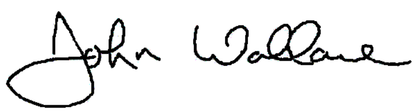
THE CALDWELL PARTNERS INTERNATIONAL INC.
Consolidated interim financial statements

Third Quarters Ended
May 31, 2018 and 2017
(unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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



John N. Wallace
President and Chief Executive Officer

C. Christopher Beck
Chief Financial Officer

July 10, 2018

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(unaudited - in $000s Canadian)

	As at May 31 2018	*As at August 31 2017*
Assets		
Current assets		
Cash and cash-equivalents	10,460	10,917
Marketable securities (note 4)	5,620	5,048
Accounts receivable	9,964	9,393
Prepaid expenses and other assets	1,929	1,848
	27,973	27,206
Non-current assets		
Restricted cash	137	133
Marketable securities (note 4)	177	172
Advances	168	503
Property and equipment	1,480	1,699
Intangible assets	115	178
Goodwill	2,902	2,761
Deferred income taxes	1,488	1,650
Total assets	34,440	34,302
Liabilities		
Current liabilities		
Accounts payable (note 8)	2,352	2,044
Compensation payable (notes 6, 7 and 9)	15,813	15,896
Dividends payable (note 12)	408	408
Income taxes payable	485	636
Deferred revenue (note 9)	189	1,107
	19,247	20,091
Non-current liabilities		
Compensation payable (note 7)	1,146	958
Provisions (note 8)	105	133
	20,498	21,182
Equity attributable to owners of the Company		
Share Capital (note 12)	7,515	7,515
Contributed surplus (note 12)	15,000	14,992
Accumulated other comprehensive income	1,221	850
Deficit	(9,794)	(10,237)
Total equity	13,942	13,120
Total liabilities and equity	34,440	34,302

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

Signed on behalf of the Board:

G. Edmund King
Chair of the Board

Kathryn A. Welsh
Chair of the Audit Committee

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED INTERIM STATEMENTS OF EARNINGS

(unaudited - in $000s Canadian)

	Three months ended May 31		Nine months ended May 31	
	2018	*2017*	*2018*	*2017*
Revenues				
Professional fees (note 9)	17,942	14,443	47,769	41,737
License fees (note 18)	86	81	229	218
	18,028	14,524	47,998	41,955
Cost of sales (notes 5, 7 and 9)	13,099	10,771	35,416	30,717
Gross profit	4,929	3,753	12,582	11,238
Expenses				
General and administrative (notes 5, 6 and 7)	3,234	2,903	8,782	8,275
Sales and marketing (note 5)	395	277	964	716
Foreign exchange (gain) loss (note 5)	19	(49)	(56)	(80)
	3,648	3,131	9,690	8,911
Operating profit	1,281	622	2,892	2,327
Investment income (loss) (note 4)	2	(142)	6	(142)
Earnings before income tax	1,283	480	2,898	2,185
Income tax expense (note 10)	296	256	1,231	932
Net earnings for the period attributable to owners of the Company	987	224	1,667	1,253
Earnings per share (note 11)				
Basic and diluted	$0.048	$0.011	$0.082	$0.062

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE EARNINGS

(unaudited - in $000s Canadian)

	Three months ended May 31		Nine months ended May 31	
	2018	*2017*	*2018*	*2017*
Net earnings for the period	987	224	1,667	1,253
Other comprehensive income (loss):				
Realization of loss included in net income (note 4)	-	142	-	142
Unrealized (loss) gain on marketable securities (note 4)	(17)	37	72	190
Cumulative translation adjustment	53	219	299	191
Comprehensive earnings for the period attributable to owners of the Company	1,023	622	2,038	1,776

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

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(unaudited - in $000s Canadian)

				Accumulated Other Comprehensive Income		
	Deficit	Capital Stock	Contributed Surplus	Cumulative Translation Adjustment	Unrealized Gains on Marketable Securities	Total Equity
Balance - September 1, 2016	**(10,572)**	**7,295**	**15,025**	**841**	**338**	**12,927**
Net earnings for the nine month period ended May 31, 2017	1,253	-	-	-	-	1,253
Dividend payments declared (note 12)	(1,213)	-	-	-	-	(1,213)
Employee share option plan share issue (note 12)	-	220	(33)	-	-	187
Realization of losses included in net earnings	-	-	-	-	142	142
Change in unrealized gain on marketable securities available for sale (note 4)	-	-	-	-	190	190
Change in cumulative translation adjustment	-	-	-	191	-	191
Balance - May 31, 2017	**(10,532)**	**7,515**	**14,992**	**1,032**	**670**	**13,677**
Balance - September 1, 2017	**(10,237)**	**7,515**	**14,992**	**428**	**422**	**13,120**
Net earnings for the nine month period ended May 31, 2018	1,667	-	-	-	-	1,667
Dividend payments declared (note 12)	(1,224)	-	-	-	-	(1,224)
Share based payment expense (note 12)	-	-	8	-	-	8
Change in unrealized gains on marketable securities available for sale (note 4)	-	-	-	-	72	72
Change in cumulative translation adjustment	-	-	-	299	-	299
Balance - May 31, 2018	**(9,794)**	**7,515**	**15,000**	**727**	**494**	**13,942**

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

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW

(unaudited - in $000s Canadian)

	Nine months ended May 31	
	2018	*2017*
Cash flow provided by (used in)		
Operating Activities		
Net earnings for the period	1,667	1,253
Add (deduct) items not affecting cash		
Depreciation	399	419
Amortization	67	71
Amortization of advances	589	566
Realization of capital loss	-	142
Share based payment expense	8	-
Unrealized foreign exchange on subsidiary loans	(76)	(89)
Reduction in marketable securities following assignment to partner	-	432
Decrease in provisions	(29)	(30)
Decrease in deferred taxes	204	-
Change in fair value of contingent consideration	-	(109)
Decrease in deferred revenue	(927)	(644)
Increase in cash settled share-based compensation payable	189	159
(Increase) decrease in accounts receivable	(341)	706
(Increase) decrease in prepaid expenses and other assets	(276)	514
Increase (decrease) in accounts payable	271	(298)
(Decrease) increase in income taxes payable	(161)	356
Increase (decrease) in compensation payable	215	(1,565)
Payment of contingent consideration	-	(181)
Payment of cash settled share-based compensation	(553)	(709)
Net cash provided by operating activities	1,246	993
Investment Activities		
Proceeds from sale of marketable securities	-	101
Increase in marketable securities	(500)	-
Payment of advances	-	(669)
Decrease in restricted cash	-	48
Additions to property and equipment	(147)	(426)
Net cash used in investing activities	(647)	(946)
Financing Activities		
Share issuance from employee share option plan	-	187
Dividend payments	(1,224)	(1,208)
Net cash used in financing activities	(1,224)	(1,021)
Effect of exchange rate changes on cash and cash equivalents	168	126
Net decrease in cash and cash equivalents	(457)	(848)
Cash and cash equivalents, beginning of period	10,917	8,422
Cash and cash equivalents, end of period	10,460	7,574

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

THE CALDWELL PARTNERS INTERNATIONAL INC.

Notes to Unaudited Consolidated Interim Financial Statements
For The Third Quarters Ended May 31, 2018 and 2017

(in CAD $000s, except per share amounts)

1. General Information

The Caldwell Partners International Inc. (the Company) is an executive search firm specializing in recruiting executives for full-time and advisory roles on behalf of its clients. The Company contracts with its clients, on an assignment basis, to provide consulting advice on the identification, evaluation, assessment and recommendation of qualified candidates for specific positions and needs. The Company concentrates its activities on locating executives to fill senior executive employment and executive advisory solutions. Our core service offerings have historically been the placement of executives in full-time employed roles or in an advisory capacity within fiduciary governance boards. During fiscal 2018 we began selling agile talent solutions involving the placement executives on a variable-time and scope basis who provide operational advisory and executive knowledge services for our clients.

The Company was first incorporated by articles of incorporation under the Business Corporations Act (Ontario) on August 22, 1979 and subsequently amalgamated with certain of its subsidiary companies by articles of amalgamation on September 1, 2014. The Company is listed on the Toronto Stock Exchange (symbol: CWL). The Company's head office is located at 165 Avenue Road, Toronto, Ontario. The Company operates in Canada, the United States, Europe and, through its through its licence agreements, Latin America and New Zealand.

All references to quarters or years are for the fiscal periods unless otherwise noted.

2. Basis of Presentation and Statement of Compliance

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

These consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, and should be read in conjunction with the annual consolidated financial statements for the year ended August 31, 2017, which have been prepared in accordance with IFRS.

The Board of Directors approved these consolidated financial statements for issue on July 10, 2018.

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

Accounting policies, judgments and estimation uncertainty are provided in note 3 to the annual consolidated financial statements for the year ended August 31, 2017 and have been applied consistently to all periods presented in these consolidated interim financial statements, with the exception of income taxes which are accrued using the tax rate that would be applicable to the expected total annual profit or loss.

Accounting Standards Issued But Not Yet Applied

Revenue recognition
In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers (IFRS 15). IFRS 15 replaces the detailed guidance on revenue recognition requirements that currently exists under IFRS. IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers, unless the contracts are within the scope of other IFRS. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets that are not an output of the Company's ordinary activities. Additional disclosure is required under the standard including disaggregation of total revenue, information about

performance obligations, changes in contract asset and liability account balances between periods, and key judgments and estimates. In July 2015, the effective date for IFRS 15 was deferred to apply to annual periods beginning on or after January 1, 2018. The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning September 1, 2018.

The Company began a scoping and adoption plan during fiscal 2017 and has thus far identified the following areas that may be impacted by the IFRS 15 adoption:

- The Company is paid a retainer for its executive search services which is based on a percentage of the placed candidate's anticipated first year cash compensation. If the candidate's actual compensation exceeds this estimate, an additional fee may be billed. These additional fees are currently recognized in the period in which the placed candidate begins working. Under IFRS 15, the Company will be required to estimate the additional fee revenue, if any, at the inception of the executive search contract and recognize it over the performance period of the search. The Company is still evaluating the financial impact of this change.

- The Company incurs reimbursable direct out of pocket expenses in the performance of its services for items such as candidates and partner travel, meals, accommodation, third party executive assessments, background checks and other costs directly identifiable to a specific search assignment. Such costs are incurred and paid by the Company, and are in turn billed to the Company's clients. These costs are currently included within cost of sales as the net amount of direct expenses incurred by the Company, offset by amounts billed and recovered from clients. Pursuant to IFRS 15, the Company will be deemed to be a principal with regard to these transactions as the vendors are selected by the Company and the obligation to pay the vendors is borne by the Company. As such, on adoption of IFRS 15, the Company will show the gross amount of direct expenses billed and recovered from clients as revenue, with the gross amount incurred as a cost of sales. The impact of this treatment in the nine months ended May 31, 2018 would have been an increase in both revenue and cost of sales by approximately $1,203 (nine months ended May 31, 2017: $1,313), with no net change to gross profit.

The guidance permits the use of either of the following transition methods: (i) a full retrospective method reflecting the application of the standard in each prior reporting period or (ii) a retrospective method with the cumulative effect upon initial adoption recognized at the date of initial application (modified retrospective). The Company will adopt the guidance on September 1, 2018 and will apply the modified retrospective method, which involves recognizing the cumulative effect of applying the guidance at the date of initial application with no restatement of the comparative periods presented.

The adoption plan review will continue through the remainder of fiscal 2018, and as such, the extent of the full financial and disclosure impact of adoption of IFRS 15 has not yet been determined.

Financial instruments – recognition and measurement
In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments (IFRS 9), with a mandatory effective date for annual reporting periods beginning on or after January 1, 2018. The new standard brings together the classification and measurement, impairment, and hedge accounting phases of the IASB's project to replace IAS 39, Financial Instruments Recognition and Measurement. In addition to the new requirements for classification and measurement of financial assets, a new general hedge accounting model and other amendments issued in previous versions of IFRS 9, the standard also introduces new impairment requirements that are based on a forward-looking expected credit loss model. The Company intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning September 1, 2018. The disclosure requirements in IFRS 7, Financial Instruments Disclosure (IFRS 7), have also been amended to include the additional disclosure required under IFRS 9. The Company intends to adopt these amendments to IFRS 7 at the same time as adoption of IFRS 9 beginning September 1, 2018. Management of the Company have reviewed the new pronouncements and believe the only area to be impacted relative to current treatment is in the allowance for doubtful accounts. The Company currently maintains an allowance for doubtful accounts on a specific reserve basis by each invoice receivable. The new guidance requires a broader approach to include a general reserve on amounts not specifically reserved for based on prior historical trends and any relevant future knowledge that might impact overall collection rates. The extent of the impact of the adoption of the amendments to IFRS 9 and IFRS 7 have not yet been determined.

Leases
In January 2016, the IASB issued IFRS 16, Leases (IFRS 16), with a mandatory effective date of January 1, 2019. The new standard will replace IAS 17, Leases, and will carry forward the accounting requirements for lessors. IFRS 16 provides a new framework for lessee accounting that requires substantially all assets obtained through operating leases to be capitalized and a related liability to be recorded. The new standard seeks to provide a more accurate picture of a company's leased assets and related liabilities and create greater comparability between companies who lease assets and those who purchase assets. The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning September 1, 2019 and will recognize assets and liabilities for all leases on the consolidated statements of financial position.

Share-based payments
In June 2016, the IASB issued final amendments to IFRS 2, Share-based Payments (IFRS 2), clarifying how to account for certain types of share-based payment transactions. The amendments, which were developed through the IFRS Interpretations Committee, provide requirements on the accounting for: (i) the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classifications of the transaction from cash-settled to equity-settled. The standard is effective for annual reporting periods beginning on or after January 1, 2018. The Company intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning September 1, 2018. The adoption of the amendments is not expected to have a material impact on the Company.

Uncertainty over income tax treatments
In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments (IFRIC 23) with a mandatory effective date of January 1, 2019. The interpretations provide guidance on how to value uncertain income tax positions based on the probability of whether the relevant tax authorities will accept a company's tax treatments. A company is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. IFRIC 23 is to be applied by recognizing the cumulative effect of initially applying these guidelines in opening retained earnings without adjusting comparative information. The Company intends to adopt the amendments to IFRIC 23 in its consolidated financial statements for the annual period beginning September 1, 2019.The extent of the impact of the adoption of IFRIC 23 has not yet been determined.

There are no other standards or interpretations that are not yet effective that would be expected to have a material impact on the Company.

4. Marketable Securities

The Company's marketable securities (classified as available for sale financial assets) are comprised of managed bond funds and certain equity securities held for investment obtained through search fees being paid partially in equity of the client at both May 31, 2018 and August 31, 2017. As of May 31, 2018 managed funds and client equity investments were $5,620 and $177, respectively and as of August 31, 2017 managed funds and client equity investments were $5,048 and $172, respectively.

	Fair value	Current portion	Non-current portion
May 31, 2018	5,797	5,620	177
August 31, 2017	5,220	5,048	172

The Company reported investment income from marketable securities of $2 and $6 from interest on cash balances for the three and nine month periods ending May 31, 2018, respectively. For the three and nine month periods ending May 31, 2017, the Company reported investment losses of $142 on the disposition of marketable securities.

For the nine months ended May 31, 2018 an unrealized gain of $72 (2017: $190) was recognized and for the three month period ended May 31, 2018 an unrealized loss of $17 (2017: gain of $37) was recognized as part of other comprehensive income in the consolidated interim statements of comprehensive earnings during the period.

5. Nature of Expenses

	3 months ended May 31, 2018	3 months ended May 31, 2017	9 months ended May 31, 2018	9 months ended May 31, 2017
Compensation costs	13,998	11,766	37,933	33,205
Occupancy costs	1,142	1,219	3,372	3,506
Sales and marketing	395	277	964	716
Depreciation	137	154	399	419
Amortization	22	24	67	71
Foreign exchange loss (gain)	19	(49)	(56)	(80)
Other	1,034	511	2,427	1,791
	16,747	13,902	45,106	39,628

6. Compensation of Key Management

Key management includes the Board of Directors and the named executive officers of the Company. Effective in the fourth quarter of fiscal 2017 two additional executive officers were named, bringing the total to five. Including the two additional named executive officers increased salaries and short-term benefits by $164 and $466 for the three and nine month periods ended May 31, 2018, respectively.

	3 months ended May 31, 2018	3 months ended May 31, 2017	9 months ended May 31, 2018	9 months ended May 31, 2017
Salaries and short-term benefits	717	463	1,941	1,403
Share-based compensation expense	248	345	685	442
	965	808	2,626	1,845

7. Compensation Payable

The Company maintains certain short-term and long-term incentive plans designed to align compensation with performance. Compensation payable consisted of the following:

Current compensation payable

	As at May 31, 2018	As at August 31, 2017
Commissions and bonuses	15,298	15,325
Performance Stock Units	515	571
	15,813	15,896

Non-current compensation payable

	As at May 31, 2018	As at August 31, 2017
Performance Stock Units	680	599
Deferred Stock Units	466	359
	1,146	958

Commissions and bonuses

Commissions and bonuses represent incentive compensation for search delivery and support personnel. Such amounts are paid at various points during the year and are short-term in nature.

Share-based compensation plans

Performance Stock Units (PSUs)

The estimated cost of the PSU plan is being amortized on a straight-line basis over the three-year vesting period with a performance factor currently estimated at 106% (2017: 98%) of target. PSU expense of $577 has been recorded for the nine month period ended May 31, 2018 (2017: $352) and for the three month period ending May 31, 2018, $211 has been recorded (2017: $295) within general and administrative expenses in the consolidated interim statements of earnings.

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

	Fiscal 2018	Fiscal 2017
	Notional Units (000s)	Notional Units (000s)
Outstanding at September 1,	1,634	1,611
Dividends declared	29	27
Outstanding at November 30,	1,663	1,638
Granted	570	640
Dividends declared	31	33
Settled	(481)	(733)
Outstanding at February 28,	1,783	1,578
Dividends declared	33	27
Outstanding at May 31,	1,816	1,605

Deferred Stock Units (DSUs)

For the nine month period ending May 31, 2018 DSU expense of $108 has been recorded (2017: $89) and for the three month period ending May 31, 2018, $36 has been recorded (2017: $50) within general and administrative expenses in the consolidated interim statements of earnings.

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

	Fiscal 2018	Fiscal 2017
	Notional Units (000s)	Notional Units (000s)
Outstanding at September 1,	345	248
Granted	20	22
Dividends declared	6	4
Outstanding at November 30,	371	274
Granted	19	18
Dividends declared	7	6
Outstanding at February 28,	397	298
Granted	20	19
Dividends declared	7	5
Outstanding at May 31,	424	322

8. Provisions

During the fourth quarter of the year ended August 31, 2016 the Company entered into agreements to sublease its existing premises in New York, NY and lease new space. The cumulative proceeds to be received from the sublease are less than the Company's contracted lease obligations. Onerous lease costs include the present value of these net sublease expenses over the approximate five-year term of the sublease. The current portion of net sublease costs as of May 31, 2018 total $43 (August 31, 2017: $43) and are included in accounts payable and the non-current portion as of May 31, 2018 of $105 (August 31, 2017: $133) is included in provisions in the consolidated interim statements of financial position.

	9 months ended May 31, 2018
Outstanding at beginning of period	176
Amounts charged against the provision	(11)
Increase arising from the passage of time	1
Foreign exchange	3
Outstanding at November 30, 2017	169
Amounts charged against the provision	(11)
Increase arising from the passage of time	1
Foreign exchange	(1)
Outstanding at February 28, 2018	158
Amounts charged against the provision	(11)
Increase arising from the passage of time	1
Outstanding at May 31, 2018	148

9. Deferred Revenue

The Company's method of revenue recognition requires it to estimate the expected average performance period and the proportion of the estimated effort to fulfill the Company's obligations throughout the average performance period for its executive searches. The average performance period ranges from period to period but averages between three and four months. Differences between the revenue recognition period and the billing period will give rise to a deferral of revenue. When this occurs, the Company defers a portion of the amounts billed to be recognized in a future period.

At May 31, 2018, the Company had deferred revenue of $189 (August 31, 2017: $1,107) and related deferred compensation expense of $95 (August 31, 2017: $554), with such amounts to be recognized during a future period. These amounts are reflected as reductions in revenue and cost of sales in the consolidated interim statements of earnings.

10. Income Taxes

Income tax expense is based on domestic and international statutory income tax rates in the jurisdictions in which the Company operates and generally ranges from 19% to 40% of taxable income. These rates are then adjusted to effective tax rates based on management's estimate of the weighted average annual income tax rate expected for the full fiscal year in each jurisdiction taking into account income earned in each jurisdiction and available utilization of any unrecorded deferred tax assets. The effective rate for the nine months ended May 31, 2018 was 42.5% (2017: 42.7%). The effective rate for the three months ended May 31, 2018 was 23.1% (2017: 53.3%). For the three-month and nine-month periods ending May 31, 2018, taxes were accrued on earnings in Canada and the United States but not in the UK due to its year to date losses. Deferred tax assets were not recognized in the UK given its history of generating losses.

On December 22, 2017, the US tax reform ("Tax Cuts and Jobs Act") was substantively enacted reducing the maximum federal corporate income tax rate for the company's US entity from 35% to 21%. For the current fiscal year, a hybrid rate derived from the current and new tax rates of approximately 26% will be applied to full year US taxable income. As a result of this new substantively enacted tax rate, the Company's US entity deferred tax balances were adjusted during the second quarter, resulting in an additional deferred tax expense of $204 (2017: $nil), bringing total tax expense for the year to date period to $1,231 (2017: $932).

11. Earnings per share

(i) Basic

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

	3 months ended May 31,		9 months ended May 31,	
	2018	2017	2018	2017
Net earnings for the period attributable to owners of the Company	987	224	1,667	1,253
Weighted average number of common shares outstanding	20,404,555	20,404,555	20,404,555	20,248,419
Basic earnings per share	$0.048	$0.011	$0.082	$0.062

(ii) Diluted

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

	3 months ended May 31,		9 months ended May 31,	
	2018	2017	2018	2017
Net earnings for the period attributable to owners of the Company	987	224	1,667	1,253
Weighted average number of common shares outstanding	20,404,555	20,404,555	20,404,555	20,248,419
Adjustment for stock options	12,700	5,524	12,700	5,524
Weighted average number of common shares for diluted earnings per share	20,417,255	20,410,079	20,417,255	20,253,944
Diluted earnings per share	$0.048	$0.011	$0.082	$0.062

12. Capital Stock

Common Shares

As at May 31, 2018 the authorized share capital of the Company consists of an unlimited number of Common Shares of which 20,404,555 are issued and outstanding (August 31, 2017: 20,404,555). The holders of Common Shares are entitled to share equally, share for share, in all dividends declared by the Company and equally in the event of a liquidation, dissolution or winding-up of the Company or other distribution of the assets among shareholders.

On February, 3, 2017, an employee of the Company exercised 275,000 options increasing the number of outstanding shares from 20,129,555 to 20,404,555.

The Company has declared quarterly dividends since May 1, 2012. A summary of dividends declared during fiscal 2017 and 2018 to date is as follows:

Declaration Date	Payment Date	Dividend Per Share	Aggregate Dividends Declared
November 10, 2016	December 16, 2016	$0.0200	$403
January 11, 2017	March 15, 2017	$0.0200	$403
April 13, 2017	June 20, 2017	$0.0200	$408
July 5, 2017	September 8, 2017	$0.0200	$408
November 9, 2017	December 15, 2017	$0.0200	$408
January 11, 2018	March 19, 2018	$0.0200	$408
April 5, 2018	June 11, 2018	$0.0200	$408

The dividend payable June 11, 2018 has been accrued in the Company's consolidated interim financial statements as at May 31, 2018.

Stock Options

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

	May 31, 2018		August 31, 2017	
	Number of options outstanding (000s)	Weighted average exercise price	Number of options outstanding (000s)	Weighted average exercise price
Outstanding at beginning of year	100	$1.02	375	$0.77
Issued during the period	250	$1.05	-	-
Exercised during period	-	-	(275)	$0.68
Expired during period	(100)	$1.02	-	-
Outstanding at end of period	250	$1.05	100	$1.02
Exercisable at end of period	-		100	

All options currently outstanding vest over two years and have a contractual life of five years. Options have an exercise price equal to the market value of the common shares on the date of issuance. For the nine month period ended May 31, 2018 stock option expense of $8 has been recorded (2017: nil) and $3 (2017: nil) has been recorded for the three-month period ended May 31, 2018 within general and administrative expenses. The fair value of the options granted in the current year was determined using the Black-Scholes option pricing model (using an expected volatility of 19.0%, a risk-free interest rate of 1.7%, a dividend yield of 7.6%, and an estimated life of 5 years).

13. Segmented Information

The Company has consolidated operations in Canada, the United States and Europe. All geographic segments provide retained executive search consulting services to clients.

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

	Three months ended May 31, 2018				
	Canada	United States	Europe	Elimination	Total
Professional fees	3,527	13,492	923	-	17,942
License fees	391	-	-	(305)	86
Revenues	3,918	13,492	923	(305)	18,028
Gross profit	1,230	3,507	497	(305)	4,929
General and administrative	(826)	(2,261)	(147)	-	(3,234)
Sales and marketing	(54)	(322)	(19)	-	(395)
Licensing fees	-	(305)	-	305	-
Foreign exchange (loss) gain	38	2	(59)	-	(19)
Operating profit	388	621	272	-	1,281
Investment income from marketable securities	2	-	-	-	2
Income tax	(98)	(198)	-	-	(296)
Net earnings for the period	292	423	272	-	987

	Three months ended February 28, 2017				
	Canada	United States	Europe	Elimination	Total
Professional fees	3,205	10,988	250	-	14,443
License fees	327	-	-	(246)	81
Revenues	3,532	10,988	250	(246)	14,524
Gross profit	1,061	2,859	79	(246)	3,753
General and administrative	(868)	(1,847)	(188)	-	(2,903)
Sales and marketing	(9)	(266)	(2)	-	(277)
Licensing fees	-	(246)	-	246	-
Foreign exchange gain	32	-	17	-	49
Operating profit (loss)	216	500	(94)	-	622
Investment losses from marketable securities	-	(142)	-	-	(142)
Income tax	(57)	(199)	-	-	(256)
Net earnings (loss) for the period	159	159	(94)	-	224

	Nine months ended May 31, 2018				
	Canada	United States	Europe	Elimination	Total
Professional fees	10,710	35,526	1,533	-	47,769
License fees	1,033	-	-	(804)	229
Revenues	11,743	35,526	1,533	(804)	47,998
Gross profit	4,031	9,090	265	(804)	12,582
General and administrative	(2,418)	(5,800)	(564)	-	(8,782)
Sales and marketing	(122)	(784)	(58)	-	(964)
Licensing fees	-	(804)	-	804	-
Foreign exchange gain (loss)	75	6	(25)	-	56
Operating profit (loss)	1,566	1,708	(382)	-	2,892
Investment income from marketable securities	6	-	-	-	6
Income tax	(468)	(763)	-	-	(1,231)
Net earnings (loss) for the period	1,104	945	(382)	-	1,667

	Nine months ended May 31, 2017				
	Canada	United States	Europe	Elimination	Total
Professional fees	9,773	31,166	798	-	41,737
License fees	919	-	-	(701)	218
Revenues	10,692	31,166	798	(701)	41,955
Gross profit	3,331	8,437	171	(701)	11,238
General and administrative	(2,325)	(5,454)	(496)	-	(8,275)
Sales and marketing	(96)	(598)	(22)	-	(716)
Licensing fees	-	(701)	-	701	-
Foreign exchange gain	79	-	1	-	80
Operating profit (loss)	989	1,684	(346)	-	2,327
Investment losses from marketable securities	-	(142)	-	-	(142)
Income tax	(258)	(674)	-	-	(932)
Net earnings (loss) for the period	731	868	(346)	-	1,253

Certain items within general and administrative expenses, sales and marketing expenses and foreign exchange gains and losses comprise corporate support costs and are transferred across the segments. For the nine months ended May 31, 2018, corporate support costs totaled $4,238 (2017: $3,803) with $3,171 allocated to the US (2017: $2,856), $930 to Canada (2017: $874) and $137 to Europe (2017: $73). For the three months ended May 31, 2018, corporate support costs totaled $1,827 (2017: $1,248) with $1,378 allocated to the US (2017: $955), $362 to Canada (2017: $272) and $87 to Europe (2017: $21). Intercompany licence fee revenues have been eliminated on consolidation.

A summary of property and equipment, goodwill and total assets by country is as follows:

	At May 31, 2018				At August 31, 2017			
	Canada	United States	Europe	Total	Canada	United States	Europe	Total
Property and equipment	506	944	30	1,480	629	1,045	25	1,699
Intangible assets	-	115	-	115	-	178	-	178
Goodwill	-	1,279	1,623	2,902	-	1,238	1,523	2,761
Total assets	11,998	20,837	1,605	34,440	13,974	18,793	1,535	34,302

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

	Nine months ended May 31, 2018				Nine months ended May 31, 2017			
	Canada	United States	Europe	Total	Canada	United States	Europe	Total
Depreciation expense	174	212	13	399	172	227	20	419
Amortization expense	-	67	-	67	-	71	-	71

	Three months ended May 31, 2018				Three months ended May 31, 2017			
	Canada	United States	Europe	Total	Canada	United States	Europe	Total
Depreciation expense	60	74	3	137	72	80	2	154
Amortization expense	-	22	-	22	-	24	-	24

14. Related Party Transactions

Pursuant to its lease agreements, the Company paid rent for its Toronto office to an affiliated company owned by a shareholder, C. Douglas Caldwell, registered as owning more than 10% of the Company. The amount of consideration agreed to by the parties was determined to be the fair market rental rates at the inception of the lease by an independent commercial real estate counselor and was approved by the independent Members of the Board of Directors. Occupancy costs within general and administrative expenses in the consolidated interim statements of earnings have been recognized for the three month period ended May 31, 2018 in the amount of \$56 (2017: \$56) and for the nine month period ended May 31, 2018 in the amount of \$168 (2017: \$168).

15. Financial Instruments

The Company's financial instruments measured at fair value at May 31, 2018 and at August 31, 2017 consist of marketable securities which are comprised of managed funds and certain equity securities held for investment obtained through search fees being paid partially in equity of the client as discussed in note 4.

Fair value hierarchy

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

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

Level 2: This level includes financial instruments that are not traded in an active market and whose value is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The specific valuation techniques used to value financial instruments include quoted market prices or dealer quotes for similar instruments.

Level 3: This level includes valuations based on inputs, which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

The Company has designated marketable securities as available-for-sale and as a result, these marketable securities are recorded at fair value with unrealized gains and losses that are considered temporary in nature being recorded in other comprehensive income. The professionally managed fixed income funds within marketable securities hold a combination of government and corporate bonds and are included within level 2 of the fair value hierarchy. Since there is only an 'Over the Counter' market for fixed income securities, such securities owned and sold short are valued using independent prices obtained directly from third party pricing vendors and the investment fund's prime brokers. The prices obtained from these sources usually reflect recent trading activity and therefore are indicative of fair value. The remaining marketable securities are included within level 3 of the fair value hierarchy and are in a private company whose value is derived from estimates used in recent financings with discounts applied to factor in vesting and transferability restrictions on the units held. Other than temporary impairments of marketable securities are recorded within the Company's consolidated interim statements of earnings. Realized gains and losses are removed from accumulated other comprehensive income and recognized within the consolidated interim statements of earnings.

The following table details the fair value hierarchy of the Company's financial instruments measured at fair value by level as at May 31, 2018:

	Level 1	**Level 2**	**Level 3**
Marketable securities	-	5,620	177

The following table details the fair value hierarchy of the Company's financial instruments measured at fair value by level as at August 31, 2017:

	Level 1	**Level 2**	**Level 3**
Marketable securities	-	5,048	172

16. Capital Management

The Company's capital is comprised of common shares of the Company, contributed surplus and deficit. The Company manages its capital to ensure financial flexibility, to increase shareholder value through organic growth and selective acquisitions, as well as to allow the Company to respond to changes in economic and/or market conditions. The Company is not subject to any externally imposed capital requirements.

17. Credit Facility

On September 28, 2016 the Company entered into an agreement with TD Bank to establish a $3,000 revolving demand, floating rate credit facility for future working capital needs. The facility is limited based on 85.0% of the Company's eligible global accounts receivable as defined in the credit agreement, and further reduced to the extent the facility is used in connection with the issuance of letters of credit. The facility bears variable interest on drawn amounts based on the Canadian prime rate plus 1.0% per annum. During the third quarter, $390 was drawn down against the facility and subsequently repaid. As at May 31, 2018, no amounts were outstanding on the credit facility (August 31, 2017 $nil) and letters of credit of $264 (August 31, 2017 $256) have been issued against the facility.

18. Third-Party Licensing Relationships

The Company has entered into licensing arrangements with certain entities to provide executive search services in markets not directly served by the Company. In exchange for the licence fee payments, the licencees will have rights to use the Caldwell Partners brand, search processes, methodologies and related intellectual property. For the three months ended May 31, 2018 licence fees amounted to $86 (2017: $81). For the nine months ended May 31, 2018 licence fees amounted to $229 (2017: $218).

19. Subsequent Events

On July 10, 2018, the Board of Directors declared a dividend of 2.0 cents per share, payable to holders of common shares of record on July 19, 2018 and to be paid on September 13, 2018.