current portion of lease liabilities		1,931	2,094
Current portion of deferred revenue	6	9,071	9,435
Current portion of long-term debt	9	12,840	13,883
Convertible debentures	2, 10	40,172	40,395
		<b>96,801</b>	<b>100,217</b>
<b>Non-current liabilities</b>			
Deferred revenue	6	1,481	867
Long-term lease liabilities		2,945	3,389
Deferred compensation liabilities	8	459	464
Deferred income tax liabilities		1,912	2,124
Other long-term liabilities		512	512
		<b>7,309</b>	<b>7,356</b>
<b>TOTAL LIABILITIES</b>		<b>104,110</b>	<b>107,573</b>
<b>Shareholders' equity</b>			
Capital stock	11	317,744	317,395
Contributed surplus		131,633	129,533
Accumulated other comprehensive income		13,180	14,023
Deficit		(382,760)	(377,511)
		<b>79,797</b>	<b>83,440</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$183,907</b>	<b>\$191,013</b>

See accompanying notes to these interim condensed consolidated financial statements.

# Interim Condensed Consolidated Statements of Cash Flows (Unaudited)



(in thousands and in United States dollars, except share and per share amounts)

	Note	Three months ended March 31,	
		2026	2025
Operating activities:			
Net loss		(\$5,249)	(\$8,370)
Add (deduct) non-cash items:			
Stock-based compensation expense		2,479	944
Depreciation and amortization		2,931	2,678
Foreign exchange (gain) loss		(271)	272
Other income		(93)	(110)
Deferred and non-cash income tax recovery		(191)	(2)
Embedded derivatives		3	3
Change in fair value of derivative liability	10	-	(430)
Non-cash interest expense		522	539
Net change in non-cash working capital balances	16	(5,551)	853
Cash used in operating activities		(5,420)	(3,623)
Financing activities:			
Payment of lease liabilities		(671)	(643)
Repayment of long-term debt		(1,338)	(531)
Cash used in financing activities		(2,009)	(1,174)
Investing activities:			
Net proceeds from disposition of a joint venture		-	319
Purchase of property, plant and equipment		(456)	(59)
Capitalized software costs		(1,391)	(916)
Cash used in investing activities		(1,847)	(656)
Foreign exchange on cash held in foreign currencies		(854)	(317)
Net decrease in cash and cash equivalents		(10,130)	(5,770)
Cash and cash equivalents, beginning of period		24,846	31,893
Cash and cash equivalents, end of period		\$14,716	\$26,123

See accompanying notes to these interim condensed consolidated financial statements.

# Interim Condensed Consolidated Statements of Shareholders' Equity (Unaudited)



(in thousands and in United States dollars)

	Note	Capital Stock	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' Equity
Balance, January 1, 2025		\$314,630	\$127,446	\$12,148	(\$323,101)	\$131,123
Net loss		-	-	-	(8,370)	(8,370)
Other comprehensive income		-	-	561	-	561
Stock-based compensation expense		-	944	-	-	944
Common shares issued from restricted stock units	11	456	(658)	-	-	(202)
Balance, March 31, 2025		\$315,086	\$127,732	\$12,709	(\$331,471)	\$124,056
Balance, January 1, 2026		\$317,395	\$129,533	\$14,023	(\$377,511)	\$83,440
Net loss		-	-	-	(5,249)	(5,249)
Other comprehensive income		-	-	(843)	-	(843)
Stock-based compensation expense		-	2,624	-	-	2,624
Common shares issued from restricted stock units	11	349	(524)	-	-	(175)
Balance, March 31, 2026		\$317,744	\$131,633	\$13,180	(\$382,760)	\$79,797

See accompanying notes to these interim condensed consolidated financial statements.

# Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2026 and 2025

(in thousands and in United States dollars, except share and per share amounts, unless otherwise stated)

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## 1. NATURE OF BUSINESS

Quarterhill Inc. ("Quarterhill" or the "Company") is a Canadian company incorporated and domiciled in Canada. The address of the Company's registered office is 200 Bay Street, Suite 1200, Toronto, Ontario, M5J 2J2. The Company's shares are listed under the symbol "QTRH" on the Toronto Stock Exchange (the "TSX") and on the United States OTCQX Best Market under the symbol "QTRHF". Quarterhill is focused on the acquisition, management and growth of companies that provide integrated, tolling and mobility systems and solutions to the intelligent transportation systems ("ITS") industry as well as its adjacent markets.

## 2. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of presentation

*Statement of compliance*

These interim condensed consolidated financial statements ("financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") and, specifically, International Accounting Standards ("IAS") 34, *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). These financial statements do not include all of the information required in the annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements as at and for the year ended December 31, 2025, which are available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca)

The preparation of these financial statements in accordance with IAS 34 requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in adjustment to the carrying amount of an asset or liability or the reported amounts of revenue and expenses in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, were the same as those that applied to the Company's annual consolidated financial statements as at and for the year ended December 31, 2025.

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements as at and for the year ended December 31, 2025, apart from any listed below. Several amendments apply for the first time in the current fiscal year, but do not have an impact on the financial statements of the Company. The Company has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2026 and 2025

(in thousands and in United States dollars, except share and per share amounts, unless otherwise stated)

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### 3. ACCOUNTING STANDARDS

#### Changes in accounting policy

Effective January 1, 2026, the Company adopted the amendments to IFRS 9, Financial Instruments ("IFRS 9") and IFRS 7, Classification and Measurement of Financial Instruments ("IFRS 7"). These amendments updated classification and measurement requirements in IFRS 9 Financial Instruments and related disclosure requirements in IFRS 7 Financial Instruments: Disclosures. The IASB clarified the recognition and derecognition date of certain financial assets and liabilities, and amended the requirements related to settling financial liabilities using an electronic payment system. It also clarified how to assess the contractual cash flow characteristics of financial assets in determining whether they meet the solely payments of principal and interest criterion, including financial assets that have environmental, social and corporate governance (ESG)-linked features and other similar contingent features. The IASB added disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and costs and amended disclosures relating to equity instruments designated at fair value through other comprehensive loss. There was no material impact on the Interim Financial Statements

#### New standards and interpretations not yet adopted

Listed below are the standards, amendments and interpretations that the Company reasonably expects to be applicable at a future date and intends to adopt when they become effective.

#### *Amendments to IFRS 9, Financial Instruments ("IFRS 9") and IFRS 7, Classification and Measurement of Financial Instruments ("IFRS 7")*

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7. These amendments updated classification and measurement requirements in IFRS 9 Financial Instruments and related disclosure requirements in IFRS 7 Financial Instruments: Disclosures. The IASB clarified the recognition and derecognition date of certain financial assets and liabilities, and amended the requirements related to settling financial liabilities using an electronic payment system. It also clarified how to assess the contractual cash flow characteristics of financial assets in determining whether they meet the solely payments of principal and interest criterion, including financial assets that have environmental, social and corporate governance (ESG)-linked features and other similar contingent features. The IASB added disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and costs and amended disclosures relating to equity instruments designated at fair value through other comprehensive loss.

The amendments are effective for periods beginning on or after January 1, 2026 and adoption of these amendments did not have a material effect on the Company's condensed interim consolidated financial statements. The amendments have been applied retrospectively with no restatement of comparative information, in accordance with transition requirements on initial application of IFRS 9. There were no adjustments as a result of adoption of this standard amendment.

#### *IFRS 18, Presentation and Disclosure in the Financial Statements ("IFRS 18")*

In April 2024, the IASB issued IFRS 18, which replaces IAS 1, *Presentation of Financial Statements*, 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. The issuance of IFRS 18 results in consequential amendments to IAS 7, *Statement of Cash Flows*, and IAS 33, *Earnings Per Share*. This standard is effective for annual periods beginning on or after January 1, 2027, with early adoption permitted.

Management is currently assessing the impact of these amendments and new requirements.

## Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2026 and 2025

(in thousands and in United States dollars, except share and per share amounts, unless otherwise stated)

### 4. SEASONALITY AND ONE-TIME NATURE OF REVENUES

Interim period revenues, gross profit and net income or loss are not necessarily indicative of the results of operations for the full fiscal year. Seasonal weather conditions in the North American operations in particular may impact installation for certain projects, potentially resulting in lower revenues in the first quarter of a fiscal year, while subsequent quarters are generally when project and service contracts are most active, resulting in higher revenues, gross profit and net income during these periods.

### 5. FINANCIAL INSTRUMENTS

Derivatives include the embedded derivative portion of the unearned revenue of US-dollar-denominated sales contracts in the Company's Canadian subsidiaries. The fair value of sales contract embedded derivatives is measured using a market approach, based on the difference between quoted forward exchange rates as of the contract date and quoted forward exchange rates as of the reporting date. Derivatives also include the derivative liability portion of convertible debentures and are measured using the Black-Scholes option pricing model. The fair value of convertible debentures and long-term debt approximates carrying value as these instruments bear interest at market rates. The carrying amount of the Company's other financial assets and liabilities,

### 5. FINANCIAL INSTRUMENTS (continued)

including cash and cash equivalents, accounts receivable, unbilled revenue, accounts payable and accrued liabilities, and deferred revenue approximates their fair values due to the short-term maturity of these items.

Inputs used to calculate the fair value of derivative and convertible debentures financial instruments are classified as Level 2 inputs, inputs used to calculate contingent liabilities are classified as Level 3 inputs and inputs for all other financial instruments for which fair value approximates carrying value are classified as Level 1 inputs.

### 6. UNBILLED REVENUE AND DEFERRED REVENUE

Significant changes in unbilled revenue and deferred revenue balances during the three months ended March 31, 2026 are as follows:

As at	March 31, 2026	December 31, 2025	\$ Change
Unbilled revenue	\$31,948	\$38,980	(\$7,032)
Deferred revenue - current	(9,071)	(9,435)	364
Deferred revenue - non-current	(1,481)	(867)	(614)
Net contract assets	\$21,396	\$28,678	(\$7,282)

Revenue recognized for the three months ended March 31, 2026 that was included in deferred revenue at the beginning of the period was \$1,172 (2025 - \$1,743).

### 7. INVESTMENT IN OTHER ENTITY

On June 15, 2023, as part of the consideration for the sale of WiLAN Inc. and its related entities ("WiLAN"), the Company retained a 10% equity stake in WiLAN. The investment is recorded at fair value using Level 3 inputs, with changes in fair value recognized through profit or loss. As at March 31, 2026, the investment in WiLAN is valued at \$3,919 (December 31, 2025 - \$3,919).

## Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2026 and 2025

(in thousands and in United States dollars, except share and per share amounts, unless otherwise stated)

### 8. DEFERRED COMPENSATION

The Company's subsidiary, Electronic Transaction Consultants, LLC ("ETC"), provides a deferred compensation plan that enables upper-level management and executives to defer compensation until retirement. ETC funds these deferred compensation liabilities by making contributions to a trust invested in various mutual funds, presented as a deferred compensation asset on the consolidated statements of financial position.

### 9. LONG-TERM DEBT

As at	March 31, 2026	December 31, 2025
Senior term credit facility:		
\$50,000 due September 1, 2026	\$12,875	\$13,938
Less: current portion of long-term debt	(12,840)	(13,883)
Debt issuance costs, net of amortization	(35)	(55)
<b>Total long-term debt</b>	<b>\$ -</b>	<b>\$ -</b>

During the year ended December 31, 2021, Quarterhill ITS, the parent company of International Road Dynamics Inc. ("IRD") and ETC and wholly owned subsidiary of Quarterhill, 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 credit facilities replaced all existing facilities the Company had with HSBC Bank Canada. The effective interest rate for the facilities as at March 31, 2026 was 6.45% (December 31, 2025 - 6.45%). Both the facilities have a maturity date of September 1, 2026 with a general security agreement over all of the assets in North America of IRD, ETC and its parent holding company, Quarterhill USA Inc. The carrying value of these assets as at March 31, 2026 was \$169,136. During the three months ended March 31, 2026, no amounts were drawn from the revolving credit facility. Repayments, if any amounts are drawn, on the revolving credit facility are ultimately due on the maturity date.

On April 23, 2025, the Company completed an amendment to its existing credit agreement. This amendment modified certain terms and conditions of the credit agreement in its covenants for all reporting periods up to June 30, 2025 (the "Covenant Relief Period"). The financial covenants effective during the Covenant Relief Period are as follows:

- A Fixed Charge Coverage Ratio of at least 1.00 to 1.00 on a rolling four-quarter basis.
- A Senior Leverage Ratio of not more than 3.00 to 1.00.

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.

## Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2026 and 2025

(in thousands and in United States dollars, except share and per share amounts, unless otherwise stated)

### 9. LONG-TERM DEBT (continued)

- 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 March 31, 2026.

Scheduled principal repayments on long-term debt are as follows:

	Principal
To September 1, 2026	12,875
	<u>\$12,875</u>

### 10. CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITY

The following table illustrates the allocation of the gross proceeds of the debentures at issuance and subsequent remeasurement:

	March 31, 2026	December 31, 2025
Convertible unsecured subordinated debentures:		
Gross proceeds	\$41,241	\$41,940
Convertible debentures, host debt component	\$40,362	\$40,670
Debt issuance costs, net of amortization	(190)	(275)
Convertible debentures	\$40,172	\$40,395
Convertible debentures, derivative liability component, opening	\$ -	\$516
Currency loss (gain) on financial statement translation	-	4
Change in fair value of derivative liability	-	(520)
Derivative liability, ending	\$ -	\$ -

On October 27, 2021, the Company completed a brokered financing of C\$57,500 by way of the issuance of unsecured subordinated convertible debentures (the "Debentures"), which includes the full exercise of a C\$7,500 over-allotment option by the underwriters. The Debentures are traded on the TSX under the symbol "QTRH.DB".

The Debentures have a coupon rate of 6%, payable semi-annually, with a maturity date of October 30, 2026 (the "Maturity Date") and an initial conversion price into common shares of C\$3.80. Each Debenture is convertible into common shares of the Company at the option of the holder at any time prior to the close of business on the earlier of the last business day immediately preceding the Maturity Date. Holders converting their Debentures will, in addition to the applicable number of common shares to be received on conversion, receive accrued and unpaid interest, if any, thereon for the period from the last interest payment date on their Debentures up to, but excluding, the date of conversion. Prior to October 31, 2025, the Debentures may be redeemed in whole or in part at the option of the Company on not more than 60 days' and not less than 30 days' prior notice at a price equal to the principal amount plus accrued and unpaid interest, provided that the volume-weighted average trading price of the common shares on the TSX for 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the then conversion price. On or after October 31, 2025 and prior to the Maturity Date, the Debentures may be redeemed in whole or in part at the option of the Company on not more than 60 days' and not less than 30 days' prior notice at a price equal to their principal amount plus accrued and unpaid interest.

## Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2026 and 2025

(in thousands and in United States dollars, except share and per share amounts, unless otherwise stated)

### 10. CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITY (continued)

Assuming the conversion of all the Debentures, the Company will issue 15,131,579 common shares. The initial fair value of the conversion option was estimated at C\$9,533. The conversion option is considered a derivative because the exercise price is in Canadian dollars whereas the Company's functional currency is US dollars. Accordingly, the Company recognizes the conversion option as a liability at fair value with changes in fair value recognized through profit or loss.

The fair value of the conversion option is calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

As at	March 31, 2026	December 31, 2025
Risk-free rate	2.50%	2.50%
Expected life (in years)	0.58	0.83
Expected volatility	37%	37%
Expected dividend yield	0.0%	0.0%
Share price	\$1.21	\$1.05

### 11. SHARE CAPITAL

The share capital of the Company consists of the following:

	Authorized	Issued and Outstanding	
		March 31, 2026	December 31, 2025
a) Common shares, with no par value	Unlimited	119,469,073	118,992,746
b) Special preferred, redeemable, retractable, non-voting shares	6,351	Nil	Nil
c) Preferred shares, issuable in series	Unlimited	Nil	Nil

	Number
January 1, 2025	115,786,320
Issuance of common shares upon vesting of restricted stock units	2,891,379
Conversion of deferred stock units to common shares	309,962
Conversion of performance stock units to commons shares	5,085
December 31, 2025	118,992,746
Issuance of common shares upon vesting of restricted stock units	243,848
Conversion of performance stock units to commons shares	232,479
March 31, 2026	119,469,073

### 12. OTHER CHARGES

Other charges within the interim condensed consolidated statements of loss and comprehensive loss include costs that relate to certain cost reduction initiatives that the Company has undertaken from time to time, acquisition and divestiture-related costs, and other charges. During the three months ended March 31, 2026 and 2025, the Company recognized other charges of \$35 (2025 - \$241). Other charges included severance costs of \$35 (2025 - \$187) and other costs of \$nil (2025 - \$54)

## Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2026 and 2025

(in thousands and in United States dollars, except share and per share amounts, unless otherwise stated)

### 13. LOSS PER SHARE

Basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by dividing net loss by the adjusted weighted average number of common shares outstanding to assume conversion of all potential dilutive stock options to common shares.

	Three months ended March 31,	
	2026	2025
Numerator:		
Net loss	(\$5,249)	(\$8,370)
Denominator:		
Weighted average number of common shares outstanding for basic loss per share	119,115,578	115,884,922
Weighted average number of common shares outstanding for diluted loss per share	119,115,578	115,884,922
Basic loss per share	(\$0.04)	(\$0.07)

### 14. SEGMENT REPORTING

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, and for which discrete financial information is available. The operating results of all operating segments are reviewed regularly by the Company's Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segment and assess their performance. The Company's CODM is the Chief Executive Officer. The Company's operating segments are organized on the basis of products and services provided and also represent its reportable segments. The Company's consolidated statements of loss and comprehensive loss reflect the sole ITS segment.

The following table includes revenue by contracts disaggregated by the timing of revenue recognition:

	Three months ended March 31,	
	2026	2025
Revenue recognized at a point in time	\$5,838	\$5,190
Revenue recognized over time	32,776	28,699
Total revenues	\$38,614	\$33,889

## Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2026 and 2025

(in thousands and in United States dollars, except share and per share amounts, unless otherwise stated)

### 14. SEGMENT REPORTING (continued)

Revenues by geography are as follows:

	Three months ended March 31,	
	2026	2025
United States	\$34,050	\$30,201
Thailand	1,081	889
Germany	774	637
Canada	690	568
Korea	477	392
Belgium	216	177
France	167	138
Chile	32	26
Rest of the world	1,127	862
<b>Total revenues</b>	<b>\$38,614</b>	<b>\$33,889</b>

The total of property, plant and equipment, right-of-use assets, intangible assets, and goodwill by geography are as follows:

As at	March 31, 2026	December 31, 2025
United States	\$74,811	\$75,594
Great Britain	3,157	3,876
Germany	785	2,414
Canada	4,072	2,180
Belgium	250	157
<b>Total</b>	<b>\$83,075</b>	<b>\$84,221</b>

### 15. FINANCIAL RISK MANAGEMENT

#### Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments, restricted short-term investments, accounts receivable and unbilled revenue. The Company recognizes a loss allowance provision using the simplified approach based on lifetime expected credit losses. The Company's exposure to credit risk with its accounts receivable from customers is influenced mainly by the individual characteristics of each customer.

The Company's customers are for the most part large multinational companies or government organizations that do not have a history of non-payment. Credit risk from accounts receivable encompasses the default risk of the Company's customers. Prior to entering into transactions with new customers, the Company assesses 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. The Company has had no significant bad debts for any periods presented.

None of the amounts outstanding have been challenged by the respective counterparties, and the Company continues to conduct business with them on an ongoing basis. Accordingly, management has no reason to believe that these balances are not fully collectible in the future.

## Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2026 and 2025

(in thousands and in United States dollars, except share and per share amounts, unless otherwise stated)

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### 15. FINANCIAL RISK MANAGEMENT (continued)

The Company reviews financial assets on an ongoing basis with the objective of identifying potential matters that 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 the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The Company manages its liquidity needs through various sources including cash generated through operations, cash reserves, various revolving credit facilities, and the issuance of common shares. The Company's cash and cash equivalents, short-term investments, and restricted short-term investments consist primarily of deposit investments that are held primarily with chartered banks in Canada and the United States. Management does not expect any counterparties to fail to meet their obligations.

Based on the Company's liquidity position as at March 31, 2026, management has forecasted its cash flow requirements and believes that the Company has sufficient funds available to meet its liquidity requirements for the foreseeable future.

As noted in note 17, the Company has finalized a new credit facility agreement to provide the Company with additional flexibility in its covenant and cash management.

The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investment and financing activities. Management's current expectations with respect to future events are based on currently available information and the actual outcomes may differ materially from those current expectations.

#### Market risk

Market risk is the risk to the Company that the fair value of future cash flows from its financial instruments will fluctuate due to changes in interest rates and foreign currency exchange rates. Market risk arises as a result of the Company generating revenues from foreign currency transactions.

#### Interest rate risk

The financial instruments that expose the Company to interest rate risk are its cash and cash equivalents, short-term investments 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 1% increase or decrease in interest rates would not have resulted in a material increase or decrease in interest income or expense during the three months ended March 31, 2026.

## Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2026 and 2025

(in thousands and in United States dollars, except share and per share amounts, unless otherwise stated)

### 15. FINANCIAL RISK MANAGEMENT (continued)

#### Currency risk

Portions of the Company's revenues and operating expenses are denominated in Canadian dollars, euros and British pounds. Because these consolidated financial statements are reported in US 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 US dollar. For instance, a decrease in the value of the Canadian dollar relative to the US dollar has an unfavourable impact on Canadian dollar-denominated revenues and a favourable impact on Canadian dollar-denominated direct cost of revenue and operating expenses. Approximately 13% of the Company's cash and cash equivalents are denominated in Canadian dollars, euros and British pounds, and are subject to changes in the exchange rate of the Canadian dollar, euro and British pound relative to the US dollar.

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign exchange gains or losses in net loss arise on the translation of foreign currency-denominated assets and liabilities held in the Company's North American operations and foreign subsidiaries. Subsidiary companies with a functional currency not in US dollars are subject primarily to changes in the exchange rate of foreign currencies, primarily the Canadian dollar.

As at March 31, 2026, the Company's sensitivity to a 5% strengthening (weakening) of the Canadian dollar and all other currencies relative to the US dollar for which the functional currency of the subsidiary company differs from the Canadian dollar would result in approximately \$236 of pre-tax loss to the interim condensed consolidated statements of loss and comprehensive loss.

### 16. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

	Three months ended March 31,	
	2026	2025
Accounts receivable	(\$11,810)	\$1,261
Unbilled revenue	7,032	(3,215)
Income taxes receivable	-	25
Inventories	790	(262)
Prepaid expenses and deposits	(858)	297
Deferred revenue	250	1,335
Deferred compensation asset	673	62
Deferred compensation liabilities	(5)	(83)
Accounts payable and accrued liabilities	(2,470)	1,502
Income taxes payable	847	(69)
	(\$5,551)	\$853

#### Supplemental cash flow information

	Three months ended March 31,	
	2026	2025
Net interest paid in cash	\$898	\$899

## Notes to Consolidated Financial Statements

For the three months ended March 31, 2026 and 2025

(in thousands and in United States dollars, except share and per share amounts, unless otherwise stated)

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### 17. SUBSEQUENT EVENT

On May 12, 2026, the Company entered into a new senior secured credit agreement with BTG Pactual Global Alternatives (the "New Credit Facility"), and received initial funding under the New Credit Facility. The New Credit Facility provides for up to \$60,000 of committed senior secured financing, consisting of a \$5,000 revolving credit facility, a \$30,000 term loan, and a \$25,000 delayed draw term loan. The facilities bear interest at the Secured Overnight Financing Rate ("SOFR") plus an applicable margin, subject to the Company's senior leverage ratio, have a five-year term maturing in May 2031, and amortize at 2.5% per annum, payable quarterly. The New Credit Facility also includes an incremental \$100,000 uncommitted accordion designed to fuel inorganic growth initiatives and allow the Company to act quickly on accretive merger and acquisition opportunities as they arise. The facilities are secured by a general security agreement over the assets of the Company's principal operating subsidiaries and contain customary affirmative, negative and financial covenants, including maximum senior leverage, minimum fixed charge coverage, and minimum liquidity requirements.

On May 12, 2026, the Company drew the \$30,000 term loan and used the proceeds to repay in full the outstanding balance of its existing senior secured credit facilities with HSBC Bank Canada and Royal Bank of Canada, which were scheduled to mature on September 1, 2026. The \$25,000 delayed draw term loan remains available, undrawn, and is expected to be used to fund the repayment of the Company's outstanding convertible debentures, which mature on October 30, 2026.