

## **First Quarter & Letter to Shareholders**

January 15, 2008

Dear Fellow Shareholders:

We are certainly pleased with the start to our 2008 fiscal year as we benefited from the positive momentum established in 2007. Driven by strong 2007 new business bookings, first-quarter 2008 operating revenue rose 46 per cent to \$4,552,685 compared with \$3,109,181 in the period a year ago. First-quarter operating revenue in 2007 was affected by softer bookings at the end of the prior year. All references to quarters or years are for the fiscal periods unless otherwise noted and all currency amounts are in Canadian dollars.

General and administrative expenses were up only 10 percent. Direct costs associated with generating the operating revenue, particularly employee compensation expenses, rose 40 percent, reflecting increased variable expenses associated with the 46 percent increase in revenue. The increase also reflects the higher compensation expenses related to the company's implementation of its Strategic Growth Plan that involves investing in adding and developing new partners and other professional staff.

Operating income increased in the 2008 first quarter to \$181,001 from a loss in the 2007 period of \$236,443.

Operating revenue and operating income are non-GAAP measures, however, the company believes that they provide a useful understanding of the performance of its core human capital services operations as they exclude income or loss from investments and taxes.

Investment income was \$64,385 in the 2008 first quarter, compared with \$132,804 a year earlier. The decline is largely attributable to an increase in realized capital losses. As at November 30, 2007, the market value of the company's investments was \$113,987 above book cost.

Net income in the 2008 first quarter rose to \$160,423 (\$0.009 per basic and fully diluted share), compared with a small net loss in the 2007 quarter (\$0.003 per share on a basic and fully diluted basis).

### **Board Declares Quarterly Dividend of 2 Cents**

Our Board of Directors declared a cash dividend for the 2008 first quarter of \$0.02 per Class A non-voting and Class B voting share payable on February 15, 2008 to shareholders of record on February 5, 2008. For the past four quarters, we declared total dividends of \$0.08 per share.

### **Normal Course Issuer Bid**

We believe that our company's shares are not trading at a price that reflects the value of The Caldwell Partners. Our Board therefore determined that repurchasing shares would be an attractive investment opportunity for a portion of our cash and is consistent with our goal of creating additional value for our shareholders.

On November 14, 2007, we announced that the Toronto Stock Exchange had accepted the company's application for a normal course issuer bid for the repurchase of up to 658,439 Class A Non-voting Shares, representing approximately five percent of the 13,168,783 Class A shares outstanding as at October 31, 2007. During the remaining weeks of the first quarter, the company repurchased and cancelled 8,000 Class A shares. This repurchasing program will continue through the earlier of November 14, 2008, the date that The Caldwell Partners completes the purchase of the total number of shares permitted under the Notice, or the date of a notice by the company that it is terminating the bid. The company will pay the prevailing TSX prices for the shares at the time of any purchases. Purchased shares will be cancelled. The company's purchase of shares during any trading day will not exceed 2,037 shares, representing 25 percent of the average daily trading volume of the shares based on the number of shares traded during the most recently completed six calendar months preceding the filing of the Notice of Intention, and subject to The Caldwell Partners' ability to make block purchases in accordance with the TSX's facilities and rules.

### **Plan to Reduce Stated Capital and Add it to Contributed Surplus**

As we have previously stated, consistent with the growth strategy that we have been implementing for The Caldwell Partners, we have been investing in the addition and development of new partners and other professional staff. Notwithstanding the good results of our first quarter, our investment in building and developing our organization is placing pressure on operating income and we expect this pressure will continue through at least fiscal 2008 and fiscal 2009.

While the investments being made in professionals are adding to costs in the short term, the Board expects that this will result in greater profitability for the company in the long term. As a result of the Board's desire to maintain the current dividend level even if operating earnings are not sufficient to cover these payments, the Directors determined that a reduction of the company's Stated Capital and the addition of this amount to Contributed Surplus is in the best interest of all of the shareholders.

Accordingly, on December 14, 2007 we announced that the company will present a resolution to special class meetings of holders of its Class A Non-Voting shares and Class B shares. The resolution, if approved by each class, will result in a 90 percent reduction of the Stated Capital of the Class A and Class B shares, adding those amounts to Contributed Surplus. The class meetings will be held in conjunction with the company's

Annual Meeting in Toronto on February 7, 2008.

The Caldwell Partners currently has aggregate Stated Capital of its Class A and Class B shares of approximately \$20.6 million. Under the company's Strategic Plan, as reviewed,

modified, and approved periodically by the Board of Directors, cash reserves and marketable securities of approximately \$19.5 million have been retained to permit the company to acquire companies, assets, operations, and people complementary to the core business of The Caldwell Partners, and to fund the costs of adding additional professionals, including partners.

**Outlook Continues to be Positive**

At this time, based on our assignments bookings, we feel cautiously optimistic for 2008. However, we also recognize that concerns have surfaced about a possible U.S. recession and the impact that this would have on the Canadian economy. We continue to work with our Board on executing our strategies for growing our business and creating additional value for the company's shareholders. We are seeing increasing contributions from the new partners and other staff that we added or promoted during the past year.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Douglas Caldwell". The signature is fluid and cursive, with a prominent flourish at the end.

C. Douglas Caldwell  
Founder and Chief Executive Officer

# THE CALDWELL PARTNERS INTERNATIONAL INC.

## CONSOLIDATED BALANCE SHEET

(unaudited)

	<i>As at November 30</i>		<i>As at August 31</i>
	<i>2007</i>	<i>2006</i>	<i>2007</i>
<b>Assets</b>			
Cash and short-term deposits	\$7,036,857	\$6,107,972	\$5,839,292
Accounts receivable	3,595,019	2,947,703	3,886,522
Income taxes receivable	733,453	622,904	679,337
Prepaid expenses	198,135	244,361	169,545
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	11,563,464	9,922,940	10,574,696
Marketable securities	12,538,604	12,749,142	13,734,660
Loans receivable, net	248,064	693,777	355,966
Property and equipment	2,149,483	2,262,068	2,190,973
Future income taxes	24,041	24,041	24,041
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	\$26,523,656	\$25,651,968	\$26,880,336
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$2,652,304	\$2,023,806	\$2,961,487
Deferred revenue	297,253	260,771	397,854
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	2,949,557	2,284,577	3,359,341
Long-term liabilities	1,469,712	934,158	1,337,148
Future income taxes	371,543	314,968	350,968
Shareholders' equity			
Capital stock	20,582,979	20,595,326	20,595,326
Contributed surplus	204,803	204,803	204,803
Retained earnings	851,649	1,318,136	1,032,750
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	21,639,431	22,118,265	21,832,879
Accumulated other comprehensive income	93,412	0	0
	<hr/>	<hr/>	<hr/>
	\$26,523,656	\$25,651,968	\$26,880,336

## THE CALDWELL PARTNERS INTERNATIONAL INC.

### CONSOLIDATED STATEMENT OF EARNINGS

(unaudited)

	Three months ended November 30	
	2007	2006
Operating revenue	\$4,552,685	\$3,109,181
Expenses		
Employee compensation, general and administration	4,282,058	3,267,301
Amortization	89,625	78,323
	4,371,684	3,345,624
Income (loss) before the following:	181,001	(236,443)
Investment income	64,385	132,804
Net income (loss) before tax	245,386	(103,639)
Provision for (recovery of) income taxes	84,963	(56,384)
Net earnings (loss) for the period	\$160,423	(\$47,255)
Earnings per share	\$0.009	(\$0.003)

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Three months ended
	November 30 2007
Net earnings for the period	\$160,423
Other comprehensive income:	
Unrealized loss on marketable securities (net of tax)	(248,451)
Comprehensive income (loss)	(\$88,028)

# THE CALDWELL PARTNERS INTERNATIONAL INC.

## CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

	<i>Three months ended November 30</i>	
	<i>2007</i>	<i>2006</i>
Operating Activities		
Net earnings for the period	\$160,423	(\$47,255)
Items not affecting cash		
Amortization	89,625	78,323
Loss on sale of investments	73,616	10,300
Non-cash incentive compensation	132,564	148,478
	456,228	189,846
<b>Net increase in working capital balances related to operations</b>	<b>(93,084)</b>	<b>(451,385)</b>
	363,144	(261,539)
Investment Activities		
Proceeds on sale of marketable securities	1,236,427	250,000
Additions to marketable securities	0	(3,440,100)
Additions to property and equipment	(48,135)	(104,817)
	1,188,292	(3,294,917)
Financing Activities		
Dividends on Class A and Class B Shares	(341,180)	(341,015)
Cancellation of Class A Shares	(12,691)	0
	(353,871)	(341,015)
Net increase (decrease) in cash and cash equivalents during the period	1,197,565	(3,897,471)
Cash and cash equivalents, beginning of period	5,839,292	10,005,443
Cash and cash equivalents, end of period	\$7,036,857	\$6,107,972

# THE CALDWELL PARTNERS INTERNATIONAL INC.

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND ACCUMULATED OTHER COMPREHENSIVE INCOME

(unaudited)

	<i>Three months ended November 30</i>	
	<i>2007</i>	<i>2006</i>
Shareholders' equity - beginning of period	\$21,832,879	\$22,506,535
Net earnings for the period	160,423	(47,255)
Cancellation of Class A shares	(12,691)	0
Dividends on Class A and Class B shares	(341,180)	(341,015)
Shareholders' equity - end of period	\$21,639,431	\$22,118,265
Adoption of new handbook standard (net of tax)	\$341,863	\$0
Unrealized loss on marketable securities (net of tax)	(248,451)	0
Accumulated other comprehensive income - end of period	\$93,412	\$0