



Management's Discussion and Analysis

For the year ended September 30, 2021

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

The following Management's Discussion and Analysis is dated November 24, 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 November 24, 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

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other partners may be prevented from conducting business activities. This can especially be the case where government authorities mandate shutdowns. Certain countries may also be more heavily impacted where travel restrictions continue for longer periods and full quarantines are in effect. The extent to which the COVID-19 outbreak impacts the Company's results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the virus and the actions to contain its impact. The Company and its employees have transitioned to working remotely where possible and customer delivery has not been materially impacted. The Company is reliant on this alternative work arrangement in order to minimize the impact of outbreak on its financial results.

Business Overview and Strategic Direction

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

Calian primary operating segments are:

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

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

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

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

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

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

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

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

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

This growth strategy led to continued profitable growth in 2021, and record revenues for another annual period. Revenue grew 20% in the annual period ended September 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 in the year ended September 30, 2021, with Health, Learning and ITCS achieving over 20% revenue growth when compared to the same period of the previous year, and Advanced Technologies achieving 9% revenue growth over the previous year.

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

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

Advanced Technologies	Health	Learning	IT and Cyber Solutions
Customers <ul style="list-style-type: none"> • MDA • Sirius XM Satellite Radio • Bruce Power • Inmarsat • ORBCOMM • Department of National Defence 	Customers <ul style="list-style-type: none"> • Department of National Defence • Loblaw • SNC Lavalin • RCMP • Canada Border Services Agency • Otsuka • Janssen • Government of Nunavut 	Customers <ul style="list-style-type: none"> • Department of National Defence • Canadian Armed Forces • City of Ottawa • Bruce Power • NATO • French Ministry of Defence • German Ministry of Defence 	Customers <ul style="list-style-type: none"> • Shared Services Canada • General Dynamics • William Osler Health System • BORN Ontario • Fraser Health
Certifications Excellence Canada ISO 900:2015	Certifications Excellence Canada ISO 900:2015	Certifications Excellence Canada ISO 900:2015	Certifications Excellence Canada SOC II Type 1
21% government revenue	60% government revenue	98% government revenue	46% government revenue

A large portion of our revenues are derived from Canadian sources in the public and private sectors, particularly the Department of National Defence. Through our diversification strategy, we have developed a well-established private sector customer base across Indigenous communities, oil and gas, nuclear, aerospace, defence, satellite, telecom, electric vehicle manufacturing and numerous others. For example, our Health service line includes the administration of over 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. Our Advanced Technologies segment supports global satellite communications and continues to leverage a large global customer base.

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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 \$1,270 million that spans over 10 years in length. Our historically high renewal rate combined with our win strategy provides management confidence in the ability to retain customers.

While federal government spending priorities fluctuate, particularly because of the global pandemic, profitable business does exist for companies who have the financial strength to accommodate slowdowns in government spending, and the discipline to adjust costs to declines in revenue. Our strong back-office capabilities, along with our emphasis on continuous improvement and business development, 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 or recognize revenue for work performed and is also required to pay for statutory holidays. With travel restrictions easing in a number of countries, this impact may be seen to increase in any given period as more vacation and travel is taken. This results in reduced levels of revenues and 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.

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Selected quarterly financial data

(Canadian dollars in millions, except per share data)

	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20
Revenues								
Advanced Technologies	\$ 42.6	\$ 43.8	\$ 42.8	\$ 37.3	\$ 37.6	\$ 35.9	\$ 39.9	\$ 40.0
Health	44.1	50.8	52.9	47.1	56.8	43.9	32.2	30.0
Learning	17.6	18.1	20.9	18.0	14.3	11.1	17.3	15.1
ITCS	23.2	23.4	21.9	13.8	14.4	14.6	15.1	14.1
Total revenue	\$ 127.5	\$ 136.1	\$ 138.5	\$ 116.2	\$ 123.1	\$ 105.5	\$ 104.5	\$ 99.2
Cost of revenue	94.5	102.2	105.0	90.0	100.2	83.0	81.0	79.0
Gross profit	33.0	33.9	33.5	26.2	22.9	22.5	23.5	20.2
Selling and marketing	4.4	4.5	4.0	3.4	3.0	3.2	3.3	2.8
General and administration	14.2	13.3	14.4	11.6	10.0	9.8	9.5	8.6
Research and development	2.0	1.2	1.0	0.8	0.7	0.5	0.4	0.4
Profit before under noted items	12.4	14.9	14.1	10.4	9.2	9.0	10.3	8.4
Depreciation of equipment and application software	1.2	1.1	1.0	1.0	1.0	0.9	0.6	0.5
Depreciation of right of use asset	0.8	0.7	0.8	0.7	0.7	0.7	0.7	0.7
Amortization of acquired intangible assets	3.4	3.2	3.0	2.1	1.7	1.4	1.2	0.9
Other changes in fair value	-	-	-	-	-	-	-	(0.1)
Deemed Compensation	0.8	0.8	0.5	1.9				
Changes in fair value related to contingent earn-out	3.6	5.1	1.3	0.4	(2.8)	0.4	0.3	0.2
Profit before interest and income tax expense	2.6	4.0	7.5	4.3	8.6	5.6	7.5	6.2
Lease interest expense	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Interest expense (income)	0.2	0.1	0.2	-	-	(0.1)	0.2	0.1
Profit before income tax expense	2.3	3.8	7.2	4.2	8.5	5.6	7.2	6.0
Income tax expense	1.4	1.7	1.7	1.7	1.6	1.8	1.8	1.7
Net profit	\$ 0.9	\$ 2.1	\$ 5.5	\$ 2.5	\$ 6.9	\$ 3.8	\$ 5.4	\$ 4.3
Weighted average shares outstanding - Basic	11.3M	11.2M	10.1M	9.8M	9.0M	8.8M	8.8M	7.9M
Weighted average shares outstanding - Diluted	11.3M	11.3M	10.2M	9.9M	9.1M	8.9M	8.9M	8.0M
Net profit per share								
Basic	\$ 0.10	\$ 0.18	\$ 0.55	\$ 0.25	\$ 0.71	\$ 0.40	\$ 0.60	\$ 0.55
Diluted	\$ 0.10	\$ 0.18	\$ 0.54	\$ 0.25	\$ 0.70	\$ 0.40	\$ 0.59	\$ 0.54
Adjusted EBITDA per share								
Basic	\$ 1.10	\$ 1.33	\$ 1.40	\$ 1.06	\$ 0.95	\$ 0.93	\$ 1.16	\$ 1.04
Diluted	\$ 1.09	\$ 1.32	\$ 1.39	\$ 1.05	\$ 0.93	\$ 0.92	\$ 1.14	\$ 1.03

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Fourth Quarter Financial Summary

This fourth quarter unaudited interim condensed consolidated financial summary should be read in conjunction with the annual financial statements along with accompanying notes thereto.

Consolidated Statements of Net Profit

For the years ended September 30, 2021 and 2020 (Canadian dollars in thousands, except per share data):

	Three months ended		Year ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Revenue				
Advanced Technologies	\$ 42,728	\$ 37,570	\$ 166,591	\$ 153,382
Health	44,167	56,848	194,936	163,035
Learning	17,561	14,282	74,622	57,834
ITCS	23,183	14,357	82,255	58,069
Total Revenue	127,639	123,057	518,404	432,320
Cost of revenues	94,535	100,190	391,667	343,164
Gross profit	33,104	22,867	126,737	89,156
Selling and marketing	4,451	3,028	16,334	12,336
General and administration	14,223	9,978	53,454	38,012
Research and development	2,007	658	5,020	1,998
Profit before under noted items	12,423	9,203	51,929	36,810
Depreciation of equipment, application software and research and development	1,112	969	4,285	2,976
Depreciation of right of use asset	781	734	3,054	2,771
Amortization of acquired intangible assets	3,374	1,684	11,731	5,166
Other changes in fair value	-	-	-	(101)
Deemed compensation	906	-	4,006	-
Changes in fair value related to contingent earn-out	3,556	(2,772)	10,336	(1,882)
Profit before interest income and income tax expense	2,694	8,588	18,517	27,880
Lease obligations interest expense	107	123	450	475
Interest expense (income)	63	19	360	185
Profit before income tax expense	2,524	8,446	17,707	27,220
Income tax expense – current	1,752	2,122	8,399	8,171
Income tax expense (recovery) – deferred	(321)	(562)	(1,847)	(1,311)
Total income tax expense	1,431	1,560	6,552	6,860
NET PROFIT	\$ 1,093	\$ 6,886	\$ 11,155	\$ 20,360
Net profit per share:				
Basic	\$ 0.10	\$ 0.70	\$ 1.08	\$ 2.25
Diluted	\$ 0.10	\$ 0.70	\$ 1.07	\$ 2.23

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Consolidated Statements of Cash Flows

For the years ended September 30, 2021 and 2020 (Canadian dollars in thousands):

	Three months ended		Year ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES				
Net profit	\$ 1,093	\$ 6,886	\$ 11,155	\$ 20,360
Items not affecting cash:				
Interest expense (income)	63	19	360	185
Changes in fair value related to contingent earn-out	3,556	(2,772)	10,336	(1,882)
Lease obligations interest expense	107	123	450	475
Income tax expense	1,431	1,560	6,552	6,860
Employee share purchase plan expense	45	78	399	199
Share based compensation expense	428	279	1,935	1,163
Depreciation and amortization	5,267	3,387	19,070	10,913
Deemed compensation	906	-	4,006	-
Other changes in fair value	-	-	-	(101)
	12,896	9,560	54,263	38,172
Change in non-cash working capital				
Accounts receivable	(384)	7,256	(24,114)	(11,676)
Work in process	29,052	(8,508)	30,934	(44,911)
Prepaid expenses	1,513	1,225	(2,752)	(1,271)
Inventory	(496)	(133)	(446)	(328)
Accounts payable and accrued liabilities	(10,022)	2,233	(6,381)	17,251
Unearned contract revenue	(3,297)	(12,314)	6,781	4,501
	29,262	(681)	58,285	1,738
Interest received (paid)	(170)	(142)	(810)	(678)
Income tax recovered (paid)	(1,426)	1,059	(10,933)	(3,813)
	27,666	236	46,542	(2,753)
CASH FLOWS GENERATED FROM FINANCING ACTIVITIES				
Issuance of common shares net of costs	1,005	1,589	79,299	70,488
Dividends	(3,156)	(2,747)	(11,826)	(9,938)
Draw (repayment) on line of credit	-	-	-	(13,000)
Payment of lease obligations	(782)	(656)	(3,033)	(2,508)
	(2,933)	(1,814)	64,440	45,042
CASH FLOWS USED IN INVESTING ACTIVITIES				
Investments and loan receivable	-	-	-	(100)
Business acquisitions	351	(18,855)	(48,757)	(29,288)
Capitalized research and development	(93)	(107)	(430)	(1,227)
Equipment and application software	(2,430)	(1,521)	(7,419)	(4,574)
	(2,172)	(20,483)	(56,606)	(35,189)
NET CASH (OUTFLOW) INFLOW	22,561	(22,061)	54,376	7,100
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	\$ 56,050	\$ 46,296	\$ 24,235	\$ 17,135
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 78,611	\$ 24,235	\$ 78,611	\$ 24,235

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

	Three months ended		Year ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Weighted average number of common shares – basic	\$ 11,271,536	\$ 9,732,754	\$ 10,599,693	\$ 9,044,588
Additions to reflect the dilutive effect of employee stock options and RSU's	75,333	122,603	40,735	59,910
Weighted average number of common shares – diluted	11,346,869	9,855,357	10,640,428	9,104,498

The following table presents the revenue of the Company for the year ended September 30, 2021 and 2020 (Canadian dollars in thousands):

	Three months ended		Year ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Product revenue				
Advanced Technologies	\$ 29,731	\$ 26,420	\$ 113,878	\$ 109,532
Health	147	17,534	4,658	25,184
Learning	-	-	-	-
ITCS	3,391	1,758	13,088	8,357
Total product revenue	\$ 33,269	\$ 45,712	\$ 131,624	\$ 143,073
Service revenue				
Advanced Technologies	\$ 12,997	\$ 11,150	\$ 52,713	\$ 43,850
Health	44,020	39,314	190,278	137,851
Learning	17,561	14,282	74,622	57,834
ITCS	19,792	12,599	69,167	49,712
Total service revenue	\$ 94,370	\$ 77,345	\$ 386,780	\$ 289,247
Total revenue	\$ 127,639	\$ 123,057	\$ 518,404	\$ 432,320

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Segmented information is as follows for three months ended September 30, 2021 (Canadian dollars in thousands):

For the year ended September 30, 2021	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	\$ 42,728	\$ 44,167	\$ 17,561	\$ 23,183	\$ -	\$ 127,639
Cost of revenues	31,449	33,070	13,713	16,303	-	94,535
Gross profit	11,279	11,097	3,848	6,880	-	33,104
Gross profit %	26 %	25 %	22 %	30 %	N/A	26 %
Selling and marketing	1,975	790	181	653	852	4,451
General and administration	2,519	2,919	1,043	1,368	6,374	14,223
Research and development	1,243	115	-	649	-	2,007
Profit before under noted items	\$ 5,542	\$ 7,273	\$ 2,624	\$ 4,210	\$ (7,226)	\$ 12,423
Profit before under noted items %	13 %	16 %	15 %	18 %	N/A	10 %
Depreciation of equipment, application software and R&D						1,112
Depreciation of right of use asset						781
Amortization of acquired intangibles						3,374
Other changes in fair value						-
Deemed compensation						906
Changes in fair value related to contingent earn-out						3,556
Profit before interest income and income tax expense						2,694
Lease obligations interest expense						107
Interest expense (income)						63
Profit before income tax expense						2,524
Income tax expense – current						1,752
Income tax expense – deferred						(321)
Total income tax expense						1,431
NET PROFIT FOR THE PERIOD						\$ 1,093

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Segmented information is as follows for three months ended September 30, 2020 (Canadian dollars in thousands):

For the year ended September 30, 2021	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	\$ 37,570	\$ 56,848	\$ 14,282	\$ 14,357	\$ -	\$ 123,057
Cost of revenues	30,544	46,976	10,955	11,715	-	100,190
Gross profit	7,026	9,872	3,327	2,642	-	22,867
Gross profit %	19 %	17 %	23 %	18 %	N/A	19 %
Selling and marketing	1,136	526	230	724	412	3,028
General and administration	1,559	2,069	778	829	4,743	9,978
Research and development	497	160	-	1	-	658
Profit before under noted items	\$ 3,834	\$ 7,117	\$ 2,319	\$ 1,088	\$ (5,155)	\$ 9,203
Profit before under noted items %	10 %	13 %	16 %	8 %	N/A	7 %
Depreciation of equipment, application software and R&D						969
Depreciation of right of use asset						734
Amortization of acquired intangibles						1,684
Other changes in fair value						-
Changes in fair value related to contingent earn-out						(2,772)
Profit before interest income and income tax expense						8,588
Lease obligations interest expense						123
Interest expense (income)						19
Profit before income tax expense						8,446
Income tax expense – current						2,122
Income tax expense – deferred						(562)
Total income tax expense						1,560
NET PROFIT FOR THE PERIOD						\$ 6,886

Calian Consolidated Results

During 2021, the Company continued to make progress on its four-pillar growth strategy through continued diversification, customer retention and innovation. Overall consolidated revenue growth was 20% for the annual period ending September 30, 2021 when compared to the same period of the previous year. Revenue growth was achieved across all service lines, with the most significant growth coming from our ITCS segment, where revenues have increased by 42% from the year prior. The revenue growth was not achieved by compromising margins. In fact, the consolidated gross margin of 24% represents the highest annual gross margin performance in company history. In the three-month period ended September 30, 2021, the Company signed \$85 million in contracts and ended the period with a realizable backlog of \$1,270 million.

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	Three months ended		Year ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Revenue	\$ 127,639	\$ 123,057	\$ 518,404	\$ 432,320
Gross profit	33,104	22,867	126,737	89,156
Selling and marketing	4,451	3,028	16,334	12,336
General and administration	14,223	9,978	53,454	38,012
Research and development	2,007	658	5,020	1,998
Profit before under noted items	\$ 12,423	\$ 9,203	\$ 51,929	\$ 36,810

Revenue

Consolidated revenues grew 4% in the three-month period, and 20% in the twelve-month period ended September 30, 2021 when compared to the same periods in the previous year. The increase in revenue can be attributed to 8% acquisitive growth, and a 4% decrease in organic revenues for the three-month period, and 12% from acquisitive growth and 8% from organic growth for the twelve-month period. The organic growth is impacted by the one-time delivery of Mobile Respiratory Care Units with the COVID-19 response effort in the fourth quarter of the previous fiscal year. Calian measures growth through acquisition on a trailing twelve-month basis; once the acquisition has been included in our results for twelve months, their contribution is included in the organic growth metric.

IT and Cyber Solutions saw growth of 42% for the year ended September 30, 2021 when compared to the same period of the previous year, which can be primarily attributed to contributions from Dapasoft and iSecurity, acquired in Q2'21.

Learning posted growth of 29% for the year ended September 30, 2021 when compared to the same period of the previous year. Learning was impacted in the previous year with stay at home orders and government imposed restrictions on customers sites. This was mostly recovered in the current year by adapting to restrictions and changing the method of customer delivery. Comprehensive Training Solutions (CTS) and Cadence Consultancy were acquired in Q4'20 and Q1'21, respectively, and contributed to Learning revenue growth.

Health revenue increased by 20% over the previous year, of which 7% is attributable to the Q2'20 acquisition of Alio and Allphase, organic growth across a number of existing customers, and COVID-19 response.

Advanced Technologies posted growth of 9% over the previous year, largely due to market diversification strategies and acquisitive revenue growth.

The revenue mix continues to shift, with 51% from government and 49% from private sector. Comparatively, in FY 2020, this mix was 53% government and 47% private sector and in FY 2019, it was 69% government and 31% private sector. Total non-government revenue grew by 31% compared to FY 2020 and by 140% compared to FY 2019—all while revenue from government contracts increased year over year.

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

Gross Profit

As can be seen in the detailed discussions of each segment, performance and gross margin by segment varies greatly from 18% to 25%, and the business mix in turn affects the consolidated gross margin. Gross margins for the Company's fourth quarter were 26% and for the annual period ending September 30, 2021 were 24%—new highs

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for the company for each respective period. 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 \$1,423 for the three-month period and \$3,998 for the twelve-month period ended September 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 43% for the three-month period and 41% for the twelve-month period ended September 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 twelve-month period ended September 30, 2021 relating to acquisitions costs incurred in the year, including 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 \$1,349 in the three-month period, and \$3,022 for the twelve-month period ended September 30, 2021, compared to the same periods in the prior year. The additional costs are solely the result of research and development costs from recent acquisitions.

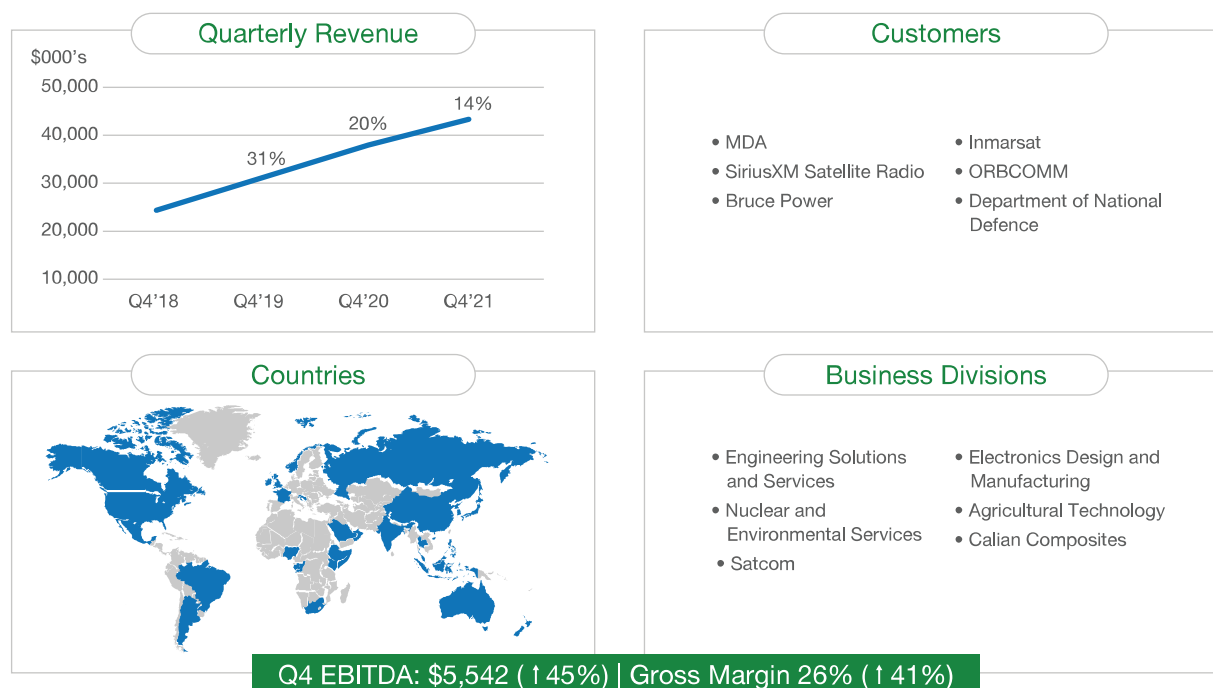
Below is a discussion of the performance of the four operating segments for the fourth quarter, including:

	Advanced Technologies			Health		Learning		IT & Cyber				
Revenue	\$	42,728	+14%	\$	44,167	-22%	\$	17,561	+23%	\$	23,183	+61%
Organic / acquisitive	7% / 7%			-22% / Nil		22% / 1%		9% / 52%				
Gross margin	\$	11,279		\$	11,097		\$	3,848		\$	6,880	
New contract signings	\$	31,858		\$	31,187		\$	4,100		\$	17,469	
Backlog	\$	179,845		\$	898,439		\$	319,283		\$	124,039	

*Comparisons in the above table are made to the three month period ended September 30, 2020 where appropriate.

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

Advanced Technologies



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

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

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

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

Tallysman, an 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.

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

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. The nuclear services team develops and executes comprehensive and cost-effective waste management and decommissioning solutions, and provides a systematic approach to identifying hazards, determining their consequences, and providing recommendations to mitigate identified risks. The scope of these nuclear services includes decommissioning programs, radioactive waste management programs and remediation.

Financial performance

	Three months ended		Year ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Revenue	\$ 42,728	\$ 37,570	\$ 166,591	\$ 153,382
Gross profit	11,279	7,026	41,576	33,991
Selling and marketing	1,975	1,136	7,496	4,995
General and administration	2,519	1,559	9,683	6,457
Research and development	1,243	497	3,542	1,536
Profit before under noted items	\$ 5,542	\$ 3,834	\$ 20,855	\$ 21,003

Advanced Technologies' revenues increased by 14% for the three-month period, and 9% for the twelve-month period ended September 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 7% of the total increase, and reflects 9% in the twelve-month period ending September 30, 2021 when compared to the same period of the previous year. Acquisitive revenue is attributable to revenue from the acquisitions of InterTronic and Tallysman. 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 fourth quarter was a record for SatCom Product Decimator spectrum analyzer sales and saw increased signings for software defined solutions, in addition to strong growth in other legacy Advanced Technologies 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 the 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 19% to 26% for the three-month period and increased from 22% to 25% for the twelve-month period ended September 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 and product sales.

Selling and marketing expenses increased by \$839 for the three-month period and \$2,501 for the twelve-month period ended September 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 \$960 for the three-month and \$3,266 for the twelve-month periods ended September 30, 2021, compared to the same periods in the year prior due to consolidation of operating costs of recent acquisitions, current year acquisition costs for InterTronic, along with investments in headcount and technological capabilities where the prior year's uncertainty around COVID-19 resulted in cost control measures in place throughout the segment.

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

Research and development costs increased by \$746 for the three-month period, and \$2,006 for the twelve-month period ended September 30, 2021, when compared to the same periods of the previous year due to additional research costs incurred from recent acquisitions.

Profitability increased for the three- and twelve-month periods ended September 30, 2021, which is a result of acquisitive revenue, and higher gross margins from acquisitions.

Fourth Quarter Highlights

Record Quarter For Decimator Spectrum Analyzer

Sales of the Decimator D4 spectrum analyzer reached \$1 million this quarter—a record quarter of sales for the product line since it was introduced over seven years ago. The D4 is an innovative evolution to the spectrum analyzer product line, providing additional signal monitoring capabilities and new software applications for customers to improve their service monitoring.

SaskPower Small Modular Reactor Win

SaskPower selected Calian to provide engineering and technical services to support the work required to maintain nuclear power from small modular reactors. The planned outcome is a potential zero emissions power source, ready for use by 2030.

Strong Antenna Portfolio

Tallysman continues to see growth in many of its antenna product lines. The team adapted and refined Accutenna technology for an electric vehicle manufacturer, resulting in a patented antenna that meets exacting requirements for phase-based positioning. The Tallysman portfolio of GNSS application antennas, along with Calian large aperture composite fibre and Intronic steel antenna lines have expanded Calian market reach.

Expansion of Defence Product Development and Manufacturing

Our customers continue to gain confidence in our ability to provide them with reliable components for the military vehicles that they manufacture. US and Canadian defence prime contractors use Calian components, assemblies and harnesses in an increasing number of vehicle models, resulting in \$1.5 million in sales this quarter.

Images From Mercury

The European Space Agency BepiColumbo probe was able to capture its first pictures of Mercury, thanks to Calian antennas that transmit commands to the spacecraft and receive images back as they track the probe through space.

Full Fiscal Year Highlights

Evolving Products

Calian has partnered with another cable test solution provider to develop capabilities to test DOCSIS 4.0 equipment, built on Calian DOCSIS 3.1 intellectual property. This resulted in a development contract of just under \$1 million and the beginning of a partnership with another key player in the cable network industry.

Custom Software Development

Customers like Inmarsat and SiriusXM continue to rely on Advanced Technologies for the provision of highly complex solutions to enable the critical services that they offer. Using a systems engineering approach, Calian subject matter experts work closely with customers to provide solutions that increase the performance of their satellite networks. Customer signings have increased software development backlogs to record levels.

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

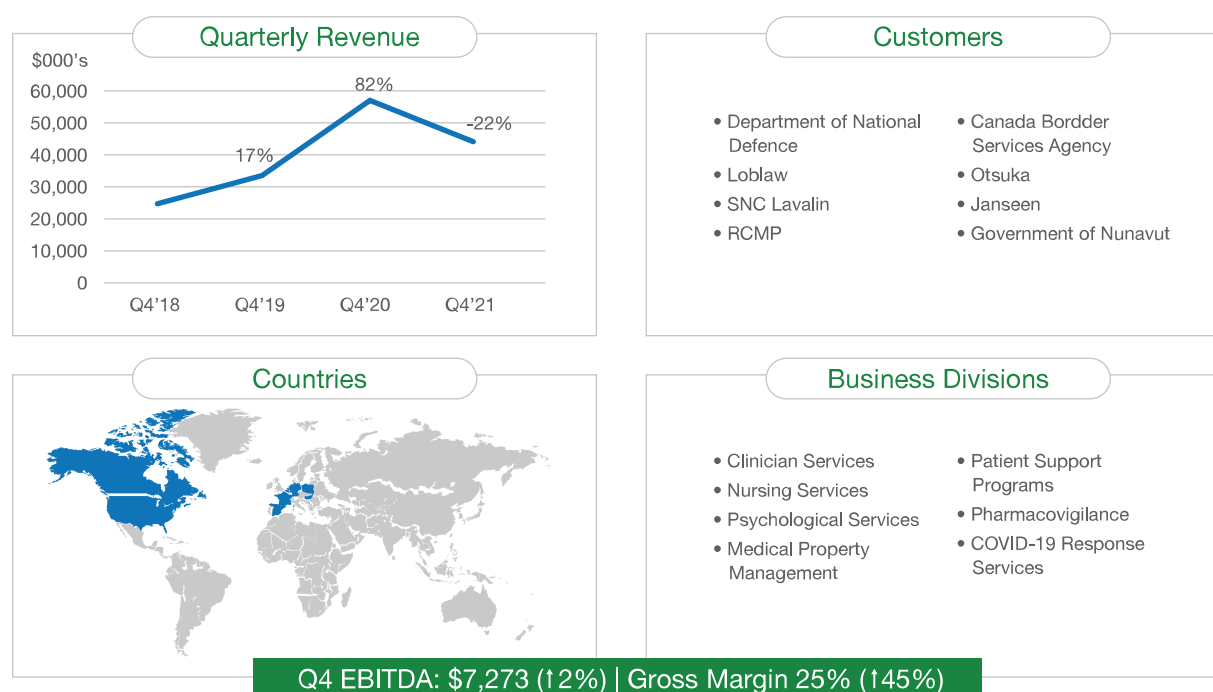
Prioritized Customer Retention

Despite the challenges posed by COVID-19, the team adapted to continue supporting customers worldwide, deploying radio frequency (RF) systems to installations around the globe. These RF systems provide critical satellite communications infrastructure and generate solid revenue for Advanced Technologies.

Increased Demand for Custom Software Solutions

The software development and systems engineering team has grown substantially to support the increased demand for custom software solutions. Particularly, customers are interested in solutions that leverage Calian systems expertise in satellite resource management and network management.

Health



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

Calian has the largest diversified Health footprint in Canada, 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 the 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 vaccination programs, screening, monitoring, contact tracing, education and more.

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

Financial performance

	Three months ended		Year ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Revenue	\$ 44,167	\$ 56,848	\$ 194,936	\$ 163,035
Gross profit	11,097	9,872	47,843	32,370
Selling and marketing	790	526	2,636	1,699
General and administration	2,919	2,069	9,848	6,815
Research and development	115	160	573	460
Profit before under noted items	\$ 7,273	\$ 7,117	\$ 34,786	\$ 23,396

Revenues decreased 22% for the three-month period and increased 20% for the twelve-month period ended September 30, 2021 when compared to the same periods of the previous year. The decrease in the current quarter is primarily a result of the one-time depolyment of Mobile Respiratory Care Units for the pandemic response in the fourth quarter of the prior year, which was completed in the first quarter of the current fiscal year. Revenue growth in the year is a result of expanding scope with existing customers, continued pandemic response, and acquisitive revenue. Acquisitive growth represented an increase of 7% for the twelve-month period ended September 30, 2021 when compared to the same period of the prior year. Growth through acquisition is measured on a trailing twelve-month basis; once the acquisition has been included in results for twelve-months, their contribution is included in the organic growth metric.

The Company has seen increased demand from new and existing opportunities in clinician services and services to remote locations in Northern Canada. Organic 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 the health care practitioners' contract with the Government of Canada.

Gross margin percentage increased from 17% to 25% for the three-month period and increased from 20% to 25% for the twelve-month period ended September 30, 2021 when compared to the same periods of the prior year. The increase in margin is primarily in relation to acquisitive revenue. The fourth quarter of the previous fiscal year was also impacted by the pandemic response related to the Mobile Respiratory Care Units, which was recognized at lower margins.

Selling and marketing expenses increased by \$937 for the twelve-month period ended September 30, 2021 when compared to the same period of the previous year due to consolidation of costs from the acquisition of Alio and Allphase and additional spend to grow the customer base in new regions or pursue new customers.

General and administration expenses increased by \$850 for the three-month period and \$3,033 for the twelve-month period ended September 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 the acquisition of Alio and Allphase, acquired in the second quarter of fiscal year 2020.

Fourth Quarter Highlights

Expansion to Europe

In the fourth quarter, Calian announced an expansion of clinical trial and patient support programs to pharmaceutical customers in eight new markets—the US, Belgium, France, Germany, Hungary, Netherlands, Poland and Spain. The expansion was a direct result of overachieving industry target metrics during a 2020 pharmaceutical clinical trial pilot program, and brings timely, high-quality care to patients in Europe and the US.

Psychological Services Contract

Royal Canadian Mounted Police awarded a multi-year contract for Psychological Services. At \$8 million over five years, this is the largest Psychological Assessments win to date.

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

Full Fiscal Year Highlights

COVID-19 Response

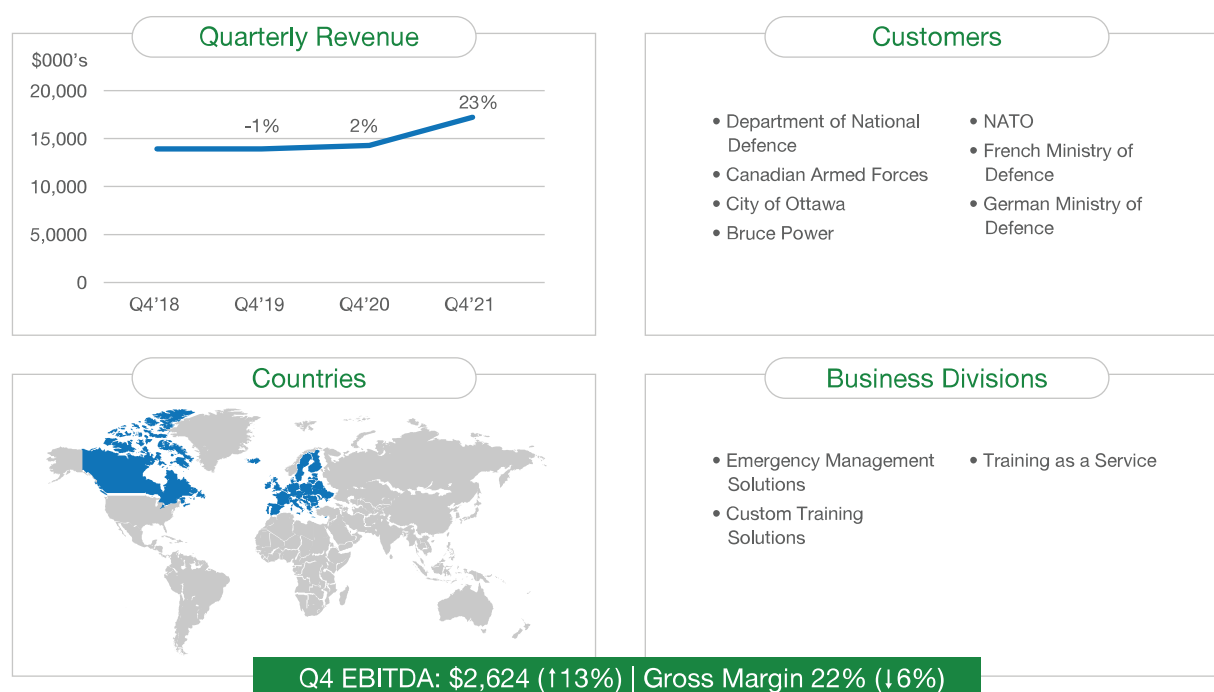
Calian is proud to have played a key role in the response to COVID-19, vaccinating over 300,000 Canadians at 21 different pop-up clinics. 25,000 of these Canadians were vaccinated as part of Operation Remote Immunity, an initiative that ensured access to the COVID-19 vaccine for residents of First Nations' elder care homes and members of Indigenous communities in 31 fly-in northern Ontario locations and Moosonee. Calian was also selected by the Government of Nunavut to provide telehealth services as part of the government's long-term pandemic preparedness strategy. The COVID-19 hotline is staffed by Calian nurses and offers screening, education, monitoring and contact tracing for Nunavummiut, who often live in remote locations a great distance from healthcare services.

Supporting Health needs of Military Families and Veterans

While the Canadian Armed Forces (CAF) provides serving members with complete health care, their family members rely on the provincial health systems, presenting a unique challenge for military families who relocate frequently due to postings. Created in partnership with Military Family Services, a division of Canadian Forces Morale and Welfare Services, the Military Family Doctor Network uses the Calian network of health clinics to help connect military family members with participating physicians. To date, MFDN has referred more than 3,500 family members to physicians.

In 2021, Calian initiated two new pilots to support military families and veterans. The first is the Military Family Patient Support Program, delivered in collaboration with Canadian Forces Morale Welfare Services. This program provides on-demand home care for dependents when active-duty military are called away to meet the demands of their roles. The Veteran Care pilot is focused on the western Ontario catchment of the Operation Stress Injury (OSI) Clinic. Calian assists veterans in securing a family doctor when they are released from the OSI Clinic program, easing their transition to their home community and ensuring continuity of care. To support this program, Calian, in collaboration with Queen's University researchers, produced culturally informed, evidence-based guides for healthcare providers meeting with veterans and veterans meeting with healthcare providers. These guides have been provided to VAC for wider use and distribution.

Learning



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

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

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

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

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

Financial performance

	Three months ended		Year ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Revenue	\$ 17,561	\$ 14,282	\$ 74,622	\$ 57,834
Gross profit	3,848	3,327	17,337	12,451
Selling and marketing	181	230	866	987
General and administration	1,043	778	4,036	2,882
Research and development	-	-	-	-
Profit before under noted items	\$ 2,624	\$ 2,319	\$ 12,435	\$ 8,582

Revenue increased by 23% for the three-month period and 29% for the twelve-month period ended September 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-month period ended September 30, 2021 was 1% and twelve-month periods ended September 30, 2021 was 9% 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 do so.

Gross margin has decreased from 23% to 22% for the three-month period and increased from 22% to 23% for the twelve-month period ended September 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 \$265 for the three-month period and \$1,154 for the twelve-month period ending September 30, 2021 when compared to the same periods of the prior year, resulting from costs attributable to acquisitions completed within the past twelve months and the consolidation of costs related to the acquired entities.

Fourth Quarter Highlights

European Expansion

The Calian footprint continues to grow, with strategic wins in Europe—NATO Command Structure and Battle Staff training, French Ministry of Defence and NATO Security Force Assistance Centre of Excellence, to name a few. Calian is now a leading training provider for NATO.

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

Acquisition of SimFront Simulation Systems Corporation

With the acquisition of Canadian-based SimFront in Q1'22, Calian now offers end-to-end military training and simulation solutions—a “one stop shop” for customers. This acquisition also allows Calian to pursue new opportunities with customers seeking integration and immersive training support, not just in the defence industry but in the healthcare, oil and gas, retail industries and beyond. SimFront augmented, virtual and mixed reality solutions elevate Calian capabilities.

Donation to Northern Alberta Institute of Technology (NAIT)

ResponseReady™ is the industry-leading exercise management and simulation platform that supports the creation, delivery and evaluation of highly realistic exercises that range from large-scale exercises to smaller organizational exercises and drills. Calian donated ResponseReady™ (value of \$500,000) to NAIT, ensuring that students will be fully prepared to respond to disaster, emergency and crisis events.

Full Fiscal Year Highlights

Acquisition of Cadence Consultancy Limited

In the first quarter, Calian acquired UK-based training firm Cadence, which designs, develops and delivers complex training exercises for Joint Forces Training Centre, one of the two multi-national and multi-service collective training centres in NATO, and to the wider NATO audience across Europe. Cadence also delivered operational training to members of the NATO Mission Iraq and NATO Resolute Support Mission in Afghanistan. This acquisition has accelerated the Calian expansion into Europe, allowing Calian to build upon the existing, strong relationship Cadence has with NATO.

Re-Win of Significant Learning Contract

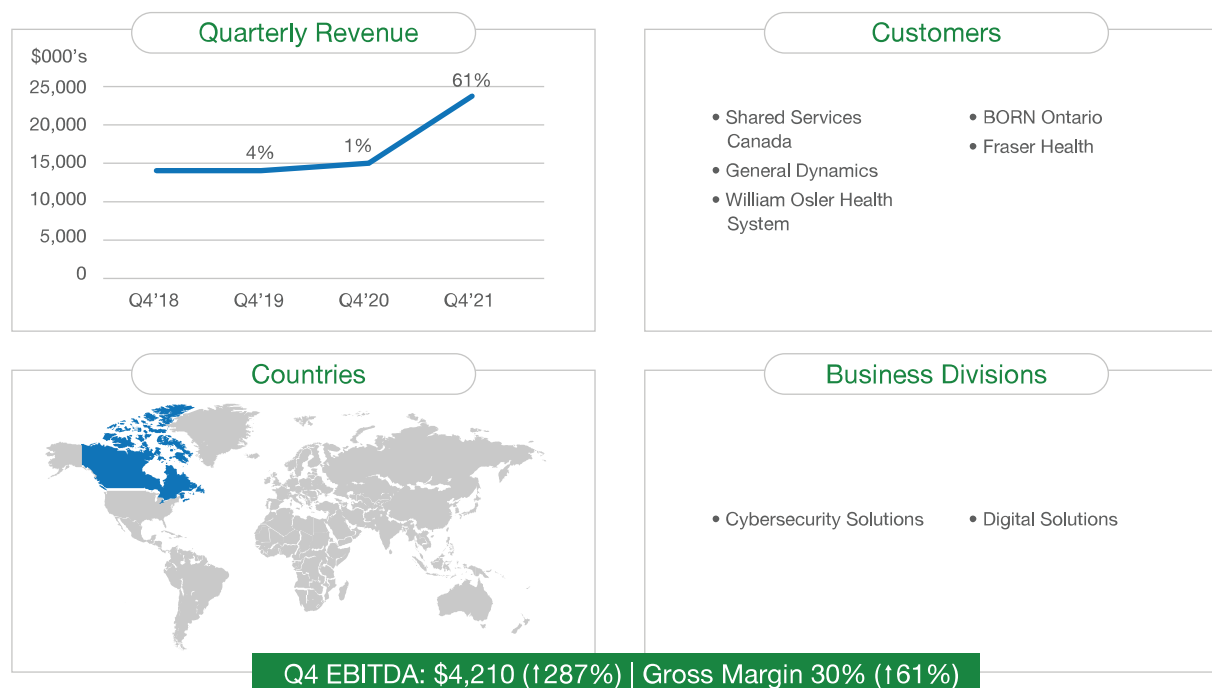
Calian re-won a contract valued at up to \$32.5 million, to provide research assistant services to the Royal Military College of Canada (RMC), a Calian customer for over 20 years. Customer retention is the first pillar of the Calian growth strategy and under this agreement Calian helps RMC University professors equip, prepare and deliver innovative solutions to Canada's extended defence community.

Transition to Distributed Learning Model

For the Canadian Army Simulation Centre, the realities of the global pandemic have accelerated the transition to a distributed learning model. With a distributed learning model, training can be done independently or with a cohort—particularly helpful for those who are deployed. Customers can reach the same level of readiness without having to pull students into a centralized location. The transition to this distributed learning model has enabled contract growth and supported global training initiatives with partners like Directorate of Military Training and Cooperation (DMTC).

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Information Technology and Cyber Solutions



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

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

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

Financial performance

	Three months ended		Year ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Revenue	\$ 23,183	\$ 14,357	\$ 82,255	\$ 58,069
Gross profit	6,880	2,642	19,981	10,344
Selling and marketing	653	724	3,027	2,770
General and administration	1,368	829	6,071	2,785
Research and development	649	1	905	2
Profit before under noted items	\$ 4,210	\$ 1,088	\$ 9,978	\$ 4,787

Revenues increased by 61% for the three-month period and 42% for the twelve-month period ended September 30, 2021, compared to the same periods of the previous year. The growth related to acquisitive revenue is 52% for the three-month period and 35% for the twelve-month period. The additional organic growth can be attributed to the growth in demand for Cyber services.

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Gross margin increased from 18% to 30% in the three-month period and from 18% to 24% for the twelve-month period ended September 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 \$539 in the three-month period and \$3,286 for the twelve-month period ended September 30, 2021 when compared to the same periods of the previous year. This increase directly relates to one-time acquisition related costs of \$1,792 in the twelve-month period ended September 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 14% for the twelve-months ended September 30, 2021, which compares to 8% in the same period of the previous year.

Fourth Quarter Highlights

New President, IT and Cyber Solutions

Sacha Gera joined Calian as the new President, ITCS in the fourth quarter. Mr. Gera has nearly twenty years of experience in SaaS industries, professional services and M&A, working in technology for both start-ups and large multinational organizations, such as IBM, Nortel and CGI. He plans to build on the momentum created by Sandra Cote—who is retiring at the end of the calendar year—to expand the portfolio and position Calian as a cyber and cloud leader in the Canadian, US and European markets.

Winner of 2021 Microsoft Canada Healthcare Impact Award

These annual Canadian awards recognize Microsoft partners that have focused on bettering the lives of Canadians and demonstrated excellence in delivering customer solutions based on Microsoft technology. Dapasoft, a Calian acquisition, won for the third consecutive year, this time for Corolar Virtual Care (CVC), which helps acute care providers quickly roll out premium virtual clinic services.

iSecurity Wins

iSecurity, a recent acquisition in the Managed Security Service Provider (MSSP) space, landed contracts with five new and four existing customers, exemplifying the Calian focus on customer retention and diversification. These contracts range from five to 24 months in length. Contracts span the healthcare, financial, government, insurance and retail industries.

Improving maternal-child health outcomes in Ontario

In the fourth quarter, Calian signed a multi-year extension to an agreement with BORN Ontario. Calian was selected to integrate data from five providers into a single system, ensuring that each individual baby born in Ontario has received all relevant testing to help improve maternal-child health outcomes. The result is better care for Ontario families, and Ontario is positioned as a world leader in prenatal and newborn research.

Full Fiscal Year Highlights

Dapasoft Acquisition

Since being acquired in the second quarter, Dapasoft has made significant, positive contributions, particularly with regard to the Corolar Virtual Care (CVC) solution. CVC was adopted by five healthcare networks serving more than five million Canadians, allowing healthcare providers to offer a premium virtual care experience for patients.

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

Increased Demand for Virtual Care Technologies

Calian continues to benefit from the convergence of two healthcare industry trends: the need for virtual care technologies that enable a seamless patient experience and the rising pressure on hospitals and health teams to increase efficiencies and scale expertise across their networks through care collaboration. Early in the COVID-19 pandemic, we saw customers quickly adopting virtual care as part of their delivery. Now, customers are looking for a strategic partner to help them implement a sustainable model that leverages existing investments while adapting to the changing needs of their communities. An example of this integrated care model is the fourth quarter pilot program for Fraser Health in British Columbia, part of a national focus on finding new ways to deliver mental health services. The Dapasoft solution incorporated integration with the Electric Health Record (EHR) system to eliminate the need for manual patient data entry and online intake forms, reducing time spent on administrative tasks. The result is an improved patient experience with better coordination of care and the option to include multiple providers and family members in a single session.

Summary

In summary, 2021 continued to be a trying time for most, navigating pandemic restrictions and supply chain issues. Despite these challenges, strong leadership and a first-in-class team has led to the Company's strongest performance in its history from both a revenue and gross margin perspective. The Company was quick to pivot delivery methods and service offerings, to continue to deliver trusted products and solutions with a focus on growth. All operating segments saw growth in revenue and margin percentage in the year as they all continue to execute on their innovation strategies. Additionally, the Company signed over \$448,000 in new contract value in the year to increase backlog to \$1,270 million entering into fiscal 2022.

While COVID-19 presented challenges, it also presented opportunities for the Health and ITCS segments. Through pop-up vaccination clinics, rapid testing and screening opportunities and virtual clinic set-ups, the Company was able to deliver over \$15,000 in COVID-19 related services in 2021. These customer requirements will not cease in the near term, rather, they will change as the pandemic continues to evolve.

2021 was an exciting and prosperous year for Calian, with continued growth from M&A through three acquisitions, including the Company's largest acquisition to date in Dapasoft. The company continues to leverage market opportunities for M&A to expand service offerings. This is aligned with the three-year plan to expand customer base and reach new geographies while increasing margins.

The Calian team remains focused on finding additional leverage across each of the segments as they expand their presence, as well as work within Calian to help customers solve significant and complex problems—problems that stand in the way of better health, communications, learning and security.

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

Calian is a diverse company which has consistently demonstrated the ability to provide excellent returns for 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. Calian is an innovative company, proudly Canadian, and focused on sustaining this 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's Discussion and Analysis of Financial Condition and Results of Operations

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		Year ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Net profit	\$ 1,093	\$ 6,886	\$ 11,155	\$ 20,360
Depreciation of equipment and application software	1,112	969	4,285	2,976
Depreciation of right of use asset	781	734	3,054	2,771
Amortization of acquired intangible assets	3,374	1,684	11,731	5,166
Lease interest expense	107	123	450	475
Changes in fair value related to contingent earn-out	3,556	(2,772)	10,336	(1,882)
Interest expense (income)	63	19	360	185
Deemed Compensation	906	-	4,006	-
Other changes in fair value	-	-	-	(101)
Income tax	1,431	1,560	6,552	6,860
Adjusted EBITDA	\$ 12,423	\$ 9,203	\$ 51,929	\$ 36,810

Adjusted Net Profit and Adjusted EPS

	Three months ended		Year ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Net profit	\$ 1,093	\$ 6,886	\$ 11,155	\$ 20,360
Other changes in fair value	-	-	-	(101)
Changes in fair value related to contingent earn-out	3,556	(2,772)	10,336	(1,882)
Deemed Compensation	906	-	4,006	-
Amortization of intangibles	3,374	1,684	11,731	5,166
Adjusted net profit	8,929	5,798	37,228	23,543
Weighted average number of common shares basic	11,271,536	9,732,754	10,599,693	9,044,588
Adjusted EPS Basic	0.79	0.60	3.51	2.60
Adjusted EPS Diluted	\$ 0.79	\$ 0.59	\$ 3.50	\$ 2.59

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

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		Year ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Profit before under noted items	\$ 12,423	\$ 9,203	\$ 51,929	\$ 36,810
Depreciation of equipment and application software	1,112	969	4,285	2,976
Depreciation of right of use asset	781	734	3,054	2,771
Amortization of acquired intangible assets	3,374	1,684	11,731	5,166
Other changes in fair value	-	-	-	(101)
Deemed Compensation	906	-	4,006	-
Changes in fair value related to contingent earn-out	3,556	(2,772)	10,336	(1,882)
Profit before interest income and income tax expense	2,694	8,588	18,517	27,880
Lease interest expense	107	123	450	475
Interest expense (income)	63	19	360	185
Income tax expense	1,431	1,560	6,552	6,860
Net profit	1,093	6,886	11,155	20,360
Net profit per share, basic	0.10	0.71	1.05	2.25
Total assets	457,969	331,053	457,969	331,053
Dividends per share	\$ 0.28	\$ 0.28	\$ 1.12	\$ 1.12

Depreciation increased by \$143 in the three-month period, and \$1,309 in the twelve-month period ended September 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 \$283 in the twelve-month period ended September 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 11.

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

Amortization of acquired intangible assets has increased by \$1,690 in the three-month period and \$6,565 in the twelve-month period ending September 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 \$6,328 in the three-month period and \$12,218 in the twelve-month period ended September 30, 2021 when compared to the same periods of the previous year. This increase is attributable to a change in estimate of Dapasoft contingent earn out payable as the company is outperforming initial expectations, along with an increase in share price for Calian Group Ltd., which causes revaluation of the earn out payable in shares of the company, additional value adjustments to bring the earn out amounts from present value to their fair values anticipated to be paid, slightly offset by a change in estimate of the contingent earn out to pay for EMSEC Solutions who has been underperforming initial expectations and InterTronic Solutions change in estimate relating to the contingent earn out amounts recognized at acquisition date. Deemed compensation increased by \$906 for the three-month period, and \$4,006 for the twelve-month period ended September 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 26 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 September 30, 2021 was \$1,431, which compares to the \$1,560, in the same period of the previous fiscal year. The provision for income taxes for the twelve-month period ended September 30, 2021 was \$6,552 which compares to the \$6,860, 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 September 30, 2021 was \$1,270 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 September 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.

- \$2M Communication Ground Systems contract amendment
- \$7M Data Remediation and Marking of Serialy Managed Material contract amendment
- \$3M Ainsworthiness contract extension
- \$3M COVID-19 Isolation Hubs contract win
- \$5M Virtual COVID-19 Program Services contract win
- \$8M RCMP Psychological Evaluations contract win
- \$13M Tele-Nursing Services contract 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 \$251 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.

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

Contract Backlog as of September 30, 2021

Contracted backlog	\$	660,606
Option renewals		860,999
	\$	1,521,605
Management estimate of unrealizable portion		(251,485)
Estimated Realizable Backlog	\$	1,270,120

Estimated recognition of Estimated Realizable Backlog

	October 1, 2021 to September 30, 2022	October 1, 2022 to September 30, 2023	Beyond September 30, 2023	Total
Advanced Technologies	\$ 95,275	\$ 28,611	\$ 26,778	\$ 150,664
Health	144,786	120,816	510,145	775,747
Learning	58,175	50,103	156,433	264,711
Information Technology	49,767	17,856	11,375	78,998
Total	\$ 348,003	\$ 217,386	\$ 704,731	\$ 1,270,120

Statement of Cash Flows

	Three months ended		Year ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Cash flows from operating activities before changes in working capital	\$ 11,300	\$ 10,477	\$ 42,520	\$ 33,681
Changes in working capital	16,366	(10,241)	4,022	(36,434)
Cash flows from (used in) operating activities	27,666	236	46,542	(2,753)
Cash flows from (used in) financing activities	(2,933)	(1,814)	64,440	45,042
Cash flows from (used in) investing activities	(2,172)	(20,483)	(56,606)	(35,189)
Increase (decrease) in cash	\$ 22,561	\$ (22,061)	\$ 54,376	\$ 7,100

Operating Activities

Cash inflows from operating activities for the three-month period ended September 30, 2021 were \$27,666 compared to cash inflows of \$236 in the same period of the prior year. On a twelve-month basis, cash inflows total \$46,542 for the period ended September 30, 2021 when compared to outflows of \$2,753 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) has a positive affect on cash flows by a increase of \$16,366 in the three-month period ended September 30, 2021, and stood at a net balance of \$89,998, which is at its lowest level in over 4 quarters.

Factors related to the overall change in working capital were: decrease in work in process in the current three-month period of \$29,000 as larger projects are rapidly hitting milestones in the fourth quarter. Accounts receivable is flat, even with the \$29,000 of billings from work in process which were predominantly collected by year end. This is offset by a decrease in accounts payable of \$6,000 as previous quarterly cash management had come due.

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

Financing Activities

Lease payments

The Company has made payments of \$782 for the three-month period and \$3,033 for the twelve-month period ended September 30, 2021 when compared to the payments of \$656 and \$2,508, 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 September 30, 2021. The Company paid dividends totaling \$3,156 for the three-month period ended September 30, 2021 or \$0.28 cents per share, and \$11,826 for the twelve-month period then ended, or \$1.12 cents per share compared to the same periods of the previous year when the Company paid \$2,747 and \$9,938, 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 and twelve month periods ended September 30, 2021, the Company had NIL drawn or paid on its credit facility. This compares to the twelve-month period ended September 30, 2021 where the company repaid its previous credit facility, resulting in a 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 \$1,005 for the three-month period, and \$3,299 for the twelve-month period ended September 30, 2021 when compared to an inflow of \$1,589 and \$5,782, 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 Markets 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 \$2,430 in the three-month period and \$7,419 for the twelve-month period ended September 30, 2021, when compared to \$1,521 and \$4,574, 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 \$430 in the twelve-month period ended September 30, 2021, when compared to \$107 and \$1,227, respectively, for the same periods of the prior year.

Acquisitions

The company had no acquisitions in the three-month period, but had incoming receipt from the settlement of closing transaction price with Dapasoft which resulted in a cash inflow of \$351 in the three-month period ended September 30, 2021. In addition, the company acquired InterTronic, Dapasoft and Cadence in the twelve-month period, resulting in a total cash outflow of \$48,757 for the twelve-month period ended September 30, 2021. In the twelve-month period of the previous year, the company had acquired Alio and Allphase, CTS and EMSEC which resulted in a cash outflow of \$29,288.

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

Investments

No investment was made in the current period compared to a \$100 minority investment made in the twelve-month period ended September 30, 2020 in Cliniconex as described in Note 12 of the Financial Statements.

Liquidity and Capital Resources

Cash

Calian cash and cash equivalent position was \$78,611 at September 30, 2021, compared to \$24,235 at September 30, 2020.

Capital resources

At September 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 September 30, 2021.

Related-party transactions

During the year ended September 30, 2021 (2020), the Company had sales of \$1,729 (\$1,160) to GrainX in which Calian holds a non-controlling equity investment. At September 30, 2021 (2020), the Company had an accounts receivable balance with GrainX of \$66 (\$130) 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.

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

Contingent liabilities

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

Loss allowance

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

Judgments:

Financial instruments

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

Business combinations

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

Accounting policy for equipment and intangible assets

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

Deferred income taxes

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

Input methodology for project completion

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

Management conclusion on the effectiveness of disclosure controls

The Chief Executive Officer and the Chief Financial Officer of the Company, after evaluating the effectiveness of the Company's disclosure controls and procedures as of September 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's Discussion and Analysis of Financial Condition and Results of Operations

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 September 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 September 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:

- Downturn or slowed growth in the global or Canadian economy could affect customers' ability to purchase the Company's products and services.
- The recent delays in the global supply chain and scarcity of materials may impact the Company's ability to secure the materials and components required to meet customers' needs and contractual obligations. Inflationary prices may also cause a decrease in customer spending which would negatively impact future sales.
- The international response to the spread of COVID-19 has led to significant restrictions on travel, temporary 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 COVID-19 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 business, financial condition and results of operations.
- The Company conducts acquisitions and faces risks associated with those acquisitions and the integration of the acquired business.
- The Company has experienced significant growth in recent years, due to a combination of numerous acquisitions, its ability to generate new business, entry into new domestic and international markets, the diversification of product and service offerings, and customers' increased demand for the Company's products and services. The Company's future growth could be impeded by external factors such as slow economic growth, inflation, redundancy of certain products or services, loss of market share to competitors, limited resources to funds growth, or a variety of other factors. Moreover, the business could be harmed if the Company fails to manage its growth effectively.
- 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.
- 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's success depends on the engagement and contributions of senior management personnel, including the Chief Executive Officers. Any changes to the management team, including the hiring or departing of executives, could be disruptive to the business.
- 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.

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

- There is a risk in all fixed-priced 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.
- 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 a loss of revenue.
- 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.
- The Company is subject to foreign exchange risk in that approximately 22% 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 risks related to its foreign operations.
- The Company's brand and reputation play an important role in its ability to maintain existing customers and generate new business. Any public criticism of the Company's operations could be distracting to management, costly, time consuming and harm the brand and reputation.
- Many of the Company's solutions rely upon imbedded or external software to deliver goods and services. Any software defects or security vulnerabilities could lead to service interruptions and impact the Company's ability to deliver its products and services.
- Any fraudulent, malicious or accident breach of the Company's 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 competes in industries that are subject to many intellectual property rights including patents.
- 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.
- The Company is exposed to environmental and health and safety regulations associated with its manufacturing activities.

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.

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

Short-term outlook

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

Long-term outlook

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

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

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

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

The Health, Learning and ITCS segments' professional services are adaptable to many different markets. Currently, the strength of these segments lies in providing professional services, solutions, and delivery services across Canada with a significant portion of this work currently with the Department of National Defence. Recently these segments have been successful in diversifying their customer base and evolving their service offerings. Management believes that for the long term, the public and private sector will continue to require Health, Learning and ITCS services from private enterprise to achieve their business outcomes. As to the current outlook, the federal government continues to spend on priority programs and, while there is general uncertainty as to the extent of demand from this customer, at least in the short-term, spending seems to have stabilized. With recent investments in sales, marketing, acquisitions and success in new markets outside of the federal government, these segments are better positioned to manage through any potential government spending downturns. Recent acquisitions have also bolstered the performance of these segments and it is expected that, overall, the acquired companies will continue to meet and exceed the financial targets established as part of the acquisitions.