

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2022

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

The following Management's Discussion and Analysis (MD&A) is dated February 14, 2023 and should be read in conjunction with the unaudited interim condensed consolidated financial statements. Calian aligns its accounting policies 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 has been prepared in accordance with the requirements of the Canadian Securities Administrators.

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

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

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

The Company cautions that the forward-looking statements in this MD&A are based on current expectations as at February 14, 2023, 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.

Coronavirus

The outbreak of the coronavirus, or COVID-19, was declared a pandemic by the World Health Organization on March 11, 2020. The virus spread across the globe and impacted worldwide economic activity. The public health pandemic may continue to pose the risk that the Company and its employees, contractors, suppliers,

and other partners may be prevented from conducting business activities. This can especially be the case where government authorities mandate shutdowns. Certain countries may continue to 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 a variant and the actions to contain its impact. The Company and its employees transitioned to working remotely where possible and customer delivery was not materially impacted. The Company remains reliant on this alternative work arrangement to minimize the impact of outbreak on its financial results and will continue to monitor the appropriate time to adjust our work and delivery model. The Company is also exposed to effects from supply chain disruptions as a result of COVID-19. Inability to obtain components in a timely manner can impact the timing of our delivery to our customers.

Russia/Ukraine Conflict

On February 24, 2022, Russia attacked Ukraine. Impact on worldwide economic activity may occur. It is possible that the Company may experience, among other things, supply chain disruptions, shipping delays, labour shortages, and inflationary pricing pressures adversely affecting the business as a result of the conflict. These risks may be further exacerbated by the COVID-19 market impacts discussed above. The extent to which the conflict impacts the Company's results will depend on future developments that are highly and uncertain and cannot be predicted. A donation made to support Ukrainians demonstrates our social responsibility principles.

Seasonality

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 quarters 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. 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.

Executive Overview

Calian is a diversified and growing company that operates in Canada, the US, and Europe. Its growth strategy is achieved organically and through disciplined capital deployment on M&A. Calian has acquired 13 companies in the past five years.

Four-Piston Engine

The Company's four-segment operating model—referred to as its Four-Piston Engine of Diversity—is pivotal to its transformational success. The four operating segments include:

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

This model provides diversity and stability. The model enables Calian to capitalize on unique opportunities during upturns in some markets while weathering downturns in others.

Four-Piston Engine. One Company.

Today, Calian is a diverse products and services company providing innovative healthcare, communications, learning and cybersecurity solutions. The Company is headquartered in Ottawa, Ontario, and has locations in the United States, Germany, Norway, and the UK. The Company is uniquely positioned to solve the significant

and complex problems its customers face so that these companies are better able to succeed and deliver on their objectives.

Mission Purpose: Calian helps the world communicate, innovate, learn, and lead safe and healthy lives - today and tomorrow.

Values: The principles of Customer-first Commitment, Teamwork, Integrity, and Innovation, guide the decisions made by Calian.

Culture: Every Calian employee brings their “A” game for every client, works hard and works together using collaboration to gain a powerful advantage. Calian attracts and challenges great people and great partners.

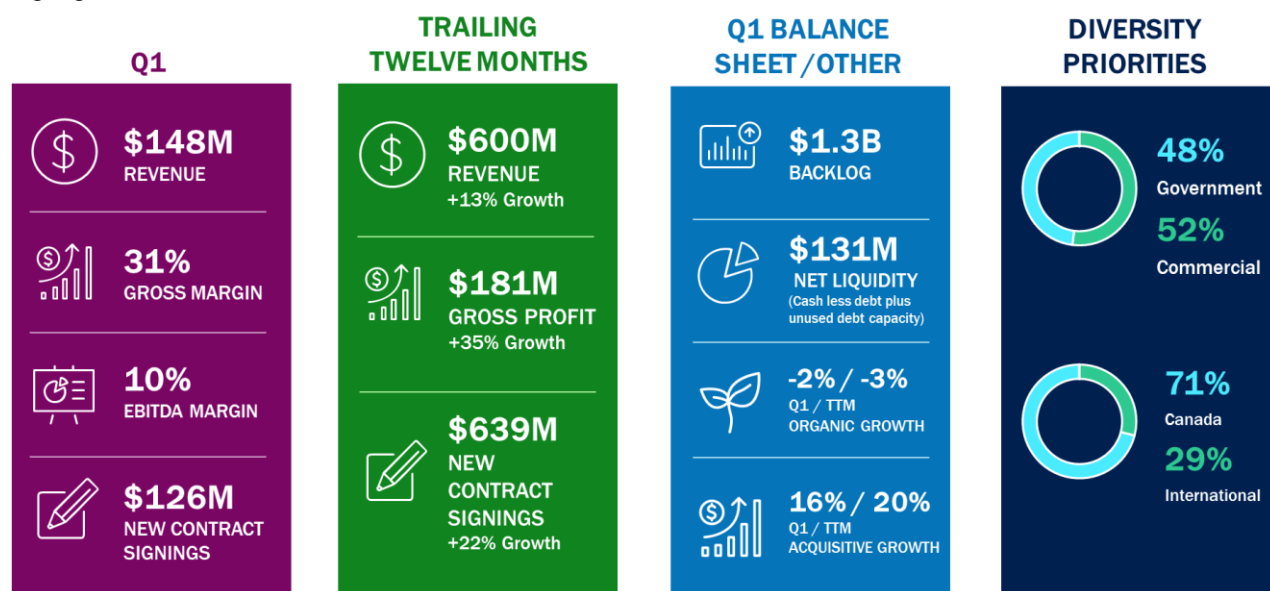
Four Pillars of Growth

While the four operating segments are diverse, each is anchored by the Company’s common four-pillar framework for growth.

- **Customer Retention:** Through continued delivery excellence, each segment maintains relationships with their valued customer bases, thus earning more revenue through expanded scopes of existing contracts.
- **Customer Diversification:** Through continued diversification, each segment increases its percentage of revenue derived from winning non-government contracts, from commercial activity in global markets, and from increasing product offerings—both acquisitive and organic.
- **Innovation:** Through continued investment in acquisitive and organic growth, each segment increases its differentiation thus improving gross margins.
- **Continuous Improvement:** Through continued leverage of innovation, the Company streamlines processes and scales its back-office support capability.

Q1 Consolidated Dashboard

The four segments operate as a single company. Key performance indicators (KPIs) for the Company are highlighted in this dashboard.



First Quarter Highlights

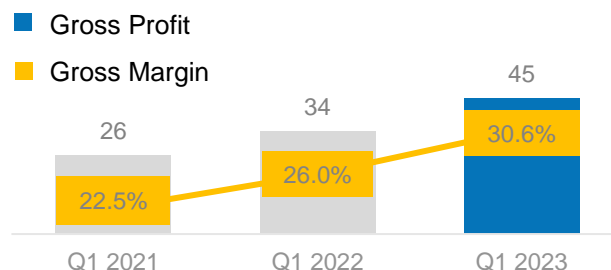
The Company's ability to grow revenue and expand margins is continuing its profitable growth into another successful quarter. Consolidated revenue growth was 14% in the three-month period ended December 31, 2022, which brings the trailing twelve-month revenues to over \$600 million.

Gross margin performance continued to trend upwards, with now the last three consecutive quarters in excess of 30%. Gross margins have increased by over 4 points from the first quarter in the prior year, all while revenue is increasing at double digits and the Company deals with the macro environment of inflation.

Cash flow performance was strong in the quarter. The Company ended with a balance of \$58 million, an increase of \$16 million in the quarter. This was achieved through progress on reducing working capital, and the continued track record of solid cash flow conversion. Operating free cash flow in Q1 was \$12.1 million. This represents an increase of 24% from the same period of the prior year, and gives the Company an ending cash balance of \$58 million, allowing for additional growth opportunities through investments.

Gross Profit & Margin

(in millions of \$, except margin)



Operating Free Cash Flow (OFCF)

(in millions of \$)



Selected Quarterly Financial Data

(Canadian dollars in millions, except per share data)

	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21
Revenues								
Advanced Technologies	\$ 34.3	\$ 30.5	\$ 39.2	\$ 39.6	\$ 41.1	\$ 42.6	\$ 43.8	\$ 42.8
Health	40.4	39.4	39.7	45.4	42.4	44.1	50.8	52.9
Learning	26.4	21.8	22.3	24.8	22.8	17.6	18.1	20.9
ITCS	46.4	68.8	48.8	32.3	23.2	23.2	23.4	21.9
Total Revenue	\$ 147.5	\$ 160.5	\$ 150.0	\$ 142.1	\$ 129.5	\$ 127.5	\$ 136.1	\$ 138.5
Cost of revenue	102.3	110.4	104.5	102.2	95.8	94.5	102.2	105.0
Gross profit	45.2	50.1	45.5	39.9	33.7	33.0	33.9	33.5
Selling and marketing	11.1	13.1	9.6	5.3	4.5	4.4	4.5	4.0
General and administration	17.4	17.0	18.0	16.6	13.8	14.2	13.3	14.4
Research and development	2.4	1.0	1.8	1.2	1.4	2.0	1.2	1.0
Profit before under noted items	14.3	19.0	16.1	16.8	14.0	12.4	14.9	14.1
Depreciation of equipment and application software	2.3	2.4	2.3	1.4	1.2	1.2	1.1	1.0
Depreciation of right of use asset	1.0	1.0	1.0	0.9	0.8	0.8	0.7	0.8
Amortization of acquired intangible assets	3.4	3.5	3.4	10.1	3.6	3.4	3.2	3.0
Deemed Compensation	0.1	3.3	-	0.2	0.7	0.8	0.8	0.5
Changes in fair value related to contingent earn-out	0.7	2.3	0.7	1.6	1.0	3.6	5.1	1.3
Profit before interest and income tax expense	6.8	6.5	8.7	2.6	6.7	2.6	4.0	7.5
Lease interest expense	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Interest expense (income)	-	-	0.1	0.1	0.1	0.2	0.1	0.2
Profit before income tax expense	6.7	6.4	8.5	2.4	6.5	2.3	3.8	7.2
Income tax expense	2.1	5.4	1.8	1.1	2.2	1.4	1.7	1.7
Net profit	\$ 4.6	\$ 1.0	\$ 6.7	\$ 1.3	\$ 4.3	\$ 0.9	\$ 2.1	\$ 5.5
Weighted average shares outstanding - Basic	11.6M	11.4M	11.3M	11.3M	11.3M	11.3M	11.2M	10.1M
Weighted average shares outstanding - Diluted	11.7M	11.5M	11.4M	11.4M	11.4M	11.3M	11.3M	10.2M
Net profit per share								
Basic	\$ 0.39	\$ 0.10	\$ 0.60	\$ 0.11	\$ 0.38	\$ 0.10	\$ 0.18	\$ 0.55
Diluted	\$ 0.39	\$ 0.10	\$ 0.60	\$ 0.11	\$ 0.38	\$ 0.10	\$ 0.18	\$ 0.54
Adjusted EBITDA per share								
Basic	\$ 1.23	\$ 1.67	\$ 1.48	\$ 1.24	\$ 1.24	\$ 1.10	\$ 1.33	\$ 1.40
Diluted	\$ 1.22	\$ 1.66	\$ 1.47	\$ 1.23	\$ 1.23	\$ 1.09	\$ 1.32	\$ 1.39

Calian Consolidated Results

The Company continued its double-digit growth in the current year with consolidated revenues increasing by 14% in the three-month period ended December 31, 2022 when compared to the same period of the prior year.

Revenue growth was driven from our IT and Cyber segments continued expansion into the US market through our acquisition of Computex, as well as our Learning segment seeing continued demand in the military learning and preparedness market. This was offset by delays in new business in our Health and Advanced Technology groups, as well as short term impact of part shortage preventing us from fulfilling orders in our Advanced Technology and ITCS segments. The impact of the parts shortages resulted in revenue impact of approximately \$10 million and gross margin \$3 million, that we believe will be realized in the balance of fiscal year 2023 as

components become available. The Company's four piston engine continues to be an asset in the environment as any customer cycles or supply chain issues can be mitigated through our diversity.

	Three months ended	
	December 31, 2022	December 31, 2021
Revenues	\$ 147,543	\$ 129,502
Gross profit	45,219	33,654
Selling and marketing	11,143	4,554
General and administration	17,400	13,784
Research and development	2,421	1,354
Profit before under noted items	\$ 14,255	\$ 13,962

Revenues

Consolidated revenues grew 14% in the three-month period ended December 31, 2022, when compared to the same period in the previous year. Acquisitive growth was 16% as a result of our investment in the ITCS US market. This was coupled with organic growth of 11% and 16% in our ITCS and Learning segments. Advanced Technologies and Health posted year over year declines due to timing of new opportunities.

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.

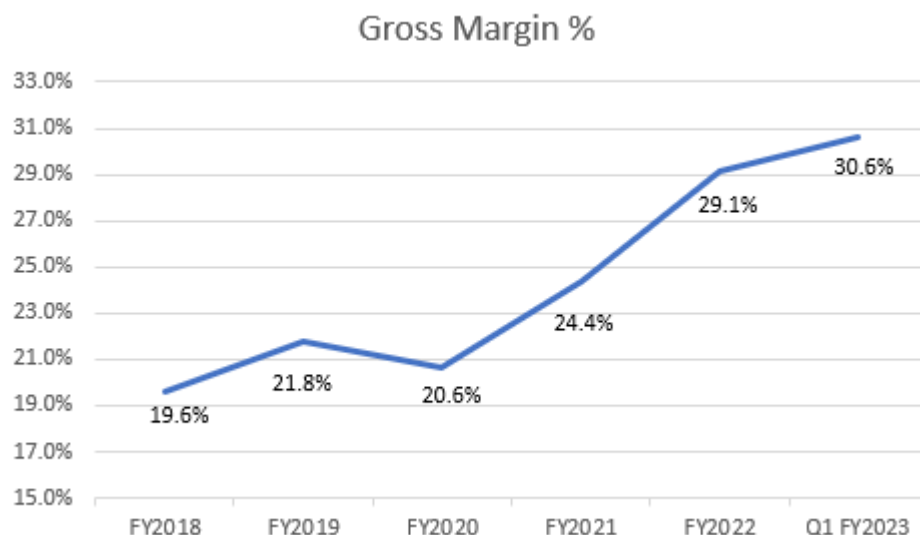
IT and Cyber Solutions grew its revenue by 100% for the three-month period ended December 31, 2022, when compared to the same period of the previous year. This growth was the result of its acquisition of Computex in March 2022 along with continued strong performance of its overall cyber practice.

Learning achieved strong revenue growth of 16% for the three-month period ended December 31, 2022, when compared to the same period of the previous year. This growth is all organic and comes from long standing customers in the legacy Learning business. Customer retention within Learning continues to be a positive driver. With a footprint in multiple countries, the Company sees significant growth opportunities by expanding our scope of services with existing customers.

Advanced Technologies experienced a revenue decline of 17% for the three-month period ended December 31, 2022, when compared to the same period of the previous year. Supply chain delays continue to challenge cause deliveries of customer orders to be pushed to future quarters. In addition, delays in the award of new ground system projects resulted in lower revenues. Gross margin increased significantly as a result of strong demand for our internally developed products.

Health revenue decreased by 5% for the three-month period ended December 31, 2022, when compared to the same period of the previous year. The impact of COVID response contracts ending were 3% when compared to the previous quarter. Our existing contract vehicles and services continue to be stable, and we are investing in various initiatives to attract new health care practitioners to fulfill demand on existing customer contracts.

Gross Profit



As detailed below in each segment, performance and gross margin by segment varies from 24% to 37% and the business mix, in turn, affects the consolidated gross margin. Consolidated gross margin percentage for the Company's first quarter was 31%, which is 4 points up from the same period of the previous year. This is due to several factors, including higher margins derived from products and services which were acquired through the Company's M&A agenda, organic revenues with a focus on market verticals where margins are higher, along with sustained focus on innovation to introduce products which derive higher margins.

Consolidated gross margin percentage has increased by over 10 points since the Company's fiscal year 2018. This has been achieved through several initiatives. These include expansion into new markets, new geographies, expansion into more commercial customers, investment in our own products and strategic M&A investments. As the Company continues its positive trend in converting adjusted EBITDA to operating free cash flow, more investment into this profitable growth is possible.

Operating Expenses

Selling and marketing costs increased \$6,589 for the three-month period ended December 31, 2022, when compared to the same period of the prior year. The overall increase in cost and activity, of which, \$5 million relates to selling and marketing costs from recent acquisitions with incentives on selling activities, in addition to continued spend on business development activities where in the prior year these events or efforts could not take place due to restrictions on events or travel.

General and administration costs increased by 26% for the three-month period ended December 31, 2022, when compared to the same period of the previous year. 17% of the overall increase relates to additional costs consolidated from recent acquisitions, along with investments to sustain delivery capabilities. This includes additional headcount and investment in information technology throughout the Company. Information technology investments are critical for the company's sustained growth agenda.

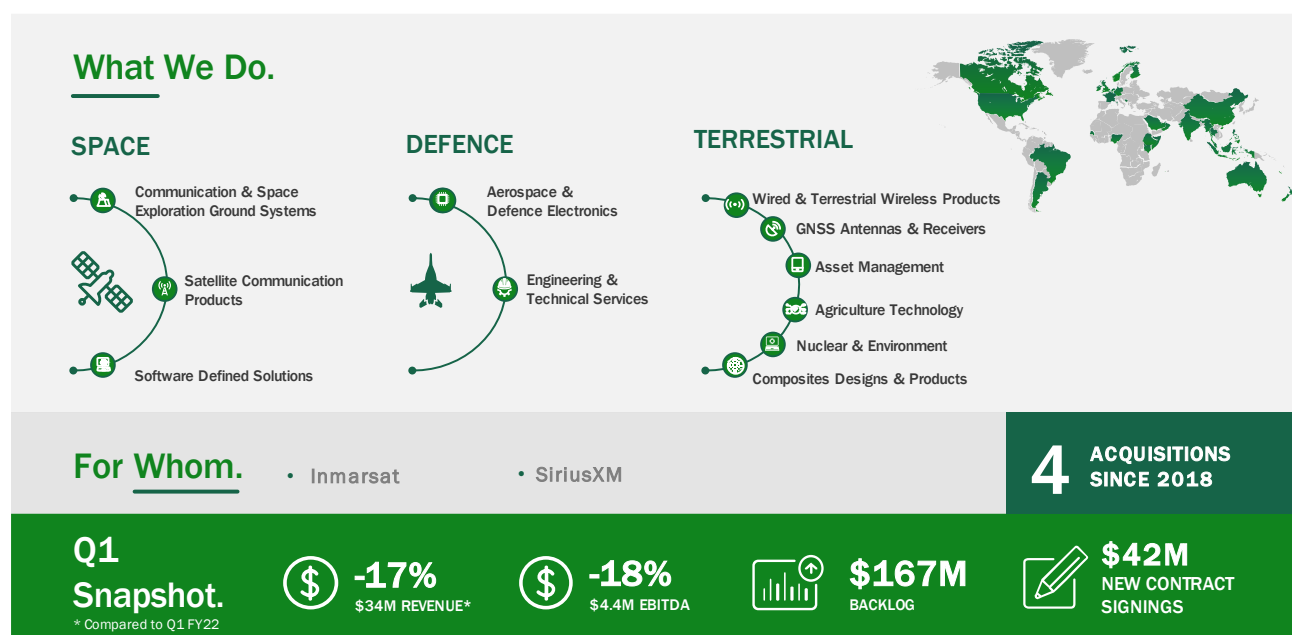
Research and development costs increased by \$1,067 in the three-month period ended December 31, 2022, when compared to the same period in the prior year. The increase in research and development activities is part of the Company's additional investment in organic growth to improve the service and product offerings of the Company.

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

	Advanced Technologies	Health	Learning	ITCS
Revenue	\$34,267 ↓17%	\$40,455 ↓5%	\$26,440 ↑16%	\$46,381 ↑100%
Gross margin	\$11,868	\$9,556	\$6,564	\$17,231
Organic / acquisitive	-17% / NIL	-5% / NIL	16% / NIL	11% / 89%
New contract signings	\$42,388	\$34,201	\$3,897	\$45,569
Backlog	\$167,186	\$690,299	\$313,245	\$102,253

*Comparisons in the above table are made to the three month-period ended December 31, 2021

Advanced Technologies Segment



The Advanced Technologies segment operates in three distinct market verticals. It uses its deep experience and skills in software and development, Radio Frequency (RF) engineering, and hardware development to help customers across these market verticals.

Space	Terrestrial	Defence
Global leader in the provision of sophisticated ground-based solutions to the satellite industry for over 55 years. High availability, high reliability, high performance products and solutions allowing our customers to provide services, orchestrate services, test their capabilities using a combination of software, electronics and mechanical components.	Provides solutions oriented to a variety of markets including wired and terrestrial wireless products, GNSS antennas and receivers, asset management, agriculture technology, nuclear and environment and composites structures designs and fabrication. <ul style="list-style-type: none"> Advanced Cable Network products Precision GNSS location and timing antennas and receivers 	Defence engineering services, solutions and products. Usually in support of large defence prime contractors or government direct. We provide highly reliable aerospace and defense electronics, engineering and technical services. <ul style="list-style-type: none"> Vetronics control modules Vehicle electronics boxes, assemblies and harnesses

<ul style="list-style-type: none"> • Satellite Communication Gateways including large aperture antennas • Satellite/Space Communications products • Space and ground asset command, control and test • Broadcast solutions • Satellite Operations 	<ul style="list-style-type: none"> • Asset management solutions • Crop storage monitoring • Environment and nuclear SMR consulting 	<ul style="list-style-type: none"> • Staffing services for various departments of DND including DRDC • Surveillance and situation awareness
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Q1 Highlights

- Awarded a contract valued at \$12 million by Natural Resources Canada's Canada Centre for Mapping and Earth Observation for two 7.3-meter tri-band antennas to Inuvik and one dual band antenna to Gatineau, including data reception and telemetry, tracking and command equipment.
- Selected by the Canadian Space Agency for research and development funding for our RF over IP product, which will pave the way to the evolution of virtual satellite ground stations.
- Launched a new software product called "Illuminator" which expands the carrier monitoring capabilities of the Decimator. With Illuminator, customers can monitor their entire set of Decimator D4 and/or D3 spectrum analyzers at multiple remote sites on a single screen.
- Awarded a 3-year \$4.8 million contract for the Nuclear Emergency Management program.
- Booked \$6.6 million of signings in our Ag-Tech product for delivery in the spring and summer of 2023.
- Received \$7 million in new orders for GNSS products.

Financial Performance

	Three months ended	
	December 31, 2022	December 31, 2021
Revenues	\$ 34,267	\$ 41,167
Gross profit	11,868	10,734
Selling and marketing	2,942	2,036
General and administration	2,683	2,215
Research and development	1,818	1,118
Profit before under noted items	\$ 4,425	\$ 5,365

Advanced Technologies' revenues decreased by 17% for the three-month period ended December 31, 2022, when compared to the same periods of the previous year. The revenue decrease in the three-month period is attributable primarily to a large-scale project scaling down while new contracts are experiencing delays in signing or starting. The segment was able to book \$42 million in new signings which will drive revenue in the coming quarters.

Supply chain shortages impacted the realization of customer backlog in the quarter of approximately \$5 million. We expect these orders to be fulfilled in the remainder of fiscal 2023 as parts are forecasted to arrive in the coming months.

Momentum in our GNSS business continues to be a strength with 38% growth from the first quarter in the previous year. This is driven by current customers where our products are designed into their product increasing demand, as well as new customer wins. We have continued to invest in capacity to meet future production needs for this vertical.

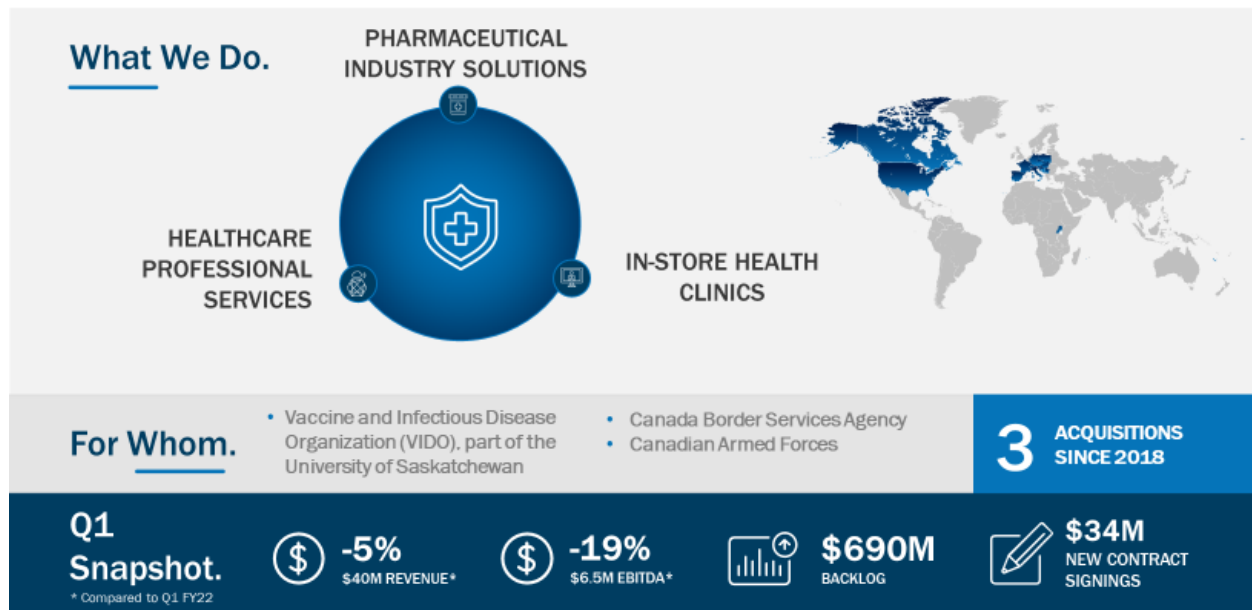
Gross margin percentage increased from 26% to 35% for the three-month period ended December 31, 2022, when compared to the same period of the prior year. The shift into our own products and software solutions over the last several years is showing its impact this quarter. These verticals deliver higher gross margins than our traditional ground-based antenna business and are becoming a larger portion of the revenue mix.

Sales and marketing expenses increased by \$906 for the three-month period ended December 31, 2022, when compared to the same period in the prior year. The overall increase is due to a higher volume of tradeshow and on-site customer travel as restrictions have fully eased.

General and administration expenses increased by \$468 in the three-month period ended December 31, 2022, as we bring on additional capacity to meet future demand requirements.

Research and development expenses have increased by \$700 in the three-month period ended December 31, 2022, when compared to the same period of the prior year. This increase is the result of various initiatives across ag-tech, GNSS and communication products, and represents a greater focus on developing and evolving our intellectual property.

Health Segment



Calian delivers healthcare and digital health solutions engineered to improve access to high-quality care. The Company's innovations increase efficiencies, protect critical systems, and enable new pathways to better healthcare on a global scale.

Healthcare Professional Services	Pharmaceutical Industry Solutions	In-store Health Clinics
<p>Manage a network of more than 2,800 healthcare professionals delivering primary care and occupational health services:</p> <ul style="list-style-type: none"> 85 classifications of care providers supporting the members of our Canadian Armed Forces ("CAF") Mental health and primary care and dental services to provinces and territories Psychological services to Canada's enforcement agencies Turnkey medical solutions Direct to patient solutions Hospital Health Professional Services and solutions 	<p>Provide clinical trial management services, specialty medication support and market access services to the pharmaceutical industry, all enabled by an innovative healthcare delivery management software:</p> <ul style="list-style-type: none"> Full-service Contract Research Organization (CRO) Functional Service Provider (FSP) Patient Support Programs (PSP) Digital health technology platforms (Nexi and CVC) Go-to-market pharmaceutical program partnerships – driving market access / commercialization 	<p>Design, build and manage all in-store health clinics (148 clinic spaces):</p> <ul style="list-style-type: none"> Medical property management Establish physician practices Clinic design, fit-up and 24x7 support Medical clinic supply chain Advertising and promotion

Q1 Highlights

- Launched a physician portal in support of the Patient Support Program in partnership with a pharmaceutical client. The physician portal is a Nexi website that enables physicians, psychiatrists, and mental health workers across Canada to prescribe a medication, request financial assistance on behalf of a patient and enroll a patient into the Patient Support Program – all in real-time. This makes this portal the first Patient Support Program in Canada to offer a fully digital experience for prescribers.
- Achieved its strongest revenue quarterly performance at Allphase, its full-service Contract Research Organization division.
- Continued strong relationship with pharmaceutical clients in Canada with a renewal of its FSP contracts for an annual revenue value of approximately \$5 million.
- Total signings in our Contract Research Organization business of \$31 million, expanding our long-term backlog of this business into 2024 and beyond.

Financial Performance

	Three months ended	
	December 31, 2022	December 31, 2021
Revenues	\$ 40,455	\$ 42,378
Gross profit	9,556	11,048
Selling and marketing	460	585
General and administration	2,559	2,424
Research and Development	86	93
Profit before under noted items	\$ 6,451	\$ 7,946

Revenues decreased 5% for the three-month period ended December 31, 2022, when compared to the same period of the previous year. In the previous two fiscal years, the Company saw significant demand for both new and existing contracts relating to COVID-19 response. This began to slow in the latter half of fiscal 2022, and the end of this surge demand resulted in 3% decline when compared to the previous year. In order to deal with the evolving health care landscape, and the shortage of specific skillsets, we are investing in multiple initiatives to recruit new professionals to realize unfulfilled demand on existing customer contracts. Strong signings this quarter in our pharmaceutical business will result in growth as delivery ramps up in the coming quarters.

Gross margin percentage declined slightly to 24% for the three-month period ended December 31, 2022, when compared to the same period of the prior year.

Operating expenses remained consistent compared to the previous year. Investments will be made in coming quarters to increase recruiting capacity to fully utilize existing customer contracts, as well as investments to drive new business.

Learning Segment

What We Do.



For Whom.

- EU/UK Ministries of Defence
- NATO
- Department of National Defence
- St. Joseph's Hospital

2 ACQUISITIONS
SINCE 2018

Q1 Snapshot.

* Compared to Q1 FY22

\$ +16%
\$26M REVENUE*

\$ -2%
\$4.2M EBITDA*

\$313M
BACKLOG

\$4M
NEW CONTRACT
SIGNINGS

Military, all levels of government, and commercial clients leverage the Company's expertise in military training and simulations solutions and learning.

Domestic Defence	Global Defence	Commercial
Provides simulation-based training for the Canadian Armed Forces. This includes individual training for skills development and collective training to sustain readiness.	Provides a range of military training for NATO member countries, including scenario development, concept development, and delivery of complex exercises.	Develops and delivers more engaging, efficient and cost-effective learning programs for companies.
	<ul style="list-style-type: none"> • Providing end-to-end training solutions, including design, development, delivery, and evaluation of training exercises • Support after-action-review (AAR) of training, to understand the effectiveness of training • Developing a synthetic training environment for all participants • System-agnostic architecture, to allow any simulation system to connect into the synthetic environment • Immersive training solutions for individual competency development (VR/AR/MR/XR) • Operational applications for simulation-to-C2 and automate voice recognition 	<ul style="list-style-type: none"> • Curriculum design and development • Facilitation and delivery • Immersive learning solutions • Learning strategy and consulting • Measurement and evaluation • Workforce development • Learning staff augmentation

Q1 Highlights

- Signed several new commercial clients including Conestoga College and Centennial College, along with Government customers including Canadian Department of Foreign Affairs and International Trade
- Continued development of features for our command and control software in cooperation with NATO
- Delivered seminars to Military students from 13 Latin America and Caribbean countries
- Represented Canadian Armed Forces at training events in Columbia, Tunisia and Bosnia and Herzegovina
- Delivered two large NATO exercises in Europe - Steadfast Jupiter and Steadfast Jackal

Financial Performance

	Three months ended	
	December 31, 2022	December 31, 2021
Revenues	\$ 26,440	\$ 22,782
Gross profit	6,564	5,733
Selling and marketing	549	334
General and administration	1,432	1,117
Research and development	405	-
Profit before under noted items	\$ 4,178	\$ 4,282

Revenue increased by 16% for the three-month period ended December 31, 2022, when compared to the same period of the prior year. This growth in the segment is organic, and comes from increased demand on ongoing projects, along with new programs that we have implemented for long standing customers. Our ability to bring proven solutions in short order is key in this rapidly changing environment and is valued by our existing customers. We have continued to expand to new nations in Europe based on work with NATO, and bid on new engagement for both software and training services.

Gross margin percentage of 25% remained consistent for the three-month period when compared to the same period of the previous year as the segment focuses on holding or increasing margins as revenues grow.

Selling and marketing expenses increased by \$215 in the three-month period ended December 31, 2022, when compared to the same period of the previous year. This is due to increased travel and attendance at tradeshow which has led to new business wins with expanded revenues. General and administration expenses increased by \$315 for the three-month period ended December 31, 2022, when compared to the same period of the prior year, which is a result of supporting the growth in the segment domestically, and its global expansion. Research and development expenses increased by \$405 in the three-month period ended December 31, 2022, when compared to the same period of the previous year. These expenses are related to the additional investment in our internally developed software used in the delivery of our virtual training and learning services.

IT & Cyber Solutions Segment

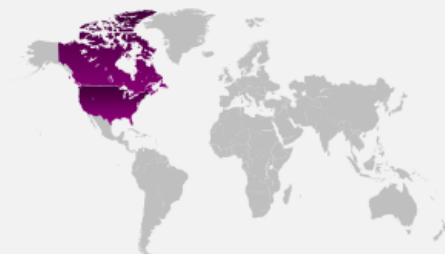
What We Do.

ON-DEMAND TALENT
AND GOVERNMENT
SOLUTIONS



IT SOLUTION
PROVIDER

XAAS & CYBER MDR



For Whom.

- Department of National Defence
- General Dynamics Mission Systems
- Coterra
- Omni Logistics

4 ACQUISITIONS
SINCE 2018

Q1
Snapshot.

* Compared to Q1 FY22



+100%
\$46M REVENUE*



+93%
\$7.2M EBITDA



\$102M
BACKLOG



\$46M
NEW CONTRACT
SIGNINGS

Calian creates enterprise value through a wide range of products and solutions that solve complex problems for the Company's customers.

On-demand Talent and Government Solutions	IT Solution Provider	XaaS & Cyber MDR
<ul style="list-style-type: none"> • IT/Cyber Talent Resourcing • Application Modernization • RF Emission & Bug Sweeping • Drone Mitigation 	<ul style="list-style-type: none"> • Enterprise Architecture • Tech. Advisory & Engineering • Public/Hybrid Cloud Migration • Data Centre Builds • Firewalls & Network Security • Wireless & SD-WAN 	<ul style="list-style-type: none"> • Outsourced IT & Cyber Ops. • Cyber Consulting, Audits • Fractional CISO/CIO • Cyber Incident Response • Data Breach Remediation IT Infra. Monitoring & Mgmt.

Q1 Highlights

- Invested \$2 million USD in Field Effect Software, Series A to broaden eco-system into SMB space and broaden our product portfolio around Cyber Range capability
- Achieved SOC 2 Type 2 certification in Canada (iSecurity) cyber operations
- Won Cisco Meraki Gold partner
- Awarded a cybersecurity contract with Ontario Health

Financial Performance

	Three months ended	
	December 31, 2022	December 31, 2021
Revenues	\$ 46,381	\$ 23,175
Gross profit	17,231	6,139
Selling and marketing	5,847	786
General and administration	4,111	1,495
Research and development	112	143
Profit before under noted items	\$ 7,161	\$ 3,715

Revenues increased by 100% for the three-month period ended December 31, 2022, when compared to the same period of the previous year. The growth in this quarter is primarily attributed to the strong performance achieved due to our expansion into the US marketplace. Acquisitive growth was 89% in the period. In addition to strong performance from our US expansion, we posted organic growth of 11% as continued to win new customers in Canada for our cyber security offerings. Product sales were impacted in the quarter as a result of significant deliveries in the final weeks of our fourth quarter of fiscal year 2022, and supply chain issues faced in the current quarter of approximately \$5 million which management believes will be realized in the remaining quarters in fiscal 2023. The company expects product sales will increase throughout the balance of fiscal 2023 as we continue to see robust demand, and we address the remainder of the customer backlog due to supply chain shortages.

Gross margin increased from 26% to 37% in the three-month period ended December 31, 2022, when compared to the same period of the previous year. This is primarily a result of the acquisitive revenue coming at higher margin, but also the expansion of our cyber security offerings within Canada.

Selling and marketing costs have increased by \$5,061 in the three-month period ended December 31, 2022, when compared to the same period of the previous year. This increase can be directly related to additional costs of our expansion into the US marketplace through our acquisition of Computex in March of 2022.

General and administrative expenses increased by \$2,616 in the three-month period ended December 31, 2022, when compared to the same period of the previous year. This increase relates to additional expenses from the consolidation of recent acquisitions, along with additional investments for future growth opportunities between business units in Canada and the US.

Profitability of the segment overall has nearly doubled in the three-month period ended December 31, 2022 when compared to the same period of the previous year. This is a direct result of the revenue growth within the segment and its gross margin expansion.

Summary

The first quarter of fiscal 2023 marked the continued execution of our strategy:

- Strong performance from our recent acquisitions delivering strong acquisitive growth
- Double digit organic revenue growth in both our Learning and ITCS segments
- Significant increase in cash as a result of continued conversion of EBITDA into cashflow, coupled with strong working capital performance

Despite some supply chain delays and slower new business starts in our advanced technology and health segments, we continue to maintain our revenue, EBITDA and adjusted Net Profit guidance for FY23 which will represent our 9th consecutive year with record revenues and 6th consecutive year of double digit-growth.

Our balance sheet and liquidity position remains a strength as we continue to invest time in identifying new acquisition targets across our diverse business.

Short-term Outlook

	Guidance	
	Low	High
Revenue	\$ 630,000	\$ 680,000
Adjusted EBITDA	\$ 70,000	\$ 75,000
Adjusted net profit	\$ 46,000	\$ 50,000

Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures

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

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

Adjusted EBITDA

	Three months ended	
	December 31, 2022	December 31, 2021
Net profit	\$ 4,576	\$ 4,306
Depreciation of equipment and application software	2,297	1,127
Depreciation of right of use asset	1,007	823
Amortization of acquired intangible assets	3,361	3,592
Lease interest expense	111	108
Changes in fair value related to contingent earn-out	742	999
Interest expense	12	51
Deemed Compensation	97	750
Income tax	2,052	2,206
Adjusted EBITDA	\$ 14,255	\$ 13,962

Adjusted Net Profit and Adjusted EPS

	Three months ended	
	December 31, 2022	December 31, 2021
Net profit	\$ 4,576	\$ 4,306
Changes in fair value related to contingent earn-out	742	999
Deemed Compensation	97	750
Amortization of intangibles	3,361	3,592
Adjusted net profit	\$ 8,776	\$ 9,647
Weighted average number of common shares basic	11,630,180	11,299,287
Adjusted EPS Basic	0.75	0.85
Adjusted EPS Diluted	0.75	0.85

Operating Free Cash Flow

	Three months ended	
	December 31, 2022	December 31, 2021
Cash flows generated from operating activities	25,323	4,164
Capitalized research and development	(86)	(114)
Equipment and application software	(714)	(1,330)
Free cash flow	24,523	2,720
Free cash flow	24,523	2,720
Adjustments:		
Change in non-cash working capital	(12,399)	7,048
Operating free cash flow	12,124	9,768
Operating free cash flow per share	1.04	0.86

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. Operating free cash flow measures the Company's cash profitability after required capital spending when excluding working capital changes. 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 IFRS. 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 IFRS. 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 IFRS financial measures. The Company has reconciled adjusted profit to the most comparable IFRS financial measure as shown above.

Consolidated Net Income and Other Selected Financial Information

	Three months ended	
	December 31, 2022	December 31, 2021
Profit before under noted items	\$ 14,255	\$ 13,962
Depreciation of equipment and application software	2,297	1,127
Depreciation of right of use asset	1,007	823
Amortization of acquired intangible assets	3,361	3,592
Deemed Compensation	97	750
Changes in fair value related to contingent earn-out	742	999
Profit before interest income and income tax expense	\$ 6,751	\$ 6,671
Lease interest expense	111	108
Interest expense	12	51
Income tax expense	2,052	2,206
Net profit	\$ 4,576	\$ 4,306
Net profit per share, basic	0.39	0.38
Total assets	523,887	465,400
Dividends per share	0.28	0.28

Depreciation of equipment and application software increased by \$1,170 in the three-month period ended December 31, 2022, when compared to the same period in the year prior due to higher balances of assets across the organization as a result of investment in information technology assets and depreciation from recent acquisitions.

Depreciation of right of use asset has increased by \$184 for the three-month period ended December 31, 2022, which is a result of new leases signed in the last 12 months, along with leases brought on from recent acquisitions.

Amortization of acquired intangible assets has decreased by \$231 in the three-month period ending December 31, 2022 when compared to the same period of the previous year due intangibles acquired from multiple years prior being fully amortized in the prior year. Additionally, amortization incurred from intangibles acquired through Intertronic would not have current year amortization as they were written off in the prior year. Please see note 23 to the financial statements for more information.

Deemed compensation has decreased by \$653 in the three-month period ended December 31, 2022 when compared to the same period of the previous year due to the deemed compensation amount recognized in the prior year being fully recognized and paid in fiscal 2022. Changes in fair value related to contingent earn out has decreased by \$257 in the three-month period ended December 31, 2022, when compared to the same period of the previous year. This decrease is a result of fewer contingent earn out amounts on the balance sheet, and the ones that remain being at lower overall value than the prior year. The change in fair value of contingent payments and deemed compensation are explained further in notes 23 and 24 of the Financial Statements.

Finally, the Company reports its results on a fully taxed basis. The provision for income taxes for the three-month period ended December 31, 2022, was \$2,052, which is slightly lower than the \$2,206 recorded in the same period of the previous fiscal year due to higher earnings in the current period being earned in jurisdictions with lower tax rates. The effective tax rate of the Company is projected to be approximately 27% for the annual period. The difference in effective tax rate to actual tax rate is primarily due to the increase in non-taxable items in the statement of profit and loss including intangible amortization and changes in fair value related to contingent earn out amounts which are quite significant to the Company, and account for significant fluctuations in tax rate where income tax is a percentage of earnings before tax.

Backlog

The Company's realizable backlog at December 31, 2022 was \$1,273 million with terms extending to fiscal 2030. Contracted backlog represents maximum potential revenues remaining to be earned on signed contracts, whereas option renewals represent customers' options to further extend existing contracts under similar terms and conditions.

During the three-month period ended December 31, 2022 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.

- \$12 million contract win with Natural Resources Canada's Canada Centre for Mapping and Earth Observation for two 7.3-meter tri-band antennas to Inuvik and one dual band antenna to Gatineau, including data reception and telemetry, tracking and command equipment
- Over \$31 million in total signings with numerous customers for different programs in our contract research organization division
- \$6.6 million in purchase orders received for Calian Ag-Tech product
- \$7.1 million in orders received for GNSS product
- \$12 million contract win with the Department of National Defence for IT services across Canada
- \$20 million in signings in our US business for cyber security product and managed cyber services

There were no material contracts that 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 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 2023, fiscal year 2024 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 \$295 million. The Company's policy is to reduce the reported contractual backlog once it receives confirmation from the customer that indicates the utilization of the full contract value may not materialize.

Contract Backlog as of December 31, 2022

Contracted backlog	\$	740,064
Option renewals		827,480
	\$	1,567,543
Management estimate of unrealizable portion		(294,559)
Estimated Realizable Backlog	\$	1,272,983

Estimated Recognition of Estimated Realizable Backlog

	January 1, 2023 to September 30, 2023	October 1, 2023 to September 30, 2024	Beyond September 30, 2024	Total
Advanced Technologies	\$ 89,359	\$ 42,696	\$ 35,131	\$ 167,186
Health	108,011	133,887	448,401	690,299
Learning	76,871	92,932	143,442	313,245
ITCS	65,686	21,325	15,242	102,253
Total	\$ 339,927	\$ 290,840	\$ 642,216	\$ 1,272,983

Statement of Cash Flows

	Three months ended	
	December 31, 2022	December 31, 2021
Cash flows from operating activities before changes in working capital	\$ 12,924	\$ 11,212
Changes in working capital	12,399	(7,048)
Cash flows from operating activities	25,323	4,164
Cash flows used in financing activities	(3,361)	(3,678)
Cash flows used in investing activities	(6,414)	(11,742)
Increase (decrease) in cash	\$ 15,548	\$ (11,256)

Operating Activities

Cash inflows from operating activities for the three-month period ended December 31, 2022, were \$25,323 compared to cash inflows of \$4,164 in the same period of the prior year.

Working capital (accounts receivable, work in process, inventory, prepaid expenses and other, accounts payable and accrued liabilities, provisions and unearned contract revenue) has a positive effect on cash flows by an increase of \$12,399 in the three-month period ended December 31, 2022, and stood at a net balance of \$69,032. This is the lowest working capital balance that the Company has achieved in the last three fiscal years.

Factors related to the overall change in working capital were a decrease in accounts receivable of \$34,714 for the three-month period ended December 31, 2022 due to significant revenue and billings that occurred in the fourth quarter of the prior fiscal period which were collected in the current quarter. This is however offset by decreases in accounts payable of \$27,268 in order to pay the vendors that supplied the product in the prior year relating to these sales. The inventory levels have increased by \$7,965 as a result of not having all parts in order to satisfy full delivery or manufacturing on products, and work in process has decreased as we have continued to satisfy milestones for invoicing customers.

Financing Activities

Lease Payments

The Company has made payments of \$1,009 for the three-month period ended December 31, 2022, when compared to the payments of \$842 the same period of the previous year which relate to leases accounted for in accordance with IFRS 16. Increases relate to new leases signed in the current year, and additional leases brought on through acquisitions.

Dividend

The Company has maintained its dividend for the three-month period ended December 31, 2022. The Company paid dividends totaling \$3,262 for the three-month period ended December 31, 2022 or \$0.28 per share, compared to the same period of the previous year when the Company paid \$3,166 in dividends or the same amount per share as the current periods. The increase in dividends paid is due to a higher number of common shares outstanding year over year.

Debt

In the three-month period ended December 31, 2022, the Company did not draw additional funds from its debt facility.

Shares

Exercises of stock options and issuances of shares under the employee share purchase plan has resulted in cash inflows of \$859 for the three-month period ended December 31, 2022 when compared to an inflow of \$330 for the same activities in the same period of the prior year.

Investing Activities

Equipment Expenditures and Capitalized Research and Development

The Company invested \$714 in the three-month period ended December 31, 2022, when compared to \$1,330 for the same period of the prior year. Acquisitions of equipment in the current period are attributed to the Company's general capital expenditures.

Acquisitions

The Company had cash outflows in the amount of \$2,925 in the three-month period ended December 31, 2022 relating to earn out payments for Cadence and SimFront. In the prior year the Company acquired SimFront and paid earn out achievements for CTS and Cadence, which had resulted in cash outflows of \$10,298.

Investments

The Company invested \$2,000USD (\$2,689 CAD) in the three-month period ended December 31, 2022 due to investment in Field Effect Software Inc., where in the Company had no investments.

Liquidity and Capital Resources

Cash

Calian cash and cash equivalent position was \$58,194 at December 31, 2022, compared to \$42,646 at September 30, 2022.

Capital Resources

At December 31, 2022, the Company had a debt facility of \$80,000 with a Canadian chartered bank that bears interest at prime and is secured by assets of the Company.

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

Off-balance Sheet Arrangements

There were no off-balance sheet arrangements at December 31, 2022.

Related-party Transactions

During the three months ended December 31, 2022 (2021), the Company had sales of \$153 (\$58) to GrainX. At December 31, 2022 (2021), the Company had an accounts receivable balance with GrainX of \$93 (NIL) 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 Judgments 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 to calculate present value.

Income taxes

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

Contingent liabilities

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

Loss allowance

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

Judgments:

Financial instruments

The Company's accounting policy with regards to financial instruments is described in Note 2 of the September 30, 2022 annual financial statements. In applying this policy, judgments are made in applying the criteria set out in IFRS 9 – *Financial instruments*, to record financial instruments at fair value through profit or

loss, and the assessments of the classification of financial instruments and effectiveness of hedging relationships.

Business combinations

The consideration transferred for an acquired business is assigned to the identifiable tangible and intangible assets purchased, along with liabilities assumed on the basis of their acquisition date fair values. The identification of assets purchased, and liabilities assumed, and the valuation thereof is specialized and judgmental. Where appropriate, the Company engages external business valuers to assist in the valuation of tangible and intangible assets acquired. When a business combination involves contingent consideration, an amount equal to the fair value of the contingent consideration is recorded as a liability at the time of acquisition. The key assumptions utilized in determining 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, 2022 annual financial statements. In applying this policy, judgments are made in determining the probability of whether deductions or tax credits can be utilized and related timing of such items.

Input methodology for project completion

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

Management Conclusion on the Effectiveness of Disclosure Controls

The Chief Executive Officer and the Chief Financial Officer of the Company, after evaluating the effectiveness of the Company's disclosure controls and procedures as of December 31, 2022, have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries would have been known to them and that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified in the securities legislation.

Management Conclusion on the Effectiveness of Internal Control over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer of the Company, after evaluating the effectiveness of the Company's internal control over financial reporting as of December 31, 2022, have concluded that the Company's internal controls over financial reporting provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with IFRS.

During the most recent interim quarter ending December 31, 2022, there have been no changes in the design of the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Risk and Uncertainties

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

- The Company's business depends in part on a stable and growing economy. If the Canadian or global economy suffers a downturn or enters a recession as a result of COVID-19, the war in Ukraine, or otherwise, it could affect customers' ability to spend on 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.
- Inflation and monetary policy adjustments by central banks may impact the Company's cost structure and corresponding financial results.
- The Company is subject to risks associated with the ongoing pandemic. Rising inflation, slow economic growth and/or a potential recession may impact our customers' ability to invest and spend on new or existing programs, which could reduce our deliverables. The Company faces risks related to health epidemics and other outbreaks of communicable diseases, which could significantly disrupt its operations and may materially and adversely affect its business and financial conditions.
- The Company conducts acquisitions and faces risks associated with those acquisitions and the integration of the acquired businesses.
- The Company has experienced significant growth in recent years. Its growth has and will likely continue to place a strain on resources with increased demands on all corporate services and business units. It is possible that the Company may over-hire with no guarantee of corresponding increase in revenue.
- 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.
- 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.
- There is a risk in all fixed-price contracts that the Company will be unable to deliver the system within the time specified and at the expected cost.
- The Company's business is often dependent on performance by third parties and subcontractors in connection with contracts for which the Company is the prime contractor.
- The markets in which the Company operates are characterized by changing technology and evolving industry standards and the Company's ability to anticipate changes in technology, technical standards and service offerings will be a significant factor in the Company's ability to compete or expand into new markets.
- Erosion of our customers' market share for a particular product could have a direct impact on the Company's revenues and profitability.
- As newly formed entities in certain markets and industries are restructured and consolidated from time-to-time, opportunities for the Company may be diminished or work currently performed by the Company could be repatriated, resulting in a loss of revenue.
- 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.
- As many of the Company's services are offered on location at military bases or other defence locations, the Company faces risks inherent in operations at those sites. In the event one of the Company's military customers were targeted by a hostile state or group, the Company, as a key

partner to those militaries, could be at an increased risk of state-sponsored strikes, including cyber-attacks, damage to infrastructure, and supply chain interference, and therefore be at risk of sustaining financial losses and reputational damage.

- 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 29% 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. The Company's brand and reputation depend on the ability to continue successfully delivering products and solutions without interruptions, errors and defects.
- Many of the Company's solutions rely upon imbedded or external software to deliver goods and services. Any such defects could lead to service interruptions and impact the Company's ability to deliver its products and services.
- The Company operates managed cybersecurity services for customers. Managed services, which provide protection and defenses against cyberattacks, are nevertheless not a guarantee that systems are entirely safe from cybercrime. In the event a managed service customer's system is compromised, a breach could negatively impact the Company's reputation and expose the Company to potential legal claims.
- Any fraudulent, malicious or accidental breach of our data security could result in unintentional disclosure of, or unauthorized access to, third party, customer, vendor, employee or other confidential or sensitive data or information, which could potentially result in additional costs to the Company to enhance security or to respond to occurrences, lost sales, violations of privacy or other laws, penalties, fines, regulatory action or litigation.
- The Company collects, stores and uses certain sensitive data, intellectual property, proprietary business information and certain personally identifiable information.
- The Company compete in industries that are subject to many intellectual property rights including patents. The risk of infringement claims increases as the Company continues to innovate, offer new solutions and enter new markets.
- The Company's insurance policies may not be sufficient to insure itself for all events that could arise in the course of the Company's business and operations.
- The Company operates in the health services sector and faces the risks inherent in that sector.
- As climate change progresses, and its effects increase, the Company may be subject to increased operating risks.
- 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.

Short-term Outlook

	Guidance			
		Low		High
Revenue	\$	630,000	\$	680,000
Adjusted EBITDA	\$	70,000	\$	75,000
Adjusted net profit	\$	46,000	\$	50,000

Additional Information

Additional information about the Company such as the Company's 2022 Annual Information Form and Management Circular can be found on SEDAR at www.SEDAR.com

Dated: February 14, 2023

Corporate Information

Corporate Head Office

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Board of Directors

George Weber
Consultant, ICD.D

Ray Basler, CPA, CA
Consultant

Kevin Ford
CEO, Calian Group Ltd.

Jo-Anne Poirier
President and CEO, VON Canada, ICD.D

Young Park
Corporate Director, ICD.D

Ronald Richardson
Corporate Director, P. ENG., ICD.D

Valerie Sorbie
Partner and Managing Director,
Gibraltar & Company

Common Share Information

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

Dividend Policy

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