CALIAN Group Ltd.

Management's Discussion and Analysis

For the three and six-month periods ended March 31, 2021

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

The following Management's Discussion and Analysis is dated May 12, 2021 (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 M&DA 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; and
- The Company's ability to execute on its acquisition program including successful integration of previously acquired businesses; and
- 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 May 12, 2021 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 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 company. For over 38 years, the Company has evolved into an organization that has consistently demonstrated the ability to manage numerous profitable service offerings while earning a high level of customer satisfaction. Our DNA allows us to manage this complexity, and to successfully deliver in domestic and global markets.

Calian's primary operating segments are:

- Advanced Technologies
- Health
- Learning
- Information Technology ("IT")

The diversity of this operating model is pivotal to the Company's success. 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 our services are diverse, our growth strategy is anchored in a common four- pillar framework which can be described as follows:

- **Customer retention:** through continued delivery excellence, maintain a valued relationship with current customer base;
- **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;
- **Innovation:** continue investment in service offerings to increase differentiation and improve gross margins; and
- **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 growth strategy at Calian 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, continued expansion in our Health segment where we continue our total number of contracts in place, but also our services continue to evolve as well. This can be observed through our continued contract wins in the current year for COVID-19 screening across Canada. Further, we have demonstrated an ability to expand the scope of services with existing customers through our cross service line pollination and growth. Our recent acquisition of Dapasoft will further this push of cross pollination with their suite of services that can be offered to customers across our organization.

A number of our services are applicable to each and every one of our customers and we have been bringing more value to the table for our customers through the diverse service offerings. Innovation is a key growth driver for Calian. Innovation in the new product 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.

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

In aggregate, all of the factors contributed to Calian's profitable growth. Revenue grew 33% in the three month period ended March 31, 2021 when compared to the same period of the prior fiscal year continuing to drive profitability of the Company.

Key attributes of our four operating segments:

	Advanced Technologies	Health	Learning	Information Technology
Customers	European Space Agency, Inmarsat, MDA, Sirius XM, Bruce Power	Department of National Defence, Canadian Border Security, Loblaw, Police agencies across Ontario, SNC-Lavalin PAE	Department of National Defence, Canadian Army Simulation Centre, NATO, City of Ottawa and other municipalities across Canada	Shared Services Canada, General Dynamics and other private and public high-tech companies
Business units	Engineering services, products, solutions, software development, manufacturing, training, technical services	Health services, psychological assessment services, medical property management	Custom training, emergency management solutions, software products, consulting, course development	IT consulting, IT and cloud solutions, software development, SAP consulting, cyber security solutions
Customer Geography	International	Canada, Europe	Canada, Europe	Canada
Government Revenue	22%	59%	98%	55%
Quality Initiatives	Excellence Canada / ISO 9001:2015	Excellence Canada / ISO 9001:2015	Excellence Canada	Excellence Canada
Backlog ($ 000's)	157,654	858,350	273,381	80,465

Calian is headquartered in Ottawa, Ontario, and is recognized as a leading professional services organization, providing services and solutions in Advanced Technologies, Health, Learning and IT. Calian operates at locations across Canada (ranging from British Columbia to Nova Scotia), as well as Europe (Germany, Norway and UK).

The cost structure of Calian's Health, Learning and Information Technology segments is for the most part variable, as contracts are typically on a per-diem basis with a majority being multi-year outsourcing assignments. This allows for predictable cash flows over long periods of time. With a long-term commitment and reduced risk profile, margins are correspondingly lower. The cost structure of Advanced Technology segment is more fixed in nature. In order to cover these costs, the segment operated in many market verticals and re-allocates staff and costs to respond to demand as efficiently as possible.

Historically our core competencies, common across all operating segments, are project, contract and workforce management; however, the segments continue to evolve its services to incorporate technology to offer full solutions to our customers. Each of these competencies is aligned to each of our segments.

A large portion of our revenues are derived from Canadian sources in the public and private sectors, with a large presence in the Department of National Defence. We have been successful in our diversification strategy and have developed a well-established private sector customer base across Indigenous communities, oil and gas, nuclear, aerospace, defence and numerous others. For example, our health service line includes the administration on behalf of Loblaw of over 150 medical clinics across Canada, as well as the provision of health care services to oil and gas customers. Our Learning segment, which historically was predominantly generating revenue from Canadian Federal Government customers, has expanded its customer base to include municipalities, First Nations, healthcare, private industry, and into NATO spurring from the acquisitions of Comprehensive Training Solutions and Cadence Consultancy.

Revenue growth from new contract opportunities will be 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 $1,370 million that span over 10 years in length. Calian's historical high renewal rate combined with its win strategy provides management confidence in its ability to successfully remain the customer's preferred choice.

While federal government spending priorities fluctuate, 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. Calian's strong back office capabilities, along with our emphasis on continuous improvement and business development, ensures that we are able to identify and win new business opportunities and accommodate that new business in a scalable fashion

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 on the strength and potential opportunities within 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 and statutory holidays. 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 for work performed and is also required to pay for statutory holidays. This results in reduced levels of revenues and in 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 summer months with IntraGrain having higher sales in this period, but further adds to the seasonality in the first quarter results.

Selected Quarterly Financial Data

(Canadian dollars in millions, except per share data)

	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q4/19(1)	Q3/19(1)
Revenues								
Advanced Technologies	$ 42.8	$ 37.3	$ 37.6	$ 35.9	$ 39.9	$ 40.0	$ 31.4	$ 30.5
Health	52.9	47.1	56.8	43.9	32.2	30.0	31.3	29.3
Learning	20.9	18.0	14.3	11.1	17.3	15.1	14.0	15.6
Information Technology	21.9	13.8	14.4	14.6	15.1	14.1	14.2	13.4
Total Revenue	$ 138.5	$ 116.2	$ 123.1	$ 105.5	$ 104.5	$ 99.2	$ 90.9	$ 88.8
Cost of revenue	105.0	90.0	100.2	83.0	81.0	79.0	70.6	69.5
Gross profit	33.5	26.2	22.9	22.5	23.5	20.2	20.3	19.3
Selling and marketing	4.0	3.4	3.0	3.2	3.3	2.8	2.8	2.9
General and administration	14.4	11.6	10.0	9.8	9.5	8.6	9.1	9.3
Research and development	1.0	0.8	0.7	0.5	0.4	0.4	0.3	0.4
Profit before under noted items	14.1	10.4	9.2	9.0	10.3	8.4	8.1	6.7
Depreciation of equipment and application software	1.0	1.0	1.0	0.9	0.6	0.5	0.6	0.6
Depreciation of right of use asset	0.8	0.7	0.7	0.7	0.7	0.7	-	-
Amortization of acquired intangible assets	3.0	2.1	1.7	1.4	1.2	0.9	1.4	1.0
Other changes in fair value	-	-	-	-	-	(0.1)	-	-
Deemed Compensation	0.5	1.9						
Changes in fair value related to contingent earn-out	1.3	0.4	(2.8)	0.4	0.3	0.2	(4.1)	(0.3)
Profit before interest and income tax expense	7.5	4.3	8.6	5.6	7.5	6.2	10.2	5.4
Lease interest expense	0.1	0.1	0.1	0.1	0.1	0.1	-	-
Interest expense (income)	0.2	-	-	(0.1)	0.2	0.1	-	-
Profit before income tax expense	7.2	4.2	8.5	5.6	7.2	6.0	10.2	5.4
Income tax expense	1.7	1.7	1.6	1.8	1.8	1.7	1.7	1.1
Net profit	$ 5.5	$ 2.5	$ 6.9	$ 3.8	$ 5.4	$ 4.3	$ 8.5	$ 4.3
Weighted average shares outstanding - Basic	10.1M	9.8M	9.0M	8.8M	8.8M	7.9M	7.9M	7.9M
Weighted average shares outstanding - Diluted	10.2M	9.9M	9.1M	8.9M	8.9M	8.0M	8.0M	7.9M
Net profit per share								
Basic	$ 0.55	$ 0.25	0.71	$ 0.40	$ 0.60	$ 0.55	$ 1.08	$ 0.54
Diluted	$ 0.54	$ 0.25	0.70	$ 0.40	$ 0.59	$ 0.54	$ 1.08	$ 0.54
Adjusted EBITDA per share								
Basic	$ 1.40	$ 1.06	0.95	$ 0.93	$ 1.16	$ 1.04	$ 1.03	$ 0.86
Diluted	$ 1.39	$ 1.05	0.93	$ 0.92	$ 1.14	$ 1.03	$ 1.02	$ 0.85

(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 March 31, 2021, the Company continued to make progress on its growth, diversification and innovation agendas. Overall consolidated revenue growth was 33% in the three-month period. The realization of strong growth consolidated gross margin of 24% represents the highest quarterly gross margin performance to date. In the three-month period ended March 31, 2021, the Company signed $138 million in contracts and ended the period with a realizable backlog of $1,370 million of which $204 million is expected to be earned during the remainder of fiscal 2021.

	Three months ended		Six months ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Revenues	$ 138,470	$ 104,491	$ 254,671	$ 203,735
Gross profit	33,514	23,503	59,736	43,758
Selling and marketing	4,035	3,344	7,399	6,121
General and administration	14,358	9,528	25,974	18,186
Research and development	968	436	1,805	850
Profit before under noted items	$ 14,153	$ 10,195	$ 24,558	$ 18,601

Revenue

Consolidated revenues grew 33% in the three-month period, and 25% in the six-month period ended March 31, 2021, when compared to the same periods in the previous year. The increase in revenue can be attributed to 21% from organic growth, and 12% from acquisitions for the three-month period, and 11% and 14%, respectively, for the six-month period. We measure our growth through acquisition on trailing twelve-month basis; once the acquisition has been included in our results for twelve-months, we include their contribution in our organic growth metric.

The revenue increase of 33% for the three-month period was led by our Health segment which saw growth of 64% over the same quarter of the previous year. This was the result of strong growth in our current contract delivery across Canada. Various governments and companies have looked to Calian to assist in their response to COVID-19. This includes services that range from testing, vaccine support, and general health care services. Our existing customers have seen an increased need for our services which contributed to the revenue increase.

Information Technology contributed significantly to the growth in revenue, posting growth of 46% for the three-month, and 22% for the six-month periods ended March 31, 2021 when compared to the same periods of the previous year. This was primarily driven by acquisitive revenue from EMSEC and Dapasoft.

Learning is also contributing to the growth for the business in the quarter which demonstrates the contributions from acquisitions, along with the resumption of business which was impacted significantly in the prior year due to COVID-19 restrictions and stay at home orders.

The impacts of COVID-19 continue for the organization where in person delivery and travel restrictions impact the delivery to the customer. For Advanced Technologies, this has resulted in additional costs incurred to deliver existing contracts in our satellite ground system business unit. Increased costs for travel and quarantine, availability of trained staff and delays in material resulted in increased costs. At this time, we expect this environment to continue throughout 2021 and have been reflected this in our estimates. Despite the business impacts described, COVID-19 has generated new opportunities in our Health segment.

Gross Profit

As can be seen in the detailed discussions of each segments' performance, gross margin by segment vary greatly from 18% to 26% (see discussion by segment), and the mix of business in turn affects our consolidated gross margin. Gross margins for the current were 24.2%. This represents a new high for the company. This has been the result of several initiatives, amongst them: acquisitions that have products and services that command higher margins, organic growth focus on market verticals where margins are higher, innovation and introduction of products that 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.

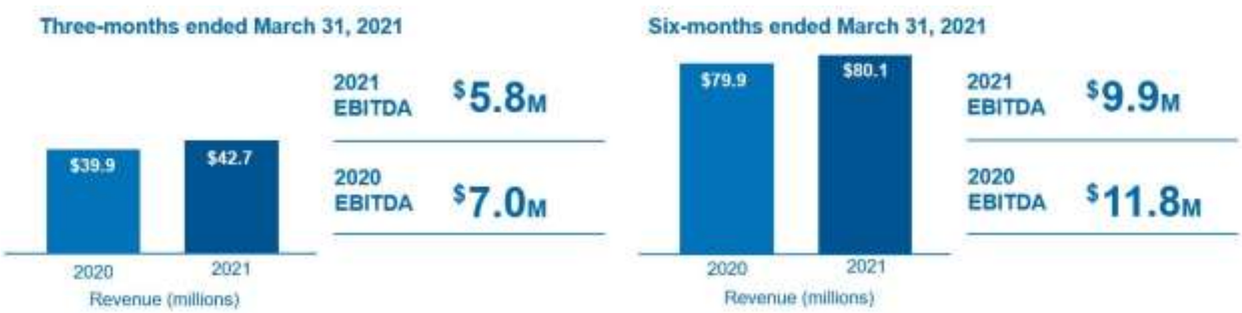
Operating Expenses

Selling and marketing costs increased $691 for the three-month period and $1,278 for the six-month period ended March 31, 2021, compared to the same periods of the prior year. The overall increase in cost and activity is primarily due to selling and marketing costs from recent acquisition and comparing to a period in the prior year where selling and marketing efforts were significantly reduced due to COVID-19 restrictions.

General and administration costs increased by 51% for the three-month period and 43% for the six-month period ended March 31, 2021, compared to the same periods of the 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, increased costs in relation to share equity plans and the one-time costs of $1,977 incurred in the six-month period ended March 31, 2021 relating to the acquisitions of Cadence, InterTronic and Dapasoft. 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 $532 in the three-month period, and $955 for the six-month period ended March 31, 2021, compared to the same periods in the prior year. The additional costs are solely the result of research and development costs from our recent acquisitions.

Advanced Technologies



Calian's Advanced Technologies segment offers internally developed products, engineering services and solutions for the space, communications, nuclear, agriculture, defence and government sectors. Our 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. With a presence across Canada and in Europe, the Advanced Technologies segment is a full-service organization offering turnkey solutions for industry-leading customers in North American, European and global markets.

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. We provide 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, we deliver custom communication solutions and systems engineering capabilities to customers in Canada and around the world.

Calian's manufacturing capability includes a surface mount electronics manufacturing line with automated inspection and X-ray. We offer 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's AgTech products and solutions are manufactured in-house for the agriculture sector, helping to protect assets such as stored crops, fuel and water. Our recent acquisition Tallysman brings forward product manufacturing Global Navigation Satellite System products that have a wide range of uses across many industries. The 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's 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. Associated services are provided in integrated logistics support, drafting, and other technical services. Our 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 our nuclear services includes decommissioning programs, radioactive waste management programs and remediation.

Financial performance

	Three months ended		Six months ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Revenues	$ 42,731	$ 39,856	$ 80,061	$ 79,899
Gross profit	11,109	10,417	19,539	18,438
Selling and marketing	1,897	1,398	3,467	2,678
General and administration	2,732	1,706	4,757	3,227
Research and development	724	317	1,371	731
Profit before under noted items	$ 5,756	$ 6,996	$ 9,944	$ 11,802

Advanced Technologies' revenues increased by 7% for the three-month period and held consistent on the six-month period ended March 31, 2021 compared to the same periods in the previous year. This revenue increase in the three-month period is primarily attributable to acquisitive revenue, which makes up 11% of the total increase, and reflects 8% in the six month period ending March 31, 2021 when compared to the same period of the previous year. Acquisitive revenue is attributable to revenue from acquisitions made in the last 12 month period from March 31, 2021. Increases in the three-month period offset the decrease in revenue that was observed in legacy products and ground systems projects that are continuing from the prior year. In addition to acquisitive growth, the Company has demonstrated growth in AgTech product sales, and continued expansion and growth in European ground system products. The Advanced Technologies segment continues to experience impact due to COVID-19. This is especially seen in the decrease of product delivery volumes for the mobile wireless product to the Tier 1 North American mobile customer where travel restrictions are impeding their ability to complete installations, and communication ground systems project slowdowns with the inability to travel to site efficiently to complete 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 was consistent at 26% for the three-month period and increased from 23% to 24% for the six-month period ended March 31, 2021, when compared to the same periods of the prior year.

This is primarily due to the revenue mix being impacted by a lower proportion of revenues coming from a large ground system project along with higher margins from acquisitive revenue.

Selling and marketing expenses increased by $499 for the three-month period and $789 for the six-month period ended March 31, 2021, compared to the same periods in the year prior. Increases in the current year can be attributable to costs stemming from recent acquisitions and additional spend in the current year where selling and marketing expenses were significantly impacted by shutdowns and travel restrictions due to COVID-19.

General and administration expenses increased by $1,026 for the three-month and $1,530 for the six-month periods ended March 31, 2021, compared to the same period in the year prior due to the consolidation of costs from acquisitions completed in the last 12 months and acquisition related costs incurred by the Company. Research and development costs increased by $407 for the three-month period, and $640 for the six-month period ended March 31, 2021, when compared to the same periods of the previous year due to additional research costs incurred from recent acquisitions.

Profitability decreased for the three and six-month period ended March 31, 2021 which is a result of additional operating costs incurred amongst the group of companies that consolidate into the Advanced Technologies segment, along with acquisition related costs incurred.

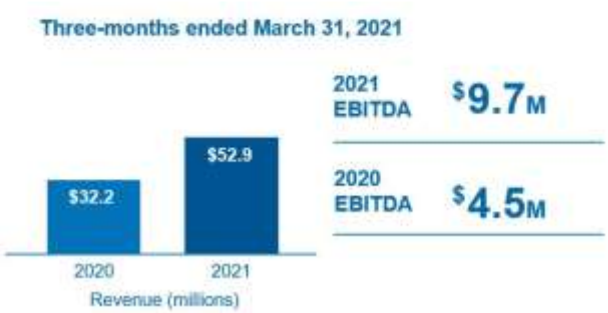
Second Quarter Highlights

Signings for the second quarter were strong at $60M highlighted by the renewal of CSA satellite operations through partner MDA, additional software development work with existing customers and an increase in orders for manufactured products and contract manufactured assemblies for Calian's defence customers. In addition, Defence Engineering and Technical services signed over $17M in new orders.

Advanced Technologies subsidiaries Intragrain, SatService and Tallysman product sales all contributed positively to the sales in the second quarter, including the shipping of GNSS antenna's for warehouse robots and developing products specifically for the automotive sector. Advanced Technologies revenues have increased from the previous quarter.

On January 4, 2021, the Company acquired InterTronic Solutions Inc. ("InterTronic"), a Canadian based satellite ground systems manufacturer who specializes in state of the art, high precision antenna solutions. InterTronic's builds high-accuracy, high-speed motion systems used by military, scientific and commercial customers. Applications of InterTronic solutions include Radio Astronomy, Radar, Electronic Warfare, Deep Space and Satellite Communications. Combining InterTronic into the Advanced Technologies segment gives aerospace, defence, and satellite communications customers a broad range of capabilities to meet their most critical RF ground system requirements. InterTronic will provide access to government customers in the US in addition to filling out our antenna product lines.

Health



Calian's health services team is one of Canada's largest national health services organizations. The segment manages a network of more than 1,800 health care professionals delivering primary care and occupational health services to public and private sector clients across Canada.

The Department of National Defence is our largest customer, with health and psychological services also provided to police, correctional institutions and border services agencies in the Canadian market. The Health team has expanded operations with government and private customers across Canada in response to the COVID-19 pandemic, offering screening services and health care practitioners to regions in need.

Primacy, Calian's medical property management brand, supports over nine million patient visits per year at over 150 clinic locations across Canada. Primacy clinics are located in Loblaw grocery stores across the country (including Real Canadian Superstore®, Zehrs®, Loblaws® and No Frills®).

Financial performance

	Three months ended		Six months ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Revenues	$ 52,917	$ 32,241	$ 99,970	$ 62,251
Gross profit	12,920	6,730	23,857	13,248
Selling and marketing	716	437	1,211	642
General and administration	2,370	1,642	4,426	2,774
Research and Development	143	119	330	119
Profit before under noted items	$ 9,691	$ 4,532	$ 17,890	$ 9,713

Revenues increased 64% for the three-month period and 61% for the six-month period ended March 31, 2021 when compared to the same periods of the previous year as a result of new contract wins that relate to Health services and products to assist with the COVID-19 Pandemic, and acquisitive revenue. Acquisitive growth represented an increase of 11%, and 19%, respectively, for the three and six-month periods ended March 31, 2021 when compared to the same periods of the prior year.

The Company has seen increased demand from new and existing opportunities in our clinician services and services to remote locations in Northern Canada, growth year over year from the delivery for SNC-Lavelin PAE, Government customers for COVID-19 screening and vaccination program support, and increased demand in our health care practitioners contract with the Government of Canada due to COVID-19 driven growth.

Gross margin percentage increased from 21% to 24% for the three and six-month periods ended March 31, 2021 when compared to the same periods of the prior year. The increase in margin is primarily due to acquisitive revenue which is at a higher percentage than historical, and a focus on delivery to existing customers to maximize contribution while maintaining satisfaction.

Selling and marketing expenses increased by $279 for the three-month period and $569 for the six-month period ended March 31, 2021 due to consolidation of costs from acquisitions completed in the last 12 months and additional spend to grow the customer base in new regions or with new customers. General and administration expenses increased by $728 for the three-month period and $1,652 for the six-month period ended March 31, 2021, when compared to the same periods of the prior year due to increases in headcount to support new contracts and new headcount from our acquisitions completed in the previous 12 months.

Research and development increased in the Health segment is the result of continued investment in our HOME software used extensively in the delivery of our patient support programs for pharmaceutical customers.

Second Quarter Highlights

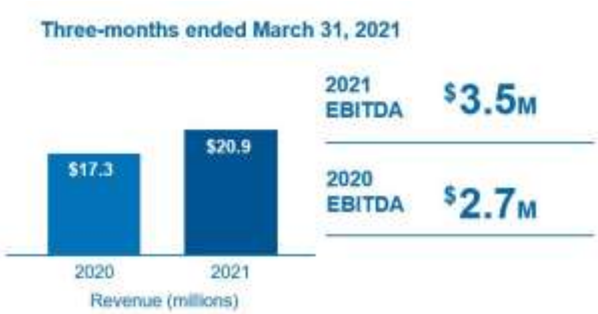
The Health segment continues its focus on supporting the Government of Nunavut with over 200 Nurses engaged in vaccination, on-site medical support in Nunavut communities and quarantine program monitoring at isolations hubs in Ontario and Quebec, supporting one of the lowest COVID-19 transmission rates in the country. In February, the Health segment began supporting Operation Remote Immunity, ensuring access to COVID-19 vaccines for First Nations fly-in communities in Northern Ontario. Under the leadership of Ornge air ambulance and the Nishnawbe Aski Nation, the successful program has vaccinated more than 25,000 residents.

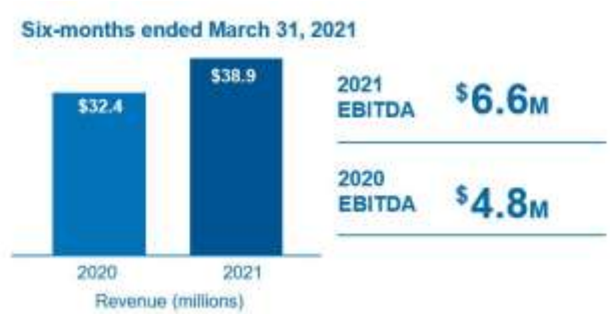
Through an integrated effort, Calian and our prior year acquisition, Alio, have expanded the Company's COVID-19 support services through by leveraging key relationships with the Alberta Government. Screening and collections contracts have been awarded at Calgary, Edmonton and Coutts border crossing location.

New pharmaceutical trial programs were launched through Allphase with a number of different customers in the quarter. Trials began for programs related to a major depressive disorder, and lung cancer studies. In addition to this, the pharmaceutical trial demand internationally has grown with Alio, and our first European customer onboarding has begun.

Calian's Primacy division continues to perform on plan while leveraging our clinic network into expansion of Social Responsibility Program work with Military Family Services. We have signed a contract to provide a pilot program for homecare to dependents of serving military members utilizing Personal Support Workers and our Health Outcomes Management Engine application, the technology platform driving our Pharmaceutical industry successes.

Learning





Calian is a trusted provider of specialized training services and solutions for the Canadian Armed Forces and clients in the defence, health, energy and other 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. Our goal for clients is to shorten the student's time-to-competency. Calian's training consulting services help clients achieve learning outcomes and optimize their workforce.

Complementing our training services are our 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.

Financial performance

	Three months ended March 31, 2021	Three months ended March 31, 2020	Six months ended March 31, 2021	Six months ended March 31, 2020
Revenues	$ 20,901	$ 17,334	$ 38,948	$ 32,442
Gross profit	4,799	3,611	9,155	6,735
Selling and marketing	261	252	510	505
General and administration	999	671	1,998	1,468
Research and development	-	-	-	-
Profit before under noted items	$ 3,539	$ 2,688	$ 6,647	$ 4,762

Revenue increased by 21% for the three-month period and 20% for the six-month period ended March 31, 2021 when compared to the same periods of the prior year. Acquisitive growth for the three-month period is 5%, and 12% for the six-month period ended March 31, 2021 when compared to the same periods of the previous year. Organic growth comes largely from existing customers where in the prior year the Learning segment was impacted significantly with Government imposed stay at home orders causing shutdowns at customer sites. The Segment has pivoted over the last 12 months to deliver more services remotely.

Gross margin has increased from 21% to 23% for the three-month period and from 21% to 24% for the six-month period ended March 31, 2021 due to a focus on margin efficiency for ongoing projects along with revenue from recent acquisitions being earned at a higher margin. Selling and marketing costs remain in line in the three and six-months ended March 31, 2021 when compared to the same periods of the previous year due to reduction in non-essential spending and restrictions on travel and tradeshows. General and administration spending increased by $328 for the three-month period and $530 for the six-month period ending March 31, 2021, when compared to the same periods of the prior year resulting from costs attributable to acquisitions completed within the past 12 months.

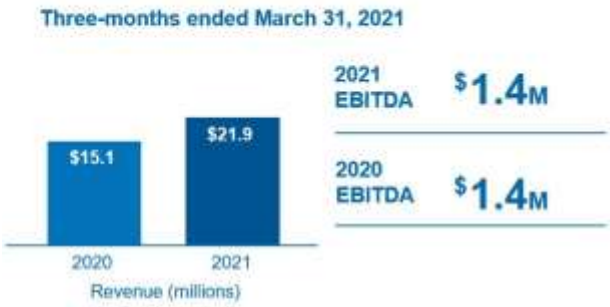
Second Quarter Highlights

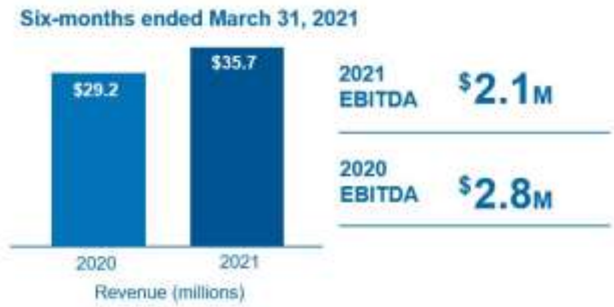
In the prior year the Learning segment was heavily impacted by COVID-19 and stay at home restrictions. The segment has worked hard to bring service levels back to customers across the segment. In the current quarter the segment has seen the result of this hard work through not only stabilizing the revenues that were previously impacted, but also growing traditional revenues when compared to the same period of the previous year.

The Learning segment has achieved 15% organic growth in the quarter on revenue. This is a clear indicator of the pivot that the segment has made in the delivery of services that were previously impacted by COVID, and the ability of the group to drive growth through execution. We have seen record demand from existing customers in this space given how essential the learning services are to our customers.

International collaboration has been a center of focus for the Learning team as the Company integrates the acquisitions of CTS and Cadence. The newly acquired entities have already begun cross sales efforts to existing customer, and more recently have been working together to jointly bid on new contracts. The services that each company provides augments the services of the other, and further augments the services that Calian offers. We believe there are strong opportunities to grow Learning in the European market.

Information Technology





Calian's 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 cyber security solutions, Calian supports customers at all levels of government and the private sector in the domestic market.

Calian Cyber Security 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		Six months ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Revenues	$ 21,921	$ 15,060	$ 35,692	$ 29,143
Gross profit	4,686	2,745	7,185	5,337
Selling and marketing	788	742	1,481	1,321
General and administration	2,443	605	3,535	1,220
Research and development	101	-	104	-
Profit before under noted items	$ 1,354	$ 1,398	$ 2,065	$ 2,796

Revenues increased in by 46% for the three-month period and 22% for the six-month period ended March 31, 2021, compared to the same periods of the previous year. The growth related to acquisitive revenue is 30% for the three-month period and 17% for the six-month period. The additional organic growth can be attributed to the growth in demand for our Cyber products and services.

Gross margin increased from 18% to 21% in the three-month period and from 18% to 20% for the six-month period ended March 31, 2021 when compared to the same periods of the previous year. This is primarily related to a higher margin percentage earned from acquisitive revenue.

General and administrative expenses have increased by $1,838 in the three-month period and $2,315 for the six-month period ended March 31, 2021 when compared to the same periods of the previous year. This increase directly relates to one time acquisition related costs of $1,521 in the three-month period, and $1,831 in the six-month period ended March 31, 2021. In addition, general and administrative expenses from the newly acquired entities provide for further increase to the costs. Excluding the one-time costs related to the acquisition of Dapasoft, EBITDA margins were 13.1%, this compares to 9.2% in the same quarter of the previous year.

Second Quarter Highlights

The IT segments cyber business unit has seen success in building out a strong backlog of maintenance revenue and has since been focusing on product sales and cross pollination. Small wins have been achieved, and we are working to build the relationship with larger customers for additional product and service offerings. March period end represents the Government of Canada's fiscal year end, and a time where the IT segment demonstrates its success in contract wins. A total of $16M was signed in contract value in the quarter, much of which relates to Government of Canada extensions to existing contracts, and an additional $17M was added from acquisitions.

On February 22, 2021, the Company acquired Dapasoft Inc. ("Dapasoft"), a leading provider of innovative systems integration, cloud lifecycle management and cybersecurity solutions, which enable clients to securely implement digital transformation initiatives. This acquisition facilitates Calian's next chapter of growth and expands its opportunity to further bolster the delivery of its healthcare, IT Services and cybersecurity solutions to its clients. The IT segment now has over 100 staff in the Toronto region servicing a multitude of private and public customers. This geographical expansion is a key growth driver and complements the existing base of professionals primarily located in the Ottawa region. The acquisition of Dapasoft represents the Company's largest acquisition to date and adds depth and breadth to the Company's core capabilities.

Summary

The second quarter of 2021 has been a positive one with regards to many of our key performance indicators. The Company recorded organic revenue growth of 20% for the three-month period ended March 31, 2021 as we continue to evolve our go-to market strategies and brand. Acquisitive revenue growth of 14% driven by 7 contributing acquisitions in all four operating segments. Gross margins and operating margins at all-time highs of 24% for the three and six-month periods ended March 31, 2021. Margin expansion has been the result of investments in sales, product development and M&A over the last several years.

The Calian team remains focused on finding additional leverage across each of its segments as they expand their presence, as well as work within Calian to deliver customers high quality products and services.

We continue to invest in our infrastructure to maintain our profitable growth agenda. This includes investment in sales & marketing, research and development, and information systems infrastructure to enable our staff to be effective, in the office, at home and at our customer locations.

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 into the next fiscal year.

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		Six months ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Net profit	$ 5,515	$ 5,276	$ 7,999	$ 9,609
Depreciation of equipment and application software	1,046	584	2,046	1,156
Depreciation of right of use asset	774	685	1,503	1,356
Amortization of acquired intangible assets	3,041	1,217	5,159	2,106
Lease interest expense	114	122	231	232
Changes in fair value related to contingent earn-out	1,266	289	1,650	496
Interest expense (income)	233	178	245	241
Deemed Compensation	503	-	2,350	-
Other changes in fair value	-	-	-	(101)
Income tax	1,661	1,844	3,375	3,506
Adjusted EBITDA	$ 14,153	$ 10,195	$ 24,558	$ 18,601

Adjusted Net Profit and Adjusted EPS

	Three months ended		Six months ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Net profit	$ 5,515	$ 5,276	$ 7,999	$ 9,609
Other changes in fair value	-	-	-	(101)
Changes in fair value related to contingent earn-out	1,266	289	1,650	496
Deemed Compensation	503	-	2,350	-
Amortization of intangibles	3,041	1,217	5,159	2,106
Adjusted net profit	$ 10,325	$ 6,782	$ 17,158	$ 12,110
Weighted average number of common shares basic	10,091,840	8,824,150	9,937,876	8,383,959
Adjusted EPS Basic	1.02	0.77	1.73	1.44
Adjusted EPS Diluted	1.02	0.76	1.71	1.43

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		Six months ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Profit before under noted items	$ 14,153	$ 10,195	$ 24,558	$ 18,601
Depreciation of equipment and application software	1,046	584	2,046	1,156
Depreciation of right of use asset	774	685	1,503	1,356
Amortization of acquired intangible assets	3,041	1,217	5,159	2,106
Other changes in fair value	-	-	-	(101)
Deemed Compensation	503	-	2,350	-
Changes in fair value related to contingent earn-out	1,266	289	1,650	496
Profit before interest income and income tax expense	$ 7,523	$ 7,420	$ 11,850	$ 13,588
Lease interest expense	114	122	231	232
Interest expense (income)	233	178	245	241
Income tax expense	1,661	1,844	3,375	3,506
Net profit	$ 5,515	$ 5,276	$ 7,999	$ 9,609
Net profit per share, basic	0.55	0.60	0.80	1.15
Total assets	520,119	331,053	520,119	331,053
Dividends per share	0.28	0.28	0.56	0.56

Depreciation increased by $462 in the three-month period, and $890 in the six-month period ended March 31, 2021 when compared to the same periods in the year prior due to higher balances of assets across the organization, depreciation of the capitalized research and development asset which began in the prior year subsequent to the first quarter, and capital expenditures to sustain the Company's growth.

Depreciation of right of use assets increased by 13% in the three-month period, and 11% in the six-month period ended March 31, 2021 when compared to the same period in the year prior due to lease additions that occurred within the 12 months prior, and newly acquired entities with leases in the 12 month period. Further information regarding the lease accounting and depreciation can be found in the second quarter 2021 financial statements in note 10.

Amortization of acquired intangible assets has increased by $1,824 in the three-month period and $3,053 in the six-month period ending March 31, 2021 when compared to the same periods of the previous year due to acquisitions in the prior year of Alio and Allphase, Comprehensive Training Solutions AS, EMSEC Solutions, Tallyman Wireless, and current year intangibles acquired through Cadence, InterTronic and Dapasoft.

Changes in fair value related to contingent earn out has increased by $977 in the three-month period and $1,154 in the six-month period ended March 31, 2021 when compared to the same periods of the previous year. This increase relates to a restructuring of the contingent earn outs for Alio/Allphase, along with charges to bring the present value of contingent payments to face value. Deemed compensation increased by $503 for the three-month period, and $2,350 for the six-month period ended March 31, 2021 when compared to the same periods of the previous year. The change in fair value of contingent payments and deemed compensation are explained further in note 24 of the Financial Statements.

Interest expense decreased in the three-month period ended March 31, 2021 due to the Company's use of a line of credit in the prior year.

Finally, the Company reports its results on a fully taxed basis. The provision for income taxes for the three-month period ended March 31, 2021 was $1,661, or 23.1% of earnings before income taxes adjusted for non-taxable items compared to the $1,844, or 25.9% of earnings before income taxes in the same period of the previous fiscal year. The provision for income taxes for the six-month period ended March 31, 2021 was $3,375, or 29.7% of earnings before income taxes adjusted for non-taxable items compared to the $3,506, or 26.7% of earnings before income taxes in the same period of the previous fiscal year. The difference in effective tax rates 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.

Backlog

The Company's realizable backlog at March 31, 2021 was $1,370 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 March 31, 2021 the following contracts were the major contributors to the Company's backlog. These contracts are further described in the business overview section of this Management Discussion and Analysis.

- $17M Acquisition of backlog resulting from the purchase of Dapasoft and iSecurity
- $10M DND Data remediation and marking of serially managed material new signing
- $7M Provision of project managers for Royal Canadian Air Force
- $16M Satellite flight operations support contract win for the Canadian Space Agency with MDA
- $7M Extension period exercised by DND for the Health Care Practitioners Contract
- $33M DND Royal Military College research assistance contract re-win

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 2021, fiscal year 2022 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 $218 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 March 31, 2021

Contracted backlog	$	736,189
Option renewals		851,550
	$	1,587,739
Management estimate of unrealizable portion		(217,889)
Estimated Realizable Backlog	$	1,369,850

Estimated recognition of Estimated Realizable Backlog

	Remainder of current fiscal year	October 1, 2021 to September 30, 2022	Beyond September 30, 2022	Total
Advanced Technologies	$ 70,539	$ 65,566	$ 21,549	$ 157,654
Health	71,471	122,197	664,682	858,350
Learning	30,119	50,490	192,772	273,381
Information Technology	32,220	26,040	22,205	80,465
Total	$ 204,349	$ 264,293	$ 901,208	$ 1,369,850

Statement of Cash Flows

	Three months ended		Six months ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Cash flows from operating activities before changes in working capital	$ 11,082	$ 6,710	$ 18,251	$ 19,239
Changes in working capital	(4,894)	(11,847)	(534)	(36,955)
Cash flows from (used in) operating activities	6,188	(5,137)	17,717	(17,716)
Cash flows from (used in) financing activities	128,502	36,643	125,897	47,694
Cash flows from (used in) investing activities	(45,043)	(12,692)	(47,922)	(13,904)
Increase (decrease) in cash	$ 89,647	$ 18,814	$ 95,692	$ 16,074

Operating Activities

Cash inflows from operating activities for the three-month period ended March 31, 2021 were $6,188 compared to cash outflows of $5,137 in the same period of the prior year. On a six-month basis, cash inflows total $17,717 for the period ended March 31, 2021 when compared to outflows of $17,716 for the same period of the previous year.

Working capital (accounts receivable, work in process, inventory, prepaid expenses and other, inventory, accounts payable and accrued liabilities, provisions and unearned contract revenue) impacted cash flows by an increase of $4,671 in the three-month period ended March 31, 2021, and stood at a net balance of $97,635.

Factors related to the overall change in working capital were increase in accounts receivable in the current three-month period of $14,000 as larger projects reach billing milestones and increases in revenue. This was offset by cash management in accounts payable of $9,400 and increases in unearned contract revenue.

Financing Activities

Lease payments

The Company has made payments of $771 for the three-month period and $1,480 for the six-month period ended March 31, 2021 when compared to the payments of $613 and $1,227, respectively for the same periods of the previous year which relate to leases accounted for in accordance with IFRS 16.

Dividend

The Company has maintained its dividend for the three-month period ended March 31, 2021. The Company paid dividends totaling $2,776 for the three-month period ended March 31, 2021 or $0.28 cents per share, and $5,520 for the six-month period then ended, or $0.56 cents per share compared to the same periods of the previous year when the Company paid $2,259 and $4,491, respectively, 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 March 31, 2021, the Company drew on its credit facility which represented a cash inflow of $55,000. This reflects the same amount for the six-month period ended March 31, 2021. This compares to the three-month period of March 30, 2020 where the company repaid its previous credit facility, causing a cash outflow of $26,810, or outflow of $13,000 in the six-month period then ended.

Shares

Exercises of stock options and issuances of shares under the employee share purchase plan has resulted in cash inflows of $1,046 for the three-month period, and $1,857 for the six-month period ended March 31, 2021 when compared to an inflow of $982 and $1,699, respectively, for the same activities in the same period of the prior year.

On March 17, 2021 the Company announced that it had completed a bought deal public offering, under which, a total of 1,318,000 common shares were sold at a price of $60.50 per common share for aggregate gross proceeds of $79,739, including common shares issued pursuant to the partial exercise of the over-allotment option granted to the underwriters. The Offering was conducted by a syndicate of underwriters co-led by Desjardins Capital Markers and Acumen Capital Finance Partners Limited, and included Canaccord Genuity Corp., CIBC Capital Markets, Stifel GMP, Echelon Capital Markets, Laurentian Bank Securities and Cormark Securities Inc.

Investing activities

Equipment expenditures and Capitalized Research and Development

The Company invested $1,086 in the three-month period and $2,218 for the six-month period ended March 31, 2021, when compared to $1,802 and $2,256, respectively, for the same periods of the prior year. Acquisitions of equipment in the current period are mainly attributed to the Company's ERP implementation and general capital expenditures.

The Company invested $93 in capitalized research and development in the three-month period and $212 in the six-month period ended March 31, 2021, when compared to $457 and $1,115, respectively, for the same periods of the prior year.

Acquisitions

The company acquired InterTronic and Dapasoft in the three-month period, which resulted in a total cash outflow of $43,864 in the three-month period ended March 31, 2021. In addition, the company acquired Cadence in the six-month period, resulting in a total cash outflow of $45,492 for the six-month period ended March 31, 2021. In the three and six-month period of the previous year, the Company acquired Alio/Allphase which resulted in a cash outflow of $10,433.

Investments

No investment was made in the current period compared to a $100 minority investment made in the six-month period ended March 31, 2020 in Cliniconex as described in Note 11 of the Financial Statements.

Liquidity and Capital Resources

Cash

Calian's cash and cash equivalent position was $119,927 at March 31, 2021, compared to $33,209 at March 31, 2020, with a cash net of debt position of $64,927 at March 31, 2021 when compared to $33,209 at March 31, 2020.

Capital resources

At March 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 March 31, 2021.

Related-party transactions

During the three-months ended March 31, 2021 (2020), the Company had sales of $88 ($88) to GrainX in which Calian holds a non-controlling equity investment. For the six-months ended March 31, 2021 (2020), the Company had sales of $272 ($240). At March 31, 2021 (2020), the Company had an accounts receivable balance with GrainX of $125 ($89) 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 are 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, 2020 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 judgmental. Where appropriate, the Company engages external business valuators to assist in the valuation of tangible and intangible assets acquired. When a business combination involves 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 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, 2020 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’s 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 March 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’s 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 March 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 March 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 offers cyber services including managed security operations centers. In the event of a failure of this service, this 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 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 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 the 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	$ 476,000	$ 516,000
Adjusted EBITDA	$ 45,000	$ 49,000
Adjusted net profit	$ 29,350	$ 32,650
Anticipated weighted average shares outstanding	10,650,000	

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 fifteen 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 service line evolution.

Calian's 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 could create 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 IT 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 IT 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 2020 Annual Information Form and Management Circular can be found on SEDAR at www.SEDAR.com

Dated: May 12, 2021

Corporate Information

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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
President and 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.