Management's Discussion and Analysis

For the three and nine month periods ended June 30, 2021

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

The following Management's Discussion and Analysis is dated August 10, 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 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; 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 August 10, 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 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 company. For over 35 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 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

Calian growth strategy can be summarized as follows: winning new contracts, expanding the scope of existing contracts, investing and 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 Health segment rapidly pivoted to support customers with COVID-19 response, including pop-up vaccine clinics in "hot spot" locations in the Greater Toronto Area.

Further, we have demonstrated the ability to expand the scope of services with existing customers through service line cross pollination and growth. Our recent acquisitions of Dapasoft and iSecurity will further this cross pollination, each with a suite of services that can be offered to customers across the organization.

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. Tallysman, a Calian company, patented an antenna that will be supplied to an electric vehicle manufacturer for use in their electric consumer and delivery vehicles, representing a significant expansion into the automotive sector.

Finally, with sixteen 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 strategy led to profitable growth in Q3. Revenue grew 29% (16% organic, 13% acquisitive) in the three-month period ended June 30, 2021 when compared to the same period of the prior fiscal year, continuing to drive Company profitability. Each of the Company's four operating segments experienced revenue growth at over 15% in the three-month period ended June 30, 2021 when compared to the same period of the prior fiscal year.

Calian is headquartered in Ottawa, Ontario, and is recognized as a leading professional services and solutions organization in Advanced Technologies, Health, Learning and IT and Cyber Solutions. Calian operates at locations across Canada as well as Europe (Germany, Norway and UK).

The cost structure of Calian Health, Learning and IT and Cyber Solutions 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.

Historically our core competencies, common across all operating segments, are project, contract and workforce management; however, the segments continue to evolve to incorporate technology into our offerings, allowing us to offer full solutions or products 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, electric vehicle manufacturing and numerous others. For example, our Health service line includes the administration of over 150 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, primarily as a result of the 2020 acquisitions of Comprehensive Training Solutions and Cadence Consultancy.

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 $1,315 million that spans nearly 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, ensures 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 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 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 higher sales for IntraGrain, but further adds to the seasonality in the first quarter results.

Selected Quarterly Financial Data

(Canadian dollars in millions, except per share data)

	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q4/19[1]
Revenues								
Advanced Technologies	$ 43.8	$ 42.8	$ 37.3	$ 37.6	$ 35.9	$ 39.9	$ 40.0	$ 31.4
Health	50.8	52.9	47.1	56.8	43.9	32.2	30.0	31.3
Learning	18.1	20.9	18.0	14.3	11.1	17.3	15.1	14.0
Information Technology	23.4	21.9	13.8	14.4	14.6	15.1	14.1	14.2
Total Revenue	$ 136.1	$ 138.5	$ 116.2	$ 123.1	$ 105.5	$ 104.5	$ 99.2	$ 90.9
Cost of revenue	102.2	105.0	90.0	100.2	83.0	81.0	79.0	70.6
Gross profit	33.9	33.5	26.2	22.9	22.5	23.5	20.2	20.3
Selling and marketing	4.5	4.0	3.4	3.0	3.2	3.3	2.8	2.8
General and administration	13.3	14.4	11.6	10.0	9.8	9.5	8.6	9.1
Research and development	1.2	1.0	0.8	0.7	0.5	0.4	0.4	0.3
Profit before under noted items	14.9	14.1	10.4	9.2	9.0	10.3	8.4	8.1
Depreciation of equipment and application software	1.1	1.0	1.0	1.0	0.9	0.6	0.5	0.6
Depreciation of right of use asset	0.7	0.8	0.7	0.7	0.7	0.7	0.7	-
Amortization of acquired intangible assets	3.2	3.0	2.1	1.7	1.4	1.2	0.9	1.4
Other changes in fair value	-	-	-	-	-	-	(0.1)	-
Deemed Compensation	0.8	0.5	1.9					
Changes in fair value related to contingent earn-out	5.1	1.3	0.4	(2.8)	0.4	0.3	0.2	(4.1)
Profit before interest and income tax expense	4.0	7.5	4.3	8.6	5.6	7.5	6.2	10.2
Lease interest expense	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	-
Profit before income tax expense	3.8	7.2	4.2	8.5	5.6	7.2	6.0	10.2
Income tax expense	1.7	1.7	1.7	1.6	1.8	1.8	1.7	1.7
Net profit	$ 2.1	$ 5.5	$ 2.5	$ 6.9	$ 3.8	$ 5.4	$ 4.3	$ 8.5
Weighted average shares outstanding - Basic	11.2M	10.1M	9.8M	9.0M	8.8M	8.8M	7.9M	7.9M
Weighted average shares outstanding - Diluted	11.3M	10.2M	9.9M	9.1M	8.9M	8.9M	8.0M	8.0M
Net profit per share								
Basic	$ 0.18	$ 0.55	$ 0.25	0.71	$ 0.40	$ 0.60	$ 0.55	$ 1.08
Diluted	$ 0.18	$ 0.54	$ 0.25	0.70	$ 0.40	$ 0.59	$ 0.54	$ 1.08
Adjusted EBITDA per share								
Basic	$ 1.33	$ 1.40	$ 1.06	0.95	$ 0.93	$ 1.16	$ 1.04	$ 1.03
Diluted	$ 1.32	$ 1.39	$ 1.05	0.93	$ 0.92	$ 1.14	$ 1.03	$ 1.02

(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 June 30, 2021, the Company continued to make progress on its growth, diversification and innovation agenda. Overall consolidated revenue growth was 29% in the three-month period. The revenue growth was not achieved by compromising margins. In fact, the consolidated gross margin of 25% represents the highest quarterly gross margin performance in company history. In the three-month period ended June 30, 2021, the Company signed $113 million in contracts and ended the period with a realizable backlog of $1,315 million, of which $116 million is expected to be earned during the remainder of fiscal 2021.

	Three months ended		Nine months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Revenues	$ 136,094	$ 105,528	$ 390,765	$ 309,263
Gross profit	33,897	22,531	93,633	66,289
Selling and marketing	4,484	3,187	11,883	9,308
General and administration	13,256	9,848	39,230	28,034
Research and development	1,208	490	3,013	1,340
Profit before under noted items	$ 14,949	$ 9,006	$ 39,507	$ 27,607

Revenue

Consolidated revenues grew 29% in the three-month period, and 26% in the nine-month period ended June 30, 2021 when compared to the same periods in the previous year. The increase in revenue can be attributed to 16% from organic growth, and 13% from acquisitive growth for the three-month period, and 13% for both organic and acquisitive growth for the nine-month period. We measure our growth through acquisition on a 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.

Learning posted growth of 63% over the same quarter of the previous year. Learning was impacted in the previous year with stay at home orders and government imposed restrictions on customers sites. Comprehensive Training Solutions (CTS) and Cadence Consultancy were acquired in Q4'20 and Q1'21, respectively, and contributed to Learning revenue growth.

Similarly, IT and Cyber Solutions saw growth of 60% over the same quarter of the previous year, which can be attributed to contributions from Dapasoft and iSecurity, acquired in Q2'21.

Health revenue increased by 16% over the same quarter of the previous year. The first wave of the COVID-19 pandemic occured during Q3'20 and prompted Health customers to reach out to Calian for pandemic response support, including screening services and vaccine clinics.

Advanced Technologies posted growth of 22% over the same quarter of the previous year, largely due to market diversification strategies and acquisitive revenue growth.

The impacts of COVID-19 continue for the organization 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 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. We expect these circumstances to continue throughout 2021 and this is reflected in our estimates. Despite the business impacts, COVID-19 has generated new opportunities in our Health segment, including the execution of 19 pop-up vaccine clinics and seven rapid testing initiatives for customers including the Government of Alberta and McCain Foods.

Gross Profit

As can be seen in the detailed discussions of each segment, performance and gross margin by segment varies greatly from 16% to 26%, and the business mix in turn affects our consolidated gross margin. Gross margins for the Q3 were 25% - a new high for the company. This is the result of several initiatives, 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 $1,297 for the three-month period and $2,575 for the nine-month period ended June 30, 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 acquisitions. This is compared to a period in the prior year where selling and marketing efforts were significantly reduced due to COVID-19 restrictions.

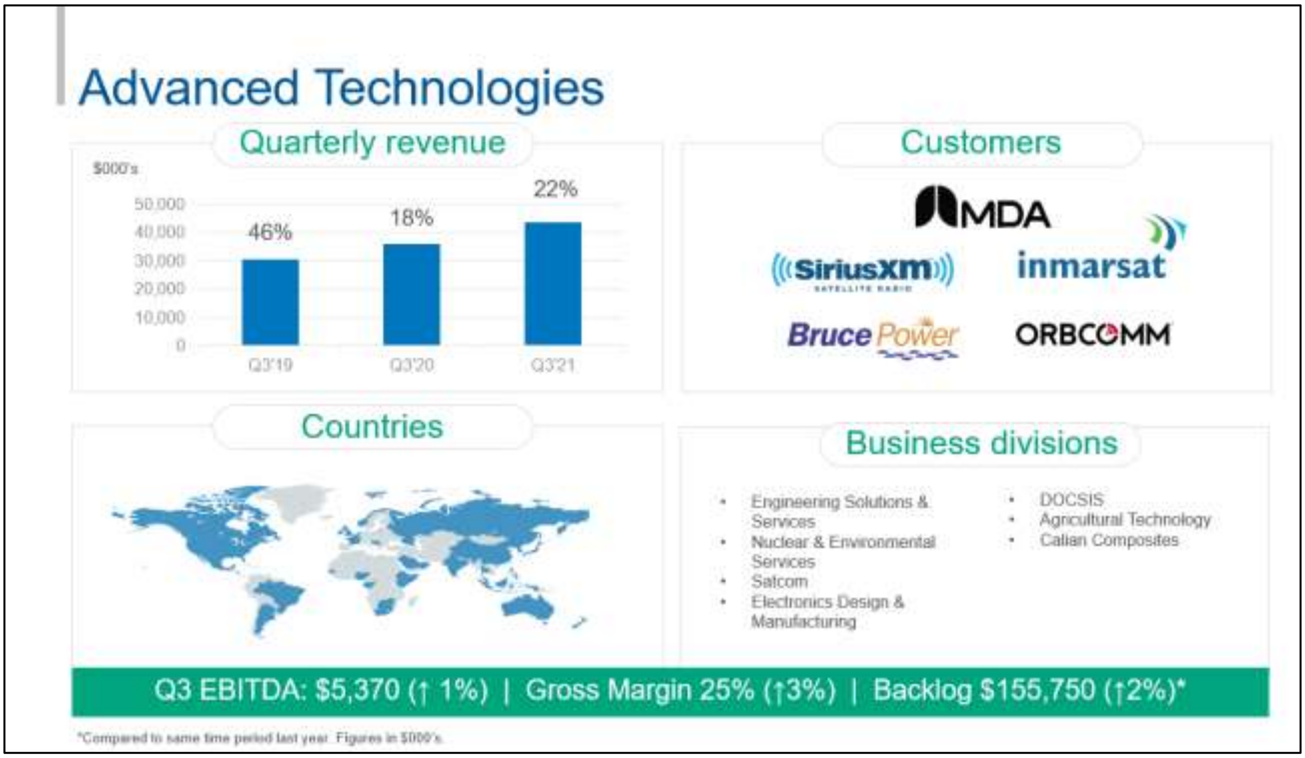
General and administration costs increased by 35% for the three-month period and 40% for the nine-month period ended June 30, 2021, compared to the same periods of the previous year. The increase is the result of investments within the four operating segments to enable project delivery, as well as cost acquired through recent acquisitions, increased costs in relation to share equity plans and the one-time costs of $2,000 incurred in the nine-month period ended June 30, 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 $718 in the three-month period, and $1,673 for the nine-month period ended June 30, 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.

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

	Advanced Technologies	Health	Learning	IT and Cyber Solutions
Revenue	$43,802 ↑ 22%	$50,800 ↑ 16%	$18,113 ↑ 64%	$23,279 ↑ 60%
Gross margin	$10,758	$12,889	$4,334	$5,916
Organic/acquisitive	12% / 10%	16% / Nil	52% / 11%	4% / 56%
New contract signings	$43,040	$28,748	$10,176	$34,508
Backlog	$155,751	$807,090	$266,980	$85,654

Advanced Technologies



The 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.

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.

Our 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 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 recent acquisition, manufactures Global Navigation Satellite System products that have a wide range of uses across many industries, including electric vehicle manufacturing. 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 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		Nine months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Revenues	$ 43,802	$ 35,912	$ 123,862	$ 115,813
Gross profit	10,758	8,526	30,296	26,967
Selling and marketing	2,054	1,181	5,521	3,859
General and administration	2,407	1,671	7,164	4,898
Research and development	927	308	2,298	1,039
Profit before under noted items	$ 5,370	$ 5,366	$ 15,313	$ 17,171

Advanced Technologies' revenues increased by 22% for the three-month period, and 7% for the nine-month period ended June 30, 2021 compared to the same periods in the previous year. The revenue increase in the three-month period is primarily attributable to acquisitive revenue, which makes up 10% of the total increase, and reflects 9% in the nine-month period ending June 30, 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 June 30, 2021 of InterTronic and Tallysman. Increases in the three-month period offset the decrease in revenue that was observed in legacy products and ground systems projects 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 be impacted by COVID-19. This is evident in both the decrease of product delivery volumes for the mobile wireless product to a 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 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 increased from 24% to 25% for the three-month period and increased from 23% to 24% for the nine-month period ended June 30, 2021, when compared to the same periods of the prior year. This change 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 $873 for the three-month period and $1,662 for the nine-month period ended June 30, 2021, compared to the same periods in the year prior. Increases in the current year can be attributed to consolidation of costs stemming from the acquisition of Tallysman and InterTronic and additional spend in the current year where selling and marketing expenses were significantly reduced by shutdowns and travel restrictions due to COVID-19.

General and administration expenses increased by $736 for the three-month and $2,266 for the nine-month periods ended June 30, 2021, compared to the same period in the year prior due to consolidation of operating costs of recent acquisitions.

Research and development costs increased by $619 for the three-month period, and $1,259 for the nine-month period ended June 30, 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 nine-month periods ended June 30, 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.

Third Quarter Highlights

Entrance in the automotive sector:

Calian is making a significant expansion into the automotive sector, having signed a supply agreement with an electric vehicle manufacturer to provide two products for their upcoming range. The Global Navigation Satellite System (GNSS) Smart Power Splitter and the Accutenna® GNSS antennas will be deployed in electric delivery vehicles, and the Accutenna GNSS antennas will be deployed in the manufacturer's consumer models. Calian adapted and refined the COTS Acutenna technology for this specific project, resulting in a patented antenna that meets exacting requirements for phase-based positioning.

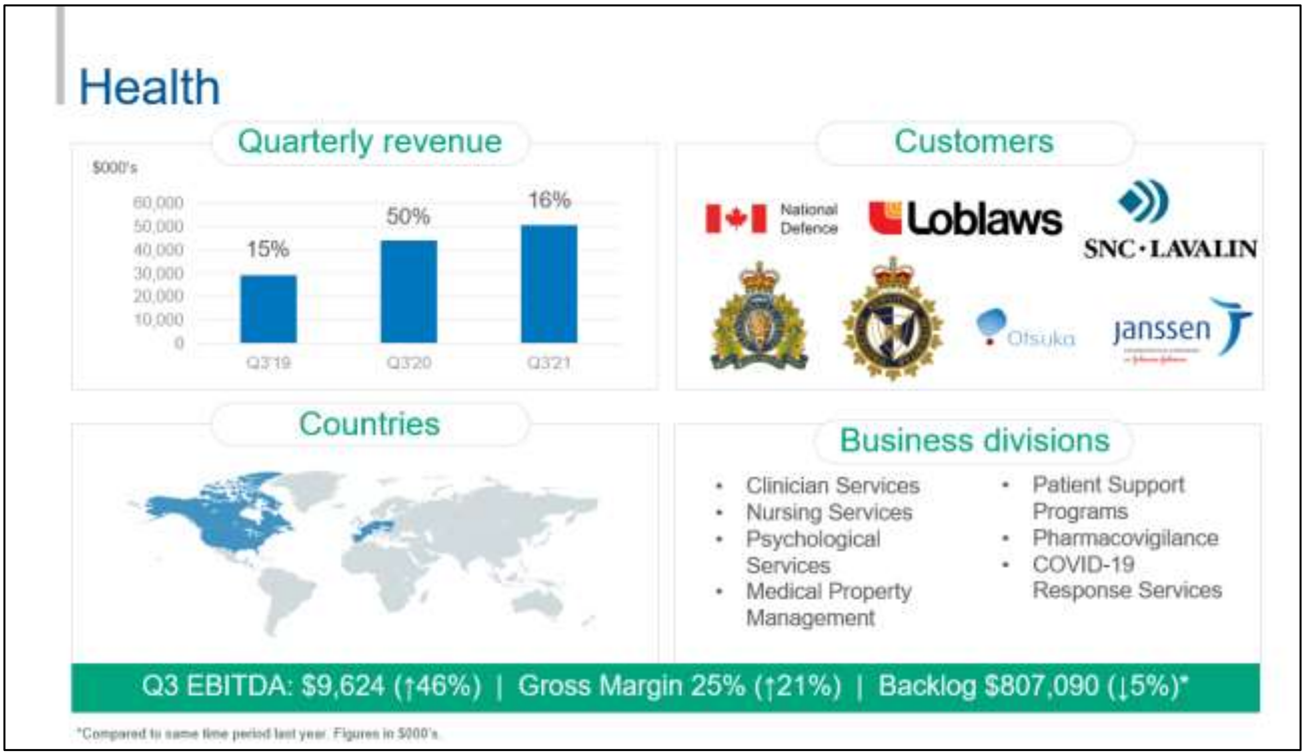
Expansion into IoT market:

ORBCOMM Inc., a global provider of Internet of Things solutions, selected Calian to develop the satellite ground gateway system for ORBCOMM next-generation OGx service, which will provide industrial customers around the world with increased global coverage, battery power, bandwidth and speed.

Product sales:

Sales increased for the newly introduced Decimator D4 spectrum analyser. With the interest in DOCSIS 3.1 networks increasing in the cable industry, sales of cable test products are on the rise as well.

Health



Calian Health is one of Canada's largest national health services organizations with over 20 years of experience in the management of health care professionals and health programs, as well as the management of primary care and occupational health clinics. With a network of over 2,400 healthcare professionals, Calian supports over six million patient visits per year at over 180 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 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.

Financial performance

	Three months ended June 30, 2021	Three months ended June 30, 2020	Nine months ended June 30, 2021	Nine months ended June 30, 2020
Revenues	$ 50,800	$ 43,936	$ 150,770	$ 106,187
Gross profit	12,889	9,250	36,746	22,498
Selling and marketing	634	530	1,845	1,172
General and administration	2,503	1,972	6,929	4,746
Research and Development	128	182	458	301
Profit before under noted items	$ 9,624	$ 6,566	$ 27,514	$ 16,279

Revenues increased 16% for the three-month period and 42% for the nine-month period ended June 30, 2021 when compared to the same periods of the previous year, as a result of new contract wins that relate to the COVID-19 response, growth in our patient support programs, and acquisitive revenue for the 12-month period. Acquisitive growth represented an increase of 19% for the nine-month period ended June 30, 2021 when compared to the same period of the prior year. We measure our growth through acquisition on a 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 Company has seen increased demand for our clinician services and services to remote locations in Northern Canada. Growth year over year can be attributed to COVID-19 screening and vaccination program support. COVID-19 driven growth was also evident in the increased demand in our health care practitioners' contract with the Government of Canada.

Gross margin percentage increased from 21% to 25% for the three-month period and increased from 21% to 24% for the nine-month period ended June 30, 2021 when compared to the same periods of the prior year. The increase in margin is primarily in relation to revenues from acquisitive revenue and a strong focus on delivering to existing customers to increase margin percentage.

Selling and marketing expenses increased by $673 for the nine-month period ended June 30, 2021 when compared to the same period of the previous year due to consolidation of costs from the acquisition of Allphase/Alio and additional spend to grow the customer base in new regions or with new customers.

General and administration expenses increased by $531 for the three-month period and $2,183 for the nine-month period ended June 30, 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 acquisition of Alio/Allphase which was acquired in the second quarter of fiscal year 2020.

Third Quarter Highlights

Response to COVID-19 across Canada:

Calian played a significant role in Canada's COVID-19 response, vaccinating more than 50,000 Canadians at 19 pop-up clinics, all of which used Calian Patient Support Program management software. Ten of these clinics operated simultaneously in COVID-19 hotspots in the Greater Toronto Area, and Prime Minister Trudeau paid a virtual visit to a clinic in Brampton, Ontario. As well, Calian managed seven COVID-19 rapid testing initiatives across Canada, including for the Government of Alberta and Integrated Health Network.

New customer wins:

Customer wins were also a theme for Health in Q3, with the Public Health Agency of Canada hiring Calian on a three-year contract for telehealth triage services and the Government of Nunavut engaging Calian for telehealth and virtual care services. Telehealth and virtual care are evolving as viable solutions for serving multiple geographies. Health also won a contract with Fisheries and Oceans Canada for psychological assessments – a strategic win for the FY22 Psychological Assessments portfolio, further bolstered by Correctional Service Canada extending Psychological Assessment Services to August 2024.

Patient Support Program expansion:

Calian Health secured three new Patient Support Programs: City of Ottawa TB testing, Otsuka Physician Mental Health Portal, and the Otsuka Mental Health Assessments Program.

Trial for on-demand home care:

In the defence space, Health is conducting a pilot with Canadian Forces Morale and Welfare Services to provide on-demand home care for adult dependents of active-duty military. The Military Family Doctor Network, created in 2016, has linked over 3,400 patients with family doctors. In Q4'20 – Q1'21, the Operational Stress Injury Clinic will open, providing care to veterans in the Greater Toronto Area.

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 is to help clients reduce student time-to-competency. Calian 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 June 30, 2021	Three months ended June 30, 2020	Nine months ended June 30, 2021	Nine months ended June 30, 2020
Revenues	$ 18,113	$ 11,110	$ 57,061	$ 43,551
Gross profit	4,334	2,389	13,489	9,122
Selling and marketing	175	252	685	757
General and administration	1,008	637	3,006	2,104
Research and development	-	-	-	-
Profit before under noted items	$ 3,151	$ 1,500	$ 9,798	$ 6,261

Revenue increased by 63% for the three-month period and 31% for the nine-month period ended June 30, 2021 when compared to the same periods of the prior year. Acquisitive growth from Cadence Consultancy and Custom Training Solutions (“CTS”) for the three and nine-month periods ended June 30, 2021 was 11% 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 for customers who are willing to implement remotely.

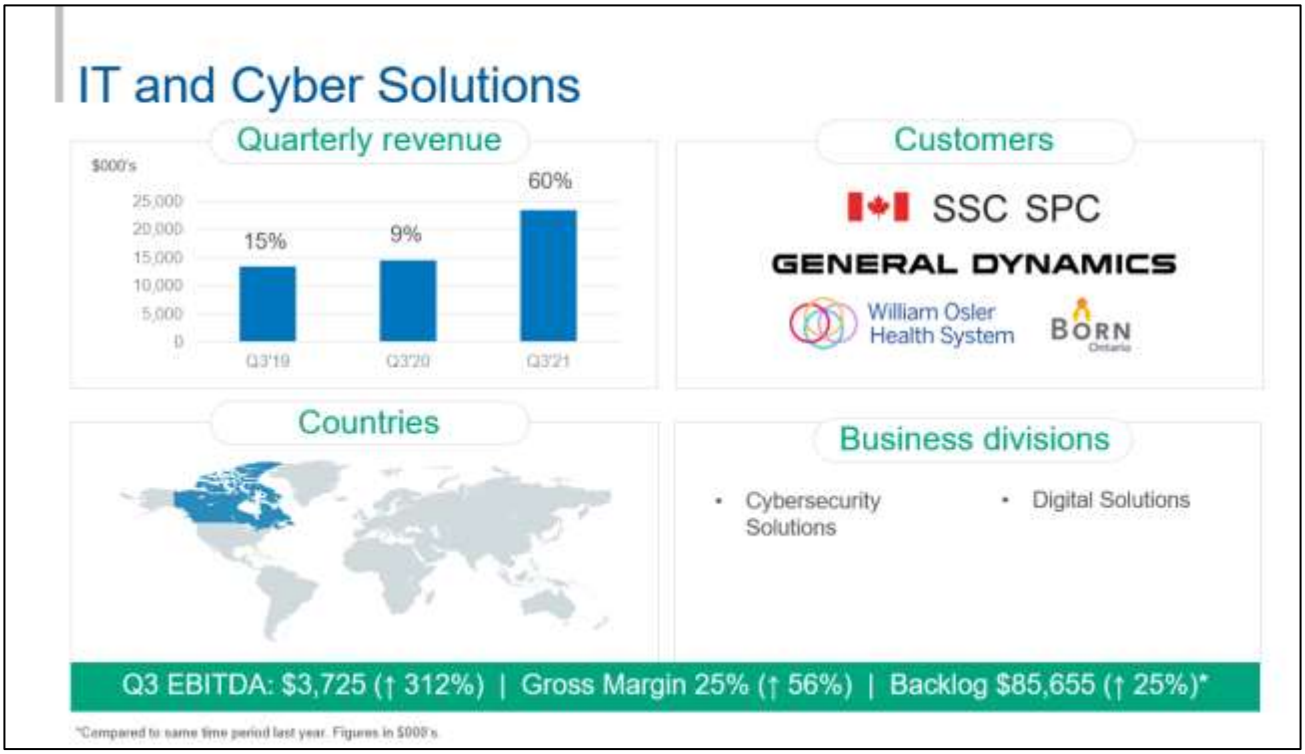
Gross margin has increased from 22% to 24% for the three-month period and from 21% to 24% for the nine-month period ended June 30, 2021 due to a focus on margin efficiency for ongoing projects along with revenue from recent acquisitions being earned at a higher margin. General and administration spending increased by $371 for the three-month period and $902 for the nine-month period ending June 30, 2021 when compared to the same periods of the prior year, resulting from costs attributable to acquisitions completed within the past twelve months.

Third Quarter Highlights

Continued expansion in European defence market:

Learning continues to expand into Europe. The French Ministry of Defence and NATO Rapid Reaction Corps (France) engaged Cadence, a Calian company, for scenario-building, one of France’s main defence/exercise focus areas for 2022-2023. The German Ministry of Defence engaged Calian for the delivery of national-level training exercises. We were also selected by the NATO Security Force Assistance Centre of Excellence (SFA COE) to deliver an Advisor Enhancement Seminar in Italy. Our growing European presence and network is bringing opportunities from NATO member countries as well as a variety of infrastructure and capacity-building funding programs.

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.

Calian 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 as well as offering a managed cyber service solution.

Financial performance

	Three months ended June 30, 2021	Three months ended June 30, 2020	Nine months ended June 30, 2021	Nine months ended June 30, 2020
Revenues	$ 23,379	$ 14,570	$ 59,072	$ 43,712
Gross profit	5,916	2,366	13,102	7,702
Selling and marketing	894	725	2,375	2,047
General and administration	1,144	736	4,679	1,956
Research and development	153	-	257	-
Profit before under noted items	$ 3,725	$ 905	$ 5,791	$ 3,699

Revenues increased by 60% for the three-month period and 35% for the nine-month period ended June 30, 2021, compared to the same periods of the previous year. The growth related to acquisitive revenue is 56% for the three-month period and 30% for the nine-month period. The additional organic growth can be attributed to the growth in demand for our Cyber services.

Gross margin increased from 16% to 25% in the three-month period and from 18% to 22% for the nine-month period ended June 30, 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 increased by $408 in the three-month period and $2,723 for the nine-month period ended June 30, 2021 when compared to the same periods of the previous year. This increase directly relates to one-time acquisition related costs of $1,831 in the nine-month period ended June 30, 2021 and additional general and administrative expenses from the consolidation of recent acquisitions. Excluding the one-time costs related to the acquisition of Dapasoft, EBITDA margins were 12.9% for the nine-months ended June 30, 2021, which compares to 8.5% in the same period of the previous year.

Third Quarter Highlights

Cybersecurity Market Expansion:

iSecurity, acquired by Calian in Q2’21, contributed to ITCS success in Q3 with several wins, including the addition of 24 new clients to the portfolio. Ten of these customers engaged specifically for 24/7 Security Operation Center monitoring. One of the largest customers in the portfolio, a Tier 1 Canadian commercial bank, issued a $1 million contract for the development of a Privileged Identity Strategy. The City of Toronto also issued a contract for cybersecurity assessment as part of the election system review. iSecurity has been involved with the COVID-19 response, running Incident Response for hospitals and keeping hospital systems operational to deal with the influx of COVID-19 patients.

Product Recognition:

Dapasoft, also acquired by Calian in Q2’21, launched the Corolar Virtual Care (CVC) solution in five healthcare networks, serving more than five million people in BC, Ontario and New Brunswick. Microsoft Canada recognized Dapasoft as winner of the 2021 Healthcare Impact Award – the third consecutive year that Dapasoft has been recognized at the annual Microsoft Canada IMPACT Awards.

Summary

The third quarter of 2021 has been a positive one with regards to many of our key performance indicators. Organic revenue growth of 16% as we continue to evolve our go-to market strategies and brand. Acquisitive revenue growth of 13% driven by 6 acquisitions across the Advanced Technologies, Learning and IT operating segments. Gross margins at an all-time high of 25%. 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		Nine months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Net profit	$ 2,063	$ 3,866	$ 10,062	$ 13,475
Depreciation of equipment and application software	1,126	851	3,172	2,007
Depreciation of right of use asset	770	681	2,273	2,037
Amortization of acquired intangible assets	3,200	1,376	8,359	3,482
Lease interest expense	112	120	343	352
Changes in fair value related to contingent earn-out	5,130	393	6,780	889
Interest expense (income)	52	(75)	297	166
Deemed Compensation	750	-	3,100	-
Other changes in fair value	-	-	-	(101)
Income tax	1,746	1,794	5,121	5,300
Adjusted EBITDA	$ 14,949	$ 9,006	$ 39,507	$ 27,607

Adjusted Net Profit and Adjusted EPS

	Three months ended		Nine months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Net profit	$ 2,063	$ 3,866	$ 10,062	$ 13,475
Other changes in fair value	-	-	-	(101)
Changes in fair value related to contingent earn-out	5,130	393	6,780	889
Deemed Compensation	750	-	3,100	-
Amortization of intangibles	3,200	1,376	8,359	3,482
Adjusted net profit	11,143	5,635	$ 28,301	$ 17,745
Weighted average number of common shares basic	11,251,483	9,677,680	10,375,745	8,815,199
Adjusted EPS Basic	0.99	0.58	2.73	2.01
Adjusted EPS Diluted	0.98	0.58	2.71	2.00

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		Nine months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Profit before under noted items	$ 14,949	$ 9,006	$ 39,507	$ 27,607
Depreciation of equipment and application software	1,126	851	3,172	2,007
Depreciation of right of use asset	770	681	2,273	2,037
Amortization of acquired intangible assets	3,200	1,376	8,359	3,482
Other changes in fair value	-	-	-	(101)
Deemed Compensation	750	-	3,100	-
Changes in fair value related to contingent earn-out	5,130	393	6,780	889
Profit before interest income and income tax expense	$ 3,973	$ 5,705	$ 15,823	$ 19,293
Lease interest expense	112	120	343	352
Interest expense (income)	52	(75)	297	166
Income tax expense	1,746	1,794	5,121	5,300
Net profit	$ 2,063	$ 3,866	$ 10,062	$ 13,475
Net profit per share, basic	0.18	0.40	0.97	1.53
Total assets	465,400	331,053	465,400	331,053
Dividends per share	0.28	0.28	0.84	0.84

Depreciation increased by $275 in the three-month period, and $1,165 in the nine-month period ended June 30, 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 $12 in the nine-month period ended June 30, 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 third quarter 2021 financial statements in note 10.

Amortization of acquired intangible assets has increased by $1,824 in the three-month period and $4,877 in the nine-month period ending June 30, 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 $4,737 in the three-month period and $5,891 in the nine-month period ended June 30, 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 $750 for the three-month period, and $3,100 for the nine-month period ended June 30, 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.

Finally, the Company reports its results on a fully taxed basis. The provision for income taxes for the three-month period ended June 30, 2021 was $1,746, which compares to the $1,844, in the same period of the previous fiscal year. The provision for income taxes for the nine-month period ended June 30, 2021 was $5,121 which compares to the $5,306, 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 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 June 30, 2021 was $1,315 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 June 30, 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.

- $3M Metrolinx Cybersecurity resources contract win
- $5M Defence Research and Development Support Exercises for Security Sciences contract win
- $7M Shared Services contract amendment
- $9M Additional purchase orders from General Dynamics on existing programs
- $17M Government of Ontario COVID-19 Emergency Vaccine Administrative Support contract win
- $3M Alberta Schools COVID-19 rapid testing contract win
- $15M Ground systems Contracts
- $5M OrbComm Earth Station Equipment

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 $250 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 June 30, 2021

Contracted backlog	$	710,319
Option renewals		855,058
	$	1,565,377
Management estimate of unrealizable portion		(249,902)
Estimated Realizable Backlog	$	1,315,475

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	$ 37,617	$ 72,634	$ 45,499	$ 155,750
Health	43,909	133,873	629,308	807,090
Learning	17,146	55,126	194,708	266,980
Information Technology	17,681	40,576	27,398	85,655
Total	$ 116,353	$ 302,209	$ 896,913	$ 1,315,475

Statement of Cash Flows

	Three months ended		Nine months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Cash flows from operating activities before changes in working capital	$ 12,966	$ 9,287	$ 31,220	$ 23,204
Changes in working capital	(11,807)	5,438	(12,344)	(26,193)
Cash flows from (used in) operating activities	1,159	14,725	18,876	(2,989)
Cash flows from (used in) financing activities	(58,524)	(836)	67,373	46,855
Cash flows from (used in) investing activities	(6,512)	(802)	(54,434)	(14,705)
Increase (decrease) in cash	$ (63,877)	$ 13,087	$ 31,815	$ 29,161

Operating Activities

Cash inflows from operating activities for the three-month period ended June 30, 2021 were $1,159 compared to cash inflows of $14,725 in the same period of the previous year. On a nine-month basis, cash inflows total $18,876 for the period ended June 30, 2021 when compared to the outflows of $2,989 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 a decrease of $11,807 in the three-month period ended June 30, 2021, and stood at a net balance of $111,018.

Factors related to the overall change in working capital were: increase in work in process in the current three-month period of $9,000 as larger projects have not yet met milestones for billing, and additional smaller projects from recent acquisitions ramp up to billing milestones. Accounts receivable increases are also impacting the cash flow from working capital as well in the period due to higher revenue amounts and timing of collections.

Financing Activities

Lease payments

The Company has made payments of $771 for the three-month period and $2,251 for the nine-month period ended June 30, 2021 when compared to the payments of $622 and $1,852, respectively for the same periods 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 June 30, 2021. The Company paid dividends totaling $3,150 for the three-month period ended June 30, 2021 or $0.28 cents per share, and $8,670 for the nine-month period then ended, or $0.84 cents per share compared to the same periods of the previous year when the Company paid $2,700 and $7,191, 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 June 30, 2021, the Company paid its credit facility which represented a cash outflow of $55,000. This reflects NIL for the nine-month period ended June 30, 2021. This compares to the nine-month period ended June 30, 2021 where the company repaid its previous credit facility, resulting in an outflow of $13,000.

Shares

Exercises of stock options and issuances of shares under the employee share purchase plan has resulted in cash inflows of $422 for the three-month period, and $2,279 for the nine-month period ended June 30, 2021 when compared to an inflow of $2,487 and $4,186, 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 $2,771 in the three-month period and $4,989 for the nine-month period ended June 30, 2021, when compared to $797 and $3,053, 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 $125 in capitalized research and development in the three-month period and $337 in the nine-month period ended June 30, 2021, when compared to $6 and $1,120, respectively, for the same periods of the prior year.

Acquisitions

The company had no acquisitions in the three-month period, but had a payment of contingent earn out which resulted in a cash outflow of $3,616 in the three-month period ended June 30, 2021. In addition, the company acquired InterTronic, Dapasoft and Cadence in the nine-month period, resulting in a total cash outflow of $49,108 for the nine-month period ended June 30, 2021. In the nine-month period of the previous year, the company had acquired Alio and 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 nine-month period ended June 30, 2020 in Cliniconex as described in Note 11 of the Financial Statements.

Liquidity and Capital Resources

Cash

Calian cash and cash equivalent position was $56,050 at June 30, 2021, compared to $46,296 at June 30, 2020.

Capital resources

At June 30, 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 June 30, 2021.

Related-party transactions

During the three-months ended June 30, 2021 (2020), the Company had sales of $1,121 ($690) to GrainX in which Calian holds a non-controlling equity investment. For the nine-months ended June 30, 2021 (2020), the Company had sales of $1,407 ($930). At June 30, 2021 (2020), the Company had an accounts receivable balance with GrainX of $682 ($547) 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 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, 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 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 June 30, 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 June 30, 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 June 30, 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 23% 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 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	$ 500,000	$ 525,000
Adjusted EBITDA	$ 49,000	$ 52,500
Adjusted net profit	$ 34,850	$ 38,150
Anticipated weighted average shares outstanding	10,600,000	

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 sixteen 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 IT segments 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: August 10, 2021

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.