



Unaudited Interim Condensed Consolidated Financial Statements

For the three months ended December 31, 2021

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2021 and September 30, 2021
(Canadian dollars in thousands, except per share data)

	NOTES	December 31, 2021	September 30, 2021
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	\$ 67,355	\$ 78,611
Accounts receivable	5	110,831	111,138
Work in process	8	47,529	55,307
Inventory	6	8,402	6,617
Prepaid expenses	7	9,973	9,891
Derivative assets	22	1,486	610
Total current assets		245,576	262,174
NON-CURRENT ASSETS			
Capitalized research and development	9	3,034	3,217
Equipment	9	12,221	12,411
Application software	9	8,905	8,015
Right of use asset	10	15,527	15,383
Investments	11	670	670
Acquired intangible assets	12	56,387	54,519
Deferred tax asset		1,420	1,477
Goodwill	13	108,260	100,103
Total non-current assets		206,424	195,795
TOTAL ASSETS		\$ 452,000	\$ 457,969
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	14	54,087	68,093
Contingent earn-out	24	30,699	25,038
Provisions	15	1,539	1,541
Unearned contract revenue	8	23,745	23,321
Derivative liabilities	22	291	158
Lease obligations	10	3,178	3,029
Total current liabilities		113,539	121,180
NON-CURRENT LIABILITIES			
Lease obligations	10	14,425	14,449
Contingent earn-out	24	13,305	13,224
Deferred tax liabilities		17,308	16,756
Total non-current liabilities		45,038	44,429
TOTAL LIABILITIES		158,577	165,609
SHAREHOLDERS' EQUITY			
Issued capital	17	196,259	194,960
Contributed surplus		4,737	5,224
Retained earnings		92,499	91,359
Accumulated other comprehensive income (loss)		(72)	817
TOTAL SHAREHOLDERS' EQUITY		293,423	292,360
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 452,000	\$ 457,969
Number of common shares issued and outstanding	17	<u>11,313,274</u>	<u>11,285,828</u>

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-months ended December 31, 2021 and 2020
(Canadian dollars in thousands, except per share data)

	NOTES	Three months ended December 31,	
		2021	2020
Revenue			
Advanced Technologies		\$ 41,167	\$ 37,330
Health		42,378	47,052
Learning		22,782	18,047
ITCS		23,175	13,772
Total Revenue	19	129,502	116,201
Cost of revenues		95,848	89,979
Gross profit		33,654	26,222
Selling and marketing		4,554	3,364
General and administration		13,784	11,616
Research and development		1,354	837
Profit before under noted items		13,962	10,405
Depreciation of equipment, application software and research and development	9	1,127	1,000
Depreciation of right of use asset	10	823	729
Amortization of acquired intangible assets	12	3,592	2,118
Deemed compensation	23, 24	750	1,847
Changes in fair value related to contingent earn-out	24	999	384
Profit before interest income and income tax expense		6,671	4,327
Lease obligations interest expense	10	108	117
Interest expense (income)		51	12
Profit before income tax expense		6,512	4,198
Income tax expense – current		2,974	2,019
Income tax expense (recovery) – deferred		(768)	(305)
Total income tax expense		2,206	1,714
NET PROFIT		\$ 4,306	\$ 2,484
Net profit per share:			
Basic	20	\$ 0.38	\$ 0.25
Diluted	20	\$ 0.38	\$ 0.25

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three-months ended December 31, 2021 and 2020
(Canadian dollars in thousands)

	Three months ended December 31,	
	2021	2020
NET PROFIT	\$ 4,306	\$ 2,484
Items that will be reclassified subsequently to net profit		
Cumulative translation adjustment	(712)	64
Change in deferred gain on derivatives designated as cash flow hedges, net of tax of \$84 (2020 \$1,142)	(177)	3,101
Other comprehensive income (loss), net of tax	(889)	3,165
COMPREHENSIVE INCOME	\$ 3,417	\$ 5,649

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 three-months ended December 31, 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, 2021		\$ 194,960	\$ 5,224	\$ 91,359	\$ 817	\$ 292,360
Net profit and comprehensive income		-	-	4,306	(889)	3,417
Dividend paid (\$0.28 per share)		-	-	(3,166)	-	(3,166)
Shares issued under employee share plans	17	834	(834)	-	-	-
Shares issued under employee stock purchase plan	17	465	-	-	-	465
Share-based compensation expense	18	-	347	-	-	347
Balance December 31, 2021		\$ 196,259	\$ 4,737	\$ 92,499	\$ (72)	\$ 293,423

	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
Comprehensive income		-	-	2,484	3,165	5,649
Dividend paid (\$0.28 per share)		-	-	(2,744)	-	(2,744)
Shares issued under employee share plans	17	1,612	(1,168)	-	-	444
Shares issued under employee stock purchase plan	17	458	-	-	-	458
Share based compensation expense	18	-	449	-	-	449
Balance December 31, 2020		\$ 110,001	\$ 1,283	\$ 91,770	\$ 1,608	\$ 204,662

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-months ended December 31, 2021 and 2020
(Canadian dollars in thousands)

	NOTES	Three months ended December 31,	
		2021	2020
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES			
Net profit		\$ 4,306	\$ 2,484
Items not affecting cash:			
Interest expense		51	12
Changes in fair value related to contingent earn-out	24	999	384
Lease obligations interest expense	10	108	117
Income tax expense		2,206	1,714
Employee share purchase plan expense	18	135	146
Share based compensation expense	18	347	449
Depreciation and amortization	9, 12	5,542	3,847
Deemed compensation	23, 24	750	1,847
		14,444	11,000
Change in non-cash working capital			
Accounts receivable		2,618	(7,008)
Work in process		7,778	12,636
Prepaid expenses		(68)	766
Inventory		(1,785)	(725)
Accounts payable and accrued liabilities		(16,015)	(6,483)
Unearned contract revenue		424	5,174
		7,396	15,360
Interest received (paid)		(159)	(129)
Income tax recovered (paid)		(3,073)	(3,702)
		4,164	11,529
CASH FLOWS GENERATED FROM FINANCING ACTIVITIES			
Issuance of common shares net of costs	17, 18	330	848
Dividends		(3,166)	(2,744)
Payment of lease obligations	10	(842)	(709)
		(3,678)	(2,605)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Business acquisitions	23	(10,298)	(1,628)
Capitalized research and development	9	(114)	(119)
Equipment and application software	9	(1,330)	(1,132)
		(11,742)	(2,879)
NET CASH (OUTFLOW) INFLOW		\$ (11,256)	\$ 6,045
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		78,611	24,235
CASH AND CASH EQUIVALENTS, END OF PERIOD		\$ 67,355	\$ 30,280

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-months ended December 31, 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, 2021, 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, 2021. 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 February 9, 2022.

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, 2021.

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 cash and cash equivalents by currency:

	Local Currency	Foreign Exchange	Presentation Currency
CAD	\$ 33,448	1.00	\$ 33,448
USD	19,371	1.27	24,601
GBP	176	1.71	301
EUR	5,488	1.44	7,903
CHF	131	1.39	182
NOK	6,571	0.14	920
Total cash and cash equivalents December 31, 2021			\$ 67,355
CAD	\$ 57,281	1.00	\$ 57,281
USD	10,463	1.27	13,288
GBP	237	1.71	406
EUR	4,256	1.48	6,299
CHF	295	1.37	404
NOK	6,220	0.15	933
Total cash and cash equivalents September 30, 2021			\$ 78,611

5. Accounts Receivable

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

	December 31, 2021	September 30, 2021
Trade and accounts receivable	\$ 106,221	\$ 106,312
Tax and Scientific Research and Development receivable	3,171	2,753
Other	1,484	2,118
	110,876	111,183
Loss Allowance	(45)	(45)
	\$ 110,831	\$ 111,138

Bad debt expense recognized in the three-months ended December 31, 2021 (2020) is \$87 (NIL). Bad debt recovery recognized in the three-months ended December 31, 2021 (2020) is NIL (\$27).

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:

	December 31, 2021	September 30, 2021
Raw materials	\$ 6,342	\$ 4,810
Work in process inventory	1,058	611
Finished goods	1,002	1,196
	\$ 8,402	\$ 6,617

Inventory recognized as cost of revenues in the three-months ended December 31, 2021 (2020) is \$2,239 (\$1,294). No inventory provisions have been recognized in years ended December 31, 2021 (2020).

7. Prepaid Expenses

The following table presents prepaid expenses as at:

	December 31, 2021		September 30, 2021	
Prepaid maintenance	\$	4,255	\$	5,703
Other prepaid expenses		5,718		4,188
	\$	9,973	\$	9,891

8. Contract assets and liabilities

The following table presents net contract assets as at:

	Net Contract Assets	
	December 31, 2021	December 31, 2020
Work in process	\$ 47,529	\$ 71,541
Unearned contract revenue	(23,745)	(18,609)
Net contract assets	\$ 23,784	\$ 52,932

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

	Changes in Net Contract Assets	
	December 31, 2021	December 31, 2020
Opening balance, October 1	\$ 31,986	\$ 70,697
Net additions	30,278	27,772
Billings	(38,480)	(45,582)
Acquisitions	-	45
Ending balance	\$ 23,784	\$ 52,932

9. Equipment

A continuity of the equipment, application software and capitalized research and development for the three-months ended December 31, 2021 is as follows:

	Cost			Depreciation		Carrying Value		
	Cost	Additions/ Disposals	Acquisitions	Total	Depreciation	Accumulated Depreciation	December 31, 2021	September 30, 2021
Leasehold improvements	\$ 2,546	\$ -	\$ 208	\$ 2,754	\$ (67)	\$ (1,065)	\$ 1,689	\$ 1,713
Equipment	27,657	409	270	28,336	(652)	(17,804)	10,532	10,698
Total equipment	\$ 30,203	\$ 409	\$ 478	\$ 31,090	\$ (719)	\$ (18,869)	\$ 12,221	\$ 12,411
Application software	\$ 11,352	\$ 1,001	\$ -	\$ 12,353	\$ (110)	\$ (3,448)	\$ 8,905	\$ 8,015
Capitalized research and development	\$ 4,874	\$ 114	\$ -	\$ 4,988	\$ (298)	\$ (1,954)	\$ 3,034	\$ 3,217

10. Right-of-Use Assets and Lease Obligations

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

	Three-months ended	
	December 31, 2021	December 31, 2020
Balance October 1	\$ 15,383	\$ 17,595
Additions	1,144	-
Disposals	(177)	-
Depreciation	(823)	(729)
Balance September 30	\$ 15,527	\$ 16,866

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:

	Three-months ended	
	December 31, 2021	December 31, 2020
Balance at October 1	\$ 17,478	\$ 19,590
Additions	1,144	-
Disposals	(177)	-
Principal payments	(842)	(709)
Balance at December 31	\$ 17,603	\$ 18,881
Current	\$ 3,178	\$ 2,798
Non-current	14,425	16,083
Total	\$ 17,603	\$ 18,881

The following table presents the contractual undiscounted cash flows for lease obligations as at December 31, 2021:

	Total Undiscounted Lease Obligations
Less than one year	\$ 3,563
One to five years	10,481
More than five years	5,221
Total undiscounted lease obligations	\$ 19,265

Total cash outflow for leases in the three-months ended December 31, 2021 (2020) was \$950 (\$826), including principal payments relating to lease obligations of \$842 (\$709), interest expense on lease obligations was \$108 (\$117). Expenses relating to short-term leases recognized in general and administration expenses were \$20 (\$13) for the three-months ended December 31, 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 fiscal 2020.

12. Acquired Intangible Assets

A continuity of the acquired intangible assets for the three-months ended December 31, 2021 is as follows:

	December 31, 2021				Closing Balance
	Opening Balance	Additions (Note 23)	Amortization	FX Revaluation	
Customer relationship - Primacy	\$ 1,909	\$ -	\$ -	\$ -	\$ 1,909
Customer relationships	27,702	2,231	(1,735)	(55)	28,143
Discrete contracts with customers & Non-competition agreements	717	233	(92)	-	858
Technology and trademarks	24,191	3,071	(1,765)	(20)	25,477
	\$ 54,519	\$ 5,535	\$ (3,592)	\$ (75)	\$ 56,387

In the three months ended December 31, 2021 the company recorded a foreign currency revaluation of intangible assets held in foreign subsidiaries which utilize different functional currencies than the Company's presentation currency. These foreign exchange revaluations are reflected in OCI.

A continuity of the acquired intangible assets for the three-months ended December 30, 2020 is as follows:

	December 31, 2020				Closing Balance
	Opening Balance	Additions (Note 23)	Amortization	FX Revaluation	
Customer relationship - Primacy	\$ 1,909	\$ -	\$ -	\$ -	\$ 1,909
Customer relationships	17,661	1,119	(1,152)		17,628
Discrete contracts with customers & Non-competition agreements	1,057	-	(85)		972
Technology and trademarks	15,564	-	(881)		14,683
	\$ 36,191	\$ 1,119	\$ (2,118)		\$ 35,192

13. Goodwill

The following table presents the goodwill for the Company for the three-months ended as at December 31, 2021:

	December 31, 2021
Opening balance	\$ 100,103
Additions:	
Acquisition of SimFront (note 23)	8,631
Adjustments:	
Foreign Exchange	(474)
Ending balance	\$ 108,260

In the three months ended December 31, 2021 the company recorded a foreign currency revaluation of goodwill held in foreign subsidiaries which utilize different functional currencies than the Company's presentation currency. These foreign exchange revaluations are reflected in OCI.

The following table presents the goodwill for the Company for the three-months ended as at December 31, 2020:

	December 31, 2020
Opening balance	\$ 55,290
Additions:	
Acquisition of Cadence Consultancy Ltd.	1,921
Ending balance	\$ 57,211

14. Accounts Payable and Accrued Liabilities

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

	December 31, 2021	September 30, 2021
Trade accounts payable	\$ 34,790	\$ 43,668
Payroll accruals	11,291	16,554
Income tax payable	1,898	1,913
Other accruals	6,108	5,958
	\$ 54,087	\$ 68,093

15. Provisions

Changes in provisions for the three-months ended December 31, 2021 were as follows:

	Product Warranties	Severance	Other	Total
Balance at October 1, 2021	\$ 753	\$ 685	\$ 103	\$ 1,541
Additions	328	70	-	398
Utilization/Reversals	(139)	(261)	-	(400)
Balance at December 31, 2021	\$ 942	\$ 494	\$ 103	\$ 1,539

Changes in provisions for the three-months ended December 31, 2020 were as follows:

	Product Warranties	Severance	Other	Total
Balance at October 1, 2020	\$ 645	\$ 280	\$ 113	\$ 1,038
Additions	97	76	-	173
Utilization/Reversals	(232)	(72)	-	(304)
Balance at December 31, 2020	\$ 510	\$ 284	\$ 113	\$ 907

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 December 31, 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 December 31, 2021.

17. Issued Capital and Reserves (continued)

Common shares issued and outstanding:

	December 31, 2021		December 31, 2020	
	Shares	Amount	Shares	Amount
Balance October 1	11,285,828	\$ 194,960	9,760,032	\$ 107,931
Shares issued under employee share plans	19,802	834	49,164	1,612
Shares issued under employee share purchase plan	7,644	465	7,324	458
Issued capital	11,313,274	\$ 196,259	9,816,520	\$ 110,001

Subsequent to the date of the statement of financial position, on February 9, 2022, the date of issuance of these consolidated financial statements, the Company declared a dividend of \$0.28 per common share payable on March 9, 2022.

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

Under the Company's 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 December 31, 2021 the Company can issue 442,175 shares.

During the three-months ended December 31, 2021 (2020) under the 2020 Employee Share Purchase Plan, the Company issued 7,644 (7,324) shares at an average price of \$60.42 (\$62.56). The Company received \$369 (\$367) in proceeds and recorded an expense of \$96 (\$146).

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% (1,018,195) 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 of December 31, 2021, the Company has 298,013 stock options and RSUs outstanding. As a result, the Company could grant up to 720,182 additional stock options or RSU's pursuant to the plan.

The weighted average fair value of options granted during the three-months ended December 31, 2021 was \$10.66 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.

18. Share-Based Compensation (continued)

The following assumptions were used to determine the fair value of the options granted in the three-months ended December 31, 2021:

	Weighted Average Options Granted	
	December 31, 2021	December 31, 2020
Grant date share price	\$ 58.90	\$ 61.16
Exercise price	\$ 58.90	\$ 61.16
Expected price volatility	% 28.5	% 27.4
Expected option life	yrs 3.20	yrs 3.33
Expected dividend yield	% 1.90	% 1.84
Risk-free interest rate	% 1.21	% 0.33
Forfeiture rate	% 0	% 0

	December 31, 2021		December 31, 2020	
	Number of Options	Weighted Avg. Exercise Price	Number of Options	Weighted Avg. Exercise Price
Outstanding October 1	204,913	\$ 49.46	230,638	\$ 43.69
Exercised	-	-	(14,000)	31.71
Granted	39,110	58.90	27,358	61.16
Outstanding December 31	244,023	\$ 50.97	243,996	\$ 46.33

The following share-based payment arrangements are in existence:

Option issuance:	Number of Options	Grant date	Expiry date	Exercise price	Fair value at grant date
(1) Issued May 17, 2017	1,000	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	47,500	November 19, 2018	November 19, 2023	\$ 29.55	\$ 3.96
(5) Issued November 25, 2019	16,000	November 25, 2019	November 25, 2024	\$ 36.49	\$ 5.18
(6) Issued August 13, 2020	97,538	August 13, 2020	August 13, 2025	\$ 60.30	\$ 8.44
(7) Issued November 24, 2020	27,358	November 24, 2020	November 24, 2025	\$ 61.16	\$ 10.24
(8) Issued February 9, 2021	1,817	February 9, 2021	February 9, 2026	\$ 60.35	\$ 9.92
(9) Issued November 24, 2021	39,110	November 24, 2021	November 24, 2026	\$ 58.90	\$ 10.66

For the options issued on November 24, 2021, vesting occurs through to November 15, 2024.

At December 31, 2021 (2020) the weighted average remaining contractual life of options outstanding is 3.13 (3.70) years of which 173,347 (121,175) options are exercisable at a weighted average price of \$47.46 (\$32.79). The Company has recorded \$108 (\$289) of share-based compensation expense in the three-months ended December 31, 2021 (2020) related to the options that have been granted. The Company has total unrecognized compensation expense of \$443 (2020 - \$757) that will be recorded in the next two fiscal years.

Restricted share units:

The Company has 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. Under the above RSU plan, the Company

18. Share-Based Compensation (continued)

issued performance share units (“PSUs”) which will vest on the date or dates designated for that unit, conditional on any vesting conditions being met. Vesting conditions for performance share units are tied to market metrics.

The following table summarizes information about the RSU's as of December 31, 2021:

	December 31, 2021		December 31, 2020	
	Number of RSUs	Weighted Avg. Grant Date Fair Value	Number of RSUs	Weighted Avg. Grant Date Fair Value
Balance at October 1	40,824	\$ 46.65	56,039	\$ 32.67
Exercised	(19,802)	42.12	(35,164)	31.52
Forfeited	(378)	46.95	-	-
Granted	33,346	46.83	19,012	59.35
Balance at December 31	53,990	\$ 48.41	39,887	\$ 46.39

Of the units issued in the current year under the RSU plan, nil have vested as of December 31, 2021. The Company has recorded \$259 (\$160) of share-based compensation expense in the three-months ended December 31, 2021 (2020) related to the RSUs that have been granted. The Company has total unrecognized compensation expense of \$1,881 at December 31, 2021 (2020 - \$1,387) that will be recorded over the next two years.

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

RSU issuance:		Number of units	Grant date	Vest through	Fair value at grant date
(1) Issued November 25, 2019	RSU	7,511	November 25, 2019	November 15, 2022	\$ 36.49
(2) Issued November 24, 2020	RSU	12,486	November 24, 2020	November 15, 2023	\$ 59.35
(3) Issued February 9, 2021	RSU	163	February 9, 2021	November 15, 2023	\$ 59.74
(4) Issued May 12, 2021	RSU	450	May 12, 2021	November 15, 2023	\$ 56.32
(5) Issued August 10, 2021	RSU	34	August 10, 2021	November 15, 2023	\$ 63.25
(6) Issued November 24, 2021	RSU	23,824	November 24, 2021	November 15, 2024	\$ 58.90
	PSU	9,522		September 30, 2022	\$ 16.62

Deferred share unit plan

During the three-months ended December 31, 2021 (2020) the Company granted 602 (947) deferred share units (“DSU”). The Company recorded share-based compensation of \$126 (\$121) related to the DSUs in the three-months ended December 31, 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 23,118 (25,599) DSUs outstanding at December 31, 2021 (2020). The fair value of the DSUs outstanding at December 31, 2021 (2020) was \$55.16 (\$60.80) 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-months ended December 31, 2021 and 2020:

	Three months ended	
	December 31, 2021	December 31, 2020
Product revenue		
Advanced Technologies	\$ 27,620	\$ 24,342
Health	-	2,553
Learning	-	-
ITCS	2,654	2,118
Total product revenue	\$ 30,274	\$ 29,013
Service revenue		
Advanced Technologies	\$ 13,547	\$ 12,988
Health	42,378	44,499
Learning	22,782	18,047
ITCS	20,521	11,654
Total service revenue	\$ 99,228	\$ 87,188
Total revenue	\$ 129,502	\$ 116,201

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 December 31, 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:

	December 31, 2021
Less than 24 months	494,439
Thereafter	253,130
Total	747,569

20. Net Profit per Share

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

	Three months ended	
	December 31, 2021	December 31, 2020
Weighted average number of common shares – basic	11,299,287	9,783,913
Additions to reflect the dilutive effect of employee stock options and RSU's	61,769	95,697
Weighted average number of common shares – diluted	11,361,056	9,879,610

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 December 31, 2021 (2020), 165,823 (124,896) options and 23,824 (19,012) 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, IT 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 December 31, 2021:

For the three months ended December 31, 2021	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	\$ 41,167	\$ 42,378	\$ 22,782	\$ 23,175	\$ -	\$ 129,502
Cost of revenues	30,433	31,330	17,049	17,036	-	95,848
Gross profit	10,734	11,048	5,733	6,139	-	33,654
Gross profit %	26 %	26 %	25 %	26 %	N/A %	26 %
Selling and marketing	2,036	585	334	786	813	4,554
General and administration	2,215	2,424	1,117	1,495	6,533	13,784
Research and development	1,118	93	-	143	-	1,354
Profit before under noted items	\$ 5,365	\$ 7,946	\$ 4,282	\$ 3,715	\$ (7,346)	\$ 13,962
Profit before under noted items %	13 %	19 %	19 %	16 %	N/A %	11 %
Depreciation of equipment, application software and R&D						1,127
Depreciation of right of use asset						823
Amortization of acquired intangibles						3,592
Other changes in fair value						-
Deemed compensation						750
Changes in fair value related to contingent earn-out						999
Profit before interest income and income tax expense						6,671
Lease obligations interest expense						108
Interest expense (income)						51
Profit before income tax expense						6,512
Income tax expense – current						2,974
Income tax expense (recovery) – deferred						(768)
Total income tax expense						2,206
NET PROFIT FOR THE PERIOD						\$ 4,306

21. Segmented Information (continued)

For the three-months ended December 31, 2020:

For the three months ended December 31, 2020	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	\$ 37,330	\$ 47,052	\$ 18,047	\$ 13,772	\$ -	\$ 116,201
Cost of revenues	28,900	36,116	13,691	11,272	-	89,979
Gross profit	8,430	10,936	4,356	2,500	-	26,222
Gross profit %	23 %	23 %	24 %	18 %	N/A %	23 %
Selling and marketing	1,570	495	249	693	357	3,364
General and administration	2,025	2,056	999	1,092	5,444	11,616
Research and Development	648	186	-	3	-	837
Profit before under noted items	\$ 4,187	\$ 8,199	\$ 3,108	\$ 712	\$ (5,801)	\$ 10,405
Profit before under noted items %	11 %	17 %	17 %	5 %	N/A %	9 %
Depreciation of equipment, application software and R&D						1,000
Depreciation of right of use asset						729
Amortization of acquired intangibles						2,118
Other changes in fair value						-
Deemed compensation						1,847
Changes in fair value related to contingent earn-out						384
Profit before interest income and income tax expense						4,327
Lease obligations interest expense						117
Interest expense (income)						12
Profit before income tax expense						4,198
Income tax expense – current						2,019
Income tax expense (recovery) – deferred						(305)
Total income tax expense						1,714
NET PROFIT FOR THE PERIOD						\$ 2,484

The Company operates in Canada but provides services to customers in various countries. Revenues from external customers for the three-months ended December 31 are attributed as follows:

	December 31, 2021	December 31, 2020
Canada	77 %	75 %
United States	8 %	14 %
Europe	14 %	11 %
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 December 31, 2021 (2020) represented 52% (53%) 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 both debt and equity 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 December 31, 2021, the Company had the following forward foreign exchange contracts:

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value December 31, 2021
SELL	\$ 91,450	USD	January 2022	\$ 115,687	\$ 1,406
SELL	6,459	EURO	January 2022	9,305	75
SELL	214	GBP	January 2022	366	3
SELL	131	CHF	January 2022	182	2
Derivative assets					\$ 1,486
BUY	\$ 17,898	USD	January 2022	\$ 20,583	\$ (275)
BUY	969	EURO	January 2022	1,269	(11)
BUY	195	GBP	January 2022	303	(3)
BUY	124	CHF	January 2022	157	(2)
Derivative liabilities					\$ (291)

A 10% strengthening of the Canadian dollar against the following currencies at December 31, 2021 would have decreased other comprehensive income by the amounts shown below. These are related to the forward foreign exchange contracts and foreign currency adjustments resulting from the revaluation of functional currency of international subsidiaries to the presentation currency of the company.

	December 31, 2021
USD	\$ 8,465
EURO	7,352
CHF	1
GBP	890
NOK	1,159
Total	\$ 17,867

22. Financial Instruments and Risk Management (continued)

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.

	December 31, 2021
USD	\$ 779
EURO	8
GBP	-
SEK	2
NOK	4
Total	\$ 793

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 December 31, 2021 (2020), 50% (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:

	December 31, 2021	September 30, 2021
Cash and cash equivalents	\$ 67,355	\$ 78,611
Accounts receivable	110,831	111,138
Derivative assets	1,486	610
Total	\$ 179,672	\$ 190,359

The aging of accounts receivable at the reporting date was:

	December 31, 2021	September 30, 2021
Current	\$ 90,502	\$ 97,830
Past due (61-120 days)	13,454	8,886
Past due (> 120 days)	6,875	4,422
Total	\$ 110,831	\$ 111,138

22. Financial Instruments and Risk Management (continued)

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 December 31, 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 December 31, 2021, the company had \$67,355 cash on hand and NIL was drawn on the facility for current operations 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 December 31, 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).

	December 31, 2021		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 67,355	\$ -	\$ -
Investment	-	-	670
Derivative financial assets	-	1,486	-
Contingent earn-out	-	-	(44,004)
Derivative financial liabilities	-	(291)	-
Total	\$ 67,355	\$ 1,195	\$ (43,334)

	September 30, 2021		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 78,611	\$ -	\$ -
Investment	-	-	670
Derivative financial assets	-	610	-
Contingent earn-out	-	-	(38,262)
Derivative financial liabilities	-	(158)	-
Total	\$ 78,611	\$ 452	\$ (37,592)

There were no transfers between Level 1, Level 2 and level 3 during the three-month period ended December 31, 2021.

23. Acquisitions

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 contingent consideration owed based on actual results and forecasts for future periods. In the 2021 fiscal year, the company paid \$3,616 based on achievement of the first year EBITDA under the agreement.

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 December 31, 2021.

The Company recognized \$118 in the three-months ended December 31, 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 2021 fiscal year it was determined by management that EMSEC is unlikely to achieve the level of EBITDA to achieve the targets set out for the first or second year relating to the earn outs. In fiscal year 2021, the company recorded an adjustment to the changes of fair value related to contingent earn out in the amount of \$1,551. At December 31, 2021, the company had no contingent consideration outstanding in relation to EMSEC.

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.

23. Acquisitions (continued)

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 September 30, 2022, respectively. In the three-months ended December 31, 2021 the company paid \$417 relating to the year one contingent earn out. The Company recognized \$16 in the three-months ended December 31, 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 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 August 31, 2021 and December 31, 2022, respectively. The Company recognized \$190 in the three-months ended December 31, 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 (\$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. In the three-months ended December 31, 2021 the company paid \$776 relating to the year one contingent earn out. The Company recognized \$31 in the three-months ended December 31, 2021, related to changes in fair value of contingent earn out.

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. At December 31, 2021 there were unforeseen delays in contract award. The Company is working with the sellers to finalize the settlement of this earn out once contract awards are announced.

23. Acquisitions (continued)

The first year earn out amount was not achieved based on the EBITDA achievement of Intertronic. The Company did not include the first-year target in the purchase price, as it was unlikely at the time of acquisition that this would have been paid. Therefore, there was no resulting impact to the financial statements of the missed earn out. At this time, a portion of the year two earn out is recognized on the balance sheet based on current projections of achievement of the year two EBITDA.

The Company recognized \$134 in the three-months ended December 31, 2021, related to changes in fair value of contingent earn out.

Dapasoft Inc. (“Dapasoft”)

On February 22, 2021, the Company acquired all of the outstanding shares of Dapasoft for a purchase price of up to \$78,709. Of this amount, \$39,209 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 28, 2022 and February 28, 2023, respectively. A portion of the earn out is payable through issuance of common shares of the Company. At December 31, 2021, the Company has included the full year one earn out amount in the Contingent earn out payable on the balance sheet, and a portion of the second year earn out based on current achievement levels.

The Company recognized \$377 in the three-months ended December 31, 2021, related to changes in fair value of contingent earn out.

SimFront Simulation Systems Corporation (“SimFront”)

On October 7, 2021, the Company acquired the outstanding shares of SimFront, for total cash consideration of up to \$15,210 of which, \$9,210 was paid on closing, and \$6,000 is payable contingently. SimFront will enable Calian to provide end-to-end military training and simulation capabilities and pursue new opportunities with customers seeking integration and immersive training support. SimFront integration and augmented/virtual/mixed reality solutions elevate Calian capabilities in this area. SimFront is reported as part of the Learning operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of SimFront an additional \$2,760 and \$3,240 if SimFront attains specific levels of EBITDA for the years ending September 30, 2022 and September 30, 2023, respectively. The Company recognized \$133 in the three-months ended December 31, 2021, related to changes in fair value of contingent earn out.

As of December 31, 2021, the accounting for the acquisition of SimFront is not finalized and reflects the current best estimate of purchase price allocation. Final valuation of the acquisition and the allocation between intangible assets and goodwill will be completed during the remainder of the 2022 fiscal year, the numbers presented below represent managements best estimate pending finalization of closing procedures with the selling party. The calculation and final realization of certain assets in the 90 day period following the acquisition date will also result in changes in the purchase price and goodwill.

23. Acquisitions (continued)

	Assets Acquired	Purchase Price Accounting	Total Assets Acquired
Cash and cash equivalents	\$ 105	\$ -	\$ 105
Accounts receivable	2,421	-	2,421
Prepaid expenses	14	-	14
	\$ 2,540	\$ -	\$ 2,540
Equipment	\$ 123	\$ -	\$ 123
Acquired Intangibles	-	5,535	5,535
Goodwill	-	8,631	8,631
	\$ 2,663	\$ 14,166	\$ 16,829
Accounts payable and accrued liabilities	\$ 966	\$ -	\$ 966
Deferred tax liabilities	-	1,467	1,467
	\$ 966	\$ 1,467	\$ 2,433
Net purchase price			\$ 14,396
Discount on contingent consideration			814
Total purchase price			\$ 15,210

Cash consideration paid for acquisition activity during the three-months ended December 31, 2021:

	SimFront
Consideration paid in cash	\$ 9,210
Less- cash balance acquired	(105)
	\$ 9,105

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

24. Contingent Earn-Out

The following shows the contingent consideration activity for the three-months ended December 31, 2021:

Company Acquired	Beginning		Change in		Ending balance
	balance	Acquisition Payments	Fair Value	Adjustments	
Alio/Allphase	\$ 6,941	\$ -	\$ -	\$ 118	\$ 7,809
Comprehensive Training Solutions	749	-	(417)	16	348
EMSEC Solutions	-	-	-	-	-
Tallysman Wireless	8,104	-	-	190	8,294
Cadence	1,417	-	(776)	31	672
InterTronic	3,228	-	-	134	3,362
Dapasoft	17,823	-	-	377	18,200
SimFront	-	5,186	-	133	5,319
Total	\$ 38,262	\$ 5,186	\$ (1,193)	\$ 999	\$ 44,004

24. Contingent Earn-Out (continued)

As of December 31, 2021, the total gross value of all contingent consideration outstanding is \$60,233.

The following shows the contingent consideration activity for the three-months ended December 31, 2020:

Company Acquired	Beginning		Change in			Ending balance
	balance	Acquisition Payments	Fair Value	Adjustments		
Alio/Allphase	\$ 5,814	\$ -	\$ -	\$ 63	\$ 1,847	\$ 7,724
Comprehensive Training Solutions	645	-	-	27	-	672
EMSEC Solutions	1,360	-	-	64	-	1,424
Tallysman Wireless	7,345	-	-	190	-	7,535
Cadence	-	1,181	-	40	-	1,221
Total	\$ 15,164	\$ 1,181	\$ -	\$ 384	\$ 1,847	\$ 18,576

25. Related Party Transactions

During the three-months ended December 31, 2021 (2020), the Company had sales of \$58 (\$184) to GrainX in which Calian holds a non-controlling equity investment. At December 31, 2021 (2020), the Company had an accounts receivable balance with GrainX of NIL (\$70) 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. Subsequent Events

On January 27, 2022, the Company entered into a definitive agreement to acquire the assets of Computex Technology Solutions (Computex) as US-based provider of IT and Cyber Solutions, for total cash consideration of \$30,000 USD (approximately \$38,000 CAD). The completion of this transaction is subject to regulatory approvals and other customary closing conditions, and the Company anticipates the transaction to take place in the second fiscal quarter of 2022. Computex will be reported as part of the ITCS operating segment.