Quarterhill Inc.

2022 Second Quarter Interim

Condensed Consolidated

Financial Statements

(Unaudited)

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

(in thousands and in Canadian dollars, except share and per share amounts)

QUARTERHILL

	Note	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Revenues	6, 14				
Licensing		**$ 4,639**	$ 1,750	**$ 135,377**	$ 9,598
Intelligent Transportation Systems		**39,230**	17,125	**76,997**	28,593
		43,869	18,875	**212,374**	38,191
Direct cost of revenues					
Licensing		**4,790**	4,854	**53,493**	10,723
Intelligent Transportation Systems		**33,235**	10,711	**60,381**	17,521
		38,025	15,565	**113,874**	28,244
Gross profit		**5,844**	3,310	**98,500**	9,947
Operating expenses					
Depreciation of right-of-use assets		**567**	304	**1,135**	583
Depreciation of property, plant and equipment		**478**	256	**1,007**	489
Amortization of intangible assets		**6,204**	4,351	**12,546**	8,838
Selling, general and administrative expenses		**14,228**	6,336	**27,875**	13,411
Research and development expenses		**797**	579	**1,437**	973
Other charges	10, 12	**15,107**	343	**15,203**	382
		37,381	12,169	**59,203**	24,676
Results from operations		**(31,537)**	(8,859)	**39,297**	(14,729)
Finance income		**(91)**	(33)	**(495)**	(54)
Finance expense		**2,458**	112	**5,507**	181
Foreign exchange (gain) loss		**(810)**	107	**(260)**	(18)
Other income		**(4,236)**	(556)	**(8,257)**	(1,186)
(Loss) Income before taxes		**(28,858)**	(8,489)	**42,802**	(13,652)
Current income tax expense		**555**	230	**1,157**	774
Deferred income tax (recovery) expense		**(5,576)**	(2,343)	**8,581**	(3,763)
Income tax (recovery) expense		**(5,021)**	(2,113)	**9,738**	(2,989)
Net (loss) income		**$ (23,837)**	$ (6,376)	**$ 33,064**	$ (10,663)
Other comprehensive loss that may be reclassified subsequently to net income (loss):					
Foreign currency translation adjustment		**5,992**	(3,112)	**2,054**	(6,846)
Comprehensive (loss) income		**$ (17,845)**	$ (9,488)	**$ 35,118**	$ (17,509)
Net (loss) income per share	13				
Basic		**$ (0.21)**	$ (0.06)	**$ 0.29**	$ (0.09)
Diluted		**$ (0.21)**	$ (0.06)	**$ 0.25**	$ (0.09)

See accompanying notes to these interim condensed consolidated financial statements.

(in thousands and in Canadian dollars)

As at	Note	June 30, 2022	December 31, 2021
Current assets			
Cash and cash equivalents		**$ 121,361**	$ 70,746
Short-term investments		**1,550**	1,851
Restricted short-term investments		**6,611**	3,095
Accounts receivable		**21,848**	30,176
Unbilled revenue	6	**32,517**	35,926
Income taxes recoverable		**457**	385
Inventories (net of obsolescence)		**14,145**	13,731
Prepaid expenses and deposits		**6,512**	5,192
		205,001	161,102
Non-current assets			
Accounts receivable		**513**	505
Prepaid expenses and deposits		**1,415**	945
Right-of-use assets, net		**6,678**	7,761
Property, plant and equipment, net		**5,783**	5,694
Intangible assets, net		**141,826**	151,355
Investment in joint venture	7	**8,138**	7,458
Deferred compensation asset		**1,546**	1,524
Deferred income tax assets		**28,333**	37,786
Goodwill		**53,583**	53,065
		247,815	266,093
TOTAL ASSETS		**$ 452,816**	$ 427,195
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**$ 52,753**	$ 42,008
Income taxes payable		**784**	700
Current portion of lease liabilities		**1,884**	2,166
Current portion of deferred revenue	6	**8,260**	7,989
Current portion of long-term debt	8	**3,228**	3,181
		66,909	56,044
Non-current liabilities			
Deferred revenue	6	**2,632**	2,839
Long-term lease liabilities		**4,875**	5,626
Long-term debt	8	**45,409**	58,968
Convertible debentures	9	**47,302**	45,959
Derivative liability	9	**3,026**	9,441
Deferred compensation liability		**1,370**	1,350
Deferred income tax liabilities		**5,710**	5,852
		110,324	130,035
TOTAL LIABILITIES		**177,233**	186,079
Shareholders' equity			
Capital stock		**546,098**	544,345
Contributed surplus		**50,373**	49,937
Accumulated other comprehensive income		**2,198**	144
Deficit		**(323,086)**	(353,310)
		275,583	241,116
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 452,816**	$ 427,195

Contingent liabilities (Note 10)

See accompanying notes to these interim condensed consolidated financial statements.

(in thousands and in Canadian dollars)

	Note	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Cash used in operations					
Net (loss) income		**$ (23,837)**	$ (6,376)	**$ 33,064**	$ (10,663)
Non-cash items					
Stock-based compensation expense		**222**	586	**951**	1,010
Depreciation of right-of-use assets		**567**	304	**1,135**	583
Interest expense on lease liabilities		**—**	34	**—**	84
Depreciation and amortization		**6,682**	4,607	**13,553**	9,327
Foreign exchange (gain) loss		**(810)**	78	**(260)**	(18)
Other income		**(383)**	(557)	**(1,842)**	(1,187)
Loss on disposal of intangible assets		**—**	(53)	**—**	—
Loss on disposal of assets		**—**	—	**70**	—
Deferred income tax (recovery) expense		**(5,576)**	(2,343)	**8,581**	(3,763)
Embedded derivatives		**(323)**	(1)	**(540)**	5
Gain from change in fair value of derivative liability	9	**(3,783)**	—	**(6,415)**	—
Changes in non-cash working capital balances	16	**105,084**	5,466	**20,344**	493
Net cash generated from (used in) operating activities		**77,843**	1,745	**68,641**	(4,129)
Financing					
Dividends paid	11	**(1,432)**	(1,473)	**(2,840)**	(2,854)
Payment of lease liabilities		**(558)**	(269)	**(1,070)**	(562)
Repayment of long-term debt		**(13,720)**	—	**(14,503)**	—
Repurchase of shares for cancellation		**—**	(1,741)	**—**	(2,065)
Common shares issued for cash on the exercise of options		**971**	57	**1,095**	234
Net cash used in financing activities		**(14,739)**	(3,426)	**(17,318)**	(5,247)
Investing					
Proceeds from restricted short-term investments		**1,707**	—	**1,707**	—
Proceeds from short-term investments		**—**	3,000	**301**	3,000
Purchase of restricted short-term investments		**(5,223)**	(3,025)	**(5,223)**	(3,025)
Proceeds from sale of property, plant and equipment		**—**	—	**211**	—
Purchase of property, plant and equipment		**(1,096)**	(51)	**(1,096)**	(88)
Acquisition of business, VDS		**—**	(2,780)	**—**	(2,780)
Purchase of intangible assets		**(678)**	—	**(1,220)**	—
Net cash used in investing activities		**(5,290)**	(2,856)	**(5,320)**	(2,893)
Foreign exchange on cash held in foreign currencies		**4,885**	(2,037)	**4,612**	(3,568)
Net increase (decrease) in cash and cash equivalents		**62,699**	(6,574)	**50,615**	(15,837)
Cash and cash equivalents, beginning of		**58,662**	126,437	**70,746**	135,700
Cash and cash equivalents, end of		**$ 121,361**	$ 119,863	**$ 121,361**	$ 119,863

See accompanying notes to these interim condensed consolidated financial statements.

(in thousands and in Canadian dollars)

	Note	Capital Stock	Contributed Surplus	Other Comprehensive (Loss) Income	Deficit	Total Shareholders' Equity
January 1, 2021		$ 547,537	$ 46,250	$ 3,581	$ (325,438)	$ 271,930
Net loss		—	—	—	(10,663)	(10,663)
Repurchase of shares for cancellation		(4,027)	1,962	—	—	(2,065)
Other comprehensive loss		—	—	(6,846)	—	(6,846)
Stock-based compensation expense		—	1,010	—	—	1,010
Exercise of options		331	(97)	—	—	234
Common shares issued from restricted stock units		124	20	—	—	144
Common shares issued from performance stock units		12	(12)	—	—	—
Dividends declared	11	—	—	—	(2,854)	(2,854)
June 30, 2021		$ 543,977	$ 49,133	$ (3,265)	$ (338,955)	$ 250,890
January 1, 2022		$ 544,345	$ 49,937	$ 144	$ (353,310)	$ 241,116
Net income		—	—	—	33,064	33,064
Other comprehensive income		—	—	2,054	—	2,054
Stock-based compensation expense		—	951	—	—	951
Exercise of stock options		1,707	(612)	—	—	1,095
Common shares issued from restricted stock units	11	—	143	—	—	143
Common shares issued from performance stock units		46	(46)	—	—	—
Dividends declared		—	—	—	(2,840)	(2,840)
June 30, 2022		**$ 546,098**	**$ 50,373**	**$ 2,198**	**$ (323,086)**	**$ 275,583**

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 25 King St. W Suite 1101, Toronto, Ontario, M5L 2A1. 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 in the intelligent transportation systems ("ITS") and innovation and licensing industries, which correspond with the Company's operating segments identified as Intelligent Transportation Systems and Licensing.

2. SIGNIFICANT ACCOUNTING POLICIES

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, 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, 2021.

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 amount of revenue and expense 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 consolidated financial statements as at and for the year ended December 31, 2021.

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, 2021. 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 issue by the Board of Directors on August 10, 2022.

3. FUTURE ACCOUNTING PRONOUNCEMENTS

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.

Deferred Tax Related to Assets and Liabilities Arising From a Single Transaction (Amendments to IAS 12)
IAS 12, Income Taxes has been revised to incorporate amendments issued by the IASB in May 2021. The amendments clarify the accounting for deferred tax on transactions such as leases and decommissioning obligations. The scope of the recognition exemption no longer applies to transactions that, on initial recognition, give rise to equal taxable and deduction temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company is currently assessing the impact of these amendments.

(in thousands and in Canadian 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. Within the Company's Intelligent Transportation Systems segment, 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 income during these periods. Patent license revenue earned in the Licensing segment is considered a promise to provide the right to use patented technologies, is recognized when the patent right is effective, and is generally one-time in nature, which may result in significant fluctuations in revenue, gross profit and net income or loss on a quarterly basis.

5. FINANCIAL INSTRUMENTS

Derivatives include the embedded derivative portion of the unearned revenue of US dollar denominated sales contracts in the Company's Canadian, Chilean and Mexican 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 pricing model. Contingent liabilities are carried at fair value, which is calculated using management estimates or, where appropriate, a Monte Carlo simulation model. The fair value long-term debt approximates carrying value as these instruments bear interest at market rates. Convertible debentures are freely traded and thus fair value is determined by the market. The carrying amount of the Company's other financial assets and liabilities, including cash and cash equivalents, short-term investments, restricted short-term investments, accounts receivable, unbilled revenue and accounts payable and accrued liabilities, approximates their fair value due to the short-term maturity of these items.

Inputs used to calculate the fair value of derivative liability 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 six months ended June 30, 2022 are as follows:

As at	**June 30, 2022**	December 31, 2021	$ Change
Unbilled revenue	**$ 32,517**	$ 35,926	$ (3,409)
Deferred revenue - current	**(8,260)**	(7,989)	(271)
Deferred revenue - non-current	**(2,632)**	(2,839)	207
Net contract assets	**$ 21,625**	$ 25,098	$ (3,473)

Revenue recognized for the six months ended June 30, 2022 that was included in deferred revenue at the beginning of the period was $4,530 (2021 - $1,890).

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

7. INVESTMENT IN JOINT VENTURE

Xuzhou-PAT Control Technologies Limited ("XPCT") is a joint venture in China in which the Company's subsidiary IRD holds a 50% interest. XPCT has two business divisions providing products and services to both the ITS industry and construction equipment manufacturers. The Company's ownership interest comprises a 50% share of net assets and net earnings of XPCT as well as purchase price adjustments to allocate fair values assigned to certain assets and liabilities at the time of acquisition.

As a distributor for the Company's ITS manufactured goods, XPCT provides a strategic advantage to the Company to increase sales in the Chinese market.

IRD had sales to XPCT of $60 during the six months ended June 30, 2022 (2021 - $nil). At June 30, 2022, accounts receivable from XPCT was $59. As at December 31, 2021, IRD had amounts owing to XPCT of $1.

		June 30, 2022		December 31, 2021
Balance, beginning of the year	**$**	**7,458**	$	6,704
Currency (loss) gain on financial statement translation		**(319)**		178
Company's share of earnings		**999**		1,924
Dividend received		**—**		(1,348)
Balance	**$**	**8,138**	$	7,458

As at June 30, 2022, IRD has an outstanding 100% guarantee to XPCT, for a loan in the amount of 15,000 Chinese yuan or $2,892 (December 31, 2021 - $3,008); IRD has the right to seek recourse against its joint venture partner for any amount greater than IRD's proportionate share of the liability. The amount owing represents the maximum amount available to be drawn under this facility.

8. LONG-TERM DEBT

As at		**June 30, 2022**		December 31, 2021
Senior term credit facility:				
US$50,000, due August 31, 2026	**$**	**49,229**	$	62,826
Less: current portion of long-term debt		**(3,228)**		(3,181)
Debt issuance costs, net of amortization		**(592)**		(677)
Total long-term debt	**$**	**45,409**	$	58,968

In the prior fiscal year, Quarterhill ITS, the parent company of the ITS segment and wholly owned subsidiary of Quarterhill Inc., 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 US$15,000 and a term credit facility of US$50,000. These credit facilities replaced all existing facilities the Company had with HSBC Bank Canada. The interest rate for the facilities as at June 30, 2022, was 3.46% (December 31, 2021 – 3.20%). 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 June 30, 2022 was $214,241.

As at June 30, 2022 there were no amounts drawn from the revolving credit facility. For any amounts drawn, repayment on the revolving credit facility is ultimately due on the maturity date. The repayment of principal on the term credit facility is structured as quarterly payments based on 1.25% principal repayment per quarter in the first two years and 2.5% per quarter thereafter until the maturity date, upon which the remaining balance is due.

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

8. LONG-TERM DEBT (continued)

The credit agreement includes covenants, restrictions and events of default usually present in credit facilities of this nature, including requirements to meet certain financial tests periodically and restrictions on additional indebtedness and encumbrances. The financial covenants the Company must maintain are as follows:

- a *Fixed Charge Coverage Ratio* of at least 1.20 to 1.00 on a rolling four-quarter basis; and
- a *Senior Leverage Ratio* of not more than 3.50 to 1.00 as at September 1, 2021 and thereafter up to and including the fiscal quarter ending March 31, 2023 and 3.00 to 1.00 from April 1, 2023 and at all times thereafter, up to and including the maturity date. 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 US$20,000.

The Company was in compliance with all covenants as at June 30, 2022.

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

		Principal
To June 30, 2023	$	**3,228**
To June 30, 2024		**5,649**
To June 30, 2025		**6,456**
To June 30, 2026		**6,456**
To September 1, 2026		**27,440**
	$	**49,229**

The Company also has incurred a revolving demand facility through its WiLAN Inc. ("WiLAN") subsidiary to support letters of credit and/or letters of guarantee with Royal Bank of Canada for which restricted short-term investments are held as collateral. As at June 30, 2022, a $5,223 (US$4,178) letter of credit is outstanding against the revolving demand facility.

9. CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITY

The following table illustrates the allocation of the gross proceeds of the Debentures between debt and equity at issuance and subsequent remeasurement:

		June 30, 2022	December 31, 2021
Convertible unsecured subordinated debentures:			
Gross proceeds	$	**57,500**	57,500
Convertible debentures, host debt component	$	**49,118**	47,967
Debt issuance costs, net of amortization		**(1,816)**	(2,008)
Convertible debentures	$	**47,302**	45,959
Convertible debentures, derivative liability component, opening	$	**9,441**	9,533
Change in fair value of derivative liability		**(6,415)**	(92)
Convertible debentures, derivative liability component, closing	$	**3,026**	9,441

On October 27, 2021, the Company completed a brokered financing of $57,500 by way of the issuance of unsecured subordinated convertible debentures (the “Debentures”), which includes the full exercise of a $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 and an initial conversion price into common shares of $3.80. Each Debenture is convertible into common shares of

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

9. CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITY (continued)

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 date of maturity of October 30, 2026 (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 to, but excluding, the date of conversion. Except in certain circumstances involving a “Change of Control”, the Debentures will not be redeemable at the option of the Company before October 31, 2024. On or after October 31, 2024 and 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 twenty 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 of the Debentures, the Company will issue 15,131,579 shares. The initial fair value of the conversion option was estimated at $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 other income. The fair value of the conversion option is calculated using the Black-Scholes option pricing model with the following weighted average assumptions.

	June 30, 2022	December 31, 2021
Risk-free rate	1.5 %	1.0 %
Expected life (in years)	4.3	4.8
Expected volatility	39.9 %	46.0 %
Expected dividend yield	1.95 %	1.95 %
Share price	$ 1.86	$ 2.70

10. CONTINGENT LIABILITIES

In connection with Quarterhill’s original acquisition of VIZIYA in 2017, the Company agreed to pay VIZIYA’s former shareholders up to an additional US$11,900 in cash and common shares pursuant to the terms of the acquisition agreement if VIZIYA achieved certain targets for its earnings before interest, taxes and amortization (“Eligible Earnings”) between at least US$6,750 and US$11,850 for the period from April 1, 2017 to July 31, 2019. Additionally, if VIZIYA achieved cumulative Eligible Earnings during that period exceeding US$11,850, the Company would be required to pay 50% of the amount of those excess Eligible Earnings as additional contingent consideration until that cumulative Eligible Earnings reached a cap of US$23,700. In 2019, Quarterhill determined that VIZIYA did not achieve the minimum amount of cumulative Eligible Earnings for its former shareholders to be paid any additional amounts. In 2019, VIZIYA’s former shareholders initiated arbitration of the Eligible Earnings and additional payment calculations pursuant to the terms of the acquisition agreement. This arbitration and a related litigation matter were fully and finally settled in July 2022 including by way of Quarterhill making a $14,600 (approximately US$11,300) payment in cash; all other details of this settlement are confidential. The Company has recognized this payment through “Other Charges”.

On February 3, 2022, the United States District Court for the District of Delaware issued a decision that Wi-LAN Inc. ("WiLAN") be required to pay an award of attorney fees and related costs upon the issuance of an order in respect of litigation before that Court. On April 29, 2022, the United States District Court for the District of Delaware issued orders instructing WiLAN to pay US$3,146 to Sharp Electronics Corporation and US$1,032 to Vizio, Inc., representing a total amount of US$4,179. WiLAN filed appeals of these orders with the United States Court of Appeal for the Federal Circuit on May 31, 2022 and as at June 30, 2022, it was determined that it is not more likely than not that a legal liability exists as to these matters and, therefore, no provision has been made in the Company's financial statements related thereto.

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

11. SHARE CAPITAL

The share capital of the Company consists of the following:

		Issued and Outstanding	
	Authorized	**June 30, 2022**	December 31, 2021
Common shares	unlimited	**114,451,634**	113,880,853
Special preferred, redeemable, retractable, non-voting shares	6,351	**Nil**	Nil
Preferred shares, issuable in series	unlimited	**Nil**	Nil

December 31, 2021	113,880,853
Issuance of common shares upon vesting of restricted stock units	61,585
Issuance of common shares upon vesting of performance stock units	19,196
Exercise of options	490,000
June 30, 2022	**114,451,634**

	Three months ended June 30,		Six months ended June 30,	
Dividends declared	**2022**	2021	**2022**	2021
Per common share	**$ 0.0125**	$ 0.0125	**$ 0.0250**	$ 0.0250
Amount	**$ 1,432**	$ 1,422	**$ 2,840**	$ 2,854

Restricted Stock Units

Pursuant to the Company's 2018 Equity Incentive Plan (the "Equity Plan"), the Company has granted restricted stock units ("RSUs") to certain employees which may be settled in cash or Common Shares issued from treasury on a one-to-one basis in six tranches, with the first tranche vested at the grant date and each subsequent tranche vesting upon the Company coming out of its regular quarterly blackout for the fiscal quarters ending June 30 and December 31, in 2022, 2023, and 2024 until fully vested. The Company granted 556,721 RSUs on March 15, 2021, valued using the most recent TSX closing price for the Common Shares on the grant date of $2.59 for a total of $1,441. The Company granted 196,417 RSUs on May 13, 2022, valued using the most recent TSX closing price for the Common Chares on the grant date of $2.14 for a total of $420. For the three and six months ended June 30, 2022, the Company has recognized $49 and $303, respectively, in stock-based compensation expense as a result.

12. OTHER CHARGES

Other charges within the interim condensed consolidated statements of (loss) income and comprehensive (loss) income include costs and recoveries that relate to certain restructuring initiatives that the Company has undertaken from time to time, acquisition-related costs and recoveries and other charges. During the three and six months ended June 30, 2022, the Company recognized other charges of $15,107 and $15,203, respectively (2021 - $343 and 382) with $14,600 related to the contingent liability VIZIYA settlement and $603 related to termination costs.

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

13. (LOSS) INCOME PER SHARE

Basic (loss) income per share is calculated by dividing net (loss) income by the weighted average number of common shares outstanding during the period. Diluted (loss) income per share is calculated by dividing net (loss) income 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 June 30,		Six months ended June 30,	
	2022	2021	**2022**	2021
Numerator:				
Net (loss) income	**$ (23,837)**	$ (6,376)	**$ 33,064**	$ (10,663)
Denominator:				
Weighted average number of common shares outstanding for basic income (loss) per share	**114,389,952**	114,054,045	**114,154,645**	114,231,204
Adjustment for stock options	**—**	—	**1,061,798**	—
Dilutive effect of Convertible Debentures	**—**	—	**15,131,579**	—
Weighted average number of common shares outstanding for diluted (loss) income per share	**114,389,952**	114,054,045	**130,348,022**	114,231,204
Basic	**$ (0.21)**	$ (0.06)	**$ 0.29**	$ (0.09)
Diluted	**$ (0.21)**	$ (0.06)	**$ 0.25**	$ (0.09)

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 those 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 reportable segments, identified as Intelligent Transportation Systems and Licensing, follow the same accounting policies as those described in the most recent annual audited consolidated financial statements and are further described below.

Intelligent Transportation Systems – This segment includes companies that provide integrated, tolling and mobility systems and solutions to the ITS industry as well as its adjacent markets. The ITS industry is focused on enhancing the safety, increasing the efficiency and reducing the environmental impact of highway and roadway transportation systems.

Licensing – This segment includes companies that count licensing as their principal business activity. The Company's investment in this segment consists of WiLAN and its wholly owned subsidiaries. Current patent portfolios include patents relating to memory interface technologies, semiconductor manufacturing and packaging technologies, automotive applications, computer gaming, intelligent personal assistant technologies, enhanced image processing, streaming video technologies, non-volatile Flash memory, DRAM and other memory technologies as well as semiconductor analog circuitry technologies.

Segmented interim condensed consolidated statements of (loss) income for the three and six months ended June 30, 2022 and 2021 are included below:

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

14. SEGMENT REPORTING (continued)

	Three months ended June 30, 2022			
	Licensing	Intelligent Transportation Systems	Corporate	Total
Revenues	$ 4,639	$ 39,230	$ —	$ 43,869
Direct cost of revenues	4,790	33,235	—	38,025
Gross (loss) profit	(151)	5,995	—	5,844
Depreciation of right-of-use assets	51	479	37	567
Depreciation of property, plant and equipment	8	462	8	478
Amortization of intangible assets	3,238	2,966	—	6,204
Selling, general and administrative expenses	1,226	9,870	3,132	14,228
Research and development expenses	—	797	—	797
Other charges	601	(94)	14,600	15,107
Results from operations	(5,275)	(8,485)	(17,777)	(31,537)
Finance income	—	—	(91)	(91)
Finance expense	7	806	1,645	2,458
Foreign exchange loss (gain)	378	(243)	(945)	(810)
Other income	—	(449)	(3,787)	(4,236)
Loss before taxes	(5,660)	(8,599)	(14,599)	(28,858)
Current income tax expense	59	496	—	555
Deferred income tax recovery	(1,744)	(2,449)	(1,383)	(5,576)
Income tax recovery	(1,685)	(1,953)	(1,383)	(5,021)
Net loss	$ (3,975)	$ (6,646)	$ (13,216)	$ (23,837)

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

14. SEGMENT REPORTING (continued)

	Three months ended June 30, 2021			
	Licensing	Intelligent Transportation Systems	Corporate	Total
Revenues	$ 1,750	$ 17,125	$ —	$ 18,875
Direct cost of revenues	4,854	10,711	—	15,565
Gross (loss) profit	(3,104)	6,414	—	3,310
Depreciation of right-of-use assets	48	221	35	304
Depreciation of property, plant and equipment	11	243	2	256
Amortization of intangible assets	2,965	1,386	—	4,351
Selling, general and administrative expenses	1,015	3,233	2,088	6,336
Research and development expenses	—	579	—	579
Other charges	—	156	187	343
Results from operations	(7,143)	596	(2,312)	(8,859)
Finance income	(9)	—	(24)	(33)
Finance expense	30	71	11	112
Foreign exchange (gain) loss	(232)	269	70	107
Other income	—	(565)	9	(556)
(Loss) income before taxes	(6,932)	821	(2,378)	(8,489)
Current income tax expense	107	119	4	230
Deferred income tax (recovery) expense	(2,186)	(174)	17	(2,343)
Income tax (recovery) expense	(2,079)	(55)	21	(2,113)
Net (loss) income	$ (4,853)	$ 876	$ (2,399)	$ (6,376)

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

14. SEGMENT REPORTING (continued)

	Six months ended June 30, 2022			
	Licensing	Intelligent Transportation Systems	Corporate	Total
Revenues	$ 135,377	$ 76,997	$ —	$ 212,374
Direct cost of revenues	53,493	60,381	—	113,874
Gross profit	81,884	16,616	—	98,500
Depreciation of right-of-use assets	101	962	72	1,135
Depreciation of property, plant and equipment	19	972	16	1,007
Amortization of intangible assets	6,438	6,108	—	12,546
Selling, general and administrative expenses	2,431	19,044	6,400	27,875
Research and development expenses	—	1,437	—	1,437
Other charges	601	2	14,600	15,203
Results from operations	72,294	(11,909)	(21,088)	39,297
Finance income	(375)	—	(120)	(495)
Finance expense	425	1,458	3,624	5,507
Foreign exchange loss (gain)	250	(59)	(451)	(260)
Other income	—	(1,134)	(7,123)	(8,257)
Income (loss) before taxes	71,994	(12,174)	(17,018)	42,802
Current income tax expense	605	552	—	1,157
Deferred income tax expense (recovery)	8,599	(3,141)	3,123	8,581
Income tax expense (recovery)	9,204	(2,589)	3,123	9,738
Net income (loss)	$ 62,790	$ (9,585)	$ (20,141)	$ 33,064

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

14. SEGMENT REPORTING (continued)

	Six months ended June 30, 2021			
	Licensing	Intelligent Transportation Systems	Corporate	Total
Revenues	$ 9,598	$ 28,593	$ —	$ 38,191
Direct cost of revenues	10,723	17,521	—	28,244
Gross (loss) profit	(1,125)	11,072	—	9,947
Depreciation of right-of-use assets	97	384	102	583
Depreciation of property, plant and equipment	22	460	7	489
Amortization of intangible assets	6,062	2,776	—	8,838
Selling, general and administrative expenses	2,126	6,127	5,158	13,411
Research and development expenses	—	973	—	973
Other charges	—	195	187	382
Results from operations	(9,432)	157	(5,454)	(14,729)
Finance income	(19)	—	(35)	(54)
Finance expense	62	99	20	181
Foreign exchange (gain) loss	(388)	160	210	(18)
Other income	—	(1,195)	9	(1,186)
(Loss) income before taxes	(9,087)	1,093	(5,658)	(13,652)
Current income tax expense	503	267	4	774
Deferred income tax (recovery) expense	(3,276)	(544)	57	(3,763)
Income tax (recovery) expense	(2,773)	(277)	61	(2,989)
Net (loss) income	$ (6,314)	$ 1,370	$ (5,719)	$ (10,663)

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

	Three months ended June 30,		**Six months ended June 30,**	
	2022	2021	**2022**	2021
Revenue recognized at a point in time	**$ 11,874**	$ 13,664	**$ 144,416**	$ 25,436
Revenue recognized over time	**31,995**	5,211	**67,958**	12,755
Total revenues	**$ 43,869**	$ 18,875	**$ 212,374**	$ 38,191

15. FINANCIAL RISK MANAGEMENT

Credit Risk
Credit risk is the risk of financial loss to the Company if a licensee or 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's cash and cash equivalents, short-term investments, and restricted short-term investments consist primarily of deposit investments that are held primarily with Canadian chartered banks. Management does not expect any counterparties to fail to meet their obligations.

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 consistent 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 material 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.

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, long-term debt and the issuance of common shares.

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.

Interest Rate Risk
The financial instruments that expose the Company to interest rate risk are its cash and cash equivalents, short-term investments, restricted short-term investments, bank indebtedness and long-term debt. The Company's objectives of managing its cash and cash equivalents, short-term investments, restricted short-term investments, bank indebtedness and long-term debt 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 period.

(in thousands and in Canadian 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 US dollars, Chilean pesos, Mexican pesos, Euros and Chinese yuan. Because these financial statements are reported in Canadian dollars, the Company's operating results are subject to changes in the exchange rate of the foreign currencies (primarily US dollars) relative to the Canadian dollar. For instance, a decrease in the value of the US dollar relative to the Canadian dollar has an unfavourable impact on US dollar denominated revenues and a favourable impact on US dollar denominated direct cost of revenues and operating expenses. Approximately 70% of the Company's cash and cash equivalents and short-term investments are denominated in US dollars and are subject to changes in the exchange rate of the Canadian dollar relative to the US dollar.

From time to time, the Company may manage the risk associated with foreign exchange rate fluctuations by entering into foreign exchange forward contracts and engaging in other hedging strategies. To the extent that the Company engages in risk management activities related to foreign exchange rates, it may be subject to credit risks associated with the counterparties with whom it contracts. The Company did not hold any foreign exchange forward contracts as at June 30, 2022.

The COVID-19 Pandemic

While the Company is not immune to the impacts of the pandemic, the majority of the work performed within each portfolio company remains ongoing, and in the case of the Intelligent Transportation Systems segment, certain of its work has been deemed "essential" by governing authorities. However, there remains some risk that certain project work or license sales will be deferred or restricted and new orders delayed, in particular, in international jurisdictions.

16. CHANGES IN NON-CASH WORKING CAPITAL BALANCES

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	**2022**	2021
Accounts receivable	**$ 136,193**	$ 5,416	**$ 8,320**	$ 1,616
Unbilled revenue	**(4,417)**	(97)	**3,409**	2,627
Income taxes receivable	**(39)**	45	**(72)**	25
Inventories	**(637)**	(496)	**(414)**	(1,229)
Prepaid expenses and deposits	**(1,002)**	(1,044)	**(1,790)**	(1,190)
Deferred revenue	**127**	(308)	**64**	1,632
Deferred compensation asset	**(45)**	—	**(22)**	—
Deferred compensation liability	**41**	—	**20**	—
Accounts payable and accrued liabilities	**(25,272)**	1,806	**10,745**	(3,249)
Income taxes payable	**135**	144	**84**	261
	$ 105,084	$ 5,466	**20,344**	493

Supplemental Cash Flow Information

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	**2022**	2021
Net interest in cash, included in operations	**$ (514)**	$ 70	**$ (320)**	$ 24
Taxes paid	**643**	158	**951**	239