Condensed Consolidated Interim Financial Statements
(Expressed in Canadian Dollars)

people CORPORATION®

Experience the Benefits of People

For the three and nine months ended May 31, 2020 and 2019
(Unaudited)

# PEOPLE CORPORATION

Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian dollars) (unaudited)

| | Note | | May 31, 2020 | | August 31, 2019 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Current assets: | | | | | |
| Cash | | $ | 35,253,486 | $ | 12,489,692 |
| Trade and other receivables | | | 23,445,021 | | 20,714,900 |
| Income tax receivable | | | - | | 292,187 |
| Prepaid and other current assets | | | 3,466,564 | | 2,301,395 |
| Total current assets | | | 62,165,071 | | 35,798,174 |
| Non-current assets: | | | | | |
| Property and equipment | 5 | | 30,455,548 | | 12,661,874 |
| Goodwill and intangible assets | 6 | | 365,219,925 | | 275,233,325 |
| Loans and other assets | | | 3,472,388 | | 3,450,478 |
| Contract cost assets | | | 534,779 | | 333,273 |
| Total non-current assets | | | 399,682,640 | | 291,678,950 |
| **Total assets** | | **$** | **461,847,711** | **$** | **327,477,124** |
| **Liabilities and shareholders' equity** | | | | | |
| Current liabilities: | | | | | |
| Trade and other liabilities | 7 | $ | 29,360,483 | $ | 25,683,861 |
| Contract liabilities | | | 11,559,198 | | 5,207,406 |
| Lease liabilities | 8 | | 3,715,290 | | - |
| Income tax payable | | | 4,932,085 | | - |
| Non-controlling interest put options | 10 | | 11,158,103 | | 14,960,783 |
| Loans and borrowings | 11 | | 4,765,793 | | 2,988,017 |
| Total current liabilities | | | 65,490,952 | | 48,840,067 |
| Trade and other liabilities | 7 | | 3,223,538 | | 2,046,762 |
| Lease liabilities | 8 | | 13,160,531 | | - |
| Non-controlling interest put options | 10 | | 43,620,362 | | 40,763,584 |
| Loans and borrowings | 11 | | 91,516,405 | | 83,752,227 |
| Deferred tax liability | | | 25,561,926 | | 22,212,807 |
| **Total liabilities** | | | **242,573,714** | | **197,615,447** |
| Shareholders' equity: | | | | | |
| Share capital | 12 | | 213,423,993 | | 125,765,547 |
| Contributed surplus | | | 7,322,486 | | 6,009,327 |
| Deficit | | | (1,472,482) | | (1,913,197) |
| **Total shareholders' equity** | | | **219,273,997** | | **129,861,677** |
| **Total liabilities and shareholders' equity** | | **$** | **461,847,711** | **$** | **327,477,124** |

Contingencies (Note 19)

The notes are an integral part of these Condensed Consolidated Interim Financial Statements.

# PEOPLE CORPORATION

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)
(Expressed in Canadian dollars) (unaudited)

| | Note | | May 31, 2020 | | May 31, 2019 |
|---|---|---|---|---|---|
| | | Three months | Nine months | Three months | Nine months |
| Revenue | 15 | $ 53,236,817 | $ 156,532,312 | $ 42,427,085 | $ 119,302,285 |
| Operating expenses | 18 | 36,458,367 | 110,470,507 | 32,448,768 | 92,397,542 |
| Depreciation and amortization | 5, 6 | 6,891,646 | 18,243,521 | 3,940,207 | 10,769,812 |
| Finance expenses | | | | | |
| Change in estimated fair value of non-controlling interest put options | 16 | (366,538) | 4,248,197 | 2,121,802 | 8,476,861 |
| Other finance expenses | | 2,638,978 | 5,715,560 | 1,020,787 | 2,471,232 |
| Acquisition, integration and reorganization costs | 18 | 2,827,167 | 12,195,021 | 2,887,705 | 7,478,698 |
| | | 48,449,620 | 150,872,806 | 42,419,269 | 121,594,145 |
| **Income (loss) before income taxes** | | **4,787,197** | **5,659,506** | **7,816** | **(2,291,860)** |
| Income tax expense (recovery): | | | | | |
| Current | | 4,398,584 | 11,218,447 | 2,383,564 | 6,823,011 |
| Deferred | | (2,449,767) | (6,128,593) | (1,731,609) | (3,574,948) |
| | | 1,948,817 | 5,089,854 | 651,955 | 3,248,063 |
| **Net income (loss) and comprehensive income (loss)** | | **$ 2,838,380** | **$ 569,652** | **$ (644,139)** | **$ (5,539,923)** |

| | | | | | |
|---|---|---|---|---|---|
| Earnings (loss) per share | | | | | |
| Basic | 12c | $ 0.04 | $ 0.01 | $ (0.01) | $ (0.09) |
| Diluted | 12c | $ 0.04 | $ 0.01 | $ (0.01) | $ (0.09) |

# PEOPLE CORPORATION

Condensed Consolidated Interim Statements of Changes in Equity
(Expressed in Canadian dollars) (unaudited)

| | Note | Share Capital | Contributed Surplus | Retained Earnings (Deficit) | Total |
|---|---|---|---|---|---|
| **Balance, August 31, 2018** | | **$124,672,253** | **$ 2,747,472** | **$ 696,249** | **$128,115,974** |
| Net loss and comprehensive loss for the period | | - | - | (5,539,923) | (5,539,923) |
| Acquisition-related issuance of shares | | 74,575 | - | - | 74,575 |
| Settlement of restricted stock units | | 183,715 | (626,993) | - | (443,278) |
| Exercise of stock options | | 835,004 | (239,874) | - | 595,130 |
| Share-based payments | 13 | - | 3,162,841 | - | 3,162,841 |
| | | 1,093,294 | 2,295,974 | (5,539,923) | (2,150,655) |
| **Balance, May 31, 2019** | | **$125,765,547** | **$ 5,043,446** | **$ (4,843,674)** | **$125,965,319** |
| **Balance, August 31, 2019** | | **$125,765,547** | **$ 6,009,327** | **$ (1,913,197)** | **$129,861,677** |
| Net income and comprehensive income for the period | | - | - | 569,652 | 569,652 |
| Issuance of common shares | 12b | 85,048,756 | - | - | 85,048,756 |
| Acquisition-related issuance of shares | 12b | 1,865,706 | - | - | 1,865,706 |
| Settlement of restricted stock units | 12b | 311,940 | (1,596,000) | - | (1,284,060) |
| Exercise of stock options | 12b | 432,044 | (585,336) | - | (153,292) |
| Share-based payments | 13 | - | 3,494,495 | - | 3,494,495 |
| Purchase of non-controlling interest | 4 | - | - | (128,937) | (128,937) |
| | | 87,658,446 | 1,313,159 | 440,715 | 89,412,320 |
| **Balance, May 31, 2020** | | **$213,423,993** | **$ 7,322,486** | **$ (1,472,482)** | **$219,273,997** |

# PEOPLE CORPORATION

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian dollars) (unaudited)

| | Note | May 31, 2020 | | May 31, 2019 | |
|---|---|---|---|---|---|
| | | Three months | Nine months | Three months | Nine months |
| **Operating activities** | | | | | |
| Net income (loss) for the period | | $ 2,838,380 | $ 569,652 | $ (644,139) | $ (5,539,923) |
| **Adjustments for:** | | | | | |
| Depreciation | 5 | 1,705,235 | 4,569,200 | 556,583 | 1,427,845 |
| Amortization of intangible assets | 6 | 5,186,411 | 13,674,321 | 3,383,624 | 9,341,967 |
| Share-based compensation | 13 | 841,783 | 3,494,495 | 918,926 | 3,162,841 |
| Impairment losses on property, equipment and intangible assets | | - | - | 35 | 35 |
| Finance expenses | 16 | 2,272,440 | 9,963,757 | 3,142,589 | 10,948,093 |
| Income tax provision | | 1,948,817 | 5,089,854 | 651,955 | 3,248,063 |
| Net cash from operations | | 14,793,066 | 37,361,279 | 8,009,573 | 22,588,921 |
| Change in non-cash working capital | 14 | (2,195,626) | (307,379) | 5,169,575 | (2,624,473) |
| Cash generated from operating activities | | 12,597,440 | 37,053,900 | 13,179,148 | 19,964,448 |
| Finance costs paid | | (920,407) | (2,539,598) | (830,145) | (1,934,550) |
| Income taxes paid | | (24,540) | (5,894,047) | (1,716,906) | (6,842,648) |
| **Net cash from operating activities** | | 11,652,493 | 28,620,255 | 10,632,097 | 11,187,250 |
| **Investing activities** | | | | | |
| Acquisition of subsidiaries, net of cash acquired | 4 | (137,140) | (70,356,233) | 4,634 | (20,342,373) |
| Acquisition of property and equipment | 5 | (1,355,752) | (2,741,479) | (286,447) | (3,119,787) |
| Acquisition of intangible assets | 6 | (1,037,611) | (2,651,704) | (560,366) | (1,092,731) |
| **Net cash used in investing activities** | | (2,530,503) | (75,749,416) | (842,179) | (24,554,891) |
| **Financing activities** | | | | | |
| Proceeds from exercise of stock options | 13b | - | 274,708 | 523,081 | 595,130 |
| Settlement of restricted stock units | | - | (1,284,060) | - | (443,278) |
| Outflows relating to loans and other assets | | - | (200,000) | - | (200,000) |
| Proceeds from loans and borrowings | | 21,000,000 | 92,500,718 | 7,500,000 | 30,620,085 |
| Repayment of loans and borrowings | | (43,776,718) | (87,776,718) | (3,806,483) | (5,743,213) |
| Proceeds from private placement of shares, net | 12b | 23,599,570 | 83,763,112 | - | - |
| Payment of lease liabilities | 8 | (1,100,232) | (3,049,992) | - | - |
| Payment of dividends on non-controlling interest | 10 | (434,349) | (2,930,633) | (841,294) | (3,206,445) |
| Payment of put options on non-controlling interest | 10 | - | (11,275,243) | - | (3,458,545) |
| Purchase of non-controlling interest | 4 | (128,937) | (128,937) | - | - |
| **Net cash from (used in) financing activities** | | (840,666) | 69,892,955 | 3,375,304 | 18,163,734 |
| Net increase in cash | | 8,281,324 | 22,763,794 | 13,165,222 | 4,796,093 |
| Cash at beginning of the period | | 26,972,162 | 12,489,692 | 12,750,091 | 21,119,220 |
| **Cash at the end of the period** | | $ 35,253,486 | $ 35,253,486 | $ 25,915,313 | $ 25,915,313 |

## 1. Reporting entity:

People Corporation (the “Company”) was incorporated under the Ontario Business Corporations Act on July 5, 2006. The Company is a public company listed on the TSX Venture Exchange (the "TSX-V"), trading under the "PEO" symbol and is domiciled in Canada. The address of the Company’s corporate office is 1403 Kenaston Boulevard, Winnipeg, Manitoba, Canada and the Company’s registered office is 180 Bay Street, Suite 4400, Toronto, Ontario, Canada. These condensed consolidated interim financial statements of the Company comprise accounts of the Company and its subsidiaries. The Company is primarily involved in the delivery of employee group benefit consulting, third-party benefits administration services, pension consulting and human resources consulting to help companies recruit, retain and reward employees.

## 2. Basis of presentation:

These condensed consolidated interim financial statements for the three months and nine months ended May 31, 2020, have been prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board.

These condensed consolidated interim financial statements do not include all the disclosures required by International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for annual consolidated financial statements and accordingly should be read in conjunction with the Company's audited consolidated financial statements for the year ended August 31, 2019, prepared in accordance with IFRS.

These condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on July 17, 2020.

### (a) Use of estimates and judgments

Preparation of these condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates, judgments, and assumptions that affect the application of policies and the reported amounts of assets, liabilities at the date of these condensed consolidated interim financial statements and reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates. Areas of significant accounting estimates and judgments include determination of fair value of financial instruments, impairment of financial instruments, impairment of goodwill and intangible assets, business combinations, revenue recognition, lease accounting and deferred taxes. The Company also uses judgment when determining operating segments, contingencies, acquisition, integration and reorganization costs, non current assets and the determination of fair value of share based payments. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. For further information, refer to Company's consolidated financial statements for the year ended August 31, 2019.

The uncertainties around the outbreak of the COVID-19 pandemic required the use of judgments and estimates which resulted in no material impacts for the three months and nine months ended May 31, 2020. The future impact of COVID-19 uncertainties could generate, in future reporting periods, a significant risk of material adjustment to the reported amounts of assets, liabilities, revenue and expenses in the consolidated financial statements. Examples of accounting estimates and judgments that may be impacted by the pandemic include: revenue recognition, impairment of goodwill and intangible assets, loss allowances, income tax expenses, non-controlling interest put options and contingent consideration obligations.

**3. Significant accounting policies:**

The accounting policies applied by the Company in these condensed consolidated interim financial statements are consistent with those applied by the Company in its consolidated financial statements as at and for the year ended August 31, 2019, except as outlined below:

**(a) Changes in accounting policies**

The Company adopted the following new standard, along with any consequential amendments, effective September 1, 2019. These changes were made in accordance with the applicable transitional provisions.

**IFRS 16, *Leases* ("IFRS 16")**

Effective September 1, 2019 the Company adopted IFRS 16, Leases ("IFRS 16") which replaces IAS 17, Leases ("IAS 17") and related interpretations. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments at the lease commencement date.

Following the adoption of IFRS 16, the Company presents the ROU asset within the line item property and equipment, in the same line item in which it presents underlying assets of the same nature that it owns. The corresponding current and non-current lease liability is presented within the line items lease liabilities on the condensed consolidated statement of financial position.

As a result of the adoption of IFRS 16, the Company has amended its accounting policies related to leases as follows:

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The ROU asset is subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain re-measurements of the lease liability. The ROU asset is depreciated from the commencement date to the earlier of the end of the useful life of the underlying asset of the ROU asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date and discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is measured at amortized cost using the effective interest rate method. It is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgment to determine the lease term for property lease contracts that contain renewal options. The assessment of whether the Company is reasonably certain to exercise renewal options impacts the lease term and therefore the amount of lease liabilities and ROU assets recognized.

The Company has elected not to recognize ROU assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(Expressed in Canadian dollars) (unaudited)

*Transition*

The Company has elected to adopt IFRS 16 using a modified retrospective approach, which does not require restatement of comparative information. Accordingly, the comparative figures for 2019 are presented, as previously reported, under IAS 17 and therefore are not entirely comparable with the 2020 figures.

On initial application of IFRS 16 the Company elected to use the following practical expedients to facilitate the initial adoption when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- accounted for leases with a remaining lease term of less than 12 months as at the date of adoption as short-term leases;
- expensed leases of low value as incurred;
- used the Company's previous assessment of impairment under IAS 37 for onerous contracts instead of re-assessing the ROU asset for impairment on September 1, 2019; and
- used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Furthermore, the Company elected to apply IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and related interpretations were not re-assessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after September 1, 2019.

As permitted by IFRS 16, on the date of initial application, the Company measures ROU assets for leases previously classified as operating lease under IAS 17 at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position immediately before the date of initial application. At September 1, 2019, ROU assets of $12,422,832 were recognized within property and equipment and lease liabilities of $13,150,784 were recognized within lease liabilities. The ROU asset was recorded net of the provision for onerous leases of $727,952 which was previously recognized within trade and other liabilities. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at September 1, 2019. The weighted average rate applied is 4.00%.

The following table provides a reconciliation of the future minimum lease payments at August 31, 2019, as previously disclosed in the Company's consolidated financial statements, to the lease liability recognized on initial adoption of IFRS 16 at September 1, 2019:

| | |
|---|---|
| Future minimum lease payments at August 31, 2019 | 14,868,006 |
| Add: Extension options reasonably certain to be exercised | 293,454 |
| Less: Short-term leases | (129,824) |
| Less: Low-value leases | (426,648) |
| Additional lease liabilities on adoption of IFRS 16 at September 1, 2019 | 14,604,988 |
| Discounting | (1,457,666) |
| Finance lease liabilities at August 31, 2019 (IAS 17) | 3,462 |
| Lease liabilities at September 1, 2019 | 13,150,784 |

**(b) Newly adopted accounting policies**

**IAS 20, Accounting for Government Grants and Disclosure of Government Assistance ("IAS 20")**

The Company recognizes government subsidies on an accrual basis when there is reasonable assurance that it will comply with the conditions required to qualify for the subsidy and that the collection of the subsidy is also reasonably assured. Government subsidies are recognized on the consolidated statements of financial position under trade and other receivables and are recognized on the consolidated statements of comprehensive income (loss) over the periods in which the expense that the subsidy is intended to offset are recognized.

## 4. Business acquisitions:

During the period, the Company acquired the following businesses:

**Integrated Benefit Consultants Ltd. ("IBC")**

Effective February 21, 2020, the Company acquired IBC, a group benefits consulting firm headquartered in Red Deer, Alberta. Total consideration paid for the acquisition of IBC included cash payment on closing of the transaction, subject to final adjustments for working capital, contingent consideration and non-controlling interest put options. Contingent consideration recorded is based on IBC achieving certain predetermined targets over the three annual periods from March 1, 2020 to February 28, 2023, applied by a sliding scale multiple set out in the share purchase agreement. The Company holds a 100% voting interest and holds a 75% economic interest in IBC through ownership of all of the issued voting, dividend-bearing common shares of IBC.

The IBC Principals collectively hold a 25% economic interest in IBC through ownership of non-voting, non-cumulative, dividend-bearing special shares of IBC (“IBC Principal Shares”). All classes of non-voting, non-cumulative, dividend-bearing shares of IBC have an ongoing contractual right to receive quarterly dividends based on a calculation derived from IBC’s earnings. The Company is entitled to a priority on the payment of dividends declared on the IBC dividend-bearing shares to the extent of a specified earnings amount.

In addition, the Company has a future right to purchase the IBC Principal Shares (“IBC Call Options”) and individual IBC Principals have a future right to require the Company to purchase the IBC Principal Shares (collectively, the “IBC Put Options”), subject to the satisfaction of certain terms and conditions and by giving notice to the Company. On the effective date of exercise of the IBC Call Options or the IBC Put Options, the IBC Principal’s pro-rata right to earn dividends will be terminated.

**Robin Veilleux Assurances et Rentes Collectives Inc. ("RVARC")**

Effective January 30, 2020, the Company acquired RVARC, a group benefits consulting firm headquartered in Quebec City, Quebec. Total consideration paid for the acquisition of RVARC included cash payment on closing of the transaction, subject to final adjustments for working capital, contingent consideration and non-controlling interest put options. Contingent consideration recorded is based on RVARC achieving certain predetermined targets over the three annual periods from February 1, 2020 to January 31, 2023, applied by a sliding scale multiple set out in the share purchase agreement. The Company holds a 100% voting interest and holds a 70% economic interest in RVARC through ownership of all of the issued voting, dividend-bearing common shares of RVARC.

The RVARC Principals collectively hold a 30% economic interest in RVARC through ownership of non-voting, non-cumulative, dividend-bearing special shares of RVARC (“RVARC Principal Shares”). All classes of non-voting, non-cumulative, dividend-bearing shares of RVARC have an ongoing contractual right to receive quarterly dividends based on a calculation derived from RVARC’s earnings. The Company is entitled to a priority on the payment of dividends declared on the RVARC dividend-bearing shares to the extent of a specified earnings amount.

In addition, the Company has a future right to purchase the RVARC Principal Shares (“RVARC Call Options”) and individual RVARC Principals have a future right to require the Company to purchase the RVARC Principal Shares (collectively, the “RVARC Put Options”), subject to the satisfaction of certain terms and conditions and by giving notice to the Company. On the effective date of exercise of the RVARC Call Options or the RVARC Put Options, the RVARC Principal’s pro-rata right to earn dividends will be terminated.

**Apri Group of Companies ("Apri")**

Effective November 28, 2019, the Company acquired all of the issued and outstanding shares of Apri, a national group benefits consulting firm, group benefits managing general agency ("MGA"), and third-party administration ("TPA") headquartered in Richmond Hill, Ontario. The total purchase price for the acquisition of Apri included cash payment on closing of the transaction, subject to final working capital adjustment, vendor take-back notes, common shares of the Company and deferred vendor financing. Vendor take-back notes payable are subject to claw back adjustments tied to achievement of certain financial metrics set out in the share purchase agreement.

(Expressed in Canadian dollars) (unaudited)

**Collage Technologies Inc. ("Collage")**

Effective October 31, 2019, the Company acquired specific assets, liabilities and business operations of Collage, a leading cloud-based digital human resource, employee benefits administration and payroll solution provider focused on the small and medium sized business segment in Canada headquartered in Toronto, Ontario. The total purchase price for the acquisition of Collage included cash, subject to final working capital adjustment. In addition, the asset purchase agreement provides for a deferred payment to be made to certain vendors of Collage that is subject to their continued employment with the Company over a three-year period post-acquisition. The Company considers this as a post-acquisition transaction and has excluded this amount from the purchase consideration for the purposes of acquisition accounting. This deferred payment will be accrued over the three-year post-acquisition period in acquisition, integration and reorganization costs.

These acquisitions enable the Company to continue execution of its growth strategy and expansion of its national presence.

The Company accounted for these transactions as business combinations and has applied the acquisition method of accounting in accordance with IFRS 3. The recognized amounts of assets acquired and liabilities assumed in these transactions and the acquisition date fair value of the total consideration paid or payable are as follows:

| | IBC | RVARC | Apri | Collage | Total |
|---|---|---|---|---|---|
| **Assets acquired and liabilities assumed** | | | | | |
| Cash | $ 474,390 | $ 187,393 | $ 1,260,476 | $ - | $ 1,922,259 |
| Net working capital | (93,780) | (450,712) | (1,335,701) | (556,340) | (2,436,533) |
| Property and equipment | 13,337 | 574,367 | 1,719,652 | 459,392 | 2,766,748 |
| Customer relationships and other intangible assets | 6,346,100 | 12,579,000 | 21,250,000 | 235,000 | 40,410,100 |
| Computer software | - | 378,986 | 1,900,083 | 3,940,000 | 6,219,069 |
| Goodwill (including assembled workforce) | 6,683,238 | 14,221,271 | 27,165,819 | 6,309,720 | 54,380,048 |
| Non-current lease liabilities | (7,340) | (281,605) | (574,356) | (444,112) | (1,307,413) |
| Deferred tax liabilities | (1,700,755) | (3,371,172) | (5,691,958) | - | (10,763,885) |
| | $ 11,715,190 | $ 23,837,528 | $ 45,694,015 | $ 9,943,660 | $ 91,190,393 |
| **Consideration paid or payable** | | | | | |
| Cash payment upon closing | $ 8,550,000 | $ 15,970,000 | $ 37,800,315 | $ 9,958,177 | $ 72,278,492 |
| Working capital adjustment due to vendors | 380,609 | 14,703 | 1,053,461 | (14,517) | 1,434,256 |
| Non-controlling interest put options | 2,535,800 | 6,475,977 | - | - | 9,011,777 |
| Vendor take-back notes payable | - | - | 4,155,202 | - | 4,155,202 |
| Contingent consideration obligation | 248,781 | 1,376,848 | - | - | 1,625,629 |
| Common shares issued by the Company | - | - | 1,865,706 | - | 1,865,706 |
| Deferred vendor financing | - | - | 819,331 | - | 819,331 |
| | $ 11,715,190 | $ 23,837,528 | $ 45,694,015 | $ 9,943,660 | $ 91,190,393 |

(Expressed in Canadian dollars) (unaudited)

Total consideration paid for the acquisition of Collage, Apri, RVARC and IBC, are subject to final adjustments for working capital. The fair values of the net identifiable assets were determined provisionally at May 31, 2020. During the quarter, an adjustment was made to the deferred tax liability and net working capital relating to Apri and the fair value of non-controlling interest put options relating to RVARC.

A part of the goodwill recorded on the acquisitions can be attributed to the assembled workforce and the operating know how of key personnel. However, no intangible assets qualified for separate recognition in this respect. The remaining goodwill represents the excess of purchase price over net assets.

The Company's condensed consolidated interim statements of comprehensive income (loss) include the results of operations for Collage, Apri, RVARC and IBC from their respective dates of acquisition to May 31, 2020. The acquisitions contributed the following revenue and net income during the period ended May 31, 2020.

| | | **May 31, 2020** |
|---|---|---|
| | | **As reported** |
| **Operating revenues** | | |
| Collage | $ | 606,822 |
| Apri | $ | 10,826,237 |
| RVARC | $ | 2,705,350 |
| IBC | $ | 733,942 |
| **Net income (loss) and comprehensive income (loss)** | | |
| Collage | $ | (1,065,419) |
| Apri | $ | 1,372,813 |
| RVARC | $ | 950,487 |
| IBC | $ | 200,024 |

If the acquisitions had occurred on September 1, 2019, management estimates that consolidated revenue for the three months and nine months ended May 31, 2020, would have been $53,236,817 and $159,971,841, consolidated net income would have been $2,838,380 and $593,383, and earnings per share (basic and diluted) would have been $0.04 and $0.01. In determining these amounts, management assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on September 1, 2019.

During the period, the Company purchased the 50% non-controlling interest in Alluvus Solutions Inc. The consideration paid was $128,937 in excess of the carrying value resulting in a reduction to retained earnings (deficit).

(Expressed in Canadian dollars) (unaudited)

5. **Property and equipment:**

The Company had the following property and equipment as at May 31, 2020:

| | Note | Leasehold improvements | Furniture & fixtures | Computer equipment | Right-of-use asset | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance, August 31, 2019 | | $ 11,153,757 | $ 5,079,150 | $ 3,764,763 | $ - | $ 19,997,670 |
| Recognition on adoption of IFRS 16 | | (3,461) | - | - | 12,422,832 | 12,419,371 |
| Balance, September 1, 2019 | | 11,150,296 | 5,079,150 | 3,764,763 | 12,422,832 | 32,417,041 |
| Additions | | 963,171 | 711,535 | 1,066,773 | 4,435,276 | 7,176,755 |
| Write down and disposal of property and equipment | | - | - | (14,294) | - | (14,294) |
| Acquisition through business combination | 4 | 455,232 | 121,960 | 282,812 | 1,906,744 | 2,766,748 |
| Balance, May 31, 2020 | | 12,568,699 | 5,912,645 | 5,100,054 | 18,764,852 | 42,346,250 |
| **Accumulated depreciation** | | | | | | |
| Balance, September 1, 2019 | | (2,161,979) | (2,462,651) | (2,711,166) | - | (7,335,796) |
| Depreciation for the period | | (1,103,276) | (417,550) | (415,051) | (2,633,323) | (4,569,200) |
| Write down and disposal | | - | - | 14,294 | - | 14,294 |
| Balance, May 31, 2020 | | (3,265,255) | (2,880,201) | (3,111,923) | (2,633,323) | (11,890,702) |
| **Carrying amount** | | $ 9,303,444 | $ 3,032,444 | $ 1,988,131 | $ 16,131,529 | $ 30,455,548 |

(Expressed in Canadian dollars) (unaudited)

## 6. Goodwill and intangible assets:

The Company had the following goodwill and intangible assets as at May 31, 2020:

| | Note | Goodwill | Customer relationships and other intangible assets | Customer contracts | Computer software | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance, September 1, 2019 | | $ 164,055,497 | $ 146,656,035 | $ 3,977,849 | $ 8,450,789 | $ 323,140,170 |
| Additions | | - | 344,670 | - | 2,307,034 | 2,651,704 |
| Write down and disposal | | - | - | - | (316) | (316) |
| Acquisition through business combination | 4 | 54,380,048 | 40,410,100 | - | 6,219,069 | 101,009,217 |
| Balance, May 31, 2020 | | 218,435,545 | 187,410,805 | 3,977,849 | 16,976,576 | 426,800,775 |
| **Accumulated amortization** | | | | | | |
| Balance, September 1, 2019 | | - | (40,086,070) | (3,463,659) | (4,357,116) | (47,906,845) |
| Amortization for the period | | - | (12,097,102) | (66,218) | (1,511,001) | (13,674,321) |
| Write down and disposal | | - | - | - | 316 | 316 |
| Balance, May 31, 2020 | | - | (52,183,172) | (3,529,877) | (5,867,801) | (61,580,850) |
| **Carrying amount** | | $ 218,435,545 | $ 135,227,633 | $ 447,972 | $ 11,108,775 | $ 365,219,925 |

Included in computer software additions is $1,846,295 (May 31, 2019 - $1,013,074) of internally developed assets.

## 7. Trade and other liabilities:

The Company had the following trade payables, accrued and other liabilities:

| | May 31, 2020 | August 31, 2019 |
|---|---|---|
| Trade payables and other liabilities | $ 20,122,132 | $ 20,058,501 |
| Post-retirement benefits and contingent consideration obligations | 7,611,889 | 2,291,833 |
| Provisions | 4,850,000 | 5,380,289 |
| | 32,584,021 | 27,730,623 |
| Less current portion of trade and other liabilities | 29,360,483 | 25,683,861 |
| Total non-current trade and other liabilities | $ 3,223,538 | $ 2,046,762 |

The fair value of the contingent consideration obligations are subsequently revalued by discounting the estimated future payment obligations at each reporting date. The changes in fair value of the estimated liability in future periods will be recorded in finance costs in subsequent consolidated statements of comprehensive income (loss). Significant unobservable assumptions include: 1) projected revenue and EBITDA of the practices, 2) growth rates based on historical results, and 3) discount rates ranging from 4.5% to 16.0%.

(Expressed in Canadian dollars) (unaudited)

**8. Lease liabilities:**

The Company had the following lease liabilities as at May 31, 2020:

| | Note | Total |
|---|---|---|
| Balance at September 1, 2019 | | $ 13,150,784 |
| Additions during the period | 5 | 4,435,276 |
| Acquisition related additions during the period | 5 | 1,906,744 |
| Lease payments made during the period | | (3,049,992) |
| Accretion on lease liabilities | 16 | 433,009 |
| | | 16,875,821 |
| Less current portion of lease liabilities | | 3,715,290 |
| Total non-current lease liabilities | | $ 13,160,531 |

ROU assets and corresponding lease liabilities entered into during the period have been recorded using the Company's incremental borrowing rate. The weighted average rate applied was 4.00%.

**9. Insurance premium liabilities and related cash:**

In its capacity as third-party benefits administrator, the Company collects premiums from insurers and remits premiums, net of agreed deductions, such as taxes, administrative fees and commissions, to insurance underwriters. These are considered flow-through items for the Company and, as such, the cash and investment balances relating to these liabilities are deducted from the related liability in the condensed consolidated statement of financial position. The Company has the following amounts held in accounts segregated from the Company's operating funds for insurance premium liabilities.

| | May 31, 2020 | August 31, 2019 |
|---|---|---|
| Payable to carriers and insured individuals or groups | $ 111,390,017 | $ 106,910,623 |
| Less related cash balances | 111,390,017 | 106,910,623 |
| | $ - | $ - |

(Expressed in Canadian dollars) (unaudited)

## 10. Non-controlling interest put options:

The Company is subject to the following non-controlling interest put options:

| | Note | | May 31, 2020 | | August 31, 2019 |
|---|---|---|---|---|---|
| Balance, beginning of year | | $ | 55,724,367 | $ | 52,613,161 |
| Acquisition through business combination | 4 | | 9,011,777 | | 1,971,991 |
| Change in estimated fair value | 16 | | 4,248,197 | | 8,517,983 |
| Less payment of dividends on non-controlling interest | | | (2,930,633) | | (3,561,450) |
| Less non-controlling interest put/call options exercised | | | (11,275,243) | | (3,817,318) |
| | | | 54,778,465 | | 55,724,367 |
| Less current portion of non-controlling interest put options | | | 11,158,103 | | 14,960,783 |
| Total non-current non-controlling interest put options | | $ | 43,620,362 | $ | 40,763,584 |

Changes in estimated fair value represents accretion of interest and changes in assumptions used to estimate the liability related to future dividend payments and put features.

The fair value of the liability associated with the non-controlling put options is determined by discounting the estimated future payment obligation at each reporting date, and changes in fair value of the estimated liability in future periods will be recorded in finance costs in subsequent condensed consolidated interim statements of comprehensive income (loss).

On October 22, 2019, the Company executed its right to purchase 5,000 BPA Vendor Class “A” Shares for total consideration of $2,746,765. This BPA Vendor was entitled to dividend payments derived from BPA’s earnings up to the period ending November 30, 2019. The Company’s economic interest in BPA has increased from 72.6% to 77.6% effective the second quarter of 2020.

On December 4, 2019, the Company executed its right to purchase 16,000 Coughlin Vendor Class "Y" and 1,500 Coughlin Vendor Class "Z" Shares for total consideration of $9,210,329. The Company's economic interest in Coughlin has increased from 72.0% to 88.0% effective the second quarter of 2020.

Effective January 30, 2020, in connection with the RVARC acquisition the Company holds a 70% economic interest in RVARC with a future right to purchase the RVARC Principal Shares (“RVARC Call Options”) and individual RVARC Principals have a future right to require the Company to purchase the RVARC Principal Shares (collectively, the “RVARC Put Options”), subject to the satisfaction of certain terms and conditions.

Effective February 21, 2020, in connection with the IBC acquisition the Company holds a 75% economic interest in IBC with a future right to purchase the IBC Principal Shares (“IBC Call Options”) and individual IBC Principals have a future right to require the Company to purchase the IBC Principal Shares (collectively, the “IBC Put Options”), subject to the satisfaction of certain terms and conditions.

During the third quarter of 2020, the Company received notice of intention to exercise put options with respect to a portion of the BPI Principal Shares. The liability will be settled on the effective date as set out in the notice. An estimate of the current portion of the liability has been recorded on the Company's statement of financial position as at May 31, 2020.

Subsequent to the end of the quarter, the Company entered into an agreement with the vendors of H+P relating to a portion of their put options with an effective date of May 31, 2020. The liability will be settled in accordance with the terms of the agreement. An estimate of the current portion of the liability has been recorded on the Company's statement of financial position as at May 31, 2020.

**(a) IBC**

In connection with the IBC acquisition, the Company entered into various agreements whereby the IBC Principals, through non-voting, non-cumulative, dividend-bearing shares of IBC ("IBC Principal Shares"), hold an aggregate 25% economic interest in IBC ("IBC Retained Economic Interest").

All classes of non-voting, non-cumulative, dividend-bearing shares of IBC have an ongoing contractual right to receive dividends based on a calculation derived from IBC's earnings. The Company is entitled to a priority on the payment of dividends declared on the IBC dividend-bearing shares to the extent of a specified earnings amount.

In addition, the Company has a future right to purchase the IBC Principal Shares ("IBC Call Options") and individual IBC Principals have a future right to require the Company to purchase the IBC Principal Shares (collectively, the "IBC Put Options"), subject to the satisfaction of certain terms and conditions and by giving notice to the Company. On the effective date of exercise of the IBC Call Options or the IBC Put Options, the IBC Principal's pro-rata right to earn dividends will be terminated.

The liability recognized in connection with the IBC Retained Economic Interest, which includes the fair value of future dividend entitlements of the IBC Principal Shares and the IBC Put Options, has been determined based on a pre-determined formula defined in an agreement which is based on a multiple of estimated future earnings of IBC, the estimated future exercise dates of IBC Put Options and other factors. Individual IBC Principals are restricted from exercising their respective IBC Put Options until dates on or after February 21, 2022, subject to certain terms and conditions including restrictions requiring a minimum time period between individual exercise dates.

**(b) RVARC**

In connection with the RVARC acquisition, the Company entered into various agreements whereby the RVARC Principals, through non-voting, non-cumulative, dividend-bearing shares of RVARC ("RVARC Principal Shares"), hold an aggregate 30% economic interest in RVARC ("RVARC Retained Economic Interest").

All classes of non-voting, non-cumulative, dividend-bearing shares of RVARC have an ongoing contractual right to receive dividends based on a calculation derived from RVARC's earnings. The Company is entitled to a priority on the payment of dividends declared on the RVARC dividend-bearing shares to the extent of a specified earnings amount.

In addition, the Company has a future right to purchase the RVARC Principal Shares ("RVARC Call Options") and individual RVARC Principals have a future right to require the Company to purchase the RVARC Principal Shares (collectively, the "RVARC Put Options"), subject to the satisfaction of certain terms and conditions and by giving notice to the Company. On the effective date of exercise of the RVARC Call Options or the RVARC Put Options, the RVARC Principal's pro-rata right to earn dividends will be terminated.

The liability recognized in connection with the RVARC Retained Economic Interest, which includes the fair value of future dividend entitlements of the RVARC Principal Shares and the RVARC Put Options, has been determined based on a pre-determined formula defined in an agreement which is based on a multiple of estimated future earnings of RVARC, the estimated future exercise dates of RVARC Put Options and other factors. The two RVARC Principals are restricted from exercising their respective RVARC Put Options until July 30, 2021 and January 30, 2023, subject to certain terms and conditions including restrictions requiring a minimum time period between individual exercise dates.

**(c) Benefit Partners Inc.**

In connection with the BPI acquisition, the Company entered into various agreements whereby the BPI Principals, through non-voting, non-cumulative, dividend-bearing shares of BPI (“BPI Principal Shares”), hold an aggregate 25% economic interest in BPI ("BPI Retained Economic Interest").

All classes of non-voting, non-cumulative, dividend-bearing shares of BPI have an ongoing contractual right to receive dividends based on a calculation derived from BPI's earnings. The Company is entitled to a priority on the payment of dividends declared on the BPI dividend-bearing shares to the extent of a specified earnings amount.

In addition, the Company has a future right to purchase the BPI Principal Shares (“BPI Call Options”) and individual BPI Principals have a future right to require the Company to purchase the BPI Principal Shares (collectively, the “BPI Put Options”), subject to the satisfaction of certain terms and conditions and by giving notice to the Company. On the effective date of exercise of the BPI Call Options or the BPI Put Options, the BPI Principal's pro rata right to earn dividends will be terminated.

The liability recognized in connection with the BPI Retained Economic Interest, which includes the fair value of future dividend entitlements of the BPI Principal Shares and the BPI Put Options, has been determined based on a pre-determined formula defined in an agreement which is based on a multiple of estimated future earnings of BPI, the estimated future exercise dates of BPI Put Options and other factors. Individual BPI Principals are restricted from exercising their respective BPI Put Options until dates on or after November 27, 2020, subject to certain terms and conditions including restrictions requiring a minimum time period between individual exercise dates.

During the third quarter of 2020, the Company received notice of intention to exercise put options with respect to a portion of the BPI Principal Shares. The liability will be settled on the effective date as set out in the notice. An estimate of the current portion of the liability has been recorded on the Company's statement of financial position as at May 31, 2020.

**(d) Silverberg**

In connection with the Silverberg acquisition, the Company entered into various agreements whereby the Silverberg Principals, through non-voting, non-cumulative, dividend-bearing shares of Silverberg (“Silverberg Principal Shares”), hold an aggregate 25% economic interest in Silverberg ("Silverberg Retained Economic Interest").

All classes of non-voting, non-cumulative, dividend-bearing shares of Silverberg have an ongoing contractual right to receive dividends based on a calculation derived from Silverberg's earnings. The Company is entitled to a priority on the payment of dividends declared on the Silverberg dividend-bearing shares to the extent of a specified earnings amount.

In addition, the Company has a future right to purchase the Silverberg Principal Shares ("Silverberg Call Options") and individual Silverberg Principals have a future right to require the Company to purchase the Silverberg Principal Shares (collectively, the "Silverberg Put Options"), subject to the satisfaction of certain terms and conditions and by giving notice to the Company. On the effective date of exercise of the Silverberg Call Options or the Silverberg Put Options, the Silverberg Principal's pro rata right to earn dividends will be terminated.

The liability recognized in connection with the Silverberg Retained Economic Interest, which includes the fair value of future dividend entitlements of the Silverberg Principal Shares and the Silverberg Put Options, has been determined based on a pre-determined formula defined in an agreement which is based on a multiple of estimated future earnings of Silverberg, the estimated future exercise dates of Silverberg Put Options and other factors. Individual Silverberg Principals are restricted from exercising their respective Silverberg Put Options until dates on or after August 1, 2021, subject to certain terms and conditions including restrictions requiring a minimum time period between individual exercise dates.

**(e) BPA**

In connection with the BPA acquisition, the Company entered into various agreements whereby the BPA Principals, through a class of non-voting, non-cumulative, dividend-bearing shares of BPA (“BPA Principal Shares”) and options to acquire BPA Principal Shares at a nominal price over a period of approximately four and one-half years from April 13, 2016 (“BPA Share Options”), could collectively hold an aggregate 33% economic interest in BPA ("BPA Retained Economic Interest"). Effective September 1, 2019, the BPA Principals held a 27.4% (August 31, 2019 - 21.8%) Retained Economic Interest in BPA. The remaining 5.6% of BPA Share Options will vest effective September 1, 2020.

All classes of non-voting, non-cumulative, dividend-bearing shares of BPA have an ongoing contractual right to receive dividends based on a calculation derived from BPA's earnings. The Company is entitled to a priority on the payment of dividends declared on the Company Shares to the extent of a specified earnings amount. BPA dividend entitlements are paid in arrears on a quarterly basis.

In addition, the Company has a future right to purchase the BPA Principal Shares (“BPA Call Options”) and individual BPA Principals have a future right to require the Company to purchase the BPA Principal Shares (collectively, the “BPA Put Options”), subject to the satisfaction of certain terms and conditions and by giving notice to the Company. On the effective date of exercise of the BPA Call Options or the BPA Put Options, the BPA Principal's pro-rata right to earn dividends will be terminated.

The liability recognized in connection with the BPA Retained Economic Interest, which includes the fair value of future dividend entitlements of the BPA Principal Shares and the BPA Put Options, has been determined based on a predetermined formula, including the exercise of BPA Share Options on vesting, defined in an agreement which is based on a multiple of estimated future earnings of BPA, the estimated future exercise dates of BPA Put Options and other factors. Individual BPA Principals are restricted from exercising their respective BPA Put Options until dates on or after August 31, 2021, subject to certain terms and conditions including restrictions requiring a minimum time period between individual exercise dates.

On October 16, 2018, the Company acquired 2,000 Class C special shares of BPA, being all of the issued and outstanding Class C Special shares, from one of the BPA Principals, pursuant to the Company’s call right under the BPA Shareholder Agreement, for a total purchase price of $558,795. The Class C special shares were non-voting and non-dividend bearing and did not participate in BPA’s earnings. This transaction did not change the economic interests in BPA that are held by the Company and the BPA Principals.

On October 22, 2019, the Company executed its right to purchase 5,000 BPA Vendor Class “A” Shares for total consideration of $2,746,765. This BPA Vendor was entitled to dividend payments derived from BPA’s earnings up to the period ending November 30, 2019. The Company’s economic interest in BPA has increased from 72.6% to 77.6% effective the second quarter of 2020.

**(f) Coughlin**

In connection with the Coughlin acquisition, the Company entered into various agreements whereby the former Coughlin shareholders (the “Coughlin Vendors”) retained an initial 34% minority economic interest (“Coughlin Retained Economic Interest”) through a class of non-voting, non-cumulative, dividend-bearing shares of Coughlin (“Coughlin Vendor Shares”). At August 31, 2019, the Coughlin Vendors' retained economic interest is 28% after various call/put options have been exercised in the current and prior years. In addition, certain of the Coughlin Vendors were issued a class of non-voting, non-cumulative, dividend-bearing shares of Coughlin (“Coughlin Spring Shares”) in which the aggregate Coughlin Retained Economic Interest can increase to 34% on August 31, 2020, subject to certain specified terms and conditions having been met and subject to Coughlin achieving certain financial performance targets over the five year period following the date of close, and thereby reducing the Company’s economic interest in Coughlin to 66%.

All classes of non-voting, non-cumulative, dividend-bearing shares of Coughlin have an ongoing contractual right to receive dividends based on a calculation derived from Coughlin's earnings. The Company is entitled to a priority on the payment of dividends declared on a distinct class of Coughlin dividend-bearing shares to the extent of a specified earnings amount. Coughlin dividend entitlements are paid in arrears on a quarterly basis.

In addition, the Company has the right to purchase the Coughlin Vendor Shares and the Coughlin Spring Shares (“Coughlin Call Options”) and individual Coughlin Vendors have the right to require the Company to purchase the Coughlin Vendor Shares and the Coughlin Spring Shares (the “Coughlin Put Options”) by giving notice to the Company. On the effective date of exercise of the Coughlin Call Options or the Coughlin Put Options, the Coughlin Vendor’s right to earn earnings-based dividends will be terminated.

The liability recognized in connection with the Coughlin Retained Economic Interest, which includes the fair value of future dividend entitlements of the Coughlin Vendor Shares and Coughlin Spring Shares and the Coughlin Put Options, has been determined based on a pre-determined formula defined in an agreement which is based on a multiple of estimated future earnings of Coughlin, the estimated future exercise dates of Coughlin Put Options and other factors. Individual Coughlin Vendors are restricted from exercising their respective Coughlin Put Options until dates on or after August 31, 2018, subject to certain terms and conditions including restrictions requiring a minimum time period between individual exercise dates.

On September 1, 2016, 1,000 Coughlin Vendor Shares were exercised under the terms of the Coughlin Put Options with a total value of $450,904, resulting in the Company's economic interest in Coughlin increasing from 66.0% to 67.0%.

On January 2, 2019, the Company executed its right to purchase 5,000 Coughlin Vendor Shares for total consideration of $2,899,750. The Coughlin Vendor was entitled to dividend payments derived from Coughlin’s earnings up to the period ending November 30, 2018, thereafter the Coughlin Vendor will not be entitled to be paid any further dividends. The Company’s economic interest in Coughlin has increased from 67% to 72% effective the second quarter of 2019.

On December 4, 2019, the Company executed its right to purchase 16,000 Coughlin Vendor Class "Y" and 1,500 Coughlin Vendor Class "Z" Shares for total consideration of $9,210,329. The Company's economic interest in Coughlin has increased from 72.0% to 88.0% effective the second quarter of 2020.

**(g) H+P**

In connection with the acquisition of H+P on July 9, 2013, the Company entered into various agreements whereby the H+P vendors hold an economic interest in H+P through the ongoing right to earn performance-based commissions and fees. In addition, the H+P vendors hold ongoing ownership through non-voting, non-dividend earning special shares ("H+P Special Shares"). The Company has the right to purchase the H+P Special Shares ("H+P Call Option") and the vendors have the right to require the Company to purchase the H+P Special Shares ("H+P Put Option") at certain dates in the future, subject to certain vesting and other conditions. On the effective date of exercise of the H+P Call Option or the H+P Put Option, the H+P vendor's right to earn performance-based commissions and fees will be terminated.

The liability recognized in connection with the H+P Put Option has been determined based on a pre-determined formula defined in an agreement which is based on a multiple of estimated future earnings of H+P, the estimated future exercise dates and other factors. The H+P Put Options are exercisable at any time by the non-controlling shareholder(s), subject to certain terms and conditions.

Subsequent to the end of the quarter, the Company entered into an agreement with the vendors of H+P relating to a portion of their put options with an effective date of May 31, 2020. The liability will be settled in accordance with the terms of the agreement. An estimate of the current portion of the liability has been recorded on the Company's statement of financial position as at May 31, 2020.

**(h) Bencom**

In connection with the acquisition of Bencom Financial Service Group Inc. ("Bencom"), the Company entered into various agreements whereby the vendors hold an economic interest in Bencom through the ongoing right to earn performance-based commissions and fees. In addition, the vendors hold ongoing ownership through non-voting, non-dividend earning special shares ("Bencom Special Shares"). The Company has the right to purchase the Bencom Special Shares ("Bencom Call Option") and the vendors have the right to require the Company to purchase the Bencom Special Shares ("Bencom Put Option") at certain dates in the future, subject to certain vesting and other conditions. On the effective date of exercise of the Bencom Call Option or the Bencom Put Option, the Bencom vendor's right to earn performance-based commissions and fees will be terminated.

During the second quarter of 2019, the vendors exercised their Bencom Put Options. The liability recognized in connection with the Bencom Put Option has been determined based on a settlement agreement between the vendors and the Company. Effective June 14, 2019, the Company now owns 100% economic interest in Bencom.

(Expressed in Canadian dollars) (unaudited)

### 11. Loans and borrowings:

The Company had the following loans and borrowings, which are measured at amortized cost:

| | | May 31, 2020 | August 31, 2019 |
|---|---|---|---|
| **Revolving credit facility** | | | |
| a | Credit Facility: A bank loan bearing interest of the bankers' acceptance rates plus an amount equal to 1.45% to 3.00% per annum subject to certain terms, secured by the assets of the Company, to the extent not previously paid, the principal shall be due and payable on the maturity date. The loan matures June 1, 2022 unless extended pursuant to the agreement. | $ 78,000,000 | $ 71,241,000 |
| **Revolving credit facility** | | 78,000,000 | 71,241,000 |
| **Vendor take-back loans** | | | |
| b | A vendor take-back loan bearing no interest per annum, unsecured, payable in two payments of $575,000 and $425,000 on the date that is 15 and 27 months following acquisition date, respectively. The loan is subject to certain performance conditions set out in the asset purchase agreement. The amortized cost of the loan has been discounted using a rate of 2.90%. The loan matures on May 1, 2020. | - | 415,867 |
| c | A vendor take-back loan bearing no interest per annum, unsecured, payable in five payments: $150,000 in the first year and $300,000 annually thereafter. The amortized cost of the loan has been discounted using a rate of 4.40%. The loan matures June 12, 2020. | 299,354 | 289,892 |
| d | A vendor take-back loan bearing no interest per annum, unsecured, payable in four payments: $650,000 on the date that is 15 months following acquisition date and $1,200,000 annually thereafter. The loan is subject to certain performance conditions set out in the share purchase agreement, which was amended during the third quarter of 2019. The amortized cost of the loan has been discounted using a rate of 4.75%. The loan matures on December 31, 2023. | 3,828,220 | 3,697,271 |
| e | A vendor take-back loan bearing no interest per annum, secured by the assets of the Company, payable in three annual installments of $1,610,000. The loan is subject to certain performance conditions set out in the asset purchase agreement. The amortized cost of the loan has been discounted using a rate of 5.00%. The loan matures on March 1, 2021. | 1,552,255 | 3,067,849 |

(Expressed in Canadian dollars) (unaudited)

| | | | May 31, 2020 | | August 31, 2019 |
|---|---|---|---|---|---|
| f | A vendor take-back loan bearing no interest per annum payable in three payments: $1,092,500 in the first and second year and $1,900,000 in the third year. The loan is subject to certain performance conditions set out in the share purchase agreement. The amortized cost of the loan has been discounted using a rate of 4.50%. The loan matures on June 1, 2022. | | 3,877,841 | | 3,699,903 |
| g | A vendor take-back loan bearing no interest per annum, secured by the assets of the Company, payable in one payment of $4,800,000 in the second year. The loan is subject to certain performance conditions set out in the share purchase agreement. The amortized cost of the loan has been discounted using a rate of 4.50%. The loan matures on December 12, 2021. | | 4,476,863 | | 4,325,000 |
| h | A vendor take-back loan bearing no interest per annum payable in two payments: $1,750,000 in the first year and $2,748,000 in the second year. The loan is subject to certain performance conditions set out in the share purchase agreement. The amortized cost of the loan has been discounted using a rate of 4.50%. The loan matures on February 28, 2022. | | 4,247,665 | | - |
| **Total vendor take-back loans** | | | 18,282,198 | | 15,495,782 |
| **Finance lease liabilities** | | | - | | 3,462 |
| **Total loans and borrowings** | | | 96,282,198 | | 86,740,244 |
| **Less current portion of:** | | | | | |
| Vendor take-back loans | | | 4,765,793 | | 2,984,555 |
| Finance lease liabilities | | | - | | 3,462 |
| | | | 4,765,793 | | 2,988,017 |
| | | $ | 91,516,405 | $ | 83,752,227 |

(Expressed in Canadian dollars) (unaudited)

The Company is a party to an agreement with a syndicate of Canadian banks, which includes the following commitment:

- $125,000,000 revolving commitment which has been used to refinance the acquisition facility under the previous agreement and to fund future acquisitions. As at May 31, 2020, the balance owing on this facility was equal to $78,000,000 (August 31, 2019 - $71,241,000). The total syndicated facility includes a $5,000,000 swingline commitment to fund operating cash flow needs. As at May 31, 2020, the Company had not utilized the swingline (August 31, 2019 - $nil).

In addition, the facility agreement provides for an option to, from time to time, request an increase in the amount of the revolving commitment by an amount of not less than $5,000,000 and not more than $50,000,000, subject to the satisfaction of certain terms and conditions. The exercise of the option would result in the size of the revolving commitment increasing from $125,000,000 to a maximum of $175,000,000. The loan matures on June 1, 2022, unless extended pursuant to the terms of the agreement. The facility is secured by a general security agreement over the assets of the Company and its subsidiaries and is subject to covenants. As at May 31, 2020, the Company was in compliance with all of its financial and non-financial covenants.

## 12. Share capital:

### (a) Authorized

The Company has authorized share capital of an unlimited number of common voting shares with no par value.

### (b) Shares issued and outstanding

Shares issued and outstanding are as follows:

| | Note | Number of Common voting shares | | Amount |
|---|---|---|---|---|
| Balance, August 31, 2019 | | 60,918,514 | $ | 125,765,547 |
| Private placement of shares | | 10,483,500 | | 85,048,756 |
| Acquisition-related issuance of shares | 4 | 208,695 | | 1,865,706 |
| Exercise of stock options | 13b | 89,759 | | 432,044 |
| Settlement of restricted stock units | 13c | 77,520 | | 311,940 |
| Balance, May 31, 2020 | | 71,777,988 | $ | 213,423,993 |

During the first quarter of 2020, the Company closed a private placement offering of 6,983,500 shares, with a four month restrictive hold, at a price of $9.10 per share including 389,500 shares issued through the partial exercise of the syndicate's over-allotment option, for gross proceeds of $63,549,850. The offering resulted in net proceeds of $61,071,309 after share issuance and commission costs, including a deferred tax asset of $907,767 relating to share issuance and commission costs.

During the first quarter of 2020, in connection with the acquisition of Apri on November 28, 2019, the Company issued 208,695 common shares to the vendors for an aggregate value of $1,865,706 net of issuance costs.

On April 16, 2020, the Company closed a private placement offering of 3,500,000 shares, with a four month restrictive hold, at a price of $7.15 per share including 423,000 shares issued through the partial exercise of the syndicate's over-allotment option, for gross proceeds of $25,025,000. The offering resulted in net proceeds of $23,977,447 after share issuance and commission costs, including a deferred tax asset of $377,877 relating to share issuance and commission costs.

(Expressed in Canadian dollars) (unaudited)

**(c) Earnings per share**

Basic earnings per share is calculated by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is calculated by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for the potentially dilutive effect of the total number of additional common shares related to options outstanding at May 31, 2020, that would have been issued by the Company under its Security Based Compensation Plan.

The following details the earnings per share, basic and diluted, calculations for the three months and nine months ended May 31, 2020 and 2019.

| | May 31, 2020 | | May 31, 2019 | |
|---|---|---|---|---|
| | Three months | Nine months | Three months | Nine months |
| Net income (loss) attributable to common shares (basic and diluted) | $ 2,838,380 | $ 569,652 | $ (644,139) | $ (5,539,923) |
| Weighted average number of common shares (basic) | 69,989,945 | 67,535,351 | 60,829,737 | 60,716,428 |
| Add: Dilutive effect of stock options | 695,288 | 859,618 | - | - |
| Add: Dilutive effect of RSUs | 404,982 | 444,054 | - | - |
| Add: Dilutive effect of DSUs | 133,506 | 130,688 | - | - |
| Weighted average number of common shares (diluted) | 71,223,721 | 68,969,711 | 60,829,737 | 60,716,428 |
| Net income (loss) per share (basic) | $ 0.04 | $ 0.01 | $ (0.01) | $ (0.09) |
| Net income (loss) per share (diluted) | $ 0.04 | $ 0.01 | $ (0.01) | $ (0.09) |

The average market value of the Company's shares for the purposes of calculating the dilutive effect of stock options and fair value awards was based on quoted market prices for the period during which the awards were outstanding. There is no dilutive impact in periods of loss.

**13. Share-based payments:**

The Company's Security Based Compensation Plan allows for the issuance of stock options, restricted stock units and deferred stock units.

Under the Security Based Compensation Plan, awards may be granted to any director, officer, employee or consultant of the Company or of any of its affiliates by the Company's Board of Directors. Subject to the adjustment provisions provided for in the Security Based Compensation Plan and the applicable rules and regulations of all regulatory authorities to which the Company is subject (including the TSX Venture Exchange), the aggregate number of common shares reserved for issuance pursuant to the Security Based Compensation Plan cannot exceed 7,236,222, which number takes into account the common shares that are available for issuance under the Company's Security Based Compensation Plan.

For the three months and nine months ended May 31, 2020, the Company recorded non-cash expense to recognize Stock Option, RSU and DSU grants to employees and directors of the Company equal to $841,783 and $3,494,495, respectively (May 31, 2019 – $918,926 and $3,162,841).

(Expressed in Canadian dollars) (unaudited)

**(a) Employee share purchase plan**

The Company has an ESPP whereby both employee and Company contributions are used to purchase shares on the open market for employees. The Company's contributions are expensed as incurred as there is no vesting period. Under the plan, the Company matches $1 for every $4 contributed by employee contributions of between 2% and 5% of annual base remuneration.

At May 31, 2020, there were 421 participants (May 31, 2019 – 390) in the plan. The total number of shares purchased during the three months and nine months ended May 31, 2020, on behalf of participants, including the Company contribution, was 68,645 shares and 191,505 shares (May 31, 2019 – 66,940 and 198,100 shares). During the three months and nine months ended May 31, 2020, the Company's matching contributions totaled 13,729 shares and 38,301 shares (May 31, 2019 – 13,388 and 39,620 shares).

For the three months and nine months ended May 31, 2020, the Company recorded an expense to recognize the matching contribution equal to $116,969 and $351,870 (May 31, 2019 – $103,674 and $302,814).

**(b) Stock option plans**

Stock options may be granted to directors, officers, employees and service providers of the Company on terms that the directors of the Company may determine within the limitations set forth in the Security Based Compensation Plan or former Stock Option Plan or by security regulators. Options shall not be granted for a term exceeding eight years under the terms of the Security Based Compensation Plan or five years under the terms of the former Stock Option Plan. Under the Security Based Compensation Plan all stock options vest in three equal tranches over three years.

Changes in the number of options outstanding during the nine months ended May 31, 2020, and 2019 were as follows:

| | | May 31, 2020 | | May 31, 2019 |
|---|---|---|---|---|
| | **Options** | **Weighted average exercise price** | **Options** | **Weighted average exercise price** |
| Balance, beginning of period | 3,498,872 | $ 6.91 | 3,681,861 | $ 6.64 |
| Granted | 175,000 | 9.27 | 60,000 | 7.36 |
| Exercised | (89,759) | 3.06 | (216,172) | 2.75 |
| Forfeited | (406,667) | 7.92 | (11,817) | 3.06 |
| Balance, end of period | 3,177,446 | $ 7.02 | 3,513,872 | $ 6.91 |
| Options exercisable, end of period | 627,494 | | 548,354 | |

For the three months and nine months ended May 31, 2020, the Company received proceeds equal to $nil and $274,708 (May 31, 2019 - $523,086 and $595,130) from the exercise of nil and 89,759 (May 31, 2019 - 181,726 and 216,172) options. Related to these transactions, the Company transferred $nil and $157,336 (May 31, 2019 - $205,910 and $239,874) from contributed surplus to share capital.

(Expressed in Canadian dollars) (unaudited)

Options outstanding at May 31, 2020, consisted of the following:

| Range of exercise prices | Number Outstanding | Remaining contractual life | Weighted average exercise price | Number exercisable |
|---|---|---|---|---|
| $ 2.87 - $ 3.00 | 330,398 | 3.86 years | $ 2.87 | 250,398 |
| $ 3.01 - $ 4.00 | 144,836 | 3.73 years | 3.61 | 144,836 |
| $ 4.01 - $ 5.00 | 214,032 | 3.90 years | 4.28 | 174,032 |
| $ 7.01 - $ 8.00 | 2,313,180 | 3.38 years | 7.90 | 58,228 |
| $ 9.01 - $ 10.00 | 150,000 | 5.43 years | 9.14 | - |
| $ 10.01 - $ 10.05 | 25,000 | 7.63 years | 10.05 | - |
| $ 2.87 - $ 10.05 | 3,177,446 | 3.61 years | $ 7.02 | 627,494 |

For the three months and nine months ended May 31, 2020, the Company recorded an expense to recognize stock option compensation expense for options granted to employees and directors of the Company equal to $600,684 and $1,825,015 (May 31, 2019 - $662,921 and $1,981,692).

**(c) Performance-conditioned Restricted Stock Units ("RSUs")**

The Company has conditionally granted RSUs (payable in cash or shares of the Company's common stock at the discretion of the Board of Directors) to employees, that may be earned at the end of a one-year performance period, based on each fiscal year ("the performance period"), subject to certain financial metrics for the performance period. In order to earn RSUs a minimum threshold must be achieved, with the maximum number of RSUs being earned upon achievement of the target.

Changes in the number of RSUs outstanding during the nine months ended May 31, 2020 and 2019, were as follows:

| | May 31, 2020 | | May 31, 2019 | |
|---|---|---|---|---|
| | Number of RSUs | Grant price $ | Number of RSUs | Grant price $ |
| Balance, beginning of period | 454,340 | $ 5.91 | 442,279 | $ 4.77 |
| Granted | 111,355 | 9.13 | 144,270 | 7.97 |
| Settled | (220,110) | 4.49 | (106,379) | 3.53 |
| Forfeited | (2,277) | 7.95 | (19,258) | 7.78 |
| Balance, end of period | 343,308 | $ 7.85 | 460,912 | $ 5.93 |

The fair value of RSUs awarded is determined at grant date calculated based on the five-day volume weighted average price of the Company's common shares preceding grant date and the related stock compensation expense is recognized over the vesting period which is the period over which all of the specified vesting conditions are satisfied. The number of RSUs awarded is determined based on the fair market value of those RSUs on the date granted.

(Expressed in Canadian dollars) (unaudited)

During the first quarter of fiscal year 2020, the Company settled 61,358 RSUs and recorded a fair value adjustment of $204,575 to recognize the incremental stock compensation expense incurred to cash settle the RSUs.

During the second quarter, the Company settled 158,752 fully vested RSUs, of which 77,520 shares were issued from treasury and the value of 81,232 shares were withheld and cash settled for employee withholding tax purposes. The Company recorded a fair value adjustment of $402,660 (May 31, 2019 - $250,990) to recognize the incremental stock compensation expense incurred to net settle the RSUs.

For the three months and nine months ended May 31, 2020, the Company recorded an expense to recognize vesting of RSUs granted to employees of the Company equal to $221,849 and $819,495 (May 31, 2019 - $241,255 and $732,159).

**(d) Deferred Stock Units ("DSUs")**

Independent members of the Company's Board of Directors are paid a portion of their annual retainer in the form of DSUs, which vest on the date determined by the Board of Directors. In addition, certain employees of the Company are granted DSUs that form part of their compensation arrangement. The underlying security of DSUs are the Company's common shares, which are valued based on their volume weighted average closing price for the five trading days prior to the date on which the DSUs are granted. The DSUs will be settled by the issuance of common shares by the Company unless, subject to the consent of the Company, the Director elects to receive cash in lieu of common shares.

Changes in the number of DSUs outstanding during the nine months ended May 31, 2020, and 2019, were as follows:

| | | May 31, 2020 | | May 31, 2019 |
|---|---|---|---|---|
| | Number of DSUs | Grant Price $ | Number of DSUs | Grant price $ |
| Balance, beginning of period | 109,385 | $ 6.43 | 69,278 | $ 5.33 |
| Granted | 26,218 | 9.26 | 25,285 | 7.83 |
| Balance, end of period | 135,603 | $ 6.98 | 94,563 | $ 6.00 |

The fair value of DSU's awarded is determined at grant date calculated based on the volume weighted average price of the Company's common shares for the five business days preceding grant date and the related salary expense is recognized over the vesting period which is the period over which all of the specified vesting conditions are satisfied, if any. The number of DSUs awarded is determined based on the fair market value of those DSUs on the date credited.

For the three months and nine months ended May 31, 2020, the Company recorded an expense to recognize DSUs granted to directors of the Company equal to $19,250 and $242,750 (May 31, 2019 - $14,750 and $198,000).

(Expressed in Canadian dollars) (unaudited)

## 14. Supplemental cash flow information

The following table provides details on changes in non-cash working capital items for the three months and nine months ended May 31, 2020, and 2019:

| | | May 31, 2020 | | May 31, 2019 |
|---|---|---|---|---|
| | Three months | Nine months | Three months | Nine months |
| Trade and other receivable | $ (1,940,509) | $ (2,380,444) | $ 2,246,023 | $ 1,142,344 |
| Prepaid and other current assets | (78,889) | (948,208) | (454,922) | (278,271) |
| Contract cost assets | (108,841) | (201,506) | (94,478) | (233,907) |
| Loans and other assets | 39,346 | 178,090 | (167,689) | (94,078) |
| Trade and other liabilities | 1,586,341 | (2,492,096) | 4,049,715 | (4,204,607) |
| Deferred revenue | - | - | - | (3,288,650) |
| Contract liabilities | (1,693,074) | 5,536,785 | (409,074) | 4,332,696 |
| | $ (2,195,626) | $ (307,379) | $ 5,169,575 | $ (2,624,473) |

For the three months and nine months ended May 31, 2020, the Company paid $797,203 and $2,214,880 in interest and finance costs on long-term debt.

## 15. Revenue:

In the following table, revenue is disaggregated by the Company's lines of business:

| | | May 31, 2020 | | May 31, 2019 |
|---|---|---|---|---|
| | Three months | Nine months | Three months | Nine months |
| Benefit Solutions | $ 25,001,064 | $ 77,670,630 | $ 24,254,444 | $ 71,228,867 |
| Consulting Solutions | 26,094,744 | 72,763,263 | 16,785,842 | 42,512,639 |
| HR Solutions and Other | 2,141,009 | 6,098,419 | 1,386,799 | 5,560,779 |
| | $ 53,236,817 | $ 156,532,312 | $ 42,427,085 | $ 119,302,285 |

(Expressed in Canadian dollars) (unaudited)

**16. Finance expenses:**

The Company's finance expenses for the three months and nine months ended May 31, 2020, and 2019, were comprised of the following:

| | Note | May 31, 2020 | | May 31, 2019 | |
|---|---|---|---|---|---|
| | | Three months | Nine months | Three months | Nine months |
| Interest and finance costs on long-term debt | | $ 797,203 | $ 2,214,880 | $ 663,857 | $ 1,518,348 |
| Other finance costs, net | | 123,204 | 324,718 | 166,288 | 416,202 |
| Non-cash finance costs | | | | | |
| Accretion on lease liabilities | 8 | 155,008 | 433,009 | - | - |
| Accretion on other financing instruments | | 301,105 | 761,132 | 150,929 | 420,657 |
| Change in estimated fair value of non-controlling interest put options | 10 | (366,538) | 4,248,197 | 2,121,802 | 8,476,861 |
| Change in estimated fair value of other financing instruments | | 1,262,458 | 1,981,821 | 39,713 | 116,025 |
| | | 1,352,033 | 7,424,159 | 2,312,444 | 9,013,543 |
| | | $ 2,272,440 | $ 9,963,757 | $ 3,142,589 | $ 10,948,093 |

Accretion expenses on other financing instruments represent the implied interest cost related to non-interest bearing vendor take-back loans (see note 11) and contingent consideration obligations initially recognized on a discounted basis.

(Expressed in Canadian dollars) (unaudited)

## 17. Financial instruments:

### Fair value measurement

The Company's financial instruments measured at fair value through profit or loss include contingent consideration obligations and non-controlling interest put options. The valuation techniques used to measure level 3 financial instruments are described in the referenced notes.

The following presents the Company's assets and liabilities measured at fair value on a recurring basis and categorized by hierarchy level:

| | (Quoted prices in an active market for identical assets) Level 1 | (Significant other observable inputs) Level 2 | (Significant other unobservable inputs) Level 3 |
|---|---|---|---|
| August 31, 2019 | | | |
| Contingent consideration obligations | - | - | 1,311,966 |
| Non-controlling interest put options | - | - | 55,724,367 |
| May 31, 2020 | | | |
| Contingent consideration obligations | - | - | 4,952,647 |
| Non-controlling interest put options | - | - | 54,778,465 |

The carrying value of the Company's trade and other receivables and trade and other liabilities approximate their fair values due to the immediate or short-term maturity of these instruments. The carrying value of the long-term debt approximates its fair value as the interest rates are consistent with the current rates offered to the Company for debt with similar terms. The carrying value of the other non-current assets and other non-current trade and other liabilities approximates its fair value as the interest rates are consistent with the current rates offered by the Company for loans with similar terms.

## 18. Expenses by nature:

The Company's expenses for the three months and nine months ended May 31, 2020, and 2019, were comprised of the following:

| | Note | May 31, 2020 Three months | May 31, 2020 Nine months | May 31, 2019 Three months | May 31, 2019 Nine months |
|---|---|---|---|---|---|
| Personnel and compensation | | $ 31,786,337 | $ 94,664,211 | $ 27,225,159 | $ 76,179,444 |
| General and administrative | | 5,367,515 | 21,002,280 | 7,037,770 | 20,203,009 |
| Administration fees | | 1,936,940 | 6,432,999 | 972,908 | 3,057,939 |
| Public company costs | | 194,742 | 566,038 | 100,636 | 435,848 |
| | | 39,285,534 | 122,665,528 | 35,336,473 | 99,876,240 |
| Depreciation and amortization | 5, 6 | 6,891,646 | 18,243,521 | 3,940,207 | 10,769,812 |
| Finance expenses | 16 | 2,272,440 | 9,963,757 | 3,142,589 | 10,948,093 |
| | | $ 48,449,620 | $ 150,872,806 | $ 42,419,269 | $ 121,594,145 |

(Expressed in Canadian dollars) (unaudited)

The Company's operating expenses and acquisition, integration and reorganization costs, as reported on the condensed statement of comprehensive income (loss), for the three months and nine months ended May 31, 2020, and 2019, were comprised of the following:

| | May 31, 2020 | | May 31, 2019 | |
|---|---|---|---|---|
| | Three months | Nine months | Three months | Nine months |
| Operating expenses | $ 36,458,367 | $ 110,470,507 | $ 32,448,768 | $ 92,397,542 |
| Acquisition, integration and reorganization costs | 2,827,167 | 12,195,021 | 2,887,705 | 7,478,698 |
| | $ 39,285,534 | $ 122,665,528 | $ 35,336,473 | $ 99,876,240 |

For the three months and nine months ended May 31, 2020 the Company incurred $2,827,167 and $12,195,021 (May 31, 2019 - $2,887,705 and $7,478,698) of acquisition, integration and reorganization costs. Acquisition, integration and reorganization costs include:

- Professional fees, personnel and compensation, and other non-recurring incremental costs incurred to secure and complete specific acquisitions;
- Non-operating outlays, which include personnel and compensation and general and administrative expenses, that are associated with integrating acquired operations into the Company's business model subsequent to completion of an acquisition;
- Non-recurring outlays including consulting, recruiting, and severance costs associated with reorganization of operations; and
- Post-acquisition transactions arising from business combinations that are not included in the determination of the purchase consideration.

In response to COVID-19, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") program in April 2020. CEWS provides a wage subsidy on eligible remuneration, subject to a maximum per employee, to eligible employers based on meeting certain eligibility criteria. The Company has determined that it has qualified for this subsidy. The Company has recognized the government grant as there is reasonable assurance that it will comply with the eligibility criteria and that the subsidy will be received. Included in personnel and compensation expenses for the three and nine months ended May, 31, 2020 is $2,000,000 relating to the CEWS program in order to reduce the expense that the grant is intended to offset.

## 19. Contingencies:

In the ordinary course of operating the Company’s business it may from time to time be subject to various claims or possible claims. Management's view is that there are no claims or possible claims that if resolved would either individually or collectively result in a material adverse impact on the Company’s financial position, results of operations, or cash flows. These matters are inherently uncertain and management’s view of these matters may change in the future.

**20. Related parties:**

**(a) Key management personnel compensation**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Board of Directors and Officers are key management personnel. In addition to their salaries, the Company also provides non-cash benefits and participation in the Employee Share Purchase Plan (see note 13(a)) and Security Based Compensation Plan (see note 13(b), (c), (d)).

During the first quarter of fiscal year 2020, the Company accrued an additional $1,432,400 in accordance with a settlement agreement related to the retirement of the Company's President. The amount has been settled with the exception of a portion relating to an ongoing salary continuance.