MDA LTD.

Interim Condensed Consolidated Financial Statements

For the three and six months ended
June 30, 2023 and 2022

(In millions of Canadian dollars)

MDA Ltd.
Unaudited Interim Condensed Consolidated Statement of Comprehensive Income
For the three and six months ended June 30, 2023 and 2022
(In millions of Canadian dollars except per share figures)

	Note	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Revenue	4	$ 196.0	$ 154.7	$ 397.9	$ 283.1
Cost of revenue					
Materials, labour and subcontractors	6	(127.7)	(97.5)	(255.8)	(158.4)
Depreciation and amortization of assets	8, 9, 10	(7.0)	(5.8)	(13.6)	(11.6)
Gross profit		**61.3**	**51.4**	**128.5**	**113.1**
Operating expenses					
Selling, general and administration	6	(17.8)	(13.8)	(34.4)	(28.1)
Research and development, net	6	(10.3)	(8.7)	(20.4)	(17.2)
Amortization of intangible assets	10	(11.0)	(12.9)	(23.8)	(26.9)
Share-based compensation	12	(2.9)	(1.4)	(4.1)	(3.0)
Operating income		**19.3**	**14.6**	**45.8**	**37.9**
Other income (expenses)					
Unrealized loss on financial instruments		(0.6)	(4.1)	(1.1)	(9.4)
Foreign exchange gain (loss)		(1.8)	2.1	(1.4)	(0.1)
Finance costs (net)		(2.1)	(24.7)	(4.3)	(29.0)
Income (loss) before income taxes		**14.8**	**(12.1)**	**39.0**	**(0.6)**
Income tax recovery (expense)		(4.9)	3.3	(13.0)	0.2
Net income (loss)		**9.9**	**(8.8)**	**26.0**	**(0.4)**
Other comprehensive income (loss)					
Gain (loss) on translation of foreign operations		(0.1)	0.1	(0.3)	0.5
Gain on cash flow hedges		3.6	—	1.9	—
Remeasurement gain on defined benefit plans	16	—	17.8	1.7	17.8
Total comprehensive income		**$ 13.4**	**$ 9.1**	**$ 29.3**	**$ 17.9**
Earnings (loss) per share:					
Basic	14	$ 0.08	$ (0.07)	$ 0.22	$ (0.00)
Diluted	14	0.08	(0.07)	0.22	(0.00)
Weighted-average common shares outstanding:					
Basic	14	119,168,507	118,691,628	119,121,502	118,691,628
Diluted	14	120,254,778	118,691,628	119,837,462	118,691,628

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

MDA Ltd.
Unaudited Interim Condensed Consolidated Statement of Financial Position
June 30, 2023
(In millions of Canadian dollars)

As at	Note	June 30, 2023	December 31, 2022
Assets			
Current assets:			
Cash		$ 39.0	$ 39.3
Trade and other receivables		87.8	155.5
Unbilled receivables		165.3	121.0
Inventories		11.3	7.5
Income taxes receivable		27.1	35.1
Other current assets	7	21.8	19.8
		352.3	**378.2**
Non-current assets:			
Property, plant and equipment	8	292.4	235.1
Right-of-use assets	9	6.8	7.1
Intangible assets	10	546.5	552.4
Goodwill		419.9	419.9
Deferred income tax assets		14.1	19.1
Other non-current assets	7	177.2	139.0
Total assets		**$ 1,809.2**	**$ 1,750.8**
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued liabilities		$ 150.0	$ 124.3
Income taxes payable		15.1	11.9
Contract liabilities		111.9	110.8
Current portion of net employee benefit payable		48.4	54.1
Current portion of lease liabilities	9	7.8	6.7
Other current liabilities		9.7	10.8
		342.9	**318.6**
Non-current liabilities:			
Net employee defined benefit payable		23.0	21.5
Lease liabilities	9	0.6	1.6
Long-term debt	11	248.7	243.6
Deferred income tax liabilities		158.7	163.8
Other non-current liabilities		1.0	1.1
Total liabilities		**774.9**	**750.2**
Shareholders' equity			
Common shares		953.6	951.6
Contributed surplus		27.4	25.0
Accumulated other comprehensive income		17.4	14.1
Retained earnings		35.9	9.9
Total equity		**1,034.3**	**1,000.6**
Total liabilities and equity		**$ 1,809.2**	**$ 1,750.8**

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

MDA Ltd.
Unaudited Interim Condensed Consolidated Statement of Changes in Shareholders' Equity
For the six months ended June 30, 2023 and 2022
(In millions of Canadian dollars)

	Note	Common shares Number	Common shares Amount	Contributed surplus	Accumulated other comprehensive income	Retained earnings (Deficit)	Total shareholders' equity
As at January 1, 2023		119,014,233	$ 951.6	$ 25.0	$ 14.1	$ 9.9	$ 1,000.6
Share-based awards exercised	12	279,499	2.0	(1.7)	—	—	0.3
Net income		—	—	—	—	26.0	26.0
Other comprehensive income		—	—	—	3.3	—	3.3
Share-based compensation	12	—	—	4.1	—	—	4.1
As at June 30, 2023		119,293,732	**$ 953.6**	**$ 27.4**	**$ 17.4**	**$ 35.9**	**$ 1,034.3**
As at January 1, 2022		118,691,628	$ 950.7	$ 16.9	$ 8.5	$ (14.4)	$ 961.7
Impact of change in accounting policy		—	—	—	—	(2.0)	(2.0)
Net loss		—	—	—	—	(0.4)	(0.4)
Other comprehensive income		—	—	—	18.3	—	18.3
Share-based compensation		—	—	3.0	—	—	3.0
As at June 30, 2022		118,691,628	**$ 950.7**	**$ 19.9**	**$ 26.8**	**$ (16.8)**	**$ 980.6**

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

MDA Ltd.
Unaudited Interim Condensed Consolidated Statement of Cash Flows
For the three and six months ended June 30, 2023 and 2022
(In millions of Canadian dollars)

	Note	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Cash flows from operating activities					
Net income (loss)		$ 9.9	$ (8.8)	$ 26.0	$ (0.4)
Items not affecting cash:					
Income tax expense (recovery)		4.9	(3.3)	13.0	(0.2)
Depreciation of property, plant and equipment	8	3.1	2.4	5.9	4.9
Depreciation of right-of-use assets	9	2.3	2.0	4.3	4.1
Amortization of intangible assets	10	12.6	14.3	27.2	29.5
Share-based compensation expense	12	2.9	1.4	4.1	3.0
Investment tax credits accrued	15	(5.6)	(8.9)	(12.7)	(31.6)
Finance costs		2.1	24.7	4.3	29.0
Unrealized loss on financial instruments		0.6	4.1	1.1	9.4
Changes in operating assets and liabilities	17	12.0	(20.9)	21.1	(26.0)
		44.8	**7.0**	**94.3**	**21.7**
Interest paid		(4.0)	(10.4)	(8.0)	(11.0)
Income tax paid		(1.9)	(1.6)	(1.6)	(1.0)
Net cash from (used in) operating activities		**38.9**	**(5.0)**	**84.7**	**9.7**
Cash flows from investing activities					
Purchases of property and equipment	8	(33.9)	(42.8)	(63.6)	(67.7)
Purchase/development of intangible assets	10	(11.8)	(12.2)	(22.6)	(24.4)
Net cash used in investing activities		**(45.7)**	**(55.0)**	**(86.2)**	**(92.1)**
Cash flows from financing activities					
Repayment of long-term debt	11	—	(150.0)	—	(150.0)
Borrowings from (repayments of) senior credit facility	11	(20.0)	170.0	5.0	170.0
Transaction costs incurred on debt refinancing	11	—	(8.9)	—	(8.9)
Payment of lease liability (principal portion)		(2.0)	(1.9)	(3.9)	(4.0)
Proceeds from stock options exercised		—	—	0.4	—
Net cash provided by (used in) financing activities		**(22.0)**	**9.2**	**1.5**	**7.1**
Net increase (decrease) in cash		**(28.8)**	**(50.8)**	**—**	**(75.3)**
Net foreign exchange differences on cash		(0.1)	0.1	(0.3)	0.5
Cash, beginning of period		67.9	59.5	39.3	83.6
Cash, end of period		**$ 39.0**	**$ 8.8**	**$ 39.0**	**$ 8.8**

The accompanying notes are an integral part of these 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, 2022 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, 2022.

These interim condensed consolidated financial statements were approved by the Board of Directors of MDA on August 10, 2023.

(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") or fair value through other comprehensive income ("FVOCI"), derivative financial 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.

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

(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 described in the Company's consolidated financial statements for the year ended December 31, 2022.

3. Changes in accounting policies and new accounting pronouncements

(a) Adoption of Amendment to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The IASB issued amendments to IAS 12, *Income taxes*, to narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, a deferred tax asset and a deferred tax liability need to be recognized for temporary differences arising on initial recognition of a lease and a decommissioning provision. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company has determined the impact of this amendment to be immaterial as at January 1, 2023.

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

The amendments to IAS 1, *Presentation of Financial Statements,* which are intended to clarify requirements for the classification of liabilities as non-current, become effective for the Company on January 1, 2024. The Company does not expect the amendments to have material impacts to its consolidated financial statements.

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, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Service Lines				
Geointelligence	$ 47.9	$ 47.0	$ 99.2	$ 95.9
Robotics and space operations	58.7	48.8	121.6	91.2
Satellite systems	89.4	58.9	177.1	96.0
	$ 196.0	$ 154.7	$ 397.9	$ 283.1

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, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Revenue				
Canada	$ 89.9	$ 74.8	$ 182.8	$ 143.1
United States	85.9	51.1	173.6	78.2
Europe	13.8	18.5	29.7	44.8
Asia and Middle East	3.8	9.5	7.3	15.9
Other	2.6	0.8	4.5	1.1
	$ 196.0	$ 154.7	$ 397.9	$ 283.1

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, 2023	December 31, 2022
Canada	$ 1,264.2	$ 1,213.1
Other	1.4	1.4
	$ 1,265.6	$ 1,214.5

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, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Labour, materials and other		$ 85.1	$ 80.6	$ 175.1	$ 150.8
Subcontractors		47.8	25.8	93.0	39.2
Investment tax credits recognized	16	(5.2)	(8.9)	(12.3)	(31.6)
		$ 127.7	$ 97.5	$ 255.8	$ 158.4

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, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Selling, general and administration				
General and administration	$ 7.7	$ 7.4	$ 16.9	$ 15.8
Selling and marketing	10.1	6.4	17.5	12.3
	$ 17.8	$ 13.8	$ 34.4	$ 28.1
Research and development, net				
Research and development expense	$ 11.3	$ 9.3	$ 22.4	$ 19.5
Research and development recovery	(1.0)	(0.6)	(2.0)	(2.3)
	$ 10.3	$ 8.7	$ 20.4	$ 17.2

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

7. Other assets

	Note		June 30, 2023		December 31, 2022
Prepaid expenses		$	60.3	$	35.7
Advances to suppliers			0.9		3.9
Investment tax credits receivable	16		123.7		109.1
Investment in equity securities			1.6		2.7
Derivative assets			7.1		4.8
Pension plan assets			5.4		2.6
		$	199.0	$	158.8
Current portion		$	21.8	$	19.8
Non-current portion		$	177.2	$	139.0

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, 2022	$	71.5	$	16.1	$	14.6	$	156.4	$	258.6
Additions		5.8		0.8		2.8		53.8		63.2
Transfers		2.9		0.7		2.7		(6.3)		—
As at June 30, 2023	$	80.2	$	17.6	$	20.1	$	203.9	$	321.8
Accumulated depreciation										
As at December 31, 2022	$	(8.4)	$	(8.1)	$	(7.0)	$	—	$	(23.5)
Depreciation expense		(2.1)		(1.5)		(2.3)		—		(5.9)
As at June 30, 2023	$	(10.5)	$	(9.6)	$	(9.3)	$	—	$	(29.4)
Net book value										
As at December 31, 2022	$	63.1	$	8.0	$	7.6	$	156.4	$	235.1
As at June 30, 2023	$	69.7	$	8.0	$	10.8	$	203.9	$	292.4

Depreciation expense included in cost of revenue for the three and six months ended June 30, 2023 is $3.1 and $5.9, respectively (three and six months ended June 30, 2022 – $2.4 and $4.9, respectively).

As at June 30, 2023, the Company is committed under legally enforceable agreements for purchases relating to property, plant and equipment of $24.3 in 2023, $1.2 in 2024 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	Equipment	Furniture, fixtures and computer hardware	Total
As at December 31, 2022	$ 6.7	$ —	$ 0.4	$ 7.1
Additions	3.6	0.4	—	4.0
Depreciation expense	(4.1)	—	(0.2)	(4.3)
As at June 30, 2023	$ 6.2	$ 0.4	$ 0.2	$ 6.8

Depreciation expense included in cost of revenue for the three and six months ended June 30, 2023 is $2.3 and $4.3, respectively (three and six months ended June 30, 2022 – $2.0 and $4.1, respectively).

(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, 2022	$ 8.3
Additions	4.0
Accretion of interest	0.2
Payments	(4.1)
As at June 30, 2023	$ 8.4

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

As at June 30, 2023, the Company also had commitments of $125.5 over 16 years relating to leases not yet commenced.

10. Intangible assets

	Proprietary technologies	Contractual backlog	Customer relationships	MDA trademark	Software	Total
Cost						
As at December 31, 2022	$ 154.1	$ 41.2	$ 459.9	$ 25.6	$ 35.5	$ 716.3
Additions	16.0	—	—	—	5.3	21.3
As at June 30, 2023	$ 170.1	$ 41.2	$ 459.9	$ 25.6	$ 40.8	$ 737.6
Accumulated amortization						
As at December 31, 2022	$ (23.3)	$ (35.5)	$ (89.1)	$ (3.5)	$ (12.5)	$ (163.9)
Amortization expense	(4.2)	(3.2)	(16.3)	(0.6)	(2.9)	(27.2)
As at June 30, 2023	$ (27.5)	$ (38.7)	$ (105.4)	$ (4.1)	$ (15.4)	$ (191.1)
Net book value						
As at December 31, 2022	$ 130.8	$ 5.7	$ 370.8	$ 22.1	$ 23.0	$ 552.4
As at June 30, 2023	$ 142.6	$ 2.5	$ 354.5	$ 21.5	$ 25.4	$ 546.5

For the three and six months ended June 30, 2023, the amortization expense related to proprietary technologies and software of $1.6 and $3.4, respectively (three and six months ended June 30, 2022 – $1.4 and $2.6, respectively) are included in cost of revenue. For the three and six months ended June 30, 2023, the amortization expense related to all other intangible assets of $11.0 and $23.8, respectively (three and six months ended June 30, 2022 – $12.9 and $26.9, respectively) are included in operating expenses.

As at June 30, 2023, the Company is committed under legally enforceable agreements for purchases relating to intangible assets of $3.3 in 2023, $0.3 in 2024 and onward.

11. Long-term debt

The Company, through its wholly owned subsidiary Neptune Operations Ltd. ("NOL"), has long-term debt arrangements comprising a senior credit facility. As at June 30, 2023 and December 31, 2022, $248.7 and $243.6 were outstanding under the senior credit facility, respectively, classified as non-current in its entirety.

(a) Senior revolving credit facility

As at June 30, 2023, the Company had borrowings of $250.0 (December 31, 2022 - $245.0) under the senior revolving credit facility in the form of Bankers' Acceptances, which is recorded at a carrying amount of $248.7 (December 31, 2022 - $243.6) 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 SOFR plus an applicable margin of 145 to 275 bps, based on the Company's total debt to EBITDA ratio. At June 30, 2023, the weighted average interest rate on the outstanding Bankers' Acceptances was 6.73% (December 31, 2022 – 6.26%). The Company also had $19.7 letters of credit outstanding at June 30, 2023 (December 31, 2022 - $24.0), bearing an applicable margin of 97 bps plus a fronting fee of 25 bps.

(b) 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.

(c) 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, 2023 the Company was in compliance with these covenants.

(d) Interest expense on long-term debt

Interest expense on the Company's long-term debt for the three and six months ended June 30, 2023 is $3.6 and $6.7, respectively (three and six months ended June 30, 2022 – $2.5 and $6.4, respectively). This amount is included in finance costs in the consolidated statement of comprehensive income.

Interest expense is net of the expense capitalized on certain qualifying assets that take a substantial period of time to prepare for their intended use. Capitalized interest is a component of both property, plant and equipment and intangible assets. The capitalization amount for the three and six months ended June 30, 2023 is $1.7 and $3.1, respectively (three and six months ended June 30, 2022 - $nil and $nil, respectively) and the capitalization rate used to capitalize interest was 5.24% (June 30, 2022 – n/a).

12. 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.

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

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 three and six months ended June 30, 2023, the Company has granted stock options with exercise prices between $6.80 and $8.45. The stock options have graded vesting schedules over 3 years from the grant date. 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 graded basis over the vesting period. The amount expensed for the three and six months ended June 30, 2023 was $0.7 and $1.1, respectively (three and six months ended June 30, 2022 – $0.8 and $1.7, respectively).

The weighted average fair value of options granted during the six months ended June 30, 2023 was between $2.97 and $4.08. The fair value of these options granted were estimated on the date of grant using the following assumptions:

	Six months ended June 30, 2023
Dividend yield	0.00%
Expected volatility	42.79% - 42.86%
Risk–free interest rate	2.95% - 3.67%
Expected life of share options	5.5 to 6.5 years
Weighted average exercise share price	$8.07

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 have grading vesting schedules ranging from 1 to 4 years 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 months ended June 30, 2023 was $0.1. The amount expensed for the six months ended June 30, 2023 was $0.2, which was more than offset by $0.3 of forfeitures, resulting in net recovery of $0.1 (three and six months ended June 30, 2022 – $0.3 and $0.7 of expenses, respectively).

(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, 2023 is $0.2 and $0.5, respectively (three and six months ended June 30, 2022 – $0.3 and $0.6, respectively).

(d) RSUs and PSUs

The Company grants 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 amount expensed for the three and six months ended

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

June 30, 2023 is $1.9 and $2.6, respectively (three and six months ended June 30, 2022 – $nil and $nil, respectively).

(e) Award units continuity– Stock Options, Trustee Shares, DSUs, RSUs and PSUs

The table below shows the movement in the award units outstanding over the six months ended June 30, 2023:

	Stock Options	Trustee Shares	DSUs	RSUs	PSUs
As at January 1, 2023	8,881,616	306,554	128,828	623,408	219,786
Granted	260,000	—	69,219	722,894	268,543
Forfeited/Cancelled	(132,111)	(47,603)	—	(27,912)	(27,912)
Exercised/Converted	(57,108)	(30,713)	(24,832)	(166,846)	—
As at June 30, 2023	8,952,397	228,238	173,215	1,151,544	460,417

13. Financial instruments and fair value disclosures

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

	June 30, 2023	December 31, 2022
Financial assets (liabilities) measured at FVTPL		
Derivative financial assets	$ 2.6	$ 2.8
Derivative financial liabilities	(0.4)	(0.3)
Investment in equity securities	1.6	2.7
Financial assets measured at FVOCI		
Derivative financial assets	$ 4.5	$ 2.0
Financial assets (liabilities) measured at amortized cost		
Cash	$ 39.0	$ 39.3
Trade and other receivables	87.8	155.5
Unbilled receivables	165.3	121.0
Accounts payable and accrued liabilities	(150.0)	(124.3)
Long-term debt	(248.7)	(243.6)

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.

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

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:

	June 30, 2023				December 31, 2022			
	Level 1	*Level 2*	*Level 3*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets								
Derivative financial instruments	$ —	$ 7.1	$ —	$ 7.1	$ —	$ 4.8	$ —	$ 4.8
Investment in equity securities	1.6	—	—	1.6	2.7	—	—	2.7
Liabilities								
Derivative financial instruments	$ —	$ 0.4	$ —	$ 0.4	$ —	$ 0.3	$ —	$ 0.3

Over the six months ended June 30, 2023, no transfers occurred between levels of the fair value hierarchy.

Level 2 derivative financial instruments comprise foreign exchange embedded derivatives within revenue and purchase contracts. The Company determines fair value of its derivative financial 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.

At June 30, 2023, the Company has interest rate swap contracts with third-party banks to mitigate exposure to interest rate fluctuations on $150.0 of borrowing under its senior revolving credit facility. These contracts expire December 15, 2027. The aggregate notional amount of the swap contracts is $150.0. Under the swap contracts, the Company pays interest at a fixed rate of 3.46% and receives interest at a variable rate equal to the 3-month CDOR for each 90 day period. The terms of the interest rate swap contracts with respect to the floating rate, maturity, and interest payment dates match that of the underlying borrowings, such that any hedge ineffectiveness is not expected to be significant. The fair value changes in these swap contracts resulted in unrealized gains of $4.9 and $2.6, respectively, before tax effects, for the three and six months ended June 30, 2023, respectively (three and six months ended June 30, 2022 – n/a) and are recorded in other comprehensive income.

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

14. Earnings (loss) per share

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

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Net earnings (loss)	$ 9.9	$ (8.8)	$ 26.0	$ (0.4)
Weighted average shares outstanding – basic	119,168,507	118,691,628	119,121,502	118,691,628
Adjustments for				
Employee stock options	535,522	—	456,586	—
Trustee shares	138,490	—	137,591	—
DSUs	120,825	—	65,616	—
RSUs and PSUs	291,434	—	56,167	—
Weighted average shares outstanding – diluted	120,254,778	118,691,628	119,837,462	118,691,628
Basic earnings (loss) per share	$ 0.08	$ (0.07)	$ 0.22	$ (0.00)
Diluted earnings (loss) per share	0.08	(0.07)	0.22	(0.00)

For the three and six months ended June 30, 2022, adjustments for employee stock options, trustee shares, DSUs, RSUs and PSUs were excluded from the diluted weighted average shares outstanding calculation as their effect would have been anti-dilutive.

15. Government assistance

(a) Investment tax credits

During the three and six months ended June 30, 2023, the Company recognized investment tax credits of $5.6 and $12.7, respectively (three and six months ended June 30, 2022 – $8.9 and $31.6, respectively, where $2.2 and $19.0 are related to expenses incurred in prior years, respectively) as a reduction in cost of materials, labour and subcontractors and research and development, net, on the consolidated statement of comprehensive income.

As at June 30, 2023, the Company has investment tax credits of $129.9 available to offset future Canadian Federal and Provincial income taxes payable which expire between 2030 and 2043. Investment tax credits are only recognized in the financial statements when the recognition criteria have been met as described in note 3(q) of the Company's consolidated financial statements for the year ended December 31, 2022. 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.

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

(b) Long Term Economic Benefits to Province of Ontario Grant (the "Ontario Grant")

The Ontario Grant was awarded to the Company in March 2022 by the Minister of Economic Development, Job Creation and Trade to encourage investment in Ontario, which will benefit Ontario's economic growth. Under this grant agreement, the Ontario Government will fund 24.74% of eligible spending to a maximum of $25.0, conditional on the Company investing a minimum of $101.0 in eligible project expenditures. The Company will use the funding received under the grant towards the building of its centre of control and excellence in Brampton, Ontario, as well as development of proprietary technology. For the three and six months ended June 30, 2023, the Company has recorded a recovery of $0.5 and $0.7 against cost of revenues, respectively, and $2.0 and $2.9 against long-term assets, respectively (three months and six months ended June 30, 2022 – $nil and $nil, $nil and $nil, respectively) and has received $nil in proceeds in respect of its claim for eligible expenditures.

16. 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 $nil and $1.7 were recorded for the three and six months ended June 30, 2023, respectively (three and six months ended June 30, 2022 – $17.8 and $17.8, respectively) in other comprehensive income.

17. Supplementary cash flow information

The below table provides changes in operating assets and liabilities:

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six month ended June 30, 2022
Trade and other receivables	$ 73.1	$ (25.1)	$ 67.7	$ (16.2)
Unbilled receivables	(47.7)	(10.4)	(44.3)	(16.8)
Inventories	(3.7)	0.5	(3.8)	0.5
Prepaid and advances to suppliers	(15.5)	(6.5)	(21.6)	(18.2)
Other assets	0.1	(0.5)	0.5	0.2
Trade and other payables	5.0	20.7	27.7	18.3
Contract liabilities	1.7	(0.3)	1.1	10.8
Employee benefits	(0.9)	2.8	(5.2)	(1.1)
Other liabilities	(0.1)	(2.1)	(1.0)	(3.5)
	$ 12.0	$ (20.9)	$ 21.1	$ (26.0)