THE CALDWELL PARTNERS INTERNATIONAL INC.

Consolidated Interim Financial Statements

Second Quarters Ended
February 28, 2025 and February 29, 2024
(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 consolidated interim 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/ "C. Christopher Beck"

C. Christopher Beck
PRESIDENT AND CHIEF EXECUTIVE OFFICER

/s/ "Shreya Lathia"

Shreya Lathia
VP AND CHIEF FINANCIAL OFFICER

April 10, 2025

THE CALDWELL PARTNERS INTERNATIONAL INC.
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(unaudited - in $000s Canadian)

	As at February 28 2025	*As at August 31 2024*
Assets		
Current Assets		
Cash and cash equivalents	7,796	19,634
Accounts receivable	15,461	12,664
Income taxes receivable	244	177
Unbilled revenue (note 12)	6,650	5,859
Prepaid expenses and other assets	1,976	2,327
	32,127	40,661
Non-current assets		
Prepaid expenses and other assets	293	276
Investments (notes 4 and 18)	1,737	1,682
Advances	1,254	904
Deferred income taxes	7,892	6,851
Property and equipment	1,652	1,698
Right-of-use assets (note 9)	5,123	5,406
Intangible assets	65	88
Goodwill	11,831	11,186
Total Assets	61,974	68,752
Liabilities		
Current liabilities		
Accounts payable	2,862	3,409
Dividend payable (note 15)	74	-
Compensation payable (note 8)	18,566	26,023
Lease liability (note 10)	1,643	1,644
	23,145	31,076
Non-Current liabilities		
Compensation payable (note 8)	730	692
Lease liability (note 10)	4,588	4,858
	28,463	36,626
Equity attributable to owners of the Company		
Share capital	15,392	15,392
Contributed surplus	15,671	15,541
Treasury shares	(6)	-
Accumulated other comprehensive income	2,957	1,802
Deficit	(503)	(609)
Total equity	33,511	32,126
Total liabilities and equity	61,974	68,752

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

Signed on behalf of the Board:

/s/ "Rosemary Zigrossi"
Rosemary Zigrossi
Chair, Audit Committee

/s/ "John Young"
John Young
Chair, Corporate Governance and Nominating Committee

THE CALDWELL PARTNERS INTERNATIONAL INC.
CONSOLIDATED INTERIM STATEMENTS OF EARNINGS
(unaudited - in $000s Canadian, except per share amounts)

	Three months ended		*Six months ended*	
	February 28, 2025	*February 29, 2024*	*February 28, 2025*	*February 29, 2024*
Revenues				
Professional fees (note 11)	22,987	17,687	44,142	35,023
Direct expense reimbursements	171	179	376	378
	23,158	17,866	44,518	35,401
Cost of sales expenses				
Cost of sales (note 5)	18,187	14,061	35,130	29,105
Reimbursed direct expenses	171	179	376	378
	18,358	14,240	35,506	29,483
Gross Profit	4,800	3,626	9,012	5,918
Selling, general and administrative (notes 5 and 6)	5,449	4,783	9,642	9,305
Restructuring and other income (note 7)	-	-	-	(7,979)
	5,449	4,783	9,642	1,326
Operating Profit (Loss)	(649)	(1,157)	(630)	4,592
Finance expenses (income)				
Interest expense on lease liability (note 10)	99	105	200	502
Investment income (note 4)	(64)	(65)	(185)	(55)
Foreign exchange (income) loss	(389)	43	(855)	48
Earnings (loss) before income tax	(295)	(1,240)	210	4,097
Income tax expense (recovery) (note 13)	(84)	(375)	(44)	1,184
Net earnings (loss) for the period attributable to owners of the Company	(211)	(865)	254	2,913
Earnings (loss) per share (note 14)				
Basic	($0.007)	($0.029)	$0.009	$0.099
Diluted	($0.007)	($0.029)	$0.009	$0.098

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE EARNINGS
(unaudited - in $000s Canadian)

	Three months ended		*Six months ended*	
	February 28, 2025	*February 29, 2024*	*February 28, 2025*	*February 29, 2024*
Net earnings (loss) for the period	(211)	(865)	254	2,913
Other comprehensive income (loss):				
Items that may be reclassified subsequently to net earnings				
Gain on marketable securities (note 4)	-	31	1	36
Cumulative translation adjustment	535	(27)	1,154	(24)
	324	(861)	1,409	2,925

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

THE CALDWELL PARTNERS INTERNATIONAL INC.
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(unaudited - in $000s Canadian)

					Accumulated Other Comprehensive Income (Loss)		
	Deficit	Share Capital	Contributed Surplus	Treasury Shares	Cumulative Translation Adjustment	(Loss)Gain on Marketable Securities	Total Equity
Balance - August 31, 2023	**(4,797)**	**15,392**	**15,282**	**-**	**1,886**	**(39)**	**27,724**
Net earnings for the six months ended February 29, 2024	2,913	-	-	-	-	-	2,913
Share-based payment expense (note 15)	-	-	131	-	-	-	131
Gain on marketable securities available for sale (note 4)	-	-	-	-	-	36	36
Change in cumulative translation adjustment	-	-	-	-	(24)	-	(24)
Balance - February 29, 2024	**(1,884)**	**15,392**	**15,413**	**-**	**1,862**	**(3)**	**30,780**
Balance - August 31, 2024	**(609)**	**15,392**	**15,541**	**-**	**1,806**	**(4)**	**32,126**
Net earnings for the six months ended February 28, 2025	254	-	-	-	-	-	254
Share-based payment expense (note 15)	-	-	130	-	-	-	130
Dividend payments declared (note 15)	(148)	-	-	-	-	-	(148)
Gain on marketable securities available for sale (note 4)	-	-	-	-	-	1	1
Treasury Shares (note 15)	-	-	-	(6)	-	-	(6)
Change in cumulative translation adjustment	-	-	-	-	1,154	-	1,154
Balance - February 28, 2025	**(503)**	**15,392**	**15,671**	**(6)**	**2,960**	**(3)**	**33,511**

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

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF CASH FLOW

(unaudited - in $000s Canadian)

	Six months ended	
	February 28, 2025	*February 29, 2024*
Cash flow provided by (used in)		
Operating activities		
Net earnings for the period	254	2,913
Add (deduct) items not affecting cash		
Depreciation of property and equipment (note 5)	217	192
Depreciation of right-of-use assets (note 9)	664	937
Amortization of intangible assets (note 5)	28	27
Amortization of advances	687	248
Interest expense on lease liabilities (note 10)	200	502
Share based payment expense (note 15)	130	131
Gain on unrealized foreign exchange on subsidiary loans	(576)	(37)
Losses related to equity accounted associate (notes 4 and 18)	60	246
Gain on lease modification (note 7)	-	(7,741)
Changes in working capital (note 16)	(12,382)	(10,458)
Net cash used in operating activities	(10,718)	(13,040)
Investing activities		
Purchase of property and equipment	(119)	(211)
Payment of advances	(1,130)	(21)
Repayment of advances	859	-
Sale of marketable securities	-	68
Purchase of marketable securities	-	(64)
Net cash used in investing activities	(390)	(228)
Financing activities		
Payment of lease liabilities (note 10)	(881)	(1,175)
Payment of dividends (note 15)	(74)	-
Purchase of treasury shares (note 15)	(6)	-
Sublease payments received	-	16
Net cash used in financing activities	(961)	(1,159)
Effect of exchange rate changes on cash and cash equivalents	231	(66)
Net decrease in cash and cash equivalents	(11,838)	(14,493)
Cash and cash equivalents, beginning of year	19,634	22,053
Cash and cash equivalents, end of period	7,796	7,560

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

THE CALDWELL PARTNERS INTERNATIONAL INC.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTERS ENDED FEBRUARY 28, 2025 AND FEBRUARY 29, 2024

(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 ("UK"), the subsidiary is The Caldwell Partners International Europe, Ltd.

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, 2024, which have been prepared in accordance with the IFRS Accounting Standards.

The Board of Directors approved these consolidated interim financial statements for issue on April 10, 2025.

3. Summary of Material Accounting Policies, Judgments and Estimation Uncertainty

The accounting policies adopted are consistent with those of the previous fiscal year except for the below:

Treasury Shares

When the Company repurchases its own equity instruments, these instruments are treated as treasury shares and are deducted from equity at their cost. Upon cancellation, any gain or loss is recognized in Contributed Surplus. No gain or loss is recognized in the consolidated interim statement of earnings on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Recently adopted accounting standards

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. The Company adopted these amendments in its consolidated financial statements for the annual period beginning September 1, 2024. The adoption of these amendments did not have a material impact on the Company.

Accounting standards issued but not yet applied

Presentation and disclosure in financial statements (IFRS 18)
IFRS 18 was issued in April 2024 and applies to an annual reporting period beginning on or after 1 January 2027. The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.

IFRS 18 promotes a more structured income statement. In particular, it introduces a newly defined 'operating profit' subtotal and a requirement for all income and expenses to be classified into three new distinct categories, namely operating, investing and financing, based on a company's main business activities. Companies often use 'non-GAAP' information to explain their financial performance because it allows them to tell their own story and provides investors with useful insight into a company's performance. IFRS 18 requires some of these 'non-GAAP' measures to be reported in the financial statements. To provide investors with better insight into financial performance, the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether material information is included in the primary financial statements or is further disaggregated in the notes.

The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning September 1, 2027. The Company is assessing the impact of this standard on its reporting.

4. 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:

<u>Investment in associate</u>

On March 1, 2023, the Company announced the spin-off of its software business from its IQTalent business segment into a newly formed entity, IQRecruit, Inc. in exchange for approximately 41.9% of the new entity. IQRecruit is currently conducting business under the brand name "HootRecruit". As at February 28, 2025, the Company's ownership interest has been diluted to 29.7% as a result of ongoing issuances in which the Company did not participate, while the Company's voting rights are limited to 20% in accordance with the shareholder agreement. The Company continues to have 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. IQTalent is a user and client of the IQRecruit platform through a licensing arrangement that management believes approximates an arm's length transaction. This arrangement was terminated in March 2025.

As at February 28, 2025, the value of this equity investment was $912 (August 31, 2024: $911). The Company's share of IQRecruit's net losses, net of any dilution gains or losses, was $32 and $60 for the three and six months ended February 28, 2025, respectively ($109 and $246 for the three and six months ended February 28, 2024, respectively).

Convertible Promissory Note Receivable

The Company has invested $500 USD ($722 CAD at February 28, 2025 and $675 CAD at August 31, 2024) in a note receivable at Skyminyr Inc. ("Skyminyr") 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 Company is also working with HelloSky as a client, leveraging its candidate search capabilities into search processes at both IQTalent and Caldwell.

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 Skyminyr 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 Skyminyr. 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 28, 2025, 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 28, 2025, gains or losses related to the Note were $nil (three and six months ended February 29, 2024: $nil).

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 28, 2025, investment income included $97 and $240, respectively, of interest on term deposits (three and six months ended February 29, 2024: $174 and $301, respectively).

Fair value through OCI:

Marketable Securities

The Company's marketable securities at February 28, 2025 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 $103 as of February 28, 2025 (August 31, 2024: $96).

For the three months ended February 28, 2025, an unrealized gain of $nil was recognized on equity securities obtained through search fees as part of other comprehensive income (three months ended February 29, 2024: unrealized gain of $31).

For the six months ended February 28, 2025, an unrealized gain of $1 was recognized on equity securities obtained through search fees as part of other comprehensive income (six months ended February 29, 2024: unrealized gain of $36).

5. Nature of Expenses

The details of the nature of expenses in arriving at operating profit or loss is as follows:

	Three months ended		Six months ended	
	February 28, 2025	February 29, 2024	February 28, 2025	February 29, 2024
Compensation costs	19,755	15,236	38,206	31,345
Occupancy costs, including ROU asset depreciation	1,088	1,298	2,135	2,730
Partner meetings	719	11	760	78
Search execution materials	641	742	1,259	1,571
Sales and marketing	290	457	506	871
Audit, insurance and investor relations	255	184	448	393
Partner recruitment expenses	242	268	349	317
Reimbursed direct expenses	171	179	376	378
Legal and consulting expenses	149	55	218	125
Depreciation of property and equipment	111	100	217	192
Amortization of intangible assets	14	13	28	27
Restructuring and other (note 7)	-	-	-	(7,979)
Other	372	480	646	761
Total	23,807	19,023	45,148	30,809

6. Compensation of Key Management

Key management includes the Board of Directors and four officers of the Company.

	Three months ended		Six months ended	
	February 28, 2025	February 29, 2024	February 28, 2025	February 29, 2024
Salaries, bonuses and short-term benefits	759	549	1,549	1,302
Share-based compensation expense	245	219	442	143
	1,004	768	1,991	1,445

7. Restructuring and other

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 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, the Company 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. The Company recognized expenses 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. No further restructuring activities were undertaken during the remainder of fiscal 2024 or the first six months of fiscal 2025.

8. 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. While all amounts had been fully amortized by December 31, 2022, $1,481 was deferred until September 15, 2024, and was presented as part of compensation payable. As of February 28, 2025, all amounts have been fully settled.

Compensation payable as of February 28, 2025 also includes the remaining separation payments due to David Windley described in note 7 of $67 ($442 as at August 31, 2024).

Compensation payable consisted of the following:

Current compensation payable

	As at	
	February 28, 2025	August 31, 2024
Salaries, commissions and bonuses	18,231	24,004
Acquisition and restructuring-related compensation	67	1,923
Performance Stock Units	268	96
	18,566	26,023

Non-current compensation payable

	As at	
	February 28, 2025	August 31, 2024
Deferred Stock Units	382	314
Performance Stock Units	348	378
	730	692

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 material 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 PSU grants is currently estimated at an average of 83% for the six months ended February 28, 2025 (six months ended February 29, 2024: 65%).

PSU expense of $137 has been recorded for the three months ended February 28, 2025 (three months ended February 29, 2024: expense of $93) within general and administrative expenses in the consolidated interim statements of earnings, and PSU expense of $246 has been recorded for the six months ended February 28, 2025 (six months ended February 29, 2024: recovery of $36).

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

	Six months ended	
	February 28, 2025	February 29, 2024
	Notional Units (000s)	Notional Units (000s)
Outstanding at beginning of period	1,170	1,437
Settled	-	(259)
Dividends declared	3	-
Outstanding at November 30	1,173	1,178
Granted	550	407
Settled	(147)	(415)
Dividends declared	3	-
Outstanding at end of period	1,579	1,170

Deferred Stock Units (DSUs)

A discussion of the DSU plan including its grant components and their terms is set forth in the summary of material accounting policies in the consolidated annual financial statements. For the three months ended February 28, 2025, DSU expense of $43 was recorded (three months ended February 29, 2024: expense of $46) within general and administrative expenses in the consolidated interim statements of earnings and for the six months ended February 28, 2025, DSU expense of $67 was recorded (six months ended February 29, 2024: expense of $12).

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

	Six months ended	
	February 28, 2025	February 29, 2024
	Notional Units (000s)	Notional Units (000s)
Outstanding at beginning of period	304	268
Dividends declared	2	-
Outstanding at November 30	306	268
Granted	60	88
Dividends declared	1	-
Outstanding at end of period	367	356

9. Right-of-Use Assets (ROU)

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

	Three months ended		Six months ended	
	February 28, 2025	February 29, 2024	February 28, 2025	February 29, 2024
Opening net book value	5,186	4,275	5,406	13,305
Lease modification	-	-	-	(8,607)
Additions	181	2,193	181	2,193
Foreign exchange	93	53	200	92
Depreciation	(337)	(475)	(664)	(937)
Closing net book value	5,123	6,046	5,123	6,046

	As at	
	February 28, 2025	August 31, 2024
Cost	12,104	11,723
Accumulated depreciation	(6,981)	(6,317)
	5,123	5,406

On November 30, 2023, the Company negotiated a full penalty-free termination of its leased facilities for IQTalent in Nashville. The net impact of this lease modification was $8,607 reduction in right-of-use assets. The premises were vacated on February 29, 2024, consistent with the lease termination agreement.

10. Lease Liability

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

	Three months ended		Six months ended	
	February 28, 2025	February 29, 2024	February 28, 2025	February 29, 2024
Outstanding at beginning of period	6,292	5,308	6,502	21,799
Lease modification	-	-	-	(16,390)
Additions	181	2,177	181	2,177
Lease payments	(449)	(616)	(881)	(1,175)
Foreign exchange	108	73	229	134
Interest and accretion expense	99	105	200	502
Outstanding at end of period	6,231	7,047	6,231	7,047

	As at	
	February 28, 2025	August 31, 2024
Current portion	1,643	1,644
Non-current portion	4,588	4,858
Total lease liabilities	6,231	6,502

On November 30, 2023, the Company negotiated a full penalty-free termination of its leased facilities for IQTalent in Nashville. The net impact of this lease modification was a $16,390 reduction in lease liabilities. The premises were vacated on February 29, 2024, consistent with the lease termination agreement.

11. Professional Fees

Provisions against certain accounts receivable may be recorded for client concession reasons or for credit concerns. It is often difficult to distinguish provisions between client concessions and credit concerns. Provision amounts are therefore presented aggregated against professional fees.

Included within professional fees for the three months ended February 28, 2025 is an expense of $121 related to provisions (three months ended February 29, 2024: expense of $122). For the six months ended February 28, 2025 there is an expense of $139 related to provisions (six months ended February 29, 2024: expense of $16).

12. Unbilled Revenue and Deferred Revenue

As at February 28, 2025 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 $6,650 (August 31, 2024: $5,859) and a related increase to compensation payable of $3,199 (August 31, 2024: $2,929). A summary of the gross unbilled and deferred revenue amounts is below:

	As at	
	February 28, 2025	August 31, 2024
Unbilled revenue	8,727	7,160
Deferred revenue	(2,077)	(1,301)
	6,650	5,859

13. 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.

Our income tax expense effectively represents the tax on our US and Canadian operations, without the tax benefits of any current period UK losses given the uncertainty of utilizing these losses against future taxable income. In periods when the UK is profitable, we will not need to recognize tax expense until our historical tax loss carryforwards have been fully utilized, or until we recognize UK deferred tax assets on the loss carryforwards once we can demonstrate sustainable taxable income in the UK. Therefore, in periods when the UK generates profit, we will incur lower than expected taxes based on statutory tax rates.

The effective income tax rate for the three months ended February 28, 2025 was 28.5% (three months ended February 29, 2024: 30.2%). For the six-month period ended February 28, 2025 the effective tax rate was 21.0% (six months ended February 29, 2024: 28.9%). No income taxes were recognized on Caldwell's UK profits during the period, resulting in a lower effective tax rate for Caldwell, and an income tax recovery on a consolidated basis for the six months ended February 28, 2025.

14. 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 28, 2025	February 29, 2024	February 28, 2025	February 29, 2024
Net (loss) earnings for the period attributable to owners of the Company	($211)	($865)	$254	$2,913
Weighted average number of common shares outstanding excluding weighted average number of treasury shares	29,558,272	29,558,932	29,558,604	29,558,932
Basic earnings (loss) per share	($0.007)	($0.029)	$0.009	$0.099

(ii) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of common shares outstanding to assume the conversion of all dilutive potential common shares. A calculation is performed 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 months ended	
	February 28, 2025	February 29, 2024	February 28, 2025	February 29, 2024
Net (loss) earnings for the period attributable to owners of the Company	($211)	($865)	$254	$2,913
Weighted average number of common shares outstanding excluding weighted average number of treasury shares	29,558,272	29,558,932	29,558,604	29,558,932
Adjustment for Stock options	-	-	141,279	18,603
Weighted average number of common shares for diluted earnings per share	29,699,551	29,558,932	29,699,883	29,577,535
Diluted earnings (loss) per share	($0.007)	($0.029)	$0.009	$0.098

For the three months ended February 28, 2025, 400 thousand currently exercisable stock options were excluded for being anti-dilutive (February 29, 2024: 400 thousand).

For the six months ended February 28, 2025, no currently exercisable stock options were excluded for being anti-dilutive (February 29, 2024: nil).

15. Capital Stock

Common Shares

As at February 28, 2025, the authorized share capital of the Company consists of an unlimited number of Common Shares of which 29,553,532 are issued and outstanding (August 31, 2024: 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 liquidation, dissolution or winding-up of the Company or other distribution of the assets among shareholders.

On January 27, 2025, the Company announced that the Toronto Stock Exchange the ("**TSX**") had accepted the notice (the "**Notice**") of our intention to commence a normal course issuer bid (the "Bid") to purchase for cancellation up to 2,370,191 common shares in the capital of the Company in total, being 10% of the public float of 23,701,905 Common Shares as at January 15, 2025, to be transacted through the facilities of the TSX or through a Canadian alternative trading system, at prevailing market prices or as otherwise permitted. In accordance with the rules of the TSX, unless an applicable exemption can be relied on, the total number of Common Shares the Company is permitted to purchase is subject to a daily purchase limit of 2,300 Common Shares, representing 25% of the average daily trading volume of Common Shares on the TSX calculated for the six-month period ended December 31, 2024, being approximately 9,201 Common Shares. The actual number of Common Shares that may be purchased pursuant to the Bid will be determined by management and the Board of Directors of the Company. The Bid commenced on January 29, 2025 and will terminate on January 28, 2026, or such earlier time as the Bid is completed or terminated at the option of the Company.

5,400 common shares were purchased during the second quarter ended February 28, 2025 at an average price of $1.09 for a total amount of $6. A copy of the Notice filed with the TSX in connection with the Bid can be obtained from the Company upon request without charge. These shares were subsequently cancelled in March 2025.

Effective January 9, 2025, the Board of Directors declared a dividend of 0.25 cents per Common Share (one-quarter of a cent per Common Share), payable to holders of Common Shares of record on January 20, 2025, and to be paid on March 14, 2025. The dividend payable of $74 has been accrued in the Company's consolidated financial statements as at February 28, 2025.

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 28, 2025		August 31, 2024	
	Number of options outstanding (000s)	Weighted average exercise price	Number of options outstanding (000s)	Weighted average exercise price
Outstanding at beginning of period	1,365	$1.37	1,365	$1.37
Outstanding at end of period	1,365	$1.37	1,365	$1.37
Exercisable at end of period	400		400	

The 965,000 options issued in fiscal 2023 have not yet vested. The remaining 400,000 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 $130 has been recorded for the three and six month periods ended February 28, 2025 (three and six months ended February 29, 2024: $65 and $131, respectively).

16. Changes in Working Capital

Changes in working capital balances on the consolidated interim statements of cash flow, net of the related currency translation impacts, are summarized as follows:

	Six months ended	
	February 28, 2025	February 29, 2024
(Increase) decrease in accounts receivable	(2,039)	840
Increase in income taxes receivable	(47)	(95)
(Increase) decrease in unbilled revenue (note 12)	(449)	2,088
(Increase) decrease in prepaid expenses and other assets	(251)	1,034
(Increase) decrease in deferred tax assets	(563)	1,141
Decrease in accounts payable	(1,612)	(1,652)
Decrease in other liabilities	-	(1,608)
Decrease in compensation payable (note 8)	(7,421)	(12,206)
	(12,382)	(10,458)

17. 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 28, 2025		
	Caldwell	IQTalent	Total
Professional fees	20,190	2,797	22,987
Direct expense reimbursements	171	-	171
Revenues	20,361	2,797	23,158
Cost of sales	15,936	2,251	18,187
Reimbursed direct expenses	171	-	171
Gross profit	4,254	546	4,800
Gross profit as a % of professional fees	21.1%	19.5%	20.9%
Selling, general and administrative	4,614	835	5,449
Operating loss	(360)	(289)	(649)
Interest expense on lease liability	99	-	99
Investment (income) expense	(501)	437	(64)
Foreign exchange income	(389)	-	(389)
Earnings (loss) before tax	431	(726)	(295)
Income tax (recovery) expense	110	(194)	(84)
Net earnings (loss) for the period	321	(532)	(211)

	Three months ended February 29, 2024		
	Caldwell	IQTalent	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 profit 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)

	Six months ended February 28, 2025		
	Caldwell	IQTalent	Total
Professional fees	38,579	5,563	44,142
Direct expense reimbursements	376	-	376
Revenues	38,955	5,563	44,518
Cost of sales	30,702	4,428	35,130
Reimbursed direct expenses	376	-	376
Gross profit	7,877	1,135	9,012
Gross profit as a % of professional fees	20.4%	20.4%	20.4%
Selling, general and administrative	8,063	1,579	9,642
Operating loss	(186)	(444)	(630)
Interest expense on lease liability	200	-	200
Investment (income) expense	(1,049)	864	(185)
Foreign exchange income	(855)	-	(855)
Earnings (loss) before tax	1,518	(1,308)	210
Income tax (recovery) expense	304	(348)	(44)
Net earnings (loss) for the period	1,214	(960)	254

	Six months ended February 28, 2024		
	Caldwell	IQTalent	Total
Professional fees	29,112	5,911	35,023
Direct expense reimbursements	378	-	378
Revenues	29,490	5,911	35,401
Cost of sales	23,933	5,172	29,105
Reimbursed direct expenses	378	-	378
Gross profit	5,179	739	5,918
Gross profit as a % of professional fees	17.8%	12.5%	16.9%
Selling, general and administrative	6,867	2,438	9,305
Restructuring and other income	-	(7,979)	(7,979)
Operating profit (loss)	(1,688)	6,280	4,592
Interest expense on lease liability	167	335	502
Investment (income) expense	(1,025)	970	(55)
Foreign exchange loss	48	-	48
Earnings (loss) before tax	(878)	4,975	4,097
Income tax (recovery) expense	(279)	1,463	1,184
Net earnings (loss) for the period	(599)	3,512	2,913

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 ending		Six months ending	
	February 28, 2025	February 29, 2024	February 28, 2025	February 29, 2024
United States[1]	16,911	12,954	32,276	25,619
Canada	4,600	3,605	7,895	6,861
United Kingdom	1,476	1,128	3,971	2,543
Consolidated	22,987	17,687	44,142	35,023

[1] *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 28, 2025			At August 31, 2024		
	Caldwell	IQTalent	Total	Caldwell	IQTalent	Total
Property and equipment	1,527	125	1,652	1,587	111	1,698
Right-of-use assets	5,123	-	5,123	5,406	-	5,406
Goodwill	4,148	7,683	11,831	4,007	7,179	11,186
Total assets[1]	45,997	15,977	61,974	53,328	15,424	68,752

[1] *Presented net of intercompany advances that are eliminated upon consolidation*

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

	Three months ended February 28, 2025			Three months ended February 29, 2024		
	Caldwell	IQTalent	Total	Caldwell	IQTalent	Total
Depreciation expense:						
Property and equipment	99	12	111	100	-	100
Right-of-use assets	337	-	337	322	153	475

	Six months ended February 28, 2025			Six months ended February 29, 2024		
	Caldwell	IQTalent	Total	Caldwell	IQTalent	Total
Depreciation expense:						
Property and equipment	193	24	217	181	11	192
Right-of-use assets	664	-	664	569	368	937

18. Fair Value Measurement

Fair value hierarchy

The Company categorizes its 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 28, 2025 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 4. Investments also include an equity-accounted investment in an associate, IQRecruit Inc., as discussed in note 4.

The following table details the fair value hierarchy of the Company's financial instruments measured at fair value by level:

February 28, 2025

	Level 1	Level 2	Level 3
Marketable securities	-	-	103
Note receivable	-	-	722
Investment in associate	-	912	-

The following table details the fair value hierarchy of the Company's financial instruments measured at fair value by level as at August 31, 2024:

August 31, 2024

	Level 1	Level 2	Level 3
Marketable securities	1	-	95
Note receivable	-	-	675
Investment in associate	-	911	-

19. 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 28, 2025 is $4,594 (August 31, 2024: $4,619). The facility bears variable interest on drawn amounts based on the Canadian prime rate plus 1.0% per annum. As at February 28, 2025, no amounts were outstanding on the credit facility (August 31, 2024: $nil) and letters of credit of $406 (August 31, 2024: $381) have been issued against the facility.

20. Subsequent Event

Effective April 10, 2025, the Board of Directors declared a dividend of 0.25 cents per Common Share (one-quarter of a cent per Common Share), payable to holders of Common Shares of record on April 22, 2025, to be paid on June 17, 2025.