



Unaudited Interim Condensed Consolidated Financial Statements

For the three and nine month periods ended June 30, 2021

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at June 30, 2021 and September 30, 2020
(Canadian dollars in thousands, except per share data)

	NOTES	June 30, 2021	September 30, 2020
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	\$ 56,050	\$ 24,235
Accounts receivable	5	111,058	81,109
Work in process	8	84,331	84,132
Inventory	6	6,122	6,095
Prepaid expenses	7	11,187	6,707
Derivative assets	22	137	358
Total current assets		268,885	202,636
NON-CURRENT ASSETS			
Capitalized research and development	9	3,415	3,924
Equipment	9	12,241	11,655
Application software	9	6,577	3,092
Right of use asset	10	16,164	17,595
Investments	11	670	670
Acquired intangible assets	12	57,191	36,191
Goodwill	13	100,257	55,290
Total non-current assets		196,515	128,417
TOTAL ASSETS		\$ 465,400	\$ 331,053
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	14	74,141	72,007
Contingent earn-out	24	20,235	3,251
Provisions	15	1,155	1,038
Unearned contract revenue	8	26,384	13,435
Derivative liabilities	22	513	152
Lease obligations	10	3,036	2,790
Total current liabilities		125,464	92,673
NON-CURRENT LIABILITIES			
Lease obligations	10	15,224	16,800
Contingent earn-out	24	13,721	11,913
Deferred tax liabilities		16,148	9,261
Total non-current liabilities		45,093	37,974
TOTAL LIABILITIES		170,557	130,647
SHAREHOLDERS' EQUITY			
Issued capital	17	193,802	107,931
Contributed surplus		4,886	2,002
Retained earnings		93,422	92,030
Accumulated other comprehensive income (loss)		2,733	(1,557)
TOTAL SHAREHOLDERS' EQUITY		294,843	200,406
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 465,400	\$ 331,053
Number of common shares issued and outstanding	17	11,258,055	9,760,032

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET PROFIT
For the three and nine month periods ended June 30, 2021 and 2020
(Canadian dollars in thousands, except per share data)

	NOTES	Three months ended June 30,		Nine months ended June 30,	
		2021	2020	2021	2020
Revenue					
Advanced Technologies		\$ 43,802	\$ 35,912	\$ 123,862	\$ 115,813
Health		50,800	43,936	150,770	106,187
Learning		18,113	11,110	57,061	43,551
IT and Cyber Solutions		23,379	14,570	59,072	43,712
Total Revenue	19	136,094	105,528	390,765	309,263
Cost of revenues		102,197	82,997	297,132	242,974
Gross profit		33,897	22,531	93,633	66,289
Selling and marketing		4,484	3,187	11,883	9,308
General and administration		13,256	9,848	39,230	28,034
Research and development		1,208	490	3,013	1,340
Profit before under noted items		14,949	9,006	39,507	27,607
Depreciation of equipment, application software and research and development	9	1,126	851	3,172	2,007
Depreciation of right of use asset	10	770	681	2,273	2,037
Amortization of acquired intangible assets	12	3,200	1,376	8,359	3,482
Other changes in fair value		-	-	-	(101)
Deemed compensation	23, 24	750	-	3,100	-
Changes in fair value related to contingent earn- out	24	5,130	393	6,780	889
Profit before interest income and income tax expense		3,973	5,705	15,823	19,293
Lease obligations interest expense	10	112	120	343	352
Interest expense (income)		52	(75)	297	166
Profit before income tax expense		3,809	5,660	15,183	18,775
Income tax expense – current		2,433	2,022	6,647	6,049
Income tax expense (recovery) – deferred		(687)	(228)	(1,526)	(749)
Total income tax expense		1,746	1,794	5,121	5,300
NET PROFIT		\$ 2,063	\$ 3,866	\$ 10,062	\$ 13,475
Net profit per share:					
Basic	20	\$ 0.18	\$ 0.40	\$ 0.97	\$ 1.53
Diluted	20	\$ 0.18	\$ 0.40	\$ 0.97	\$ 1.52

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CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three and nine month periods ended June 30, 2021 and 2020
(Canadian dollars in thousands)

	Three months ended June 30,		Nine months ended June 30,	
	2021	2020	2021	2020
NET PROFIT	\$ 2,063	\$ 3,866	\$ 10,062	\$ 13,475
Other comprehensive income, net of tax				
Items that will be reclassified subsequently to net profit				
Cumulative translation adjustment	(38)	(62)	(274)	186
Change in deferred gain on derivatives designated as cash flow hedges, net of tax of \$208 and \$1,672 (2020 \$954 and \$662)	578	2,636	4,564	(1,856)
Other comprehensive income (loss), net of tax	540	2,574	4,290	(1,670)
COMPREHENSIVE INCOME	\$ 2,603	\$ 6,440	\$ 14,352	\$ 11,805

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the nine month periods ended June 30, 2021 and 2020
(Canadian dollars in thousands, except per share data)

	Notes	Issued capital	Contributed surplus	Retained earnings	Other Comprehensive Income	Total
Balance October 1, 2020		\$ 107,931	\$ 2,002	\$ 92,030	\$ (1,557)	\$ 200,406
Net profit and comprehensive income		-	-	10,062	4,290	14,352
Dividend paid (\$0.84 per share)		-	-	(8,670)	-	(8,670)
Shares issued under employee share plans	17	2,312	(1,250)	-	-	1,062
Shares issued through acquisition	17	5,000	-	-	-	5,000
Shares issued under public offering net of issuance costs	17	77,040	-	-	-	77,040
Contingent earn-out	24	-	2,627	-	-	2,627
Shares issued under employee stock purchase plan	17	1,519	-	-	-	1,519
Share-based compensation expense	18	-	1,507	-	-	1,507
Balance June 30, 2021		\$ 193,802	\$ 4,886	\$ 93,422	\$ 2,733	\$ 294,843

	Notes	Issued capital	Contributed surplus	Retained earnings	Other Comprehensive Income	Total
Balance October 1, 2019		\$ 32,515	\$ 1,817	\$ 81,608	\$ (866)	\$ 115,074
Comprehensive income		-	-	13,475	(1,670)	11,805
Dividend paid (\$0.84 per share)		-	-	(7,191)	-	(7,191)
Shares issued under employee share plans	17	4,026	(821)	-	-	3,205
Shares issued through acquisition	17	2,500	-	-	-	2,500
Shares issued under public offering net of issuance costs	17	65,847	-	-	-	65,847
Shares issued under employee stock purchase plan	17	1,347	-	-	-	1,347
Share based compensation expense	18	-	884	-	-	884
Balance June 30, 2020		\$ 106,235	\$ 1,880	\$ 87,892	\$ (2,536)	\$ 193,471

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three and nine month periods ended June 30, 2021 and 2020
(Canadian dollars in thousands)

	NOTES	Three months ended June 30,		Nine months ended June 30,	
		2021	2020	2021	2020
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES					
Net profit		\$ 2,063	\$ 3,866	\$ 10,062	\$ 13,475
Items not affecting cash:					
Interest expense (income)		52	(75)	297	166
Changes in fair value related to contingent earn-out	24	5,130	393	6,780	889
Lease obligations interest expense	10	112	120	343	352
Income tax expense		1,746	1,794	5,121	5,300
Employee share purchase plan expense	18	106	75	354	121
Share based compensation expense	18	484	292	1,507	884
Depreciation and amortization	9, 12	5,095	2,908	13,803	7,526
Deemed compensation	23, 24	750	-	3,100	-
Other changes in fair value		-	-	-	(101)
		15,538	9,373	41,367	28,612
Change in non-cash working capital					
Accounts receivable		(2,298)	(8,210)	(23,730)	(18,932)
Work in process		(8,923)	(10,168)	1,882	(36,403)
Prepaid expenses		(2,862)	(2,304)	(4,265)	(2,496)
Inventory		480	850	50	(195)
Accounts payable and accrued liabilities		934	11,308	3,641	15,018
Unearned contract revenue		862	13,962	10,078	16,815
		3,731	14,811	29,023	2,419
Interest received (paid)		(164)	(45)	(640)	(536)
Income tax recovered (paid)		(2,408)	(41)	(9,507)	(4,872)
		1,159	14,725	18,876	(2,989)
CASH FLOWS GENERATED FROM FINANCING ACTIVITIES					
Issuance of common shares net of costs	17, 18	397	2,487	78,294	68,899
Dividends		(3,150)	(2,700)	(8,670)	(7,191)
Draw (repayment) on line of credit	16	(55,000)	-	-	(13,000)
Payment of lease obligations	10	(771)	(623)	(2,251)	(1,853)
		(58,524)	(836)	67,373	46,855
CASH FLOWS USED IN INVESTING ACTIVITIES					
Investments and loan receivable	11	-	-	-	(100)
Business acquisitions	23	(3,616)	-	(49,108)	(10,433)
Capitalized research and development	9	(125)	(5)	(337)	(1,119)
Equipment and application software	9	(2,771)	(797)	(4,989)	(3,053)
		(6,512)	(802)	(54,434)	(14,705)
NET CASH (OUTFLOW) INFLOW		\$ (63,877)	\$ 13,087	\$ 31,815	\$ 29,161
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		119,927	33,209	24,235	17,135
CASH AND CASH EQUIVALENTS, END OF PERIOD		\$ 56,050	\$ 46,296	\$ 56,050	\$ 46,296

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

CALIAN GROUP LTD.
NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine month periods ended June 30, 2021 and 2020
(Canadian dollars in thousands, except per share amounts)

1. Basis of Preparation

Calian Group Ltd. ("the Company") is incorporated under the Canada Business Corporations Act. The address of its registered office and principal place of business is 770 Palladium Drive, Ottawa, Ontario K2V 1C8. The company's capabilities are diverse with services and solutions delivered through four segments: Advanced Technologies, Health, Learning and IT and Cyber Solutions ("ITCS"). Headquartered in Ottawa, Calian provides business services and solutions to both industry and government customers in the areas of health, defence, security, aerospace, engineering, AgTech and IT.

Statement of compliance

These unaudited interim condensed consolidated financial statements are expressed in Canadian dollars and have been prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These unaudited interim condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with the accounting policies the Company adopted in its annual consolidated financial statements for the year ended September 30, 2020, and should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report for the year ended September 30, 2020. These unaudited interim condensed consolidated financial statements do not include all of the information required in annual financial statements.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors on August 10, 2021.

2. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from those estimates.

There were no significant changes in estimates or approaches in the current period when compared to the estimates or approaches used to prepare the annual consolidated financial statements for the year ended September 30, 2020.

3. Seasonality

The results of operations for the interim periods are not necessarily indicative of the results of operations for the full year. The Company's revenues and earnings have historically been subject to some quarterly seasonality due to the timing of vacation periods, statutory holidays, industry specific seasonal cycles and the timing and delivery of milestones for significant projects.

4. Cash and Cash Equivalents

The following table presents the cash and cash equivalents as at:

	June 30, 2021	September 30, 2020
Cash	\$ 55,488	\$ 23,344
Restricted cash	562	891
Total cash and cash equivalents	\$ 56,050	\$ 24,235

The following table presents cash and cash equivalents by currency:

	Local Currency	Foreign Exchange	Presentation Currency
CAD	\$ 39,289	1.00	\$ 39,289
USD	7,644	1.24	9,479
GBP	146	1.71	250
EUR	3,618	1.47	5,318
CHF	296	1.34	396
NOK	9,414	0.14	1,318
Total cash and cash equivalents June 30, 2021			\$ 56,050
CAD	\$ 11,771	1.00	\$ 11,771
USD	4,534	1.33	6,048
GBP	78	1.72	135
EUR	2,906	1.56	4,542
CHF	421	1.45	609
NOK	7,958	0.14	1,130
Total cash and cash equivalents September 30, 2020			\$ 24,235

5. Accounts Receivable

The following table presents the trade and other receivables as at:

	June 30, 2021	September 30, 2020
Trade and accounts receivable	\$ 105,613	\$ 78,788
Tax and Scientific Research and Development receivable	2,516	1,563
Other	2,974	803
	111,103	81,154
Loss Allowance	(45)	(45)
	\$ 111,058	\$ 81,109

Bad debt expense recognized in the three-months ended June 30, 2021 (2020) is NIL (\$18). Bad debt recovery recognized in the nine-months ended June 30, 2021 (2020) is \$27 (\$2).

6. Inventory

Inventories are recorded at the lower of cost or net realizable value. Cost is calculated based on the weighted average cost method. Write-downs are taken for excess and obsolete inventory and for a reduction in the carrying value of inventory to reflect realizable value based on current cost, production and sales estimates. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The following table presents inventories as at:

	June 30, 2021	September 30, 2020
Raw materials	\$ 4,034	\$ 3,677
Work in process inventory	654	957
Finished goods	1,434	1,461
	\$ 6,122	\$ 6,095

Inventory recognized as cost of revenues in the three-months ended June 30, 2021 (2020) is \$3,337 (\$2,670). Inventory recognized as cost of revenues in the nine-months ended June 30, 2021 (2020) is \$7,858 (\$5,056). No inventory provisions have been recognized in the three or nine month periods ending June 30, 2021 (2020).

7. Prepaid Expenses

The following table presents prepaid expenses as at:

	June 30, 2021	September 30, 2020
Prepaid maintenance	\$ 7,148	\$ 3,080
Other prepaid expenses	4,039	3,627
	\$ 11,187	\$ 6,707

8. Contract assets and liabilities

The following table presents net contract assets as at:

	Net Contract Assets	
	June 30, 2021	June 30, 2020
Work in process	\$ 84,331	\$ 75,624
Unearned contract revenue	(26,384)	(25,687)
Net contract assets	\$ 57,947	\$ 49,937

The following table presents changes in net contract assets for the period ended:

	Changes in Net Contract Assets	
	June 30, 2021	June 30, 2020
Opening balance, October 1	\$ 70,697	\$ 30,443
Net additions	33,623	91,139
Billings	(45,582)	(71,551)
Acquisitions	(791)	(94)
Ending balance	\$ 57,947	\$ 49,937

9. Equipment

A continuity of the property and equipment for the nine-months ended June 30, 2021 is as follows:

	Cost			Depreciation		Carrying Value		
	Cost	Additions/ Disposals	Acquisitions	Total	Depreciation	Accumulated Depreciation	June 30, 2021	September 30, 2020
Leasehold improvements	\$ 2,537	\$ (150)	\$ 159	\$ 2,546	\$ (187)	\$ (767)	\$ 1,779	\$ 1,870
Equipment	24,829	(38)	2,828	27,619	(1,776)	(17,157)	10,462	9,785
Total equipment	\$ 27,366	\$ (188)	\$ 2,987	\$ 30,165	\$ (1,963)	\$ (17,924)	\$ 12,241	\$ 11,655
Application software	\$ 7,084	\$ 1,415	\$ 1,458	\$ 9,957	\$ (362)	\$ (3,380)	\$ 6,577	\$ 3,092
Capitalized research and development	\$ 4,444	\$ 337	\$ -	\$ 4,781	\$ (847)	\$ (1,366)	\$ 3,415	\$ 3,924

10. Right-of-Use Assets and Lease Obligations

The following table presents the right-of-use assets for the Company:

	Nine months ended	
	June 30, 2021	June 30, 2020
Balance October 1	\$ 17,595	\$ 18,416
Additions	842	731
Disposals	-	(117)
Depreciation	(2,273)	(2,037)
Balance June 30	\$ 16,164	\$ 16,993

The Company's leases are for office and manufacturing space. The Company has included renewal options in the measurement of lease obligations when it is reasonably certain to exercise the renewal option.

The following table presents lease obligations for the Company:

	Nine Months Ended	
	June 30, 2021	June 30, 2020
Balance at October 1	19,590	\$ 20,259
Additions	921	699
Disposals	-	(129)
Principal Payments	(2,251)	(1,853)
Balance at June 30	18,260	\$ 18,976
Current	3,036	\$ 2,544
Non-current	15,224	16,432
Total	18,260	\$ 18,976

The following table presents the contractual undiscounted cash flows for lease obligations as at June 30, 2021:

	Total Undiscounted Lease Obligations
Less than one year	\$ 3,504
One to five years	10,799
More than five years	5,750
Total undiscounted lease obligations	\$ 20,053

10. Right-of-Use Assets and Lease Obligations (continued)

Total cash outflow for leases in the three-months ended June 30, 2021 (2020) was \$883 (\$743), including principal payments relating to lease obligations of \$771 (\$623), interest expense on lease obligations was \$112 (\$120). Total cash outflow for leases in the nine-months ended June 30, 2021 (2020) was \$2,594 (\$2,205), including principal payments relating to lease obligations of \$2,251 (\$1,853), interest expense on lease obligations was \$343 (\$352). Expenses relating to short-term leases recognized in general and administration expenses were \$20 (\$75) for the three-month period and \$52 (\$144) for the nine-month period ended June 30, 2021 (2020).

11. Investments

Cliniconex

Cliniconex Inc., is an Ottawa-based patient outreach solutions vendor. In 2017, the Company invested \$250, which included \$100 in common shares, and \$150 in convertible debt. In 2018, the Company invested an additional \$150 in the form of a convertible loan. In Fiscal 2020, the Company elected to exchange its existing convertible debt into preferred shares, as well as invest a further \$100 in preferred shares. The Company recognizes the investment at fair value, and has adjusted its common and preferred shares to the most recent fair value, resulting in a gain of \$101 recognized in the three-month period ended December 31, 2019.

12. Acquired Intangible Assets

A continuity of the intangible assets for the nine-months ended June 30, 2021 is as follows:

	June 30, 2021			
	Opening Balance	Additions (Note 23)	Amortization	Closing Balance
Customer relationship - Primacy	\$ 1,909	\$ -	\$ -	\$ 1,909
Customer relationships	17,661	15,619	(4,016)	29,264
Discrete contracts with customers & Non-competition agreements	1,057	9,279	(1,416)	8,920
Technology and trademarks	15,564	4,461	(2,927)	17,098
	<u>\$ 36,191</u>	<u>\$ 29,359</u>	<u>\$ (8,359)</u>	<u>\$ 57,191</u>

A continuity of the intangible assets for the nine-months ended June 30, 2020 is as follows:

	June 30, 2020			
	Opening Balance	Additions	Amortization	Closing Balance
Customer relationship - Primacy	\$ 1,909	\$ -	\$ -	\$ 1,909
Customer relationships	8,055	5,955	(1,905)	12,105
Discrete contracts with customers & Non-competition agreements	1,083	185	(273)	995
Technology and trademarks	5,652	2,776	(1,304)	7,124
	<u>\$ 16,699</u>	<u>\$ 8,916</u>	<u>\$ (3,482)</u>	<u>\$ 22,133</u>

13. Goodwill

The following table presents the goodwill for the Company for the period ended June 30, 2021:

	June 30, 2021	
Opening balance	\$	55,290
Acquisition of Cadence Consultancy Ltd.		1,921
Acquisition of InterTronic Solutions Inc.		4,473
Acquisition of Dapasoft Inc.		38,573
Ending balance	\$	100,257

The following table presents the goodwill for the Company for the period ended June 30, 2020:

	June 30, 2020	
Opening balance	\$	33,702
Acquisition of Alio Allphase		8,566
Ending balance	\$	42,268

14. Accounts Payable and Accrued Liabilities

The following table presents the accounts payable and accrued liabilities for the Company as at:

	June 30, 2021		September 30, 2020	
Trade accounts payable	\$	44,306	\$	47,827
Payroll accruals		17,947		14,785
Income tax payable		1,517		4,906
Other accruals		10,371		4,489
	\$	74,141	\$	72,007

15. Provisions

Changes in provisions for the nine-months ended June 30, 2021 were as follows:

	Product Warranties		Severance	Other	Total
Balance at October 1, 2020	\$	645	\$ 280	\$ 113	\$ 1,038
Additions		502	227	-	729
Utilization/Reversals		(489)	(123)	-	(612)
Balance at June 30, 2021	\$	658	\$ 384	\$ 113	\$ 1,155

Changes in provisions for the nine-months ended June 30, 2020 were as follows:

	Product Warranties		Severance	Other	Total
Balance at October 1, 2019	\$	801	\$ 301	\$ 27	\$ 1,129
Additions		256	274	83	613
Utilization/Reversals		(532)	(109)	-	(641)
Balance at June 30, 2020	\$	525	\$ 466	\$ 110	\$ 1,101

16. Debt Agreement

On January 6, 2021 the Company signed a debt facility that provides the Company with the ability to draw up to \$80,000 CAD. The agreement has a three year term, which will mature on January 5, 2024. At June 30, 2021 (2020), the Company utilized \$NIL (NIL) of the facility. The facility is secured against the Company's assets and is interest bearing at the Royal Bank of Canada's Prime Rate plus applicable margin.

17. Issued Capital and Reserves

Issued capital

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares. The holders of Common Shares are entitled to dividends if, as and when declared by the Board, to one vote per share at the meetings of holders of Common Shares and, upon liquidation, to receive such assets of the Company as are distributable to the holders of the Common Shares. No Preferred Shares are outstanding as of the June 30, 2021.

Common share issued and outstanding:

	June 30, 2021		June 30, 2020	
	Shares	Amount	Shares	Amount
Balance October 1	9,760,032	\$ 107,931	7,929,238	\$ 32,515
Shares issued under employee share plans	69,564	2,312	116,626	4,026
Shares issued under employee stock purchase plan	24,744	1,519	40,211	1,347
Shares issued through acquisition	85,715	5,000	62,054	2,500
Shares issued under public offering	1,318,000	77,040	1,568,600	65,847
Issued capital	11,258,055	\$ 193,802	9,716,729	\$ 106,235

On March 17, 2021 the Company completed an upsized bought deal offering, under which a total of 1,318,000 Common Shares were sold at a price of \$60.50 per Common Share for aggregate gross proceeds of \$79,739, including shares issued pursuant to the partial exercise of the over-allotment option granted to the Underwriters. Net proceeds after commissions, issuance costs and deferred tax relating to issuance costs were \$77,040.

Subsequent to the date of the statement of financial position, on August 10, 2021, the date of issuance of these consolidated financial statements, the Company declared a dividend of \$0.28 per common share payable on September 7, 2021.

Contributed surplus

Contributed surplus comprises the value of share-based compensation expense related to options granted that have not been exercised or have expired unexercised.

18. Share-Based Compensation

Employee Share Purchase Plan

During the nine month periods ended June 30, 2021 (2020), the Company issued NIL (28,754) at an average price of NIL (\$24.70). The Company received NIL (\$710) in proceeds and recorded an expense of NIL (\$136).

18. Share-Based Compensation (continued)

On February 6, 2020, the Company adopted a new Employee Share Purchase Plan (the “2020 Employee Share Purchase Plan”). This new plan replaces the previous Employee Share Plan. Under the 2020 Employee Share Purchase Plan, shares are issued monthly using the volume weighted average price for the last 5 days of the month for the contributions made by employees in that month. The Company provides matching shares at 25% for all employee contributions each month. Pursuant to the plan, 500,000 Common Shares are reserved for issuance, as of June 30, 2021 the Company can issue 457,092 shares.

During the three-month period ended June 30, 2021 (2020) under the 2020 Employee Share Purchase Plan, the Company issued 7,195 (8,472) shares at an average price of \$56.69 (\$43.05). The Company received \$326 (\$292) in proceeds and recorded an expense of \$106 (\$75). During the nine-month period ended June 30, 2021 under the 2020 Employee Share Purchase Plan, the Company issued 24,744 (11,457) shares at an average price of \$61.42 (\$43.71). The Company received \$1,216 (\$401) in proceeds and recorded an expense of \$354 (\$124).

Stock Options

The Company has an established stock option plan. Under the plan, eligible directors and employees are granted the right to purchase shares of common stock at a price established by the Board of Directors on the date the options are granted but in no circumstances below fair market value of the shares at the date of grant. Stock options are issued at market value based on the price at the date preceding the grant, and can have a contractual term of up to ten years and generally vest over 3 years. The maximum number of common shares reserved for issuance under the plan is equal to an aggregate 9% (1,013,225) of the Company’s issued and outstanding shares from time to time less the aggregate number of shares reserved for issuance or issuable under any other security-based compensation arrangement for the Company.

As at June 30, 2021, the Company has 266,184 stock options and RSUs outstanding. As a result, the Company could grant up to 747,041 additional stock options or RSU’s pursuant to the plan.

The weighted average fair value of options granted during the nine-months ended June 30, 2021 was \$10.22 per option calculated using the Black-Scholes option pricing model. Where relevant, the expected life of the options was based on historical data for similar issuance and adjusted based on management’s best estimate for the effects of non-transferability, exercises restrictions and behavioural considerations. Expected volatility is based on historical price volatility over the past 5 years. To allow for the effects of early exercise, it was assumed that options would be exercised on average 2 years after vesting.

The following assumptions were used to determine the fair value of the options granted in the nine-months ended June 30, 2021:

	Weighted Average Options Granted	
	June 30, 2021	June 30, 2020
Grant date share price	\$ 61.11	\$ 36.49
Exercise price	\$ 61.11	\$ 36.49
Expected price volatility	% 27.4	% 22.8
Expected option life	yrs 3.33	yrs 4.00
Expected dividend yield	% 1.84	% 2.85
Risk-free interest rate	% 0.33	% 1.50
Forfeiture rate	% 0	% 0

18. Share-Based Compensation (continued)

	June 30, 2021		June 30, 2020	
	Number of Options	Weighted Avg. Exercise Price	Number of Options	Weighted Avg. Exercise Price
Outstanding October 1	230,638	\$ 43.69	239,400	\$ 30.57
Exercised	(34,400)	30.89	(102,800)	31.15
Forfeited	-	-	(2,000)	29.55
Granted	29,175	61.11	35,000	36.49
Outstanding June 30	225,413	\$ 47.89	169,600	\$ 31.45

The following share-based payment arrangements are in existence:

Option series:	Number of Options	Grant date	Expiry date	Exercise price	Fair value at grant date
(1) Issued May 17, 2017	6,500	May 17, 2017	May 17, 2022	\$ 27.30	\$ 3.42
(2) Issued November 24, 2017	7,700	November 24, 2017	November 24, 2022	\$ 34.58	\$ 4.53
(3) Issued March 27, 2018	6,000	March 27, 2018	March 27, 2023	\$ 31.54	\$ 4.62
(4) Issued November 19, 2018	49,500	November 19, 2018	November 19, 2023	\$ 29.55	\$ 3.96
(5) Issued February 8, 2019	3,000	February 8, 2019	February 8, 2024	\$ 29.06	\$ 3.95
(6) Issued November 25, 2019	26,000	November 25, 2019	November 25, 2024	\$ 36.49	\$ 5.18
(7) Issued August 13, 2020	97,538	August 13, 2020	August 13, 2025	\$ 60.30	\$ 8.44
(8) Issued November 24, 2020	27,358	November 24, 2020	November 24, 2025	\$ 61.16	\$ 10.24
(9) Issued February 9, 2021	1,817	February 9, 2021	February 9, 2026	\$ 60.35	\$ 9.92

For the options issued on November 24, 2020, vesting occurs quarterly through to November 24, 2021. For the options issued on February 9, 2021, Vesting occurs quarterly through to February 9, 2022.

At June 30, 2021 (2020) the weighted average remaining contractual life of options outstanding is 3.31 (3.35) years of which 114,645 (127,600) options are exercisable at a weighted average price of \$35.82 (\$31.33). The Company has recorded \$217 (\$52) of share-based compensation expense in the three-months and \$781 (\$226) in the nine-months ended June 30, 2021 (2020) related to the options that have been granted. The Company has total unrecognized compensation expense of \$282 (2020 - \$41) that will be recorded in the next two fiscal years.

Restricted share units:

The Company has an established a restricted stock unit ("RSU") plan. Under the RSU plan, the maximum number of common shares reserved for issuance is equal to 9% of the Company's issued and outstanding shares from time to time less the aggregate number of shares reserved for issuance or issuable under any other security-based compensation arrangement for the Company. Share units may be awarded to any officer or employee of the Company. Each restricted share unit will vest on the date or dates designated for that unit, conditional on any vesting conditions being met. Participants in the RSU plan may elect to redeem their share units either by the Company issuing the participant one common share for each whole vested share unit or, subject to the consent by the Company, elect to receive an amount in cash. The cash amount is equal to the number of vested share units to be redeemed multiplied by the value of the common shares otherwise issuable on redemption of the share units.

18. Share-Based Compensation (continued)

The following table summarizes information about the RSU's as of June 30, 2021:

	June 30, 2021		June 30, 2020	
	Number of RSUs	Weighted Avg. Grant Date Fair Value	Number of RSUs	Weighted Avg. Grant Date Fair Value
Balance at October 1, 2019	56,039	\$ 32.67	47,736	\$ 30.11
Exercised	(35,164)	31.52	(13,826)	30.26
Forfeited	(40)	59.35	(644)	31.60
Granted	19,936	59.25	23,015	36.49
Balance at June 30, 2021	40,771	\$ 46.62	56,281	\$ 32.67

Of the units issued in the current year under the RSU plan, nil have vested as of June 30, 2021. The Company has recorded \$267 (\$239) of share-based compensation expense in the three-months and \$699 (\$660) in the nine-months ended June 30, 2021 (2020) related to the RSUs that have been granted. The Company has total unrecognized compensation expense of \$635 at June 30, 2021 (2020 - \$714) that will be recorded over the next two years.

The following unvested RSU-based payment arrangements are in existence:

RSU series:	Number of RSUs	Grant date	Vest through	Fair value at grant date
(1) Issued November 6, 2018	5,479	November 6, 2018	November 15, 2021	\$ 29.55
(2) Issued February 7, 2019	225	February 7, 2019	November 15, 2021	\$ 29.06
(3) Issued November 25, 2019	15,171	November 25, 2019	November 15, 2022	\$ 36.49
(4) Issued November 24, 2020	18,972	November 24, 2020	November 15, 2023	\$ 59.35
(5) Issued February 9, 2021	246	February 9, 2021	November 15, 2023	\$ 59.74
(6) Issued May 12, 2021	678	May 12, 2021	November 15, 2023	\$ 56.32

Deferred share unit plan

During the nine-months ended June 30, 2021 (2020) the Company granted 2,129 (2,799) deferred share units ("DSU"). The Company recorded share-based compensation of \$32 (\$29) related to the DSUs in the three-months and \$98 (\$702) in the nine-months ended June 30, 2021 (2020). Each DSU entitles the participant to receive the value of one Common Share. The DSUs vest immediately as the participants are entitled to the shares upon termination of their service.

There are 21,929 (23,713) DSUs outstanding at June 30, 2021 (2020). The fair value of the DSUs outstanding at June 30, 2021 (2020) was \$54.77 (\$49.76) per unit using the fair value of a Common Share at period end.

19. Revenue

The following table presents the revenue of the Company for the three and nine-months ended June 30, 2021 and 2020:

	Three Months Ended		Nine months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Product revenue				
Advanced Technologies	\$ 30,468	\$ 25,357	\$ 84,146	\$ 83,112
Health	128	7,650	4,511	7,650
Learning	-	-	-	-
IT and Cyber Solutions	2,782	2,163	9,698	6,599
Total product revenue	\$ 33,378	\$ 35,170	\$ 98,355	\$ 97,361
Service revenue				
Advanced Technologies	\$ 13,334	\$ 10,555	\$ 39,716	\$ 32,701
Health	50,672	36,286	146,259	98,537
Learning	18,113	11,110	57,061	43,551
IT and Cyber Solutions	20,597	12,407	49,374	37,113
Total service revenue	\$ 102,716	\$ 70,358	\$ 292,410	\$ 211,902
Total revenue	\$ 136,094	\$ 105,528	\$ 390,765	\$ 309,263

Remaining performance obligations

The following table presents the aggregate amount of the revenues expected to be realized in the future from partially or fully unsatisfied performance obligations as at June 30, 2021 for contracts recognized over time. The amounts disclosed below represent the value of the firm orders only. Such orders may be subject to future modifications that might impact the amount and/or timing of revenue recognition. The amounts disclosed below do not include unexercised options or letters of intent.

Revenues expected to be recognized in:

	June 30, 2021
Less than 24 months	115,653
Thereafter	594,666
Total	710,319

20. Net Profit per Share

The diluted weighted average number of shares has been calculated as follows:

	Three months ended		Nine months ended	
	June 30 2021	June 30 2020	June 30 2021	June 30 2020
Weighted average number of common shares – basic	11,251,483	9,677,680	10,375,745	8,815,199
Additions to reflect the dilutive effect of employee stock options and RSU's	69,760	109,611	50,671	65,831
Weighted average number of common shares – diluted	11,321,243	9,787,291	10,426,416	8,881,030

20. Net Profit per Share (continued)

Options that are anti-dilutive because the exercise price was greater than the average market price of the common shares are not included in the computation of diluted net profit per share. For the three-months ended June 30, 2021 (2020), 126,713 (NIL) options and 678 (NIL) RSU's were excluded from the above computation. For the nine-months ended June 30, 2021 (2020), NIL (NIL) options and NIL (NIL) RSU's were excluded from the above computation. Net profit is the measure of profit or loss used to calculate profit per share.

21. Segmented Information

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, regarding how to allocate resources and assess performance. The Company's chief operating decision maker is the Chief Executive Officer ("CEO"). The Company's segments are categorized as follows: Advanced Technologies, Health, Learning, and IT and Cyber Solutions ("ITCS"). Shared Services are aggregated and incurred to support all segments. These include, but are not limited to, the Finance, Human Resources, ITCS support, Corporate development, Legal, Corporate marketing, and administrative functions, facilities costs, costs of operating a public company, and other costs.

The Company evaluates performance and allocates resources based on profit before interest income and income tax expense.

For the three-months ended June 30, 2021:

For the three months ended June 30, 2021	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	43,802	50,800	18,113	23,379	-	136,094
Cost of revenues	33,044	37,911	13,779	17,463	-	102,197
Gross profit	10,758	12,889	4,334	5,916	-	33,897
Gross profit %	25 %	25 %	24 %	25 %	N/A %	25 %
Selling and marketing	2,054	634	175	894	727	4,484
General and administration	2,407	2,503	1,008	1,144	6,194	13,256
Research and development	927	128	-	153	-	1,208
Profit before under noted items	5,370	9,624	3,151	3,725	(6,921)	14,949
Profit before under noted items %	12 %	19 %	17 %	16 %	N/A %	11 %
Depreciation of equipment, application software and R&D						1,126
Depreciation of right of use asset						770
Amortization of acquired intangibles						3,200
Other changes in fair value						-
Deemed compensation						750
Changes in fair value related to contingent earn-out						5,130
Profit before interest income and income tax expense						3,973
Lease interest expense						112
Interest expense (income)						52
Profit before income tax expense						3,809
Income tax expense – current						2,433
Income tax expense – deferred						(687)
Total income tax expense						1,746
NET PROFIT FOR THE PERIOD						2,063

21. Segmented Information (continued)

For the three-months ended June 30, 2020:

For the three months ended June 30, 2020	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	35,912	43,936	11,110	14,570	-	105,528
Cost of revenues	27,386	34,686	8,721	12,204	-	82,997
Gross profit	8,526	9,250	2,389	2,366	-	22,531
Gross profit %	24 %	21 %	22 %	16 %	N/A %	21 %
Selling and marketing	1,181	530	252	725	499	3,187
General and administration	1,671	1,972	637	736	4,832	9,848
Research and development	308	182	-	-	-	490
Profit before under noted items	5,366	6,566	1,500	905	(5,331)	9,006
Profit before under noted items %	15 %	15 %	14 %	6 %	N/A %	9 %
Depreciation of equipment, application software and R&D						851
Depreciation of right of use asset						681
Amortization of acquired intangibles						1,376
Other changes in fair value						-
Changes in fair value related to contingent earn-out						393
Profit before interest income and income tax expense						5,705
Lease interest expense						120
Interest expense (income)						(75)
Profit before income tax expense						5,660
Income tax expense – current						2,022
Income tax expense – deferred						(228)
Total income tax expense						1,794
NET PROFIT FOR THE PERIOD						3,866

21. Segmented Information (continued)

For the nine-months ended June 30, 2021:

For the nine months ended June 30, 2021	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	\$ 123,862	\$ 150,770	\$ 57,061	\$ 59,072	\$ -	\$ 390,765
Cost of revenues	93,566	114,024	43,572	45,970	-	297,132
Gross profit	30,296	36,746	13,489	13,102	-	93,633
Gross profit %	24 %	24 %	24 %	22 %	N/A %	24 %
Selling and marketing	5,521	1,845	685	2,375	1,457	11,883
General and administration	7,164	6,929	3,006	4,679	17,452	39,230
Research and development	2,298	458	-	257	-	3,013
Profit before under noted items	\$ 15,313	\$ 27,514	\$ 9,798	\$ 5,791	\$ (18,909)	\$ 39,507
Profit before under noted items %	12 %	18 %	17 %	10 %	N/A %	10 %
Depreciation of equipment, application software and R&D						3,172
Depreciation of right of use asset						2,273
Amortization of acquired intangibles						8,359
Other changes in fair value						-
Deemed compensation						3,100
Changes in fair value related to contingent earn-out						6,780
Profit before interest income and income tax expense						15,823
Lease obligations interest expense						343
Interest expense (income)						297
Profit before income tax expense						15,183
Income tax expense – current						6,647
Income tax expense (recovery) – deferred						(1,526)
Total income tax expense						5,121
NET PROFIT FOR THE PERIOD						\$ 10,062

21. Segmented Information (continued)

For the nine-months ended June 30, 2020:

For the nine months ended June 30, 2020	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	\$ 115,813	\$ 106,187	\$ 43,551	\$ 43,712	\$ -	\$ 309,263
Cost of revenues	88,846	83,689	34,429	36,010	-	242,974
Gross profit	26,967	22,498	9,122	7,702	-	66,289
Gross profit %	23 %	21 %	21 %	18 %	N/A %	21 %
Selling and marketing	3,859	1,172	757	2,047	1,473	9,308
General and administration	4,898	4,746	2,104	1,956	14,330	28,034
Research and Development	1,039	301	-	-	-	1,340
Profit before under noted items	\$ 17,171	\$ 16,279	\$ 6,261	\$ 3,699	\$ (15,803)	\$ 27,607
Profit before under noted items %	15 %	15 %	14 %	8 %	N/A %	9 %
Depreciation of equipment, application software and R&D						2,007
Depreciation of right of use asset						2,037
Amortization of acquired intangibles						3,482
Other changes in fair value						(101.00)
Changes in fair value related to contingent earn-out						889
Profit before interest income and income tax expense						19,293
Lease obligations interest expense						352
Interest expense (income)						166
Profit before income tax expense						18,775
Income tax expense – current						6,049
Income tax expense (recovery) – deferred						(749)
Total income tax expense						5,300
NET PROFIT FOR THE PERIOD						\$ 13,475

The Company operates in Canada but provides services to customers in various countries. Revenues from external customers for the nine-months ended June 30 are attributed as follows:

	June 30, 2021	June 30, 2020
Canada	77 %	74 %
United States	12 %	22 %
Europe	10 %	4 %
Other	1 %	- %

Revenues are attributed to foreign countries based on the location of the customer. Revenues from various departments and agencies of the Canadian federal, provincial and municipal governments for the three-months ended June 30, 2021 (2020) represented 51% (56%) of the Company's total revenues. All four operating segments conduct business with this category of customer.

22. Financial Instruments and Risk Management

Capital Risk Management

The Company's objective is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business and provide the ability to continue as a going concern. Management defines capital as the Company's shareholders' equity excluding accumulated other comprehensive income relating to cash flow hedges. The Company uses debt to fund working capital and its investment initiatives. Net profits generated from operations are available to repay debt and reinvestment in the Company or distribution to the Company's shareholders. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year-over-year sustainable profitable growth. The Board of Directors also reviews on a quarterly basis the level of dividends paid to the Company's shareholders and monitors the share repurchase program activities. The Company does not have a defined share repurchase plan and buy and sell decisions are made on a specific transaction basis and depend on market prices and regulatory restrictions. There were no changes in the Company's approach to capital management during the period. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Market risk is the risk that changes in market prices, such as foreign exchange rates, and interest rates will affect the Company's income or the value of its holding of financial instruments.

Foreign currency risk related to contracts

The Company is exposed to foreign currency exchange fluctuations on its cash balance, accounts receivable, accounts payable and accrued liabilities, contingent earn-out and future cash flows related to contracts denominated in a foreign currency. Future cash flows will be realized over the life of the contracts. The Company utilizes derivative financial instruments, principally in the form of forward exchange contracts, in the management of the majority of its foreign currency exposures. The Company's objective is to manage and control exposures and secure the Company's profitability on existing contracts and therefore, the Company's policy is to hedge the majority of its foreign currency exposure. The company hedges long term projects in foreign currencies. Other foreign currency exposure is evaluated on an individual basis to assess the associated risks and costs to hedge. The Company does not utilize derivative financial instruments for trading or speculative purposes. The Company applies hedge accounting when appropriate documentation and effectiveness criteria are met.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific firm contractually related commitments on projects.

The Company also formally assesses, both at the hedge's inception and on an on-going basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Hedge ineffectiveness has historically been insignificant. The forward foreign exchange contracts primarily require the Company to purchase or sell certain foreign currencies with or for Canadian dollars at contractual rates.

The functional currency of each of the Company's entities is determined using the currency of the primary economic environment in which that entity operates. The Company's functional currency is the Canadian dollar while the functional currency of its German subsidiary is the European Euro ("EUR"), the functional currency of its Norwegian subsidiary is the Norwegian Krone ("NOK"), and the functional currency of its U.K. based subsidiary is the Pound sterling ("GBP"). The presentation currency of these financial statements is the Canadian dollar.

22. Financial Instruments and Risk Management (continued)

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rate of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at rates prevailing at the reporting dates and are recognized in profit and loss in the period in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of preparing consolidated financial statements, the assets and liabilities of the Company's German operations, Norwegian operations, and U.K. operations are first expressed in the Companies' EUR, NOK and GBP functional currencies, respectively, using exchange rates prevailing at the reporting date which are then translated into the Company's reporting currency using prevailing rates at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Translation differences are recognized in other comprehensive income and recorded in the "cumulative translation adjustment".

At June 30, 2021, the Company had the following forward foreign exchange contracts:

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value June 30, 2021
BUY	\$ 30,255	USD	July 2021	\$ 37,507	\$ 135
BUY	1,277	EURO	July 2021	1,880	1
SELL	296	CHF	July 2021	397	1
Derivative assets					\$ 137
SELL	\$ 113,197	USD	July 2021	\$ 140,330	\$ (509)
SELL	6,986	EURO	July 2021	10,284	(3)
BUY	294	CHF	July 2021	395	(1)
Derivative liabilities					\$ (513)

A 10% strengthening of the Canadian dollar against the following currencies at June 30, 2021 would have decreased other comprehensive income as related to the forward foreign exchange contracts by the amounts shown below.

	June 30, 2021
USD	\$ 9,348
EURO	6,370
GBP	888
NOK	767
Total	\$ 17,373

A 10% strengthening against the Canadian dollar of the currencies to which the Company had exposure that is not related to forward foreign exchange contracts would have increased Net Profit (a 10% weakening against the USD would have had the opposite effect) by the amounts shown below.

22. Financial Instruments and Risk Management (continued)

	June 30, 2021
USD	\$ 726
EURO	1
GBP	1
SEK	2
Total	\$ 730

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's accounts receivable and its foreign exchange contracts.

The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Company's customers are for the most part, federal and provincial government departments and large private companies. A significant portion of the Company's accounts receivable is from long-time customers. At June 30, 2021 (2020), 46% (49%) of its accounts' receivable were due from various departments and agencies of the Canadian federal government. Over the last five years the Company has not suffered any significant credit related losses.

The Company limits its exposure to credit risks from counter-parties to derivative financial instruments by dealing only with major Canadian financial institutions. Management does not expect any counter-parties to fail to meet their obligations.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	June 30, 2021	September 30, 2020
Cash and cash equivalents	\$ 56,050	\$ 24,235
Accounts receivable	111,058	81,109
Derivative assets	137	358
Total	\$ 167,245	\$ 105,702

The aging of accounts receivable at the reporting date was:

	June 30, 2021	September 30, 2020
Current	\$ 97,597	\$ 76,470
Past due (61-120 days)	8,639	3,305
Past due (> 120 days)	4,822	1,334
Total	\$ 111,058	\$ 81,109

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 approach to managing liquidity risk is to ensure, as much as possible, that it will always have sufficient liquidity to meet liabilities when due. At June 30, 2021, the company has a secured credit facility that matures on January 5, 2024 that allows the Company to draw up to \$80,000 CAD. At as June 30, 2021, the company had \$56,050 cash on hand and NIL was drawn on the facility for current operations

22. Financial Instruments and Risk Management (continued)

and for temporary use through acquisitions, and Nil was drawn to issue letters of credit to meet customer contractual requirements.

Fair Value

The fair value of accounts receivable, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity. Fair value of the forward exchange contracts reflects the cash flows due to or from the Company if settlement had taken place on June 30, 2021 and represent the difference between the hedge rate and the exchange rate at the end of the reporting period.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 of the fair value hierarchy based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	June 30, 2021		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 56,050	\$ -	\$ -
Investment	-	-	670
Derivative financial assets	-	137	-
Contingent earn-out	-	-	(33,956)
Derivative financial liabilities	-	(513)	-
Total	\$ 56,050	\$ (376)	\$ (33,286)

	September 30, 2020		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 24,235	\$ -	\$ -
Investment	-	-	670
Derivative financial assets	-	358	-
Contingent earn-out	-	-	(15,164)
Derivative financial liabilities	-	(152)	-
Total	\$ 24,235	\$ 206	\$ (14,494)

There were no transfers between Level 1, Level 2 and level 3 during the three-month period ended June 30, 2021.

23. Acquisitions

IntraGrain Technologies Inc. ("IntraGrain")

On November 1, 2018, the Company acquired all of the outstanding shares of IntraGrain for a purchase price of up to \$17,000. Of this amount, \$11,000 was paid on the date of closing and \$6,000 is payable contingently. IntraGrain is the maker of the BIN-SENSE® grain storage solution. The technology combines Internet of Things (connectivity with bin sensors to protect grain quality and eliminate the risk of stored grain spoilage and is reported as part of the Advanced Technologies operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of IntraGrain an additional \$2,500 and \$3,500 if IntraGrain attains specified levels of EBITDA for the years ending October 31, 2019 and 2020, respectively. IntraGrain did not achieve the level of EBITDA required for the year 1 earn-out. This resulted in a decrease of the first year earn out liability in the amount of \$2,447 which was recognized in fiscal year 2019. At September 30, 2020, it was estimated that IntraGrain would not achieve its second year targeted EBITDA to meet the earn-out criteria, which resulted in a decrease of the second year earn-out liability in the amount of \$3,288 reflected in 'other changes in fair value related to contingent earn out' in Q4 of fiscal year 2020. As at October 31, 2020, the second earn out period was completed which resulted in no additional payment. No remaining contingent consideration is outstanding at June 30, 2021.

Sat Service, Gesellschaft für Kommunikationssysteme mbH. ("SatService")

On April 1, 2019, the Company acquired all of the outstanding shares of SatService for a purchase price of \$16,036. Of this amount, \$9,810 (6,450 EURO) was paid on the date of closing, \$931 (618 EURO) was paid upon settlement of net equity and \$5,295 (3,550 EURO) is payable contingently. SatService offers innovative engineering solutions and products for the satellite communications market and is reported as a part of the Advanced Technologies operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of SatService an additional \$2,014 and \$3,282 (1,350 EURO and 2,200 EURO) if SatService attains specified levels of EBITDA for the nine-month period ended December 31, 2019 and for the twelve-month period ending December 31, 2020. SatService did not achieve the level of EBITDA required for the year 1 earn-out. This resulted in a decrease of the first year earn out liability in the amount of \$1,925 which was recognized in fiscal year 2019. At September 30, 2020, it was estimated that SatService would not achieve its second year targeted EBITDA to meet the earn-out criteria, which resulted in a decrease of the second year earn-out liability in the amount of \$2,987 reflected in 'other changes in fair value related to contingent earn out' in Q4 of fiscal year 2020. As at December 31, 2020, the second earn out period was completed which resulted in no additional payment. No remaining contingent consideration is outstanding at June 30, 2021.

Allphase Clinical Research Services Inc. and Alio Health Services Inc. (collectively "Alio/Allphase")

On January 30, 2020, the Company acquired all of the outstanding shares of Alio/Allphase for a purchase price of up to \$25,056. Of this amount, \$10,500 was paid in cash on the date of closing, \$56 was paid in cash on settlement of net equity, \$2,500 was paid in common shares, and \$12,000 is payable contingently, of which \$3,000 is included in the initial accounting of the purchase price. Alio/Allphase provides clinical trial services, specialty medication support and community care and other services and is reported as a part of the Health operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Alio/Allphase an additional \$3,616, \$4,192 and \$4,192 if Alio/Allphase attains specified levels of EBITDA for the years ending January 30, 2021, 2022, 2023, respectively. The Company revises its estimate of total

23. Acquisitions (continued)

contingent consideration owed based on actual results and forecasts for future periods. As at June 30, the company has paid \$3,616 and has accrued \$6,235 to be paid in future periods.

A portion of the first and second year earn out payable amounts is subject to the retention of the principal shareholders for a period of two years from the date of acquisition. This amount is deemed to represent deferred compensation payable to such shareholders and therefore is excluded from the total consideration of the purchase price, and will be expensed in the Company's consolidated statement of net profit as deemed compensation related to acquisitions on a straight-line basis over the retention period. The Company recorded Deemed compensation expense of \$750 in the three-month period ended June 30, 2021, and \$3,100 in the nine-month period ended June 30, 2021.

The Company recognized \$180 in the three-month period, and \$339 in the nine-month period ended June 30, 2021, related to changes in fair value of contingent earn out.

EMSEC Solutions Inc. ("EMSEC")

On July 14, 2020, the Company acquired all of the outstanding shares of EMSEC for a purchase price of up to \$4,809. Of this amount, \$3,009 was paid in cash on the date of closing, and \$1,800 is payable contingently. EMSEC's customized services include vulnerability assessments, monitoring, training, risk mitigation and countermeasure sweeps. The firm's emission analyzer software product, provides automated and manual signal analysis supporting production testing, equipment certification, as well as troubleshooting, investigation and research. EMSEC is reported as part of the ITCS operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of EMSEC an additional \$900 and \$900 if EMSEC attains specific levels of EBITDA for the years ending December 31, 2021 and December 31, 2022, respectively. In the current quarter it was determined by management that EMSEC is unlikely to achieve the level of EBITDA to achieve the target set out for the first year earn out. This has resulted in an adjustment to the changes of fair value related to contingent earn out in the amount of \$801. In the three-month period ended June 31, 2021.

The Company recognized \$63 in the three-month period, and \$191 in the nine-month period ended June 30, 2021, related to changes in fair value of contingent earn out.

Comprehensive Training Solutions International ("CTS")

On July 8, 2020, the Company acquired all of the outstanding shares of CTS for a purchase price of up to 13,800 NOK (\$1,983 CAD). Of this amount, 7,900 NOK (\$1,135 CAD) was paid in cash on the date of closing and 5,900 NOK (\$848 CAD) is payable contingently. CTS designs, develops and delivers complex training exercises for the Joint Warfare Centre, a multi-national and multi-service organization of NATO, and the wider NATO audience across Europe. CTS is reported as part of the Learning operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of CTS an additional \$417 and \$431 if CTS attains specific levels of EBITDA for the years ending December 31, 2021 and December 31, 2022, respectively. The Company recognized \$26 in the three-month period, and \$78 in the nine-month period ended June 30, 2021, related to changes in fair value of contingent earn out.

Tallysman Wireless Inc. ("Tallysman")

On September 3, 2020, the Company acquired all of the outstanding shares of Tallysman for a purchase price of up to \$25,354. Of this amount, \$16,654 was paid in cash on the date of closing, and \$8,700 is payable contingently. Tallysman designs, manufactures and sells a very wide range of Global Navigation

23. Acquisitions (continued)

Satellite System, Iridium and Globalstar antennas and related products into a market with a broad range of vertical applications that include precision reference systems, survey, timing, precision agriculture, unmanned and autonomous vehicles, marine and many more. The company also produces cloud based wireless tracking systems over two-way radio systems and 4G category M cellular systems, for applications ranging from school buses to municipal public works. Tallysman is reported as part of the Advanced Technologies operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Tallysman an additional \$3,950 and \$4,750 if Tallysman attains specific levels of EBITDA for the years ending December 31, 2021 and December 31, 2022, respectively. The Company recognized \$189 in the three-month period, and \$570 in the nine-month period ended June 30, 2021, related to changes in fair value of contingent earn out.

Cadence Consultancy Limited (“Cadence”)

On October 30, 2020, the Company acquired the outstanding shares of Cadence for total cash consideration of up to 2,000 Pound Sterling (\$3,518 CAD) of which, £1,100 (\$1,966 CAD) was paid on closing, and £900 (\$1,552 CAD) is payable contingently. Cadence is a UK based training firm with operations across the North Atlantic Treaty Organization (NATO) with a particular focus on the Joint Forces Training Centre (JFTC). Cadence was acquired to expand the Company's work with NATO which was initially won with the acquisition of CTS in July of fiscal 2020. Cadence is reported as part of the Learning operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Cadence an additional \$776 and \$776 if Cadence attains specific levels of EBITDA for the years ending October 31, 2021 and October 31, 2022, respectively. Therefore, the amount of \$1,181 represents the estimated present and risk adjusted value of the Company's obligation at the acquisition date. The Company recognized \$65 in the three-month period, and \$170 in the nine-month period ended June 30, 2021, related to changes in fair value of contingent earn out.

23. Acquisitions (continued)

The following are the assets acquired and liabilities recognized at the date of the acquisitions of Cadence:

	Assets Acquired	Purchase Price Accounting	Total Assets Acquired
Cash and cash equivalents	\$ 338	\$ -	\$ 338
Accounts receivable	180	-	180
Work in process	45	-	45
Prepaid expenses	1	-	1
	\$ 564	\$ -	\$ 564
Equipment	\$ 1	\$ -	\$ 1
Acquired Intangibles	-	1,119	1,119
Goodwill	-	1,921	1,921
	\$ 565	\$ 3,040	\$ 3,605
Accounts payable and accrued liabilities	\$ 234	\$ -	\$ 234
Deferred tax liabilities	-	224	224
	\$ 234	\$ 224	\$ 458
Net purchase price			\$ 3,147
Discount on contingent consideration			371
Total purchase price			\$ 3,518

InterTronic Solutions Inc. (“InterTronic”)

On January 4, 2021, the Company acquired all of the outstanding shares of InterTronic for a purchase price of up to \$24,540. Of this amount, \$13,000 was paid in cash on the date of closing, and \$11,540 is payable contingently of which, \$4,847 was included in the purchase price. InterTronic designs and installs high-performance antenna systems and broadens the current Calian range of capabilities with antenna ground systems. InterTronic results will be consolidated and reported with the Calian Advanced Technologies segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of InterTronic an additional \$4,620 and \$4,620 if InterTronic attains specific levels of EBITDA for the years ending December 31, 2021 and December 31, 2022, respectively. An additional contingent consideration amount of \$2,300 is achievable if InterTronic meets a certain level of contracts signed for the year ending December 31, 2021. The Company recognized \$108 in the three-month period, and \$217 in the nine-month period ended June 30, 2021, related to changes in fair value of contingent earn out.

23. Acquisitions (continued)

	Assets Acquired	Purchase Price Accounting	Total Assets Acquired
Cash	\$ 5,666	\$ -	\$ 5,666
Accounts receivable and tax receivable	1,506	-	1,506
Inventory	76	-	76
Prepaid expenses	38	-	38
	\$ 7,286	\$ -	\$ 7,286
Equipment	\$ 109	\$ -	\$ 109
Acquired Intangibles	-	9,540	9,540
Goodwill	-	4,473	4,473
	\$ 7,395	\$ 14,013	\$ 21,408
Accounts payable and accrued liabilities	\$ 1,530	\$ -	\$ 1,530
Unearned contract revenue	366	-	366
Deferred tax liability	-	2,528	2,528
	\$ 1,896	\$ 2,528	\$ 4,424
Net purchase price			\$ 16,984
Discount on contingent consideration			863
Total purchase price			\$ 17,847

Dapasoft Inc. (“Dapasoft”)

On February 22, 2021, the Company acquired all of the outstanding shares of Dapasoft for a purchase price of up to \$79,059. Of this amount, \$39,560 was paid in cash on the date of closing, \$2,500 was placed in escrow, \$5,000 was paid through the issuance of common shares, \$2,000 of common shares are to be issued upon expiry of escrow on February 22, 2022 and \$30,000 is payable contingently of which \$11,605 was included in the purchase price. Dapasoft is a provider of innovative systems integration, cloud lifecycle management and cybersecurity solutions, which enable clients to securely implement digital transformation initiatives. Dapasoft is reported as part of the ITCS operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Dapasoft an additional \$17,500 and \$12,500 if Dapasoft attains specific levels of EBITDA for the years ending February 22, 2022 and February 22, 2023, respectively. Results in the first four months after acquiring Dapasoft have been stronger than anticipated at time of purchase, which has resulted in a change of estimate for payment of contingent earnout in relation to the first years earn out. The change in estimate for the first year earn out has resulted in a change in fair value of the contingent earn out in the amount of \$5,071. The Company additionally recognized \$260 in the three-month period, and \$347 in the nine-month period ended June 30, 2021, related to changes in fair value of contingent earn out.

As at June 30, 2021, the accounting for the acquisition of Dapasoft is not finalized and reflects the current best estimate of purchase price allocation. Final valuation of the acquisition will be completed during the remainder of the 2021 fiscal year. There was a change in the purchase price from the second quarter results due to uncollected receivables in the 90 day period post close. The Company negotiated overdue receivables where not collected in the 90 day period post acquisition to be excluded from the purchase price, along with certain other changes in the closing balance sheet including adjusting the income tax receivable balance based on the actual tax filings completed.

23. Acquisitions (continued)

	Assets Acquired	Purchase Price Accounting	Total Assets Acquired
Cash	\$ 5,530	\$ -	\$ 5,530
Accounts receivable and tax receivable	5,092	-	5,092
WIP	2,036	-	2,036
Prepaid expenses	177	-	177
	\$ 12,835	\$ -	\$ 12,835
Equipment	\$ 1,297	\$ -	\$ 1,297
Acquired Intangibles	-	18,700	18,700
Goodwill	-	38,573	38,573
	\$ 14,132	\$ 57,273	\$ 71,405
Accounts payable and accrued liabilities	\$ 5,633	\$ -	\$ 5,633
Unearned contract revenue	2,506	-	2,506
Deferred tax liability	-	4,956	4,956
	\$ 8,139	\$ 4,956	\$ 13,095
Net purchase price			\$ 58,310
Discount on contingent consideration			1,613
Total purchase price			\$ 59,923

Cash consideration paid for acquisition activity during the nine-months ended June 30, 2021:

	Cadence	InterTronic	Dapasoft
Consideration paid in cash	\$ 1,966	13,000	42,060
Less- cash balance acquired	(338)	(5,666)	(5,530)
	\$ 1,628	7,334	36,530

None of the goodwill arising on the acquisitions is expected to be deductible for tax purposes.

24. Contingent Earn-Out

The following shows the contingent consideration activity for the nine-months ended June 30, 2021:

Company Acquired	Beginning		Change in		Ending balance	
	balance	Acquisition Payments	Fair Value	Adjustments		
Alio/Allphase	5,814	-	(3,616)	339	3,698	6,235
Comprehensive Training Solutions	645	-	-	78	-	723
EMSEC Solutions	1,360	-	-	191	(801)	750
Tallysman Wireless	7,345	-	-	570	-	7,915
Cadence	-	1,181	-	170	-	1,351
InterTronic	-	3,984	-	217	-	4,201
Dapasoft	-	7,363	-	347	5,071	12,781
Total	\$ 15,164	\$ 12,528	\$ (3,616)	\$ 1,912	\$ 7,968	\$ 33,956

A portion of the contingent earn-out amount for Dapasoft is included in contributed surplus. This relates to contingent earn-out amounts to be issued in shares of the company if certain levels of EBITDA is achieved. The number of shares to be issued are fixed, and if Dapasoft does not achieve the target, no shares will be issued in relation to this earn-out. Due to this, \$2,627 is included in contributed surplus instead of contingent earn-out payable.

As at June 30, 2021, the total gross value of all contingent consideration outstanding is \$62,816.

The following shows the contingent consideration activity for the nine-months ended June 30, 2020:

Company Acquired	Beginning		Change in		Ending balance	
	balance	Acquisition Payments	Fair Value	Adjustments		
Secure Tech	800	-	-	-	-	800
IntraGrain Technologies	2,885	-	-	220	-	3,105
SatService	2,634	-	-	194	-	2,828
Alio/Allphase	-	2,555	-	82	-	2,637
Total	\$ 6,319	\$ 2,555	\$ -	\$ 496	\$ -	\$ 9,370

25. Related Party Transactions

During the three-months ended June 30, 2021 (2020), the Company had sales of \$1,121 (\$690) to GrainX in which Calian holds a non-controlling equity investment. For the nine-months ended June 30, 2021 (2020), the Company had sales of \$1,407 (\$930). At June 30, 2021 (2020), the Company had an accounts receivable balance with GrainX of \$682 (\$547) which is included in accounts receivable. The terms and conditions of the related party sales are within the Company's normal course of operations and are measured at the exchange amounts agreed to by both parties.

26. Contingencies

In the normal course of business, the Company is party to business and employee-related claims. The potential outcomes related to existing matters faced by the Company are not determinable at this time. The Company intends to defend these actions, and management believes that the resolution of these matters will not have a material adverse effect on the Company's financial condition.