Quarterhill Inc.

2026 Third 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 September 30,		Nine months ended September 30,	
		2026	2025	**2026**	2025
Revenues	6,14	**$43,157**	$39,743	**$124,282**	$116,707
Direct cost of revenues		**30,808**	29,288	**89,067**	95,978
Gross profit		**12,349**	10,455	**35,215**	20,729
Operating expenses					
Selling, general and administrative expenses		**12,084**	9,902	**33,911**	27,608
Impairment expense	12	**63**	-	**1,094**	-
Research and development expenses		**293**	510	**871**	1,291
Depreciation of right-of-use assets		**398**	373	**1,197**	925
Depreciation of property, plant and equipment		**360**	369	**1,079**	1,103
Amortization of intangible assets		**2,274**	2,069	**6,597**	6,089
Other charges	12	**8,149**	483	**10,664**	807
		23,621	13,706	**55,413**	37,823
Results from operations		**(11,272)**	(3,251)	**(20,198)**	(17,094)
Finance income		**(8)**	(58)	**(57)**	(178)
Finance expense		**2,446**	1,507	**5,976**	4,564
Foreign exchange (gain) loss		**1,299**	(824)	**(1,184)**	2,196
Other income		**(990)**	(98)	**(1,296)**	(3,707)
Change in fair value of investment in other entity	7	**1,669**	-	**1,669**	-
Change in fair value of derivative liability	10	**-**	(29)	**-**	(519)
Loss before taxes		**(15,688)**	(3,749)	**(25,306)**	(19,450)
Current income tax expense		**1,096**	734	**2,854**	777
Deferred income tax (recovery) expense		**(324)**	251	**(883)**	(288)
Income tax expense		**772**	985	**1,971**	489
Net loss		**(16,460)**	(4,734)	**(27,277)**	(19,939)
Other comprehensive (loss) income that may be reclassified subsequently to net loss:					
Foreign currency translation adjustment		**(1,746)**	(650)	**(3,712)**	1,856
Comprehensive loss		**($18,206)**	($5,384)	**($30,989)**	($18,083)
Loss per share - Basic and diluted	13	**($0.13)**	($0.04)	**($0.22)**	($0.17)

See accompanying notes to these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Financial Position (Unaudited)

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

As at	Note	September 30, 2026	December 31, 2025
Assets			
Current assets			
Cash and cash equivalents		**$51,588**	$24,846
Accounts receivable, net		**21,279**	18,126
Unbilled revenue	6	**39,231**	38,980
Inventories net of obsolescence		**7,882**	8,922
Prepaid expenses and deposits		**11,623**	5,550
		131,603	96,424
Non-current assets			
Accounts and other long-term receivables		**6,500**	5,274
Right-of-use assets, net		**3,341**	4,516
Property, plant and equipment, net		**2,948**	3,157
Intangible assets, net		**75,393**	76,548
Investment in other entity	7	**2,250**	3,919
Deferred compensation asset	8	**549**	1,175
		90,981	94,589
TOTAL ASSETS		**$222,584**	$191,013
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**$40,112**	$34,156
Income taxes payable		**2,479**	254
Current portion of lease liabilities		**1,610**	2,094
Current portion of deferred revenue	6	**7,303**	9,435
Current portion of long-term debt	9	**26,743**	13,883
Convertible debentures	2,10	**40,390**	40,395
		118,637	100,217
Non-current liabilities			
Long-term deferred revenue	6	**1,419**	867
Long-term lease liabilities		**2,051**	3,389
Deferred compensation liabilities	8	**511**	464
Deferred income tax liabilities		**1,211**	2,124
Other long-term liabilities		**512**	512
		5,704	7,356
TOTAL LIABILITIES		**124,341**	107,573
Shareholders' equity			
Share capital	11	**359,948**	317,395
Contributed surplus		**132,772**	129,533
Accumulated other comprehensive income		**10,311**	14,023
Deficit		**(404,788)**	(377,511)
		98,243	83,440
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$222,584**	$191,013

See accompanying notes to these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Cash Flows (Unaudited)

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

	Note	Three months ended September 30,		Nine months ended September 30,	
		2026	2025	**2026**	2025
Operating activities:					
Net loss		**($16,460)**	($4,734)	**($27,277)**	($19,939)
Add (deduct) non-cash items:					
Stock-based compensation expense		**4,535**	1,343	**10,118**	3,440
Depreciation and amortization		**3,032**	2,811	**8,873**	8,117
Foreign exchange (gain) loss		**(1,361)**	(824)	**(3,845)**	2,196
Other income		**(864)**	(98)	**(1,170)**	(3,500)
Impairment expense	12	**63**	-	**1,094**	-
Deferred and non-cash income tax expense (recovery)		**(324)**	251	**(883)**	(288)
Change in fair value of embedded derivatives		**7**	25	**-**	(20)
Change in fair value of investment in other entity	7	**1,669**	-	**1,669**	-
Change in fair value of derivative liability	10	**-**	(29)	**-**	(519)
Non-cash interest expense		**737**	556	**1,922**	1,655
Net change in non-cash working capital balances	16	**376**	7,140	**1,167**	7,112
Cash (used in) generated from operations		**(8,590)**	6,441	**(8,332)**	(1,746)
Financing activities:					
Payment of lease liabilities		**(528)**	(551)	**(1,905)**	(1,862)
Repayment of long-term debt	9	**645**	(3,062)	**(13,938)**	(3,593)
Net proceeds from secured term loan	9	**(1,995)**	-	**26,431**	-
Net proceeds from equity private placement	11	**35,225**	-	**35,225**	-
Proceeds from exercise of options		**391**	-	**449**	-
Cash generated from (used) in financing activities		**33,738**	(3,613)	**46,262**	(5,455)
Investing activities:					
Net proceeds from disposition of a joint venture		**-**	-	**-**	319
Proceeds from sale of property, plant and equipment		**-**	-	**-**	26
Cash disposed on sale of subsidiary		**(305)**	-	**(305)**	-
Purchase of property, plant and equipment		**(269)**	(161)	**(1,008)**	(530)
Dividend received from investment in other entity	7	**-**	-	**-**	3,203
Prepaid acquisition consideration		**-**	-	**(3,500)**	-
Capitalized software costs		**(1,454)**	(862)	**(5,615)**	(3,009)
Cash (used in) generated from investing activities		**(2,028)**	(1,023)	**(10,428)**	9
Effect of foreign exchange		**2,246**	(378)	**(760)**	(616)
Net increase (decrease) in cash and cash equivalents		**25,366**	1,427	**26,742**	(7,808)
Cash and cash equivalents, beginning of period		**26,222**	22,658	**24,846**	31,893
Cash and cash equivalents, end of period		**$51,588**	$24,085	**$51,588**	$24,085

See accompanying notes to these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Shareholders' Equity (Unaudited)

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

	Note	Share Capital	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		-	-	-	(19,939)	(19,939)
Other comprehensive income		-	-	1,856	-	1,856
Stock-based compensation expense		-	3,440	-	-	3,440
Common shares issued from restricted stock units	11	1,012	(1,436)	-	-	(424)
Common shares issued from deferred stock units	11	345	(741)	-	-	(396)
Balance, September 30, 2025		$315,987	$128,709	$14,004	($343,040)	$115,660
Balance, January 1, 2026		**$317,395**	**$129,533**	**$14,023**	**($377,511)**	**$83,440**
Net loss		**-**	**-**	**-**	**(27,277)**	**(27,277)**
Other comprehensive loss		**-**	**-**	**(3,712)**	**-**	**(3,712)**
Stock-based compensation expense		**-**	**10,118**	**-**	**-**	**10,118**
Exercise of stock options	**11**	**593**	**(144)**	**-**	**-**	**449**
Common shares issued from restricted stock units	**11**	**6,004**	**(6,004)**	**-**	**-**	**-**
Common shares issued for retention and performance stocks	**11**	**731**	**(731)**	**-**	**-**	**-**
Private placement, net of share issuance costs	**11**	**35,225**	**-**	**-**	**-**	**35,225**
Balance, September 30, 2026		**$359,948**	**$132,772**	**$10,311**	**$(404,788)**	**$98,243**

See accompanying notes to these interim condensed consolidated financial statements.

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.

On September 30, 2026, the Company completed the sale of its subsidiary, VDS Verkehrstechnik GmbH for a nominal amount.

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.

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.

These financial statements were authorized for issuance by the Board of Directors on November 9, 2026.

3. ACCOUNTING STANDARDS

Amendment to current accounting policy

Effective January 1, 2026, the Company adopted *Amendments to the Classification and Measurement of Financial Instruments*, which amended IFRS 9, *Financial Instruments* ("IFRS 9") and IFRS 7, *Financial Instruments: Disclosure* ("IFRS 7"). These amendments updated classification and measurement requirements in IFRS 9 and related disclosure requirements in IFRS 7. 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 financial statements.

New standard and interpretation not yet adopted

Listed below is the standard that the Company reasonably expects to be applicable at a future date and intends to adopt when it becomes effective.

IFRS 18, Presentation and Disclosure in 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.

Management is currently assessing the impact of the new standard and its requirements.

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

5. FINANCIAL INSTRUMENTS

model. The fair values of convertible debentures and long-term debt approximate their carrying values as these instruments bear interest at market rates. The carrying amount of the Company's other financial assets and liabilities, including cash and cash equivalents, accounts receivable, unbilled revenue, accounts payable and accrued liabilities, and deferred revenue, approximate their fair values due to the short-term maturity of these items.

All assets and liabilities for which fair value is measured or disclosed in these interim condensed consolidated interim financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Inputs used to calculate the fair value of derivative and convertible debenture financial instruments are classified as Level 2 inputs; and inputs for all other financial instruments for which fair value approximates carrying value are classified as Level 1 inputs. The Company's investment in other entity is measured using Level 3 inputs. There were no transfers between levels of the fair value hierarchy during the three and nine months ended September 30, 2026.

6. UNBILLED REVENUE AND DEFERRED REVENUE

Significant changes in unbilled revenue and deferred revenue balances during the nine months ended September 30, 2026 are as follows:

As at	**September 30, 2026**	December 31, 2025	$ Change
Unbilled revenue	**$39,231**	$38,980	$251
Deferred revenue - current	**(7,303)**	(9,435)	2,132
Deferred revenue - non-current	**(1,419)**	(867)	(552)
Net contract assets	**$30,509**	$28,678	$1,831

Revenue recognized for the three and nine months ended September 30, 2026 that was included in deferred revenue at the beginning of the period was $2,254 and $5,343 respectively (2025 - $727 and $3,554, respectively).

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, as there is no active market for the shares of WiLAN, with changes in fair value recognized through profit or loss. As at September 30, 2026, the investment in WiLAN was written down to the agreed upon sale price of

$2,250 (December 31, 2025 - $3,919). As at September 30, 2026, the fair value was determined by reference to the sale price agreed under the definitive agreement for the sale of the investment. For the three and nine months ended September 30, 2026, the Company recognized a loss of $1,669 (2025 - nil) on the change in fair value of the investment, which is included in change in fair value of investment in other entity in the interim condensed consolidated statements of loss and comprehensive loss.

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	**September 30, 2026**	December 31, 2025
Senior term credit facility:		
$50,000 due September 1, 2026	**$ -**	$13,938
Less: current portion of long-term debt	**-**	(13,883)
Debt issuance costs, net of amortization	**-**	(55)
Total long-term debt	**$ -**	$ -

On May 11, 2026, the Company entered into a new senior secured credit agreement (the "New Credit Facility") with BTG Pactual Global Alternatives ("the Lender"), and on May 12, 2026, the Company 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 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. 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 $5,000 revolving credit facility and $25,000 delayed draw term loan remain available, undrawn, with the delayed draw term loan to be used to fund

9. LONG-TERM DEBT

the repayment of the Company's outstanding convertible debentures, which mature on October 30, 2026. The financial covenants relating to the term loan are as follows:

- A total senior net leverage ratio of not more than 4.25 to 1.00 as of September 30, 2026, whether or not delayed draw term loans have been drawn. This maximum permissible ratio decreases over time.

- A fixed charge coverage ratio of at least 0.40 to 1.00 as of September 30, 2026 if no delayed draw term loans have been drawn, or at least 0.45 to 1.00 if delayed draw term loans have been drawn. This minimum permissible ratio generally increases over time.

- A liquidity covenant requiring at least $10,000 as of the last day of any calendar month, calculated as the sum of the weekly liquidity amounts during such month divided by the number of weeks ending in that month.

As at September 30, 2026, the Company was not in compliance with its financial covenants primarily due to the significant charges incurred during the period relating to the Conduent proposed pending acquisition. The entire carrying amount of the debt has been classified as a current liability as at September 30, 2026.

On November 6, 2026, after the reporting period and before these condensed interim consolidated financial statements were authorized for issuance, the Company obtained a waiver from the Lender for the covenant breach as at September 30, 2026. Under the waiver, the Lender agreed not to demand accelerated repayment because of the breach.

As at	**September 30, 2026**	December 31, 2025
Senior term credit facility:		
$30,000 due May 11, 2031	**$30,000**	$ -
Debt issuance costs, net of amortization	**(3,257)**	-
Current portion of long-term debt	**$26,743**	-

10. CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITY

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

	September 30, 2026	December 31, 2025
Convertible unsecured subordinated debentures:		
Gross proceeds	**$40,542**	$41,940
Convertible debentures, host debt component	**$40,417**	$40,670
Debt issuance costs, net of amortization	**(27)**	(275)
Convertible debentures	**$40,390**	$40,395
Convertible debentures, derivative liability component, opening	**$ -**	$516
Currency loss (gain) on financial statement translation	**-**	4
Change in fair value of derivative liability	**-**	(520)
Derivative liability, ending	**$ -**	$ -

On October 27, 2021, the Company completed a brokered financing of C$57,500 by way of the issuance of unsecured subordinated convertible debentures ("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 semiannually, 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.

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:

10. CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITY

As at	**September 30, 2026**	December 31, 2025
Risk-free rate	**2.50%**	2.50%
Expected life (in years)	**0.08**	0.83
Expected volatility	**45%**	37%
Expected dividend yield	**0.0%**	0.0%
Share price	**C$2.90**	C$1.05

11. SHARE CAPITAL

The share capital of the Company consists of the following:

		Issued and Outstanding	
	Authorized	**September 30, 2026**	December 31, 2025
a) Common shares, with no par value	Unlimited	**143,686,920**	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 common shares	5,085
December 31, 2025	118,992,746
Issuance of common shares from private placements	**20,867,100**
Issuance of common shares upon vesting of restricted stock units	**2,668,468**
Issuance of common shares upon vesting of retention and performance stock	**551,942**
Exercise of options into common shares	**374,185**
Conversion of performance stock units to common shares	**232,479**
September 30, 2026	**143,686,920**

On September 16, 2026, the Company closed a bought deal offering pursuant to which 20,867,100 common shares of the Company were issued at a price of C$2.48 for aggregate gross proceeds of C$51,750. The Company incurred C$2,602 in issuance costs resulting in net proceeds of C$49,148.

12. OTHER CHARGES AND IMPAIRMENT EXPENSE

Other charges within the interim condensed consolidated statements of loss and comprehensive loss include costs for acquisitions, costs that relate to certain cost reduction initiatives that the Company has undertaken from time to time, impairment expense, and other charges.

During the three and nine months ended September 30, 2026, the Company recognized impairment loss of $63 and $1,094 respectively, (2025 - $nil and $nil, respectively) from the disposal of its subsidiary for a nominal amount, acquisition costs relating to the Conduent Tolling proposed pending acquisition and other potential future acquisitions of $6,167 and $8,534 respectively, (2025 - $nil and $nil, respectively), other charges of $1,982 and $2,130 (2025 - $483 and $807 respectively). Other charges include severance costs of $717 and $872, respectively, (2025 - $483 and $753, respectively) and other costs of $1,265 and $1,258 respectively, (2025 - $nil and $54, respectively)

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 instruments to common shares.

	Three months ended September 30,		Nine months ended September 30,	
	2026	2025	**2026**	2025
Numerator:				
Net loss	**($16,460)**	($4,734)	**($27,277)**	($19,939)
Denominator:				
Weighted average number of common shares outstanding for basic loss per share	**126,820,277**	116,898,292	**121,372,492**	116,394,088
Weighted average number of common shares outstanding for diluted loss per share	**126,820,277**	116,898,292	**121,372,492**	116,394,088
Basic and diluted loss per share	**($0.13)**	($0.04)	**($0.22)**	($0.17)

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 Company's Chief Operating Decision Maker is the Chief Executive Officer. The Company's interim condensed 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 September 30,		Nine months ended September 30,	
	2026	2025	**2026**	2025
Revenue recognized at a point in time	**$6,807**	$5,221	**$19,420**	$15,711
Revenue recognized over time	**36,350**	34,522	**104,862**	100,996
Total revenues	**$43,157**	$39,743	**$124,282**	$116,707

Revenues by geography based on customer location are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2026	2025	**2026**	2025
United States	**$38,058**	$35,923	**$109,596**	$106,473
Rest of the world	**1,259**	1,468	**3,626**	3,185
Thailand	**1,208**	479	**3,478**	1,837
Germany	**865**	624	**2,492**	1,619
Canada	**771**	371	**2,221**	1,079
Korea	**533**	276	**1,534**	842
Belgium	**241**	362	**694**	782
France	**187**	227	**539**	683
Chile	**35**	13	**102**	207
Total revenues	**$43,157**	$39,743	**$124,282**	$116,707

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

As at	**September 30, 2026**	December 31, 2025
United States	**$73,579**	$75,843
Great Britain	**3,096**	3,201
Germany	**770**	796
Canada	**3,992**	4,128
Belgium	**245**	253
Total	**$81,682**	$84,221

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, 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.

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, revolving credit facility, and the issuance of common shares. The Company's cash and cash equivalents consists primarily of deposits 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 September 30, 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. 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.

15. FINANCIAL RISK MANAGEMENT

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 and long-term debt. The Company's objectives of managing its cash and cash equivalents 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 deposits with the Company's banks so that they earn interest. When placing amounts of cash and cash equivalents into short-term deposits, the Company only places deposits 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 nine months ended September 30, 2026.

Currency risk

Portions of the Company's revenues and operating expenses are denominated in Canadian dollars, euros and pounds sterling. 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 72.9% of the Company's cash and cash equivalents are denominated in Canadian dollars, euros and pounds sterling, and are subject to changes in the exchange rate of the Canadian dollar, euro and pound sterling 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 September 30, 2026, the Company's sensitivity to a 5% strengthening (weakening) of the US dollar and all other currencies relative to the Canadian dollar for which the functional currency of the subsidiary company differs from the US dollar would result in approximately $2,276 increase (decrease) 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 September 30,		Nine months ended September 30,	
	2026	2025	**2026**	2025
Accounts receivable	**$1,562**	($4,762)	**($3,374)**	($4,345)
Unbilled revenue	**(7,545)**	9,944	**(255)**	1,522
Income taxes receivable	**-**	254	**-**	228
Inventories	**(509)**	1,249	**315**	1,268
Prepaid expenses and deposits	**(2,038)**	206	**(2,634)**	295
Deferred revenue	**(1,013)**	1,496	**(1,597)**	3,216
Deferred compensation asset	**16**	(58)	**626**	(111)
Deferred compensation liabilities	**(88)**	93	**(46)**	165
Accounts payable and accrued liabilities	**9,392**	(1,789)	**6,113**	4,628
Income taxes payable	**599**	507	**2,019**	246
	$376	$7,140	**$1,167**	$7,112

Supplemental cash flow information

	Three months ended September 30,		Nine months ended September 30,	
	2026	2025	**2026**	2025
Interest paid in cash	**$948**	$893	**$1,815**	$2,731
Taxes paid	**$805**	($743)	**$835**	($474)

17. SUBSEQUENT EVENTS

On October 30, 2026, the Company settled in full its outstanding convertible debenture of C$59,225, representing the principal sum of C$57,500 plus accrued and unpaid interest. The Company funded the repayment partly by drawing $5,000 on the revolving credit facility.

On October 30, 2026, the Company signed a definitive agreement for the sale of its 10% equity stake in WiLAN for $2,250. The Company also received its $6,250 earn out amount as part of the sale of WiLAN Inc. and its related entities in June 2023.