



Unaudited Interim Condensed Consolidated Financial Statements

For the three month period ended December 31, 2020

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2020 and September 30, 2020
(Canadian dollars in thousands, except per share data)

	NOTES	December 31, 2020	September 30, 2020
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	\$ 30,280	\$ 24,235
Accounts receivable	5	87,953	81,109
Work in process	8	71,541	84,132
Inventory	6	6,820	6,095
Prepaid expenses	7	5,942	6,707
Derivative assets	22	129	358
Total current assets		202,665	202,636
NON-CURRENT ASSETS			
Capitalized research and development	9	3,765	3,924
Equipment	9	11,578	11,655
Application software	9	3,580	3,092
Right of use asset	10	16,866	17,595
Investment and loan receivable	11	670	670
Acquired intangible assets	12	35,192	36,191
Goodwill	13	57,211	55,290
Total non-current assets		128,862	128,417
TOTAL ASSETS		\$ 331,527	\$ 331,053
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Line of Credit	16	\$ -	\$ -
Accounts payable and accrued liabilities	14	59,409	72,007
Contingent earn-out	24	5,101	3,251
Provisions	15	907	1,038
Unearned contract revenue	8	18,609	13,435
Derivative liabilities	22	163	152
Lease obligations	10	2,798	2,790.00
Total current liabilities		86,987	92,673
NON-CURRENT LIABILITIES			
Lease obligations	10	16,083	16,800
Contingent earn-out	24	13,475	11,913
Deferred tax liabilities		10,320	9,261
Total non-current liabilities		39,878	37,974
TOTAL LIABILITIES		126,865	130,647
SHAREHOLDERS' EQUITY			
Issued capital	17	110,001	107,931
Contributed surplus		1,283	2,002
Retained earnings		91,770	92,030
Accumulated other comprehensive income (loss)		1,608	(1,557)
TOTAL SHAREHOLDERS' EQUITY		204,662	200,406
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 331,527	\$ 331,053
Number of common shares issued and outstanding	17	<u>9,816,520</u>	<u>9,760,032</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 quarters ended December 31, 2020 and 2019
(Canadian dollars in thousands, except per share data)

	NOTES	Three months ended December 31,	
		2020	2019
Revenue			
Advanced Technologies		\$ 37,330	\$ 40,043
Health		47,052	30,010
Learning		18,047	15,108
Information Technology		13,772	14,083
Total Revenue	19	116,201	99,244
Cost of revenues		89,979	78,989
Gross profit		26,222	20,255
Selling and marketing		3,364	2,777
General and administration		11,616	8,658
Research and development		837	414
Profit before under noted items		10,405	8,406
Depreciation of equipment, application software and research and development	9	1,000	572
Depreciation of right of use asset	10	729	671
Amortization of acquired intangible assets	12	2,118	889
Other changes in fair value		-	(101)
Deemed compensation	23, 24	1,847	-
Changes in fair value related to contingent earn-out	24	384	207
Profit before interest income and income tax expense		4,327	6,168
Lease obligations interest expense	10	117	110
Interest expense (income)		12	63
Profit before income tax expense		4,198	5,995
Income tax expense – current		2,019	1,979
Income tax expense (recovery) – deferred		(305)	(317)
Total income tax expense		1,714	1,662
NET PROFIT		\$ 2,484	\$ 4,333
Net profit per share:			
Basic	20	\$ 0.25	\$ 0.55
Diluted	20	\$ 0.25	\$ 0.54

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 quarters ended December 31, 2020 and 2019
(Canadian dollars in thousands)

	Three months ended December 31,	
	2020	2019
NET PROFIT	\$ 2,484	\$ 4,333
Other comprehensive income, net of tax		
Items that will be reclassified subsequently to net profit		
Cumulative translation adjustment	64	28
Change in deferred gain on derivatives designated as cash flow hedges, net of tax of \$1,142 (2019 - \$327)	3,101	878
Other comprehensive income (loss), net of tax	3,165	906
COMPREHENSIVE INCOME	\$ 5,649	\$ 5,239

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 quarters ended December 31, 2020 and 2019
(Canadian dollars in thousands, except per share data)

	Notes	Issued capital	Contributed surplus	Retained earnings	Other Comprehensive Income	Total
Balance October 1, 2020		\$ 107,931	\$ 2,002	\$ 92,030	\$ (1,557)	\$ 200,406
Net profit and comprehensive income		-	-	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

	Notes	Issued capital	Contributed surplus	Retained earnings	Other Comprehensive Income	Total
Balance October 1, 2019		\$ 32,515	\$ 1,817	\$ 81,608	\$ (866)	\$ 115,074
Comprehensive income		-	-	4,333	906	5,239
Dividend paid (\$0.28 per share)		-	-	(2,232)	-	(2,232)
Share repurchase		-	-	-	-	-
Shares issued under employee share plans	17	1,212	(495)	-	-	717
Share-based compensation expense	18	-	273	-	-	273
Balance December 31, 2019		\$ 33,727	\$ 1,595	\$ 83,709	\$ 40	\$ 119,071

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 quarters ended December 31, 2020 and 2019
(Canadian dollars in thousands)

	NOTES	Three months ended December 31,	
		2020	2019
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES			
Net profit		\$ 2,484	\$ 4,333
Items not affecting cash:			
Interest expense (income)		12	63
Changes in fair value related to contingent earn-out	24	384	207
Lease obligations interest expense	10	117	110
Income tax expense		1,714	1,662
Employee share purchase plan expense	18	146	-
Share based compensation expense	18	449	273
Depreciation and amortization	9, 12	3,847	2,132
Deemed compensation	23, 24	1,847	-
Other changes in fair value		-	(101)
		11,000	8,679
Change in non-cash working capital			
Accounts receivable		(7,008)	(5,678)
Work in process		12,636	(12,854)
Prepaid expenses		766	288
Inventory		(725)	(544)
Accounts payable and accrued liabilities		(6,483)	(974)
Unearned contract revenue		5,174	(24)
		15,360	(11,107)
Interest received (paid)		(129)	(191)
Income tax recovered (paid)		(3,702)	(1,281)
		11,529	(12,579)
CASH FLOWS GENERATED FROM FINANCING ACTIVITIES			
Issuance of common shares net of costs	17, 18	848	717
Dividends		(2,744)	(2,232)
Draw (repayment) on line of credit	16	-	13,180
Share repurchase		-	-
Payment of lease obligations	10	(709)	(614)
		(2,605)	11,051
CASH FLOWS USED IN INVESTING ACTIVITIES			
Investments and loan receivable	11	-	(100)
Business acquisitions	23	(1,628)	-
Capitalized research and development	9	(119)	(658)
Equipment and application software	9	(1,132)	(454)
		(2,879)	(1,212)
NET CASH (OUTFLOW) INFLOW		\$ 6,045	\$ (2,740)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		24,235	17,135
CASH AND CASH EQUIVALENTS, END OF PERIOD		\$ 30,280	\$ 14,395

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 quarters ended December 31, 2020 and 2019
(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 Information Technology ("IT"). Headquartered in Ottawa, Calian provides business services and solutions to both industry and government customers in the areas of health, defence, security, aerospace, engineering, AgTech and IT.

Statement of compliance

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

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors on February 9, 2021.

2. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

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

3. Seasonality

The results of operations for the interim periods are not necessarily indicative of the results of operations for the full year. The Company's revenues and earnings have historically been subject to some quarterly seasonality due to the timing of vacation periods, statutory holidays, industry specific seasonal cycles and the timing and delivery of milestones for significant projects. IntraGrain for instance generates a significant portion of its revenues during the third and fourth quarter of the Company's fiscal year.

4. Cash and Cash Equivalents

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

	December 31, 2020		September 30, 2020	
Cash	\$	29,459	\$	23,344
Restricted cash		821		891
Total cash and cash equivalents	\$	30,280	\$	24,235

The following table presents cash and cash equivalents by currency:

	Local Currency	Foreign Exchange	Presentation Currency
CAD	\$ 14,068	1.00	\$ 14,068
USD	7,471	1.27	9,512
GBP	182	1.74	317
EUR	2,580	1.56	4,027
CHF	421	1.44	608
NOK	11,724	0.15	1,748
Total cash and cash equivalents December 31, 2020			\$ 30,280
CAD	\$ 11,771	1.00	\$ 11,771
USD	4,534	1.33	6,048
GBP	78	1.72	135
EUR	2,906	1.56	4,542
CHF	421	1.45	609
NOK	7,958	0.14	1,130
Total cash and cash equivalents September 30, 2020			\$ 24,235

5. Accounts Receivable

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

	December 31, 2020		September 30, 2020	
Trade and accounts receivable	\$	82,888	\$	78,788
Tax and Scientific Research and Development receivable		2,925		1,563
Other		2,185		803
		87,998		81,154
Loss Allowance		(45)		(45)
	\$	87,953	\$	81,109

Bad debt recovery recognized in the three-months ended December 31, 2020 (2019) is \$27 (\$29).

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, 2020	September 30, 2020
Raw materials	\$ 3,942	\$ 3,677
Work in process inventory	910	957
Finished goods	1,968	1,461
	\$ 6,820	\$ 6,095

Inventory recognized as cost of revenues in the three-months ended December 31, 2020 (2019) is \$1,294 (\$1,100). No inventory provisions have been recognized in the three month period ending December 31, 2020 (2019).

7. Prepaid Expenses

The following table presents prepaid expenses as at:

	December 31, 2020	September 30, 2020
Prepaid maintenance	\$ 2,227	\$ 3,080
Other prepaid expenses	3,715	3,627
	\$ 5,942	\$ 6,707

8. Contract Assets and Liabilities

The following table presents net contract assets as at:

	Net Contract Assets	
	December 31, 2020	December 31, 2019
Work in process	\$ 71,541	\$ 52,075
Unearned contract revenue	(18,609)	(8,754)
Net contract assets	\$ 52,932	\$ 43,321

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

	Changes in Net Contract Assets	
	December 31, 2020	December 31, 2019
Opening balance, October 1	\$ 70,697	\$ 30,443
Net additions	27,772	34,616
Billings	(45,582)	(21,738)
Acquisitions	45	-
Ending balance	\$ 52,932	\$ 43,321

9. Equipment

A continuity of the property and equipment for the Three-months ended December 31, 2020 is as follows:

	Cost			Total	Depreciation		Carrying Value	
	Cost	Additions/ Disposals	Acquisitions		Depreciation	Accumulated Depreciation	December 31, 2020	September 30, 2020
Leasehold improvements	\$ 2,537	\$ (45)	-	\$ 2,492	\$ (59)	\$ (707)	\$ 1,785	\$ 1,870
Equipment	24,829	564	17	25,410	(549)	(15,617)	9,793	9,785
Total equipment	\$ 27,366	\$ 519	17	\$ 27,902	\$ (608)	\$ (16,324)	\$ 11,578	\$ 11,655
Application software	\$ 7,084	\$ 601	-	\$ 7,685	(114)	(4,105)	3,580	3,092
Capitalized research and development	\$ 4,444	\$ 119	-	\$ 4,563	(278)	(798)	3,765	3,924

10. Right-of-Use Assets and Lease Obligations

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

	Total Right-of-Use Assets Three months ended	
	December 31, 2020	December 31, 2019
Balance October 1	\$ 17,595	\$ 18,416
Additions	-	388
Disposals	-	-
Depreciation	(729)	(671)
Balance December 31	\$ 16,866	\$ 18,133

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:

	Total Lease Obligations Three months ended	
	December 31, 2020	December 31, 2019
Balance at October 1, 2020	\$ 19,590	\$ 20,259
Additions	-	374
Disposals	-	-
Principal Payments	(709)	(614)
Balance at December 31, 2020	\$ 18,881	\$ 20,019
Current	\$ 2,798	\$ 2,549
Non-current	16,083	17,470
Total	\$ 18,881	\$ 20,019

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

The following table presents the contractual undiscounted cash flows for lease obligations as at December 31, 2020:

	Total Undiscounted Lease Obligations
Less than one year	\$ 3,168
One to five years	11,165
More than five years	6,336
Total undiscounted lease obligations	\$ 20,669

Total cash outflow for leases in the three-months ended December 31, 2020 (2019) was \$826 (\$724), including principal payments relating to lease obligations of \$709 (\$614), interest expense on lease obligations was \$117 (\$110). Expenses relating to short-term leases were \$13 (\$30) recognized in general and administration expenses.

11. Investment and Loan Receivable

Cliniconex

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

12. Acquired Intangible Assets

A continuity of the intangible assets for the three-months ended December 31, 2020 is as follows:

	December 31, 2020			
	Opening Balance	Additions (Note 23)	Amortization	Closing Balance
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

A continuity of the intangible assets for the three-months ended December 31, 2019 is as follows:

	December 31, 2019			
	Opening Balance	Additions	Amortization	Closing Balance
Customer relationship - Primacy	\$ 1,909	\$ -	\$ -	\$ 1,909
Customer relationships	8,055	-	(483)	7,572
Discrete contracts with customers & Non-competition agreements	1,083	-	(31)	1,052
Technology and trademarks	5,652	-	(375)	5,277
	\$ 16,699	\$ -	\$ (889)	\$ 15,810

13. Goodwill

The following table presents the goodwill for the Company for the period ended December 31, 2020:

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

There was no change in the goodwill for the three-months ended December 31, 2019.

14. Accounts Payable and Accrued Liabilities

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

	December 31, 2020		September 30, 2020	
Trade accounts payable	\$	37,042	\$	47,827
Payroll accruals		10,108		14,785
Income tax payable		3,200		4,906
Other accruals		9,059		4,489
	\$	59,409	\$	72,007

15. Provisions

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

Changes in provisions for the three-months ended December 31, 2019 were as follows:

	Product Warranties		Severance	Other	Total
Balance at October 1, 2019	\$	801	\$ 301	\$ 27	\$ 1,129
Additions		89	162	23	274
Utilization/Reversals		(113)	(89)	-	(202)
Balance at December 31, 2019	\$	777	\$ 374	\$ 50	\$ 1,201

16. Line of Credit

The Company has a Revolving Credit Facility in the amount of \$60,000 CAD available. The facility is committed for a 364 day term with maturity at June 4, 2021, at which point it can be renewed for another 364 day term. At December 31, 2020 (2019), the Company utilized NIL (\$26,195) 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, 2020.

Common share issued and outstanding:

	December 31, 2020		December 31, 2019	
	Shares	Amount	Shares	Amount
Balance October 1	9,760,032	\$ 107,931	7,929,238	\$ 32,515
Shares issued under employee share plans	49,164	1,612	41,526	1,212
Shares issued under employee stock purchase plan	7,324	458	-	-
Issued capital	9,816,520	\$ 110,001	7,970,764	\$ 33,727

Subsequent to the date of the statement of financial position, on February 9, 2021, the date of issuance of these consolidated financial statements, the Company declared a dividend of \$0.28 per common share payable on March 9, 2021.

Contributed surplus

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

18. Share-Based Compensation

Employee Share Purchase Plan

On February 6, 2020, the Company adopted a new Employee Share Purchase Plan (the "2020 Employee Share Purchase Plan"). This new plan replaces the previous Employee Share Plan. Under the 2020 Employee Share Purchase Plan, shares are issued monthly using the volume weighted average price for the last 5 days of the month for the contributions made by employees in that month. The Company provides matching shares at 25% for all employee contributions each month. Pursuant to the plan, 500,000 Common Shares are reserved for issuance, as of December 31, 2020 the Company can issue 474,512 shares.

During the three-months ended December 31, 2020 under the 2020 Employee Share Purchase Plan, the Company issued 7,324 shares at an average price of \$62.56. The Company received \$367 in proceeds and recorded an expense of \$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% (883,487) of the

18. Share-Based Compensation (continued)

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 December 31, 2020, the Company has 283,883 stock options and RSUs outstanding. As a result, the Company could grant up to 599,604 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, 2020 was \$10.24 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 three-months ended December 31, 2020:

	Weighted Average Options Granted			
	Q1 2021		Q1 2020	
Grant date share price	\$	61.16	\$	36.49
Exercise price	\$	61.16	\$	36.49
Expected price volatility	%	27.4	%	22.8
Expected option life	yrs	3.33	yrs	4.00
Expected dividend yield	%	1.84	%	2.85
Risk-free interest rate	%	0.33	%	1.50
Forfeiture rate	%	0	%	0

	December 31, 2020		December 31, 2019	
	Number of Options	Weighted Avg. Exercise Price	Number of Options	Weighted Avg. Exercise Price
Outstanding October 1	230,638	\$ 43.69	239,400	\$ 30.57
Exercised	(14,000)	31.71	(27,700)	25.81
Granted	27,358	61.16	35,000	36.49
Outstanding December 31	243,996	\$ 46.33	246,700	\$ 31.95

The following share-based payment arrangements are in existence:

Option series:	Number of Options	Grant date	Expiry date	Exercise price	Fair value at grant date
(1) Issued May 17, 2017	10,000	May 17, 2017	May 17, 2022	\$ 27.30	\$ 3.42
(2) Issued November 24, 2017	9,000	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	62,600	November 19, 2018	November 19, 2023	\$ 29.55	\$ 3.96
(5) Issued February 8, 2019	3,000	February 8, 2019	February 8, 2024	\$ 29.06	\$ 3.95
(6) Issued November 25, 2019	28,500	November 25, 2019	November 25, 2024	\$ 36.49	\$ 5.18
(7) Issued August 13, 2020	97,538	August 13, 2020	August 13, 2025	\$ 60.30	\$ 8.44
(8) Issued November 24, 2020	27,358	November 24, 2020	November 24, 2025	\$ 61.16	\$ 10.24

For the options issued on November 24, 2020, vesting occurs quarterly through to November 24, 2022. At December 31, 2020 (2019) the weighted average remaining contractual life of options outstanding is 3.70 (3.62) years of which 121,175 (183,700) options are exercisable at a weighted average price of \$32.79 (\$31.70). The Company has recorded \$289 of share-based compensation expense in the three-months ended December 31, 2020 (2019 - \$95) related to the options that have been granted. The Company has total unrecognized compensation expense of \$757 (2019 - \$172) that will be recorded in the next two fiscal years.

18. Share-Based Compensation (continued)

Restricted share units:

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

The following table summarizes information about the RSU's as of December 31, 2020:

	December 31, 2020		December 31, 2019	
	Number of RSUs	Weighted Avg. Grant Date Fair Value	Number of RSUs	Weighted Avg. Grant Date Fair Value
Balance at October 1, 2019	56,039	\$ 33	47,736	\$ 30.11
Exercised	(35,164)	32	(13,826)	30.26
Forfeited	-	-	(16)	28.43
Granted	19,012	59	23,015	36.49
Balance at December 31, 2020	39,887	\$ 46	56,909	\$ 32.66

Of the units issued in the current year under the RSU plan, nil have vested as of December 31, 2020. The Company has recorded \$160 of share-based compensation expense in the three-months ended December 31, 2020 (2019 - \$179) related to the RSUs that have been granted. The Company has total unrecognized compensation expense of \$1,387 at December 31, 2020 (2019 - \$898) that will be recorded over the next two years.

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

RSU series:	Number of RSUs	Grant date	Vest through	Fair value at grant date
(1) Issued November 6, 2018	5,479	November 6, 2018	November 15, 2021	\$ 29.55
(2) Issued February 7, 2019	225	February 7, 2019	November 15, 2021	\$ 29.06
(3) Issued November 25, 2019	15,171	November 25, 2019	November 15, 2022	\$ 36.49
(4) Issued November 24, 2020	19,012	November 24, 2020	November 15, 2023	\$ 59.35

Deferred share unit plan

During the three-months ended December 31, 2020 (2019) the Company granted 947 (1,034) deferred share units ("DSU"). The Company recorded share-based compensation of \$121 (2019 - \$170) related to the DSUs in the three-months ended December 31, 2020 (2019). 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 25,599 (21,949) DSUs outstanding at December 31, 2020 (2019). The fair value of the DSUs outstanding at December 31, 2020 (2019) was \$60.80 (\$33.31) 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, 2020 and 2019:

	Three months ended	
	December 31, 2020	December 31, 2019
Product revenue		
Advanced Technologies	\$ 24,342	\$ 29,045
Health	2,553	-
Learning	-	-
Information Technology	2,118	2,166
Total product revenue	\$ 29,013	\$ 31,211
Service revenue		
Advanced Technologies	\$ 12,988	\$ 10,998
Health	44,499	30,010
Learning	18,047	15,108
Information Technology	11,654	11,917
Total service revenue	\$ 87,188	\$ 68,033
Total revenue	\$ 116,201	\$ 99,244

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, 2020 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, 2020
Less than 24 months	461,596
Thereafter	267,146
Total	728,742

20. Net Profit per Share

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

	Three months ended	
	December 31, 2020	December 31, 2019
Weighted average number of common shares – basic	9,783,913	7,943,768
Additions to reflect the dilutive effect of employee stock options and RSU's	95,697	60,920
Weighted average number of common shares – diluted	9,879,610	8,004,688

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, 2020 (2019), 124,896 (35,000) options and 19,012 (23,015) 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 Information Technology ("IT"). 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 quarter ended December 31, 2020:

For the three months ended December 31, 2020	Advanced Technologies	Health	Learning	IT	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 and 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

21. Segmented Information (continued)

For the quarter ended December 31, 2019:

For the three months ended December 31, 2019	Advanced Technologies	Health	Learning	IT	Shared Services	Total
Revenue	\$ 40,043	\$ 30,010	\$ 15,108	\$ 14,083	\$ -	\$ 99,244
Cost of revenues	32,022	23,492	11,984	11,491	-	78,989
Gross profit	8,021	6,518	3,124	2,592	-	20,255
Gross profit %	20 %	22 %	21 %	18 %	N/A %	20 %
Selling and marketing	1,280	205	253	579	460	2,777
General and administration	1,521	1,132	797	615	4,593	8,658
Research and Development	414	-	-	-	-	414
Profit before under noted items	\$ 4,806	\$ 5,181	\$ 2,074	\$ 1,398	\$ (5,053)	\$ 8,406
Profit before under noted items %	12 %	17 %	14 %	10 %	N/A %	8 %
Depreciation of equipment and application software and R&D						572
Depreciation of right of use asset						671
Amortization of acquired intangibles						889
Other changes in fair value						(101.00)
Changes in fair value related to contingent earn-out						207
Profit before interest income and income tax expense						6,168
Lease obligations interest expense						110
Interest expense (income)						63
Profit before income tax expense						5,995
Income tax expense – current						1,979
Income tax expense (recovery) – deferred						(317)
Total income tax expense						1,662
NET PROFIT FOR THE PERIOD						\$ 4,333

The Company operates in Canada but provides services to customers in various countries. Revenues from external customers are attributed as follows:

	December 31, 2020	December 31, 2019
Canada	75 %	70 %
United States	14 %	26 %
Europe	11 %	4 %

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, 2020 (2019) represented 53% (58%) of the Company's total revenues. All four operating segments conduct business with this category of customer.

22. Financial Instruments and Risk Management

Capital Risk Management

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

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

Foreign currency risk related to contracts

The Company is exposed to foreign currency exchange fluctuations on its cash balance, accounts receivable, accounts payable and accrued liabilities, contingent earn-out and future cash flows related to contracts denominated in a foreign currency. Future cash flows will be realized over the life of the contracts. The Company utilizes derivative financial instruments, principally in the form of forward exchange contracts, in the management of the majority of its foreign currency exposures. The Company's objective is to manage and control exposures and secure the Company's profitability on existing contracts and therefore, the Company's policy is to hedge the majority of its foreign currency exposure. The Company 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, 2020, the Company had the following forward foreign exchange contracts:

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value December 31, 2020
BUY	\$ 33,498	USD	January 2021	\$ 42,633	\$ 44
SELL	5,996	EURO	January 2021	9,328	82
SELL	421	CHF	January 2021	606	3
Derivative assets					\$ 129
SELL	\$ 115,037	USD	January 2021	\$ 146,408	\$ (150)
BUY	636	EURO	January 2021	989	(8)
BUY	644	CHF	January 2021	927	(5)
Derivative liabilities					\$ (163)

A 10% strengthening of the Canadian dollar against the following currencies at December 31, 2020 would have decreased other comprehensive income as related to the forward foreign exchange contracts by the amounts shown below.

	December 31, 2020
USD	\$ 9,434
EURO	5,455
CHF	(29)
GBP	588
NOK	741
Total	\$ 16,189

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, 2020	
USD	\$	175
EURO		15
Total	\$	190

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, 2020 (2019), 49% (62%) 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, 2020		September 30, 2019	
Cash and cash equivalents	\$	30,280	\$	24,235
Accounts receivable		87,953		81,109
Derivative assets		129		358
Total	\$	118,362	\$	105,702

The aging of accounts receivable at the reporting date was:

	December 31, 2020		September 30, 2020	
Current	\$	81,207	\$	76,470
Past due (61-120 days)		4,023		3,305
Past due (> 120 days)		2,723		1,334
Total	\$	87,953	\$	81,109

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as much as possible, that it will always have sufficient liquidity to meet liabilities when due. At December 31, 2020, the company has a secured credit facility, subject to annual renewal, that allows the Company to borrow funds up to an aggregate of

22. Financial Instruments and Risk Management (continued)

\$60,000. At as December 31, 2020, NIL was drawn on the facility for current operations, 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, 2020 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, 2020		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 30,280	\$ -	\$ -
Investment and loan receivable	-	-	670
Derivative financial assets	-	129	-
Contingent earn-out	-	-	(18,576)
Derivative financial liabilities	-	(163)	-
Total	\$ 30,280	\$ (34)	\$ (17,906)

	September 30, 2019		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 24,235	\$ -	\$ -
Investment and loan receivable	-	-	670
Derivative financial assets	-	358	-
Contingent earn-out	-	-	(15,164)
Derivative financial liabilities	-	(152)	-
Total	\$ 24,235	\$ 206	\$ (14,494)

There were no transfers between Level 1, Level 2 and level 3 during the three-month period ended December 31, 2020.

23. Acquisitions

(D.T.) Secure Technologies International Inc.

On May 31, 2018, the Company acquired all of the outstanding shares of Secure Tech for a purchase price of up to \$4,188. Of this amount, \$2,588 was paid on the date of closing and \$1,600 is payable contingently. Secure Tech is a dedicated partner in IT and Information Security. Secure Tech was acquired to expand the Company's information technology cyber offering and is reported as part of the IT operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Secure Tech an additional \$800 and \$800 if Secure Tech attains specified levels of EBITDA for the years ending May 31, 2019 and 2020, respectively. Secure Tech did not achieve the level of EBITDA required for the year 1 earn-out. This resulted in a reduction of the first year earn out liability in the amount of \$800 which was recognized in fiscal year 2019. In fiscal 2020, the second year target was met, and overachieved, resulting in a payment of \$1,024 in Q4, 2020. No remaining contingent consideration is outstanding at December 31, 2020.

IntraGrain Technologies Inc. ("IntraGrain")

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

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

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

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

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

23. Acquisitions (continued)

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 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 \$6,000 and \$6,000 if Alio/Allphase attains specified levels of EBITDA for the years ending January 30, 2021 and 2022, respectively. This contingent consideration was recognized at its present and risk adjusted value of \$2,355 at the date of acquisition. On the transaction close date, it was estimated that Alio/Allphase was not going to achieve the first year target and the contingent earn-out at the date of acquisition that was accounted for only included the second year amount. At September 30, 2020, management assessed the likelihood of Alio/Allphase achieving the earn-out target for year 1, and it was determined that an amount of \$3,150 was likely to be achieved. This was recognized in Q4 of the 2020 fiscal year as a change in fair value related to contingent earn out in the statement of profit.

A portion of each earn out payable amount 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, in an amount based on the Company's best estimate of the contingent earn out to be paid. In the three-months ended December 31, 2020, the projected EBITDA for the first earn out period ended January 31, 2021 is anticipated at a greater amount than was estimated at September 30, 2020. This has resulted in Deemed compensation expense of \$1,847 in the three-month period ended December 31, 2020.

In the three-month period ended December 31, 2020, \$63 in changes in fair value related to the second year contingent earn out has been recognized.

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 IT 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. With the current projections, management believes that EMSEC can achieve its earn-out target in both years. In the three-month period ended December 31, 2020, \$64 in changes in fair value related to the contingent earn-outs has been recognized.

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

23. Acquisitions (continued)

training exercises for the Joint Warfare Centre, a multi-national and multi-service organization of NATO, and the wider NATO audience across Europe. CTS is reported as part of the Learning operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of CTS an additional \$417 and \$431 if CTS attains specific levels of EBITDA for the years ending December 31, 2021 and December 31, 2022, respectively. With the current projections, management believes that CTS can achieve its earn-out target in both years. In the three-month period ended December 31, 2020, \$27 in changes in fair value related to the contingent earn-outs has been recognized.

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 December 31, 2021 and December 31, 2022, respectively. With the current projections, management believes that Tallysman can achieve its earn-out target in both years. In the three-month period ended December 31, 2020 \$190 in changes in fair value related to the contingent earn-outs has been recognized.

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. The amount of \$1,181 represents the estimated present and risk adjusted value of the Company’s obligation at the acquisition date. In the three-month period ended December 31, 2020, \$40 in changes in fair value related to the contingent earn-outs has been recognized.

23. Acquisitions (continued)

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

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

Cash consideration paid for acquisition activity during the Three-months ended December 31, 2020:

	Cadence
Consideration paid in cash	\$ 1,966
Less- cash balance acquired	(338)
	\$ 1,628

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

24. Contingent Earn-Out

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

Company Acquired	Beginning balance	Acquisition Payments	Change in Fair Value	Adjustments	Ending balance	
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

As at December 31, 2020, the total gross value of all contingent consideration outstanding is \$24,944.

24. Contingent Earn-Out (continued)

The following shows the contingent consideration activity for the three-months ended December 31, 2019:

Company Acquired	Beginning balance	Acquisition Payments	Change in Fair Value	Adjustments	Ending balance
Secure Tech	800	-	-	-	800
IntraGrain Technologies	2,885	-	110	-	2,995
SatService	2,634	-	97	-	2,731
Total	\$ 6,319	\$ -	\$ 207	\$ -	6,526

25. Related Party Transactions

During the three-months ended December 31, 2020 (2019), the Company had sales of \$184 (\$152) to GrainX in which Calian holds a non-controlling equity investment. At December 31, 2020 (2019), the Company had an accounts receivable balance with GrainX of \$70 (\$103) which is included in accounts receivable. The terms and conditions of the related party sales are within the Company's normal course of operations and are measured at the exchange amounts agreed to by both parties.

26. Contingencies

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

27. Subsequent Events

Effective January 4, 2021, the Company acquired the outstanding shares of Intertronic Solutions Inc. ("Intertronic") for total cash consideration of up to \$24,540 of which, \$13,000 was paid on closing, and \$11,540 is payable contingently. 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.

On January 6, 2021 Calian signed an \$80,000 debt agreement with Royal Bank of Canada and Desjardins Capital Markets. The agreement matures January 5, 2024, and has an accordion of \$40,000 and replaces the existing credit line with RBC.