CALIAN® Group Ltd.

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.

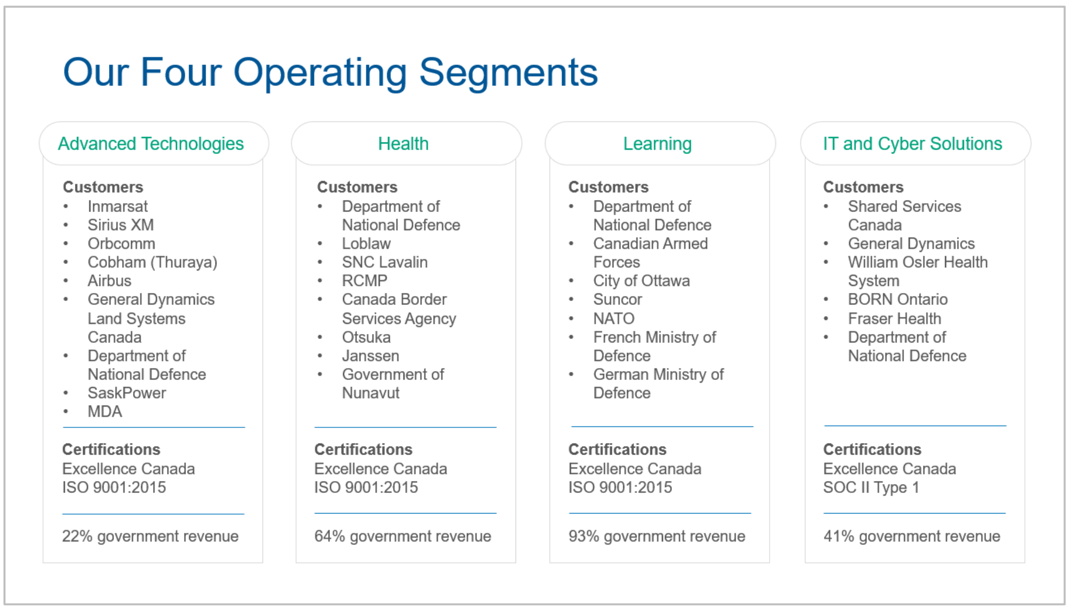
We have continued to demonstrate our ability to win new contracts and evolve. For example, our footprint in Europe is continuously expanding, having won strategic training contracts with NATO, French Ministry of Defence, German Ministry of Defence and others.

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 Loblaw, 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.

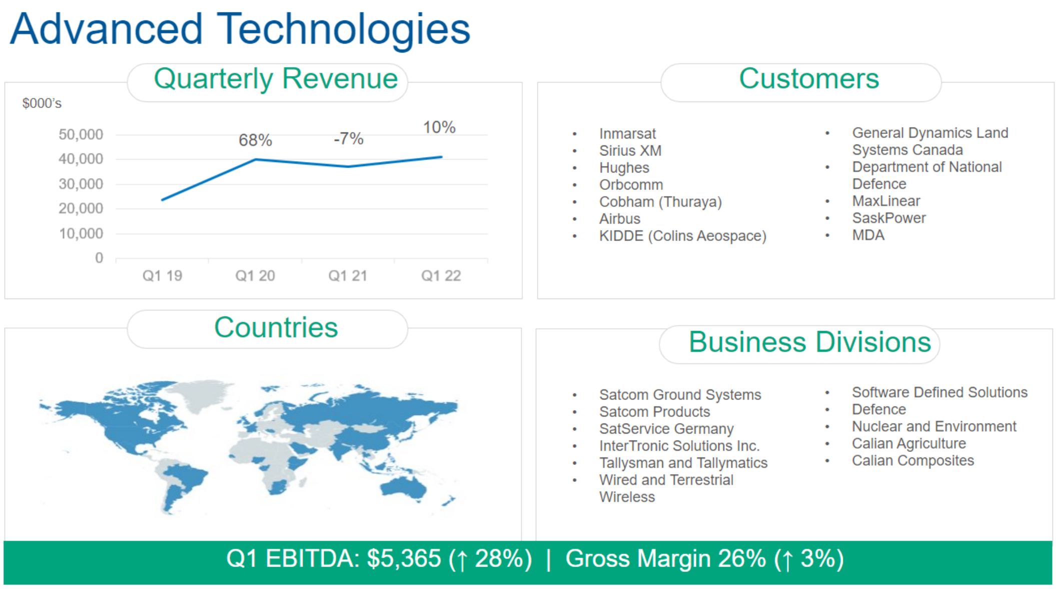
Research and development costs increased 62% in the three-month period ended December 31, 2021, compared to the same period in the prior year. The additional costs are solely the result of research and development costs from recent acquisitions.

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




*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.

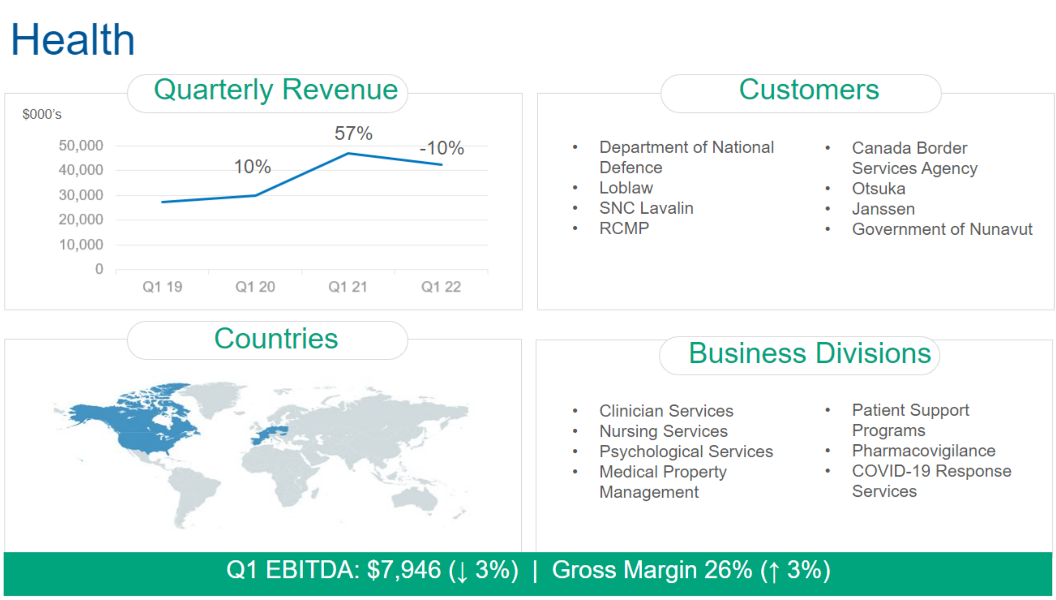
*Calian Composites expands*

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




*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.

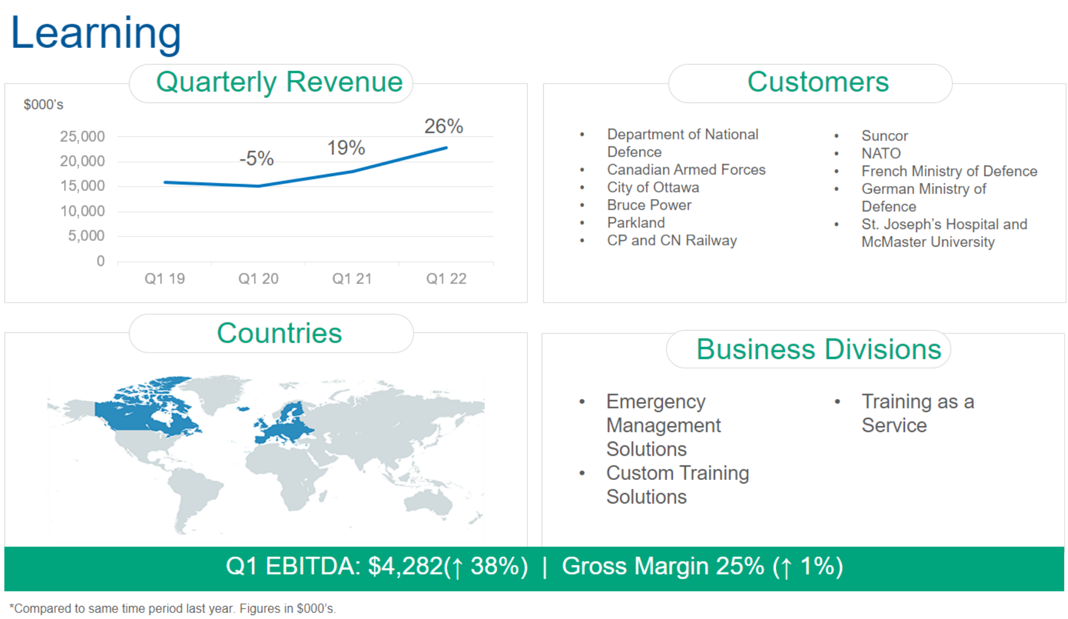
*Customer retention*

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.

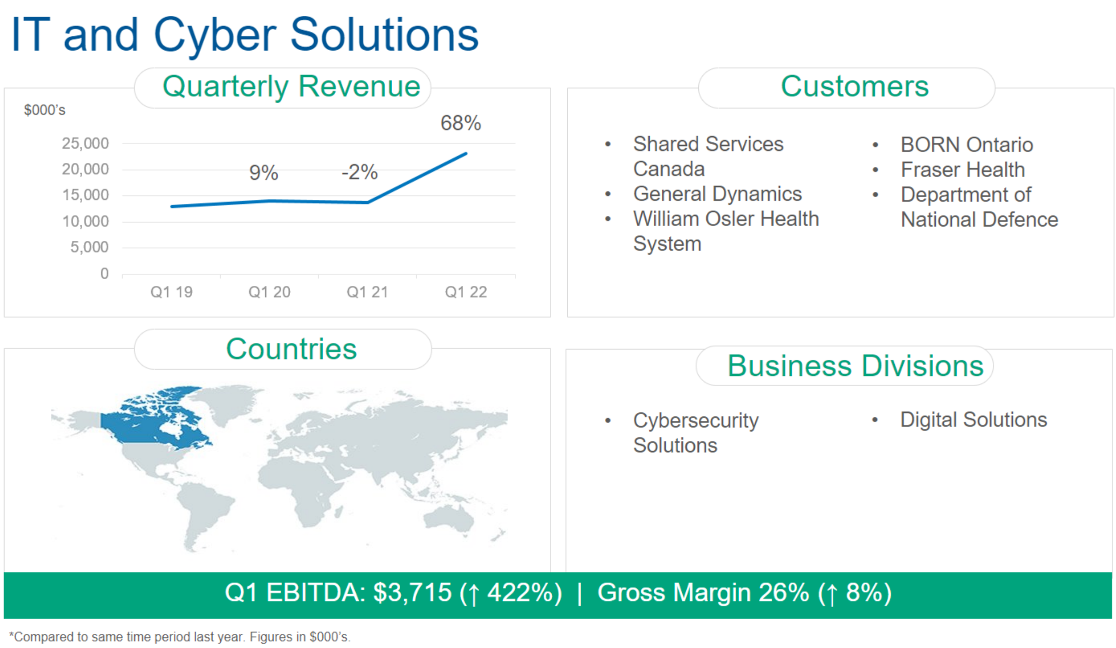
*European expansion continues*

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




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 | Three months ended 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 | Three months ended 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 | Three months ended 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, 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*

<u>Cash</u>

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

<u>Capital resources</u>

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 valuators 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.