UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2022

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

	NOTES	December 31, 2022	September 30, 2022
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	$ 58,194	$ 42,646
Accounts receivable	5	136,739	171,453
Work in process	8	33,040	39,865
Inventory	6	26,608	18,643
Prepaid expenses	7	21,754	23,780
Derivative assets	22	53	123
Total current assets		276,388	296,510
NON-CURRENT ASSETS			
Capitalized research and development	9	1,958	2,186
Equipment	9	15,692	16,623
Application software	9	10,044	10,395
Right of use asset	10	15,875	16,678
Investments	11	3,359	670
Acquired intangible assets	12	53,528	57,087
Deferred tax asset		997	1,054
Goodwill	13	146,046	145,959
Total non-current assets		247,499	250,652
TOTAL ASSETS		$ 523,887	$ 547,162
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Debt facility	16	$ 7,500	$ 7,500
Accounts payable and accrued liabilities	14	99,297	126,096
Contingent earn-out	24	26,464	25,676
Provisions	15	1,173	1,249
Unearned contract revenue	8	48,639	46,210
Derivative liabilities	22	42	812
Lease obligations	10	3,949	4,115
Total current liabilities		187,064	211,658
NON-CURRENT LIABILITIES			
Lease obligations	10	14,281	14,920
Contingent earn-out	24	-	2,874
Deferred tax liabilities		12,349	12,524
Total non-current liabilities		26,630	30,318
TOTAL LIABILITIES		213,694	241,976
SHAREHOLDERS' EQUITY			
Issued capital	17	215,614	213,277
Contributed surplus		2,622	3,479
Retained earnings		93,512	92,198
Accumulated other comprehensive income (loss)		(1,555)	(3,768)
TOTAL SHAREHOLDERS' EQUITY		310,193	305,186
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 523,887	$ 547,162
Number of common shares issued and outstanding	17	11,656,720	11,607,391

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET PROFIT
For the three months ended December 31, 2022 and 2021
(Canadian dollars in thousands, except per share data)

	NOTES	Three months ended December 31, 2022	2021
Revenue			
Advanced Technologies		$ 34,267	$ 41,167
Health		40,455	42,378
Learning		26,440	22,782
ITCS		46,381	23,175
Total Revenue	19	**147,543**	**129,502**
Cost of revenues		102,324	95,848
Gross profit		**45,219**	**33,654**
Selling and marketing		11,143	4,554
General and administration		17,400	13,784
Research and development		2,421	1,354
Profit before under noted items		**14,255**	**13,962**
Depreciation of equipment, application software and research and development	9	2,297	1,127
Depreciation of right of use asset	10	1,007	823
Amortization of acquired intangible assets	12	3,361	3,592
Deemed compensation	23, 24	97	750
Changes in fair value related to contingent earn-out	24	742	999
Profit before interest income and income tax expense		**6,751**	**6,671**
Lease obligations interest expense	10	111	108
Interest expense		12	51
Profit before income tax expense		**6,628**	**6,512**
Income tax expense – current		2,712	2,974
Income tax recovery – deferred		(660)	(768)
Total income tax expense		2,052	2,206
NET PROFIT		**$ 4,576**	**$ 4,306**
Net profit per share:			
Basic	20	$ 0.39	$ 0.38
Diluted	20	$ 0.39	$ 0.38

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three months ended December 31, 2022 and 2021
(Canadian dollars in thousands)

	Three months ended December 31, 2022	Three months ended December 31, 2021
NET PROFIT	$ 4,576	$ 4,306
Items that will be reclassified subsequently to net profit		
Cumulative translation adjustment	772	(712)
Change in deferred gain on derivatives designated as cash flow hedges, net of tax of $519 (2021 $84)	1,441	(177)
Other comprehensive income (loss), net of tax	2,213	(889)
COMPREHENSIVE INCOME	**$ 6,789**	**$ 3,417**

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the three months ended December 31, 2022 and 2021
(Canadian dollars in thousands, except per share data)

	NOTES	Issued capital	Contributed surplus	Retained earnings	Other comprehensive income (loss)	Total
Balance October 1, 2022		**$ 213,277**	**$ 3,479**	**$ 92,198**	**$ (3,768)**	**$ 305,186**
Net profit and comprehensive income		-	-	4,576	2,213	6,789
Dividend paid ($0.28 per share)		-	-	(3,262)	-	(3,262)
Shares issued under employee share plans	17	1,665	(1,264)	-	-	401
Shares issued under employee stock purchase plan	17	672	-	-	-	672
Share-based compensation expense	18	-	407	-	-	407
Balance December 31, 2022		**$ 215,614**	**$ 2,622**	**$ 93,512**	**$ (1,555)**	**$ 310,193**

	NOTES	Issued capital	Contributed surplus	Retained earnings	Other comprehensive income (loss)	Total
Balance October 1, 2021		**$ 194,960**	**$ 5,224**	**$ 91,359**	**$ 817**	**$ 292,360**
Comprehensive income		-	-	4,306	(889)	3,417
Dividend paid ($0.28 per share)		-	-	(3,166)	-	(3,166)
Shares issued under employee share plans	17	834	(834)	-	-	-
Shares issued under employee stock purchase plan	17	465	-	-	-	465
Share based compensation expense	18	-	347	-	-	347
Balance December 31, 2021		**$ 196,259**	**$ 4,737**	**$ 92,499**	**$ (72)**	**$ 293,423**

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended December 31, 2022 and 2021
(Canadian dollars in thousands)

	NOTES	Three months ended December 31, 2022	2021
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES			
Net profit		$ 4,576	$ 4,306
Items not affecting cash:			
Interest expense		12	51
Changes in fair value related to contingent earn-out	24	742	999
Lease obligations interest expense	10	111	108
Income tax expense		2,052	2,206
Employee share purchase plan expense	18	163	135
Share based compensation expense	18	407	347
Depreciation and amortization	9, 12	6,665	5,542
Deemed compensation	23, 24	97	750
		14,825	14,444
Change in non-cash working capital			
Accounts receivable		34,714	2,618
Work in process		6,825	7,778
Prepaid expenses and other		3,664	(68)
Inventory		(7,965)	(1,785)
Accounts payable and accrued liabilities		(27,268)	(16,015)
Unearned contract revenue		2,429	424
		27,224	7,396
Interest paid		(123)	(159)
Income tax paid		(1,778)	(3,073)
		25,323	4,164
CASH FLOWS USED IN FINANCING ACTIVITIES			
Issuance of common shares net of costs	17, 18	910	330
Dividends		(3,262)	(3,166)
Payment of lease obligations	10	(1,009)	(842)
		(3,361)	(3,678)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Investments	11	(2,689)	-
Business acquisitions	23	(2,925)	(10,298)
Capitalized research and development	9	(86)	(114)
Equipment and application software	9	(714)	(1,330)
		(6,414)	(11,742)
NET CASH (OUTFLOW) INFLOW		$ 15,548	$ (11,256)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		42,646	78,611
CASH AND CASH EQUIVALENTS, END OF PERIOD		$ 58,194	$ 67,355

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

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, 2022, 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, 2022. 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 14, 2023.

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, 2022.

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 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	$	19,483	1.00	$	19,483
USD		19,631	1.35		26,502
GBP		209	1.63		340
EUR		7,137	1.45		10,349
NOK		10,857	0.14		1,520
Total cash and cash equivalents December 31, 2022				$	58,194
CAD	$	16,719	1.00	$	16,719
USD		12,933	1.37		17,718
GBP		388	1.51		586
EUR		5,619	1.34		7,529
NOK		723	0.13		94
Total cash and cash equivalents September 30, 2022				$	42,646

5. Accounts Receivable

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

		December 31, 2022		September 30, 2022
Trade and accounts receivable	$	133,898	$	168,614
Tax and Scientific Research and Development receivable		2,239		2,235
Other		862		864
		136,999		171,713
Loss Allowance		(260)		(260)
	$	136,739	$	171,453

Bad debt expense recognized in the three months ended December 31, 2022 (2021) is $75 ($87).

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, 2022	September 30, 2022
Raw materials	$ 14,018	$ 12,187
Work in process inventory	2,259	2,717
Finished goods	10,331	3,739
	$ 26,608	$ 18,643

Inventory recognized as cost of revenues in the three months ended December 31, 2022 (2021) is $8,853 ($2,239). No inventory provisions have been recognized in periods ended December 31, 2022 (2021).

7. Prepaid Expenses

The following table presents prepaid expenses as at:

	December 31, 2022	September 30, 2022
Prepaid maintenance	$ 15,528	$ 18,924
Other prepaid expenses	6,226	4,856
	$ 21,754	$ 23,780

8. Contract Assets and Liabilities

The following table presents net contract assets as at:

	Net Contract Assets	
	December 31, 2022	September 30, 2022
Work in process	$ 33,040	$ 39,865
Unearned contract revenue	(48,639)	(46,210)
Net contract liabilities	$ (15,599)	$ (6,345)

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

	Changes in Net Contract Assets	
	December 31, 2022	December 31, 2021
Opening balance, October 1	$ (6,345)	$ 31,986
Net additions	18,406	30,278
Billings	(27,660)	(38,480)
Ending balance	$ (15,599)	$ 23,784

9. Equipment

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

	Cost							Carrying Value			
		Cost Additions/ Disposals				Depreciation					
	Cost		Additions/ Disposals		Total		Depreciation	Accumulated Depreciation		December 31, 2022	September 30, 2022
Leasehold improvements	$ 4,382	$	10	$	4,392	$	(160) $	(2,069) $		2,323 $	2,477
Equipment	43,039		643		43,682		(1,464)	(30,313)		13,369	14,146
Total equipment	$ 47,421	$	653	$	48,074	$	(1,624) $	(32,382) $		15,692 $	16,623
Application software	$ 14,809	$	7	$	14,816	$	(358) $	(4,772) $		10,044 $	10,395
Capitalized research and development	$ 5,052	$	86	$	5,138	$	(315) $	(3,180) $		1,958 $	2,186

10. Right-of-Use Assets and Lease Obligations

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

	Three months ended	
	December 31, 2022	December 31, 2021
Balance October 1	$ 16,678	$ 15,383
Additions	204	1,144
Disposals and foreign exchange adjustments	-	(177)
Depreciation	(1,007)	(823)
Balance December 31	$ 15,875	$ 15,527

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

The following table presents lease obligations for the Company:

	Three months ended	
	December 31, 2022	December 31, 2021
Balance at October 1	$ 19,035	$ 17,478
Additions	180	1,144
Disposals and foreign exchange adjustments	24	(177)
Principal payments	(1,009)	(842)
Balance at December 31	$ 18,230	$ 17,603
Current	$ 3,949	$ 3,178
Non-current	14,281	14,425
Total	$ 18,230	$ 17,603

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, 2022:

		Total Undiscounted Lease Obligations
Less than one year	$	4,612
One to five years		10,561
More than five years		4,543
Total undiscounted lease obligations	$	19,716

Total cash outflow for leases in the three months ended December 31, 2022 (2021) was $1,120 ($950), including principal payments relating to lease obligations of $1,009 ($842), interest expense on lease obligations was $111 ($108). Expenses relating to short-term leases recognized in general and administration expenses were $69 ($52) for three months ended December 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 2020.

During the three-month period ended December 31, 2022, the Company invested $2,000 USD ($2,689) to acquire a minority interest in preferred shares of Field Effect Software Inc. ("Field Effect"). Field Effect is Ottawa-based and provides cyber security solutions. The Company recognizes the investment at fair value.

12. Acquired Intangible Assets

A continuity of the acquired intangible assets for the three months ended December 31, 2022 is as follows:

	December 31, 2022							
		Opening Balance		Amortization		Foreign Exchange Revaluation		Closing Balance
Customer relationship - Primacy	$	1,909	$	-	$	-	$	1,909
Customer relationships		39,689		(2,183)		(198)		37,308
Discrete contracts with customers & non-competition agreements		586		(81)		-		505
Technology and trademarks		14,903		(1,097)		-		13,806
	$	57,087	$	(3,361)	$	(198)	$	53,528

In the three months ended December 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 comprehensive income.

12. Acquired Intangible Assets (continued)

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

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

13. Goodwill

The following table presents the goodwill for the Company for the three months ended December 31, 2022:

		December 31, 2022
Opening balance, October 1	$	145,959
Adjustments:		
Foreign Exchange		87
Ending balance, December 31	$	146,046

In the three months ended December 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 comprehensive income.

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

		December 31, 2021
Opening balance, October 1	$	100,103
Additions:		
Acquisition of SimFront (Note 23)		8,631
Adjustments:		
Foreign Exchange		(474)
Ending balance, December 31	$	108,260

14. Accounts Payable and Accrued Liabilities

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

	December 31, 2022	September 30, 2022
Trade accounts payable	$ 72,938	$ 91,652
Payroll accruals	16,165	21,960
Income tax payable	3,617	3,225
Other accruals	6,577	9,259
	$ 99,297	$ 126,096

15. Provisions

Changes in provisions for the three months ended December 31, 2022 were as follows:

	Product Warranties	Severance	Other	Total
Balance at October 1, 2022	$ 897	$ 248	$ 104	$ 1,249
Additions	45	230	14	289
Utilization/Reversals	(87)	(278)	-	(365)
Balance at December 31, 2022	$ 855	$ 200	$ 118	$ 1,173

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

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

16. Debt Agreement

On January 6, 2021, the Company signed a debt facility that provides the Company with the ability to draw up to $80,000 CAD. The agreement has a three-year term, which will mature on January 5, 2024. At December 31, 2022 (December 31, 2021), the Company utilized $7,500 (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 December 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 the December 31, 2022.

Common share issued and outstanding:

	December 31, 2022		December 31, 2021	
	Shares	Amount	Shares	Amount
Balance October 1	11,607,391	$ 213,277	11,285,828	$ 194,960
Shares issued under employee share plans	38,525	1,665	19,802	834
Shares issued under employee share purchase plan	10,804	672	7,644	465
Issued capital	11,656,720	$ 215,614	11,313,274	$ 196,259

17. Issued Capital and Reserves (continued)

Subsequent to the date of the statement of financial position, on February 14, 2023, the date of issuance of these consolidated financial statements, the Company declared a dividend of $0.28 per common share payable on March 14, 2023.

Contributed Surplus

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

18. Share-Based Compensation

Employee Share Purchase Plan

Under the Company's Employee Share Purchase Plan, shares are issued monthly using the volume weighted average price for the last 5 days of the month for the contributions made by employees in that month. The Company provides matching shares at 25% for all employee contributions each month. Pursuant to the plan, 500,000 Common Shares are reserved for issuance, as of December 31, 2022, the Company can issue 403,868 shares.

During the three months ended December 31, 2022 (2021) under the 2020 Employee Share Purchase Plan, the Company issued 10,804 (7,644) shares at an average price of $58.93 ($60.42). The Company received $510 ($369) in proceeds and recorded an expense of $163 ($96).

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% (1,049,105) 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 December 31, 2022, the Company has 443,821 stock options and restricted share units ("RSUs") outstanding. As a result, the Company could grant up to 605,284 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, 2022, was $14.26 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 issuances and adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. Expected volatility is based on historical price volatility over the past 5 years. To allow for the effects of early exercise, it was assumed that options would be exercised on average 2 years after vesting.

18. Share-Based Compensation (continued)

The following assumptions were used to determine the fair value of the options granted in the three months ended December 31, 2022:

	Weighted Average Options Granted			
	December 31, 2022		December 31, 2021	
Grant date share price	$	60.43	$	58.90
Exercise price	$	60.43	$	58.90
Expected price volatility	%	31.80	%	28.5
Expected option life	yrs	3.33	yrs	3.20
Expected dividend yield	%	1.85	%	1.90
Risk-free interest rate	%	3.64	%	1.21
Forfeiture rate	%	0	%	0

	December 31, 2022			December 31, 2021		
	Number of Options	Weighted Avg. Exercise Price		Number of Options	Weighted Avg. Exercise Price	
Outstanding October 1	220,800	$	52.22	204,913	$	49.46
Exercised	(11,000)		31.84	-		-
Granted	22,356		60.43	39,110		58.90
Outstanding December 31	232,156	$	53.97	244,023	$	50.97

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 March 27, 2018	6,000	March 27, 2018	March 27, 2023	$	31.54	$	4.62
(2) Issued November 19, 2018	29,500	November 19, 2018	November 19, 2023	$	29.55	$	3.96
(3) Issued November 25, 2019	15,000	November 25, 2019	November 25, 2024	$	36.49	$	5.18
(4) Issued August 13, 2020	94,615	August 13, 2020	August 13, 2025	$	60.30	$	8.44
(5) Issued November 24, 2020	22,222	November 24, 2020	November 24, 2025	$	61.16	$	10.24
(6) Issued February 9, 2021	1,817	February 9, 2021	February 9, 2026	$	60.35	$	9.92
(7) Issued November 24, 2021	39,110	November 24, 2021	November 24, 2026	$	58.90	$	10.66
(8) Issued March 9, 2022	1,536	March 9, 2022	March 9, 2027	$	60.55	$	10.33
(9) Issued November 24, 2022	22,356	November 24, 2022	November 24, 2027	$	60.43	$	14.26

For the options issued on November 24, 2022, vesting occurs through to November 24, 2024.

At December 31, 2022 (2021) the weighted average remaining contractual life of options outstanding is 3.33 (3.13) years of which 169,154 (173,347) options are exercisable at a weighted average price of $51.92 ($47.46). The Company has recorded $90 ($108) of share-based compensation expense in the three months ended December 31, 2022 (2021) related to the options that have been granted. The Company has total unrecognized compensation expense of $313 (2021 - $443) 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. 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 metrics related to Company performance.

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

	December 31, 2022		December 31, 2021	
	Number of RSUs	Weighted Avg. Grant Date Fair Value	Number of RSUs	Weighted Avg. Grant Date Fair Value
Balance at October 1	56,517	$ 49.40	40,824	$ 46.65
Exercised	(27,525)	46.04	(19,802)	42.12
Forfeited	(5,958)	25.46	(378)	46.95
Granted	188,631	59.18	33,346	46.83
Balance at December 31	211,665	$ 59.23	53,990	$ 48.41

Of the units issued in the current year under the RSU plan, NIL have vested as of December 31, 2022. The Company has recorded $317 ($259) of share-based compensation expense in the three months ended December 31, 2022 (2021) related to the RSUs that have been granted. The Company has total unrecognized compensation expense of $2,230 at December 31, 2022 (2021 - $1,881) 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 24, 2020	RSU	5,559	November 24, 2020	November 15, 2023	$ 59.35
(2) Issued February 9, 2021	RSU	81	February 9, 2021	November 15, 2023	$ 59.74
(3) Issued May 12, 2021	RSU	254	May 12, 2021	November 15, 2023	$ 56.32
(4) Issued August 10, 2021	RSU	16	August 10, 2021	November 15, 2023	$ 63.25
(5) Issued November 24, 2021	RSU	14,564	November 24, 2021	November 15, 2024	$ 58.90
(6) Issued Feb 9, 2022	RSU	53	February 9, 2022	November 15, 2024	$ 57.18
(7) Issued May 10, 2022	RSU	1,613	May 10, 2022	November 15, 2024	$ 67.34
(8) Issued Aug 10, 2022	RSU	331	August 10, 2022	November 15, 2024	$ 66.60
(9) Issued September 14, 2022	RSU	647	September 14, 2022	November 15, 2024	$ 56.10
(10) Issued November 24, 2022	RSU	30,048	November 24, 2022	November 15, 2025	$ 59.18
	PSU	158,499	November 24, 2022	November 15, 2025	$ 59.18

18. Share-Based Compensation (continued)

Deferred Share Unit Plan

During the three months ended December 31, 2022 (2021) the Company granted 940 (602) deferred share units (“DSU”). The Company recorded share-based compensation of $164 ($126) related to the DSUs in the three months ended December 31, 2022 (2021) in the form of compensation expense of units along with fair valuing existing units. 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 17,640 (23,118) DSUs outstanding at December 31, 2022 (2021). The fair value of the DSUs outstanding at December 31, 2022 (2021) was $61.43 ($55.16) 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, 2022 and 2021:

	Three months ended			
	December 31, 2022		December 31, 2021	
Product revenue				
Advanced Technologies	$	18,374	$	27,620
Health		-		-
Learning		1,140		-
ITCS		8,754		2,654
Total product revenue	$	28,268	$	30,274
Service revenue				
Advanced Technologies	$	15,893	$	13,547
Health		40,455		42,378
Learning		25,300		22,782
ITCS		37,627		20,521
Total service revenue	$	119,275	$	99,228
Total revenue	$	147,543	$	129,502

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, 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:

	December 31, 2022	
Less than 24 months	$	498,617
Thereafter		40,690
Total	$	539,307

20. Net Profit per Share

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

	Three months ended December 31	
	2022	2021
Weighted average number of common shares – basic	11,630,180	11,299,287
Additions to reflect the dilutive effect of employee stock options and RSU's	59,995	61,769
Weighted average number of common shares – diluted	11,690,175	11,361,056

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, 2022 (2021), 46,114 (165,823) options and 30,048 (23,824) RSU's were excluded from the above computation.

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 undernoted items.

21. Segmented Information (continued)

For the three months ended December 31, 2022:

For the three months ended December 31, 2022	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	$ 34,267	$ 40,455	$ 26,440	$ 46,381	$ -	$ 147,543
Cost of revenues	22,399	30,899	19,876	29,150	-	102,324
Gross profit	11,868	9,556	6,564	17,231	-	45,219
Gross profit %	35 %	24 %	25 %	37 %	N/A %	31 %
Selling and marketing	2,942	460	549	5,847	1,345	11,143
General and administration	2,683	2,559	1,432	4,111	6,615	17,400
Research and development	1,818	86	405	112	-	2,421
Profit before under noted items	$ 4,425	$ 6,451	$ 4,178	$ 7,161	$ (7,960)	$ 14,255
Profit before under noted items %	13 %	16 %	16 %	15 %	N/A %	10 %
Depreciation of equipment, application software and R&D						2,297
Depreciation of right of use asset						1,007
Amortization of acquired intangibles						3,361
Deemed compensation						97
Changes in fair value related to contingent earn-out						742
Profit before interest income and income tax expense						6,751
Lease obligations interest expense						111
Interest expense						12
Profit before income tax expense						6,628
Income tax expense – current						2,712
Income tax expense (recovery) – deferred						(660)
Total income tax expense						2,052
NET PROFIT FOR THE PERIOD						$ 4,576

21. Segmented Information (continued)

For the three months ended December 31, 2021:

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

The Company operates in Canada, the United States and Europe but provides services to customers in various countries. Revenues from external customers for the three months ended December 31, 2022 (2021) are attributed as follows:

	December 31, 2022	December 31, 2021
Canada	71 %	77 %
United States	20 %	8 %
Europe	8 %	14 %
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 three months ended December 31, 2022 (2021) represented 48% (52%) of the Company's total revenues. All four operating segments conduct business with this category of customer.

22. Financial Instruments and Risk Management

Capital Risk Management

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

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

Foreign Currency Risk Related to Contracts

The Company is exposed to foreign currency exchange fluctuations on its cash balance, accounts receivable, accounts payable and accrued liabilities, contingent earn-out and future cash flows related to contracts denominated in a foreign currency. Future cash flows will be realized over the life of the contracts. The Company utilizes derivative financial instruments, principally in the form of forward exchange contracts, in the management of its foreign currency exposures within entities operating in currencies outside of their functional currencies. 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 its foreign currency exposure where it is most practical to do so. The Company hedges long term projects in foreign currencies. Other foreign currency exposure is evaluated on an individual basis to assess the associated risks and costs to hedge. The Company does not utilize derivative financial instruments for trading or speculative purposes. The Company applies hedge accounting when appropriate documentation and effectiveness criteria are met.

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

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

The functional currency of each of the Company's entities is determined using the currency of the primary economic environment in which that entity operates. The Company's functional currency is the Canadian dollar while the functional currency of its 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

22. Financial Instruments and Risk Management (continued)

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 December 31, 2022, the Company had the following forward foreign exchange contracts:

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value December 31, 2022
SELL	$ 65,019	USD	January 2023	$ 88,010	$ 6
SELL	7,169	EURO	January 2023	10,411	47
Derivative assets					$ 53
BUY	$ 12,868	USD	January 2023	$ 17,418	$ (1)
BUY	6,118	EURO	January 2023	8,885	(41)
Derivative liabilities					$ (42)

A 10% strengthening of the Canadian dollar against the following currencies at December 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.

	December 31, 2022
USD	$ 8,799
EURO	1,756
GBP	76
NOK	163
Total	$ 10,794

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

22. Financial Instruments and Risk Management (continued)

presentation currency would have increased Net Profit (a 10% weakening against the Canadian dollar would have had the opposite effect) by the amounts shown below.

	December 31, 2022
USD	$ 2,739
GBP	(5)
EURO	355
SEK	26
NOK	29
Total	$ 3,144

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 diverse, however a significant portion of them are federal or provincial government agencies, or large private entities. A significant portion of the Company's accounts receivable is from long-time customers. At December 31, 2022 (December 31, 2021), 36% (50%) 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:

	December 31, 2022	September 30, 2022
Cash and cash equivalents	$ 58,194	$ 42,646
Accounts receivable	136,739	171,453
Derivative assets	53	123
Total	$ 194,986	$ 214,222

The aging of accounts receivable at the reporting date was:

	December 31, 2022	September 30, 2022
Current	$ 125,604	$ 159,412
Past due (61-120 days)	6,427	6,378
Past due (> 120 days)	4,708	5,663
Total	$ 136,739	$ 171,453

22. Financial Instruments and Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. At December 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 December 31, 2022, the Company had $58,194 cash on hand and $7,500 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 December 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).

	December 31, 2022		
	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 58,194	$ -	$ -
Investments	-	-	3,359
Derivative assets	-	53	-
Debt facility	-	(7,500)	-
Contingent earn-out	-	-	(26,464)
Derivative liabilities	-	(42)	-
Total	$ 58,194	$ (7,489)	$ (23,105)

	September 30, 2022		
	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 42,646	$ -	$ -
Investments	-	-	670
Derivative assets	-	123	-
Debt facility		(7,500)	
Contingent earn-out	-	-	(28,550)
Derivative liabilities	-	(812)	-
Total	$ 42,646	$ (8,189)	$ (27,880)

There were no transfers between Level 1, Level 2 and level 3 during the three months ended December 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 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. 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 NIL ($750) for the three-months ended December 31, 2022 (2021). In the 2021 fiscal year, the Company paid $3,616 based on achievement of the first year EBITDA under the agreement. The second year concluded in in the year ended September 30, 2022 with payment of $4,192 made at that time, representing full achievement of the earn out target. In the prior fiscal year, the Company had revised its estimate on achievement of the third year earn out based on current projected income to January 31, 2023, which has resulted in a gain relating to changes in fair value related to contingent earn out in the amount of $2,361 recognized at that time.

The Company recognized an additional $46 of expense in the three months ended December 31, 2022, related to changes in fair value of contingent earn out.

Tallysman Wireless Inc. (“Tallysman”)

On September 3, 2020, the Company acquired all 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 year ended September 30, 2022, plus overachievement payment in the amount of $192 which was recognized in deemed compensation on the income statement in the prior fiscal periods.

The second-year target was achieved in full as at December 31, 2022, with overachievement. This has resulted in additional bonus to key individuals involved in the business in the amount of $50 recognized in deemed compensation in the three months ended December 31, 2022, with an additional $763 recognized in fiscal 2022. The Company also recognized $102 in the three months ended December 31, 2022, related to changes in fair value of contingent earn out.

23. Acquisitions (continued)

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 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 year ended September 30, 2022 the Company paid $776 relating to the year one contingent earn out which represented full achievement of targets. At September 30, 2022, it was deemed that the year 2 earn out amount was not to be achieved and was written off through the consolidated statement of net profit at that point. In the period ended December 31, 2022, the Company amended the earn out agreement with Cadence to pay a portion of the year 2 earn out amount in order to retain key management members subsequent to the earn out period. This has resulted in payment of £100 ($165 CAD) which was recognized in changes in fair value related to contingent earn-out in the three-month period ended December 31, 2022. Additionally, $47 was recognized as deemed compensation in the three-months ended December 31, 2022 relating to special bonus amounts for key management members earned in the period that were set as part of the share purchase agreement.

Dapasoft Inc. ("Dapasoft")

On February 22, 2021, the Company acquired all 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. In the year ended September 30, 2022, the Company concluded on the year one earn out with full achievement. Settlement of the year one earn out resulted in cash payment of $2,861, of which $2,000 was related to earn out payments, and the additional $861 was recognized in September 30, 2022 in changes in fair value related to contingent earn out, whereby 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. Further, common shares in the amount of $14,048 were issued in relation to the payment of the year one earn out. An additional amount of $1,511 is owing as at December 31, 2022 in relation to the year one earn out and to be distributed in common shares. Overachievement bonus amounts were expensed in the 2022 fiscal year resulting in additional amounts owing of $2,175.

The Company recognized $291 in the three months ended December 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 $15,625 of which, $9,646 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 annual periods ending September 30, 2022 and September 30, 2023, respectively. In the three-months ended December 31, 2022 the Company settled and paid the year one earn out in the amount of $2,760.

The Company recognized $138 in the three-months ended December 31, 2022 related to changes in fair value of contingent earn out.

24. Contingent Earn-Out

The following shows the contingent consideration activity for the three months ended December 31, 2022:

Company Acquired	Beginning balance	Acquisition	Payments	Change in Fair Value	Adjustments	Ending balance
Alio/Allphase	$ 1,860	$ -	$ -	$ 46	$ -	$ 1,906
Tallysman Wireless	5,411	-	-	102	50	5,563
Cadence	75	-	(165)	165	47	122
Dapasoft	15,758	-	-	291	-	16,049
SimFront	5,446	-	(2,760)	138	-	2,824
Total	$ 28,550	$ -	$ (2,925)	$ 742	$ 97	$ 26,464

As at December 31, 2022, the total gross value of all contingent consideration outstanding is $27,670. Included in the adjustments column in the table are amounts from deemed compensation, along with changes in estimated payment amounts to make under contingent earn out estimates.

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

Company Acquired	Beginning balance	Acquisition	Payments	Change in Fair Value	Adjustments	Ending balance
Alio/Allphase	$ 6,941	$ -	$ -	$ 118	$ 750	$ 7,809
Comprehensive Training Solutions	749	-	(417)	16	-	348
Tallysman Wireless	8,104	-	-	190	-	8,294
Cadence	1,417	-	(776)	31	-	672
InterTronic	3,228	-	-	134	-	3,362
Dapasoft	17,823	-	-	377	-	18,200
SimFront	-	5,186	-	133	-	5,319
Total	$ 38,262	$ 5,186	$ (1,193)	$ 999	$ 750	$ 44,004

25. Related Party Transactions

During the three months ended December 31, 2022 (2021), the Company had sales of $153 ($58) to GrainX. At December 31, 2022 (2021), the Company had an accounts receivable balance with GrainX of $93 (NIL) 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.