

FOR IMMEDIATE RELEASE

Calian displays continued growth momentum with diversification and expanding margins – First Quarter Results FY22

(All amounts in release are in Canadian dollars)

OTTAWA, February 9, 2022 – Calian Group Ltd. (TSX: CGY), a diverse product and services company providing innovative solutions for the healthcare, communications, learning and security sectors, today released its results for the first quarter ended December 31, 2021.

Calian Group Ltd. (the “Company”) reported double-digit revenue growth, expanding margins and strong EBITDA performance for the first quarter of our fiscal year 2022.

First quarter highlights:

- Revenue of \$129 million, an 11% increase over Q1 21
- Adjusted EBITDA of \$13.9 million, a 34% increase over Q1 21
- Adjusted net profit of \$9.7 million, a 41% increase over Q1 21
- Gross margin of 26%, a sustained high for the company
- New contract signings of \$185 million

The Company posted strong year over year growth in three segments. Information Technology and Cyber Solutions was up 68%, Learning grew by 26% and Advanced Technologies was up 10%. This growth was supplemented by \$185 million in new contract signings which brings our aggregate backlog to \$1,340 million. These wins are an indication of the momentum across all our segments, and ability to continue to drive consistent revenue growth.

The Company’s Information Technology segment impressive growth of 68% compared to the same quarter of the previous year was driven by gains made in the areas of digital healthcare solutions and cyber security.

Gross Margins for the quarter were 26%, which included all four segments posting gross margins in excess of 25%. This represents a significant increase as average historical gross margin for the last four fiscal years was approximately 22%.

Efforts to diversify the customer base continue. Revenue from European customers represents 14% of the first quarter total, compared to 11% in Q1 21 and 4% in Q1 20. Revenue from commercial customers has increased 13% year over year bringing the split between public and private sector revenue to near 50/50 levels.

“This quarter represents another strong quarter for the Company across many vectors. Our ability to win new deals was evident with strong bookings and delivery. We continue to be well positioned to deliver consistent growth across all our segments.” said Kevin Ford, Calian CEO. “Our initiative to deploy capital in a way to drive

long term value was also evident with the acquisition of SimFront in October to bolster our learning capabilities, and the announcement of the acquisition of Computex in February which will expand our IT practice into the United States.”

Adjusted EBITDA for the first quarter was \$13.9 million, an increase of 34% from \$10.4 million in the same quarter of the previous year.

Adjusted net profit, which includes non-cash items related to recent acquisitions, was \$9.7 million for the quarter, a 41% increase compared to \$6.8 million in the same period of the previous year.

Net profit for the first quarter was \$4.3 million, representing a 73% increase from the \$2.4 million in the same period of the previous year.

“This quarter, we saw strong revenue growth and continued expansion of EBITDA at a pace greater than our revenue growth.” said Patrick Houston, Calian CFO. “This has been a result of our concerted efforts to increase gross margins and seek opportunities to scale as we cross the half billion mark.”

“At this time we reiterate the guidance we provided to markets in late November for our FY22 fiscal year” said Kevin Ford. “This guidance represents another record year for the Company and its 5th consecutive year of profitable double-digit growth. We will update our estimates with regards to the acquisition of Computex when that transaction closes in our second fiscal quarter.”

Join us at 10:30am EST on February 16th for Calian’s Virtual Investor Event where you will have the opportunity to learn about the exciting developments across all four of our segments. Register at the following URL: <https://www.calian.com/events/calian-investor-event-2022/>

		Guidance	
		Low	High
Revenue	\$	550,000\$	590,000
Adjusted EBITDA	\$	57,000\$	61,000
Adjusted net profit	\$	39,250\$	42,750

About Calian

www.calian.com

We keep the world moving forward. Calian® helps people communicate, innovate, learn, stay safe and lead healthy lives with confidence. Every day, our 4,500 employees live our values of customer-centricity, integrity, innovation and teamwork to engineer reliable solutions that solve complex problems. That's Confidence. Engineered. A stable and growing 40-year young company, we are headquartered in Ottawa with offices and projects spanning North American and international markets. Visit calian.com to learn about the diverse products, services and solutions we offer to healthcare, communications, learning and security sectors.

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Media inquiries:

info@calian.com

613-599-8600 x 2298

Investor Relations inquiries:

ir@calian.com

DISCLAIMER

Certain information included in this press release is forward-looking and is subject to important risks and uncertainties. The results or events predicted in these statements may differ materially from actual results or events. Such statements are generally accompanied by words such as "intend", "anticipate", "believe", "estimate", "expect" or similar statements. Factors which could cause results or events to differ from current expectations include, among other things: the impact of price competition; scarce number of qualified professionals; the impact of rapid technological and market change; loss of business or credit risk with major customers; technical risks on fixed price projects; general industry and market conditions and growth rates; international growth and global economic conditions, and including currency exchange rate fluctuations; and the impact of consolidations in the business services industry. For additional information with respect to certain of these and other factors, please see the Company's most recent annual report and other reports filed by Calian with the Ontario Securities Commission. Calian disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. No assurance can be given that actual results, performance or achievement expressed in, or implied by, forward-looking statements within this disclosure will occur, or if they do, that any benefits may be derived from them.

Calian · Head Office · 770 Palladium Drive · Ottawa · Ontario · Canada · K2V 1C8
Tel: 613.599.8600 · Fax: 613-592-3664 · General info email: info@calian.com

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2021 and September 30, 2021
(Canadian dollars in thousands, except per share data)

	December 31, 2021	September 30, 2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 67,355	\$ 78,611
Accounts receivable	110,831	111,138
Work in process	47,529	55,307
Inventory	8,402	6,617
Prepaid expenses	9,973	9,891
Derivative assets	1,486	610
Total current assets	245,576	262,174
NON-CURRENT ASSETS		
Capitalized research and development	3,034	3,217
Equipment	12,221	12,411
Application software	8,905	8,015
Right of use asset	15,527	15,383
Investments	670	670
Acquired intangible assets	56,387	54,519
Deferred tax asset	1,420	1,477
Goodwill	108,260	100,103
Total non-current assets	206,424	195,795
TOTAL ASSETS	\$ 452,000	\$ 457,969
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	54,087	68,093
Contingent earn-out	30,699	25,038
Provisions	1,539	1,541
Unearned contract revenue	23,745	23,321
Derivative liabilities	291	158
Lease obligations	3,178	3,029
Total current liabilities	113,539	121,180
NON-CURRENT LIABILITIES		
Lease obligations	14,425	14,449
Contingent earn-out	13,305	13,224
Deferred tax liabilities	17,308	16,756
Total non-current liabilities	45,038	44,429
TOTAL LIABILITIES	158,577	165,609
SHAREHOLDERS' EQUITY		
Issued capital	196,259	194,960
Contributed surplus	4,737	5,224
Retained earnings	92,499	91,359
Accumulated other comprehensive income (loss)	(72)	817
TOTAL SHAREHOLDERS' EQUITY	293,423	292,360
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 452,000	\$ 457,969
Number of common shares issued and outstanding	11,313,274	11,285,828

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET PROFIT
For the three-months ended December 31, 2021 and 2020
(Canadian dollars in thousands, except per share data)

	Three months ended December 31,	
	2021	2020
Revenue		
Advanced Technologies	\$ 41,167	\$ 37,330
Health	42,378	47,052
Learning	22,782	18,047
ITCS	23,175	13,772
Total Revenue	129,502	116,201
Cost of revenues	95,848	89,979
Gross profit	33,654	26,222
Selling and marketing	4,554	3,364
General and administration	13,784	11,616
Research and development	1,354	837
Profit before under noted items	13,962	10,405
Depreciation of equipment, application software and research and development	1,127	1,000
Depreciation of right of use asset	823	729
Amortization of acquired intangible assets	3,592	2,118
Deemed compensation	750	1,847
Changes in fair value related to contingent earn-out	999	384
Profit before interest income and income tax expense	6,671	4,327
Lease obligations interest expense	108	117
Interest expense (income)	51	12
Profit before income tax expense	6,512	4,198
Income tax expense – current	2,974	2,019
Income tax expense (recovery) – deferred	(768)	(305)
Total income tax expense	2,206	1,714
NET PROFIT	\$ 4,306	\$ 2,484
Net profit per share:		
Basic	\$ 0.38	\$ 0.25
Diluted	\$ 0.38	\$ 0.25

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three-months ended December 31, 2021 and 2020
(Canadian dollars in thousands)

	Three months ended December 31,	
	2021	2020
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES		
Net profit	\$ 4,306	\$ 2,484
Items not affecting cash:		
Interest expense	51	12
Changes in fair value related to contingent earn-out	999	384
Lease obligations interest expense	108	117
Income tax expense	2,206	1,714
Employee share purchase plan expense	135	146
Share based compensation expense	347	449
Depreciation and amortization	5,542	3,847
Deemed compensation	750	1,847
	14,444	11,000
Change in non-cash working capital		
Accounts receivable	2,618	(7,008)
Work in process	7,778	12,636
Prepaid expenses	(68)	766
Inventory	(1,785)	(725)
Accounts payable and accrued liabilities	(16,015)	(6,483)
Unearned contract revenue	424	5,174
	7,396	15,360
Interest received (paid)	(159)	(129)
Income tax recovered (paid)	(3,073)	(3,702)
	4,164	11,529
CASH FLOWS GENERATED FROM FINANCING ACTIVITIES		
Issuance of common shares net of costs	330	848
Dividends	(3,166)	(2,744)
Payment of lease obligations	(842)	(709)
	(3,678)	(2,605)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Business acquisitions	(10,298)	(1,628)
Capitalized research and development	(114)	(119)
Equipment and application software	(1,330)	(1,132)
	(11,742)	(2,879)
NET CASH (OUTFLOW) INFLOW	\$ (11,256)	\$ 6,045
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	78,611	24,235
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 67,355	\$ 30,280

Reconciliation of non-GAAP measures to most comparable IFRS measures

These non-GAAP measures are mainly derived from the consolidated financial statements, but do not have a standardized meaning prescribed by IFRS; therefore, others using these terms may calculate them differently. The exclusion of certain items from non-GAAP performance measures does not imply that these are necessarily nonrecurring. From time to time, we may exclude additional items if we believe doing so would result in a more transparent and comparable disclosure. Other entities may define the above measures differently than we do. In those cases, it may be difficult to use similarly named non-GAAP measures of other entities to compare performance of those entities to the Company's performance.

Management believes that providing certain non-GAAP performance measures, in addition to IFRS measures, provides users of the Company's financial reports with enhanced understanding of the Company's results and related trends and increases transparency and clarity into the core results of the business. Adjusted EBITDA excludes items that do not reflect, in our opinion, the Company's core performance and helps users of our MD&A to better analyze our results, enabling comparability of our results from one period to another.

Adjusted EBITDA

	Three months ended	
	December 31, 2021	December 31, 2020
Net profit	\$ 4,306	\$ 2,484
Depreciation of equipment and application software	1,127	1,000
Depreciation of right of use asset	823	729
Amortization of acquired intangible assets	3,592	2,118
Lease interest expense	108	117
Changes in fair value related to contingent earn-out	999	384
Interest expense (income)	51	12
Deemed Compensation	750	1,847
Other changes in fair value	-	-
Income tax	2,206	1,714
Adjusted EBITDA	\$ 13,962	\$ 10,405

Adjusted Net Profit and Adjusted EPS

	Three months ended	
	December 31, 2021	December 31, 2020
Net profit	\$ 4,306	\$ 2,484
Other changes in fair value	-	-
Changes in fair value related to contingent earn-out	999	384
Deemed Compensation	750	1,847
Amortization of intangibles	3,592	2,118
Adjusted net profit	\$ 9,647	\$ 6,833
Weighted average number of common shares basic	11,299,287	9,783,913
Adjusted EPS Basic	0.85	0.70
Adjusted EPS Diluted	0.85	0.69

The Company uses adjusted net profit and adjusted earnings per share, which remove the impact of our acquisition amortization and gains, resulting in accounting for acquisitions and changes in fair value to measure our performance. These measurements better align the reporting of our results and improve comparability against our peers. We believe that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers. Management also uses non-GAAP measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess our ability to meet our capital expenditure and working capital requirements. Adjusted profit and adjusted earnings per share are not recognized, defined or standardized measures under the International Financial Reporting Standards. Our definition of adjusted profit and adjusted earnings per share will likely differ from that used by other companies (including our peers) and therefore comparability may be limited. Non-GAAP measures should not be considered a substitute for or be considered in isolation from measures prepared in accordance with International Financial Reporting Standards. Investors are encouraged to review our financial statements and disclosures in their entirety and are cautioned not to put undue reliance on non-GAAP measures and view them in conjunction with the most comparable International Financial Reporting Standards financial measures. The Company has reconciled adjusted profit to the most comparable International Financial Reporting Standards financial measure as shown above.



Management's Discussion and Analysis

For the three months ended December 31, 2021

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis is dated February 9, 2022 (this "MD&A") and should be read in conjunction with the unaudited interim condensed consolidated financial statements. The Company's accounting policies are in accordance with IFRS. As in the unaudited interim condensed consolidated financial statements, all dollar amounts in this MD&A are expressed in thousands of Canadian dollars unless otherwise noted.

This MD&A is the responsibility of management and has been reviewed and approved by the Board of Directors of the Company. This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the MD&A. The Board of Directors carries out this responsibility principally through its Audit Committee.

IFRS and non-GAAP measures

This MD&A contains both IFRS and non-GAAP measures. Non-GAAP measures are defined and reconciled to the most comparable IFRS measure.

Forward-Looking Statements

The Company cautions that this MD&A contains forward-looking statements. These forward-looking statements are based on certain assumptions made by the Company that may prove to be inaccurate. Forward-looking statements includes those identified by the expressions "anticipate," "believe," "plan," "estimate," "expect," "intend" and similar expressions. Forward-looking statements are not historical facts, but reflect the Company's current intentions, plans, expectations and assumptions regarding future results or events. Forward-looking statements are intended to assist readers in understanding management's expectations as of the date of this MD&A and may not be suitable for other purposes.

Forward-looking statements are based on assumptions, including assumptions as to the following factors:

- Customer demand for the Company's services
- The Company's ability to maintain and enhance customer relationships
- Market conditions
- Levels of government spending
- The Company's ability to bring to market products and services
- The Company's ability to execute on its acquisition program including successful integration of previously acquired businesses
- The Company's ability to deliver to customers throughout the COVID-19 pandemic, and any government regulations limiting business activities

The Company cautions that the forward-looking statements in this MD&A are based on current expectations as at February 9, 2022 that are subject to change and to risks and uncertainties, including those set out under the heading "Risks and Uncertainties" below, many of which are outside the Company's control. Actual results may materially differ from such forward-looking information due to factors such as customer demand, customer relationships, new service offerings, delivery schedules, revenue mix, competition, pricing pressure, foreign currency fluctuations and uncertainty in the markets in which the Company conducts business. Additional information identifying risks and uncertainties is contained in the Company's filings with securities regulators. The Company does not assume any intention or obligation to publicly update or revise any forward-looking statements or forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. Readers should not place undue reliance on the Company's forward-looking statements.

The outbreak of the coronavirus, or COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has spread across the globe and is impacting worldwide economic activity. A public health pandemic, including COVID-19, poses the risk that the Company and its employees, contractors, suppliers, and other partners may be prevented from conducting business activities. This can especially be the case where government authorities mandate shutdowns. Certain countries may also be more heavily impacted where travel restrictions continue for longer periods and full quarantines are in effect. The extent to which the COVID-19 outbreak impacts the Company's results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the virus and the actions to contain its impact. The Company and its employees have transitioned to working remotely where possible and customer delivery has not been materially impacted. The Company is reliant on this alternative work arrangement in order to minimize the impact of outbreak on its financial results.

Business Overview and Strategic Direction

Calian is a diverse product and services company providing innovative solutions for customers and stakeholders in the healthcare, communications, learning and security sectors. For nearly 40 years, Calian has helped customers solve significant and complex customer problems, so they are better able to succeed and deliver on their objectives.

Calian primary operating segments are:

- Advanced Technologies
- Health
- Learning
- IT and Cyber Solutions (ITCS)

The four-segment operating model is pivotal to the Company's success as it provides balance and diversity. By serving many customers in wide-ranging and geographically varied markets, Calian is able to capitalize on unique opportunities and upturns in a number of markets while at the same time weathering the downturns experienced in others. This diversity is most evident when comparing the business and operating models of the four segments.

While Calian services are diverse, our growth strategy is anchored in a common four-pillar framework:

1. **Customer retention:** through continued delivery excellence, maintain a valued relationship with our current customer base.
2. **Customer diversification:** through increasing the percentage of revenues derived from new business in adjacent and non-government markets, balance customer revenue into numerous global and domestic sectors.
3. **Innovation:** continue investment in service offerings to increase differentiation and improve gross margins.
4. **Continuous improvement:** leverage innovation to improve how the Company operates with a goal to streamline processes and provide for a scalable back-office support capability.

The Calian growth strategy can be summarized as follows: winning new contracts, expanding the scope of existing contracts, capitalizing on innovation demonstrated in each of the operating segments, and Mergers and Acquisitions.

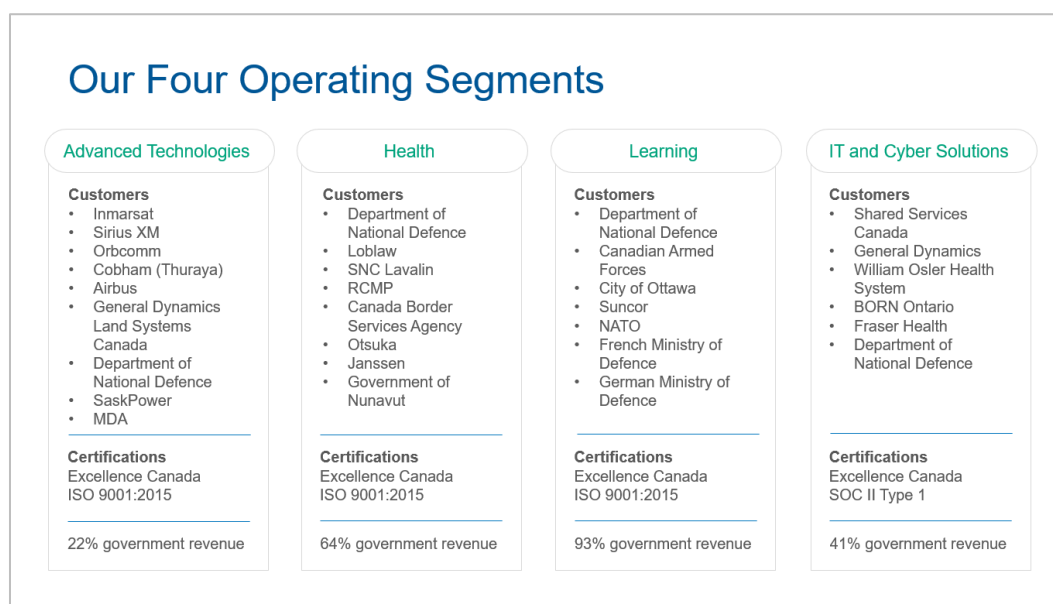
We have continued to demonstrate our ability to win new contracts and evolve. For example, our footprint in Europe is continuously expanding, having won strategic training contracts with NATO, French Ministry of Defence, German Ministry of Defence and others.

Further, we have demonstrated the ability to expand the scope of services with existing customers through service line cross pollination and growth. This has continued to be a focus as we have brought on newly acquired companies to ensure that we are broadening their portfolio of customers through our networks.

Innovation in the new products and services we develop, as well as innovation in the way we deliver those services are key in maintaining our market position and winning new customers. Our recent acquisition of SimFront Simulation Systems Corporation means we are able to offer the latest augmented, virtual and mixed reality solutions to customers seeking immersive training support.

Finally, with seventeen successful acquisitions in the last ten years, we continue to demonstrate an ability to grow and expand, both in terms of geography and service offerings.

This growth strategy led to continued profitable growth in the first quarter of 2022, with revenues continuing at record levels. Revenue grew 11% in the three-month period ended December 31, 2021 when compared to the same period of the prior fiscal year. Segment revenue growth was strong for Advanced Technologies, Learning and ITCS, who all achieved double digit growth when compared to the same period of the previous year. ITCS had the strongest performance with revenue growth at 68%. Health revenues decreased in the quarter when compared to the same period of the previous year, primarily due to one-time sales in the prior year quarter for pandemic response.



Calian is headquartered in Ottawa, Ontario and operates at locations across Canada as well as Europe (Germany, Norway and UK).

Historically our core competencies, common across all operating segments, are project, contract and workforce management; however, the segments continue to evolve their services to incorporate technology, allowing us to offer full solutions to customers.

A large portion of our revenues are derived from Canadian sources in the public and private sectors, particularly the Department of National Defence. Through our diversification strategy, we have developed a well-established private sector customer base across Indigenous communities, oil and gas, nuclear, aerospace, defence, satellite, telecom, electric vehicle manufacturing and numerous others. For example, our Health service line includes the administration of over 175 medical clinics across Canada on behalf of Loblaws, as well as the provision of health care services to oil and gas customers. Historically, our Learning segment was predominantly generating revenue from Canadian federal government customers. Now, the customer base has expanded to include municipalities, First Nations, healthcare, private industry, and NATO. Our Advanced Technologies segment supports global satellite communications and continues to leverage a large global customer base.

Revenue growth from new contract opportunities is largely dependent on the issuance of the initial proposal request and the ultimate timing of the related contract award. The Company has significant realizable backlog at \$1,343 million that spans over 10 years in length. Our historically high renewal rate combined with our win strategy provides management confidence in the ability to retain customers.

While federal government spending priorities fluctuate, particularly because of the global pandemic, profitable business does exist for companies who have the financial strength to accommodate slowdowns in government spending, and the discipline to adjust costs to declines in revenue. Our strong back-office capabilities, along with our emphasis on continuous improvement and business development, ensure we are able to identify and win new business opportunities and scale accordingly.

Of note, as our segments operate in niche areas within large markets, there exists minimal third-party data to compare with the Company's performance. While analyzing general market trends provides some insight into the potential opportunities within and strength of those markets, it is not always indicative of the health, demand, and funding of the individual customers of the Company. To compensate for the limited amount of information, and to provide an indication of future revenue potential, this MD&A provides a detailed overview of the Company's backlog by segment showing both contracted backlog and option renewals by fiscal year. In addition, the following discussion, which refers to the type of contracts performed by each of the four segments, will provide some insight into the level of customer-specific demand for our services.

The Company's operations are subject to some quarterly seasonality due to the timing of vacation periods, statutory holidays, industry-specific seasonal cycles and the timing and delivery of milestones for significant projects. Typically, the Company's first and last quarter will be negatively impacted because of the Christmas season and summer vacation period. During these periods, the Company can only invoice or recognize revenue for work performed and is also required to pay for statutory holidays. With travel restrictions easing in a number of countries, this impact may be seen to increase in any given period as more vacation and travel is taken. This results in reduced levels of revenues and a drop in gross margins. This seasonality may not be apparent in the overall results of the Company, depending on the impact of the realized sales mix of its various projects. This is slightly offset in the other periods in which sales volume for certain companies within the corporate structure increases due to increased demand in those periods.

Selected Quarterly Financial Data

(Canadian dollars in millions, except per share data)

	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20
Revenues								
Advanced Technologies	\$ 41.1	\$ 42.6	\$ 43.8	\$ 42.8	\$ 37.3	\$ 37.6	\$ 35.9	\$ 39.9
Health	42.4	44.1	50.8	52.9	47.1	56.8	43.9	32.2
Learning	22.8	17.6	18.1	20.9	18.0	14.3	11.1	17.3
ITCS	23.2	23.2	23.4	21.9	13.8	14.4	14.6	15.1
Total Revenue	\$ 129.5	\$ 127.5	\$ 136.1	\$ 138.5	\$ 116.2	\$ 123.1	\$ 105.5	\$ 104.5
Cost of revenue	95.8	94.5	102.2	105.0	90.0	100.2	83.0	81.0
Gross profit	33.7	33.0	33.9	33.5	26.2	22.9	22.5	23.5
Selling and marketing	4.5	4.4	4.5	4.0	3.4	3.0	3.2	3.3
General and administration	13.8	14.2	13.3	14.4	11.6	10.0	9.8	9.5
Research and development	1.4	2.0	1.2	1.0	0.8	0.7	0.5	0.4
Profit before under noted items	14.0	12.4	14.9	14.1	10.4	9.2	9.0	10.3
Depreciation of equipment and application software	1.2	1.2	1.1	1.0	1.0	1.0	0.9	0.6
Depreciation of right of use asset	0.8	0.8	0.7	0.8	0.7	0.7	0.7	0.7
Amortization of acquired intangible assets	3.6	3.4	3.2	3.0	2.1	1.7	1.4	1.2
Other changes in fair value	-	-	-	-	-	-	-	-
Deemed Compensation	0.7	0.8	0.8	0.5	1.9			
Changes in fair value related to contingent earn-out	1.0	3.6	5.1	1.3	0.4	(2.8)	0.4	0.3
Profit before interest and income tax expense	6.7	2.6	4.0	7.5	4.3	8.6	5.6	7.5
Lease interest expense	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Interest expense (income)	0.1	0.2	0.1	0.2	-	-	(0.1)	0.2
Profit before income tax expense	6.5	2.3	3.8	7.2	4.2	8.5	5.6	7.2
Income tax expense	2.2	1.4	1.7	1.7	1.7	1.6	1.8	1.8
Net profit	\$ 4.3	\$ 0.9	\$ 2.1	\$ 5.5	\$ 2.5	\$ 6.9	\$ 3.8	\$ 5.4
Weighted average shares outstanding - Basic	11.3M	11.3M	11.2M	10.1M	9.8M	9.0M	8.8M	8.8M
Weighted average shares outstanding - Diluted	11.4M	11.3M	11.3M	10.2M	9.9M	9.1M	8.9M	8.9M
Net profit per share								
Basic	\$ 0.38	\$ 0.10	\$ 0.18	\$ 0.55	\$ 0.25	0.71	\$ 0.40	\$ 0.60
Diluted	\$ 0.38	\$ 0.10	\$ 0.18	\$ 0.54	\$ 0.25	0.70	\$ 0.40	\$ 0.59
Adjusted EBITDA per share								
Basic	\$ 1.24	\$ 1.10	\$ 1.33	\$ 1.40	\$ 1.06	0.95	\$ 0.93	\$ 1.16
Diluted	\$ 1.23	\$ 1.09	\$ 1.32	\$ 1.39	\$ 1.05	0.93	\$ 0.92	\$ 1.14

(1) No restatement performed in Fiscal 2019 figures due to the entity applying the modified retrospective approach on implementation of IFRS 16 which occurred in fiscal 2020.

Calian Consolidated Results

During the three-month period ended December 31, 2021, the Company continued to execute on its strategic plan and growth, diversification and innovation agendas. Overall consolidated revenue growth was 11% for the three-month period ending December 31, 2021 when compared to the same period of the previous year. Revenue growth was achieved across our Advanced Technologies, Learning and ITCS segments, with the most significant growth coming from our ITCS segment, where revenues have increased by 68% when compared to the same period in the previous year. The Company also achieved record margin percentage

performance—26% for the quarter. In the three-month period ended December 31, 2021, the Company signed \$185 million in contracts and ended the period with a realizable backlog of \$1,343 million.

	Three months ended December 31, 2021 December 31, 2020	
Revenues	\$ 129,502	\$ 116,201
Gross profit	33,654	26,222
Selling and marketing	4,554	3,364
General and administration	13,784	11,616
Research and development	1,354	837
Profit before under noted items	\$ 13,962	\$ 10,405

Revenue

Consolidated revenues grew 11% in the three-month period ended December 31, 2021 when compared to the same period in the previous year. The increase in revenue can be attributed to 9% acquisitive growth and a 2% increase in organic revenues. The overall organic growth is impacted by the one-time delivery of Mobile Respiratory Care Units—part of the COVID-19 response effort from our Health segment—which concluded delivery in the first quarter of the previous fiscal. This has impacted overall organic growth for the company even though the Advanced Technologies, Learning, and ITCS segments all achieved over 10% organic growth. Calian measures growth through acquisition on a trailing twelve-month basis; once the acquisition has been included in our results for twelve months, their contribution is included in the organic growth metric.

IT and Cyber Solutions saw growth of 68% for the three-month period ended December 31, 2021 when compared to the same period of the previous year, which can be primarily attributed to contributions from Dapasoft and iSecurity, acquired in Q2 21.

Learning posted growth of 26% for the three-month period ended December 31, 2021 when compared to the same period of the previous year. Just over half of this amount was driven by acquisitive revenue and the other half is driven by growth in existing customers, growth with new customers in Canada, and continued European expansion with existing customers.

Advanced Technologies posted growth of 10% for the three-month period ended December 31, 2021 when compared to the same period of the previous year, which is due to organic growth in our Satellite Gateways division and continued growth from our GNSS products.

Health revenue decreased by 10% for the three-month period ended December 31, 2021, when compared to the same period of the previous year, which is primarily related to one-time revenues attributable to the completion of the Mobile Respiratory Care Units.

The impacts of COVID-19 continue insofar as in-person delivery and travel restrictions impact the delivery to the customer. This has resulted in additional costs incurred to deliver existing contracts for satellite ground systems. Increased costs for travel and quarantine, availability of trained staff and supply chain issues contributed to these additional costs. These circumstances are expected to continue throughout 2022 and this is reflected in Calian estimates. Despite the business impacts, COVID-19 has generated new opportunities in the Health segment, including the execution of pop-up vaccine clinics, rapid testing initiatives, telehealth services and virtual care.

Gross Profit

As can be seen in the detailed discussions of each segment, performance and gross margin by segment varies from 25% to 26% and the business mix, in turn, affects the consolidated gross margin. Gross margins for the Company's first quarter were 26%, which represents a continued high for the Company. This is due to several

factors, among them: higher margins for acquisition products and services, organic growth focus on market verticals where margins are higher, and innovation and introduction of products which command higher margins. These factors were partially offset by some lower margins from large satellite ground system projects and increased costs from COVID-19.

The volatility of the Canadian dollar is always an influencing factor for margins on new work in the Advanced Technologies segment, to the extent that work is denominated in foreign currencies.

Operating Expenses

Selling and marketing costs increased \$1,190 for the three-month period ended December 31, 2021, compared to the same period of the prior year. The overall increase in cost and activity is primarily due to selling and marketing costs from recent acquisitions, in addition to continued spend on business development activities as government-imposed restrictions in response to COVID-19 were temporarily eased for conferences and travel.

General and administration costs increased by 19% for the three-month period ended December 31, 2021, compared to the same period of the previous year. The increase is the result of investments within the four operating segments to enable project delivery, as well as cost acquired through recent acquisitions and the one-time acquisition costs related to SimFront. The balance of the increase is the result of investments in our corporate capabilities in human resources and information technology.

Research and development costs increased 62% in the three-month period ended December 31, 2021, compared to the same period in the prior year. The additional costs are solely the result of research and development costs from recent acquisitions.

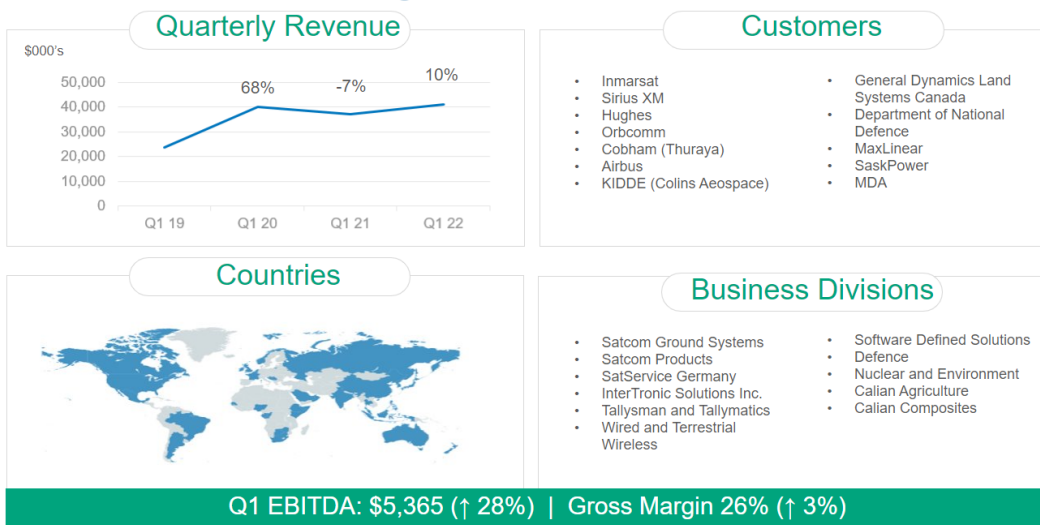
Below is a discussion of the performance of the four operating segments for the first quarter, including:

	Advanced Technologies	Health	Learning	ITCS
Revenue	\$41,167 ↑10%	\$42,378 ↓10%	\$22,782 ↑26%	\$23,175 ↑68%
Gross margin	\$10,734	\$11,048	\$5,733	\$6,139
Organic / acquisitive	10% / Nil	-10% / Nil	10% / 16%	12% / 56%
New contract signings	\$52,086	\$71,858	\$37,057	\$24,532
Backlog	\$145,303	\$833,153	\$285,026	\$79,098

**Comparisons in the above table are made to the three month-period ended December 31, 2020*

Advanced Technologies

Advanced Technologies



*Compared to same time period last year. Figures in \$000's.

The Advanced Technologies segment offers internally developed products, engineering services and solutions for the space, communications, nuclear, agriculture, defence, automotive and government sectors. Capabilities are wide-ranging, covering software development, product development, custom manufacturing, full life-cycle support, studies, requirements analysis, project management, multi-discipline engineered system solutions and training. The Advanced Technologies segment is a full-service organization offering turnkey solutions for industry-leading customers.

A supplier of communication systems and products for terrestrial and satellite networks, Calian operates a center of excellence in communication ground systems for satellite and cable network operators around the world. Advanced Technologies provides satellite gateways which can include large aperture radio frequency (RF) antennas, telemetry tracking and control, as well as high-availability software solutions for managing and monitoring these networks. The segment's software tools enable network operators to manage, plan and analyze network resources, including satellite power and frequencies. With an international reputation for supporting space missions, Advanced Technologies delivers custom communication solutions and systems engineering capabilities to customers in Canada and around the world.

Manufacturing capability includes a surface mount electronics manufacturing line with automated inspection and X-ray. Advanced Technologies offers a composite carbon fiber manufacturing capability as well as an extruded cable manufacturing line. These are complemented by engineering capabilities that support custom build-to-print manufacturing services for commercial and defence clients. Calian AgTech products and solutions are manufactured in-house for the agriculture sector, helping to protect assets such as stored crops, fuel and water.

Tallysman, a 2020 acquisition, manufactures global navigation satellite system (GNSS) products that have a wide range of uses across many industries, including electric vehicle manufacturing. The 2021 acquisition of InterTronics enhances the Company's current capabilities in the RF ground system business line with state-of-the-art, high-precision antenna solutions that include high-accuracy, high-speed motion systems used by military, scientific and commercial customers.

Calian engineering and technical services support clients across the system engineering process, including concept development for the design and implementation of next-generation critical systems and full life-cycle

support for propulsion, electrical and electronic systems, computer systems, naval architecture and aerospace and nuclear systems. Calian offers integrated logistics support, drafting and other technical services as well. The nuclear services team develops and executes comprehensive and cost-effective waste management and decommissioning solutions and provides a systematic approach to identifying hazards, determining their consequences and providing recommendations to mitigate identified risks. The scope of these nuclear services includes decommissioning programs, radioactive waste management programs and remediation.

Financial performance

	Three months ended	
	December 31, 2021	December 31, 2020
Revenues	\$ 41,167	\$ 37,330
Gross profit	10,734	8,430
Selling and marketing	2,036	1,570
General and administration	2,215	2,025
Research and development	1,118	648
Profit before under noted items	\$ 5,365	\$ 4,187

Advanced Technologies' revenues increased by 10% for the three-month period ended December 31, 2021 compared to the same period of the previous year. The revenue increase in the three-month period is attributable to increases in our GNSS product sales, increases in our satellite gateways and planning systems through growth with new and existing customers and growth across other product sales including new IOT systems for new customers. The Advanced Technologies segment continues to be impacted by COVID-19. This is evident in the communication ground systems project slowdowns, as restrictions on travel to site impact the completion of on-site engineering work. Internally developed product sales continue to be a focus for the Company, contributing positively to revenue growth and higher margins in the future.

Gross margin percentage increased from 23% to 26% for the three-month period ended December 31, 2021, when compared to the same period of the prior year. This change is primarily due to the revenue mix being impacted by a lower proportion of revenues coming from large ground system projects and more revenue coming from higher margin product sales.

Selling and marketing expenses increased by \$466 for the three-month period ended December 31, 2021, when compared to the same period in the year prior. Increases in the current year can be attributed to additional spend, where selling and marketing expenses were significantly reduced by shutdowns and travel restrictions due to COVID-19.

General and administration expenses increased by \$190 for the three-month period ended December 31, 2021, compared to the same period in the year prior. This is due to investments in headcount and technological capabilities where the prior year's uncertainty around COVID-19 resulted in cost control measures in place throughout the segment.

Research and development costs increased by \$470 for the three-month period ended December 31, 2021, when compared to the same period of the previous year. This is due to additional research costs incurred in the development of GNSS antenna portfolio and ground system antennas.

Profitability increased by 28% for the three-month period ended December 31, 2021, when compared to the same period of the previous year, due to higher gross margins and increased sales volume.

First Quarter Highlights

First-ever successfully captured views of the planet Mercury

Calian played a role in a historic moment—the first time the European Space Agency (ESA) was able to successfully capture views of the planet Mercury. As part of the ESA/JAXA BepiColombo mission, our 35m antennas transmitted commands to the spacecraft as it tracked a probe through space and received images back to the ground station. These black-and-white images, taken 1000 km from Mercury's surface, will help ESA better understand the “mysterious” planet.

Calian Composites expands

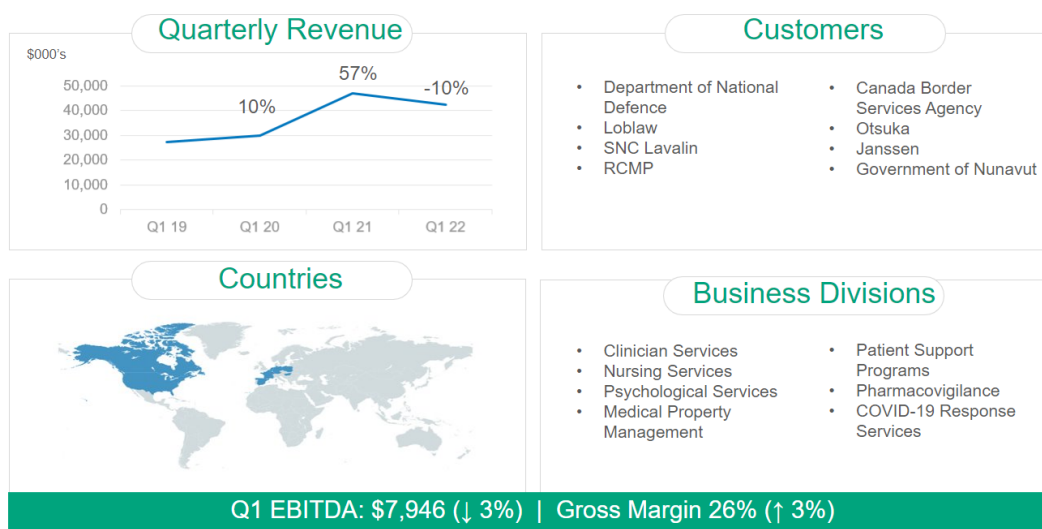
The composites team expanded their Saskatoon, Saskatchewan-based location to more than 30,000 square feet. This expansion increases production capabilities and enables Calian to venture into new industries—such as contract manufacturing for mining and recreation—that would benefit from the advantages of innovative composite fibre technology. The composites team is currently working with a variety of Canadian and US companies with the intent to strengthen their supply chains by becoming their premier qualified OEM supplier.

Software Defined Solutions

In Q1, the Calian Advanced Technologies segment signed \$8,800 of software development contracts, including a complex, real-time satellite resource management solution for a new customer in the Middle East. This further solidifies the Calian reputation in systems engineering and software development and exemplifies the trust customers put in us to solve their most difficult challenges.

Health

Health



*Compared to same time period last year. Figures in \$000's.

Calian has the largest diversified health footprint in Canada, with a network of more than 2,400 healthcare professionals. With 20-plus years of experience in the management of health care professionals and health programs, as well as the management of and primary care and occupational health clinics, Calian supports more than six million patient visits per year at more than 175 Primacy clinic locations across Canada, located in Loblaw grocery stores (including Real Canadian Superstore®, Zehrs®, Loblaws® and No Frills®).

The Department of National Defence is the Company's largest health customer. Health services include provision of nurses, doctors, dentists and other healthcare professionals. Psychological services are also provided to police, correctional institutions and border services agencies in the Canadian market. The health team has expanded operations with public and private customers across Canada in response to the COVID-19 pandemic, offering vaccination programs, screening, monitoring, contact tracing, education and more.

Financial performance

	Three months ended	
	December 31, 2021	December 31, 2020
Revenues	\$ 42,378	\$ 47,052
Gross profit	11,048	10,936
Selling and marketing	585	495
General and administration	2,424	2,056
Research and Development	93	186
Profit before under noted items	\$ 7,946	\$ 8,199

Revenues decreased 10% for the three-month period ended December 31, 2021, when compared to the same period of the previous year. The decrease in the current quarter is primarily a result of the final delivery of one-time deployment of Mobile Respiratory Care Units as part of the pandemic response, in the first quarter of the prior year. The Company was also impacted by a decline in contract research revenues for clinical studies where certain projects were completed.

The Company has seen increased demand from new and existing opportunities in clinician services and services to remote locations in Northern Canada. COVID-19 driven demand continues to be evident for the Health segment in the current quarter with the large network of health care practitioners that the Company has and the shortage that is being faced in Canada.

Gross margin percentage increased from 23% to 26% for the three-month period ended December 31, 2021, when compared to the same period of the prior year. The increase is due to the ability to offer differentiated services and to availability in a challenging marketplace, along with the one-time sale in the prior year coming at lower margin.

General and administration expenses increased by \$368 for the three-month period ended December 31, 2021, when compared to the same period of the prior year, due to increases in headcount to support new contracts or to support the administration due to continued revenue growth from the previous year.

First Quarter Highlights

MedTech accelerator program

Calian partnered with L-SPARK, Canada's largest software-as-a-service (SaaS) accelerator, to launch a joint accelerator program which aims to grow Canadian technology companies in the rapidly expanding area of digital health. The partnership helps small- and medium-sized technology enterprises grow their businesses and bring new products to market by integrating with the Calian digital health platform as a service (PaaS) solution. The result—innovative health solutions will be accessible to more clinicians, improving both efficiencies and patient outcomes.

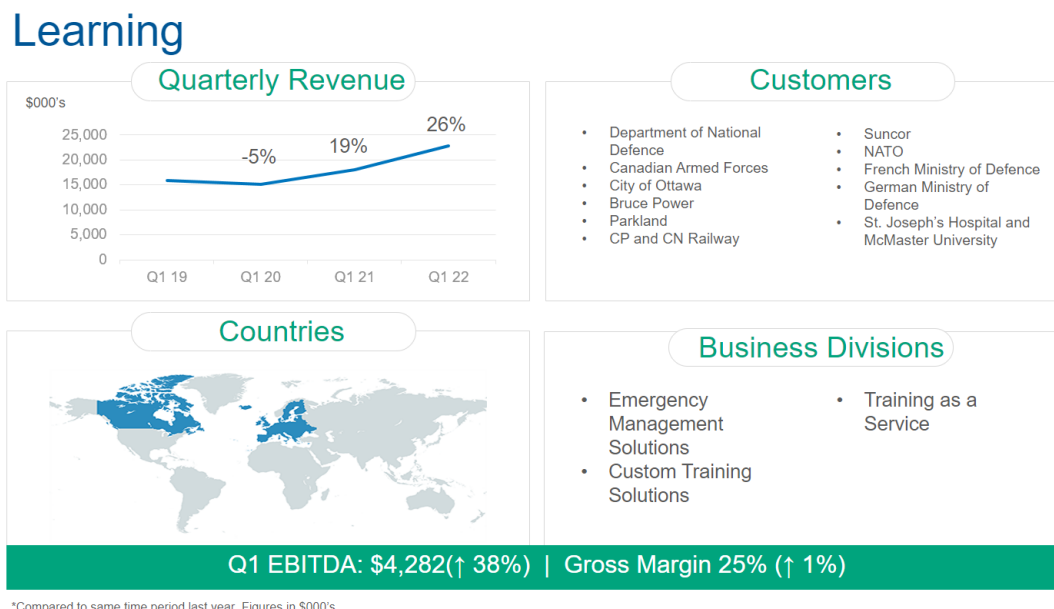
Customer retention

Customer retention is one of the four pillars that creates the foundation for growth. In Q1, Calian signed \$23,000 in contracts with existing customers. This includes clinical research for major pharmaceutical customers and ongoing support for government efforts to stop the spread of COVID-19 in Nunavut and Ontario.

Customer diversification

Engaging with new customers is another important pillar of the Calian growth framework. In Q1, the Health segment signed contracts with 12 new customers across Canada. This includes providing virtual COVID-19 services, running rapid testing programs in corporate settings and supporting the launch of 11 specialty products for patient support programs. These contracts will bring in a minimum of \$9,600.

Learning



Calian is a trusted provider of specialized training services and solutions for the Canadian Armed Forces, NATO and clients in the defence, health and energy sectors. We enable clients to reach competency and validate learning plans and team performance. Calian provides consulting services in emergency management, training and advanced training technologies to federal and provincial governments, municipalities, Indigenous communities and the private sector, primarily in domestic markets.

Learning offers full-service training programs and services ranging from needs analysis and program design, development and delivery to administration and evaluation. The goal is to help clients reduce student time-to-competency. Calian training consulting services help clients achieve learning outcomes and optimize their workforce.

Complementing the training services are products and technology. Calian MaestroEDE™ is a tool used to design, develop and deliver high-fidelity, collective training exercises for military customers. Calian ResponseReady™ is an online platform and simulation tool that supports emergency management training exercise delivery and evaluation. Recently acquired SimFront offers augmented, virtual and mixed reality technology for immersive training solutions.

Financial performance

	Three months ended	
	December 31, 2021	December 31, 2020
Revenues	\$ 22,782	\$ 18,047
Gross profit	5,733	4,356
Selling and marketing	334	249
General and administration	1,117	999
Research and development	-	-
Profit before under noted items	\$ 4,282	\$ 3,108

Revenue increased by 26% for the three-month period ended December 31, 2021, when compared to the same period of the prior year. Acquisitive growth from Cadence Consultancy and SimFront for the three-month period ended December 31, 2021, was 16%. Organic growth is attributable to both new and existing customers, with growth on utilization of current long-term vehicles, a focus on winning new customers, in addition to continued growth in Europe.

Gross margin has increased from 24% to 25% for the three-month period ended December 31, 2021, due to a focus on margin efficiency for ongoing projects along with revenue from recent acquisitions being earned at a higher margin. General and administration spending increased by \$118 for the three-month period ended December 31, 2021, when compared to the same period of the prior year, resulting from costs attributable to acquisitions completed within the past twelve months and the consolidation of costs related to the acquired entities.

First Quarter Highlights

SimFront acquisition

In Q1, Calian acquired Canadian-based SimFront. Calian and SimFront have a 15-year collaborative relationship within the Department of National Defence. During this 15-year period, the SimFront Virtual Command and Control Interface (VCCI) Tool Suite has served as the cornerstone for Simulation-to-Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR) integration/interoperability and After-Action Review (AAR). The VCCI Tool Suite combined with Calian MaestroEDE™ will now enable Calian to provide end-to-end military training and simulation capabilities and pursue new opportunities with customers seeking integration and immersive training support. SimFront integration and augmented/virtual/mixed reality solutions elevate Calian capabilities in this area. The definitive agreement is valued at up to \$15,210, with \$9,210 paid on closing and earnouts of up to \$6,000 based on the achievement of a certain level of EBITDA performance over the first 24 months.

Shortly after the acquisition, Calian and SimFront collaborated to win a \$660 contract with the Royal Canadian Navy (RCN), to create a high-fidelity 3D virtual fleet for four RCN ships. Also, in Q1, SimFront expanded into the academic market with multiple contract awards totaling over \$500 for VR solutions with Sault College and University of Guelph. This work was made possible because Calian and SimFront made a joint submission to become an approved supplier to eCampus.

European expansion continues

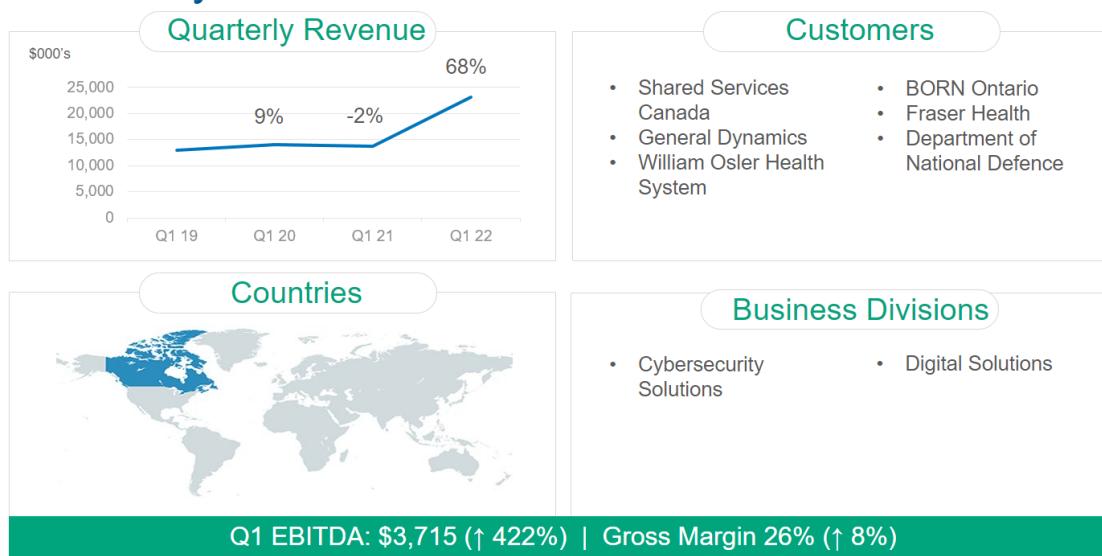
Calian was selected by the French Ministry of Defence Land Forces to develop scenario and exercise script for upskilling 60,000 troops as part of one of their core 2022-2023 defence exercise programs, Exercise HEMEX ORION 2023. The French Ministry of Defence, a net new defence customer, made their decision based on our solid track record of managing complex training requirements while ensuring reduced time to competency.

Emergency Management Solutions

Emergency Management Solutions booked key wins in BC, Ontario and nationally. Notably, the BC Ministry of Public Safety and the Solicitor General engaged Calian to perform a needs assessment for public safety training in the province. This is a strategic win that gives Calian the opportunity to influence the future learning environment for public safety officials in the province of British Columbia.

Information Technology and Cyber Solutions

IT and Cyber Solutions



*Compared to same time period last year. Figures in \$000's.

Calian IT services support customer requirements for subject matter expertise in the delivery of their complex IT solutions. With a primary focus on cloud migration, IT development, support services, SAP consulting and cybersecurity solutions, Calian supports customers at all levels of government and the private sector in the domestic market.

Cybersecurity Solutions provides public and private sector organizations with the right people, processes and technology to build actionable plans and keep their environments safe and secure.

Financial performance

	Three months ended	
	December 31, 2021	December 31, 2020
Revenues	\$ 23,175	\$ 13,772
Gross profit	6,139	2,500
Selling and marketing	786	693
General and administration	1,495	1,092
Research and development	143	3
Profit before under noted items	\$ 3,715	\$ 712

Revenues increased by 68% for the three-month period ended December 31, 2021, compared to the same quarter of the previous year. The growth related to acquisitive revenue is 56% for the three-month period, which

is related to the continued contribution of Dapasoft and iSecurity, acquired in the second quarter of the previous year. We continue to see expanded opportunities for cross-pollination with other service lines that these companies enable. The additional organic growth can be attributed to the growth in contract and consulting services for existing customers.

Gross margin increased from 18% to 26% in the three-month ended December 31, 2021, when compared to the same period of the previous year. This is primarily related to a higher margin percentage contribution from recent acquisitions.

General and administrative expenses increased by \$403 in the three-month period ended December 31, 2021, when compared to the same period of the previous year. This increase relates to additional general and administrative expenses from the consolidation of recent acquisitions.

Profitability for the segment has increased by 422% which is a result of increased sales volume, increases in gross margin percentage and the one-time acquisition costs incurred in general and administrative expenses in the previous year. Profit before under noted items for the segment is 16% for the three-month period ended December 31, 2021.

First Quarter Highlights

Growing small and medium-sized technology enterprises

Through our new MedTech accelerator program, in partnership with L-SPARK, Calian will help grow small- and medium-sized technology enterprises. By cultivating the emerging MedTech ecosystem in Canada, Calian hopes to provide healthcare organizations with easy access to high-value capabilities that can improve the efficiency, agility and quality of care. The three cohort participants – who will help drive innovation extensions to our Digital Health Platform – will be announced in Q2.

A local innovation hub with a global vision

Calian partnered with the Kanata North Business Association to sponsor Hub350, the new gateway to Canada's largest technology park. Hub350 is a collaborative environment where corporation innovation partners, academics, investors and talent from across Canada and around the world can connect. It will also serve as a collaboration space for the MedTech accelerator program. This accelerator will help grow the digital health technology ecosystem, boost innovation and enable sales distribution for Canadian-based small to medium-sized businesses.

Customer diversification

Calian won over 20 new ITCS contracts in Q1. Customers include Lockheed Martin, Bank of Canada, the Ministry of Health and Accerta. Increasingly, Calian is being engaged by healthcare organizations to help protect them from potential ransomware attacks – in Q1 for example, Calian led a facilitated incident response to a ransomware attack for a hospital in northern Ontario.

Data privacy

iSecurity, a Calian company, received SOC 2 Type 1 certification, an important step to assure customers that their data is properly protected. SOC 2 Type 2 certification is currently in planning.

Summary

In summary, the first quarter of 2022 demonstrated the Company's consistent dedication to growth and stability through diversification. The Company entered 2022 with a strong backlog of work and added \$185,000 in new signings to our backlog. We continued our customer diversification efforts, with 48% of consolidated revenue from non-government customers and 14% of consolidated revenue from European customers.

We continue to invest in research and development and sales in order to support future organic growth. Recent acquisitions Dapasoft, iSecurity and SimFront all contributed positively to first quarter revenue.

Calian is a diverse company which has consistently demonstrated the ability to manage this diversity and provide excellent returns for our shareholders. Under the framework of a common strategy, each segment of the Company has the ability, capacity and management focus to control and manage their respective business segment. We are an innovative company, proudly Canadian, and are focused on sustaining our positive momentum.

Reconciliation of non-GAAP measures to most comparable IFRS measures

These non-GAAP measures are mainly derived from the consolidated financial statements, but do not have a standardized meaning prescribed by IFRS; therefore, others using these terms may calculate them differently. The exclusion of certain items from non-GAAP performance measures does not imply that these are necessarily nonrecurring. From time to time, we may exclude additional items if we believe doing so would result in a more transparent and comparable disclosure. Other entities may define the above measures differently than we do. In those cases, it may be difficult to use similarly named non-GAAP measures of other entities to compare performance of those entities to the Company's performance.

Management believes that providing certain non-GAAP performance measures, in addition to IFRS measures, provides users of the Company's financial reports with enhanced understanding of the Company's results and related trends and increases transparency and clarity into the core results of the business. Adjusted EBITDA excludes items that do not reflect, in our opinion, the Company's core performance and helps users of our MD&A to better analyze our results, enabling comparability of our results from one period to another.

Adjusted EBITDA

	Three months ended	
	December 31, 2021	December 31, 2020
Net profit	\$ 4,306	\$ 2,484
Depreciation of equipment and application software	1,127	1,000
Depreciation of right of use asset	823	729
Amortization of acquired intangible assets	3,592	2,118
Lease interest expense	108	117
Changes in fair value related to contingent earn-out	999	384
Interest expense (income)	51	12
Deemed Compensation	750	1,847
Income tax	2,206	1,714
Adjusted EBITDA	\$ 13,962	\$ 10,405

Adjusted Net Profit and Adjusted EPS

	Three months ended	
	December 31, 2021	December 31, 2020
Net profit	\$ 4,306	\$ 2,484
Changes in fair value related to contingent earn-out	999	384
Deemed Compensation	750	1,847
Amortization of intangibles	3,592	2,118
Adjusted net profit	\$ 9,647	\$ 6,833
Weighted average number of common shares basic	11,299,287	9,783,913
Adjusted EPS Basic	0.85	0.70
Adjusted EPS Diluted	0.85	0.69

The Company uses adjusted net profit and adjusted earnings per share, which remove the impact of our acquisition amortization and gains, resulting in accounting for acquisitions and changes in fair value to measure our performance. These measurements better align the reporting of our results and improve comparability against our peers. We believe that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers. Management also uses non-GAAP measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess our ability to meet our capital expenditure and working capital requirements. Adjusted profit and adjusted earnings per share are not recognized, defined or standardized measures under the International Financial Reporting Standards. Our definition of adjusted profit and adjusted earnings per share will likely differ from that used by other companies (including our peers) and therefore comparability may be limited. Non-GAAP measures should not be considered a substitute for or be considered in isolation from measures prepared in accordance with International Financial Reporting Standards. Investors are encouraged to review our financial statements and disclosures in their entirety and are cautioned not to put undue reliance on non-GAAP measures and view them in conjunction with the most comparable International Financial Reporting Standards financial measures. The Company has reconciled adjusted profit to the most comparable International Financial Reporting Standards financial measure as shown above.

Consolidated Net Income and Other Selected Financial Information

	Three months ended	
	December 31, 2021	December 31, 2020
Profit before under noted items	\$ 13,962	\$ 10,405
Depreciation of equipment and application software	1,127	1,000
Depreciation of right of use asset	823	729
Amortization of acquired intangible assets	3,592	2,118
Other changes in fair value	-	-
Deemed Compensation	750	1,847
Changes in fair value related to contingent earn-out	999	384
Profit before interest income and income tax expense	\$ 6,671	\$ 4,327
Lease interest expense	108	117
Interest expense (income)	51	12
Income tax expense	2,206	1,714
Net profit	\$ 4,306	\$ 2,484
Net profit per share, basic	0.38	0.25
Total assets	452,000	331,527
Dividends per share	0.28	0.28

Depreciation of equipment and application software increased by \$127 in the three-month period ended December 31, 2021, when compared to the same period in the year prior due to higher balances of assets across the organization to sustain operations and depreciation from recent acquisitions.

Amortization of acquired intangible assets has increased by \$1,474 in the three-month period ending December 31, 2021, when compared to the same period of the previous year due to acquisitions in the prior year of Dapasoft and Cadence, along with intangibles acquired in the current year through SimFront.

Changes in fair value related to contingent earn out has increased by \$612 in the three-month period ended December 31, 2021, when compared to the same period of the previous year. This increase is attributable to more contingent earn outs having interest accumulate on them to bring the present value of the obligations at acquisition time to face value of the obligation at time of payment. The change in fair value of contingent payments and deemed compensation are explained further in note 24 of the Financial Statements.

Finally, the Company reports its results on a fully taxed basis. The provision for income taxes for the three-month period ended December 31, 2021 was \$2,206, which compares to the \$1,714, in the same period of the previous fiscal year. The effective tax rate of the Company is projected to be 27% for the annual period. The difference in effective tax rate to actual tax rate is primarily due to the increase in non-taxable items in the statement of profit and loss including intangible amortization and changes in fair value related to contingent earnout amounts which are quite significant to the Company, and account for significant fluctuations in tax rate where income tax is a percentage of earnings before tax.

Backlog

The Company's realizable backlog at December 31, 2021 was \$1,343 million with terms extending to fiscal 2030. Contracted backlog represents maximum potential revenues remaining to be earned on signed contracts, whereas option renewals represent customers' options to further extend existing contracts under similar terms and conditions.

During the three-month period ended December 31, 2021, the following contracts were the major contributors to the Company's backlog.

- \$21M Department of National Defence recordkeeping new contract win
- \$7M contract extension with a long-term customer for IT support services
- \$5M Yahsat telecommunications system contract win
- \$2M Radarsat operations support contract win
- \$3M Department of National Defence intelligence specialists win
- \$3M Innovation, Science and Economic Development Canada contract win
- \$3M in various clinical research support contracts

There were no contracts which were cancelled unexpectedly that would have resulted in a significant decrease in our backlog.

Most fee-for-service contracts provide the customer with the ability to adjust the timing and level of effort throughout the contract life and as such the amount actually realized could be materially different from the original contract value. The following table represents management's best estimate of the backlog realization for fiscal year 2022, fiscal year 2023 and beyond based on management's current visibility into customers' existing requirements.

Management's estimate of the realizable portion (current utilization rates and known customer requirements) is less than the total value of signed contracts and related options by approximately \$236 million. The Company's policy is to reduce the reported contractual backlog once it receives confirmation from the customer that indicates the utilization of the full contract value may not materialize.

Contract Backlog as of December 31, 2021

Contracted backlog	\$	747,569
Option renewals		830,586
	\$	1,578,155
Management estimate of unrealizable portion		(235,575)
Estimated Realizable Backlog	\$	1,342,580

Estimated recognition of Estimated Realizable Backlog

	January 1, 2022 to September 30, 2022	October 1, 2022 to September 30, 2023	Beyond September 30, 2023	Total
Advanced Technologies	\$ 94,877	\$ 27,158	\$ 23,268	\$ 145,303
Health	130,204	139,488	563,461	833,153
Learning	55,087	57,972	171,967	285,026
ITCS	46,371	21,275	11,452	79,098
Total	\$ 326,539	\$ 245,893	\$ 770,148	\$ 1,342,580

Statement of Cash Flows

	Three months ended December 31, 2021, December 31, 2021 2020	
Cash flows from operating activities before changes in working capital	\$ 11,212	\$ 7,169
Changes in working capital	(7,048)	4,360
Cash flows from (used in) operating activities	4,164	11,529
Cash flows from (used in) financing activities	(3,678)	(2,605)
Cash flows from (used in) investing activities	(11,742)	(2,879)
Increase (decrease) in cash	\$ (11,256)	\$ 6,045

Operating Activities

Cash inflows from operating activities for the three-month period ended December 31, 2021 were \$4,164 compared to cash inflows of \$11,529 in the same period of the prior year.

Working capital (accounts receivable, work in process, inventory, prepaid expenses and other, accounts payable and accrued liabilities, provisions and unearned contract revenue) has a negative effect on cash flows by a decrease of \$7,048 in the three-month period ended December 31, 2021 and stood at a net balance of \$97,364.

Factors related to the overall change in working capital were: decrease in work in process in the current three-month period of \$7,778 as larger projects are rapidly hitting milestones and billings are continuing under larger ongoing projects. Accounts receivable are flat, even with the higher billings from work in process movement to accounts receivable. This is offset by a decrease in accounts payable of \$16,015 due to timing of larger vendor payments, timing of sales tax payments and additional payroll accruals along with increases in inventory as the Company ramps up for spring and summer sales periods.

Financing Activities*Lease payments*

The Company has made payments of \$842 for the three-month period ended December 31, 2021 when compared to the payments of \$709 for the same period of the previous year which relate to leases accounted for in accordance with IFRS 16. Increases relate to new leases signed in the current year, and additional leases brought on through acquisitions.

Dividend

The Company has maintained its dividend for the three-month period ended December 31, 2021. The Company paid dividends totaling \$3,166 for the three-month period ended December 31, 2021 or \$0.28 cents per share, compared to the same period of the previous year when the Company paid \$2,744 in dividends or the same

amount per share as the current periods. The increase in dividends paid is due to a higher number of common shares outstanding year over year.

Debt

In the three-month period ended December 31, 2021, the Company had NIL drawn or paid on its credit facility.

Shares

Exercises of stock options and issuances of shares under the employee share purchase plan has resulted in cash inflows of \$330 for the three-month period ended December 31, 2021, when compared to an inflow of \$848 for the same activities in the same period of the prior year.

Investing activities

Equipment expenditures and Capitalized Research and Development

The Company invested \$1,330 in the three-month period ended December 31, 2021, when compared to \$1,132 for the same period of the prior year. Acquisitions of equipment in the current period are mainly attributed to the Company's ERP implementation and general capital expenditures.

Acquisitions

The Company acquired SimFront on October 7, 2021, which resulted in total cash outflow of \$9,105 in the three-month period ending December 31, 2021. Additionally, the Company paid \$1,193 in the three-month period ended December 31, 2021 in regard to earn out achievements for CTS and Cadence. In the prior year the Company had cash outflows from acquiring Cadence where \$1,561 was paid in the three-month period ended December 31, 2020.

Investments

No investment was made in the current or prior period.

Liquidity and Capital Resources

Cash

Calian cash and cash equivalent position was \$67,355 at December 31, 2021, compared to \$78,611 at September 30, 2021.

Capital resources

At December 31, 2021, the Company had a credit facility of \$80,000 with a Canadian chartered bank that bears interest at prime and is secured by assets of the Company.

Management believes that the Company has sufficient cash resources to continue to finance its working capital requirements and pay a quarterly dividend.

Off-balance sheet arrangements

There were no off-balance sheet arrangements at December 31, 2021.

Related-party transactions

During the three-months ended December 31, 2021 (2020), the Company had sales of \$58 (\$184) to GrainX in which Calian holds a non-controlling equity investment. At December 31, 2021 (2020), the Company had an accounts receivable balance with GrainX of NIL (\$70) which is included in accounts receivable. The terms and conditions of the related party sales are within the Company's normal course of operations and are measured at the exchange amounts agreed to by both parties.

Critical accounting judgements and key sources of estimation uncertainty

Estimates:

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from those estimates.

Project completion for revenue

A significant portion of the revenue is derived from fixed-price contracts which can extend over more than one reporting period. Revenue from these fixed-price projects is recognized over time using the input method using management's best estimate of the costs and related risks associated with completing the projects. The greatest risk on fixed-price contracts is the possibility of cost overruns. Management's approach to revenue recognition is tightly linked to detailed project management processes and controls. The information provided by the project management system combined with a knowledgeable assessment of technical complexities and risks is used in estimating the percentage complete.

Impairment of goodwill and intangible assets

Determining whether goodwill or acquired intangibles assets are impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit, and a suitable discount rate in order to calculate present value.

Income taxes

The Company records deferred income tax assets and liabilities related to deductible or taxable temporary differences. The Company assesses the value of these assets and liabilities based on the likelihood of the realization as well as the timing of reversal given management assessments of future taxable income.

Contingent liabilities

From time-to-time the Company is involved in claims in the normal course of business. Management assesses such claims and, where considered probable to result in an exposure, and where the amount of the claim can be measured reliably, provisions for loss are made based on management's assessment of the likely outcome.

Loss allowance

The Company has extensive commercial history upon which to base its provision for doubtful accounts receivable. Due to the nature of the industry in which the Company operates, the Company does not create a general provision for bad debts but rather determines bad debts on a specific account basis.

Judgments:

Financial instruments

The Company's accounting policy with regards to financial instruments is described in Note 2 of the September 30, 2021 annual financial statements. In applying this policy, judgments are made in applying the criteria set out in IFRS 9 – *Financial instruments*, to record financial instruments at fair value through profit or loss, and the assessments of the classification of financial instruments and effectiveness of hedging relationships.

Business combinations

The consideration transferred for an acquired business is assigned to the identifiable tangible and intangible assets purchased, along with liabilities assumed on the basis of their acquisition date fair values. The identification of assets purchased and liabilities assumed, and the valuation thereof, is specialized and judgemental. Where appropriate, the Company engages external business valuers to assist in the valuation of tangible and intangible assets acquired. When a business combination involved contingent consideration, an amount equal to the fair value of the contingent consideration is recorded as a liability at the time of acquisition. The key assumptions utilized in determining the fair value of contingent consideration may include

probabilities associated with the occurrence of specified future events, financial projections of the acquired business, the timing of future cash flows, and the appropriate discount rate.

Accounting policy for equipment and intangible assets

Management makes judgments in determining the most appropriate methodology for amortizing long-lived assets over their useful lives. The method chosen is intended to mirror, to the best extent possible, the consumption of the asset.

Deferred income taxes

The Company's accounting policy with regards to income taxes is described in Note 2 of the September 30, 2021 annual financial statements. In applying this policy, judgments are made in determining the probability of whether deductions or tax credits can be utilized and related timing of such items.

Input methodology for project completion

The Company uses judgment in determining the most appropriate basis on which to determine percentage of completion. Options available to the Company include the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, surveys of work performed, and completion of a physical proportion of the contract work. While the Company considers the costs to complete, the stage of completion is assessed based upon the assessment of the proportion of the contract completed. Judgments are also made in determining what costs are project costs for determining the percentage complete.

Management conclusion on the effectiveness of disclosure controls

The Chief Executive Officer and the Chief Financial Officer of the Company, after evaluating the effectiveness of the Company's disclosure controls and procedures as of December 31, 2021, have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries would have been known to them and that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified in the securities legislation.

Management conclusion on the effectiveness of internal control over financial reporting

The Chief Executive Officer and the Chief Financial Officer of the Company, after evaluating the effectiveness of the Company's internal control over financial reporting as of December 31, 2021, have concluded that the Company's internal controls over financial reporting provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with IFRS.

During the most recent interim quarter ending December 31, 2021, there have been no changes in the design of the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Risk and Uncertainties

We are exposed to risks and uncertainties in our business, including the risk factors set forth below:

- The markets for the Company's services are very competitive, rapidly evolving and subject to technological changes.
- The Company has certain ongoing contracts that account for a significant portion of the Company's revenues and if these contracts are not renewed at expiry or should a competitor win the renewal, the Company's future revenue stream and overall profitability could be significantly reduced.
- The Company must compete for qualified employees for its own operations and must have ready access to a large pool of qualified professionals to satisfy contractual arrangements with customers.
- There is a risk in all fixed-price contracts that the Company will be unable to deliver the system within the time specified and at the expected cost.

- The Company's business is often dependent on performance by third parties and subcontractors in connection with contracts for which the Company is the prime contractor.
- The markets in which the Company operates are characterized by changing technology and evolving industry standards and the Company's ability to anticipate changes in technology, technical standards and service offerings will be a significant factor in the Company's ability to compete or expand into new markets.
- Erosion of our customers' market share for a particular product could have a direct impact on the Company's revenues and profitability.
- The government may change its policies, priorities or funding levels through agency or program budget reductions or impose budgetary constraints, which could have a direct impact on the Company's revenues and profitability.
- Most fee-for-service contracts provide the applicable customer with the ability to adjust the timing and level of effort throughout the contract life so the amount actually realized by the Company could be materially different from the original contract value.
- There is a risk that as the Company grows, credit risk increases with respect to accounts receivable.
- In the event that an operating segment cannot secure an appropriate workforce, such operating segment may not be in a position to bid on or secure certain contracts.
- The Company is subject to foreign exchange risk in that approximately 19% of the Company's revenues are derived from non-Canadian sources, which can have a direct impact on the profitability of the Company.
- The Company is exposed to a range of risk related to its foreign operations.
- The Company conducts acquisitions and faces risks associated with those acquisitions and the integration of the acquired businesses.
- The Company's insurance policies may not be sufficient to insure itself for all events that could arise in the course of the Company's business and operations.
- The Company operates in the health services sector and faces the risks inherent in that sector.
- As newly formed entities in certain markets and industries are restructured and consolidated from time to time, opportunities for the Company may be diminished or work currently performed by the Company could be repatriated, resulting in a loss of revenue.
- Any fraudulent, malicious or accidental breach of our data security could result in unintentional disclosure of, or unauthorized access to, third party, customer, vendor, employee or other confidential or sensitive data or information, which could potentially result in additional costs to the Company to enhance security or to respond to occurrences, lost sales, violations of privacy or other laws, penalties, fines, regulatory action or litigation.
- The Company is dependent upon information technology systems in the conduct of our operations, and we collect, store and use certain sensitive data, intellectual property, our proprietary business information and certain personally identifiable information of our employees and customers on our networks.
- The Company is exposed to environmental, and health and safety regulations associated with its manufacturing activities.
- The Company faces risks related to health epidemics and other outbreaks of communicable diseases, which could significantly disrupt its operations and may materially and adversely affect its business and financial conditions.
- The company provides cyber security services to customers, if a breach of security measures occurs either internally or with a customer, the market perception of their effectiveness could be harmed and the Company could lose potential sales and existing customers.
- The international response to the spread of COVID-19 has led to significant restrictions on travel; temporary business closures; quarantines; global stock market and financial market volatility; declining trade and market sentiment; all of which have and could further effect on interest rates, credit ratings and credit risk. The continued spread of the coronavirus in Canada, and Globally, could adversely impact the Company's business including without limitation, employee health, workforce productivity, increased insurance premiums, limitations on travel, the availability of industry experts and personnel, and other factors that will depend on future developments beyond the Company's control, which may have a material and adverse effect on its business, financial condition and results of operations

A comprehensive discussion of risks, including risks not specifically listed above, can be found in our most recently filed Annual Information Form. Additional risks and uncertainties not presently known to us or that we

currently consider immaterial also may impair our business and operations and cause the price of our shares to decline. If any of the noted risks actually occur, our business may be harmed, and our financial condition and results of operations may suffer significantly.

Short-term outlook

		Guidance	
		Low	High
Revenue	\$	550,000	\$ 590,000
Adjusted EBITDA	\$	57,000	\$ 61,000
Adjusted net profit	\$	39,250	\$ 42,750

Long-term outlook

Management is confident that the Company is well positioned for sustained growth in the long term. The Company's strong contract backlog provides a solid base for the realization of future revenues. Leveraging the Company's diverse services offerings, the Company operates in global and domestic markets that will continue to require the services that the Company offers. To ensure the Company is positioned to respond to market requirements, the Company will focus on the execution of its four-pillar growth strategy:

- **Customer retention:** through continued delivery excellence, maintain a valued relationship with current customer base
- **Customer diversification:** through increasing the percentage of its revenues derived from new business in adjacent and non-government markets, balance customer revenue into numerous global and domestic sectors
- **Innovation:** continue investment in service offerings to increase differentiation and improve gross margin attainment
- **Continuous improvement:** leverage innovation to improve how the company operates with a goal to streamline processes and provide for a scalable back-office support capability

The Company has completed seventeen acquisitions in the past ten years and will proactively look for companies that can accelerate its growth strategy with a focus on customer diversification and innovation.

Calian Advanced Technologies segment has been working within a sustainable satellite sector and is expecting opportunities to continue to arise as systems adopting the latest technologies will be required by customers wishing to maintain and improve their service offerings and react to an increasing demand for bandwidth. We continue to invest in communications products, software development and manufacturing equipment to strengthen the segment's competitive position and diversify its customer base in the agriculture, cable and defence sectors. In the short-term, activity levels in custom manufacturing will continue to be directly dependent upon the segment's customer requirements and continuing volatility in orders is anticipated as both government and commercial customers continue to re-examine their traditional spending patterns. The delays, deferrals and cancellations of DND capital procurements have created intense competition for available manufacturing work. Finally, changes in the relative value of the Canadian dollar may negatively or positively impact the segment's competitiveness on projects denominated in foreign currencies.

The Health, Learning and ITCS segments' professional services and solutions are adaptable to many different markets. Currently, the strength of these segments lies in providing professional services, solutions, and delivery services across Canada with a significant portion of this work currently with the Department of National Defence. Recently these segments have been successful in diversifying their customer base and evolving their service offerings. Management believes that for the long term, the public and private sector will continue to require Health, Learning and ITCS services from private enterprise to achieve their business outcomes. As to the current outlook, the federal government continues to spend on priority programs and, while there is general uncertainty as to the extent of demand from this customer, at least in the short-term, spending seems to have

stabilized. With recent investments in sales, marketing, acquisitions and success in new markets outside of the federal government, these segments are better positioned to manage through any potential government spending downturns. Recent acquisitions have also bolstered the performance of these segments and it is expected that, overall, the acquired companies will continue to meet and exceed the financial targets established as part of the acquisitions.

Additional Information

Additional information about the Company such as the Company's 2021 Annual Information Form and Management Circular can be found on SEDAR at www.SEDAR.com

Dated: February 9, 2022

Corporate Information

Corporate Head Office

770 Palladium Drive
Ottawa, Ontario, Canada K2V 1C8
Phone: 613.599.8600
Fax: 613.592.3664
Web: www.calian.com

Board of Directors

George Weber

President, WebX Consulting Ltd.
Chairman, Calian Group Ltd.
Chair of the Nominating Committee

Kenneth J. Loeb

Executive Chairman, Ambassador Realty Inc.
Chair of the Compensation Committee

Jo-Anne Poirier

President and CEO, VON Canada
Chair of the Governance Committee

Ray Basler, CPA, CA

Consultant
Chair of the Audit Committee

Young Park

Consultant

Ronald Richardson

Consultant

Kevin Ford

CEO, Calian Group Ltd.

Common Share Information

The Company's common shares are listed for trading on the Toronto Stock Exchange under the symbol CGY.

Dividend Policy

The Company intends to continue to declare a quarterly dividend in line with its overall financial performance and cash flow generation. Decisions on dividend payments are made on a quarterly basis by the Board of Directors. There can be no assurance as to the amount of such dividends in the future.



Unaudited Interim Condensed Consolidated Financial Statements

For the three months ended December 31, 2021

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2021 and September 30, 2021
(Canadian dollars in thousands, except per share data)

	NOTES	December 31, 2021	September 30, 2021
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	\$ 67,355	\$ 78,611
Accounts receivable	5	110,831	111,138
Work in process	8	47,529	55,307
Inventory	6	8,402	6,617
Prepaid expenses	7	9,973	9,891
Derivative assets	22	1,486	610
Total current assets		245,576	262,174
NON-CURRENT ASSETS			
Capitalized research and development	9	3,034	3,217
Equipment	9	12,221	12,411
Application software	9	8,905	8,015
Right of use asset	10	15,527	15,383
Investments	11	670	670
Acquired intangible assets	12	56,387	54,519
Deferred tax asset		1,420	1,477
Goodwill	13	108,260	100,103
Total non-current assets		206,424	195,795
TOTAL ASSETS		\$ 452,000	\$ 457,969
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	14	54,087	68,093
Contingent earn-out	24	30,699	25,038
Provisions	15	1,539	1,541
Unearned contract revenue	8	23,745	23,321
Derivative liabilities	22	291	158
Lease obligations	10	3,178	3,029
Total current liabilities		113,539	121,180
NON-CURRENT LIABILITIES			
Lease obligations	10	14,425	14,449
Contingent earn-out	24	13,305	13,224
Deferred tax liabilities		17,308	16,756
Total non-current liabilities		45,038	44,429
TOTAL LIABILITIES		158,577	165,609
SHAREHOLDERS' EQUITY			
Issued capital	17	196,259	194,960
Contributed surplus		4,737	5,224
Retained earnings		92,499	91,359
Accumulated other comprehensive income (loss)		(72)	817
TOTAL SHAREHOLDERS' EQUITY		293,423	292,360
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 452,000	\$ 457,969
Number of common shares issued and outstanding	17	11,313,274	11,285,828

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET PROFIT
For the three-months ended December 31, 2021 and 2020
(Canadian dollars in thousands, except per share data)

	NOTES	Three months ended December 31,	
		2021	2020
Revenue			
Advanced Technologies		\$ 41,167	\$ 37,330
Health		42,378	47,052
Learning		22,782	18,047
ITCS		23,175	13,772
Total Revenue	19	129,502	116,201
Cost of revenues		95,848	89,979
Gross profit		33,654	26,222
Selling and marketing		4,554	3,364
General and administration		13,784	11,616
Research and development		1,354	837
Profit before under noted items		13,962	10,405
Depreciation of equipment, application software and research and development	9	1,127	1,000
Depreciation of right of use asset	10	823	729
Amortization of acquired intangible assets	12	3,592	2,118
Deemed compensation	23, 24	750	1,847
Changes in fair value related to contingent earn-out	24	999	384
Profit before interest income and income tax expense		6,671	4,327
Lease obligations interest expense	10	108	117
Interest expense (income)		51	12
Profit before income tax expense		6,512	4,198
Income tax expense – current		2,974	2,019
Income tax expense (recovery) – deferred		(768)	(305)
Total income tax expense		2,206	1,714
NET PROFIT		\$ 4,306	\$ 2,484
Net profit per share:			
Basic	20	\$ 0.38	\$ 0.25
Diluted	20	\$ 0.38	\$ 0.25

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three-months ended December 31, 2021 and 2020
(Canadian dollars in thousands)

	Three months ended December 31,	
	2021	2020
NET PROFIT	\$ 4,306	\$ 2,484
Items that will be reclassified subsequently to net profit		
Cumulative translation adjustment	(712)	64
Change in deferred gain on derivatives designated as cash flow hedges, net of tax of \$84 (2020 \$1,142)	(177)	3,101
Other comprehensive income (loss), net of tax	(889)	3,165
COMPREHENSIVE INCOME	\$ 3,417	\$ 5,649

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the three-months ended December 31, 2021 and 2020
(Canadian dollars in thousands, except per share data)

	Notes	Issued capital	Contributed surplus	Retained earnings	Other Comprehensive Income	Total
Balance October 1, 2021		\$ 194,960	\$ 5,224	\$ 91,359	\$ 817	\$ 292,360
Net profit and comprehensive income		-	-	4,306	(889)	3,417
Dividend paid (\$0.28 per share)		-	-	(3,166)	-	(3,166)
Shares issued under employee share plans	17	834	(834)	-	-	-
Shares issued under employee stock purchase plan	17	465	-	-	-	465
Share-based compensation expense	18	-	347	-	-	347
Balance December 31, 2021		\$ 196,259	\$ 4,737	\$ 92,499	\$ (72)	\$ 293,423

	Notes	Issued capital	Contributed surplus	Retained earnings	Other Comprehensive Income	Total
Balance October 1, 2020		\$ 107,931	\$ 2,002	\$ 92,030	\$ (1,557)	\$ 200,406
Comprehensive income		-	-	2,484	3,165	5,649
Dividend paid (\$0.28 per share)		-	-	(2,744)	-	(2,744)
Shares issued under employee share plans	17	1,612	(1,168)	-	-	444
Shares issued under employee stock purchase plan	17	458	-	-	-	458
Share based compensation expense	18	-	449	-	-	449
Balance December 31, 2020		\$ 110,001	\$ 1,283	\$ 91,770	\$ 1,608	\$ 204,662

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three-months ended December 31, 2021 and 2020
(Canadian dollars in thousands)

	NOTES	Three months ended December 31,	
		2021	2020
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES			
Net profit		\$ 4,306	\$ 2,484
Items not affecting cash:			
Interest expense		51	12
Changes in fair value related to contingent earn-out	24	999	384
Lease obligations interest expense	10	108	117
Income tax expense		2,206	1,714
Employee share purchase plan expense	18	135	146
Share based compensation expense	18	347	449
Depreciation and amortization	9, 12	5,542	3,847
Deemed compensation	23, 24	750	1,847
		14,444	11,000
Change in non-cash working capital			
Accounts receivable		2,618	(7,008)
Work in process		7,778	12,636
Prepaid expenses		(68)	766
Inventory		(1,785)	(725)
Accounts payable and accrued liabilities		(16,015)	(6,483)
Unearned contract revenue		424	5,174
		7,396	15,360
Interest received (paid)		(159)	(129)
Income tax recovered (paid)		(3,073)	(3,702)
		4,164	11,529
CASH FLOWS GENERATED FROM FINANCING ACTIVITIES			
Issuance of common shares net of costs	17, 18	330	848
Dividends		(3,166)	(2,744)
Payment of lease obligations	10	(842)	(709)
		(3,678)	(2,605)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Business acquisitions	23	(10,298)	(1,628)
Capitalized research and development	9	(114)	(119)
Equipment and application software	9	(1,330)	(1,132)
		(11,742)	(2,879)
NET CASH (OUTFLOW) INFLOW		\$ (11,256)	\$ 6,045
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		78,611	24,235
CASH AND CASH EQUIVALENTS, END OF PERIOD		\$ 67,355	\$ 30,280

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

CALIAN GROUP LTD.
NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three-months ended December 31, 2021 and 2020
(Canadian dollars in thousands, except per share amounts)

1. Basis of Preparation

Calian Group Ltd. ("the Company") is incorporated under the Canada Business Corporations Act. The address of its registered office and principal place of business is 770 Palladium Drive, Ottawa, Ontario K2V 1C8. The company's capabilities are diverse with services and solutions delivered through four segments: Advanced Technologies, Health, Learning and IT and Cyber Solutions ("ITCS"). Headquartered in Ottawa, Calian provides business services and solutions to both industry and government customers in the areas of health, defence, security, aerospace, engineering, AgTech and IT.

Statement of compliance

These unaudited interim condensed consolidated financial statements are expressed in Canadian dollars and have been prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These unaudited interim condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with the accounting policies the Company adopted in its annual consolidated financial statements for the year ended September 30, 2021, and should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report for the year ended September 30, 2021. These unaudited interim condensed consolidated financial statements do not include all of the information required in annual financial statements.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors on February 9, 2022.

2. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from those estimates.

There were no significant changes in estimates or approaches in the current period when compared to the estimates or approaches used to prepare the annual consolidated financial statements for the year ended September 30, 2021.

3. Seasonality

The results of operations for the interim periods are not necessarily indicative of the results of operations for the full year. The Company's revenues and earnings have historically been subject to some quarterly seasonality due to the timing of vacation periods, statutory holidays, industry specific seasonal cycles and the timing and delivery of milestones for significant projects.

4. Cash and Cash Equivalents

The following table presents cash and cash equivalents by currency:

	Local Currency	Foreign Exchange	Presentation Currency
CAD	\$ 33,448	1.00	\$ 33,448
USD	19,371	1.27	24,601
GBP	176	1.71	301
EUR	5,488	1.44	7,903
CHF	131	1.39	182
NOK	6,571	0.14	920
Total cash and cash equivalents December 31, 2021			\$ 67,355
CAD	\$ 57,281	1.00	\$ 57,281
USD	10,463	1.27	13,288
GBP	237	1.71	406
EUR	4,256	1.48	6,299
CHF	295	1.37	404
NOK	6,220	0.15	933
Total cash and cash equivalents September 30, 2021			\$ 78,611

5. Accounts Receivable

The following table presents the trade and other receivables as at:

	December 31, 2021	September 30, 2021
Trade and accounts receivable	\$ 106,221	\$ 106,312
Tax and Scientific Research and Development receivable	3,171	2,753
Other	1,484	2,118
	110,876	111,183
Loss Allowance	(45)	(45)
	\$ 110,831	\$ 111,138

Bad debt expense recognized in the three-months ended December 31, 2021 (2020) is \$87 (NIL). Bad debt recovery recognized in the three-months ended December 31, 2021 (2020) is NIL (\$27).

6. Inventory

Inventories are recorded at the lower of cost or net realizable value. Cost is calculated based on the weighted average cost method. Write-downs are taken for excess and obsolete inventory and for a reduction in the carrying value of inventory to reflect realizable value based on current cost, production and sales estimates. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The following table presents inventories as at:

	December 31, 2021	September 30, 2021
Raw materials	\$ 6,342	\$ 4,810
Work in process inventory	1,058	611
Finished goods	1,002	1,196
	\$ 8,402	\$ 6,617

Inventory recognized as cost of revenues in the three-months ended December 31, 2021 (2020) is \$2,239 (\$1,294). No inventory provisions have been recognized in years ended December 31, 2021 (2020).

7. Prepaid Expenses

The following table presents prepaid expenses as at:

	December 31, 2021	September 30, 2021
Prepaid maintenance	\$ 4,255	\$ 5,703
Other prepaid expenses	5,718	4,188
	\$ 9,973	\$ 9,891

8. Contract assets and liabilities

The following table presents net contract assets as at:

	Net Contract Assets	
	December 31, 2021	December 31, 2020
Work in process	\$ 47,529	\$ 71,541
Unearned contract revenue	(23,745)	(18,609)
Net contract assets	\$ 23,784	\$ 52,932

The following table presents changes in net contract assets for the period ended:

	Changes in Net Contract Assets	
	December 31, 2021	December 31, 2020
Opening balance, October 1	\$ 31,986	\$ 70,697
Net additions	30,278	27,772
Billings	(38,480)	(45,582)
Acquisitions	-	45
Ending balance	\$ 23,784	\$ 52,932

9. Equipment

A continuity of the equipment, application software and capitalized research and development for the three-months ended December 31, 2021 is as follows:

	Cost				Depreciation		Carrying Value	
	Cost	Additions/ Disposals	Acquisitions	Total	Depreciation	Accumulated Depreciation	December 31, 2021	September 30, 2021
Leasehold improvements	\$ 2,546	\$ -	\$ 208	\$ 2,754	\$ (67)	\$ (1,065)	\$ 1,689	\$ 1,713
Equipment	27,657	409	270	28,336	(652)	(17,804)	10,532	10,698
Total equipment	\$ 30,203	\$ 409	\$ 478	\$ 31,090	\$ (719)	\$ (18,869)	\$ 12,221	\$ 12,411
Application software	\$ 11,352	\$ 1,001	\$ -	\$ 12,353	\$ (110)	\$ (3,448)	\$ 8,905	\$ 8,015
Capitalized research and development	\$ 4,874	\$ 114	\$ -	\$ 4,988	\$ (298)	\$ (1,954)	\$ 3,034	\$ 3,217

10. Right-of-Use Assets and Lease Obligations

The following table presents the right-of-use assets for the Company:

	Three-months ended	
	December 31, 2021	December 31, 2020
Balance October 1	\$ 15,383	\$ 17,595
Additions	1,144	-
Disposals	(177)	-
Depreciation	(823)	(729)
Balance September 30	\$ 15,527	\$ 16,866

The Company's leases are for office and manufacturing space. The Company has included renewal options in the measurement of lease obligations when it is reasonably certain to exercise the renewal option.

The following table presents lease obligations for the Company:

	Three-months ended	
	December 31, 2021	December 31, 2020
Balance at October 1	\$ 17,478	\$ 19,590
Additions	1,144	-
Disposals	(177)	-
Principal payments	(842)	(709)
Balance at December 31	\$ 17,603	\$ 18,881
Current	\$ 3,178	\$ 2,798
Non-current	14,425	16,083
Total	\$ 17,603	\$ 18,881

The following table presents the contractual undiscounted cash flows for lease obligations as at December 31, 2021:

	Total Undiscounted Lease Obligations
Less than one year	\$ 3,563
One to five years	10,481
More than five years	5,221
Total undiscounted lease obligations	\$ 19,265

Total cash outflow for leases in the three-months ended December 31, 2021 (2020) was \$950 (\$826), including principal payments relating to lease obligations of \$842 (\$709), interest expense on lease obligations was \$108 (\$117). Expenses relating to short-term leases recognized in general and administration expenses were \$20 (\$13) for the three-months ended December 31, 2021 (2020).

11. Investments

Cliniconex

Cliniconex Inc., is an Ottawa-based patient outreach solutions vendor. In 2017, the Company invested \$250, which included \$100 in common shares, and \$150 in convertible debt. In 2018, the Company invested an additional \$150 in the form of a convertible loan. In Fiscal 2020, the Company elected to exchange its existing convertible debt into preferred shares, as well as invest a further \$100 in preferred shares. The Company recognizes the investment at fair value, and has adjusted its common and preferred shares to the most recent fair value, resulting in a gain of \$101 recognized in fiscal 2020.

12. Acquired Intangible Assets

A continuity of the acquired intangible assets for the three-months ended December 31, 2021 is as follows:

	December 31, 2021				
	Opening Balance	Additions (Note 23)	Amortization	FX Revaluation	Closing Balance
Customer relationship - Primacy	\$ 1,909	\$ -	\$ -	\$ -	\$ 1,909
Customer relationships	27,702	2,231	(1,735)	(55)	28,143
Discrete contracts with customers & Non-competition agreements	717	233	(92)	-	858
Technology and trademarks	24,191	3,071	(1,765)	(20)	25,477
	\$ 54,519	\$ 5,535	\$ (3,592)	\$ (75)	\$ 56,387

In the three months ended December 31, 2021 the company recorded a foreign currency revaluation of intangible assets held in foreign subsidiaries which utilize different functional currencies than the Company's presentation currency. These foreign exchange revaluations are reflected in OCI.

A continuity of the acquired intangible assets for the three-months ended December 30, 2020 is as follows:

	December 31, 2020			
	Opening Balance	Additions (Note 23)	Amortization	Closing Balance
Customer relationship - Primacy	\$ 1,909	\$ -	\$ -	\$ 1,909
Customer relationships	17,661	1,119	(1,152)	17,628
Discrete contracts with customers & Non-competition agreements	1,057	-	(85)	972
Technology and trademarks	15,564	-	(881)	14,683
	\$ 36,191	\$ 1,119	\$ (2,118)	\$ 35,192

13. Goodwill

The following table presents the goodwill for the Company for the three-months ended as at December 31, 2021:

	December 31, 2021
Opening balance	\$ 100,103
Additions:	
Acquisition of SimFront (note 23)	8,631
Adjustments:	
Foreign Exchange	(474)
Ending balance	\$ 108,260

In the three months ended December 31, 2021 the company recorded a foreign currency revaluation of goodwill held in foreign subsidiaries which utilize different functional currencies than the Company's presentation currency. These foreign exchange revaluations are reflected in OCI.

The following table presents the goodwill for the Company for the three-months ended as at December 31, 2020:

	December 31, 2020
Opening balance	\$ 55,290
Additions:	
Acquisition of Cadence Consultancy Ltd.	1,921
Ending balance	\$ 57,211

14. Accounts Payable and Accrued Liabilities

The following table presents the accounts payable and accrued liabilities for the Company as at:

	December 31, 2021	September 30, 2021
Trade accounts payable	\$ 34,790	\$ 43,668
Payroll accruals	11,291	16,554
Income tax payable	1,898	1,913
Other accruals	6,108	5,958
	\$ 54,087	\$ 68,093

15. Provisions

Changes in provisions for the three-months ended December 31, 2021 were as follows:

	Product Warranties	Severance	Other	Total
Balance at October 1, 2021	\$ 753	\$ 685	\$ 103	\$ 1,541
Additions	328	70	-	398
Utilization/Reversals	(139)	(261)	-	(400)
Balance at December 31, 2021	\$ 942	\$ 494	\$ 103	\$ 1,539

Changes in provisions for the three-months ended December 31, 2020 were as follows:

	Product Warranties	Severance	Other	Total
Balance at October 1, 2020	\$ 645	\$ 280	\$ 113	\$ 1,038
Additions	97	76	-	173
Utilization/Reversals	(232)	(72)	-	(304)
Balance at December 31, 2020	\$ 510	\$ 284	\$ 113	\$ 907

16. Debt Agreement

On January 6, 2021 the Company signed a debt facility that provides the Company with the ability to draw up to \$80,000 CAD. The agreement has a three year term, which will mature on January 5, 2024. At December 31, 2021 (2020), the Company utilized NIL (NIL) of the facility. The facility is secured against the Company's assets and is interest bearing at the Royal Bank of Canada's Prime Rate plus applicable margin.

17. Issued Capital and Reserves

Issued capital

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares. The holders of Common Shares are entitled to dividends if, as and when declared by the Board, to one vote per share at the meetings of holders of Common Shares and, upon liquidation, to receive such assets of the Company as are distributable to the holders of the Common Shares. No Preferred Shares are outstanding as of the December 31, 2021.

17. Issued Capital and Reserves (continued)

Common shares issued and outstanding:

	December 31, 2021		December 31, 2020	
	Shares	Amount	Shares	Amount
Balance October 1	11,285,828	\$ 194,960	9,760,032	\$ 107,931
Shares issued under employee share plans	19,802	834	49,164	1,612
Shares issued under employee share purchase plan	7,644	465	7,324	458
Issued capital	11,313,274	\$ 196,259	9,816,520	\$ 110,001

Subsequent to the date of the statement of financial position, on February 9, 2022, the date of issuance of these consolidated financial statements, the Company declared a dividend of \$0.28 per common share payable on March 9, 2022.

Contributed surplus

Contributed surplus comprises the value of share-based compensation expense related to options granted that have not been exercised or have expired unexercised.

18. Share-Based Compensation

Employee Share Purchase Plan

Under the Company's Employee Share Purchase Plan, shares are issued monthly using the volume weighted average price for the last 5 days of the month for the contributions made by employees in that month. The Company provides matching shares at 25% for all employee contributions each month. Pursuant to the plan, 500,000 Common Shares are reserved for issuance, as of December 31, 2021 the Company can issue 442,175 shares.

During the three-months ended December 31, 2021 (2020) under the 2020 Employee Share Purchase Plan, the Company issued 7,644 (7,324) shares at an average price of \$60.42 (\$62.56). The Company received \$369 (\$367) in proceeds and recorded an expense of \$96 (\$146).

Stock Options

The Company has an established stock option plan. Under the plan, eligible directors and employees are granted the right to purchase shares of common stock at a price established by the Board of Directors on the date the options are granted but in no circumstances below fair market value of the shares at the date of grant. Stock options are issued at market value based on the price at the date preceding the grant, and can have a contractual term of up to ten years and generally vest over 3 years. The maximum number of common shares reserved for issuance under the plan is equal to an aggregate 9% (1,018,195) of the Company's issued and outstanding shares from time to time less the aggregate number of shares reserved for issuance or issuable under any other security-based compensation arrangement for the Company.

As of December 31, 2021, the Company has 298,013 stock options and RSUs outstanding. As a result, the Company could grant up to 720,182 additional stock options or RSU's pursuant to the plan.

The weighted average fair value of options granted during the three-months ended December 31, 2021 was \$10.66 per option calculated using the Black-Scholes option pricing model. Where relevant, the expected life of the options was based on historical data for similar issuance and adjusted based on management's best estimate for the effects of non-transferability, exercises restrictions and behavioural considerations. Expected volatility is based on historical price volatility over the past 5 years. To allow for the effects of early exercise, it was assumed that options would be exercised on average 2 years after vesting.

18. Share-Based Compensation (continued)

The following assumptions were used to determine the fair value of the options granted in the three-months ended December 31, 2021:

	Weighted Average Options Granted	
	December 31, 2021	December 31, 2020
Grant date share price	\$ 58.90	\$ 61.16
Exercise price	\$ 58.90	\$ 61.16
Expected price volatility	% 28.5	% 27.4
Expected option life	yrs 3.20	yrs 3.33
Expected dividend yield	% 1.90	% 1.84
Risk-free interest rate	% 1.21	% 0.33
Forfeiture rate	% 0	% 0

	December 31, 2021		December 31, 2020	
	Number of Options	Weighted Avg. Exercise Price	Number of Options	Weighted Avg. Exercise Price
Outstanding October 1	204,913	\$ 49.46	230,638	\$ 43.69
Exercised	-	-	(14,000)	31.71
Granted	39,110	58.90	27,358	61.16
Outstanding December 31	244,023	\$ 50.97	243,996	\$ 46.33

The following share-based payment arrangements are in existence:

Option issuance:	Number of Options	Grant date	Expiry date	Exercise price	Fair value at grant date
(1) Issued May 17, 2017	1,000	May 17, 2017	May 17, 2022	\$ 27.30	\$ 3.42
(2) Issued November 24, 2017	7,700	November 24, 2017	November 24, 2022	\$ 34.58	\$ 4.53
(3) Issued March 27, 2018	6,000	March 27, 2018	March 27, 2023	\$ 31.54	\$ 4.62
(4) Issued November 19, 2018	47,500	November 19, 2018	November 19, 2023	\$ 29.55	\$ 3.96
(5) Issued November 25, 2019	16,000	November 25, 2019	November 25, 2024	\$ 36.49	\$ 5.18
(6) Issued August 13, 2020	97,538	August 13, 2020	August 13, 2025	\$ 60.30	\$ 8.44
(7) Issued November 24, 2020	27,358	November 24, 2020	November 24, 2025	\$ 61.16	\$ 10.24
(8) Issued February 9, 2021	1,817	February 9, 2021	February 9, 2026	\$ 60.35	\$ 9.92
(9) Issued November 24, 2021	39,110	November 24, 2021	November 24, 2026	\$ 58.90	\$ 10.66

For the options issued on November 24, 2021, vesting occurs through to November 15, 2024.

At December 31, 2021 (2020) the weighted average remaining contractual life of options outstanding is 3.13 (3.70) years of which 173,347 (121,175) options are exercisable at a weighted average price of \$47.46 (\$32.79). The Company has recorded \$108 (\$289) of share-based compensation expense in the three-months ended December 31, 2021 (2020) related to the options that have been granted. The Company has total unrecognized compensation expense of \$443 (2020 - \$757) that will be recorded in the next two fiscal years.

Restricted share units:

The Company has an established a restricted stock unit ("RSU") plan. Under the RSU plan, the maximum number of common shares reserved for issuance is equal to 9% of the Company's issued and outstanding shares from time to time less the aggregate number of shares reserved for issuance or issuable under any other security-based compensation arrangement for the Company. Share units may be awarded to any officer or employee of the Company. Each restricted share unit will vest on the date or dates designated for that unit, conditional on any vesting conditions being met. Participants in the RSU plan may elect to redeem their share units either by the Company issuing the participant one common share for each whole vested share unit or, subject to the consent by the Company, elect to receive an amount in cash. The cash amount is equal to the number of vested share units to be redeemed multiplied by the value of the common shares otherwise issuable on redemption of the share units. Under the above RSU plan, the Company

18. Share-Based Compensation (continued)

issued performance share units ("PSUs") which will vest on the date or dates designated for that unit, conditional on any vesting conditions being met. Vesting conditions for performance share units are tied to market metrics.

The following table summarizes information about the RSU's as of December 31, 2021:

	December 31, 2021		December 31, 2020	
	Number of RSUs	Weighted Avg. Grant Date Fair Value	Number of RSUs	Weighted Avg. Grant Date Fair Value
Balance at October 1	40,824	\$ 46.65	56,039	\$ 32.67
Exercised	(19,802)	42.12	(35,164)	31.52
Forfeited	(378)	46.95	-	-
Granted	33,346	46.83	19,012	59.35
Balance at December 31	53,990	\$ 48.41	39,887	\$ 46.39

Of the units issued in the current year under the RSU plan, nil have vested as of December 31, 2021. The Company has recorded \$259 (\$160) of share-based compensation expense in the three-months ended December 31, 2021 (2020) related to the RSUs that have been granted. The Company has total unrecognized compensation expense of \$1,881 at December 31, 2021 (2020 - \$1,387) that will be recorded over the next two years.

The following unvested RSU-based payment arrangements are in existence:

RSU issuance:	Number of units		Grant date	Vest through	Fair value at grant date	
(1) Issued November 25, 2019	RSU	7,511	November 25, 2019	November 15, 2022	\$	36.49
(2) Issued November 24, 2020	RSU	12,486	November 24, 2020	November 15, 2023	\$	59.35
(3) Issued February 9, 2021	RSU	163	February 9, 2021	November 15, 2023	\$	59.74
(4) Issued May 12, 2021	RSU	450	May 12, 2021	November 15, 2023	\$	56.32
(5) Issued August 10, 2021	RSU	34	August 10, 2021	November 15, 2023	\$	63.25
(6) Issued November 24, 2021	RSU	23,824	November 24, 2021	November 15, 2024	\$	58.90
	PSU	9,522		September 30, 2022	\$	16.62

Deferred share unit plan

During the three-months ended December 31, 2021 (2020) the Company granted 602 (947) deferred share units ("DSU"). The Company recorded share-based compensation of \$126 (\$121) related to the DSUs in the three-months ended December 31, 2021 (2020). Each DSU entitles the participant to receive the value of one Common Share. The DSUs vest immediately as the participants are entitled to the shares upon termination of their service.

There are 23,118 (25,599) DSUs outstanding at December 31, 2021 (2020). The fair value of the DSUs outstanding at December 31, 2021 (2020) was \$55.16 (\$60.80) per unit using the fair value of a Common Share at period end.

19. Revenue

The following table presents the revenue of the Company for the three-months ended December 31, 2021 and 2020:

	Three months ended December 31, 2021		December 31, 2020	
Product revenue				
Advanced Technologies	\$	27,620	\$	24,342
Health		-		2,553
Learning		-		-
ITCS		2,654		2,118
Total product revenue	\$	30,274	\$	29,013
Service revenue				
Advanced Technologies	\$	13,547	\$	12,988
Health		42,378		44,499
Learning		22,782		18,047
ITCS		20,521		11,654
Total service revenue	\$	99,228	\$	87,188
Total revenue	\$	129,502	\$	116,201

Remaining performance obligations

The following table presents the aggregate amount of the revenues expected to be realized in the future from partially or fully unsatisfied performance obligations as at December 31, 2021 for contracts recognized over time. The amounts disclosed below represent the value of the firm orders only. Such orders may be subject to future modifications that might impact the amount and/or timing of revenue recognition. The amounts disclosed below do not include unexercised options or letters of intent.

Revenues expected to be recognized in:

	December 31, 2021
Less than 24 months	494,439
Thereafter	253,130
Total	747,569

20. Net Profit per Share

The diluted weighted average number of shares has been calculated as follows:

	Three months ended December 31	
	2021	2020
Weighted average number of common shares – basic	11,299,287	9,783,913
Additions to reflect the dilutive effect of employee stock options and RSU's	61,769	95,697
Weighted average number of common shares – diluted	11,361,056	9,879,610

Options that are anti-dilutive because the exercise price was greater than the average market price of the common shares are not included in the computation of diluted net profit per share. For the three-months ended December 31, 2021 (2020), 165,823 (124,896) options and 23,824 (19,012) RSU's were excluded from the above computation. Net profit is the measure of profit or loss used to calculate profit per share.

21. Segmented Information

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, regarding how to allocate resources and assess performance. The Company's chief operating decision maker is the Chief Executive Officer ("CEO"). The Company's segments are categorized as follows: Advanced Technologies, Health, Learning, and IT and Cyber Solutions ("ITCS"). Shared Services are aggregated and incurred to support all segments. These include, but are not limited to, the Finance, Human Resources, IT support, Corporate development, Legal, Corporate marketing, and administrative functions, facilities costs, costs of operating a public company, and other costs.

The Company evaluates performance and allocates resources based on profit before interest income and income tax expense.

For the three-months ended December 31, 2021:

For the three months ended December 31, 2021	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	\$ 41,167	\$ 42,378	\$ 22,782	\$ 23,175	\$ -	\$ 129,502
Cost of revenues	30,433	31,330	17,049	17,036	-	95,848
Gross profit	10,734	11,048	5,733	6,139	-	33,654
Gross profit %	26 %	26 %	25 %	26 %	N/A %	26 %
Selling and marketing	2,036	585	334	786	813	4,554
General and administration	2,215	2,424	1,117	1,495	6,533	13,784
Research and development	1,118	93	-	143	-	1,354
Profit before under noted items	\$ 5,365	\$ 7,946	\$ 4,282	\$ 3,715	\$ (7,346)	\$ 13,962
Profit before under noted items %	13 %	19 %	19 %	16 %	N/A %	11 %
Depreciation of equipment, application software and R&D						1,127
Depreciation of right of use asset						823
Amortization of acquired intangibles						3,592
Other changes in fair value						-
Deemed compensation						750
Changes in fair value related to contingent earn-out						999
Profit before interest income and income tax expense						6,671
Lease obligations interest expense						108
Interest expense (income)						51
Profit before income tax expense						6,512
Income tax expense – current						2,974
Income tax expense (recovery) – deferred						(768)
Total income tax expense						2,206
NET PROFIT FOR THE PERIOD						\$ 4,306

21. Segmented Information (continued)

For the three-months ended December 31, 2020:

For the three months ended December 31, 2020	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	\$ 37,330	\$ 47,052	\$ 18,047	\$ 13,772	\$ -	\$ 116,201
Cost of revenues	28,900	36,116	13,691	11,272	-	89,979
Gross profit	8,430	10,936	4,356	2,500	-	26,222
Gross profit %	23 %	23 %	24 %	18 %	N/A %	23 %
Selling and marketing	1,570	495	249	693	357	3,364
General and administration	2,025	2,056	999	1,092	5,444	11,616
Research and Development	648	186	-	3	-	837
Profit before under noted items	\$ 4,187	\$ 8,199	\$ 3,108	\$ 712	\$ (5,801)	\$ 10,405
Profit before under noted items %	11 %	17 %	17 %	5 %	N/A %	9 %
Depreciation of equipment, application software and R&D						1,000
Depreciation of right of use asset						729
Amortization of acquired intangibles						2,118
Other changes in fair value						-
Deemed compensation						1,847
Changes in fair value related to contingent earn-out						384
Profit before interest income and income tax expense						4,327
Lease obligations interest expense						117
Interest expense (income)						12
Profit before income tax expense						4,198
Income tax expense – current						2,019
Income tax expense (recovery) – deferred						(305)
Total income tax expense						1,714
NET PROFIT FOR THE PERIOD						\$ 2,484

The Company operates in Canada but provides services to customers in various countries. Revenues from external customers for the three-months ended December 31 are attributed as follows:

	December 31, 2021	December 31, 2020
Canada	77 %	75 %
United States	8 %	14 %
Europe	14 %	11 %
Other	1 %	- %

Revenues are attributed to foreign countries based on the location of the customer. Revenues from various departments and agencies of the Canadian federal, provincial and municipal governments for the three-months ended December 31, 2021 (2020) represented 52% (53%) of the Company's total revenues. All four operating segments conduct business with this category of customer.

22. Financial Instruments and Risk Management

Capital Risk Management

The Company's objective is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business and provide the ability to continue as a going concern. Management defines capital as the Company's shareholders' equity excluding accumulated other comprehensive income relating to cash flow hedges. The Company uses both debt and equity to fund working capital and its investment initiatives. Net profits generated from operations are available to repay debt and reinvestment in the Company or distribution to the Company's shareholders. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year-over-year sustainable profitable growth. The Board of Directors also reviews on a quarterly basis the level of dividends paid to the Company's shareholders and monitors the share repurchase program activities. The Company does not have a defined share repurchase plan and buy and sell decisions are made on a specific transaction basis and depend on market prices and regulatory restrictions. There were no changes in the Company's approach to capital management during the period. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Market risk is the risk that changes in market prices, such as foreign exchange rates, and interest rates will affect the Company's income or the value of its holding of financial instruments.

Foreign currency risk related to contracts

The Company is exposed to foreign currency exchange fluctuations on its cash balance, accounts receivable, accounts payable and accrued liabilities, contingent earn-out and future cash flows related to contracts denominated in a foreign currency. Future cash flows will be realized over the life of the contracts. The Company utilizes derivative financial instruments, principally in the form of forward exchange contracts, in the management of the majority of its foreign currency exposures. The Company's objective is to manage and control exposures and secure the Company's profitability on existing contracts and therefore, the Company's policy is to hedge the majority of its foreign currency exposure. The company hedges long term projects in foreign currencies. Other foreign currency exposure is evaluated on an individual basis to assess the associated risks and costs to hedge. The Company does not utilize derivative financial instruments for trading or speculative purposes. The Company applies hedge accounting when appropriate documentation and effectiveness criteria are met.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific firm contractually related commitments on projects.

The Company also formally assesses, both at the hedge's inception and on an on-going basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Hedge ineffectiveness has historically been insignificant. The forward foreign exchange contracts primarily require the Company to purchase or sell certain foreign currencies with or for Canadian dollars at contractual rates.

The functional currency of each of the Company's entities is determined using the currency of the primary economic environment in which that entity operates. The Company's functional currency is the Canadian dollar while the functional currency of its German subsidiary is the European Euro ("EUR"), the functional currency of its Norwegian subsidiary is the Norwegian Krone ("NOK"), and the functional currency of its U.K. based subsidiary is the Pound sterling ("GBP"). The presentation currency of these financial statements is the Canadian dollar.

22. Financial Instruments and Risk Management (continued)

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rate of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at rates prevailing at the reporting dates and are recognized in profit and loss in the period in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of preparing consolidated financial statements, the assets and liabilities of the Company's German operations, Norwegian operations, and U.K. operations are first expressed in the Companies' EUR, NOK and GBP functional currencies, respectively, using exchange rates prevailing at the reporting date which are then translated into the Company's reporting currency using prevailing rates at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Translation differences are recognized in other comprehensive income and recorded in the "cumulative translation adjustment".

At December 31, 2021, the Company had the following forward foreign exchange contracts:

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value December 31, 2021
SELL	\$ 91,450	USD	January 2022	\$ 115,687	\$ 1,406
SELL	6,459	EURO	January 2022	9,305	75
SELL	214	GBP	January 2022	366	3
SELL	131	CHF	January 2022	182	2
Derivative assets					\$ 1,486
BUY	\$ 17,898	USD	January 2022	\$ 20,583	\$ (275)
BUY	969	EURO	January 2022	1,269	(11)
BUY	195	GBP	January 2022	303	(3)
BUY	124	CHF	January 2022	157	(2)
Derivative liabilities					\$ (291)

A 10% strengthening of the Canadian dollar against the following currencies at December 31, 2021 would have decreased other comprehensive income by the amounts shown below. These are related to the forward foreign exchange contracts and foreign currency adjustments resulting from the revaluation of functional currency of international subsidiaries to the presentation currency of the company.

	December 31, 2021
USD	\$ 8,465
EURO	7,352
CHF	1
GBP	890
NOK	1,159
Total	\$ 17,867

22. Financial Instruments and Risk Management (continued)

A 10% strengthening against the Canadian dollar of the currencies to which the Company had exposure that is not related to forward foreign exchange contracts would have increased Net Profit (a 10% weakening against the USD would have had the opposite effect) by the amounts shown below.

	December 31, 2021
USD	\$ 779
EURO	8
GBP	-
SEK	2
NOK	4
Total	\$ 793

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's accounts receivable and its foreign exchange contracts.

The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Company's customers are for the most part, federal and provincial government departments and large private companies. A significant portion of the Company's accounts receivable is from long-time customers. At December 31, 2021 (2020), 50% (49%) of its accounts' receivable were due from various departments and agencies of the Canadian federal government. Over the last five years the Company has not suffered any significant credit related losses.

The Company limits its exposure to credit risks from counter-parties to derivative financial instruments by dealing only with major Canadian financial institutions. Management does not expect any counter-parties to fail to meet their obligations.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	December 31, 2021	September 30, 2021
Cash and cash equivalents	\$ 67,355	\$ 78,611
Accounts receivable	110,831	111,138
Derivative assets	1,486	610
Total	\$ 179,672	\$ 190,359

The aging of accounts receivable at the reporting date was:

	December 31, 2021	September 30, 2021
Current	\$ 90,502	\$ 97,830
Past due (61-120 days)	13,454	8,886
Past due (> 120 days)	6,875	4,422
Total	\$ 110,831	\$ 111,138

22. Financial Instruments and Risk Management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as much as possible, that it will always have sufficient liquidity to meet liabilities when due. At December 31, 2021, the company has a secured credit facility that matures on January 5, 2024 that allows the Company to draw up to \$80,000 CAD. At as December 31, 2021, the company had \$67,355 cash on hand and NIL was drawn on the facility for current operations and for temporary use through acquisitions, and Nil was drawn to issue letters of credit to meet customer contractual requirements.

Fair Value

The fair value of accounts receivable, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity. Fair value of the forward exchange contracts reflects the cash flows due to or from the Company if settlement had taken place on December 31, 2021 and represent the difference between the hedge rate and the exchange rate at the end of the reporting period.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 of the fair value hierarchy based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	December 31, 2021		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 67,355	\$ -	\$ -
Investment	-	-	670
Derivative financial assets	-	1,486	-
Contingent earn-out	-	-	(44,004)
Derivative financial liabilities	-	(291)	-
Total	\$ 67,355	\$ 1,195	\$ (43,334)

	September 30, 2021		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 78,611	\$ -	\$ -
Investment	-	-	670
Derivative financial assets	-	610	-
Contingent earn-out	-	-	(38,262)
Derivative financial liabilities	-	(158)	-
Total	\$ 78,611	\$ 452	\$ (37,592)

There were no transfers between Level 1, Level 2 and level 3 during the three-month period ended December 31, 2021.

23. Acquisitions

Allphase Clinical Research Services Inc. and Alio Health Services Inc. (collectively “Alio/Allphase”)

On January 30, 2020, the Company acquired all of the outstanding shares of Alio/Allphase for a purchase price of up to \$25,056. Of this amount, \$10,500 was paid in cash on the date of closing, \$56 was paid in cash on settlement of net equity, \$2,500 was paid in common shares, and \$12,000 is payable contingently, of which \$3,000 is included in the initial accounting of the purchase price. Alio/Allphase provides clinical trial services, specialty medication support and community care and other services and is reported as a part of the Health operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Alio/Allphase an additional \$3,616, \$4,192 and \$4,192 if Alio/Allphase attains specified levels of EBITDA for the years ending January 30, 2021, 2022, 2023, respectively. The Company revises its estimate of total contingent consideration owed based on actual results and forecasts for future periods. In the 2021 fiscal year, the company paid \$3,616 based on achievement of the first year EBITDA under the agreement.

A portion of the first and second year earn out payable amounts is subject to the retention of the principal shareholders for a period of two years from the date of acquisition. This amount is deemed to represent deferred compensation payable to such shareholders and therefore is excluded from the total consideration of the purchase price, and will be expensed in the Company's consolidated statement of net profit as deemed compensation related to acquisitions on a straight-line basis over the retention period. The Company recorded deemed compensation expense of \$750 in the three-month period ended December 31, 2021.

The Company recognized \$118 in the three-months ended December 31, 2021, related to changes in fair value of contingent earn out.

EMSEC Solutions Inc. (“EMSEC”)

On July 14, 2020, the Company acquired all of the outstanding shares of EMSEC for a purchase price of up to \$4,809. Of this amount, \$3,009 was paid in cash on the date of closing, and \$1,800 is payable contingently. EMSEC's customized services include vulnerability assessments, monitoring, training, risk mitigation and countermeasure sweeps. The firm's emission analyzer software product provides automated and manual signal analysis supporting production testing, equipment certification, as well as troubleshooting, investigation and research. EMSEC is reported as part of the ITCS operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of EMSEC an additional \$900 and \$900 if EMSEC attains specific levels of EBITDA for the years ending December 31, 2021 and December 31, 2022, respectively. In the 2021 fiscal year it was determined by management that EMSEC is unlikely to achieve the level of EBITDA to achieve the targets set out for the first or second year relating to the earn outs. In fiscal year 2021, the company recorded an adjustment to the changes of fair value related to contingent earn out in the amount of \$1,551. At December 31, 2021, the company had no contingent consideration outstanding in relation to EMSEC.

Comprehensive Training Solutions International (“CTS”)

On July 8, 2020, the Company acquired all of the outstanding shares of CTS for a purchase price of up to 13,800 NOK (\$1,983 CAD). Of this amount, 7,900 NOK (\$1,135 CAD) was paid in cash on the date of closing and 5,900 NOK (\$848 CAD) is payable contingently. CTS designs, develops and delivers complex training exercises for the Joint Warfare Centre, a multi-national and multi-service organization of NATO, and the wider NATO audience across Europe. CTS is reported as part of the Learning operating segment.

23. Acquisitions (continued)

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of CTS an additional \$417 and \$431 if CTS attains specific levels of EBITDA for the years ending December 31, 2021 and September 30, 2022, respectively. In the three-months ended December 31, 2021 the company paid \$417 relating to the year one contingent earn out. The Company recognized \$16 in the three-months ended December 31, 2021, related to changes in fair value of contingent earn out.

Tallysman Wireless Inc. (“Tallysman”)

On September 3, 2020, the Company acquired all of the outstanding shares of Tallysman for a purchase price of up to \$25,354. Of this amount, \$16,654 was paid in cash on the date of closing, and \$8,700 is payable contingently. Tallysman designs, manufactures and sells a very wide range of Global Navigation Satellite System, Iridium and Globalstar antennas and related products into a market with a broad range of vertical applications that include precision reference systems, survey, timing, precision agriculture, unmanned and autonomous vehicles, marine and many more. The company also produces cloud based wireless tracking systems over two-way radio systems and 4G category M cellular systems, for applications ranging from school buses to municipal public works. Tallysman is reported as part of the Advanced Technologies operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Tallysman an additional \$3,950 and \$4,750 if Tallysman attains specific levels of EBITDA for the years ending August 31, 2021 and December 31, 2022, respectively. The Company recognized \$190 in the three-months ended December 31, 2021, related to changes in fair value of contingent earn out.

Cadence Consultancy Limited (“Cadence”)

On October 30, 2020, the Company acquired the outstanding shares of Cadence for total cash consideration of up to £2,000 (\$3,518 CAD) of which, £1,100 (\$1,966 CAD) was paid on closing, and £900 (\$1,552 CAD) is payable contingently. Cadence is a UK based training firm with operations across the North Atlantic Treaty Organization (NATO) with a particular focus on the Joint Forces Training Centre (JFTC). Cadence was acquired to expand the Company's work with NATO which was initially won with the acquisition of CTS in July of fiscal 2020. Cadence is reported as part of the Learning operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Cadence an additional \$776 and \$776 if Cadence attains specific levels of EBITDA for the years ending October 31, 2021 and October 31, 2022, respectively. In the three-months ended December 31, 2021 the company paid \$776 relating to the year one contingent earn out. The Company recognized \$31 in the three-months ended December 31, 2021, related to changes in fair value of contingent earn out.

InterTronic Solutions Inc. (“InterTronic”)

On January 4, 2021, the Company acquired all of the outstanding shares of InterTronic for a purchase price of up to \$24,540. Of this amount, \$13,000 was paid in cash on the date of closing, and \$11,540 is payable contingently of which, \$4,847 was included in the purchase price. InterTronic designs and installs high-performance antenna systems and broadens the current Calian range of capabilities with antenna ground systems. InterTronic results will be consolidated and reported with the Calian Advanced Technologies segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of InterTronic an additional \$4,620 and \$4,620 if InterTronic attains specific levels of EBITDA for the years ending December 31, 2021 and December 31, 2022, respectively. An additional contingent consideration amount of \$2,300 is achievable if InterTronic meets a certain level of contracts signed for the year ending December 31, 2021. At December 31, 2021 there were unforeseen delays in contract award. The Company is working with the sellers to finalize the settlement of this earn out once contract awards are announced.

23. Acquisitions (continued)

The first year earn out amount was not achieved based on the EBITDA achievement of Intertronic. The Company did not include the first-year target in the purchase price, as it was unlikely at the time of acquisition that this would have been paid. Therefore, there was no resulting impact to the financial statements of the missed earn out. At this time, a portion of the year two earn out is recognized on the balance sheet based on current projections of achievement of the year two EBITDA.

The Company recognized \$134 in the three-months ended December 31, 2021, related to changes in fair value of contingent earn out.

Dapasoft Inc. (“Dapasoft”)

On February 22, 2021, the Company acquired all of the outstanding shares of Dapasoft for a purchase price of up to \$78,709. Of this amount, \$39,209 was paid in cash on the date of closing, \$2,500 was placed in escrow, \$5,000 was paid through the issuance of common shares, \$2,000 of common shares are to be issued upon expiry of escrow on February 22, 2022 and \$30,000 is payable contingently of which \$11,605 was included in the purchase price. Dapasoft is a provider of innovative systems integration, cloud lifecycle management and cybersecurity solutions, which enable clients to securely implement digital transformation initiatives. Dapasoft is reported as part of the ITCS operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Dapasoft an additional \$17,500 and \$12,500 if Dapasoft attains specific levels of EBITDA for the years ending February 28, 2022 and February 28, 2023, respectively. A portion of the earn out is payable through issuance of common shares of the Company. At December 31, 2021, the Company has included the full year one earn out amount in the Contingent earn out payable on the balance sheet, and a portion of the second year earn out based on current achievement levels.

The Company recognized \$377 in the three-months ended December 31, 2021, related to changes in fair value of contingent earn out.

SimFront Simulation Systems Corporation (“SimFront”)

On October 7, 2021, the Company acquired the outstanding shares of SimFront, for total cash consideration of up to \$15,210 of which, \$9,210 was paid on closing, and \$6,000 is payable contingently. SimFront will enable Calian to provide end-to-end military training and simulation capabilities and pursue new opportunities with customers seeking integration and immersive training support. SimFront integration and augmented/virtual/mixed reality solutions elevate Calian capabilities in this area. SimFront is reported as part of the Learning operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of SimFront an additional \$2,760 and \$3,240 if SimFront attains specific levels of EBITDA for the years ending September 30, 2022 and September 30, 2023, respectively. The Company recognized \$133 in the three-months ended December 31, 2021, related to changes in fair value of contingent earn out.

As of December 31, 2021, the accounting for the acquisition of SimFront is not finalized and reflects the current best estimate of purchase price allocation. Final valuation of the acquisition and the allocation between intangible assets and goodwill will be completed during the remainder of the 2022 fiscal year, the numbers presented below represent managements best estimate pending finalization of closing procedures with the selling party. The calculation and final realization of certain assets in the 90 day period following the acquisition date will also result in changes in the purchase price and goodwill.

23. Acquisitions (continued)

	Assets Acquired	Purchase Price Accounting	Total Assets Acquired
Cash and cash equivalents	\$ 105	\$ -	\$ 105
Accounts receivable	2,421	-	2,421
Prepaid expenses	14	-	14
	\$ 2,540	\$ -	\$ 2,540
Equipment	\$ 123	\$ -	\$ 123
Acquired Intangibles	-	5,535	5,535
Goodwill	-	8,631	8,631
	\$ 2,663	\$ 14,166	\$ 16,829
Accounts payable and accrued liabilities	\$ 966	\$ -	\$ 966
Deferred tax liabilities	-	1,467	1,467
	\$ 966	\$ 1,467	\$ 2,433
Net purchase price			\$ 14,396
Discount on contingent consideration			814
Total purchase price			\$ 15,210

Cash consideration paid for acquisition activity during the three-months ended December 31, 2021:

	SimFront
Consideration paid in cash	\$ 9,210
Less- cash balance acquired	(105)
	\$ 9,105

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

24. Contingent Earn-Out

The following shows the contingent consideration activity for the three-months ended December 31, 2021:

Company Acquired	Beginning balance	Acquisition Payments	Change in Fair Value	Adjustments	Ending balance
Alio/Allphase	\$ 6,941	\$ -	\$ -	\$ 118	\$ 7,809
Comprehensive Training Solutions	749	-	(417)	16	348
EMSEC Solutions	-	-	-	-	-
Tallysman Wireless	8,104	-	-	190	8,294
Cadence	1,417	-	(776)	31	672
InterTronic	3,228	-	-	134	3,362
Dapasoft	17,823	-	-	377	18,200
SimFront	-	5,186	-	133	5,319
Total	\$ 38,262	\$ 5,186	\$ (1,193)	\$ 999	\$ 44,004

24. Contingent Earn-Out (continued)

As of December 31, 2021, the total gross value of all contingent consideration outstanding is \$60,233.

The following shows the contingent consideration activity for the three-months ended December 31, 2020:

Company Acquired	Beginning balance	Acquisition Payments	Change in Fair Value	Adjustments	Ending balance	
Alio/Allphase	\$ 5,814	\$ -	\$ -	\$ 63	\$ 1,847	\$ 7,724
Comprehensive Training Solutions	645	-	-	27	-	672
EMSEC Solutions	1,360	-	-	64	-	1,424
Tallysman Wireless	7,345	-	-	190	-	7,535
Cadence	-	1,181	-	40	-	1,221
Total	\$ 15,164	\$ 1,181	\$ -	\$ 384	\$ 1,847	\$ 18,576

25. Related Party Transactions

During the three-months ended December 31, 2021 (2020), the Company had sales of \$58 (\$184) to GrainX in which Calian holds a non-controlling equity investment. At December 31, 2021 (2020), the Company had an accounts receivable balance with GrainX of NIL (\$70) which is included in accounts receivable. The terms and conditions of the related party sales are within the Company's normal course of operations and are measured at the exchange amounts agreed to by both parties.

26. Subsequent Events

On January 27, 2022, the Company entered into a definitive agreement to acquire the assets of Computex Technology Solutions (Computex) as US-based provider of IT and Cyber Solutions, for total cash consideration of \$30,000 USD (approximately \$38,000 CAD). The completion of this transaction is subject to regulatory approvals and other customary closing conditions, and the Company anticipates the transaction to take place in the second fiscal quarter of 2022. Computex will be reported as part of the ITCS operating segment.