MDA LTD.

Interim Condensed Consolidated Financial Statements

For the three and six months ended
June 30, 2022 and 2021

(In millions of Canadian dollars)

MDA Ltd.
Consolidated Statement of Operations and Comprehensive Income (Loss)
For the three and six months ended June 30, 2022 and 2021
(In millions of Canadian dollars except per share figures)

	Note	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Revenue	4	$ 154.7	$ 126.7	$ 283.1	$ 250.1
Cost of revenue					
Materials, labour and subcontractors	6	(97.5)	(76.4)	(158.4)	(155.5)
Depreciation and amortization of assets	8, 9, 10	(5.8)	(5.7)	(11.6)	(11.6)
Gross profit		**51.4**	**44.6**	**113.1**	**83.0**
Operating expenses					
Selling, general and administration	6	(13.8)	(12.0)	(28.1)	(26.1)
Research and development, net	6	(8.7)	(3.0)	(17.2)	(5.3)
Amortization of intangible assets	10	(12.9)	(14.8)	(26.9)	(28.4)
Share-based compensation	13	(1.4)	(3.7)	(3.0)	(7.3)
Operating income		**14.6**	**11.1**	**37.9**	**15.9**
Other income (expenses)					
Government grant income		—	4.8	—	14.9
Unrealized gain (loss) on financial instruments	14	(4.1)	1.8	(9.4)	(0.2)
Foreign exchange gain (loss)		2.1	(2.0)	(0.1)	(4.9)
Finance costs	12	(24.7)	(13.9)	(29.0)	(24.3)
Other		—	0.9	—	0.9
Income (loss) before income taxes		**(12.1)**	**2.7**	**(0.6)**	**2.3**
Income tax recovery (expense)		3.3	(2.8)	0.2	(4.0)
Net loss		**(8.8)**	**(0.1)**	**(0.4)**	**(1.7)**
Other comprehensive income (loss)					
Gain on translation of foreign operations		0.1	4.3	0.5	1.0
Remeasurement gain on defined benefit plans	17	17.8	—	17.8	—
Total comprehensive income (loss)		**$ 9.1**	**$ 4.2**	**$ 17.9**	**$ (0.7)**
Loss per share:					
Basic	15	$ (0.07)	$ (0.00)	$ (0.00)	$ (0.02)
Diluted	15	(0.07)	(0.00)	(0.00)	(0.02)
Weighted-average common shares outstanding:					
Basic	15	118,691,628	116,195,542	118,691,628	99,756,562
Diluted	15	121,833,436	125,892,371	124,531,335	106,896,456

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

MDA Ltd.
Consolidated Statement of Financial Position
June 30, 2022
(In millions of Canadian dollars)

As at	Note	June 30, 2022	December 31, 2021
Assets			
Current assets:			
Cash and equivalents		$ 8.8	$ 83.6
Trade and other receivables		108.8	92.6
Unbilled receivables		100.5	83.7
Inventories		7.5	8.0
Income taxes receivable		12.0	13.1
Other current assets	7	17.9	12.8
		255.5	**293.8**
Non-current assets:			
Property, plant and equipment	8	170.5	109.9
Right-of-use assets	9	10.7	14.8
Intangible assets	10	564.1	571.2
Goodwill		419.9	419.9
Deferred income tax assets		23.3	19.3
Other non-current assets	7	138.5	105.7
Total assets		**$ 1,582.5**	**$ 1,534.6**
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued liabilities		$ 85.5	$ 71.3
Income taxes payable		12.3	11.8
Contract liabilities		102.3	91.5
Current portion of net employee benefit payable		37.5	38.8
Current portion of lease liabilities	9	7.8	7.9
Other current liabilities		4.3	4.6
		249.7	**225.9**
Non-current liabilities:			
Net employee defined benefit payable		20.7	33.8
Lease liabilities	9	4.1	7.8
Long-term debt	11	168.4	144.7
Deferred income tax liabilities		156.9	158.4
Other non-current liabilities		2.1	2.3
Total liabilities		**601.9**	**572.9**
Shareholders' equity			
Common shares		950.7	950.7
Contributed surplus		19.9	16.9
Accumulated other comprehensive income		26.8	8.5
Deficit		(16.8)	(14.4)
Total equity		**980.6**	**961.7**
Total liabilities and equity		**$ 1,582.5**	**$ 1,534.6**

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

MDA Ltd.
Unaudited Interim Condensed Consolidated Statement of Changes in Shareholders' Equity
For the three and six months ended June 30, 2022 and 2021
(In millions of Canadian dollars)

	Note	Common shares Number	Common shares Amount	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
As at January 1, 2022		118,691,628	$ 950.7	$ 16.9	$ 8.5	$ (14.4)	$ 961.7
Impact of change in accounting policy	3(a)	—	—	—	—	(2.0)	(2.0)
Net loss		—	—	—	—	(0.4)	(0.4)
Other comprehensive income		—	—	—	18.3	—	18.3
Share-based compensation	13	—	—	3.0	—	—	3.0
As at June 30, 2022		118,691,628	**$ 950.7**	**$ 19.9**	**$ 26.8**	**$ (16.8)**	**$ 980.6**
As at January 1, 2021[1]		80,735,983	$ 480.4	$ 4.9	$ (10.6)	$ (17.3)	$ 457.4
Share capital issued[1]		37,955,645	470.3	—	—	—	470.3
Net loss		—	—	—	—	(1.7)	(1.7)
Other comprehensive income		—	—	—	1.0	—	1.0
Share-based compensation	13	—	—	5.7	—	—	5.7
As at June 30, 2021		118,691,628	**$ 950.7**	**$ 10.6**	**$ (9.6)**	**$ (19.0)**	**$ 932.7**

(1) Number of common shares reflect the six-to-one share consolidation effected upon the Company's initial public offering on April 7, 2021.

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

MDA Ltd.
Unaudited Interim Condensed Consolidated Statement of Cash Flows
For the three and six months ended June 30, 2022 and 2021
(In millions of Canadian dollars)

	Note	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Cash flows from operating activities					
Net loss		$ (8.8)	$ (0.1)	$ (0.4)	$ (1.7)
Items not affecting cash:					
Income tax expense (recovery)		(3.3)	2.8	(0.2)	4.0
Depreciation of property, plant and equipment	8	2.4	1.5	4.9	3.8
Depreciation of right-of-use assets	9	2.0	3.1	4.1	5.7
Amortization of intangible assets	10	14.3	15.9	29.5	30.5
Share-based compensation expense	13	1.4	3.7	3.0	7.3
Investment tax credits accrued	16	(8.9)	(6.8)	(31.6)	(9.2)
Finance costs	12	24.7	13.9	29.0	24.3
Unrealized loss (gain) on financial instruments		4.1	(1.8)	9.4	0.2
Changes in operating assets and liabilities	18	(20.9)	3.6	(26.0)	(18.5)
Interest paid		(10.4)	(2.0)	(11.0)	(14.4)
Income tax paid		(1.6)	(2.0)	(1.0)	(0.1)
Net cash from (used in) operating activities		**(5.0)**	**31.8**	**9.7**	**31.9**
Cash flows from investing activities					
Purchases of property and equipment	8	(42.8)	(3.0)	(67.7)	(4.5)
Purchase/development of intangible assets	10	(12.2)	(14.2)	(24.4)	(22.8)
Net cash used in investing activities		**(55.0)**	**(17.2)**	**(92.1)**	**(27.3)**
Cash flows from financing activities					
Repayment of long-term debt	11	(150.0)	(418.7)	(150.0)	(424.1)
Borrowings from senior credit facility	11	170.0	—	170.0	—
Transaction costs incurred on debt refinancing	11	(8.9)	—	(8.9)	—
Payment of lease liability (principal portion)		(1.9)	(2.0)	(4.0)	(3.8)
Proceeds from issuance of shares, net of costs		—	432.6	—	462.6
Net cash provided by financing activities		**9.2**	**11.9**	**7.1**	**34.7**
Net increase (decrease) in cash and cash equivalents		**(50.8)**	**26.5**	**(75.3)**	**39.3**
Net foreign exchange differences on cash		0.1	1.5	0.5	1.0
Cash and cash equivalents, beginning of period		59.5	90.9	83.6	78.6
Cash and cash equivalents, end of period		$ **8.8**	$ **118.9**	$ **8.8**	$ **118.9**

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

1. Nature of operations

MDA Ltd. and its subsidiaries (collectively “MDA” or the “Company”) design, manufacture, and service space robotics, satellite systems and components, and intelligence systems. MDA also provides geointelligence and earth observation solutions that incorporate data from the Company’s owned and operated satellite, RADARSAT-2, as well as third party satellite missions. MDA operates across three business areas: Geointelligence, Robotics & Space Operations, and Satellite Systems, with facilities and sites in Canada, the United Kingdom, and United States. The Company collaborates and partners with government agencies, prime contractors and emerging space companies. Notable MDA programs include the Canadarm family of space robotics for the U.S. Space Shuttle program and the International Space Station and three generations of RADARSAT Earth observation satellites for the Canadian Government.

MDA Ltd. is incorporated in Ontario and domiciled in Canada, with its head office located at 9445 Airport Road, Brampton, Ontario L6S4J3, Canada. MDA’s common shares are traded on the Toronto Stock Exchange under the symbol “MDA”.

2. Basis of preparation

(a) Statement of compliance

These accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared in accordance with IAS 34, Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The same accounting policies and methods of computation as those used in the preparation of the consolidated financial statements for the year ended December 31, 2021 were followed in the preparation of these interim condensed consolidated financial statements, except as described in note 3. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2021.

These interim condensed consolidated financial statements were approved by the Board of Directors of MDA on August 11, 2022.

(b) Basis of measurement

The interim condensed consolidated financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

The interim condensed consolidated financial statements of the Company have been prepared on the historical cost basis except for pension plan assets and liabilities and the following assets and liabilities which are measured at fair value: financial instruments at fair value through profit or loss (“FVTPL”), derivative instruments, and initial recognition of assets acquired and liabilities assumed in a business combination. Pension plan assets and liabilities are recognized as the present value of the defined benefit obligation net of the fair value of the plan assets.

(c) Seasonality and cyclicality

The Company’s operations historically have not experienced seasonality. However, the Company’s results period over period are affected by its stage in the work in progress in each of its long-term contracts. Therefore, the results of operations over a given interim period may not be indicative of full fiscal year results.

(d) Critical accounting estimates and judgments

The preparation of the Company’s interim condensed financial statements requires management to make estimates, assumptions and judgments that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Significant estimates and judgements used in preparation of the interim condensed consolidated financial statements are the same as those described in the Company's consolidated financial statements for the year ended December 31, 2021, which included considerations for the impacts of the COVID-19 pandemic.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

3. Changes in accounting policies and new accounting pronouncements

(a) Adoption of Amendment to IAS 37 *Onerous Contracts – Costs of Fulfilling a Contract*

The Company adopted the amendment to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, effective January 1, 2022. The amendment clarifies that when measuring an onerous contract provision, the costs relating directly to the contract include both incremental costs and an allocation of costs directly related to contract activities. The Company recognized a cumulative effect of $2.0 upon applying this amendment in the opening retained deficit as at January 1, 2022.

(b) Forthcoming Amendment to IAS 1 *Classification of Liabilities as Current or Non-current*

In January 2020, the IASB issued a narrow-scope amendment to IAS 1 *Presentation of Financial Statements*, which clarifies that the classification of liabilities as current or non-current are based on rights that are in existence at the end of the reporting period. The amendment aligns wording in all relevant paragraphs to refer to the right to defer settlement by at least twelve months and make explicit that only rights in place at the end of the reporting period should affect the classification of a liability. The amendment is effective for the Company on January 1, 2023. The Company is assessing the potential impact of this amendment.

4. Revenue from contracts with customers

All of the Company's revenue represents revenue from contracts with customers. Disaggregation of revenue by types of contracts and by service lines are presented in the tables below:

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Service Lines				
Geointelligence	$ 47.0	$ 48.2	$ 95.9	$ 97.2
Robotics and space operations	48.8	35.6	91.2	69.9
Satellite systems	58.9	42.9	96.0	83.0
	$ 154.7	$ 126.7	$ 283.1	$ 250.1

5. Geographic information

Segmented information is reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"), and reflects the way the CODM evaluates performance of, and allocates resources within, the business. The Company operates substantially all of its activities in one reportable segment, which includes the Geointelligence, Robotics & Space Operations and Satellite Systems operating segments. The reportable segment earns revenue by providing space solutions to customers in a similar market and is managed by the CODM.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

Revenues are attributed to geographical regions based on the location of customers as follows:

	Three months ended June 30, 2022	Three months ended June 30, 2021[1]	Six months ended June 30, 2022	Six months ended June 30, 2021 [1]
Revenue				
Canada	$ 74.8	$ 61.6	$ 143.1	$ 121.6
United States	51.1	36.7	78.2	73.1
Europe	18.5	22.0	44.8	44.2
Asia and Middle East	9.5	4.9	15.9	8.9
Other	0.8	1.5	1.1	2.3
	$ 154.7	$ 126.7	$ 283.1	$ 250.1

[1] Certain comparative amounts for the prior period have been reclassified to conform to current period presentation.

The Company's property, plant and equipment, right-of-use assets, intangible assets and goodwill are attributed to geographical regions based on the location of the assets as follows:

	June 30, 2022	December 31, 2021
Canada	$ 1,163.9	$ 1,115.0
Other	1.3	0.8
	$ 1,165.2	$ 1,115.8

6. Cost of revenue and operating expenses

The following table shows the breakdown of materials, labour and subcontractors costs included in cost of revenue:

	Note	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Labour, materials and other		$ 80.6	$ 70.4	$ 150.8	$ 143.3
Subcontractors		25.8	12.8	39.2	21.4
Investment tax credits recognized	16	(8.9)	(6.8)	(31.6)	(9.2)
		$ 97.5	$ 76.4	$ 158.4	$ 155.5

The following tables show the breakdowns of selling, general and administration expenses and research and development, net included in operating expenses:

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Selling, general and administration				
General and administration	$ 7.4	$ 6.2	$ 15.8	$ 14.3
Selling and marketing	6.4	5.8	12.3	11.8
	$ 13.8	$ 12.0	$ 28.1	$ 26.1
Research and development, net				
Research and development expense	$ 9.3	$ 12.4	$ 19.5	$ 21.1
Research and development recovery	(0.6)	(9.4)	(2.3)	(15.8)
	$ 8.7	$ 3.0	$ 17.2	$ 5.3

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

7. Other assets

	Note	June 30, 2022	December 31, 2021
Prepaid expenses		$ 30.0	$ 13.2
Advances to suppliers		3.2	1.8
Investment tax credits receivable	16	95.3	67.8
Deferred financing fees on long-term debt		—	6.0
Investment in equity securities		3.0	7.7
Derivative assets		1.8	9.5
Pension plan assets		23.1	12.5
		$ 156.4	$ 118.5
Current portion		$ 17.9	$ 12.8
Non-current portion		$ 138.5	$ 105.7

8. Property, plant and equipment

	Land, buildings and leasehold improvements	Equipment	Furniture, fixtures and computer hardware	Capital in progress	Total
Cost					
As at December 31, 2021	$ 58.1	$ 13.4	$ 9.4	$ 42.6	$ 123.5
Additions	3.3	0.4	1.3	60.4	65.4
Transfers	0.4	0.8	1.3	(2.4)	0.1
As at June 30, 2022	$ 61.8	$ 14.6	$ 12.0	$ 100.6	$ 189.0
Accumulated depreciation					
As at December 31, 2021	$ (4.8)	$ (5.4)	$ (3.4)	$ —	$ (13.6)
Depreciation expense	(1.7)	(1.5)	(1.7)	—	(4.9)
As at June 30, 2022	$ (6.5)	$ (6.9)	$ (5.1)	$ —	$ (18.5)
Net book value					
As at December 31, 2021	$ 53.3	$ 8.0	$ 6.0	$ 42.6	$ 109.9
As at June 30, 2022	$ 55.3	$ 7.7	$ 6.9	$ 100.6	$ 170.5

Depreciation expense included in cost of revenue for the three and six months ended June 30, 2022 is $2.4 and $4.9 (three and six months ended June 30, 2021 – $1.5 and $3.8).

As at June 30, 2022, the Company is committed under legally enforceable agreements for purchases relating to property, plant and equipment of $8.6 in 2022, $1.8 in 2023 and onward.

9. Leases

The Company has lease contracts for buildings and furniture and fixtures and computer hardware used in its operations. Leases of buildings generally have lease terms between 5 and 10 years, while furniture and fixtures and computer hardware generally have lease terms between 1 and 5 years.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

(a) Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	Buildings	Furniture, fixtures and computer hardware	Total
As at December 31, 2021	$ 13.5	$ 1.3	$ 14.8
Depreciation expense	(3.6)	(0.5)	(4.1)
As at June 30, 2022	$ 9.9	$ 0.8	$ 10.7

Depreciation expense included in cost of revenue for the three and six months ended June 30, 2022 is $2.0 and $4.1 (three and six months ended June 30, 2021 – $3.1 and $5.7).

(b) Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Lease liabilities
As at December 31, 2021	$ 15.7
Accretion of interest	0.4
Payments	(4.2)
As at June 30, 2022	$ 11.9

Accretion of interest is included in finance costs in the consolidated statement of comprehensive income (loss).

10. Intangible assets

	Proprietary technologies	Contractual backlog	Customer relationships	MDA trademark	Software	Total
Cost						
As at December 31, 2021	$ 111.6	$ 41.2	$ 459.9	$ 25.6	$ 38.6	$ 676.9
Additions	13.0	—	—	—	9.5	22.5
Transfers	—	—	—	—	(0.1)	(0.1)
As at June 30, 2022	$ 124.6	$ 41.2	$ 459.9	$ 25.6	$ 48.0	$ 699.3
Accumulated amortization						
As at December 31, 2021	$ (13.6)	$ (24.9)	$ (56.4)	$ (2.4)	$ (8.4)	$ (105.7)
Amortization expense	(4.0)	(6.0)	(16.3)	(0.6)	(2.6)	(29.5)
As at June 30, 2022	$ (17.6)	$ (30.9)	$ (72.7)	$ (3.0)	$ (11.0)	$ (135.2)
Net book value						
As at December 31, 2021	$ 98.0	$ 16.3	$ 403.5	$ 23.2	$ 30.2	$ 571.2
As at June 30, 2022	$ 107.0	$ 10.3	$ 387.2	$ 22.6	$ 37.0	$ 564.1

For the three and six months ended June 30, 2022, the amortization expense related to software of $1.4 and $2.6 (three and six months ended June 30, 2021 – $1.1 and $2.1) are included in cost of revenue. For the three and six months ended June 30, 2022, the amortization expense related to all other intangible assets of $12.9 and $26.9 (three and six months ended June 30, 2021 – $14.8 and $28.4) are included in operating expenses.

As at June 30, 2022, the Company is committed under legally enforceable agreements for purchases relating to intangible assets of $4.7 in 2022, $1.7 in 2023 and onward.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

11. Long-term debt

	June 30, 2022	December 31, 2021
Senior revolving credit facility	$ 168.4	$ —
Second lien notes	—	144.7
	$ 168.4	$ 144.7
Current	$ —	$ —
Non-current	$ 168.4	$ 144.7

(a) Senior revolving credit facility

On May 5, 2022, the Company, through its wholly owned subsidiary NOL, amended its senior revolving credit facility. The available capacity of the senior credit facility was increased from $428.3 to $600.0 and the reducing feature of the available credit was eliminated. The maturity date of the senior credit facility was extended from April 8, 2025 to May 4, 2027. Transaction costs incurred to refinance the credit facility totalled $1.4.

As at June 30, 2022, the Company had borrowings of $170.0 under the senior revolving credit facility in the form of Bankers' Acceptances, which is recorded at a carrying amount of $168.4 on the consolidated statement of financial position. This facility bears interest at the bank's prime rate or alternate base rate Canada plus an applicable margin of 45 to 175 basis points ("bps") or CDOR or LIBOR plus an applicable margin of 145 to 275 bps, based on the Company's total debt to EBITDA ratio. At June 30, 2022, the interest rate on the outstanding Bankers' Acceptances was 3.67%. The Company also had $15.2 letters of credit outstanding at June 30, 2022, bearing an applicable margin of 97 bps plus a fronting fee of 25 bps.

The Company accounted for the refinancing of the senior credit facility as a substantial debt modification under IFRS 9, where the previously existing credit facility was extinguished from the consolidated statement of financial position. The new credit facility was recognized at its fair value. The accounting treatment for the substantial debt modification resulted in a net expense of $4.3 recognized in finance costs in the consolidated statement of comprehensive income (loss).

(b) Redemption of second lien notes

Concurrent with the amendment of the senior credit facility, on May 5, 2022, the Company exercised its option to redeem all amounts outstanding under the second lien notes using excess cash and drawings under the senior revolving credit facility. On redemption, the Company paid in cash the principal amount of $150.0, and a redemption premium of $7.5 due on exercise of its early redemption rights. The redemption premium was recorded in finance costs in the consolidated statement of comprehensive income (loss).

The redemption of the second lien notes resulted in an expense of $2.8 upon derecognizing the redemption option derivative as described in note 14, and an expense of $5.1 upon writing off the unamortized deferred financing costs. Both expenses were recorded in finance costs in the consolidated statement of comprehensive income (loss).

The second lien notes were unsecured and bore interest of 10% per annum in cash, or 12% paid in-kind ("PIK") (6% cash, 6% in-kind). Interest was due semi-annually. The second lien notes would have matured on April 8, 2027, absent the early redemption thereof. The second lien notes were guaranteed by the same guarantors as the senior revolving credit facility and secured by a second lien on the same collateral. All guarantees and securities under the second lien notes were released upon redemption.

(c) Security and guarantees

The senior revolving credit facility is guaranteed by all subsidiaries of NOL (other than certain excluded subsidiaries, including immaterial subsidiaries and non-wholly owned subsidiaries) and secured by all of the present and future assets, property and undertakings of NOL and its subsidiary guarantors, as well as a limited recourse guarantee and pledge of NOL from the Company.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

(d) Covenants

The Company must satisfy certain financial covenants as defined by the credit agreement, including the following:

- The Company is required to maintain an interest coverage ratio of at least 3.0 to 1 at all times; and
- The Company is required to maintain a specified total debt to EBITDA ratio of less than or equal to 4.0 to 1 at all times.

As at June 30, 2022 the Company was in compliance with these covenants.

12. Finance costs

	Note	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Interest on credit facilities		$ 2.5	$ 7.4	$ 6.4	$ 16.1
Other interest and borrowing fees		1.1	1.1	1.5	2.8
Transaction costs on refinancing of senior revolving credit facility	11(a)	1.4	—	1.4	—
Effect of modification of senior credit facility	11(a)	4.3	5.4	4.3	5.4
Redemption premium on second lien notes	11(b)	7.5	—	7.5	—
Derecognition of redemption option derivative	11(b)	2.8	—	2.8	—
Write-off of unamortized deferred financing costs on second lien notes	11(b)	5.1	—	5.1	—
		$ 24.7	$ 13.9	$ 29.0	$ 24.3

13. Share-based compensation

In 2021, the Company established an Omnibus Long-term Incentive Plan (“Omnibus Plan”). The Omnibus Plan is a share-based plan, under which the Company receives services from directors and employees as consideration for equity instruments of the Company. The Company can issue stock options, deferred share units (“DSUs”), restricted share units (“RSUs”), and performance share units (“PSUs”) pursuant to the terms and conditions of the Omnibus Plan and the related award agreements entered into thereunder.

The Company also has in place an Employee Share Trust Agreement arrangement, where eligible employees are issued shares held in a company trust (“Trustee Shares”) and released upon meeting prescribed conditions.

(a) Stock Options

For the six months ended June 30, 2022, the Company has granted stock options with exercise prices between $8.11 and $9.43. The stock options vest over 1 to 4 years in annual instalments. Vesting is conditional on continuous employment from the grant date to the vesting date. The stock options have a maximum term of 10 years.

The stock options are measured at fair value using the Black-Scholes option pricing model on the grant date and subsequently expensed on a straight-line basis over the vesting period. The amount expensed for the three and six months ended June 30, 2022 was $0.8 and $1.7 (three and six months ended June 30, 2021 – $1.9 and $5.5).

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

The weighted average fair value of options granted during the six months ended June 30, 2022 was between $3.54 and $4.24. The fair value of these options granted were estimated on the date of grant using the following assumptions:

	Six months ended June 30, 2022
Dividend yield	0.00%
Expected volatility	40.00% - 43.87%
Risk–free interest rate	1.39% - 3.15%
Expected life of share options	5.3 to 7.0 years
Weighted average exercise share price	$8.88

The expected life of the stock options is based on current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility is based on the share price volatility observed for comparable publicly traded companies over a period similar to the life of the options.

(b) Trustee Shares

Trustee Shares vest over 1 to 4 years in annual instalments from the grant date. Vesting is conditional on continuous employment from the grant date to the vesting date and the meeting of specified price targets. The amount expensed for the three and six months ended June 30, 2022 is $0.3 and $0.7 (three and six months ended June 30, 2021 – $1.8 and $1.8).

(c) DSUs

The Company offers DSUs to the Company's independent directors, where they are entitled to receive all or a portion of their annual compensation in the form of DSUs in place of cash commencing in 2022. The DSUs vest immediately upon grant and are equity-settled, entitling participants to receive one common share for each DSU. The amount expensed for the three and six months ended June 30, 2022 is $0.3 and $0.6 (three and six months ended June 30, 2021 – $nil).

(d) RSUs and PSUs

In the second quarter, the Company granted RSUs and PSUs to eligible employees. The RSUs vest over 1 to 3 years in annual instalments from the grant date. Vesting is conditional on continuous employment from the grant date to the vesting date. The PSUs vest over 3 years from the grant date and is conditional on continuous employment as well as performance targets. The RSUs and PSUs have a maximum term of 10 years. The amount expensed for the three and six months ended June 30, 2022 was immaterial.

(e) Award units continuity

The table below shows the movement in the number of share-based awards outstanding over the six months ended June 30, 2022:

	Stock Options	Trustee Shares	DSUs	RSUs	PSUs
As at January 1, 2022	9,066,978	547,292	—	—	—
Granted	260,000	—	67,182	541,148	219,786
Forfeited/Cancelled	(403,597)	—	—	—	—
Settled	—	—	(19,487)	—	—
As at June 30, 2022	8,923,381	547,292	47,695	541,148	219,786

Of the units outstanding as at June 30, 2022, the number of stock options exercisable and Trustee Shares vested are 4,444,723 and 216,590 respectively.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

14. Financial instruments and fair value disclosures

The classification of financial instruments and their carrying amounts are as follows:

	June 30, 2022	December 31, 2021
Financial assets (liabilities) measured at FVTPL		
Derivative assets	$ 1.8	$ 9.5
Derivative liabilities	(0.2)	(0.9)
Investment in equity securities	3.0	7.7
Financial assets (liabilities) measured at amortized cost		
Cash	$ 8.8	$ 83.6
Trade and other receivables	108.8	92.6
Unbilled receivables	100.5	83.7
Accounts payable and accrued liabilities	(85.5)	(71.3)
Long-term debt	(168.4)	(144.7)

Derivative assets and investment in equity securities are included in other assets on the consolidated statement of financial position, as presented in note 7. Derivative liabilities are included in other liabilities.

The fair values of cash, trade and other receivables, and accounts payable and accrued liabilities approximate their carrying amounts due to their short-term nature. For the other financial instruments presented, the table below shows their respective fair values with their levels in the fair value hierarchy:

	As at June 30, 2022				As at December 31, 2021			
	Level 1	*Level 2*	*Level 3*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets								
Derivative assets	$ —	$ 1.8	$ —	$ 1.8	$ —	$ 1.4	$ 8.1	$ 9.5
Investment in equity securities	3.0	—	—	3.0	7.7	—	—	7.7
Liabilities								
Derivative liabilities	$ —	$ 0.2	$ —	$ 0.2	$ —	$ 0.9	$ —	$ 0.9
Long-term debt	—	170.0	—	170.0	—	169.6	—	169.6

Over the six months ended June 30, 2022, no transfers occurred between levels of the fair value hierarchy.

Level 2 derivative instruments comprise foreign exchange embedded derivatives within revenue and purchase contracts. The Company determines fair value of its derivative instruments based on management estimates and observable market-based inputs. Management estimates include assumptions concerning the amount and timing of estimated future cash flows. Observable market-based inputs are sourced from third parties and include currency spot and forward rates. Level 2 long-term debt is further described in note 11. The Company determines fair value of the long-term debt based on the present value of future cash flows.

The redemption feature embedded in the second lien notes was classified as a Level 3 security. The fair value is determined using a present value of future cash flows model. A key estimate used in this calculation is the market yield, which is derived from inputs such as corporate bond credit spread and risk free rate. On May 5, 2022, the second lien notes were redeemed as part of the refinancing transaction described in note 11. The redemption feature was fair valued on the redemption date, with the resulting decrease in fair value for the three and six months ended June 30, 2022 of $1.1 and $5.3 (three and six months ended June 30, 2021 – gain of $1.8 and loss of $0.2) recognized as an unrealized loss on financial instruments in the consolidated statement of comprehensive income (loss).

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

15. Loss per share

The following table reflects the net loss and share data used in the basic and diluted loss per share calculations:

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Net loss	$ (8.8)	$ (0.1)	$ (0.4)	$ (1.7)
Weighted average shares outstanding – basic	118,691,628	116,195,542	118,691,628	99,756,562
Adjustments for				
Employee stock options	2,717,818	9,173,590	5,461,401	6,876,829
Trustee shares	331,758	523,239	331,758	263,065
DSUs	25,337	—	12,916	—
RSUs and PSUs	66,895	—	33,632	—
Weighted average shares outstanding – diluted	121,833,436	125,892,371	124,531,335	106,896,456
Basic loss per share	$ (0.07)	$ (0.00)	$ (0.00)	$ (0.02)
Diluted loss per share	(0.07)	(0.00)	(0.00)	(0.02)

16. Investment tax credits

For the three and six months ended June 30, 2022, the Company recognized investment tax credits of $8.9 and $31.6 (three and six months ended June 30, 2021 – $6.8 and $9.2) as a reduction of cost of materials, labour, and subcontractors on the consolidated statement of operations and comprehensive income (loss). Of these recognized amounts for the three and six months ended June 30, 2022, $2.2 and $19.0 are related to expenses incurred in prior years respectively.

As at June 30, 2022, the Company has investment tax credits of $96.9 (December 31, 2021 – $69.5) available to offset future Canadian Federal and Provincial income taxes payable which expire between 2032 and 2042. Investment tax credits are only recognized in the financial statements when the recognition criteria have been met as described in note 3(p) of Company's annual consolidated financial statements as at December 31, 2021. Investment tax credits that are expected to be realized within 12 months are classified as current; investment tax credits that are expected to be realized beyond 12 months are classified as non-current.

17. Remeasurement gain on defined benefit plans

A remeasurement of the assets and obligations in the Company's defined benefit pension plans and other post-retirement benefit plans was performed and an actuarial gain of $17.8, net of tax was recorded for the three and six months ended June 30, 2022 (three and six months ended June 30, 2021 – $nil) in other comprehensive income. This actuarial gain was primarily due to an increase in the discount rate offset by changes in the fair value of plan assets.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

18. Supplementary cash flow information

The below table provides changes in operating assets and liabilities:

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six month ended June 30, 2021
Trade and other receivables	$ (25.1)	$ 27.7	$ (16.2)	$ (2.2)
Unbilled receivables	(10.4)	(11.5)	(16.8)	(10.8)
Inventories	0.5	0.1	0.5	0.3
Prepaid and advances to suppliers	(6.5)	0.5	(18.2)	(1.2)
Other assets	(0.5)	(1.6)	0.2	(3.1)
Trade and other payables	20.7	(3.9)	18.3	(1.0)
Contract liabilities	(0.3)	(2.1)	10.8	8.7
Employee benefits	2.8	(2.1)	(1.1)	3.4
Other liabilities	(2.1)	(3.5)	(3.5)	(12.6)
	$ (20.9)	$ 3.6	$ (26.0)	$ (18.5)