



**Unaudited Interim Condensed Consolidated Financial Statements
For the Three and Six Months Ended March 31, 2022**

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at March 31, 2022 and September 30, 2021
(Canadian dollars in thousands, except per share data)

	NOTES	March 31, 2022	September 30, 2021
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	\$ 59,391	\$ 78,611
Accounts receivable	5	159,953	111,138
Work in process	8	51,836	55,307
Inventory	6	16,281	6,617
Prepaid expenses	7	16,887	9,891
Derivative assets	22	190	610
Total current assets		304,538	262,174
NON-CURRENT ASSETS			
Capitalized research and development	9	2,769	3,217
Equipment	9	17,105	12,411
Application software	9	10,098	8,015
Right of use asset	10	17,427	15,383
Investments	11	670	670
Acquired intangible assets	12	57,466	54,519
Deferred tax asset		1,363	1,477
Goodwill	13	151,847	100,103
Total non-current assets		258,745	195,795
TOTAL ASSETS		\$ 563,283	\$ 457,969
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Debt Facility	16	\$ 25,396	\$ -
Accounts payable and accrued liabilities	14	112,880	68,093
Contingent earn-out	24	38,687	25,038
Provisions	15	1,509	1,541
Unearned contract revenue	8	49,769	23,321
Derivative liabilities	22	33	158
Lease obligations	10	3,697	3,029
Total current liabilities		231,971	121,180
NON-CURRENT LIABILITIES			
Lease obligations	10	15,860	14,449
Contingent earn-out	24	2,881	13,224
Deferred tax liabilities		17,696	16,756
Total non-current liabilities		36,437	44,429
TOTAL LIABILITIES		268,408	165,609
SHAREHOLDERS' EQUITY			
Issued capital	17	198,013	194,960
Contributed surplus		5,103	5,224
Retained earnings		90,595	91,359
Accumulated other comprehensive income (loss)		1,164	817
TOTAL SHAREHOLDERS' EQUITY		294,875	292,360
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 563,283	\$ 457,969
Number of common shares issued and outstanding	17	11,346,540	11,285,828

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 Six Months Periods ended March 31, 2022 and 2021
(Canadian dollars in thousands, except per share data)

	NOTES	Three months ended March 31,		Six months ended March 31,	
		2022	2021	2022	2021
Revenue					
Advanced Technologies		\$ 39,562	\$ 42,731	\$ 80,729	\$ 80,061
Health		45,452	52,917	87,830	99,970
Learning		24,828	20,901	47,610	38,948
ITCS		32,260	21,921	55,435	35,692
Total Revenue	19	142,102	138,470	271,604	254,671
Cost of revenues					
		102,183	104,956	198,031	194,935
Gross profit		39,919	33,514	73,573	59,736
Selling and marketing					
		5,342	4,035	9,896	7,399
General and administration					
		16,626	14,358	30,410	25,974
Research and development					
		1,184	968	2,538	1,805
Profit before under noted items		16,767	14,153	30,729	24,558
Depreciation of equipment, application software and research and development					
	9	1,302	1,046	2,429	2,046
Depreciation of right of use asset					
	10	878	774	1,701	1,503
Amortization and impairment of acquired intangible assets					
	12	10,128	3,041	13,720	5,159
Deemed compensation					
	23, 24	247	503	1,000	2,350
Changes in fair value related to contingent earn-out					
	24	1,619	1,266	2,615	1,650
Profit before interest income and income tax expense		2,593	7,523	9,264	11,850
Lease obligations interest expense					
	10	106	114	214	231
Interest expense (income)					
		95	233	146	245
Profit before income tax expense		2,392	7,176	8,904	11,374
Income tax expense – current					
		3,511	2,195	6,485	4,214
Income tax recovery – deferred					
		(2,386)	(534)	(3,154)	(839)
Total income tax expense		1,125	1,661	3,331	3,375
NET PROFIT		\$ 1,267	\$ 5,515	\$ 5,573	\$ 7,999
Net profit per share:					
Basic	20	\$ 0.11	\$ 0.55	\$ 0.49	\$ 0.80
Diluted	20	\$ 0.11	\$ 0.54	\$ 0.49	\$ 0.80

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 and Six Month Periods Ended March 31, 2022 and 2021
(Canadian dollars in thousands)

	Three months ended		Six months ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
NET PROFIT	\$ 1,267	\$ 5,515	\$ 5,573	\$ 7,999
Items that will be reclassified subsequently to net profit				
Cumulative translation adjustment	123	(300)	512	(236)
Change in deferred gain on derivatives designated as cash flow hedges, net of tax of \$215 and \$132 (2021 \$322 and \$1,142)	689	885	(165)	3,986
Other comprehensive income, net of tax	812	585	347	3,750
COMPREHENSIVE INCOME	\$ 2,079	\$ 6,100	\$ 5,920	\$ 11,749

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 Six Month Periods Ended March 31, 2022 and 2021
(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		-	-	5,573	347	5,920
Dividend paid (\$0.56 per share)		-	-	(6,337)	-	(6,337)
Shares issued under employee share plans	17	1,743	(864)	-	-	879
Shares issued under employee stock purchase plan	17	1,310	(129)	-	-	1,181
Share-based compensation expense	18	-	872	-	-	872
Balance March 31, 2022		\$ 198,013	\$ 5,103	\$ 90,595	\$ 1,164	\$ 294,875

	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		-	-	7,999	3,750	11,749
Dividend paid (\$0.56 per share)		-	-	(5,520)	-	(5,520)
Shares issued under employee share plans	17	2,204	(1,238)	-	-	966
Shares issued through acquisition		5,000	-	-	-	5,000
Shares issued under public offering net of issuance costs		77,040	-	-	-	77,040
Shares issued under employee stock purchase plan	17	1,112	-	-	-	1,112
Share based compensation expense	18	-	1,023	-	-	1,023
Balance March 31, 2021		\$ 193,287	\$ 1,787	\$ 94,509	\$ 2,193	\$ 291,776

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 Six Month Periods Ended March 31, 2022 and 2021
(Canadian dollars in thousands)

NOTES	Three months ended March 31,		Six months ended March 31,	
	2022	2021	2022	2021
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES				
Net profit	\$ 1,267	\$ 5,515	\$ 5,573	\$ 7,999
Items not affecting cash:				
Interest expense	95	233	146	245
Changes in fair value related to contingent earn-out	24 1,619	1,266	2,615	1,650
Lease obligations interest expense	10 106	114	214	231
Income tax expense	1,125	1,661	3,331	3,375
Employee share purchase plan expense	18 127	102	262	248
Share based compensation expense	18 525	574	872	1,023
Depreciation, amortization and impairment	9, 12 12,308	4,861	17,850	8,708
Deemed compensation	23, 24 247	1,098	1,000	2,945
	17,419	15,424	31,863	26,424
Change in non-cash working capital				
Accounts receivable	(19,400)	(14,424)	(16,782)	(21,432)
Work in process	(4,307)	(1,831)	3,471	10,805
Prepaid expenses	(5,882)	(2,169)	(5,950)	(1,403)
Inventory	(192)	295	(1,977)	(430)
Accounts payable and accrued liabilities	19,398	9,193	3,383	2,710
Unearned contract revenue	14,467	4,042	14,891	9,216
	21,503	10,530	28,899	25,890
Interest received (paid)	(201)	(945)	(360)	(1,074)
Income tax recovered (paid)	(2,088)	(3,397)	(5,161)	(7,099)
	19,214	6,188	23,378	17,717
CASH FLOWS GENERATED FROM FINANCING ACTIVITIES				
Issuance of common shares net of costs	17, 18 1,468	77,049	1,798	77,897
Dividends	(3,171)	(2,776)	(6,337)	(5,520)
Draw (repayment) on debt facility	16 25,396	55,000	25,396	55,000
Payment of lease obligations	10 (918)	(771)	(1,760)	(1,480)
	22,775	128,502	19,097	125,897
CASH FLOWS USED IN INVESTING ACTIVITIES				
Business acquisitions	23 (47,924)	(43,864)	(58,222)	(45,492)
Capitalized research and development	9 (36)	(93)	(150)	(212)
Equipment and application software	9 (1,993)	(1,086)	(3,323)	(2,218)
	(49,953)	(45,043)	(61,695)	(47,922)
NET CASH (OUTFLOW) INFLOW	\$ (7,964)	\$ 89,647	\$ (19,220)	\$ 95,692
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	67,355	30,280	78,611	24,235
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 59,391	\$ 119,927	\$ 59,391	\$ 119,927

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 Six month Periods Ended March 31, 2022 and 2021
(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, learning, defence, security, aerospace, engineering, AgTech, satellite communications (satcom), 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 May 11, 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	\$ 36,716	1.00	\$ 36,716
USD	10,917	1.25	13,646
GBP	102	1.64	168
EUR	5,669	1.39	7,880
CHF	-	1.35	-
NOK	7,007	0.14	981
Total cash and cash equivalents March 31, 2022			\$ 59,391
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:

	March 31, 2022	September 30, 2021
Trade and accounts receivable	\$ 154,996	\$ 106,312
Tax and Scientific Research and Development receivable	3,587	2,753
Other	1,415	2,118
	159,998	111,183
Loss Allowance	(45)	(45)
	\$ 159,953	\$ 111,138

Bad debt expense recognized in the three-months ended March 31, 2022 (2021) is \$123 (\$27 recovery).
Bad debt expense recognized in the six-months ended March 31, 2022 (2021) is \$210 (\$27 recovery).

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:

	March 31, 2022	September 30, 2021
Raw materials	\$ 6,692	\$ 4,810
Work in process inventory	1,542	611
Finished goods	8,047	1,196
	\$ 16,281	\$ 6,617

Inventory recognized as cost of revenues in the three-months ended March 31, 2022 (2021) is \$2,545 (\$3,228). Inventory recognized as cost of revenues in the six-months ended March 31, 2022 (2021) is \$4,784 (\$4,522). No inventory provisions have been recognized in periods ended March 31, 2022 (2021).

7. Prepaid Expenses

The following table presents prepaid expenses as at:

	March 31, 2022	September 30, 2021
Prepaid maintenance	\$ 11,055	\$ 5,703
Other prepaid expenses	5,832	4,188
	\$ 16,887	\$ 9,891

8. Contract Assets and Liabilities

The following table presents net contract assets as at:

	Net Contract Assets	
	March 31, 2022	September 30, 2021
Work in process	\$ 51,836	\$ 55,307
Unearned contract revenue	(49,769)	(23,321)
Net contract assets	\$ 2,067	\$ 31,986

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

	Changes in Net Contract Assets	
	March 31, 2022	March 31, 2021
Opening balance, October 1	\$ 31,986	\$ 70,697
Net additions	78,010	50,152
Billings	(96,372)	(70,172)
Acquisitions (Note 23)	(11,557)	(977)
Ending balance	\$ 2,067	\$ 49,700

9. Equipment

A continuity of the equipment, application software and capitalized research and development for the six-months ended March 31, 2022, is as follows:

	Cost			Total	Depreciation		Carrying Value	
	Cost	Additions/ Disposals	Acquisitions (Note 23)		Depreciation	Accumulated Depreciation	March 31, 2022	September 30, 2021
Leasehold improvements	\$ 2,546	\$ -	\$ 1,733	\$ 4,279	\$ (177)	\$ (1,567)	\$ 2,712	\$ 1,713
Equipment	27,657	1,306	11,666	40,629	(1,400)	(26,236)	14,393	10,698
Total								
equipment	\$ 30,203	\$ 1,306	\$ 13,399	\$ 44,908	\$ (1,577)	\$ (27,803)	\$ 17,105	\$ 12,411
Application software	\$ 11,352	\$ 2,202	\$ 327	\$ 13,881	\$ (255)	\$ (3,783)	\$ 10,098	\$ 8,015
Capitalized research and development	\$ 4,874	\$ 150	\$ -	\$ 5,024	\$ (597)	\$ (2,255)	\$ 2,769	\$ 3,217

10. Right-of-Use Assets and Lease Obligations

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

	Six-months ended	
	March 31, 2022	March 31, 2021
Balance October 1	\$ 15,383	\$ 17,595
Additions	1,217	842
Disposals	(177)	-
Depreciation	(1,701)	(1,503)
Acquisitions (Note 23)	2,705	-
Balance March 31	\$ 17,427	\$ 16,934

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:

	Six-months ended	
	March 31, 2022	March 31, 2021
Balance at October 1	\$ 17,478	\$ 19,590
Additions	1,277	921
Disposals	(177)	-
Principal payments	(1,760)	(1,480)
Acquisitions (Note 23)	2,739	-
Balance at March 31	\$ 19,557	\$ 19,031
Current	\$ 3,697	\$ 3,031
Non-current	15,860	16,000
Total	\$ 19,557	\$ 19,031

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

The following table presents the contractual undiscounted cash flows for lease obligations as at March 31, 2022:

	Total Undiscounted Lease Obligations
Less than one year	\$ 4,105
One to five years	11,896
More than five years	5,441
Total undiscounted lease obligations	\$ 21,442

Total cash outflow for leases in the three-months ended March 31, 2022 (2021) was \$1,024 (\$885), including principal payments relating to lease obligations of \$812 (\$613), interest expense on lease obligations was \$106 (\$114). Total cash outflow for leases in the six-months ended March 31, 2022 (2021) was \$1,974 (\$1,711), including principal payments relating to lease obligations of \$546 (\$1,480), interest expense on lease obligations was \$214 (\$231). Expenses relating to short-term leases recognized in general and administration expenses were \$20 (\$19) for the three-month and \$40 (\$33) for the six-month periods ended March 31, 2022 (2021).

11. Investments

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 202.

12. Acquired Intangible Assets

A continuity of the acquired intangible assets for the six-months ended March 31, 2022 is as follows:

	March 31, 2022					
	Opening Balance	Additions (Note 23)	Amortization	Impairment (Note 23)	Foreign Exchange Revaluation	Closing Balance
Customer relationship - Primacy	\$ 1,909	\$ -	\$ -	\$ -	-	\$ 1,909
Customer relationships	27,702	13,438	(3,533)	-	(55)	37,552
Discrete contracts with customers & Non- competition agreements	717	233	(182)	-	-	768
Technology and trademarks	24,191	3,071	(3,528)	(6,477)	(20)	17,237
	\$ 54,519	\$ 16,742	\$ (7,243)	\$ (6,477)	(\$ 75)	\$ 57,466

In the six-months ended March 31, 2022, 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.

12. Acquired Intangible Assets (continued)

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

	March 31, 2021			
	Opening Balance	Additions (Note 23)	Amortization	Closing Balance
Customer relationship - Primacy	\$ 1,909	\$ -	\$ -	\$ 1,909
Customer relationships	17,661	15,619	(2,558)	30,722
Discrete contracts with customers & Non-competition agreements	1,057	-	(750)	307
Technology and trademarks	15,564	13,740	(1,851)	27,453
	<u>\$ 36,191</u>	<u>\$ 29,359</u>	<u>\$ (5,159)</u>	<u>\$ 60,391</u>

13. Goodwill

The following table presents the goodwill for the Company for the six-months ended March 31, 2022:

	March 31, 2022
Opening balance	\$ 100,103
Additions:	
Acquisition of SimFront (Note 23)	8,601
Acquisition of Computex (Note 23)	43,617
Adjustments:	
Foreign Exchange	(474)
Ending balance	<u>\$ 151,847</u>

In the six-month period ended March 31, 2022, 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 six-months ended as at March 31, 2021:

	March 31, 2021
Opening balance	\$ 55,290
Additions:	
Acquisition of Cadence Consultancy Ltd.	1,921
Acquisition of InterTronic Solutions Inc.	4,473
Acquisition of Dapasoft Inc.	38,962
Ending balance	<u>\$ 100,646</u>

14. Accounts Payable and Accrued Liabilities

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

	March 31, 2022	September 30, 2021
Trade accounts payable	\$ 82,840	\$ 43,668
Payroll accruals	18,429	16,554
Income tax payable	3,606	1,913
Other accruals	8,005	5,958
	\$ 112,880	\$ 68,093

15. Provisions

Changes in provisions for the six-months ended March 31, 2022, were as follows:

	Product Warranties	Severance	Other	Total
Balance at October 1, 2021	\$ 753	\$ 685	\$ 103	\$ 1,541
Additions	474	140	-	614
Utilization/Reversals	(321)	(325)	-	(646)
Balance at March 31, 2022	\$ 906	\$ 500	\$ 103	\$ 1,509

Changes in provisions for the six-months ended March 31, 2021, were as follows:

	Product Warranties	Severance	Other	Total
Balance at October 1, 2020	\$ 645	\$ 280	\$ 113	\$ 1,038
Additions	326	152	-	478
Utilization/Reversals	(393)	(104)	-	(497)
Balance at March 31, 2021	\$ 578	\$ 328	\$ 113	\$ 1,019

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 March 31, 2022 (September 30, 2021), the Company utilized \$25,396 (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. At March 31, 2022, the balance was classified as a current liability as the company expects to settle the liability within twelve months after the reporting period.

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 March 31, 2022.

Common share issued and outstanding:

	March 31, 2022		March 31, 2021	
	Shares	Amount	Shares	Amount
Balance October 1	11,285,828	\$ 194,960	9,760,032	\$ 107,931
Shares issued under employee share plans	41,160	1,743	66,064	2,204
Shares issued under employee share purchase plan	19,552	1,310	17,549	1,112
Shares issued through acquisition	-	-	85,715	5,000
Shares issued under public offering	-	-	1,318,000	77,040
Issued capital	11,346,540	\$ 198,013	11,247,360	\$ 193,287

Subsequent to the date of the statement of financial position, on May 11, 2022, the date of issuance of these consolidated financial statements, the Company declared a dividend of \$0.28 per common share payable on June 8, 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 March 31, 2022, the Company can issue 430,267 shares.

During the three-months ended March 31, 2022 (2021) under the 2020 Employee Share Purchase Plan, the Company issued 11,908 (10,225) shares at an average price of \$60.06 (\$63.96). The Company received \$550 (\$523) in proceeds and recorded an expense of \$127 (\$102). During the six-months ended March 31, 2022 (2021) under the 2020 Employee Share Purchase Plan, the Company issued 19,552 (17,549) shares at an average price of \$60.20 (\$63.36). The Company received \$920 (\$890) in proceeds and recorded an expense of \$262 (\$248).

18. Share-Based Compensation (continued)

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% (1,021,189) 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 March 31, 2022, the Company has 278,166 stock options and RSUs outstanding. As a result, the Company could grant up to 743,023 additional stock options or RSU's pursuant to the plan.

The weighted average fair value of options granted during the six-months ended March 31, 2022, was \$10.53 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 six-months ended March 31, 2022:

	Weighted Average Options Granted	
	March 31, 2022	March 31, 2021
Grant date share price	\$ 58.96	\$ 61.11
Exercise price	\$ 58.96	\$ 61.11
Expected price volatility	% 28.45	% 27.4
Expected option life	years 3.18	years 3.33
Expected dividend yield	% 1.98	% 1.84
Risk-free interest rate	% 1.19	% 0.33
Forfeiture rate	% 0	% 0

	March 31, 2022		March 31, 2021	
	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	(20,759)	42.34	(30,900)	31.30
Granted	40,646	58.96	29,175	61.11
Outstanding March 31	224,800	\$ 51.83	228,913	\$ 47.58

18. Share-Based Compensation (continued)

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 November 24, 2017	6,000	November 24, 2017	November 24, 2022	\$ 34.58	\$ 4.53
(2) Issued March 27, 2018	6,000	March 27, 2018	March 27, 2023	\$ 31.54	\$ 4.62
(3) Issued November 19, 2018	38,500	November 19, 2018	November 19, 2023	\$ 29.55	\$ 3.96
(4) Issued November 25, 2019	15,000	November 25, 2019	November 25, 2024	\$ 36.49	\$ 5.18
(5) Issued August 13, 2020	94,615	August 13, 2020	August 13, 2025	\$ 60.30	\$ 8.44
(6) Issued November 24, 2020	22,222	November 24, 2020	November 24, 2025	\$ 61.16	\$ 10.24
(7) Issued February 9, 2021	1,817	February 9, 2021	February 9, 2026	\$ 60.35	\$ 9.92
(8) Issued November 24, 2021	39,110	November 24, 2021	November 24, 2026	\$ 58.90	\$ 10.66
(9) Issued March 9, 2022	1,536	March 9, 2022	March 9, 2027	\$ 60.55	\$ 10.33

For the options issued on November 24, 2021, vesting occurs through to November 24, 2022. For the options issued on March 9, 2022, vesting occurs quarterly through to March 9, 2023.

At March 31, 2022 (2021) the weighted average remaining contractual life of options outstanding is 2.96 (3.52) years of which 156,205 (112,710) options are exercisable at a weighted average price of \$48.43 (\$34.33). The Company has recorded \$133 (\$276) of share-based compensation expense in the three-months ended and \$241 (\$565) in the six-months ended March 31, 2022 (2021) related to the options that have been granted. The Company has total unrecognized compensation expense of \$325 (2021 - \$499) that will be recorded in the next two fiscal years.

Restricted Share Units

The Company has an established 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 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.

18. Share-Based Compensation (continued)

The following table summarizes information about the RSU's as of March 31, 2022:

	March 31, 2022		March 31, 2021	
	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	(20,401)	42.35	(35,164)	31.52
Forfeited	(482)	48.53	(99)	34.18
Granted	33,425	46.85	19,258	59.35
Balance at March 31	53,366	\$ 48.32	40,034	\$ 46.60

Of the units issued in the current year under the RSU plan, nil has vested as of March 31, 2022. The Company has recorded \$391 (\$272) of share-based compensation expense in the three-months and \$651 (\$432) in the six-months ended March 31, 2022 (2021) related to the RSUs that have been granted. The Company has total unrecognized compensation expense of \$1,503 at March 31, 2022 (2021 - \$1,136) 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	7,238	November 25, 2019	November 15, 2022	\$ 36.49
(2) Issued November 24, 2020	RSU	12,109	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	23,771	November 24, 2021	November 15, 2024	\$ 58.90
	PSU	9,522	November 24, 2021	September 30, 2022	\$ 16.62
(7) Issued Feb 9, 2022	RSU	79	February 9, 2022	November 15, 2024	\$ 57.18

Deferred Share Unit Plan

During the six-months ended March 31, 2022 (2021) the Company granted 1,495 (1,529) deferred share units ("DSU"). The Company recorded share-based compensation of \$168 (\$32) related to the DSUs in the three-months ended and \$295 (\$66) in the six-months ended March 31, 2022 (2021). 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 14,825 (21,329) DSUs outstanding at March 31, 2022 (2021). The fair value of the DSUs outstanding at March 31, 2022 (2021) was \$63.73 (\$52.04) 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 and six-months ended March 31, 2022, and 2021:

	Three Months Ended		Six months ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Product revenue				
Advanced Technologies	\$ 24,148	\$ 29,337	\$ 51,768	\$ 53,679
Health	-	1,830	-	4,383
Learning	765	-	765	-
ITCS	5,778	4,799	8,831	6,916
Total product revenue	\$ 30,691	\$ 35,966	\$ 61,364	\$ 64,978
Service revenue				
Advanced Technologies	\$ 15,414	\$ 13,394	\$ 28,961	\$ 26,382
Health	45,452	51,087	87,830	95,587
Learning	24,063	20,901	46,845	38,948
ITCS	26,482	17,122	46,604	28,776
Total service revenue	\$ 111,411	\$ 102,504	\$ 210,240	\$ 189,693
Total revenue	\$ 142,102	\$ 138,470	\$ 271,604	\$ 254,671

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 March 31, 2022 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:

	March 31, 2022
Less than 24 months	\$ 473,121
Thereafter	118,963
Total	\$ 592,084

20. Net Profit Per Share

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

	Three months ended March 31		Six months ended March 31	
	2022	2021	2022	2021
Weighted average number of common shares – basic	11,325,786	10,091,840	11,312,537	9,937,876
Additions to reflect the dilutive effect of employee stock options and RSU's	62,203	75,782	60,527	86,525
Weighted average number of common shares – diluted	11,387,989	10,167,622	11,373,064	10,024,401

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 March 31, 2022 (2021), 159,300 (126,713) options and 79 (NIL) RSU's were excluded from the above computation. For the six-months ended March 31, 2022 (2021), 159,300 (126,713) options and 23,903 (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.

21. Segmented Information (continued)

For the three-months ended March 31, 2022:

For the three months ended March 31, 2022	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	\$ 39,562	\$ 45,452	\$ 24,828	\$ 32,260	\$ -	142,102
Cost of revenues	28,363	34,110	18,016	21,694	-	102,183
Gross profit	11,199	11,342	6,812	10,566	-	39,919
Gross profit %	28 %	25 %	27 %	33 %	N/A %	28 %
Selling and marketing	1,938	601	259	1,639	905	5,342
General and administration	2,640	2,619	1,188	3,495	6,684	16,626
Research and development	1,113	97	-	(26)	-	1,184
Profit before under noted items \$	5,508	8,025	5,365	5,458	(7,589)	16,767
Profit before under noted items %	14 %	18 %	22 %	17 %	N/A %	12 %
Depreciation of equipment, application software and R&D						1,302
Depreciation of right of use asset						878
Amortization and impairment of acquired intangibles						10,128
Deemed compensation						247
Changes in fair value related to contingent earn-out						1,619
Profit before interest income and income tax expense						2,593
Lease interest expense						106
Interest expense (income)						95
Profit before income tax expense						2,392
Income tax expense – current						3,511
Income tax expense (recovery) – deferred						(2,386)
Total income tax expense						1,125
NET PROFIT FOR THE PERIOD						\$ 1,267

21. Segmented Information (continued)

For the three-months ended March 31, 2021:

For the three months ended March 31, 2021	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	\$ 42,731	\$ 52,917	\$ 20,901	\$ 21,921	\$ -	138,470
Cost of revenues	31,622	39,997	16,102	17,235	-	104,956
Gross profit	11,109	12,920	4,799	4,686	-	33,514
Gross profit %	26 %	24 %	23 %	21 %	N/A %	24 %
Selling and marketing	1,897	716	261	788	373	4,035
General and administration	2,732	2,370	999	2,443	5,814	14,358
Research and development	724	143	-	101	-	968
Profit before under noted items \$	5,756	9,691	3,539	1,354	(6,187)	14,153
Profit before under noted items %	13 %	18 %	17 %	6 %	N/A %	10 %
Depreciation of equipment, application software and R&D						1,046
Depreciation of right of use asset						774
Amortization and impairment of acquired intangibles						3,041
Deemed compensation						503
Changes in fair value related to contingent earn-out						1,266
Profit before interest income and income tax expense						7,523
Lease interest expense						114
Interest expense (income)						233
Profit before income tax expense						7,176
Income tax expense – current						2,195
Income tax expense (recovery) – deferred						(534)
Total income tax expense						1,661
NET PROFIT FOR THE PERIOD						\$ 5,515

21. Segmented Information (continued)

For the six-months ended March 31, 2022:

For the six months ended March 31, 2022	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	\$ 80,729	\$ 87,830	\$ 47,610	\$ 55,435	\$ -	\$ 271,604
Cost of revenues	58,796	65,440	35,065	38,730	-	198,031
Gross profit	21,933	22,390	12,545	16,705	-	73,573
Gross profit %	27 %	25 %	26 %	30 %	N/A %	27 %
Selling and marketing	3,974	1,186	593	2,425	1,718	9,896
General and administration	4,855	5,043	2,305	4,990	13,217	30,410
Research and development	2,231	190	-	117	-	2,538
Profit before under noted items	\$ 10,873	\$ 15,971	\$ 9,647	\$ 9,173	\$ (14,935)	\$ 30,729
Profit before under noted items %	13 %	18 %	20 %	17 %	N/A %	11 %
Depreciation of equipment, application software and R&D						2,429
Depreciation of right of use asset						1,701
Amortization and impairment of acquired intangibles						13,720
Deemed compensation						1,000
Changes in fair value related to contingent earn-out						2,615
Profit before interest income and income tax expense						9,264
Lease obligations interest expense						214
Interest expense (income)						146
Profit before income tax expense						8,904
Income tax expense – current						6,485
Income tax expense (recovery) – deferred						(3,154)
Total income tax expense						3,331
NET PROFIT FOR THE PERIOD						\$ 5,573

21. Segmented Information (continued)

For the six-months ended March 31, 2021:

For the six months ended March 31, 2021	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	\$ 80,061	\$ 99,970	\$ 38,948	\$ 35,692	\$ -	\$ 254,671
Cost of revenues	60,522	76,113	29,793	28,507	-	194,935
Gross profit	19,539	23,857	9,155	7,185	-	59,736
Gross profit %	24 %	24 %	24 %	20 %	N/A %	23 %
Selling and marketing	3,467	1,211	510	1,481	730	7,399
General and administration	4,757	4,426	1,998	3,535	11,258	25,974
Research and Development	1,371	330	-	104	-	1,805
Profit before under noted items	\$ 9,944	\$ 17,890	\$ 6,647	\$ 2,065	\$ (11,988)	\$ 24,558
Profit before under noted items %	12 %	18 %	17 %	6 %	N/A %	10 %
Depreciation of equipment, application software and R&D						2,046
Depreciation of right of use asset						1,503
Amortization and impairment of acquired intangibles						5,159
Deemed compensation						2,350
Changes in fair value related to contingent earn-out						1,650
Profit before interest income and income tax expense						11,850
Lease obligations interest expense						231
Interest expense (income)						245
Profit before income tax expense						11,374
Income tax expense – current						4,214
Income tax expense (recovery) – deferred						(839)
Total income tax expense						3,375
NET PROFIT FOR THE PERIOD						\$ 7,999

The Company operates in Canada but provides services to customers in various countries. Revenues from external customers for the six-months ended March 31, 2022, are attributed as follows:

	March 31, 2022	March 31, 2021
Canada	78 %	79 %
United States	9 %	13 %
Europe	12 %	8 %
Other	1 %	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 six-months ended March 31, 2022 (2021) 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 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 exposure 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.

22. Financial Instruments and Risk Management (continued)

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 US subsidiary is the US Dollar ("USD"), 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.

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 US operations, German operations, Norwegian operations, and U.K. operations are first expressed in the Companies' USD, 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 March 31, 2022, the Company had the following forward foreign exchange contracts:

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value March 31, 2022
SELL	\$ 70,236	USD	April 2022	\$ 87,802	\$ 162
SELL	5,719	EURO	April 2022	7,915	28
Derivative assets					\$ 190
BUY	\$ 12,526	USD	April 2022	\$ 15,659	\$ (29)
BUY	840	EURO	April 2022	1,163	(4)
Derivative liabilities					\$ (33)

A 10% strengthening of the Canadian dollar against the following currencies at March 31, 2022, would have decreased other comprehensive income as related to the forward foreign exchange contracts or subsidiaries operating outside of the Company's presentation currency by the amounts shown below.

	March 31, 2022
USD	\$ 5,793
EURO	953
GBP	82
NOK	114
Total	\$ 6,942

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 or subsidiaries operating outside of the Company's presentation currency would have increased Net Profit (a 10% weakening against the USD would have had the opposite effect) by the amounts shown below.

	March 31, 2022
USD	\$ 1,365
EURO	43
GBP	1
SEK	18
NOK	174
Total	\$ 1,601

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 are from long-time customers. At March 31, 2022 (September 30, 2021), 35% (51%) 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 counterparties to derivative financial instruments by dealing only with major Canadian financial institutions. Management does not expect any counterparties 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:

	March 31, 2022	September 30, 2021
Cash and cash equivalents	\$ 59,391	\$ 78,611
Accounts receivable	159,953	111,138
Derivative assets	190	610
Total	\$ 219,534	\$ 190,359

22. Financial Instruments and Risk Management (continued)

The aging of accounts receivable at the reporting date was:

	March 31, 2022	September 30, 2021
Current	\$ 141,073	\$ 97,830
Past due (61-120 days)	9,981	8,886
Past due (> 120 days)	8,899	4,422
Total	\$ 159,953	\$ 111,138

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 March 31, 2022, the company has a secured debt facility that matures on January 5, 2024, that allows the Company to draw up to \$80,000 CAD. As at March 31, 2022, the company had \$59,391 cash on hand and \$25,396 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 approximate 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 March 31, 2022, and represents 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).

22. Financial Instruments and Risk Management (continued)

	March 31, 2022		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 59,391	\$ -	\$ -
Investment	-	-	670
Derivative financial assets	-	190	-
Debt Facility	-	(25,396)	-
Contingent earn-out	-	-	(41,568)
Derivative financial liabilities	-	(33)	-
Total	\$ 59,391	\$ (25,239)	\$ (40,898)

	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 and six-month periods ended March 31, 2022.

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.

23. Acquisitions (continued)

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 \$247 (\$503) in the three-month period and \$1,000 (\$2,350) in the six-month period ended March 31, 2022 (2021). The second year concluded in the three-month period ended March 31, 2022, with full achievement of earn out target resulting in partial payment of \$160, and the remainder to be settled in the third quarter of the Company's fiscal year.

The Company recognized \$118 in the three-month period, and \$236 in the six-month period ended March 31, 2022, 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 March 31, 2022, 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.

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 six-months ended March 31, 2022, the company paid \$417 relating to the year one contingent earn out. The Company recognized \$16 in the three-month period, and \$32 in the six-month period ended March 31, 2022, related to changes in fair value of contingent earn out.

23. Acquisitions (continued)

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 first year concluded with full payment of \$3,950 in the three-month period ended March 31, 2022, plus overachievement payment in the amount of \$190. The Company recognized \$101 in the three-month period, and \$292 in the six-month period ended March 31, 2022, 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. In the six-months ended March 31, 2022, the company paid \$776 relating to the year one contingent earn out which represented full achievement of targets. The Company recognized \$32 in the three-month period, and \$63 in the six-month period ended March 31, 2022, 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 estimated by management and 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 first year earn-out amount was not achieved based on the EBITDA achievement of InterTronic.

23. Acquisitions (continued)

Subsequent to January 4, 2021, the Company recorded a \$543 gain related to changing the estimated achievement of earn out related which was recognized in changes of fair value related to contingent consideration decreasing the initial estimated amount payable.

InterTronic did not achieve the prescribed level of new contract signings for the periods covered in the purchase agreement. This has resulted in a change of estimate regarding the amount of contingent consideration to be paid. The Company has reduced the contingent consideration owed to NIL and recorded a gain in change of estimate of \$3,228. As a result of this adjustment in estimated total purchase price the Company reviewed the estimated cash flows to be derived from the assets acquired. As a result, the company has taken an impairment charge of \$6,477 for existing intangible assets and reduced associated deferred tax liability by \$1,716, resulting in a net impact in the period due to this impairment of \$4,761.

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 March 31, 2022, the Company included the full year one earn-out amount in the Contingent earn out payable on the balance sheet. Results to date for the second year under earn out have been stronger for Dapasoft than the Company previously anticipated, which has resulted in a change of estimate for payment of contingent earnout in relation to the second year earn out in the amount of \$3,287. Additionally, the Company had agreed to a payment structure in the initial agreement where if Dapasoft was able to maintain low levels of working capital for the first year after acquisition, that the selling group would be entitled to additional achievement payments. The current estimate for payment is \$861 which was recognized in the three and six-month period ended March 31, 2022, in changes in fair value related to contingent earn out. Further, as the first year earn out is payable in shares of the Company, at the end of the earn out period, the Company assessed the fair market value of the amount due in shares of the Company, this has resulted in a decrease of contingent consideration payable in the amount of \$139.

The Company recognized \$377 in the three-month period and \$754 in the six-month period ended March 31, 2022, related to changes in fair value of contingent earn out.

23. Acquisitions (continued)

SimFront Simulation Systems Corporation (“SimFront”)

On October 7, 2021, the Company acquired the outstanding shares of SimFront, for total cash consideration of up to \$15,181 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-month period, and \$267 in the six-month period ended March 31, 2022, related to changes in fair value of contingent earn out.

As at March 31, 2022, the accounting for the acquisition of SimFront is not finalized and reflects the current best estimate of purchase price allocation. Goodwill has changed by \$30 in the three-month period ended March 31, 2022, due to the finalization of net working capital that was acquired by the Company. 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 management’s best estimate pending finalization of closing procedures with the selling party.

	Assets Acquired	Purchase Price Accounting	Total Assets Acquired
Cash and cash equivalents	\$ 102	\$ -	\$ 102
Accounts receivable	2,424	-	2,424
Prepaid expenses	14	-	14
	\$ 2,540	\$ -	\$ 2,540
Equipment	\$ 123	\$ -	\$ 123
Acquired Intangibles	-	5,535	5,535
Goodwill	-	8,601	8,601
	\$ 2,663	\$ 14,136	\$ 16,799
Accounts payable and accrued liabilities	\$ 964	\$ -	\$ 964
Deferred tax liabilities	-	1,467	1,467
	\$ 964	\$ 1,467	\$ 2,431
Net purchase price			\$ 14,368
Discount on contingent consideration			813
Total purchase price			\$ 15,181

23. Acquisitions (continued)

Computex Technology Solutions (“Computex”)

On March 14, 2022, the Company completed an asset acquisition of Computex, for total cash consideration of \$33,670 USD (\$43,020) which was paid on closing. Computex expands the Company’s current IT and cybersecurity portfolio and adds the US as a significant geographic region for the Company. Computex will enable the Company to continue to pursue its expansion in the everything-as-a-service market. Computex will be reported as part of the ITCS segment.

As at March 31, 2022, the accounting for the acquisition of Computex 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 management’s 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.

	Assets Acquired	Purchase Price Accounting	Total Assets Acquired
Accounts receivable and tax receivable	\$ 29,147	-	\$ 29,147
Inventory	7,686	-	7,686
Prepaid expenses	1,031	-	1,031
	\$ 37,864	\$ -	\$ 37,864
Equipment	\$ 5,086	\$ -	\$ 5,086
Right of use assets	2,705	-	-
Acquired Intangibles	-	11,207	11,207
Goodwill	-	43,617	43,617
	\$ 45,655	\$ 54,824	\$ 100,479
Accounts payable and accrued liabilities	\$ 40,585	\$ -	\$ 40,585
Lease liability	2,739	-	-
Unearned contract revenue	11,557	-	11,557
Deferred tax liability	-	2,578	2,578
	\$ 54,881	\$ 2,578	\$ 57,459
Total purchase price			\$ 43,020

Cash consideration paid for acquisition activity during the six-months ended March 31, 2022:

	SimFront	Computex	Total
Consideration paid in cash	\$ 9,180	43,649	52,829
Less- cash balance acquired	(102)	-	(102)
	\$ 9,078	43,649	52,727

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 six-months ended March 31, 2022:

Company Acquired	Beginning		Change in			Ending balance
	balance	Acquisition Payments	Fair Value	Adjustments		
Alio/Allphase	\$ 6,941	\$ -	\$ (160)	\$ 236	\$ 1,000	\$ 8,017
Comprehensive Training Solutions	749	-	(417)	32	-	364
Tallysman Wireless	8,104	-	(4,142)	292	190	4,444
Cadence	1,417	-	(776)	63	-	704
InterTronic	3,228	-	-	215	(3,443)	-
Dapasoft	17,823	-	-	754	4,009	22,586
SimFront	-	5,186	-	267	-	5,453
Total	\$ 38,262	\$ 5,186	\$ (5,495)	\$ 1,859	\$ 1,756	\$ 41,568

As at March 31, 2022, the total gross value of all contingent consideration outstanding is \$56,093.

The following shows the contingent consideration activity for the six-months ended March 31, 2021:

Company Acquired	Beginning		Change in			Ending balance
	balance	Acquisition Payments	Fair Value	Adjustments		
Alio/Allphase	\$ 5,814	\$ -	\$ -	\$ 161	\$ 2,948	\$ 8,923
Comprehensive Training Solutions	645	-	-	52	-	697
EMSEC Solutions	1,360	-	-	126	-	1,486
Tallysman Wireless	7,345	-	-	380	-	7,725
Cadence	-	1,181	-	109	-	1,290
InterTronic	-	3,984	-	107	-	4,091
Dapasoft	-	9,992	-	117	-	10,109
Total	\$ 15,164	\$ 15,157	\$ -	\$ 1,052	\$ 2,948	\$ 34,321

25. Related Party Transactions

During the three-months ended March 31, 2022 (2021), the Company had sales of \$84 (\$88) to GrainX in which Calian holds a non-controlling equity investment. For the six-months ended March 31, 2022 (2021), the Company had sales of \$141 (\$272) to GrainX. At March 31, 2022 (2021), the Company had an accounts receivable balance with GrainX of \$72 (\$125) 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.