

**Consolidated Interim Financial Statements** 

Second Quarters Ended February 29, 2024 and February 28, 2023 (unaudited)

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# NOTICE OF NO AUDITOR REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Section 4.3(3)(a) of National Instrument 51-102, Continuous Disclosure Obligations, provides that if an auditor has not performed a review of the consolidated interim financial statements, the interim consolidated financial statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company's external auditors, KPMG LLP, have not performed a review of these consolidated interim financial statements of The Caldwell Partners International Inc. (the Company).

/s/ "John N. Wallace"

/s/ "C. Christopher Beck"

John N. Wallace CHIEF EXECUTIVE OFFICER C. Christopher Beck PRESIDENT, CALDWELL AND CHIEF FINANCIAL OFFICER

April 11, 2024

#### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited - in \$000s Canadian)

	As at	As at
	February 29	August 31
	2024	2023
Assets		
Current assets		
Cash and cash equivalents	7,560	22,053
Accounts receivable	12,083	12,886
Income taxes receivable	290	197
Unbilled revenue (note 13)	6,171	8,237
Prepaid expenses and other assets	1,884	2,712
	27,988	46,085
Non-current assets	200	500
Prepaid expenses and other assets	299	593
Investments (notes 5 and 19) Advances	1,831 682	2,039 811
Deferred income taxes	7,583	
		8,676
Property and equipment	1,688	1,779
Right-of-use assets (note 10)	6,046	13,305
Intangible assets Goodwill	115	142
Goodwill	11,240	11,214
Total assets	57,472	84,644
Liabilities		
Current liabilities		
Accounts payable	1,519	3,181
Compensation payable (note 9)	17,641	28,384
Other liabilities (note 8)	· -	687
Lease liability (note 11)	1,611	2,788
	20,771	35,040
Non-current liabilities		
Compensation payable (note 9)	485	1,948
Other liabilities (note 8)	-	921
Lease liability (note 11)	5,436	19,011
	26,692	56,920
Equity attributable to owners of the Company		
Share capital	15,392	15,392
Contributed surplus	15,413	15,282
Accumulated other comprehensive income	1,859	1,847
Deficit	(1,884)	(4,797)
Total equity	30,780	27,724
Total liabilities and equity	57,472	84,644

The accompanying notes are an integral part of these consolidated financial statements.

Signed on behalf of the Board:

/s/ "Elias Vamvakas"

/s/ "Rosemary Zigrossi"

Elias Vamvakas Chair of the Board Rosemary Zigrossi Chair of the Audit Committee

CONSOLIDATED STATEMENTS OF EARNINGS	Three m	onths ended	Six mon	ths ended
		February 28,	February 29,	February 28,
(unaudited - in \$000s Canadian, except per share amounts)	2024	2023	2024	2023
Revenues				
Professional fees (note 12)	17,687	21,450	35,023	45,139
Direct expense reimbursements	179	133	378	352
	17,866	21,583	35,401	45,491
Cost of sales expenses				
Cost of sales (note 6)	14,061	18,266	29,105	39,191
Reimbursed direct expenses	179	133	378	352
	14,240	18,399	29,483	39,543
Gross profit	3,626	3,184	5,918	5,948
Selling, general and administrative (notes 6 and 7)	4,783	6,070	9,305	11,159
Restructuring and other (income) expense (note 8)	-	-	(7,979)	2,530
Acquisition-related expenses (note 4)	-	204	-	879
	4,783	6,274	1,326	14,568
Operating profit (loss)	(1,157)	(3,090)	4,592	(8,620)
Finance expenses (income)				
Interest expense on lease liability (note 11)	105	66	502	136
Investment (income) expense (note 5)	(65)	(57)	(55)	(217)
Foreign exchange loss (income)	43	47	48	17
Earnings (loss) before income tax	(1,240)	(3,146)	4,097	(8,556)
Income tax expense (recovery) (note 14)	(375)	(826)	1,184	(2,293)
Net earnings (loss) for the period attributable to owners of the Company	(865)	(2,320)	2,913	(6,263)
Earnings (loss) per share (note 15)				
Basic	(\$0.029)	(\$0.090)	\$0.099	(\$0.242)
Diluted	(\$0.029)	(\$0.090)	\$0.098	(\$0.242)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS				
(unaudited - in \$000s Canadian)				
		onths ended		ths ended
	February 29 2024	February 28 2023	February 29 2024	February 28 2023
Net earnings (loss) for the period	(865)	(2,320)	2,913	(6,263)
Other comprehensive income (loss):				
Items that may be reclassified subsequently to net earnings				
(Loss) gain on marketable securities (note 5)	31	(7)	36	(11)
Cumulative translation adjustment	(27)	157	(24)	972
Comprehensive earnings (loss) for the period attributable to owners of the Company	(861)	(2,170)	2,925	(5,302)

The accompanying notes are an integral part of these consolidated financial statements.

#### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited - in \$000s Canadian)

				Accumulated Othe Income		
	Retained Earnings/ (Deficit)	Share Capital	Contributed Surplus	Cumulative Translation Adjustment	(Loss) Gain on Marketable Securities	Total Equity
Balance - August 31, 2022	6,506	12,554	15,045	1,043	(83)	35,065
Net loss for the six month period ended February 28, 2023	(6,263)	-	-	-	-	(6,263)
Share-based payment expense (note 16)	-	-	109	-	-	109
Loss on marketable securities available for sale	-	-	-	-	(11)	(11)
Change in cumulative translation adjustment	-	-	-	972	-	972
Balance - February 28, 2023	243	12,554	15,154	2,015	(94)	29,872
Balance - August 31, 2023	(4,797)	15,392	15,282	1,886	(39)	27,724
Net earnings for the six month period ended February 29, 2024	2,913	-	-	-	-	2,913
Share-based payment expense (note 16)	-	-	131	-	-	131
Gain on marketable securities available for sale	-	-	-	-	36	36
Change in cumulative translation adjustment	-	-	-	(24)	-	(24)
Balance - February 29, 2024	(1,884)	15,392	15,413	1,862	(3)	30,780

The accompanying notes are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOW

(unaudited - in \$000s Canadian)

	Six months ended	
	February 29, 2024	February 28, 2023
Cash flow provided by (used in)		
Operating activities		
Net (loss) earnings for the period	2,913	(6,263)
Add (deduct) items not affecting cash		
Depreciation of property and equipment (note 6)	192	223
Depreciation of right-of-use assets (note 10)	937	987
Amortization of intangible assets (note 6)	27	27
Amortization of advances	248	408
Interest expense on lease liabilities (note 11)	502	136
Share based payment expense (note 16)	131	109
Gain on unrealized foreign exchange on subsidiary loans	(37)	(68)
Losses related to equity accounted associate (notes 5 and 19)	246	-
Right-of-use asset impairment		297
(Gain) loss on lease modification, net (note 8)	(7,741)	-
Changes in working capital (note 17)	(10,458)	(18,847)
Net cash used in operating activities	(13,040)	(22,991)
Investing activities		
Acquisition of business, net of cash acquired (note 4)	-	(2,179)
Purchase of property and equipment	(211)	(59)
Payment of advances	(21)	(1,186)
Repayment of advances		211
Sale of marketable securities	68	-
Purchase of marketable securities	(64)	-
Net cash used in investing activities	(228)	(3,213)
Financing activities		
Payment of lease liabilities (note 11)	(1,175)	(1,231)
Sublease payments received	16	
Net cash used in financing activities	(1,159)	(1,231)
Effect of exchange rate changes on cash and cash equivalents	(66)	588
Net decrease in cash and cash equivalents	(14,493)	(26,847)
Cash and cash equivalents, beginning of year	22,053	35,668
Cash and cash equivalents, end of period	7,560	8,821
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# NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTERS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023

(in \$000s Canadian unless otherwise stated, except per share amounts)

#### 1. General Information

The Caldwell Partners International Inc. (the "Company") is a technology-powered talent acquisition firm specializing in recruitment at all levels. Through two distinct brands - Caldwell and IQTalent - the firm leverages the latest innovations in AI to offer an integrated spectrum of services delivered by teams with deep knowledge in their respective areas. Services include candidate research and sourcing through to full recruitment at the professional, executive and board levels, as well as a suite of talent strategy and assessment tools that can help clients hire the right people, then manage and inspire them to achieve maximum business results.

The Company was incorporated by articles of incorporation under the Business Corporations Act (Ontario) on August 22, 1979 and is listed on the Toronto Stock Exchange (symbol: CWL). The shares also trade on the OTCQX Market in the United States (OTCQX: CWLPF). The Company's head office is located at 79 Wellington Street West, Suite 2410, Toronto, Ontario. The Company operates in Canada, the United States and Europe.

#### 2. Basis of Presentation and Statement of Compliance

These consolidated interim financial statements include the assets and liabilities and results of operations of the Company and its wholly owned subsidiaries. In the United States, the subsidiaries are The Caldwell Partners International Ltd. and IQTalent Partners, Inc. In the United Kingdom, the subsidiary is The Caldwell Partners International Europe, Ltd. In Canada, the subsidiary is The Counsel Network Inc.

These consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, and should be read in conjunction with the annual consolidated financial statements for the year ended August 31, 2023, which have been prepared in accordance with IFRS.

The Board of Directors approved these consolidated interim financial statements for issue on April 11, 2024.

#### 3. Summary of Significant Accounting Policies, Judgments and Estimation Uncertainty

The accounting policies adopted are consistent with those of the previous fiscal year except as noted below.

#### **Recently Adopted Accounting Standard**

Definition of Accounting Estimates (Amendments to IAS 8)

On February 12, 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8).

The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The Company adopted these amendments in its consolidated financial statements for the annual period beginning September 1, 2023. The adoption of these amendments did not have a material impact on the Company.

Disclosure initiative - Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
On February 12, 2021, the IASB issued Disclosure Initiative - Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements). The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. The Company adopted these amendments in its consolidated financial statements for the annual period beginning September 1, 2023.

The amendments help companies provide useful accounting policy disclosures. The key amendments include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The adoption of these amendments did not have a material impact on the Company.

#### Accounting standards issued but not yet applied

Classification of Liabilities as Current or Non-current

On January 23, 2020, the International Accounting Standards Board (IASB) issued amendments to IAS 1 Presentation of Financial Statements, to clarify the classification of liabilities as current or non-current. On October 31, 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1) (the 2022 amendments), to improve the information a company provides about long-term debt with covenants. The 2020 amendments and the 2022 amendments (collectively "the Amendments") are effective for annual periods beginning on or after January 1, 2024. Early adoption is permitted. A company that applies the 2020 amendments early is required to also apply the 2022 amendments. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning September 1, 2024. The adoption of these amendments is not expected to have a material impact on the Company.

#### 4. Business Acquisitions

#### The Counsel Network

On October 1, 2022, the Company acquired 100% of the shares of The Counsel Network Inc. ("TCN"), a Canada-based executive search firm specializing in the Canadian legal market.

The acquisition of TCN was an all-cash transaction, funded with cash on hand for a total consideration of \$2,179, net of cash acquired. Goodwill of \$2,000 arising from this acquisition was recorded in the Caldwell business segment.

TCN's results have been included in our statements of earnings since the October 1, 2022 acquisition date.

Acquisition costs totalling \$68 were recorded as part of acquisition-related expenses in the first quarter of fiscal 2023. No further acquisition-related expenses were incurred as a result of this transaction.

#### **IQTalent**

On December 31, 2020, through the acquisition of 100% of the shares of IQTalent, a Nashville-based talent acquisition firm, the Company established a separate business segment. IQTalent specializes in on-demand talent acquisition augmentation solutions.

A significant portion of the IQTalent purchase price was related to payments that were contingent on the related employees or the selling shareholders being actively employed as at the payment date, and were recognized as compensation expense. These costs had suppressed the profitability of IQTalent during the amortization period, which ended on December 31, 2022. IQTalent's acquisition-related costs were \$nil for the three and six months ended February 29, 2024 (three and six months ended February 28, 2023: \$204 and \$811, respectively).

#### 5. Investments and equity-accounted associates

The Company's investments are comprised of various investments whose gains and losses are recorded as either fair value through OCI or fair value through profit or loss.

#### Fair value through profit or loss and equity-accounted investments:

#### Investment in associate

On March 1, 2023, the Company announced the spin-off of its software business from its IQTalent business segment. IQTalent contributed its proprietary software and its dedicated product and development team into a newly formed entity, IQRecruit, Inc. in exchange for approximately 41.9% of the new entity. Effective September 26, 2023 IQRecruit raised additional equity at the same valuation as at the time of the spin-off. The Company did not participate in the additional equity raise and its ownership was therefore diluted to 37.8%. While the Company owns 37.8% of the economic interest in IQRecruit Inc., its voting rights are limited to 20% in accordance with the shareholder agreement. As a result, the Company has concluded that it has significant influence over this investment, and accounts for it using the equity method. As required by the equity method of accounting, the carrying amount of the equity investment has been adjusted to reflect the Company's share of IQRecruit's loss.

As at February 29, 2024, the value of this equity investment was \$1,082 (August 31, 2023: \$1,323). The Company's share of IQRecruit's net losses was \$109 and \$246 for the three and six months ended February 29, 2024, respectively (\$nil for the three and six months ended February 28, 2023).

#### Convertible Promissory Note Receivable

The Company has invested \$500 USD (\$678 CAD at February 29, 2024 and \$677 CAD at August 31, 2023) in a note receivable at Skyminyr Inc. doing business as HelloSky ("HelloSky"), an early-stage company with an artificial intelligence software platform designed to deliver the power of human capital intelligence through a combination of behavioural analytics, sector mapping, and relationship intelligence. The investment is in the form of a convertible promissory note receivable (the "Note") accruing interest at 5% per annum. The Note and any accrued interest are convertible into shares of common stock of HelloSky upon certain events such as a change of control or a public offering of its common shares. At the date of investment, the Note's conversion option represented a 4% equity stake in HelloSky. The Note is also convertible at any time at the Company's option. Additionally, unless earlier repaid or converted, the outstanding principal and unpaid accrued interest on the Notes will be due and payable upon demand beginning November 15, 2023, at the election of a majority of Noteholders who invested at the same time as the Company. As at February 29, 2024, no such election had been made. The Note is classified as fair value through profit or loss.

For the three and six months ended February 29, 2024, gains or losses related to the Note were \$nil (three and six months ended February 28, 2023: \$nil).

We are also working with HelloSky as a client, leveraging its candidate search capabilities into our search processes at both IQTalent and Caldwell.

#### Interest Income

We currently invest cash balances in highly-liquid cash equivalent investments including term deposits, certificates of deposit and cash savings accounts. These investments are presented as part of cash and cash equivalents on the consolidated statement of financial position, and generate interest income.

For the three and six months ended February 29, 2024, investment income included \$174 and \$301, respectively, of interest on term deposits (three and six months ended February 28, 2023: \$57 and \$217, respectively).

#### Fair value through OCI:

#### Marketable Securities

The Company's marketable securities at February 29, 2024 include equity securities obtained through search fees being paid partially in equity of the client, which are held for long-term investment until there is a market for sale. All are classified as fair value through other comprehensive income.

Client equity investments were \$71 as of February 29, 2024 (August 31, 2023: \$39).

For the three months ended February 29, 2024, an unrealized gain of \$31 was recognized on equity securities obtained through search fees as part of other comprehensive income (February 28, 2023: unrealized loss of \$7).

For the six months ended February 29, 2024, an unrealized gain of \$36 was recognized on equity securities obtained through search fees as part of other comprehensive income (February 28, 2023: unrealized loss of \$11).

#### 6. Nature of Expenses

The detail of the nature of expenses in arriving at operating profit is as follows:

	Three months ended		Six mont	ns ended
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
Compensation costs	15,236	19,810	31,345	41,764
Occupancy costs, including ROU asset depreciation	1,298	1,343	2,730	2,862
Search execution materials	742	820	1,571	1,754
Sales and marketing	457	462	871	856
Partner recruitment expenses	268	55	317	190
Reimbursed direct expenses	179	132	378	352
Depreciation of property and equipment	100	112	192	223
Legal expenses	55	411	125	568
Amortization of intangible assets	13	13	27	27
Partner meetings	11	584	78	798
Acquisition-related expenses (note 4)	-	204	-	879
Restructuring and other (note 8)	-	-	(7,979)	2,264
Right-of-use asset impairment (note 8)	-	-	-	266
Other	664	727	1,154	1,308
Total directs costs and expenses	19,023	24,673	30,809	54,111

#### 7. Compensation of Key Management

Key management includes the Board of Directors and four officers of the Company. Key management compensation does not include acquisition-related compensation or accruals for separation payments that are recorded as part of restructuring expenses.

	Three months ended		Six months ended	
	ebruary 29, 2024 February 28, 2023 F		February 29, 2024	February 28, 2023
Salaries, bonuses and short-term benefits Share-based compensation expense	549 219	561 171	1,302 143	1,076 (185)
Share-based compensation expense	768	732	1,445	891

#### 8. Restructuring and other

In fiscal 2023, restructuring expenses were incurred in reorganizing the Company's operations, and included severances and the impairment of certain commercial lease right-of-use assets. In the first quarter of fiscal 2024, restructuring income was related to the termination of the IQTalent lease, net of other expenses, including separation payments. No further restructuring expenses were incurred in the second quarter of fiscal 2024.

In the first quarter of 2023, IQTalent reduced its staff in response to market conditions resulting in severance costs of \$2,264, which were fully paid in the first quarter of 2023. At the same time, Caldwell entered into an agreement to sublease its office space in San Francisco for the remaining 11 months of its lease term, resulting in a net impairment expense of \$266, which was presented as part of restructuring expenses in the consolidated statement of earnings.

Additional furloughs and attrition throughout the year at IQTalent resulted in the re-evaluation of real estate needs and the decision to sublease a portion of the leased space in Nashville. As a result, in the fourth quarter of 2023, IQTalent recognized an impairment charge of \$8,061 comprised of the following:

- \$6,453 related to the impairment of the Nashville right-of-use asset. The charge reflected the then-current local commercial real estate market and the expectation that the sublease would be at a discount to the head lease rate.
- \$1,608 related to other direct charges for subleasing the space, such as those related to operating expenses payable to the landlord. These accruals were classified as \$687 in current other liabilities and \$921 in non-current other liabilities in the consolidated statement of financial position.

On October 6, 2023, the Company announced that David Windley was stepping down as President of IQTalent and resigning from the Caldwell Board of Directors effective that day. Related separation payments of \$1,089 payable in equal monthly installments over 18 months were recognized as part of restructuring expenses in the first quarter of fiscal 2024, and are presented as part of compensation payable on the consolidated statement of financial position.

On November 30, 2023, the Company negotiated a full penalty-free termination of its leased facilities for IQTalent in Nashville. As a result, in the first quarter of fiscal 2024, IQTalent derecognized the related lease liability, right-of-use asset, fixed assets, and other liabilities for direct charges related to the space, less certain professional fees related to the lease and its termination. This resulted in a net lease termination gain of \$9,068. IQTalent recognized a current liability of \$236 related to other direct charges such as operating expenses payable to the landlord and certain professional fees. Consistent with the termination agreement, IQTalent vacated the space on February 29, 2024.

#### 9. Compensation Payable

The Company maintains certain short-term and long-term incentive plans designed to align compensation with performance. This includes commissions and bonuses for search delivery and support personnel. Such amounts are paid at various points during the year and are short-term in nature.

Acquisition-related compensation pertains to the Company's acquisition of IQTalent Partners in fiscal 2021. The portion of the purchase price that was dependent on future employment requirements of the selling shareholders was expensed on a straight-line basis over the required service periods and presented as acquisition-related expenses in the consolidated statement of earnings. While all amounts had been fully amortized by December 31, 2022, certain payments were deferred until September 15, 2024, and are presented as part of compensation payable.

Compensation payable also includes the remaining separation payments due to David Windley described in note 8.

#### Current compensation payable

	As at		
	February 29, 2024	August 31, 2023	
Salaries, commissions and bonuses	15,331	26,221	
Acquisition-related and other compensation	2,251	1,729	
Performance Stock Units	59	434	
	17,641	28,384	

#### Non-current compensation payable

	As at		
	February 29, 2024	August 31, 2023	
Deferred Stock Units	254	242	
Performance Stock Units	167	224	
Acquisition-related and other compensation	64	1,482	
	485	1,948	

Share-based compensation plans

#### Performance Stock Units (PSUs)

A discussion of the PSU plan including its grant components and their terms is set forth in the summary of significant accounting policies in the consolidated annual financial statements. The estimated cost of the PSU plan is being amortized on a straight-line basis over the three-year vesting period. The performance factor for the standard PSU grants is currently estimated at an average of 65% for the six months ended February 29, 2024 (six months ended February 28, 2023: 141%). PSU expense of \$93 has been recorded for the three months ended February 29, 2024 (three months ended February 28, 2023: expense of \$137) within general and administrative expenses in the consolidated interim statements of earnings, and PSU expense recovery of \$36 has been recorded for the six months ended February 29, 2024 (six months ended February 28, 2023: recovery of \$63).

A summary of the Company's PSU plan is presented below:

Civ	months	andad

	February 29,	February 28,
	2024	2023
	Notional	Notional
	Units (000s)	Units (000s)
Outstanding at beginning of period	1,437	1,792
Settled	(259)	-
Outstanding at November 30	1,178	1,792
Granted	407	773
Settled	(415)	(1,128)
Outstanding at end of period	1,170	1,437

#### **Deferred Stock Units (DSUs)**

A discussion of the DSU plan including its grant components and their terms is set forth in the summary of significant accounting policies in the consolidated annual financial statements. For the three months ended February 29, 2024, DSU expense of \$46 was recorded (three months ended February 28, 2023: recovery of \$38) within general and administrative expenses in the consolidated interim statements of earnings and for the six months ended February 29, 2024, DSU expense of \$12 was recorded (six months ended February 28, 2023: recovery of \$114).

A summary of the Company's DSU plan is presented below:

Civ	months	andad
	1110111113	CHUCU

	February 29,	February 28,
	2024	2023
	Notional	Notional
	Units (000s)	Units (000s)
Outstanding at beginning of period	268	603
Outstanding at November 30	268	603
Granted	88	46
Outstanding at end of period	356	649

#### 10. Right-of-Use Assets

A summary of the Company's right-of-use assets is below:

	Three months ended		Six mon	ths ended
	February 29,	February 28,	February 29,	February 28,
	2024	2023 (Adjusted <sup>1</sup> )	2024	2023 (Adjusted <sup>1</sup> )
Opening net book value	4,275	20,503	13,305	21,256
Lease modification	-	-	(8,607)	-
Additions	2,193	-	2,193	-
Foreign exchange	53	7	92	85
Depreciation	(475)	(453)	(937)	(987)
Sublease of property (note 8)	-			(297)
Outstanding at end of period	6,046	20,057	6,046	20,057

<sup>&</sup>lt;sup>1</sup> Adjusted to include \$15,911 related to the IQTalent Nashville lease, reflecting that the right to cancel this lease expired on July 6, 2022. Please refer to note 2(b) of the fiscal 2023 annual financial statements for details.

	As at			
	February 29,	August 31,		
	2024	2023		
Cost	14,793	21,115		
Accumulated depreciation	(8,747)	(7,810)		
	6,046	13,305		

On November 30, 2023, the Company negotiated a full penalty-free termination of its leased facilities for IQTalent in Nashville, effective February 29, 2024. As a result, in the first quarter of fiscal 2024, IQTalent derecognized the original right-of-use assets of \$8,762 and recognized a separate right-of-use asset of \$155, representing the portion of the premises that was intended for use until lease termination at the end of February. The net impact of this lease modification was a \$8,607 reduction to the right-of-use assets. Please see note 8 for details.

As of February 29, 2024, the lease was fully terminated and IQTalent had no right-of-use assets associated with this lease.

#### 11. Lease Liability

A summary of the Company's lease liability is below:

	Three months ended		Six mont	nths ended	
	February 29,	ruary 29, February 28,		February 28,	
	2024	2023 (Adjusted <sup>1</sup> )	2024	2023 (Adjusted <sup>1</sup> )	
Outstanding at beginning of period	5,308	21,684	21,799	22,142	
Lease modification	-	-	(16,390)	-	
Additions	2,177	-	2,177	-	
Lease payments	(616)	(616)	(1,175)	(1,231)	
Foreign exchange	73	14	134	101	
Interest and accretion expense	105	66	502	136	
Outstanding at end of period	7,047	21,148	7,047	21,148	

<sup>&</sup>lt;sup>1</sup> Adjusted to include \$15,911 related to the IQTalent Nashville lease, reflecting that the right to cancel this lease expired on July 6, 2022. Please refer to note 2(b) of the fiscal 2023 annual financial statements for details.

	As at		
	February 29,	August 31,	
	2024 2023		
Current portion	1,611	2,788	
Non-current portion	5,436	19,011	
Total lease liabilities	7,047	21,799	

On November 30, 2023, the Company negotiated a full penalty-free termination of its leased facilities for IQTalent in Nashville, effective February 29, 2024. As a result, in the first quarter of fiscal 2024, IQTalent derecognized the original lease liability of \$16,703, and recognized a separate lease liability of \$313, representing the lease obligation until lease termination at the end of February. The net impact of this lease modification was a \$16,390 reduction in lease liabilities. Please see note 8 for details.

As of February 29, 2024, the lease was fully terminated and the Company had no lease liabilities associated with this lease.

#### 12. Professional Fees

In certain cases, provisions against certain accounts receivable are recorded for client concession reasons. It is often difficult to distinguish provisions between client concessions and credit concerns. Provision amounts are therefore aggregated and applied against professional fees.

Included within professional fees for the three months ended February 29, 2024 is an expense of \$122 related to provisions (three months ended February 28, 2023: expense of \$105). For the six months ended February 29, 2024 there is an expense of \$16 related to provisions (six months ended February 28, 2023: expense of \$89).

#### 13. Unbilled Revenue and Deferred Revenue

As at February 29, 2024, aggregate amounts billed to clients were less than the revenue to be recognized. As a result, the Company recorded a net unbilled revenue asset of \$6,171 (August 31, 2023: \$8,237) and a related increase to compensation payable of \$3,086 (August 31, 2023: \$4,119). A summary of the gross unbilled and deferred revenue amounts is below:

	As at			
	February 29, 2024	August 31, 2023		
Unbilled revenue	7,259	9,296		
Deferred revenue	(1,088)	(1,059)		
	6,171	8,237		

#### 14. Income Taxes

Income tax expense is based on domestic and international statutory income tax rates in the jurisdictions in which the Company operates and generally ranges from 26% to 30% of taxable income including federal and state obligations. These rates are then adjusted into effective tax rates based on management's estimate of the weighted average annual income tax rate expected for the full fiscal year in each jurisdiction considering income earned in each jurisdiction and available utilization of any unrecorded deferred tax assets.

The effective income tax rate for the three months ended February 29, 2024 was 30.2% (three months ended February 28, 2023: 26.3%). For the six month period ended February 29, 2024 the effective tax rate was 28.9% (six months ended February 28, 2023: 26.8%). Deferred tax assets were accrued on losses in the United States and taxes payable were accrued on profits in Canada. Tax expense was not recognized on the current period net profit in the UK as the subsidiary has prior period net operating losses for which deferred tax assets were not established to apply against current period taxable income.

#### 15. Earnings per share

#### (i) Basic

Basic earnings per share are calculated by dividing the net earnings attributable to owners of the Company by the weighted average number of common shares outstanding during the periods.

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
Net (loss) earnings for the period attributable to owners of the				
Company	(\$865)	(\$2,320)	\$2,913	(\$6,263)
Weighted average number of common shares outstanding	29,558,932	25,880,693	29,558,932	25,880,693
Basic (loss) earnings per share	(\$0.029)	(\$0.090)	\$0.099	(\$0.242)

#### (ii) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's outstanding shares for the period), based on the exercise prices attached to the stock options currently outstanding. The number of shares calculated above is compared with the number of shares that would have been issued assuming exercise of the stock options.

Three months ended		Six montl	hs ended
February 29,	February 28,	February 29,	February 28,
2024	2023	2024	2023
(\$865)	(\$2,320)	\$2,913	(\$6,263)
29,558,932	25,880,693	29,558,932	25,880,693
-	-	18,603	-
29,558,932	25,880,693	29,577,535	25,880,693
(\$0.029)	(\$0.090)	\$0.098	(\$0.242)
	(\$865) 29,558,932 29,558,932	February 29, 2023  (\$865) (\$2,320) 29,558,932 25,880,693 29,558,932 25,880,693	February 29, 2024 February 28, 2024 2023 2024  (\$865) (\$2,320) \$2,913 29,558,932 25,880,693 29,558,932 18,603  29,558,932 25,880,693 29,577,535

For the three months ended February 29, 2024, 400 thousand currently exercisable stock options were excluded as they were anti-dilutive (2023: 400 thousand).

For the six months ended February 29, 2024, no currently exercisable stock options were excluded for being anti-dilutive (2023: 400 thousand).

#### 16. Capital Stock

#### **Common Shares**

As at February 29, 2024, the authorized share capital of the Company consists of an unlimited number of Common Shares of which 29,558,932 are issued and outstanding (August 31, 2023: 29,558,932). The holders of Common Shares are entitled to share equally, share for share, in all dividends declared by the Company and equally in the event of a liquidation, dissolution or winding-up of the Company or other distribution of the assets among shareholders.

#### **Stock Options**

Stock options are granted periodically to directors, officers and employees of the Company. Cash received upon exercise of options for common shares is credited to capital stock. Total outstanding stock options are summarized as follows:

	February 29, 2024		August 31,	2023
	Number of Weighted		Number of	Weighted
	options	average	options	average
	outstanding (000s)	exercise price	outstanding (000s)	exercise price
Outstanding at beginning of period	1,365	\$1.37	400	\$0.73
Issued during the period		-	965	\$1.64
Outstanding at end of period	1,365		1,365	\$1.37
Exercisable at end of period	400		400	

The 965 thousand options issued in fiscal 2023 have not yet vested. The remaining 400 thousand options have vested and are currently exercisable. Options have an exercise price equal to the fair value of the common shares on the date of issuance. Stock option expense of \$65 and \$131 has been recorded for the three and six month periods ended February 29, 2024 (three and six months ended February 28, 2023: \$65 and \$109 respectively).

#### 17. Changes in Working Capital

Changes in working capital balances on the consolidated interim statements of cash flow are summarized as follows:

	Six months ended	Six months ended
	February 29	February 28
	2024	2023
Decrease in accounts receivable	840	9,293
Increase in income taxes receivable	(95)	(2,207)
Decrease in unbilled revenue (note 13)	2,088	1,248
Decrease (increase) in prepaid expenses and other assets	1,034	(903)
Decrease (increase) in deferred tax assets	1,141	(2,840)
(Decrease) increase in accounts payable	(1,652)	366
Decrease in other liabilities (note 8)	(1,608)	-
Decrease in compensation payable (note 9)	(12,206)	(23,959)
Increase in acquisition-related compensation payable (note 4)	-	770
Decrease in cash settled share-based compensation		(615)
	(10,458)	(18,847)

#### 18. Segmented Information

The following provides a reconciliation of the Company's consolidated interim statements of earnings by business unit segment to the consolidated results:

	Three months ended February 29, 2024			
	Caldwell	<b>IQTalent</b>	Elimination	Total
Professional fees	14,946	2,741	-	17,687
Direct expense reimbursements	179	-	-	179
Revenues	15,125	2,741	-	17,866
Cost of sales	11,546	2,515	-	14,061
Reimbursed direct expenses	179	-	-	179
Gross profit	3,400	226	-	3,626
Gross margin as a % of professional fees	22.7%	8.2%		20.5%
Selling, general and administrative	3,625	1,158	-	4,783
Operating loss	(225)	(932)	-	(1,157)
Interest expense on lease liability	101	4	-	105
Investment (income) expense	(552)	487	-	(65)
Foreign exchange loss	43	-	-	43
Earnings (loss) before tax	183	(1,423)	-	(1,240)
Income tax recovery	(3)	(372)	-	(375)
Net earnings (loss) for the period	186	(1,051)	-	(865)

	Three months ended February 28, 2023				
	Caldwell	<b>IQTalent</b>	Elimination	Total	
Professional fees	16,705	4,809	(64)	21,450	
Direct expense reimbursements	133	-	-	133	
Revenues	16,838	4,809	(64)	21,583	
Cost of sales	13,681	4,649	(64)	18,266	
Reimbursed direct expenses	133	-	-	133	
Gross profit	3,024	160	-	3,184	
Gross margin as a % of professional fees	18.1%	3.3%		14.8%	
Selling, general and administrative	3,870	2,200	-	6,070	
Restructuring expenses	-	-	-	-	
Acquisition-related expenses	_	204	-	204	
Operating loss	(846)	(2,244)	-	(3,090)	
Interest expense on lease liability	64	2	-	66	
Investment (income) expense	(325)	268	-	(57)	
Foreign exchange loss	47	-	-	47	
Loss before tax	(632)	(2,514)	-	(3,146)	
Income tax recovery	(124)	(702)	-	(826)	
Net loss for the period	(508)	(1,812)	-	(2,320)	

Six months ended February 29, 2024				
Caldwell	<b>IQTalent</b>	Elimination	Total	
29,112	5,911	-	35,023	
378	-	-	378	
29,490	5,911	-	35,401	
23,933	5,172	-	29,105	
378	-	-	378	
5,179	739	-	5,918	
17.8%	12.5%		16.9%	
6,867	2,438	-	9,305	
-	(7,979)	-	(7,979)	
(1,688)	6,280	-	4,592	
167	335	-	502	
(1,025)	970	-	(55)	
48	-	-	48	
(878)	4,975	-	4,097	
(279)	1,463	-	1,184	
(599)	3,512	-	2,913	
	Caldwell 29,112 378 29,490 23,933 378 5,179 17.8% 6,867 - (1,688) 167 (1,025) 48 (878) (279)	Caldwell         IQTalent           29,112         5,911           378         -           29,490         5,911           23,933         5,172           378         -           5,179         739           17.8%         12.5%           6,867         2,438           -         (7,979)           (1,688)         6,280           167         335           (1,025)         970           48         -           (878)         4,975           (279)         1,463	Caldwell         IQTalent         Elimination           29,112         5,911         -           378         -         -           29,490         5,911         -           23,933         5,172         -           378         -         -           5,179         739         -           17.8%         12.5%           6,867         2,438         -           -         (7,979)         -           (1,688)         6,280         -           167         335         -           (1,025)         970         -           48         -         -           (878)         4,975         -           (279)         1,463         -	

	Six months ended February 28, 2023			
_	Caldwell	<b>IQTalent</b>	Elimination	Total
Professional fees	33,680	11,581	(122)	45,139
Direct expense reimbursements	352	-	-	352
Revenues	34,032	11,581	(122)	45,491
Cost of sales	27,612	11,701	(122)	39,191
Reimbursed direct expenses	352	-	-	352
Gross profit (loss)	6,068	(120)	-	5,948
Gross margin as a % of professional fees	18.0%	-1.0%		13.2%
Selling, general and administrative	6,766	4,393	-	11,159
Restructuring expenses	266	2,264	-	2,530
Acquisition-related expenses	68	811	-	879
Operating loss	(1,032)	(7,588)	-	(8,620)
Interest expense on lease liability	133	3	-	136
Investment (income) expense	(638)	421	-	(217)
Foreign exchange loss	17	-	-	17
Loss before tax	(544)	(8,012)	-	(8,556)
Income tax recovery	(89)	(2,204)	-	(2,293)
Net loss for the period	(455)	(5,808)	-	(6,263)

The Company has consolidated operations generating business in the United States, Canada and the United Kingdom. The following provides a reconciliation of the Company's professional fees by geography:

	Three months endi	Three months ending February 29,		Six months ending February 28,		
	2024	2023	2024	2023		
United States <sup>1</sup>	12,954	17,394	25,619	35,335		
Canada	3,605	2,623	6,861	6,747		
United Kingdom	1,128	1,433	2,543	3,057		
Consolidated	17,687	21,450	35,023	45,139		

<sup>&</sup>lt;sup>1</sup> All of IQTalent's revenue was generated within the United States during the period

A summary of property and equipment, right-of-use assets, goodwill and total assets by business line is as follows:

	At February 29, 2024		At August 31, 2023			
	Caldwell	IQTalent	Total	Caldwell	IQTalent	Total
Property and equipment	1,552	136	1,688	1,519	260	1,779
Right-of-use assets	6,046	-	6,046	4,362	8,943	13,305
Goodwill	4,019	7,221	11,240	4,013	7,201	11,214
Total assets	44,721	12,751	57,472	70,024	14,620	84,644

Depreciation recorded on property and equipment and right-of-use assets and amortization of intangible assets is as follows:

	Three months ended February 29, 2024			Three months ended February 28, 2023		
	Caldwell	IQTalent	Total	Caldwell	IQTalent	Total
Depreciation expense:						
Property and equipment	100	0	100	96	16	112
Right-of-use assets	322	153	475	308	145	453
	Six months ended February 29, 2024			Six months e	nded February 2	28, 2023
	Caldwell	IQTP	Total	Caldwell	IOTP	Total
	Catamett	IQII	TOLAL	Caldwell	IQIF	Total
Depreciation expense:	catawett	IQII	TOTAL	Caluwell	IQIF	Total
Depreciation expense: Property and equipment	181	11	192	190	33	223

#### 19. Financial Instruments

#### Fair value hierarchy

The Company categorizes its financial assets measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

- Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.
- Level 2: This level includes financial instruments that are not traded in an active market and whose value is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The specific valuation techniques used to value financial instruments include quoted market prices or dealer quotes for similar instruments.
- Level 3: This level includes valuations based on inputs, which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

The Company's financial instruments measured at fair value as at February 29, 2024 and August 31, 2023 consist of a convertible promissory note receivable and marketable securities, which are comprised of certain equity securities held for investment obtained through search fees being paid partially in equity of the client as discussed in note 5. Investments also include an equity-accounted investment in an associate, IQRecruit Inc., as discussed in note 5.

The following table details the fair value hierarchy of the Company's financial instruments measured at fair value by level as at February 29, 2024:

#### February 29, 2024

	Level 1	Level 2	Level 3
Marketable securities	2	-	69
Note receivable	-	-	678
Investment in associate	-	1,082	-

The following table details the fair value hierarchy of the Company's financial instruments measured at fair value by level as at August 31, 2023:

#### August 31, 2023

_	Level 1	Level 2	Level 3
Marketable securities	5	-	34
Note receivable	-	-	677
Investment in associate	-	1,323	-

#### 20. Credit Facilities

The Company maintains a \$5,000 revolving demand, floating-rate credit facility with TD Bank (the "Credit Facility") for future working capital needs. The facility is limited based on 80.0% of the eligible accounts receivable for the Caldwell executive search business in the United States and Canada as defined in the credit agreement, and further reduced to the extent the facility is used in connection with the issuance of letters of credit. The net amount the Company is eligible to borrow at February 29, 2024 is \$4,617 (August 31, 2023: \$4,643). The facility bears variable interest on drawn amounts based on the Canadian prime rate plus 1.0% per annum. As at February 29, 2024, no amounts were outstanding on the credit facility (August 31, 2023: \$nil) and letters of credit of \$383 (August 31, 2023: \$357) have been issued against the facility.