



Quarterhill Inc.

2021 Third Quarter Interim
Condensed Consolidated
Financial Statements
(Unaudited)

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



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

	Note	Three months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
CONTINUING OPERATIONS					
Revenues	9, 15				
Licensing		\$ 11,416	\$ 67,263	\$ 21,014	\$ 77,783
Intelligent Transportation Systems		24,927	20,734	53,520	48,651
		36,343	87,997	74,534	126,434
Direct cost of revenues					
Licensing		5,318	32,118	16,041	40,949
Intelligent Transportation Systems		15,612	10,278	33,133	28,290
		20,930	42,396	49,174	69,239
Gross profit		15,413	45,601	25,360	57,195
Operating expenses					
Depreciation of right-of-use assets		418	257	1,001	738
Depreciation of property, plant and equipment		323	250	812	721
Amortization of intangible assets		5,156	4,726	13,994	14,316
Selling, general and administrative expenses		8,831	6,424	22,242	18,545
Research and development expenses		728	390	1,701	1,814
Impairment losses on intangible assets		—	62	—	295
Special charges	13	3,666	—	4,048	872
		19,122	12,109	43,798	37,301
Results from operations		(3,709)	33,492	(18,438)	19,894
Finance income		(56)	(146)	(110)	(528)
Finance expense		343	153	524	367
Foreign exchange (gain) loss		(637)	72	(655)	(513)
Other income		(661)	(383)	(1,847)	(1,192)
(Loss) income before taxes		(2,698)	33,796	(16,350)	21,760
Current income tax expense		270	325	1,044	1,669
Deferred income tax (recovery) expense		(965)	8,943	(4,728)	5,462
Income tax (recovery) expense		(695)	9,268	(3,684)	7,131
Net (loss) income from continuing operations		(2,003)	24,528	(12,666)	14,629
Net income from discontinued operations	6	—	—	—	14,255
Net (loss) income		\$ (2,003)	\$ 24,528	\$ (12,666)	\$ 28,884
Other comprehensive income (loss) that may be reclassified subsequently to net (loss) income:					
Foreign currency translation adjustment		4,439	(4,693)	(2,407)	5,182
Comprehensive income (loss)		\$ 2,436	\$ 19,835	\$ (15,073)	\$ 34,066
(Loss) income per share					
	14				
From continuing operations		\$ (0.02)	\$ 0.21	\$ (0.11)	\$ 0.13
From discontinued operations		—	—	—	0.12
(Loss) income per share - Basic		\$ (0.02)	\$ 0.21	\$ (0.11)	\$ 0.25
From continuing operations		\$ (0.02)	\$ 0.21	\$ (0.11)	\$ 0.12
From discontinued operations		—	—	—	0.12
(Loss) income per share - Diluted		\$ (0.02)	\$ 0.21	\$ (0.11)	\$ 0.24

See accompanying notes to these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Financial Position
(Unaudited)



(in thousands and in Canadian dollars)

As at	Note	September 30, 2021	December 31, 2020
Current assets			
Cash and cash equivalents		\$ 33,925	\$ 135,700
Short-term investments		3,124	5,550
Restricted short-term investments	8	3,095	—
Accounts receivable		27,745	13,747
Unbilled revenue	9	26,254	13,549
Income taxes recoverable		425	264
Inventories (net of obsolescence)		12,317	9,068
Prepaid expenses and deposits		6,033	8,264
		112,918	186,142
Non-current assets			
Accounts and other long-term receivables		2,696	844
Right-of-use assets, net		8,371	3,780
Property, plant and equipment, net		5,753	2,783
Intangible assets, net		152,787	59,261
Investment in joint venture	10	7,173	6,704
Deferred income tax assets		30,921	28,124
Goodwill	5	53,542	16,093
		261,243	117,589
TOTAL ASSETS		\$ 374,161	\$ 303,731
Liabilities			
Current liabilities			
Bank indebtedness	8	\$ 12,727	\$ —
Accounts payable and accrued liabilities		26,571	20,038
Income taxes payable		747	631
Current portion of lease liabilities		2,135	1,012
Current portion of deferred revenue	9	7,519	4,800
Current portion of long-term debt	8	3,182	—
		52,881	26,481
Non-current liabilities			
Deferred revenue	9	1,735	2,573
Long-term lease liabilities		6,234	2,747
Long-term debt	8	59,744	—
Other long-term liabilities		1,241	—
		68,954	5,320
TOTAL LIABILITIES		121,835	31,801
Shareholders' equity			
Capital stock	12	544,065	547,537
Contributed surplus		49,465	46,250
Accumulated other comprehensive income		1,174	3,581
Deficit		(342,378)	(325,438)
		252,326	271,930
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 374,161	\$ 303,731

Contingent liabilities (Note 11)

See accompanying notes to these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Cash Flows
(Unaudited)



(in thousands and in Canadian dollars)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
Cash generated from (used in) operations					
Net (loss) income from continuing operations		\$ (2,003)	\$ 24,528	\$ (12,666)	\$ 14,629
Non-cash items					
Stock-based compensation expense		374	248	1,384	444
Depreciation of right-of-use assets		418	257	1,001	738
Interest expense on lease liabilities		66	59	150	171
Depreciation and amortization		5,479	4,976	14,806	15,037
Foreign exchange gain		(637)	(38)	(655)	(232)
Equity in earnings from joint venture	10	(587)	(383)	(1,774)	(1,192)
Impairment losses on intangible assets		—	62	—	295
Loss on disposal of assets		—	14	—	4
Deferred income tax (recovery) expense		(965)	8,943	(4,728)	5,462
Accounts and other long-term receivables		(573)	—	(561)	—
Other long-term liabilities		158	—	158	—
Embedded derivatives		49	69	54	(32)
Changes in non-cash working capital balances	17	(12,693)	(34,231)	(12,212)	(25,414)
Cash (used in) generated from continuing operations		(10,914)	4,504	(15,043)	9,910
Net cash flows attributable to discontinuing operations		—	—	—	(4,349)
Net cash (used in) generated from operating activities		(10,914)	4,504	(15,043)	5,561
Financing					
Dividends paid		(1,420)	(1,443)	(4,274)	(2,924)
Advances from (repayment of) revolving credit facility	8	12,727	(3,596)	12,727	(612)
Net proceeds from long-term debt	8	62,926	—	62,926	—
Payment of lease liabilities		(523)	(274)	(1,085)	(860)
Repayment of long-term debt		—	(8)	—	(128)
Repurchase of shares for cancellation		—	(9,322)	(2,065)	(9,322)
Common shares issued for cash on the exercise of options		46	—	280	14
Common shares issued from performance stock units		—	—	—	24
Net cash generated from (used in) financing activities		73,756	(14,643)	68,509	(13,808)
Investing					
Proceeds from disposition of a subsidiary	6	—	—	—	49,400
Cash sold on disposition of a subsidiary		—	—	—	(1,825)
Proceeds from short-term investments		—	—	3,000	—
Purchase of short-term investments		—	(4,054)	—	(4,054)
Purchase of restricted short-term investments		—	—	(3,025)	—
Proceeds from sale of property, plant and equipment		—	16	—	32
Purchase of property, plant and equipment		(331)	(309)	(419)	(1,196)
Acquisition of business, VDS	5	—	—	(2,780)	—
Acquisition of business, ETC - net of cash acquired	5	(151,469)	—	(151,469)	—
Dividends received from joint venture	10	1,348	—	1,348	—
Purchase of intangible assets		(252)	(30)	(252)	(55)
Cash (used in) generated from continuing operations investing activities		(150,704)	(4,377)	(153,597)	42,302
Net cash flows attributable to discontinuing operations		—	—	—	(81)
Net cash (used in) generated from investing activities		(150,704)	(4,377)	(153,597)	42,221
Foreign exchange on cash held in foreign currencies		1,924	(2,869)	(1,644)	2,286
Net (decrease) increase in cash and cash equivalents		(85,938)	(17,385)	(101,775)	36,260
Cash and cash equivalents, beginning of		119,863	141,515	135,700	87,870
Cash and cash equivalents, end of		\$ 33,925	\$ 124,130	\$ 33,925	\$ 124,130

See accompanying notes to these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Shareholders'
Equity (Unaudited)
(in thousands and in Canadian dollars)



	Note	Capital Stock	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' Equity
January 1, 2020		\$ 570,553	\$ 32,011	\$ 10,936	\$ (338,297)	\$ 275,203
Net income		—	—	—	28,884	28,884
Repurchase of shares for cancellation		(9,322)	—	—	—	(9,322)
Other comprehensive income		—	—	5,182	—	5,182
Stock-based compensation expense		—	444	—	—	444
Exercise of options		14	—	—	—	14
Common shares issued from performance stock units		24	—	—	—	24
Dividends declared	12	—	—	—	(4,441)	(4,441)
September 30, 2020		\$ 561,269	\$ 32,455	\$ 16,118	\$ (313,854)	\$ 295,988
January 1, 2021		\$ 547,537	\$ 46,250	\$ 3,581	\$ (325,438)	\$ 271,930
Net loss		—	—	—	(12,666)	(12,666)
Repurchase of shares for cancellation	11	(4,027)	1,962	—	—	(2,065)
Other comprehensive loss		—	—	(2,407)	—	(2,407)
Stock-based compensation expense		—	1,384	—	—	1,384
Exercise of options		387	(107)	—	—	280
Common shares issued from restricted stock units		156	(12)	—	—	144
Common shares issued from performance stock units		12	(12)	—	—	—
Dividends declared	12	—	—	—	(4,274)	(4,274)
September 30, 2021		\$ 544,065	\$ 49,465	\$ 1,174	\$ (342,378)	\$ 252,326

See accompanying notes to these interim condensed consolidated financial statements.

Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2021 and 2020

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

1. NATURE OF BUSINESS

Quarterhill Inc. ("Quarterhill" or the "Company"), formerly "Wi-LAN Inc.", 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. On May 15, 2020, the Company sold its investment in VIZIYA Corp., which represented the Enterprise Software segment and has been presented as a discontinued operation within the Company's interim condensed consolidated financial statements ("financial statements") and further disclosed in Note 6, Discontinued Operations.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Statement of compliance

These 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, 2020.

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, 2020.

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, 2020. 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 November 9, 2021.

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.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

In January 2020, the IASB issued amendments to IAS 1, "Presentation of Financial Statements" ("IAS 1") to clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and is unaffected by expectations about whether or not an entity will exercise their right to defer settlement of a liability. The amendments further clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments. These amendments are effective for

3. FUTURE ACCOUNTING PRONOUNCEMENTS (continued)

annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The adoption of these amendments is not expected to have a significant impact on the financial statements.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" has been revised to incorporate amendments issued by the IASB in May 2020. The amendments specify which costs an entity includes in determining the costs of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The Company is currently assessing the impact of these amendments.

Financial Instruments – Fees in the "10 percent" Test for Derecognition of Financial Liabilities (Amendments to IFRS 9)

IAS 9, "Financial Instruments" has been revised to incorporate amendments issued by the IASB in May 2020. The amendment clarifies which fees an entity includes when it applies the '10 percent test' in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The Company is currently assessing the impact of these amendments.

COVID-19 Related Rent Concessions Beyond June 30, 2021 (Amendments to IFRS 16 - Leases)

In May 2020, the IASB issued an amendment providing lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2021. In April 2021, the IASB extended the availability of the exemption for COVID-19-related rent concessions by one year to June 30, 2022. The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted. The Company does not expect the adoption of this amendment to have any impact on the financial statements.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

In February 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The amendments provide guidance to help entities disclose their material (previously "significant") accounting. 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.

Definition of Accounting Estimates (Amendments to IAS 8)

In February 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors). The amendments define accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies. 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.

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.

Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2021 and 2020

(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. BUSINESS COMBINATIONS

Acquisitions are accounted for using the acquisition method of accounting and the financial statements include the acquisition results since the respective acquisition dates.

On January 5, 2021, the Company's wholly owned subsidiary, International Road Dynamics Inc. ("IRD"), acquired 100% of the issued and outstanding shares of Sensor Line – Gesellschaft für Optoelektronische Sensoren mbH ("Sensor Line"), a German ITS provider of highly regarded fiber optic traffic sensors for road and rail markets. On April 28, 2021, IRD acquired 100% of the issued and outstanding shares of VDS Verkehrstechnik GmbH ("VDS"), a German ITS provider of high-precision monitoring devices. Both Sensor Line and VDS have been integrated into IRD and form part of the Intelligent Transportation Systems segment. On September 1, 2021, the Company acquired 100% of the issued and outstanding equity of Richardson, Texas-based Electronic Transaction Consultants, LLC ("ETC") by acquiring all the issued and outstanding shares of its parent holding companies. ETC is a leader in providing tolling and mobility systems to tolling authorities across the United States. The purchase of these acquisitions broadens the Company's product and services suite in the ITS industry and expands its geographic footprint further into the European and North American markets.

The transactions, valued at \$5,933 (€3,800), \$2,780 (€1,837) and \$151,614 (USD \$120,262) for Sensor Line, VDS and ETC, respectively, were financed through the Company's cash reserves and debt financing.

The following tables summarize the fair value allocations of identifiable assets acquired and liabilities assumed as part of the acquisitions on each closing date:

Sensor Line

Cash consideration paid	\$	5,933
Identifiable net assets acquired at fair value:		
Accounts receivable	\$	793
Inventories (net of obsolescence)		547
Prepaid expenses and deposits		103
Property, plant and equipment		151
Intangible assets		
Customer relationships		2,322
Technology		854
Goodwill		2,563
Deferred income tax assets		36
Bank indebtedness		(142)
Accounts payable and accrued liabilities		(295)
Income taxes payable		(46)
Deferred income tax liabilities		(953)
Total identifiable net assets at fair value	\$	5,933

Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2021 and 2020

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

5. BUSINESS COMBINATIONS (continued)

VDS

Cash consideration paid	\$	2,780
Identifiable net assets acquired at fair value:		
Accounts receivable	\$	154
Inventories (net of obsolescence)		674
Prepaid expenses and deposits		16
Right-of-use assets, net		600
Property, plant and equipment		271
Intangible assets		
Customer relationships		746
Technology		585
Other intangible assets		55
Goodwill		995
Accounts payable and accrued liabilities		(316)
Lease liabilities		(600)
Deferred income tax liabilities		(400)
Total identifiable net assets at fair value	\$	2,780

ETC

Cash consideration paid	\$	151,614
Identifiable net assets acquired at fair value:		
Cash and cash equivalents	\$	145
Accounts receivable		9,417
Unbilled revenue		9,746
Prepaid expenses and deposits		2,671
Other long-term receivables		1,629
Right-of-use assets, net		4,202
Property, plant and equipment		2,974
Intangible assets		
Customer relationships		50,680
Technology		34,039
Trade name and other		16,137
Non-competition agreement		1,135
Goodwill		33,764
Accounts payable and accrued liabilities		(8,400)
Deferred revenue		(149)
Lease liabilities		(4,202)
Other long-term liabilities		(1,399)
Deferred income tax liabilities		(775)
Total identifiable net assets at fair value	\$	151,614

The fair value of the assets and liabilities associated with the acquisitions of Sensor Line, VDS and ETC were not finalized by the date these financial statements were approved by the Board of Directors on November 9, 2021

Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2021 and 2020

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

5. BUSINESS COMBINATIONS (continued)

and therefore are provisional. Fair values assigned to these assets and liabilities may be subsequently adjusted with a corresponding adjustment to goodwill prior to one year after the date of acquisition, which is January 5, 2022 for Sensor Line, April 28, 2022 for VDS and September 1, 2022 for ETC. Within the recent quarter, the Company has not made any revisions to the purchase price allocations to Sensor Line or VDS.

The goodwill recognized is attributable to intangible assets that do not qualify for separate recognition and may include expected synergies arising from the combined operations and the Company's other existing businesses within the Intelligent Transportation Systems segment, expected growth in the markets that they serve, and the strength of the assembled workforce in each. Only the goodwill from the ETC acquisition is deductible for tax purposes.

Total transaction costs related to the acquisitions of Sensor Line, VDS and ETC were \$4,129, of which \$198 were incurred in the year ended December 31, 2020 relating to Sensor Line. Total transaction costs related to the acquisition of ETC were \$3,638. These costs are included within the interim condensed consolidated statements of (loss) income and comprehensive income (loss) as special charges.

For the three months ended September 30, 2021, sales and net loss relating to the Sensor Line acquisition was \$672 and \$142, respectively, and \$2,544 and \$116 for the nine months ended September 30, 2021. Due to the timing of the acquisition of Sensor Line, these amounts are the same as if the acquisition had occurred at the beginning of the year. Sales and net loss relating to the VDS acquisition were \$884 and \$5 for the three months ended September 30, 2021, and \$1,375 and \$6 for the nine months ended September 30, 2021. If the acquisition of VDS had been completed as of January 1, 2021, the Company estimates that this subsidiary's revenue would have been \$1,960 and its net loss would have been \$282 for the nine months ended September 30, 2021. The sales and net loss of ETC for the three months ended September 30, 2021 were \$6,295 and \$165. Had the acquisition of ETC occurred on January 1, 2021, sales and net loss are estimated to have been \$61,289 and \$5,800 for the nine months ended September 30, 2021.

Reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period is presented below:

Reconciliation of goodwill:

As at January 1, 2021	\$	16,093
Acquisition of businesses		37,322
Currency translation		127
As at September 30, 2021	\$	53,542

Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2021 and 2020

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

6. DISCONTINUED OPERATIONS

On May 15, 2020, the Company sold its investment in VIZIYA Corp. and its related entities (collectively, "VIZIYA") for \$49,400. VIZIYA was acquired in May 2017 and represented the Company's former Enterprise Software segment. The Company's results for the prior fiscal period reported throughout these financial statements have been adjusted to reflect continuing operation results and figures with respect to these discontinued operations.

The results of the discontinued operations are presented below for the following periods:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Revenues	\$ —	\$ —	\$ —	\$ 6,132
Direct cost of revenues	—	—	—	1,211
Gross profit	—	—	—	4,921
Operating expenses	—	—	—	7,309
Results from operations	—	—	—	(2,388)
Other expenses	—	—	—	104
Income tax recovery	—	—	—	(593)
Loss from discontinued operations	—	—	—	(1,899)
Gain on disposal, before tax	—	—	—	17,713
Deferred income tax expense	—	—	—	1,559
Net income from discontinued operations	\$ —	\$ —	\$ —	\$ 14,255

7. FINANCIAL INSTRUMENTS

Derivatives consist of the embedded derivative portion of the unearned revenue of U.S. dollar denominated sales contracts in the Company's Canadian, Chilean and Mexican subsidiaries and foreign exchange forward contracts. The fair value of 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. Contingent liabilities are carried at fair value, which is calculated using management estimates or, where appropriate, a Monte Carlo simulation model. The fair value of bank indebtedness and long-term debt approximate carrying value 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, short-term investments, restricted short-term investments, accounts receivable, unbilled revenue, accounts payable and accrued liabilities approximate their fair value due to the short-term maturity of these items.

Inputs used to calculate the fair value of derivative 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.

Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2021 and 2020

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

8. LONG-TERM DEBT

As at	September 30, 2021	December 31, 2020
Senior revolving credit facility:		
US\$10,000, due August 31, 2026	\$ 12,727	\$ —
Total bank indebtedness	\$ 12,727	\$ —
Senior term credit facility:		
US\$50,000, due August 31, 2026	\$ 63,633	\$ —
Less: current portion of long-term debt	(3,182)	—
Debt issuance costs, net of amortization	(707)	—
Total long-term debt	\$ 59,744	\$ —

On September 1, 2021, the Company 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 September 30, 2021, was 2.34% (2020 –nil). Both the facilities have a maturity date of August 31, 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 September 30, 2021 was \$237,133.

Total drawn amounts from the revolving credit facility as at September 30, 2021 were \$12,727 (US\$10,000). 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.

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 September 30, 2021.

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

	Principal
To September 30, 2022	\$ 3,182
To September 30, 2023	3,182
To September 30, 2024	6,363
To September 30, 2025	6,363
To August 31, 2026	44,543
	\$ 63,633

The Company also has incurred a revolving demand facility through its WiLAN Inc. ("WiLAN") subsidiary in the amount of \$3,040 to support letters of credit and/or letters of guarantee as well as a credit facility in the amount of \$50 with Royal Bank of Canada for which \$3,095 in restricted short-term investments are held as collateral. As at September 30, 2021, a \$1,021 (€692) letter of credit is outstanding against the revolving demand facility.

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9. UNBILLED REVENUE AND DEFERRED REVENUE

Significant changes in unbilled revenue and deferred revenue balances during the year ended December 31, 2021 are as follows:

As at	September 30, 2021	December 31, 2020	\$ Change
Unbilled revenue	\$ 26,254	\$ 13,549	\$ 12,705
Deferred revenue - current	(7,519)	(4,800)	(2,719)
Deferred revenue - non-current	(1,735)	(2,573)	838
Net contract assets	\$ 17,000	\$ 6,176	\$ 10,824

Revenue recognized for the nine months ended September 30, 2021 that was included in deferred revenue at the beginning of the year was \$2,643 (2020 - \$2,944).

10. 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 \$nil during the three months ended September 30, 2021 and \$150 during the nine months ended September 30, 2021 (2020 - \$nil and \$nil). At September 30, 2021, IRD had amounts owing to XPCT of \$1; as at December 31, 2020, IRD had amounts owing to XPCT of \$48.

	September 30, 2021	December 31, 2020
Balance, beginning of the year	\$ 6,704	\$ 5,233
Currency gain on financial statement translation	43	268
Company's share of earnings	1,774	1,680
Dividend received	(1,348)	(477)
Balance	\$ 7,173	\$ 6,704

As at September 30, 2021, IRD has an outstanding 100% guarantee to XPCT, for a loan in the amount of 15,000 Chinese yuan or \$2,954 (December 31, 2020 - \$2,937); 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.

11. 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

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11. CONTINGENT LIABILITIES (continued)

shareholders to be paid any additional amounts. VIZIYA's former shareholders have initiated arbitration of the Eligible Earnings and additional payment calculations as permitted pursuant to the terms of the acquisition

agreement, the results of which arbitration may, or may not, result in a determination that the former shareholders are entitled to receive some or all of this earn-out obligation under the acquisition agreement. Quarterhill has defended this arbitration and does not believe that it will ultimately be found liable; however, the outcome of any litigation including this arbitration is inherently uncertain. As at September 30, 2021, it was determined that it is not more likely than not that a legal liability exists and therefore no provision has been made in the Company's financial statements.

12. SHARE CAPITAL

The share capital of the Company consists of the following:

	Issued and Outstanding		
	Authorized	September 30, 2021	December 31, 2020
Common shares	unlimited	113,787,517	114,322,032
Special preferred, redeemable, retractable, non-voting shares	6,351	Nil	Nil
Preferred shares, issuable in series	unlimited	Nil	Nil
January 1, 2021			114,322,032
Issuance of common shares upon vesting of restricted stock units			106,887
Issuance of common shares upon vesting of performance stock units			41,312
Shares repurchased under normal-course issuer bid for cancellation			(841,300)
Exercise of stock options			158,586
September 30, 2021			113,787,517

	September 30,		September 30,	
	2021	2020	2021	2020
Dividends declared				
Per common share	\$ 0.0125	\$ 0.0125	\$ 0.0375	\$ 0.0375
Amount	\$ 1,420	\$ 1,498	\$ 4,274	\$ 4,441

NCIB

On August 6, 2020, the Company received approval from TSX on its notice of intention to make a normal course issuer bid to purchase for cancellation up to 11,303,777 of its outstanding common shares (the "NCIB"). During the nine months ended September 30, 2021, the Company repurchased for cancellation 841,300 common shares at an average purchase price of \$2.45 per share totaling \$2,065 under the NCIB. Since the commencement of the NCIB on August 10, 2020, the Company has repurchased a total of 3,047,936 shares for \$6,363. The NCIB expired on August 9, 2021. The Company did not make any share repurchases under the NCIB for the three months ended September 30, 2021.

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 in March 2021. Pursuant to the Equity Plan, these RSUs are settled in common shares issued from treasury on a one-to-one basis in six tranches, with the first tranche vested at the grant date on March 15, 2021 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 2021, 2022 and 2023. 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. For the three and nine months ended September 30, 2021, the Company has recognized \$163 and \$907, respectively, in stock-based compensation expense as a result.

Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

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13. SPECIAL CHARGES

Special charges within the interim condensed consolidated statements of (loss) income and comprehensive income (loss) 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 nine months ended September 30, 2021, the Company recognized special charges of \$3,666 and \$4,048. During the three months ended September 30, 2021, the Company recognized \$3,638 and \$28 of special charges relating to the acquisitions of ETC and VDS, respectively. Year-to-date amounts include an additional \$226 and \$39 related to the acquisitions of VDS and Sensor Line, respectively, and \$117 in workforce reductions.

14. (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 year. 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 September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Numerator:				
Net (loss) income from continuing operations	\$ (2,003)	\$ 24,528	\$ (12,666)	\$ 14,629
Net income from discontinued operations	—	—	—	14,255
Net (loss) income	\$ (2,003)	\$ 24,528	\$ (12,666)	\$ 28,884
Denominator:				
Weighted average number of common shares outstanding for basic (loss) income per share	113,756,329	115,990,313	114,109,298	117,884,124
Adjustment for stock options	—	57,108	—	35,867
Weighted average number of common shares outstanding for diluted (loss) income per share	113,756,329	116,047,421	114,109,298	117,919,991
From continuing operations	\$ (0.02)	\$ 0.21	\$ (0.11)	\$ 0.13
From discontinued operations	—	—	—	0.12
(Loss) income per share - Basic	\$ (0.02)	\$ 0.21	\$ (0.11)	\$ 0.25
From continuing operations	\$ (0.02)	\$ 0.21	\$ (0.11)	\$ 0.12
From discontinued operations	—	—	—	0.12
(Loss) income per share - Diluted	\$ (0.02)	\$ 0.21	\$ (0.11)	\$ 0.24

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

Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2021 and 2020

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

15. SEGMENT REPORTING (continued)

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, medical, industrial and 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 statements of income (loss) for the three and nine months ended September 30, 2021 and 2020 are included below:

CONTINUING OPERATIONS	Three months ended September 30, 2021			
	Licensing	Intelligent Transportation Systems	Corporate	Total
Revenues	\$ 11,416	\$ 24,927	\$ —	\$ 36,343
Direct cost of revenues	5,318	15,612	—	20,930
Gross profit	6,098	9,315	—	15,413
Depreciation of right-of-use assets	52	330	36	418
Depreciation of property, plant and equipment	12	300	11	323
Amortization of intangible assets	3,073	2,083	—	5,156
Selling, general and administrative expenses	850	5,511	2,470	8,831
Research and development expenses	—	728	—	728
Special charges	—	3,538	128	3,666
Results from operations	2,111	(3,175)	(2,645)	(3,709)
Finance income	(28)	(1)	(27)	(56)
Finance expense	40	296	7	343
Foreign exchange loss (gain)	306	(620)	(323)	(637)
Other income	—	(655)	(6)	(661)
Income (loss) before taxes	1,793	(2,195)	(2,296)	(2,698)
Current income tax expense (recovery)	47	227	(4)	270
Deferred income tax (recovery) expense	(261)	(1,082)	378	(965)
Income tax (recovery) expense	(214)	(855)	374	(695)
Net income (loss) from continuing operations	\$ 2,007	\$ (1,340)	\$ (2,670)	\$ (2,003)

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15. SEGMENT REPORTING (continued)

CONTINUING OPERATIONS	Three months ended September 30, 2020			
	Licensing	Intelligent Transportation Systems	Corporate	Total
Revenues	\$ 67,263	\$ 20,734	\$ —	\$ 87,997
Direct cost of revenues	32,118	10,278	—	42,396
Gross profit	35,145	10,456	—	45,601
Depreciation of right-of-use assets	61	181	15	257
Depreciation of property, plant and equipment	13	232	5	250
Amortization of intangible assets	3,436	1,290	—	4,726
Selling, general and administrative expenses	862	2,607	2,955	6,424
Research and development expenses	—	390	—	390
Impairment losses of intangible assets	62	—	—	62
Results from operations	30,711	5,756	(2,975)	33,492
Finance income	(54)	(3)	(89)	(146)
Finance expense	36	113	4	153
Foreign exchange (gain) loss	(280)	305	47	72
Other income	—	(383)	—	(383)
Income (loss) before taxes	31,009	5,724	(2,937)	33,796
Current income tax expense	122	203	—	325
Deferred income tax expense	7,486	1,033	424	8,943
Income tax expense	7,608	1,236	424	9,268
Net income (loss) from continuing operations	\$ 23,401	\$ 4,488	\$ (3,361)	\$ 24,528

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15. SEGMENT REPORTING (continued)

CONTINUING OPERATIONS	Nine months ended September 30, 2021			
	Licensing	Intelligent Transportation Systems	Corporate	Total
Revenues	\$ 21,014	\$ 53,520	\$ —	\$ 74,534
Direct cost of revenues	16,041	33,133	—	49,174
Gross profit	4,973	20,387	—	25,360
Depreciation of right-of-use assets	149	715	137	1,001
Depreciation of property, plant and equipment	34	760	18	812
Amortization of intangible assets	9,135	4,859	—	13,994
Selling, general and administrative expenses	2,976	11,638	7,628	22,242
Research and development expenses	—	1,701	—	1,701
Special charges	—	3,733	315	4,048
Results from operations	(7,321)	(3,019)	(8,098)	(18,438)
Finance income	(47)	(1)	(62)	(110)
Finance expense	102	395	27	524
Foreign exchange gain	(82)	(460)	(113)	(655)
Other (income) loss	—	(1,850)	3	(1,847)
Loss before taxes	(7,294)	(1,103)	(7,953)	(16,350)
Current income tax expense (recovery)	550	494	—	1,044
Deferred income tax (recovery) expense	(3,537)	(1,626)	435	(4,728)
Income tax (recovery) expense	(2,987)	(1,132)	435	(3,684)
Net income (loss) from continuing operations	\$ (4,307)	\$ 29	\$ (8,388)	\$ (12,666)

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15. SEGMENT REPORTING (continued)

CONTINUING OPERATIONS	Nine months ended September 30, 2020			
	Licensing	Intelligent Transportation Systems	Corporate	Total
Revenues	\$ 77,783	\$ 48,651	\$ —	\$ 126,434
Direct cost of revenues	40,949	28,290	—	69,239
Gross profit	36,834	20,361	—	57,195
Depreciation of right-of-use assets	185	508	45	738
Depreciation of property, plant and equipment	45	660	16	721
Amortization of intangible assets	10,507	3,809	—	14,316
Selling, general and administrative expenses	2,586	8,424	7,535	18,545
Research and development expenses	—	1,814	—	1,814
Impairment losses on intangible assets	295	—	—	295
Special charges	—	659	213	872
Results from operations	23,216	4,487	(7,809)	19,894
Finance income	(176)	(10)	(342)	(528)
Finance expense	114	238	15	367
Foreign exchange loss (gain)	1,316	(624)	(1,205)	(513)
Other income	—	(1,192)	—	(1,192)
Income (loss) before taxes	21,962	6,075	(6,277)	21,760
Current income tax expense	1,364	305	—	1,669
Deferred income tax expense	1,515	425	3,522	5,462
Income tax expense	2,879	730	3,522	7,131
Net income (loss) from continuing operations	\$ 19,083	\$ 5,345	\$ (9,799)	\$ 14,629

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Revenue recognized at a point in time	\$ 15,773	\$ 61,384	\$ 36,152	\$ 86,880
Revenue recognized over time	20,570	26,613	38,382	39,554
Total revenues	\$ 36,343	\$ 87,997	\$ 74,534	\$ 126,434

16. FINANCIAL RISK MANAGEMENT

Credit Risk

Credit risk is the risk of financial loss to the Company if a licensee or counter party 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 and accounts receivable.

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 counter-parties to fail to meet their obligations.

16. FINANCIAL RISK MANAGEMENT (continued)

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.

Currency Risk

Portions of the Company's revenues and operating expenses are denominated in U.S. dollars, Indian rupees, 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 U.S. dollars) relative to the Canadian dollar. For instance, a decrease in the value of the U.S. dollar relative to the Canadian dollar has an unfavourable impact on US dollar denominated revenues and a favourable impact on U.S. dollar denominated direct cost of revenues and operating expenses. Approximately 85% 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 U.S. dollar.

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16. FINANCIAL RISK MANAGEMENT (continued)

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 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.

17. CHANGES IN NON-CASH WORKING CAPITAL BALANCES

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Accounts receivable	\$ (6,052)	\$ (59,436)	\$ (4,448)	\$ (32,877)
Unbilled revenue	(5,586)	(5,019)	(2,959)	(7,045)
Income taxes recoverable	(186)	125	(161)	(84)
Inventories	(1,346)	(185)	(2,575)	(1,525)
Prepaid expenses and deposits	175	(201)	(1,015)	(1,497)
Deferred revenue	(165)	2,451	1,467	2,399
Accounts payable and accrued liabilities	757	68	(2,492)	160
Income taxes payable	(290)	27,966	(29)	15,055
	\$ (12,693)	\$ (34,231)	(12,212)	(25,414)

Supplemental Cash Flow Information

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net interest received in cash, included in operations	\$ (4)	\$ (11)	\$ 20	\$ (235)
Taxes paid	26	38	265	2,192

18. SUBSEQUENT EVENTS

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 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.

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,

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18. SUBSEQUENT EVENTS (continued)

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 October 30, 2026 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.