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NEWS RELEASE

FOR IMMEDIATE RELEASE

Calian Reports Record Revenue for the Second Quarter

(All amounts in release are in Canadian dollars)

OTTAWA, May 10, 2023 – Calian® Group Ltd. (TSX:CGY), a diverse products and services company providing innovative healthcare, communications, learning and cybersecurity solutions, today released its results for the second quarter ended March 31, 2023.

Second quarter highlights:

- Revenue up 19% to \$169 million
- Gross margin above 30% for the fourth consecutive quarter
- Adjusted EBITDA¹ at \$17 million, in line with Q2 last year
- Operating free cash flow¹ of \$11 million
- Cash on hand of \$46 million and net liquidity of \$126 million
- New contract signings of \$147 million
- Entered into a definitive purchase agreement to acquire US Satellite Communications Provider Hawaii Pacific Teleport
- Reiterated FY23 guidance

Financial Highlights <i>(in millions of \$, except per share & margins)</i>	Three months ended			Six months ended		
	2023	2022	%	2023	2022	%
Revenue	168.5	142.1	19%	316.1	271.6	16%
Adjusted EBITDA ¹	16.8	16.8	-%	31.1	30.7	1%
Adjusted EBITDA % ¹	10.0%	11.8%	(180bps)	9.8%	11.3%	(147bps)
Net Profit	4.5	1.3	257%	9.1	5.6	63%
EPS	\$0.39	\$0.11	255%	\$0.78	\$0.49	59%
Adjusted Net Profit ¹	10.6	13.3	(20%)	19.4	22.9	(16%)
Adjusted EPS Diluted ¹	\$0.90	\$1.16	(23%)	\$1.65	\$2.01	(18%)
Operating Free Cash Flow ¹	10.7	13.1	(18%)	22.9	22.9	-%

¹ This is a non-GAAP measure. Please refer to the section "Reconciliation of non-GAAP measures to most comparable IFRS measures" at the end of this press release.

Access the full report on the [Calian Financials](#) web page.

[Register for the conference call](#) on Thursday, May 11, 2023, 8:30 a.m. Eastern Time.

“We closed another record quarter, generating double-digit revenue growth of 19% with contributions from both organic and acquisitions, in line with our strategic objectives,” said Kevin Ford, Calian Chief Executive Officer. “We continued to invest in our long-term growth and execute our M&A strategy with the announcement that we entered into a definitive purchase agreement to acquire the assets of US-based Hawaii Pacific Teleport. With a stronger second half of the year expected, we remain confident in our ability to post our 6th consecutive record year.”

“We continued to drive gross margin performance above 30% for the fourth consecutive quarter,” said Patrick Houston, Calian Chief Financial Officer. “While our adjusted EBITDA was the highest second quarter on record, our margin was down due to inflationary pressures and ongoing investments in growth and delivery capacity. These investments will help position us to capitalize on our long-term growth objectives.”

Second Quarter Results

Revenues increased 19%, from \$142 million to \$169 million, driven by double-digit growth in Information Technology & Cyber Solutions (ITCS), Advanced Technologies and Learning segments.

- **ITCS:** Revenues increased 53% to \$49 million mainly driven by the company's strong performance from its expansion into the United States with the acquisition of Computex last March.
- **Learning:** Revenues grew 16% to \$29 million driven by its organic growth initiatives, including business development, research & development of software tools and further international expansion, which increased customer share of wallet and attracted new customers.
- **Advanced Technologies:** Revenues increased 18% to \$47 million driven by the ramping up of ground systems projects, coupled with increased demand for GNSS products and Ag Tech product deliveries.
- **Health:** Revenues decreased 4% to \$44 million due to lower COVID-19 related business which declined 19% year-over-year, partially offset by higher demand generated from the mainstay health services and Contract Research Organization services.

Liquidity and Capital Resources

Calian generated \$11 million in operating free cash flows¹ in the second quarter. The Company used its cash primarily to pay debt, earnouts on past acquisitions and dividends. The Company ended the quarter with net cash of \$46 million and an available credit facility resulting in total available liquidity of \$126 million.

Purchase Agreement to Acquire Hawaii Pacific Teleport

On March 9, 2023, the Company announced it entered into a definitive purchase agreement to acquire the assets of US-based Hawaii Pacific Teleport for up to CAD\$62M (US\$46M).

Completion of this transaction is subject to US regulatory approvals and other customary closing conditions. Calian anticipates the transaction to close in the second half of fiscal year 2023. See [press release](#) for further details.

Management Departure

Today, Calian announced the resignation of Sacha Gera, President IT & Cyber Solutions (ITCS), who has decided to pursue a leadership role with a local software company. Mr. Gera will remain with the company until the end of May. “Sacha has been a key part of the Calian senior leadership team and has made significant contributions to the growth and success of our company over these past two years,” said Kevin Ford, Calian CEO. “He has built a strong leadership team within our ITCS segment that will ensure the continuity of our day-to-day operations and maintain our momentum in both Canada and the United States. I want to thank him for all of his support and wish him all the best in his future endeavours.”

Quarterly Dividend

Today, Calian declared a quarterly dividend of \$0.28 per share. The dividend is payable June 7, 2023, to shareholders of record as of May 24, 2023. Dividends paid by the Corporation are considered “eligible dividend” for tax purposes.

Guidance Reiterated

“With new contract signings of \$147 million, a robust backlog of \$1.2 billion combined with increased recurring revenue streams, we are on pace to deliver another record year in FY23,” said Mr. Ford.

	Guidance for the year ended Sept. 30, 2023	
<i>(in thousands of Canadian \$)</i>	Low	High
Revenue	630,000	680,000
Adjusted EBITDA	70,000	75,000
Adjusted Net Profit	46,000	50,000

Note: This guidance does not include the impact of acquisitions that have not yet closed (Hawaii Pacific Teleport) or future acquisitions.

About Calian

We keep the world moving forward. Calian® helps people communicate, innovate, learn and lead safe and healthy lives. Every day, our employees live our values of customer commitment, integrity, innovation and teamwork to engineer reliable solutions that solve complex problems. That’s Confidence. Engineered. A stable and growing 40-year company, we are headquartered in Ottawa with offices and projects spanning North American, European and international markets.

Visit calian.com to learn about innovative healthcare, communications, learning and cybersecurity solutions.

Product or service names mentioned herein may be the trademarks of their respective owners.

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DISCLAIMER

Certain information included in this press release is forward-looking and is subject to important risks and uncertainties. The results or events predicted in these statements may differ materially from actual results or events. Such statements are generally accompanied by words such as “intend”, “anticipate”, “believe”, “estimate”, “expect” or similar statements. Factors which could cause results or events to differ from current expectations include, among other things: the impact of price competition; scarce number of qualified professionals; the impact of rapid technological and market change; loss of business or credit risk with major customers; technical risks on fixed price projects; general industry and market conditions and growth rates; international growth and global economic conditions, and including currency exchange rate fluctuations; and the impact of consolidations in the business services industry. For additional information with respect to certain of these and other factors, please see the Company’s most recent annual report and other reports filed by Calian with the Ontario Securities Commission. Calian disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. No assurance can be given that actual results, performance or achievement expressed in, or implied by, forward-looking statements within this disclosure will occur, or if they do, that any benefits may be derived from them.

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CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at March 31, 2023 and September 30, 2022
(Canadian dollars in thousands, except per share data)

	March 31, 2023	September 30, 2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 45,903	\$ 42,646
Accounts receivable	164,195	171,453
Work in process	32,282	39,865
Inventory	23,666	18,643
Prepaid expenses	24,903	23,780
Derivative assets	25	123
Total current assets	290,974	296,510
NON-CURRENT ASSETS		
Capitalized research and development	1,670	2,186
Equipment	15,981	16,623
Application software	9,723	10,395
Right of use assets	14,873	16,678
Investments	3,359	670
Acquired intangible assets	50,064	57,087
Deferred tax asset	940	1,054
Goodwill	146,015	145,959
Total non-current assets	242,625	250,652
TOTAL ASSETS	\$ 533,599	\$ 547,162
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Debt facility	\$ -	\$ 7,500
Accounts payable and accrued liabilities	116,326	126,096
Contingent earn-out	21,830	25,676
Provisions	1,162	1,249
Unearned contract revenue	49,111	46,210
Derivative liabilities	54	812
Lease obligations	4,146	4,115
Total current liabilities	180,096	211,658
NON-CURRENT LIABILITIES		
Lease obligations	13,185	14,920
Contingent earn-out	-	2,874
Deferred tax liabilities	11,749	12,524
Total non-current liabilities	24,934	30,318
TOTAL LIABILITIES	217,563	241,976
SHAREHOLDERS' EQUITY		
Issued capital	219,556	213,277
Contributed surplus	3,102	3,479
Retained earnings	94,749	92,198
Accumulated other comprehensive loss	(1,371)	(3,768)
TOTAL SHAREHOLDERS' EQUITY	316,036	305,186
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 533,599	\$ 547,162
Number of common shares issued and outstanding	<u>11,726,524</u>	<u>11,607,391</u>

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET PROFIT
For the three and six month periods ended March 31, 2023 and 2022
(Canadian dollars in thousands, except per share data)

	Three months ended March 31,		Six months ended March 31,	
	2023	2022	2023	2022
Revenue				
Advanced Technologies	\$ 46,799	\$ 39,562	\$ 81,066	\$ 80,729
Health	43,681	45,452	84,136	87,830
Learning	28,783	24,828	55,223	47,610
ITCS	49,280	32,260	95,661	55,435
Total Revenue	168,543	142,102	316,086	271,604
Cost of revenues	116,452	102,183	218,776	198,031
Gross profit	52,091	39,919	97,310	73,573
Selling and marketing	11,831	5,342	22,974	9,896
General and administration	20,493	16,626	37,893	30,410
Research and development	2,922	1,184	5,343	2,538
Profit before under noted items	16,845	16,767	31,100	30,729
Depreciation of equipment, application software and research and development	2,252	1,302	4,549	2,429
Depreciation of right of use assets	1,015	878	2,022	1,701
Amortization of acquired intangible assets	3,450	10,128	6,811	13,720
Deemed compensation	50	247	147	1,000
Changes in fair value related to contingent earn-out	2,562	1,619	3,304	2,615
Profit before interest income and income tax expense	7,516	2,593	14,267	9,264
Lease obligations interest expense	122	106	233	214
Interest expense (income)	(27)	95	(15)	146
Profit before income tax expense	7,421	2,392	14,049	8,904
Income tax expense – current	3,501	3,511	6,213	6,485
Income tax recovery – deferred	(597)	(2,386)	(1,257)	(3,154)
Total income tax expense	2,904	1,125	4,956	3,331
NET PROFIT	\$ 4,517	\$ 1,267	\$ 9,093	\$ 5,573
Net profit per share:				
Basic	\$ 0.39	\$ 0.11	\$ 0.78	\$ 0.49
Diluted	\$ 0.38	\$ 0.11	\$ 0.78	\$ 0.49

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three and six month periods ended March 31, 2023 and 2022
(Canadian dollars in thousands)

	Three months ended March 31,		Six months ended March 31,	
	2023	2022	2023	2022
CASH FLOWS GENERATED FROM (USED IN)				
OPERATING ACTIVITIES				
Net profit	\$ 4,517	\$ 1,267	\$ 9,093	\$ 5,573
Items not affecting cash:				
Interest expense (income)	(27)	95	(15)	146
Changes in fair value related to contingent earn-out	2,562	1,619	3,304	2,615
Lease obligations interest expense	122	106	233	214
Income tax expense	2,904	1,125	4,956	3,331
Employee share purchase plan expense	138	127	301	262
Share based compensation expense	575	525	982	872
Depreciation and amortization	6,717	12,308	13,382	17,850
Deemed compensation	50	247	147	1,000
	17,558	17,419	32,383	31,863
Change in non-cash working capital				
Accounts receivable	(27,455)	(19,400)	7,259	(16,782)
Work in process	758	(4,307)	7,583	3,471
Prepaid expenses and other	(2,879)	(5,882)	785	(5,950)
Inventory	2,942	(192)	(5,023)	(1,977)
Accounts payable and accrued liabilities	19,729	19,398	(7,539)	3,383
Unearned contract revenue	472	14,467	2,901	14,891
	11,125	21,503	38,349	28,899
Interest paid	(95)	(201)	(218)	(360)
Income tax paid	(4,827)	(2,088)	(6,605)	(5,161)
	6,203	19,214	31,526	23,378
CASH FLOWS GENERATED FROM (USED IN)				
FINANCING ACTIVITIES				
Issuance of common shares net of costs	865	1,468	1,775	1,798
Dividends	(3,280)	(3,171)	(6,542)	(6,337)
Draw (repayment) on debt facility	(7,500)	25,396	(7,500)	25,396
Payment of lease obligations	(913)	(918)	(1,922)	(1,760)
	(10,828)	22,775	(14,189)	19,097
CASH FLOWS USED IN INVESTING ACTIVITIES				
Investments	-	-	(2,689)	-
Business acquisitions	(5,735)	(47,924)	(8,660)	(58,222)
Capitalized research and development	-	(36)	(86)	(150)
Equipment and application software	(1,931)	(1,993)	(2,645)	(3,323)
	(7,666)	(49,953)	(14,080)	(61,695)
NET CASH (OUTFLOW) INFLOW	\$ (12,291)	\$ (7,964)	\$ 3,257	\$ (19,220)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	58,194	67,355	42,646	78,611
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 45,903	\$ 59,391	\$ 45,903	\$ 59,391

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures

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

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

Adjusted EBITDA

	Three months ended		Six months ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Net profit	\$ 4,517	\$ 1,267	\$ 9,093	\$ 5,573
Depreciation of equipment and application software	2,252	1,302	4,549	2,429
Depreciation of right of use asset	1,015	878	2,022	1,701
Amortization of acquired intangible assets	3,450	10,128	6,811	13,720
Lease interest expense	122	106	233	214
Changes in fair value related to contingent earn-out	2,562	1,619	3,304	2,615
Interest expense (income)	(27)	95	(15)	146
Deemed compensation	50	247	147	1,000
Income tax	2,904	1,125	4,956	3,331
Adjusted EBITDA	\$ 16,845	\$ 16,767	\$ 31,100	\$ 30,729

Adjusted Net Profit and Adjusted EPS

	Three months ended		Six months ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Net profit	\$ 4,517	\$ 1,267	\$ 9,093	\$ 5,573
Changes in fair value related to contingent earn-out	2,562	1,619	3,304	2,615
Deemed compensation	50	247	147	1,000
Amortization of intangibles	3,450	10,128	6,811	13,720
Adjusted net profit	10,579	13,261	\$ 19,355	\$ 22,908
Weighted average number of common shares basic	11,705,770	11,325,786	11,667,937	11,312,537
Adjusted EPS Basic	0.90	1.17	1.66	2.03
Adjusted EPS Diluted	0.90	1.16	1.65	2.01

Operating Free Cash Flow

	Three months ended		Six months ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Cash flows generated from operating activities	6,203	19,214	31,526	23,378
Capitalized research and development	-	(36)	(86)	(150)
Equipment and application software	(1,931)	(1,993)	(2,645)	(3,323)
Free cash flow	4,272	17,185	28,795	19,905
Free cash flow	4,272	17,185	28,795	19,905
Adjustments:				
Change in non-cash working capital	6,433	(4,084)	(5,966)	2,964
Operating free cash flow	10,705	13,101	22,829	22,869
Operating free cash flow per share	0.91	1.16	1.96	2.02

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.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2023

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at March 31, 2023 and September 30, 2022
(Canadian dollars in thousands, except per share data)

	NOTES	March 31, 2023	September 30, 2022
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	\$ 45,903	\$ 42,646
Accounts receivable	5	164,195	171,453
Work in process	8	32,282	39,865
Inventory	6	23,666	18,643
Prepaid expenses	7	24,903	23,780
Derivative assets	22	25	123
Total current assets		290,974	296,510
NON-CURRENT ASSETS			
Capitalized research and development	9	1,670	2,186
Equipment	9	15,981	16,623
Application software	9	9,723	10,395
Right of use assets	10	14,873	16,678
Investments	11	3,359	670
Acquired intangible assets	12	50,064	57,087
Deferred tax asset		940	1,054
Goodwill	13	146,015	145,959
Total non-current assets		242,625	250,652
TOTAL ASSETS		\$ 533,599	\$ 547,162
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Debt facility	16	\$ -	\$ 7,500
Accounts payable and accrued liabilities	14	116,326	126,096
Contingent earn-out	24	21,830	25,676
Provisions	15	1,162	1,249
Unearned contract revenue	8	49,111	46,210
Derivative liabilities	22	54	812
Lease obligations	10	4,146	4,115
Total current liabilities		192,629	211,658
NON-CURRENT LIABILITIES			
Lease obligations	10	13,185	14,920
Contingent earn-out	24	-	2,874
Deferred tax liabilities		11,749	12,524
Total non-current liabilities		24,934	30,318
TOTAL LIABILITIES		217,563	241,976
SHAREHOLDERS' EQUITY			
Issued capital	17	219,556	213,277
Contributed surplus		3,102	3,479
Retained earnings		94,749	92,198
Accumulated other comprehensive loss		(1,371)	(3,768)
TOTAL SHAREHOLDERS' EQUITY		316,036	305,186
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 533,599	\$ 547,162
Number of common shares issued and outstanding	17	11,726,524	11,607,391

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET PROFIT
For the three and six month periods ended March 31, 2023 and 2022
(Canadian dollars in thousands, except per share data)

		Three months ended March 31,		Six months ended March 31,	
	NOTES	2023	2022	2023	2022
Revenue					
Advanced Technologies		\$ 46,799	\$ 39,562	\$ 81,066	\$ 80,729
Health		43,681	45,452	84,136	87,830
Learning		28,783	24,828	55,223	47,610
ITCS		49,280	32,260	95,661	55,435
Total Revenue	19	168,543	142,102	316,086	271,604
Cost of revenues		116,452	102,183	218,776	198,031
Gross profit		52,091	39,919	97,310	73,573
Selling and marketing		11,831	5,342	22,974	9,896
General and administration		20,493	16,626	37,893	30,410
Research and development		2,922	1,184	5,343	2,538
Profit before under noted items		16,845	16,767	31,100	30,729
Depreciation of equipment, application software and research and development	9	2,252	1,302	4,549	2,429
Depreciation of right of use assets	10	1,015	878	2,022	1,701
Amortization of acquired intangible assets	12	3,450	10,128	6,811	13,720
Deemed compensation	23, 24	50	247	147	1,000
Changes in fair value related to contingent earn-out	23, 24	2,562	1,619	3,304	2,615
Profit before interest income and income tax expense		7,516	2,593	14,267	9,264
Lease obligations interest expense	10	122	106	233	214
Interest expense (income)		(27)	95	(15)	146
Profit before income tax expense		7,421	2,392	14,049	8,904
Income tax expense – current		3,501	3,511	6,213	6,485
Income tax recovery – deferred		(597)	(2,386)	(1,257)	(3,154)
Total income tax expense		2,904	1,125	4,956	3,331
NET PROFIT		\$ 4,517	\$ 1,267	\$ 9,093	\$ 5,573
Net profit per share:					
Basic	20	\$ 0.39	\$ 0.11	\$ 0.78	\$ 0.49
Diluted	20	\$ 0.38	\$ 0.11	\$ 0.78	\$ 0.49

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three and six month periods ended March 31, 2023 and 2022
(Canadian dollars in thousands)

	Three months ended March 31,		Six months ended March 31,	
	2023	2022	2023	2022
NET PROFIT	\$ 4,517	\$ 1,267	\$ 9,093	\$ 5,573
Items that will be reclassified subsequently to net profit				
Cumulative translation adjustment	29	123	801	512
Change in deferred gain on derivatives designated as cash flow hedges, net of tax of \$56 and \$575 (2022 - \$215 and \$132)	155	689	1,596	(165)
Other comprehensive income, net of tax	184	812	2,397	347
COMPREHENSIVE INCOME	\$ 4,701	\$ 2,079	\$ 11,490	\$ 5,920

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the six month periods ended March 31, 2023 and 2022
(Canadian dollars in thousands, except per share data)

	NOTES	Issued capital	Contributed surplus	Retained earnings	Other comprehensive income (loss)	Total
Balance October 1, 2022		\$ 213,277	\$ 3,479	\$ 92,198	\$ (3,768)	\$ 305,186
Net profit and comprehensive income		-	-	9,093	2,397	11,490
Dividend paid (\$0.56 per share)		-	-	(6,542)	-	(6,542)
Shares issued under employee share plans	17	1,958	(1,359)	-	-	599
Shares issued through acquisition	17	2,844	-	-	-	2,844
Shares issued under employee share purchase plan	17	1,477	-	-	-	1,477
Share-based compensation expense	18	-	982	-	-	982
Balance March 31, 2023		\$ 219,556	\$ 3,102	\$ 94,749	\$ (1,371)	\$ 316,036

	NOTES	Issued capital	Contributed surplus	Retained earnings	Other comprehensive income (loss)	Total
Balance October 1, 2021		\$ 194,960	\$ 5,224	\$ 91,359	\$ 817	\$ 292,360
Comprehensive income		-	-	5,573	347	5,920
Dividend paid (\$0.56 per share)		-	-	(6,337)	-	(6,337)
Shares issued under employee share plans	17	1,743	(864)	-	-	879
Shares issued under employee share purchase plan	17	1,310	(129)	-	-	1,181
Share based compensation expense	18	-	872	-	-	872
Balance March 31, 2022		\$ 198,013	\$ 5,103	\$ 90,595	\$ 1,164	\$ 294,875

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three and six month periods ended March 31, 2023 and 2022
(Canadian dollars in thousands)

		Three months ended March 31,		Six months ended March 31,	
	NOTES	2023	2022	2023	2022
CASH FLOWS GENERATED FROM (USED IN)					
OPERATING ACTIVITIES					
Net profit		\$ 4,517	\$ 1,267	\$ 9,093	\$ 5,573
Items not affecting cash:					
Interest expense (income)		(27)	95	(15)	146
Changes in fair value related to contingent earn-out	24	2,562	1,619	3,304	2,615
Lease obligations interest expense	10	122	106	233	214
Income tax expense		2,904	1,125	4,956	3,331
Employee share purchase plan expense	18	138	127	301	262
Share based compensation expense	18	575	525	982	872
Depreciation and amortization	9, 10, 12	6,717	12,308	13,382	17,850
Deemed compensation	23, 24	50	247	147	1,000
		17,558	17,419	32,383	31,863
Change in non-cash working capital					
Accounts receivable		(27,455)	(19,400)	7,259	(16,782)
Work in process		758	(4,307)	7,583	3,471
Prepaid expenses and other		(2,879)	(5,882)	785	(5,950)
Inventory		2,942	(192)	(5,023)	(1,977)
Accounts payable and accrued liabilities		19,729	19,398	(7,539)	3,383
Unearned contract revenue		472	14,467	2,901	14,891
		11,125	21,503	38,349	28,899
Interest paid		(95)	(201)	(218)	(360)
Income tax paid		(4,827)	(2,088)	(6,605)	(5,161)
		6,203	19,214	31,526	23,378
CASH FLOWS GENERATED FROM (USED IN)					
FINANCING ACTIVITIES					
Issuance of common shares net of costs	17, 18	865	1,468	1,775	1,798
Dividends		(3,280)	(3,171)	(6,542)	(6,337)
Draw (repayment) on debt facility	16	(7,500)	25,396	(7,500)	25,396
Payment of lease obligations	10	(913)	(918)	(1,922)	(1,760)
		(10,828)	22,775	(14,189)	19,097
CASH FLOWS USED IN INVESTING ACTIVITIES					
Investments	11	-	-	(2,689)	-
Business acquisitions	23	(5,735)	(47,924)	(8,660)	(58,222)
Capitalized research and development	9	-	(36)	(86)	(150)
Equipment and application software	9	(1,931)	(1,993)	(2,645)	(3,323)
		(7,666)	(49,953)	(14,080)	(61,695)
NET CASH (OUTFLOW) INFLOW		\$ (12,291)	\$ (7,964)	\$ 3,257	\$ (19,220)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		58,194	67,355	42,646	78,611
CASH AND CASH EQUIVALENTS, END OF PERIOD		\$ 45,903	\$ 59,391	\$ 45,903	\$ 59,391

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

CALIAN GROUP LTD.
NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and six month periods ended March 31, 2023 and 2022
(Canadian dollars in thousands, except per share amounts)

1. Basis of Preparation

Calian Group Ltd. ("the Company") is incorporated under the Canada Business Corporations Act. The address of its registered office and principal place of business is 770 Palladium Drive, Ottawa, Ontario K2V 1C8. The Company's capabilities are diverse with services and solutions delivered through four segments: Advanced Technologies, Health, Learning and IT and Cyber Solutions ("ITCS"). Headquartered in Ottawa, Calian provides business services and solutions to both industry and government customers in the areas of health, learning, defence, security, aerospace, engineering, AgTech, satellite communications (satcom), and IT.

Statement of compliance

These unaudited interim condensed consolidated financial statements are expressed in Canadian dollars and have been prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These unaudited interim condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with the accounting policies the Company adopted in its annual consolidated financial statements for the year ended September 30, 2022, and should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report for the year ended September 30, 2022. These unaudited interim condensed consolidated financial statements do not include all of the information required in annual financial statements.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors on May 10, 2023.

2. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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.

There were no significant changes in estimates or approaches in the current period when compared to the estimates or approaches used to prepare the annual consolidated financial statements for the year ended September 30, 2022.

3. Seasonality

The results of operations for the interim periods are not necessarily indicative of the results of operations for the full year. The Company's revenues and earnings have historically been subject to 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.

4. Cash and Cash Equivalents

The following table presents cash and cash equivalents by currency:

	Local Currency	Foreign Exchange	Presentation Currency
CAD	\$ 14,912	1.00	\$ 14,912
USD	18,170	1.35	24,530
GBP	136	1.67	227
EUR	3,635	1.47	5,344
NOK	6,846	0.13	890
Total cash and cash equivalents March 31, 2023			\$ 45,903
CAD	\$ 16,719	1.00	\$ 16,719
USD	12,933	1.37	17,718
GBP	388	1.51	586
EUR	5,619	1.34	7,529
NOK	723	0.13	94
Total cash and cash equivalents September 30, 2022			\$ 42,646

5. Accounts Receivable

The following table presents the trade and other receivables as at:

	March 31, 2023	September 30, 2022
Trade and accounts receivable	\$ 159,470	\$ 168,614
Tax and Scientific Research and Development credit receivable	3,241	2,235
Other	1,534	864
	164,245	171,713
Loss Allowance	(50)	(260)
	\$ 164,195	\$ 171,453

Bad debt expense recognized in the three months ended March 31, 2023 (2022) is \$330 (\$123). Bad debt expense recognized in the six months ended March 31, 2023 (2022) is \$405 (\$210).

6. Inventory

Inventories are recorded at the lower of cost or net realizable value. Cost is calculated based on the weighted average cost method. Write-downs are taken for excess and obsolete inventory and for a reduction in the carrying value of inventory to reflect realizable value based on current cost, production and sales estimates. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The following table presents inventories as at:

	March 31, 2023	September 30, 2022
Raw materials	\$ 16,993	\$ 12,187
Work in process inventory	3,202	2,717
Finished goods	3,471	3,739
	\$ 23,666	\$ 18,643

Inventory recognized as cost of revenues in the three months ended March 31, 2023 (2022) is \$11,292 (\$2,545). Inventory recognized as cost of revenues in the six months ended is \$20,145 (\$4,784). No inventory provisions have been recognized in periods ended March 31, 2023 (2022).

7. Prepaid Expenses

The following table presents prepaid expenses as at:

	March 31, 2023	September 30, 2022
Prepaid maintenance	\$ 17,878	\$ 18,924
Other prepaid expenses	7,025	4,856
	<u>\$ 24,903</u>	<u>\$ 23,780</u>

8. Contract Assets and Liabilities

The following table presents net contract liabilities as at:

	Net Contract Liabilities	
	March 31, 2023	September 30, 2022
Work in process	\$ 32,282	\$ 39,865
Unearned contract revenue	(49,111)	(46,210)
Net contract liabilities	<u>\$ (16,829)</u>	<u>\$ (6,345)</u>

The following table presents changes in net contract liabilities for the period ended:

	Changes in Net Contract Liabilities	
	March 31, 2023	September 30, 2022
Opening balance, October 1	\$ (6,345)	\$ 31,986
Net additions	40,230	84,000
Billings	(50,714)	(110,774)
Acquisitions (Note 23)	-	(11,557)
Ending balance	<u>\$ (16,829)</u>	<u>\$ (6,345)</u>

9. Equipment

A continuity of the equipment, application software and capitalized research and development for the six months ended March 31, 2023 is as follows:

	Cost	Cost Additions/ Disposals	Total	Depreciation	Accumulated Depreciation	Carrying Value March 31, 2023	Value September 30, 2022
Leasehold improvements	\$ 4,382	\$ 10	\$ 4,392	\$ (231)	\$ (2,136)	\$ 2,256	\$ 2,477
Equipment	43,039	2,455	45,494	(3,000)	(31,769)	13,725	14,146
Total equipment	\$ 47,421	\$ 2,465	\$ 49,886	\$ (3,231)	\$ (33,905)	\$ 15,981	\$ 16,623
Application software	\$ 14,809	\$ 43	\$ 14,852	\$ (716)	\$ (5,129)	\$ 9,723	\$ 10,395
Capitalized research and development	\$ 5,052	\$ 86	\$ 5,138	\$ (602)	\$ (3,468)	\$ 1,670	\$ 2,186

10. Right-of-Use Assets and Lease Obligations

The following table presents the right-of-use assets for the Company:

	Six months ended	
	March 31, 2023	March 31, 2022
Balance October 1	\$ 16,678	\$ 15,383
Additions	204	1,217
Disposals and foreign exchange adjustments	13	(177)
Depreciation	(2,022)	(1,701)
Acquisitions (Note 23)	-	2,705
Balance March 31	\$ 14,873	\$ 17,427

The Company's leases are for office and manufacturing space. The Company has included renewal options in the measurement of lease obligations when it is reasonably certain to exercise the renewal option.

The following table presents lease obligations for the Company:

	Six months ended	
	March 31, 2023	March 31, 2022
Balance at October 1	\$ 19,035	\$ 17,478
Additions	180	1,277
Disposals and foreign exchange adjustments	38	(177)
Principal payments	(1,922)	(1,760)
Acquisitions (Note 23)	-	2,739
Balance at March 31	\$ 17,331	\$ 19,557
Current	\$ 4,146	\$ 3,697
Non-current	13,185	15,860
Total	\$ 17,331	\$ 19,557

The following table presents the contractual undiscounted cash flows for lease obligations as at March 31, 2023:

	Total Undiscounted Lease Obligations
Less than one year	\$ 4,564
One to five years	9,791
More than five years	4,318
Total undiscounted lease obligations	\$ 18,673

Total cash outflow for leases in the three months ended March 31, 2023 (2022) was \$1,035 (\$1,024), including principal payments relating to lease obligations of \$913 (\$918), interest expense on lease obligations was \$122 (\$106). Total cash outflow for leases in the six months ended March 31, 2023 (2022) was \$2,155 (\$1,974), including principal payments relating to lease obligations of \$1,922 (\$1,760), interest expense on lease obligations was \$233 (\$214). Expenses relating to short-term leases recognized in general and administration expenses were \$41 (\$20) for the three months ended March 31, 2023 (2022) and \$96 (\$40) for the six months ended March 31, 2023 (2022).

11. Investments

Cliniconex Inc., is an Ottawa-based patient outreach solutions vendor. During the years of 2017 to 2020, the Company invested a total \$569 in common and preferred shares of the Company, representing a minority interest. The Company recognizes the investment at fair value and has adjusted its common and preferred shares to the most recent fair value, resulting in a gain of \$101 recognized in fiscal 2020.

During the three-month period ended December 31, 2022, the Company invested \$2,000 USD (\$2,689) to acquire a minority interest in preferred shares of Field Effect Software Inc. ("Field Effect"). Field Effect is Ottawa-based and provides cyber security solutions. The Company recognizes the investment at fair value.

12. Acquired Intangible Assets

A continuity of the acquired intangible assets for the six months ended March 31, 2023 is as follows:

	March 31, 2023			
	Opening Balance	Amortization	Foreign Exchange Revaluation	Closing Balance
Customer relationship - Primacy	\$ 1,909	\$ (91)	\$ -	\$ 1,818
Customer relationships	39,689	(4,362)	(212)	35,115
Discrete contracts with customers & non-competition agreements	586	(164)	-	422
Technology and trademarks	14,903	(2,194)	-	12,709
	\$ 57,087	\$ (6,811)	\$ (212)	\$ 50,064

In the six months ended March 31, 2023 the Company recorded a foreign currency revaluation of intangible assets held in foreign subsidiaries which utilize different functional currencies than the Company's presentation currency. These foreign exchange revaluations are reflected in comprehensive income.

A continuity of the acquired intangible assets for the year ended September 30, 2022 is as follows:

	September 30, 2022					
	Opening Balance	Additions (Note 23)	Amortization	Impairment (Note 23)	Foreign Exchange Revaluation	Closing Balance
Customer relationship - Primacy	\$ 1,909	\$ -	\$ -	\$ -	\$ -	\$ 1,909
Customer relationships	27,702	18,778	(7,889)	-	(1,098)	39,689
Discrete contracts with customers & non-competition agreements	717	231	(362)	-	-	586
Technology and trademarks	24,191	3,037	(5,827)	(6,477)	(21)	14,903
	\$ 54,519	\$ 22,046	\$ (14,078)	\$ (6,477)	\$ (1,077)	\$ 57,087

13. Goodwill

The following table presents the goodwill for the Company for the six months ended March 31, 2023:

	March 31, 2023
Opening balance, October 1	\$ 145,959
Adjustments:	
Foreign Exchange	56
Ending balance, March 31	\$ 146,015

In the six months ended March 31, 2023 the Company recorded a foreign currency revaluation of goodwill held in foreign subsidiaries which utilize different functional currencies than the Company's presentation currency. These foreign exchange revaluations are reflected in comprehensive income.

The following table presents the goodwill for the Company for the year ended September 30, 2022:

	September 30, 2022
Opening balance, October 1	\$ 100,103
Additions:	
Acquisition of SimFront (Note 23)	8,950
Acquisition of Computex (Note 23)	35,621
Adjustments:	
Foreign Exchange	1,285
Ending balance, September 30	\$ 145,959

14. Accounts Payable and Accrued Liabilities

The following table presents the accounts payable and accrued liabilities for the Company as at:

	March 31, 2023	September 30, 2022
Trade accounts payable	\$ 90,580	\$ 91,652
Payroll accruals	20,225	21,960
Income tax payable	2,188	3,225
Other accruals	3,333	9,259
	\$ 116,326	\$ 126,096

15. Provisions

Changes in provisions for the six months ended March 31, 2023 were as follows:

	Product Warranties	Severance	Other	Total
Balance at October 1, 2022	\$ 897	\$ 248	\$ 104	\$ 1,249
Additions	152	341	14	507
Utilization/Reversals	(253)	(311)	(30)	(594)
Balance at March 31, 2023	\$ 796	\$ 278	\$ 88	\$ 1,162

15. Provisions (continued)

Changes in provisions for the twelve months ended September 30, 2022 were as follows:

	Product Warranties	Severance	Other	Total
Balance at October 1, 2021	\$ 753	\$ 685	\$ 103	\$ 1,541
Additions	681	473	3	1,157
Utilization/Reversals	(537)	(910)	(2)	(1,449)
Balance at September 30, 2022	\$ 897	\$ 248	\$ 104	\$ 1,249

16. Debt Agreement

On January 6, 2021, the Company signed a debt facility that provides the Company with the ability to draw up to \$80,000 CAD. The agreement has a three-year term, which will mature on January 5, 2024. In the three months ended March 31, 2023, the company settled the liability. At March 31, 2023 (September 30, 2022), the Company utilized \$Nil (\$7,500) of the facility. The facility is secured against the Company's assets and is interest bearing at the Royal Bank of Canada's Prime Rate plus applicable margin.

17. Issued Capital and Reserves

Issued Capital

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares. The holders of Common Shares are entitled to dividends if, as and when declared by the Board, to one vote per share at the meetings of holders of Common Shares and, upon liquidation, to receive such assets of the Company as are distributable to the holders of the Common Shares. No Preferred Shares are outstanding as of the March 31, 2023.

Common share issued and outstanding:

	March 31, 2023		March 31, 2022	
	Shares	Amount	Shares	Amount
Balance October 1	11,607,391	\$ 213,277	11,285,828	\$ 194,960
Shares issued under employee share plans	46,525	1,958	41,160	1,743
Shares issued under employee share purchase plan	24,732	1,477	19,552	1,310
Shares issued through acquisition	47,876	2,844	-	-
Issued capital	11,726,524	\$ 219,556	11,346,540	\$ 198,013

Subsequent to the date of the statement of financial position, on May 10, 2023, the date of issuance of these consolidated financial statements, the Company declared a dividend of \$0.28 per common share payable on June 7, 2023.

Contributed Surplus

Contributed surplus comprises the value of share-based compensation expense related to options granted that have not been exercised or have expired unexercised.

18. Share-Based Compensation

Employee Share Purchase Plan

Under the Company's Employee Share Purchase Plan, shares are issued monthly using the volume weighted average price for the last 5 days of the month for the contributions made by employees in that month. The Company provides matching shares at 25% for all employee contributions each month. Pursuant to the plan, 500,000 Common Shares are reserved for issuance, as of March 31, 2023, the Company can issue 389,940 shares.

During the three months ended March 31, 2023 (2022) under the 2020 Employee Share Purchase Plan, the Company issued 13,928 (11,908) shares at an average price of \$63.47 (\$60.06) per share. The Company received \$707 (\$550) in proceeds and recorded an expense of \$138 (\$127). During the six months ended March 31, 2023 (2022) under the 2020 Employee Share Purchase Plan, the Company issued 24,732 (19,552) shares at an average price of \$61.49 (\$60.20) per share. The Company received \$1,216 (\$920) in proceeds and recorded an expense of \$301 (\$262).

Stock Options

The Company has an established stock option plan. Under the plan, eligible directors and employees are granted the right to purchase shares of common stock at a price established by the Board of Directors on the date the options are granted but in no circumstances below fair market value of the shares at the date of grant. Stock options are issued at market value based on the price at the date preceding the grant, and can have a contractual term of up to ten years and generally vest over 3 years. The maximum number of common shares reserved for issuance under the plan is equal to an aggregate 9% (1,055,387) of the Company's issued and outstanding shares from time to time less the aggregate number of shares reserved for issuance or issuable under any other security-based compensation arrangement for the Company.

As at March 31, 2023, the Company has 437,008 stock options and restricted share units ("RSUs") outstanding. As a result, the Company could grant up to 618,379 additional stock options pursuant to the plan.

The weighted average fair value of options granted during the six months ended March 31, 2023 was \$14.26 per option calculated using the Black-Scholes option pricing model. Where relevant, the expected life of the options was based on historical data for similar issuances and adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. Expected volatility is based on historical price volatility over the past 5 years. To allow for the effects of early exercise, it was assumed that options would be exercised on average 2 years after vesting.

The following assumptions were used to determine the fair value of the options granted in the six months ended March 31, 2023:

	Weighted Average Options Granted	
	March 31, 2023	March 31, 2022
Grant date share price	\$ 60.44	\$ 58.96
Exercise price	\$ 60.44	\$ 58.96
Expected price volatility	% 31.74	% 28.45
Expected option life	yrs 3.33	yrs 3.18
Expected dividend yield	% 1.85	% 1.98
Risk-free interest rate	% 3.66	% 1.19
Forfeiture rate	% 0	% 0

18. Share-Based Compensation (continued)

	March 31, 2023		March 31, 2022	
	Number of Options	Weighted Avg. Exercise Price	Number of Options	Weighted Avg. Exercise Price
Outstanding October 1	220,800	\$ 52.22	204,913	\$ 49.46
Exercised	(19,000)	31.50	(20,759)	42.34
Granted	23,542	60.43	40,646	58.96
Outstanding March 31	225,342	\$ 54.82	224,800	\$ 51.83

The following share-based payment arrangements are in existence:

Option issuance:	Number of Options	Grant date	Expiry date	Exercise price	Fair value at grant date
(1) Issued November 19, 2018	27,500	November 19, 2018	November 19, 2023	\$ 29.55	\$ 3.96
(2) Issued November 25, 2019	15,000	November 25, 2019	November 25, 2024	\$ 36.49	\$ 5.18
(3) Issued August 13, 2020	94,615	August 13, 2020	August 13, 2025	\$ 60.30	\$ 8.44
(4) Issued November 24, 2020	22,222	November 24, 2020	November 24, 2025	\$ 61.16	\$ 10.24
(5) Issued February 9, 2021	1,817	February 9, 2021	February 9, 2026	\$ 60.35	\$ 9.92
(6) Issued November 24, 2021	39,110	November 24, 2021	November 24, 2026	\$ 58.90	\$ 10.66
(7) Issued March 9, 2022	1,536	March 9, 2022	March 9, 2027	\$ 60.55	\$ 10.33
(8) Issued November 24, 2022	22,356	November 24, 2022	November 24, 2027	\$ 60.43	\$ 14.26
(9) Issued February 15, 2023	1,186	February 15, 2023	February 15, 2028	\$ 60.44	\$ 14.20

For the options issued on November 24, 2022, vesting occurs through to November 24, 2024. For the options issued on February 15, 2023, vesting occurs through to February 15, 2025.

At March 31, 2023 (2022) the weighted average remaining contractual life of options outstanding is 2.34 (2.96) years of which 194,089 (156,205) options are exercisable at a weighted average price of \$53.99 (\$48.43). The Company has recorded \$104 (\$133) of share-based compensation expense in the three months ended and \$195 (\$241) in the six months ended March 31, 2023 (2022) related to the options that have been granted. At March 31, 2023 (2022) the Company has total unrecognized compensation expense of \$225 (\$325) that will be recorded in the next two fiscal years.

Restricted Share Units:

Under the Company's 2016 Restricted Share Unit ("RSU") plan which expired on February 15, 2023, the Company was able to grant a maximum number of common shares reserved for issuance is equal to 9% of the Company's issued and outstanding shares from time to time less the aggregate number of shares reserved for issuance or issuable under any other security-based compensation arrangement for the Company.

Share units may be awarded to any officer or employee of the Company. Each restricted share unit will vest on the date or dates designated for that unit, conditional on any vesting conditions being met. Participants in the RSU plan may elect to redeem their share units either by the Company issuing the participant one common share for each whole vested share unit or, subject to the consent by the Company, elect to receive an amount in cash. The cash amount is equal to the number of vested share units to be redeemed multiplied by the value of the common shares otherwise issuable on redemption of the share units.

Under the above RSU plan, the Company issued performance share units ("PSUs") which will vest on the date or dates designated for that unit, conditional on any vesting conditions being met. Vesting conditions for performance share units are tied to market metrics.

As of February 15, 2023 the Company does not have an active Restricted Share Unit Plan approved by shareholders.

18. Share-Based Compensation (continued)

The following table summarizes information about the RSUs as of March 31, 2023:

	March 31, 2023		March 31, 2022	
	Number of RSUs	Weighted Avg. Grant Date Fair Value	Number of RSUs	Weighted Avg. Grant Date Fair Value
Balance at October 1	56,517	\$ 49.40	40,824	\$ 46.65
Exercised	(27,525)	46.04	(20,401)	42.35
Forfeited	(5,958)	25.35	(482)	48.53
Granted	188,632	59.18	33,425	46.85
Balance at March 31	211,666	\$ 59.23	53,366	\$ 48.32

Of the units issued in the current year under the RSU plan, \$Nil has vested as of March 31, 2023. The Company has recorded \$421 (\$391) of share-based compensation expense in the three months and \$787 (\$651) in the six months ended March 31, 2023 (2022) related to the RSUs that have been granted. At March 31, 2023 (2022) the Company has total unrecognized compensation expense of \$1,826 (\$1,503) that will be recorded over the next two years.

The following unvested RSU-based payment arrangements are in existence:

RSU issuance:	Number of units		Grant date	Vest through	Fair value at grant date	
(1) Issued November 24, 2020	RSU	5,559	November 24, 2020	November 15, 2023	\$	59.35
(2) Issued February 9, 2021	RSU	81	February 9, 2021	November 15, 2023	\$	59.74
(3) Issued May 12, 2021	RSU	194	May 12, 2021	November 15, 2023	\$	56.32
(4) Issued August 10, 2021	RSU	16	August 10, 2021	November 15, 2023	\$	63.25
(5) Issued November 24, 2021	RSU	14,564	November 24, 2021	November 15, 2024	\$	58.90
(6) Issued Feb 9, 2022	RSU	53	February 9, 2022	November 15, 2024	\$	57.18
(7) Issued May 10, 2022	RSU	1,673	May 10, 2022	November 15, 2024	\$	67.34
(8) Issued Aug 10, 2022	RSU	331	August 10, 2022	November 15, 2024	\$	66.60
(9) Issued September 14, 2022	RSU	647	September 14, 2022	November 15, 2024	\$	56.10
(10) Issued November 24, 2022	RSU	30,048	November 24, 2022	November 15, 2025	\$	59.18
	PSU	158,500	November 24, 2022	November 15, 2025	\$	59.18

Deferred Share Unit Plan

At March 31, 2023 (2022) the Company has 35,793 (17,640) Deferred Share Units ("DSU") outstanding, of which 18,582 (14,825) have vested, and the remainder will vest until March 2025. The Company recorded share-based compensation of \$200 (\$168) related to the DSUs in the three months ended and \$371 (\$295) in the six months ended March 31, 2023 (2022). Each DSU entitles the participant to receive the value of one Common Share at the time of vesting. Vesting of the share units are based on service intervals or held until termination of service.

There are 18,582 (14,825) DSUs outstanding at March 31, 2023 (2022). The fair value of the DSUs outstanding at March 31, 2023 (2022) was \$59.65 (\$63.73) per unit using the fair value of a Common Share at period end.

19. Revenue

The following table presents the revenue of the Company for the three and six months ended March 31, 2023 and 2022:

	Three Months Ended March 31,		Six months ended March 31,	
	2023	2022	2023	2022
Product revenue				
Advanced Technologies	\$ 28,508	\$ 24,148	\$ 46,882	\$ 51,768
Learning	1,544	765	2,684	765
ITCS	10,856	5,778	19,610	8,831
Total product revenue	\$ 40,908	\$ 30,691	\$ 69,176	\$ 61,364
Service revenue				
Advanced Technologies	\$ 18,291	\$ 15,414	\$ 34,184	\$ 28,961
Health	43,681	45,452	84,136	87,830
Learning	27,239	24,063	52,539	46,845
ITCS	38,424	26,482	76,051	46,604
Total service revenue	\$ 127,635	\$ 111,411	\$ 246,910	\$ 210,240
Total revenue	\$ 168,543	\$ 142,102	\$ 316,086	\$ 271,604

Remaining Performance Obligations

The following table presents the aggregate amount of the revenues expected to be realized in the future from partially or fully unsatisfied performance obligations as at March 31, 2023 for contracts recognized over time. The amounts disclosed below represent the value of the firm orders only. Such orders may be subject to future modifications that might impact the amount and/or timing of revenue recognition. The amounts disclosed below do not include unexercised options or letters of intent.

Revenues expected to be recognized in:

	March 31, 2023
Less than 24 months	\$ 514,907
Thereafter	97,415
Total	\$ 612,322

20. Net Profit per Share

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

	Three months ended March 31		Six months ended March 31	
	2023	2022	2023	2022
Weighted average number of common shares – basic	11,705,770	11,325,786	11,667,937	11,312,537
Additions to reflect the dilutive effect of employee stock options and RSUs	48,641	62,203	53,964	60,527
Weighted average number of common shares – diluted	11,754,411	11,387,989	11,721,901	11,373,064

20. Net Profit per Share (continued)

Options that are anti-dilutive because the exercise price was greater than the average market price of the common shares are not included in the computation of diluted net profit per share. For the three months ended March 31, 2023 (2022), 22,356 (159,300) options and Nil (79) RSUs were excluded from the above computation. For the six months ended March 31, 2023 (2022), 22,356 (159,300) options and 30,048 (23,903) RSUs were excluded from the above computation.

21. Segmented Information

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, regarding how to allocate resources and assess performance. The Company's chief operating decision maker is the Chief Executive Officer ("CEO"). The Company's segments are categorized as follows: Advanced Technologies, Health, Learning, and IT and Cyber Solutions ("ITCS"). Shared Services are aggregated and incurred to support all segments. These include, but are not limited to, the Finance, Human Resources, IT support, Corporate development, Legal, Corporate marketing and administrative functions, facilities costs, costs of operating a public company, and other costs.

The Company evaluates performance and allocates resources based on profit before undernoted items.

For the three months ended March 31, 2023:

For the three months ended March 31, 2023	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	\$ 46,799	\$ 43,681	\$ 28,783	\$ 49,280	- \$	168,543
Cost of revenues	33,091	33,094	20,552	29,715	-	116,452
Gross profit	13,708	10,587	8,231	19,565	-	52,091
Gross profit %	29 %	24 %	29 %	40 %	N/A %	31 %
Selling and marketing	2,907	542	441	6,709	1,232	11,831
General and administration	3,339	2,786	1,310	5,609	7,449	20,493
Research and development	1,809	74	1,039	-	-	2,922
Profit before under noted items \$	5,653	7,185	5,441	7,247	(8,681)	16,845
Profit before under noted items %	12 %	16 %	19 %	15 %	N/A %	10 %
Depreciation of equipment, application software and R&D						2,252
Depreciation of right of use asset						1,015
Amortization of acquired intangibles						3,450
Deemed compensation						50
Changes in fair value related to contingent earn-out						2,562
Profit before interest income and income tax expense						7,516
Lease interest expense						122
Interest expense						(27)
Profit before income tax expense						7,421
Income tax expense – current						3,501
Income tax recovery – deferred						(597)
Total income tax expense						2,904
NET PROFIT FOR THE PERIOD						\$ 4,517

21. Segmented Information (continued)

For the three months ended March 31, 2022:

For the three months ended March 31, 2022	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	\$ 39,562	\$ 45,452	\$ 24,828	\$ 32,260	- \$	142,102
Cost of revenues	28,363	34,110	18,016	21,694	-	102,183
Gross profit	11,199	11,342	6,812	10,566	-	39,919
Gross profit %	28 %	25 %	27 %	33 %	N/A %	28 %
Selling and marketing	1,938	601	259	1,639	905	5,342
General and administration	2,640	2,619	1,188	3,495	6,684	16,626
Research and development	1,113	97	-	(26)	-	1,184
Profit before under noted items \$	5,508	\$ 8,025	\$ 5,365	\$ 5,458	(7,589)	\$ 16,767
Profit before under noted items %	14 %	18 %	22 %	17 %	N/A %	12 %
Depreciation of equipment, application software and R&D						1,302
Depreciation of right of use asset						878
Amortization of acquired intangibles						10,128
Deemed compensation						247
Changes in fair value related to contingent earn-out						1,619
Profit before interest income and income tax expense						2,593
Lease interest expense						106
Interest expense						95
Profit before income tax expense						2,392
Income tax expense – current						3,511
Income tax recovery – deferred						(2,386)
Total income tax expense						1,125
NET PROFIT FOR THE PERIOD					\$	1,267

21. Segmented Information (continued)

For the six months ended March 31, 2023:

For the six months ended March 31, 2023	Advanced Technologies		Health		Learning		ITCS		Shared Services		Total
Revenue	\$	81,066	\$	84,136	\$	55,223	\$	95,661	\$	-	\$ 316,086
Cost of revenues		55,491		63,993		40,427		58,865		-	218,776
Gross profit		25,575		20,143		14,796		36,796		-	97,310
Gross profit %		32 %		24 %		27 %		38 %		N/A %	31 %
Selling and marketing		5,849		1,002		990		12,556		2,577	22,974
General and administration		6,021		5,345		2,742		9,721		14,064	37,893
Research and development		3,625		161		1,445		112		-	5,343
Profit before under noted items	\$	10,080	\$	13,635	\$	9,619	\$	14,407	\$	(16,641)	\$ 31,100
Profit before under noted items %		12 %		16 %		17 %		15 %		N/A %	10 %
Depreciation of equipment, application software and R&D											4,549
Depreciation of right of use asset											2,022
Amortization of acquired intangibles											6,811
Deemed compensation											147
Changes in fair value related to contingent earn-out											3,304
Profit before interest income and income tax expense											14,267
Lease obligations interest expense											233
Interest expense											(15)
Profit before income tax expense											14,049
Income tax expense – current											6,213
Income tax recovery – deferred											(1,257)
Total income tax expense											4,956
NET PROFIT FOR THE PERIOD											\$ 9,093

21. Segmented Information (continued)

For the six months ended March 31, 2022:

For the six months ended March 31, 2022	Advanced Technologies		Health		Learning		ITCS		Shared Services	Total
Revenue	\$	80,729	\$	87,830	\$	47,610	\$	55,435	\$	- \$ 271,604
Cost of revenues		58,796		65,440		35,065		38,730		- 198,031
Gross profit		21,933		22,390		12,545		16,705		- 73,573
Gross profit %		27 %		25 %		26 %		30 %		N/A % 27 %
Selling and marketing		3,974		1,186		593		2,425		1,718 9,896
General and administration		4,855		5,043		2,305		4,990		13,217 30,410
Research and Development		2,231		190		-		117		- 2,538
Profit before under noted items	\$	10,873	\$	15,971	\$	9,647	\$	9,173	\$	(14,935) \$ 30,729
Profit before under noted items %		13 %		18 %		20 %		17 %		N/A % 11 %
Depreciation of equipment, application software and R&D										2,429
Depreciation of right of use asset										1,701
Amortization of acquired intangibles										13,720
Deemed compensation										1,000
Changes in fair value related to contingent earn-out										2,615
Profit before interest income and income tax expense										9,264
Lease obligations interest expense										214
Interest expense										146
Profit before income tax expense										8,904
Income tax expense – current										6,485
Income tax recovery – deferred										(3,154)
Total income tax expense										3,331
NET PROFIT FOR THE PERIOD										\$ 5,573

The Company operates in Canada but provides services to customers in various countries. Revenues from external customers for the six months ended March 31, 2023 (2022) are attributed as follows:

	March 31, 2023	March 31, 2022
Canada	71 %	78 %
United States	19 %	9 %
Europe	9 %	12 %
Other	1 %	1 %

Revenues are attributed to foreign countries based on the location of the customer. Revenues from various departments and agencies of the Canadian federal, provincial and municipal governments for the six months ended March 31, 2023 (2022) represented 49% (52%) of the Company's total revenues. All four operating segments conduct business with this category of customer.

22. Financial Instruments and Risk Management

Capital Risk Management

The Company's objective is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business and provide the ability to continue as a going concern. Management defines capital as the Company's shareholders' equity excluding accumulated other comprehensive income relating to cash flow hedges. The Company uses both debt and equity to fund working capital and its investment initiatives. Net profits generated from operations are available to repay debt and reinvestment in the Company or distribution to the Company's shareholders. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year-over-year sustainable profitable growth. The Board of Directors also reviews on a quarterly basis the level of dividends paid to the Company's shareholders and monitors the share repurchase program activities. The Company does not have a defined share repurchase plan and buy and sell decisions are made on a specific transaction basis and depend on market prices and regulatory restrictions. There were no changes in the Company's approach to capital management during the period. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Market risk is the risk that changes in market prices, such as foreign exchange rates, and interest rates will affect the Company's income or the value of its holding of financial instruments.

Foreign Currency Risk Related to Contracts

The Company is exposed to foreign currency exchange fluctuations on its cash balance, accounts receivable, accounts payable and accrued liabilities, contingent earn-out and future cash flows related to contracts denominated in a foreign currency. Future cash flows will be realized over the life of the contracts. The Company utilizes derivative financial instruments, principally in the form of forward exchange contracts, in the management of its foreign currency exposures within entities operating in currencies outside of their functional currencies. The Company's objective is to manage and control exposure and secure the Company's profitability on existing contracts and therefore, the Company's policy is to hedge its foreign currency exposure where it is most practical to do so. The Company hedges long term projects in foreign currencies. Other foreign currency exposure is evaluated on an individual basis to assess the associated risks and costs to hedge. The Company does not utilize derivative financial instruments for trading or speculative purposes. The Company applies hedge accounting when appropriate documentation and effectiveness criteria are met.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific firm contractually related commitments on projects.

The Company also formally assesses, both at the hedge's inception and on an on-going basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Hedge ineffectiveness has historically been insignificant. The forward foreign exchange contracts primarily require the Company to purchase or sell certain foreign currencies with or for Canadian dollars at contractual rates.

The functional currency of each of the Company's entities is determined using the currency of the primary economic environment in which that entity operates. The Company's functional currency is the Canadian dollar while the functional currency of its US subsidiary is the US Dollar ("USD"), the functional currency of its German subsidiary is the European Euro ("EUR"), the functional currency of its Norwegian subsidiary is the Norwegian Krone ("NOK"), and the functional currency of its U.K. based subsidiary is the Pound sterling ("GBP"). The presentation currency of these financial statements is the Canadian dollar.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rate of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at rates prevailing at the reporting dates and are recognized in profit and loss in the period in

22. Financial Instruments and Risk Management (continued)

which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of preparing consolidated financial statements, the assets and liabilities of the Company's US operations, German operations, Norwegian operations, and U.K. operations are first expressed in the Companies' USD, EUR, NOK and GBP functional currencies, respectively, using exchange rates prevailing at the reporting date which are then translated into the Company's reporting currency using prevailing rates at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Translation differences are recognized in other comprehensive income and recorded in the "cumulative translation adjustment".

At March 31, 2023, the Company had the following forward foreign exchange contracts:

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value March 31, 2023
BUY	\$ 13,076	USD	April 2023	\$ 17,666	\$ -
SELL	4,386	EURO	April 2023	6,436	25
Derivative assets					\$ 25
SELL	\$ 63,562	USD	April 2023	\$ 85,873	\$ (1)
BUY	9,351	EURO	April 2023	13,721	(53)
Derivative liabilities					\$ (54)

A 10% strengthening of the Canadian dollar against the following currencies at March 31, 2023 would have decreased other comprehensive income as related to the forward foreign exchange contracts or subsidiaries operating outside of the Company's presentation currency by the amounts shown below.

	March 31, 2023
USD	\$ (5,387)
EURO	207
GBP	61
NOK	188
Total	\$ (4,931)

22. Financial Instruments and Risk Management (continued)

A 10% strengthening against the Canadian dollar of the currencies to which the Company had exposure that is not related to forward foreign exchange contracts or subsidiaries operating outside of the Company's presentation currency would have increased Net Profit (a 10% weakening against the Canadian dollar would have had the opposite effect) by the amounts shown below.

	March 31, 2023
USD	\$ 2,695
GBP	(6)
EURO	689
SEK	20
NOK	29
AUD	(5)
Total	\$ 3,422

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's accounts receivable and its foreign exchange contracts.

The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Company's customers are diverse, however a significant portion of them are federal or provincial government agencies, or large private entities. A significant portion of the Company's accounts receivable is from long-time customers. At March 31, 2023 (2022), 38% (35%) of its accounts' receivable were due from various departments and agencies of the Canadian federal government. Over the last five years the Company has not incurred any significant credit related losses.

The Company limits its exposure to credit risks from counterparties to derivative financial instruments by dealing only with major Canadian financial institutions. Management does not expect any counterparties to fail to meet their obligations.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	March 31, 2023	September 30, 2022
Cash and cash equivalents	\$ 45,903	\$ 42,646
Accounts receivable	164,195	171,453
Derivative assets	25	123
Total	\$ 210,123	\$ 214,222

The aging of accounts receivable at the reporting date was:

	March 31, 2023	September 30, 2022
Current	\$ 156,160	\$ 159,412
Past due (61-120 days)	4,412	6,378
Past due (> 120 days)	3,623	5,663
Total	\$ 164,195	\$ 171,453

22. Financial Instruments and Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. At March 31, 2023, the company has a secured debt facility that matures on January 5, 2024 that allows the Company to draw up to \$80,000 CAD. As at March 31, 2023, the Company had \$45,903 cash on hand and \$Nil was drawn on the facility for current operations and for temporary use through acquisitions, and \$Nil was drawn to issue letters of credit to meet customer contractual requirements.

Fair Value

The fair value of accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity. Fair value of the forward exchange contracts reflects the cash flows due to or from the Company if settlement had taken place on March 31, 2023 and represents the difference between the hedge rate and the exchange rate at the end of the reporting period.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 of the fair value hierarchy based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	March 31, 2023		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 45,903	\$ -	\$ -
Investments	-	-	3,359
Derivative assets	-	25	-
Contingent earn-out	-	-	(21,830)
Derivative liabilities	-	(54)	-
Total	\$ 45,903	\$ (29)	\$ (18,471)

	September 30, 2022		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 42,646	\$ -	\$ -
Investments	-	-	670
Derivative assets	-	123	-
Debt facility	-	(7,500)	-
Contingent earn-out	-	-	(28,550)
Derivative liabilities	-	(812)	-
Total	\$ 42,646	\$ (8,189)	\$ (27,880)

There were no transfers between Level 1, Level 2 and level 3 during the three months ended March 31, 2023.

23. Acquisitions

Allphase Clinical Research Services Inc. and Alio Health Services Inc. (collectively "Alio/Allphase")

On January 30, 2020, the Company acquired all the outstanding shares of Alio/Allphase for a purchase price of up to \$25,056. Of this amount, \$10,500 was paid in cash on the date of closing, \$56 was paid in cash on settlement of net equity, \$2,500 was paid in common shares, and \$12,000 is payable contingently, of which \$3,000 is included in the initial accounting of the purchase price. Alio/Allphase provides clinical trial services, specialty medication support and community care and other services and is reported as a part of the Health operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Alio/Allphase an additional \$3,616, \$4,192 and \$4,192 if Alio/Allphase attains specified levels of EBITDA for the years ending January 30, 2021, 2022, 2023, respectively. A portion of the first and second year earn out payable amounts is subject to the retention of the principal shareholders for a period of two years from the date of acquisition. This amount is deemed to represent deferred compensation payable to such shareholders and therefore is excluded from the total consideration of the purchase price and was expensed in the Company's consolidated statement of net profit as deemed compensation related to acquisitions on a straight-line basis over the retention period. The Company recorded deemed compensation expense of \$Nil (\$1,000) for the six-months ended March 31, 2023 (2022). In the 2021 fiscal year, the Company paid \$3,616 based on achievement of the first year EBITDA under the agreement. The second year concluded with full payment of \$4,192 in the year ended September 30, 2022 with full achievement of earn out target. It was forecasted in the prior fiscal year that the third and final year of earn out would be lower than the target amount, leading to a lower amount payable from the Company. As the earn out closed, achievement was higher than anticipated, which resulted in an adjustment to the contingent earn out payable in the amount of \$2,272 recognized in changes in fair value of contingent earn out in the three-month period ended March 31, 2023.

The Company recognized an additional \$60 of expense in the six-months ended March 31, 2023, related to changes in fair value of contingent earn out.

Tallysman Wireless Inc. ("Tallysman")

On September 3, 2020, the Company acquired all the outstanding shares of Tallysman for a purchase price of up to \$25,354. Of this amount, \$16,654 was paid in cash on the date of closing, and \$8,700 is payable contingently. Tallysman designs, manufactures and sells a very wide range of Global Navigation Satellite System, Iridium and Globalstar antennas and related products into a market with a broad range of vertical applications that include precision reference systems, survey, timing, precision agriculture, unmanned and autonomous vehicles, marine and many more. Tallysman also produces cloud based wireless tracking systems over two-way radio systems and 4G category M cellular systems, for applications ranging from school buses to municipal public works. Tallysman is reported as part of the Advanced Technologies operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Tallysman an additional \$3,950 and \$4,750 if Tallysman attains specific levels of EBITDA for the years ending August 31, 2021 and December 31, 2022, respectively. The first year target was achieved and paid in the fiscal year 2022.

The second year target was achieved in full as at December 31, 2022, with overachievement. This has resulted in additional bonus to key individuals involved in the business in the amount of \$100 recognized in deemed compensation in the six-months ended March 31, 2023, with an additional \$763 recognized in fiscal 2022. The Company also recognized \$102 in the six-months ended March 31, 2023, related to changes in fair value of contingent earn out. All amounts are settled and paid as at March 31, 2023.

23. Acquisitions (continued)

Cadence Consultancy Limited ("Cadence")

On October 30, 2020, the Company acquired the outstanding shares of Cadence for total cash consideration of up to 2,000 Pound Sterling (\$3,518 CAD) of which, £1,100 (\$1,966 CAD) was paid on closing, and £900 (\$1,552 CAD) is payable contingently. Cadence is a UK based training firm with operations across the NATO with a particular focus on the Joint Forces Training Centre (JFTC). Cadence was acquired to expand the Company's work with NATO which was initially won with the acquisition of CTS in July of fiscal 2020. Cadence is reported as part of the Learning operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Cadence an additional \$776 and \$776 if Cadence attains specific levels of EBITDA for the years ending October 31, 2021 and October 31, 2022, respectively. In the year ended September 30, 2022 the Company paid \$776 relating to the year one contingent earn out which represented full achievement of targets. At September 30, 2022, it was deemed that the year 2 earn out amount was not to be achieved and was written off through the consolidated statement of net profit at that point. In the period ended December 31, 2022, the Company amended the earn out agreement with Cadence to pay a portion of the year 2 earn out amount in order to retain key management members subsequent to the earn out period. This has resulted in payment of £100 (\$165 CAD) which was recognized in changes in fair value related to contingent earn-out in the six-month periods ended March 31, 2023. Additionally, \$47 was recognized as deemed compensation in the six-months ended March 31, 2023 relating to special bonus amounts for key management members earned in the period that were set as part of the share purchase agreement. All amounts are settled and paid as at March 31, 2023.

Dapasoft Inc. ("Dapasoft")

On February 22, 2021, the Company acquired all the outstanding shares of Dapasoft for a purchase price of up to \$78,709. Of this amount, \$39,209 was paid in cash on the date of closing, \$2,500 was placed in escrow, \$5,000 was paid through the issuance of common shares, \$2,000 of common shares are to be issued upon expiry of escrow on February 22, 2022 and \$30,000 is payable contingently of which \$11,605 was included in the purchase price. Dapasoft is a provider of innovative systems integration, cloud lifecycle management and cybersecurity solutions, which enable clients to securely implement digital transformation initiatives. Dapasoft is reported as part of the ITCS operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Dapasoft an additional \$17,500 and \$12,500 if Dapasoft attains specific levels of EBITDA for the years ending February 28, 2022 and February 28, 2023, respectively. A portion of the earn out is payable through issuance of common shares of the Company. In the year ended September 30, 2022, the Company concluded on the year one earn out with full achievement. Settlement of the year one earn out resulted in cash payment of \$2,861, of which \$2,000 was related to earn out payments, and the additional \$861 was recognized in September 30, 2022 in changes in fair value related to contingent earn out, whereby the Company had agreed to a payment structure in the initial agreement where if Dapasoft was able to maintain low levels of working capital for the first year after acquisition, that the selling group would be entitled to additional achievement payments. Further, common shares in the amount of \$14,048 were issued in relation to the payment of the year one earn out in the fiscal year ended September 30, 2022. An additional amount of \$1,511 was issued in the form of common shares to settle the remaining balance of the first year contingent consideration amount in the three-month period ended March 31, 2023. Overachievement bonus amounts were expensed in the 2022 fiscal year resulting in additional amounts owing of \$2,175 to be paid in the remainder of the 2023 fiscal year. At March 31, 2023, the second year earn out has concluded and the full achievement of target is likely to be met. The balance will be settled and paid in the remainder of the 2023 fiscal year.

The Company recognized \$429 in the six-months ended March 31, 2023, related to changes in fair value of contingent earn out.

23. Acquisitions (continued)

SimFront Simulation Systems Corporation ("SimFront")

On October 7, 2021, the Company acquired the outstanding shares of SimFront, for total cash consideration of up to \$15,625 of which, \$9,646 was paid on closing, and \$6,000 is payable contingently. SimFront will enable Calian to provide end-to-end military training and simulation capabilities and pursue new opportunities with customers seeking integration and immersive training support. SimFront integration and augmented/virtual/mixed reality solutions elevate Calian capabilities in this area. SimFront is reported as part of the Learning operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of SimFront an additional \$2,760 and \$3,240 if SimFront attains specific levels of EBITDA for the years ended September 30, 2022 and September 30, 2023, respectively. In the three-months ended December 31, 2022 the Company settled and paid the year one earn out in the amount of \$2,760.

The Company recognized \$276 in the six-months ended March 31, 2023 related to changes in fair value of contingent earn out.

24. Contingent Earn-Out

The following shows the contingent consideration activity for the six months ended March 31, 2023:

Company Acquired	Beginning balance	Acquisition Payments	Change in Fair Value	Adjustments	Ending balance
Alio/Allphase	\$ 1,860	\$ -	\$ -	\$ 2,272	\$ 4,192
Tallysman Wireless	5,411	-	(5,613)	100	-
Cadence	75	-	(287)	47	-
Dapasoft	15,758	-	(1,511)	-	14,676
SimFront	5,446	-	(2,760)	-	2,962
Total	\$ 28,550	\$ -	\$ (10,171)	\$ 2,419	\$ 21,830

As at March 31, 2023, the total gross value of all contingent consideration outstanding is \$22,107. Included in the adjustments column in the table are amounts from deemed compensation, along with changes in estimated payment amounts to make under contingent earn out estimates.

The following shows the contingent consideration activity for the year ended September 30, 2022:

Company Acquired	Beginning balance	Acquisition Payments	Change in Fair Value	Adjustments	Ending balance
Alio/Allphase	\$ 6,941	\$ -	\$ (4,192)	\$ (1,361)	\$ 1,860
Comprehensive Training Solutions	749	-	(1,102)	301	-
Tallysman Wireless	8,104	-	(4,142)	956	5,411
Cadence	1,417	-	(776)	(660)	75
InterTronic	3,228	-	-	(3,443)	-
Dapasoft	17,823	-	(14,283)	11,045	15,758
SimFront	-	4,914	532	-	5,446
Total	\$ 38,262	\$ 4,914	\$ (24,495)	\$ 6,838	\$ 28,550

25. Related Party Transactions

During the three months ended March 31, 2023 (2022), the Company had sales of \$458 (\$84) to GrainX, in which Calian holds a non-controlling equity investment. For the six months ended March 31, 2023 (2022), the Company had sales of \$610 (\$141) to GrainX. At March 31, 2023 (2022), the Company had an accounts receivable balance with GrainX of \$450 (\$72) 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.

26. Subsequent Events

On March 9, 2023, the Company entered into a definitive agreement to acquire the assets of Hawaii Pacific Teleport (HPT) a US-based provider of independent teleport and satellite communications solutions, for total cash consideration of \$46,000 USD (approximately \$62,000 CAD) and contains earnouts of up to \$11,000 USD (approximately \$15,000 CAD) based on the achievement of certain levels of EBITDA performance over the 24 months subsequent to the close date of the acquisition. The completion of this transaction is subject to regulatory approvals and other customary closing conditions, and the Company anticipates the transaction to take place in the second half of the 2023 fiscal year. HPT will be reported as part of the Advanced Technologies operating segment.

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2023

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

The following Management's Discussion and Analysis (MD&A) is dated May 10, 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.
- The Company's ability to win customers and contracts
- 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 May 10, 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 a powerful advantage. Calian attracts and challenges great people and great partners.

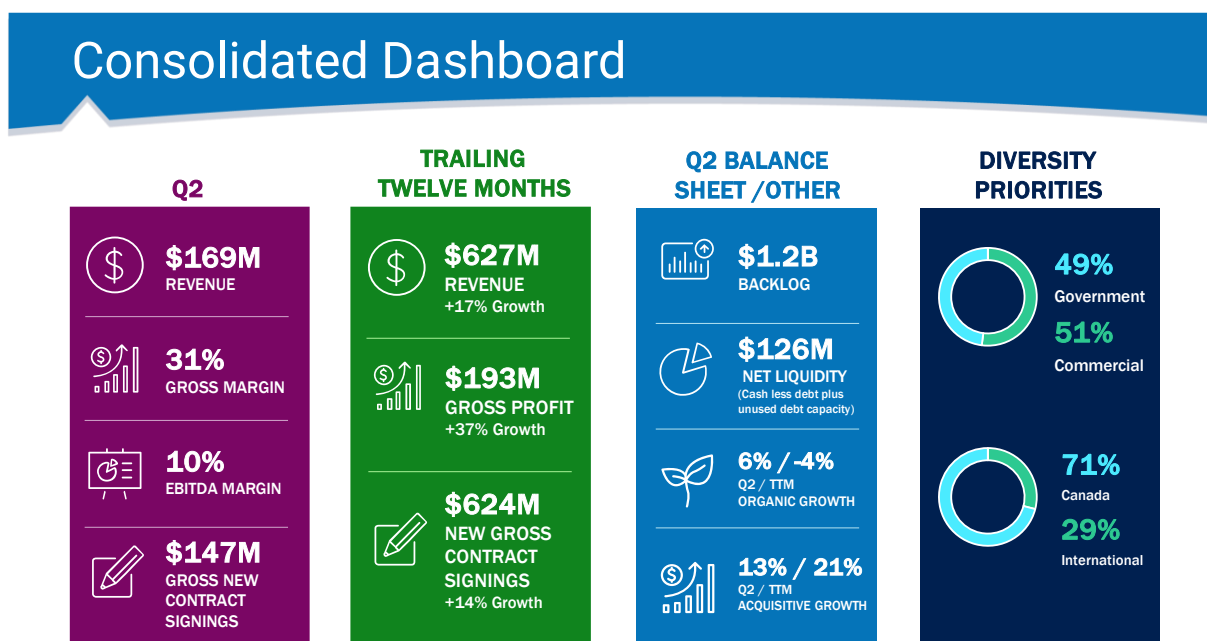
Four Pillars of Growth

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 scope 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.

Q2 Consolidated Dashboard

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

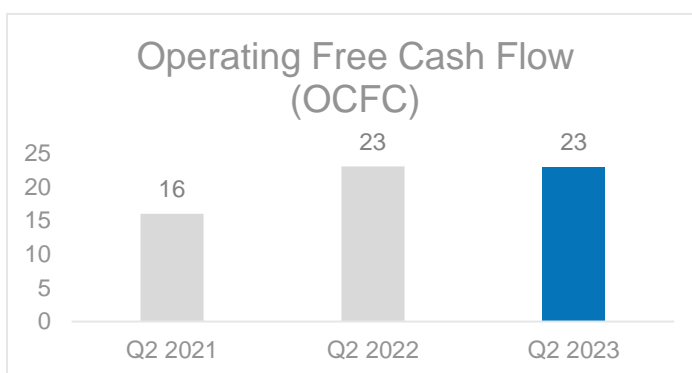
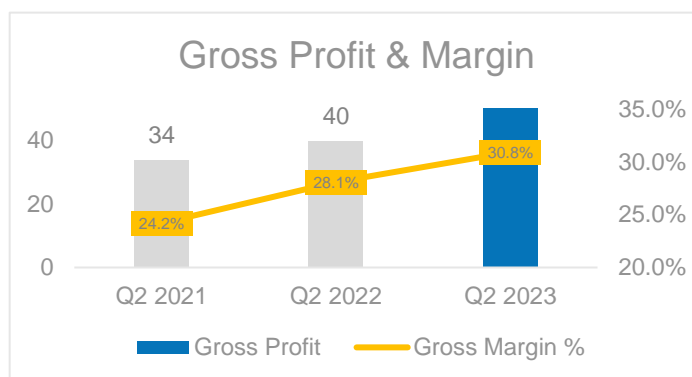


Second Quarter Highlights

The Company continues its trend of profitable growth in the quarter, with a record quarterly performance in revenue, at \$169 million. This is 5% higher than its previous highest quarterly revenues. We are seeing strong growth from both acquisitive and organic revenue which is a result of our recent investments in increased capacity in the organization including investments in research and development.

Gross margin performance continued at over 30% in the second quarter for the fourth straight quarter. This trend is a demonstration of the Company's ability to successfully execute on its strategic goals of higher product mix and acquiring entities with stronger contributions than the historical services of the Company.

In the quarter we have announced that we have entered into a definitive purchase agreement to acquire the assets of US-based Hawaii Pacific Teleport. We believe that this acquisition will bring complementary strengths and customer relationships to the Company and further expand Calian's footprint in the United States. We expect the transaction to close in the second half of fiscal year 2023 following regulatory approvals.



Selected Quarterly Financial Data

(Canadian dollars in millions, except per share data)

	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21
Revenues								
Advanced Technologies	\$ 46.8	\$ 34.3	\$ 30.5	\$ 39.2	\$ 39.6	\$ 41.1	\$ 42.6	\$ 43.8
Health	43.6	40.4	39.4	39.7	45.4	42.4	44.1	50.8
Learning	28.8	26.4	21.8	22.3	24.8	22.8	17.6	18.1
ITCS	49.3	46.4	68.8	48.8	32.3	23.2	23.2	23.4
Total Revenue	\$ 168.5	\$ 147.5	\$ 160.5	\$ 150.0	\$ 142.1	\$ 129.5	\$ 127.5	\$ 136.1
Cost of revenue	116.5	102.3	110.4	104.5	102.2	95.8	94.5	102.2
Gross profit	52.0	45.2	50.1	45.5	39.9	33.7	33.0	33.9
Selling and marketing	11.8	11.1	13.1	9.6	5.3	4.5	4.4	4.5
General and administration	20.5	17.4	17.0	18.0	16.6	13.8	14.2	13.3
Research and development	2.9	2.4	1.0	1.8	1.2	1.4	2.0	1.2
Profit before under noted items	16.8	14.3	19.0	16.1	16.8	14.0	12.4	14.9
Depreciation of equipment and application software	2.3	2.3	2.4	2.3	1.4	1.2	1.2	1.1
Depreciation of right of use asset	1.0	1.0	1.0	1.0	0.9	0.8	0.8	0.7
Amortization of acquired intangible assets	3.4	3.4	3.5	3.4	10.1	3.6	3.4	3.2
Deemed compensation	0.1	0.1	3.3	-	0.2	0.7	0.8	0.8
Changes in fair value related to contingent earn-out	2.5	0.7	2.3	0.7	1.6	1.0	3.6	5.1
Profit before interest and income tax expense	7.5	6.8	6.5	8.7	2.6	6.7	2.6	4.0
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
Profit before income tax expense	7.4	6.7	6.4	8.5	2.4	6.5	2.3	3.8
Income tax expense	2.9	2.1	5.4	1.8	1.1	2.2	1.4	1.7
Net profit	\$ 4.5	\$ 4.6	\$ 1.0	\$ 6.7	\$ 1.3	\$ 4.3	\$ 0.9	\$ 2.1
Weighted average shares outstanding - Basic	11.7M	11.6M	11.4M	11.3M	11.3M	11.3M	11.3M	11.2M
Weighted average shares outstanding - Diluted	11.8M	11.7M	11.5M	11.4M	11.4M	11.4M	11.3M	11.3M
Net profit per share								
Basic	\$ 0.39	\$ 0.39	\$ 0.10	\$ 0.60	\$ 0.11	\$ 0.38	\$ 0.10	\$ 0.18
Diluted	\$ 0.38	\$ 0.39	\$ 0.10	\$ 0.60	\$ 0.11	\$ 0.38	\$ 0.10	\$ 0.18
Adjusted EBITDA per share								
Basic	\$ 1.45	\$ 1.23	\$ 1.67	\$ 1.48	\$ 1.24	\$ 1.24	\$ 1.10	\$ 1.33
Diluted	\$ 1.45	\$ 1.22	\$ 1.66	\$ 1.47	\$ 1.23	\$ 1.23	\$ 1.09	\$ 1.32

Calian Consolidated Results

The Company continued its double-digit growth in the current year with consolidated revenues increasing by 19% in the three-month and 16% in the six-month periods ended March 31, 2023 when compared to the same periods of the prior year.

Double digit revenue growth was achieved in Advanced Technologies, Learning and ITCS all while delivering expanded gross margins. The Health segment posted a reduction compared to revenues in the same period of the previous year, but was able to grow its traditional in-person health services to new high levels, which is the foundation of the business going forward.

	Three months ended		Six months ended	
	March 31,	March 31,	March 31,	March 31,
	2023	2022	2023	2022
Revenues	\$ 168,543	\$ 142,102	\$ 316,086	\$ 271,604
Gross profit	52,091	39,919	97,310	73,573
Selling and marketing	11,831	5,342	22,974	9,896
General and administration	20,493	16,626	37,893	30,410
Research and development	2,922	1,184	5,343	2,538
Profit before under noted items	\$ 16,845	\$ 16,767	\$ 31,100	\$ 30,729

Revenues

Consolidated revenues grew 19% in the three-month, and 16% in the six-month periods ended March 31, 2023, when compared to the same periods in the previous year. Acquisitive growth was 13% in the three-month, and 14% for the six-month periods ended March 31, 2023 as a result of our investment in the ITCS US market. This was coupled with organic growth of 6% for the three-month, and 2% for the six-month periods ended March 31, 2023.

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.

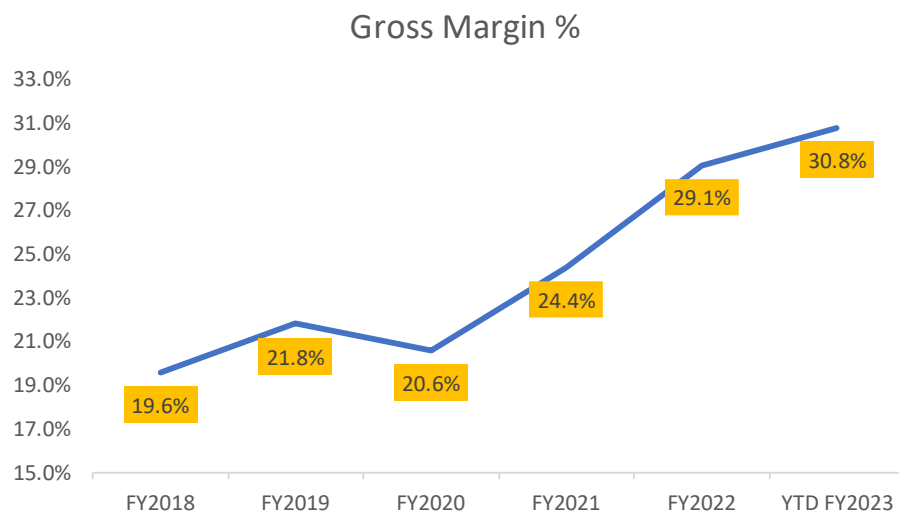
IT and Cyber Solutions grew its revenue by 53% for the three-month, and 73% for the six-month periods ended March 31, 2023, when compared to the same periods of the previous year. This growth was the result of its acquisition of Computex in March 2022 along with continued strong performance of its overall cyber practice.

Learning achieved strong revenue growth of 16% for the three and six-month periods ended March 31, 2023, when compared to the same periods of the previous year. This growth is the result of our organic growth initiatives including business development, research & development of our software tools and further international expansion.

Advanced Technologies revenues grew 18% for the three-month, and was flat for the six-month periods ended March 31, 2023, when compared to the same periods of the previous year. We were able to make some progress in the final month of the quarter, however the impact from the ongoing parts shortage is causing extended lead times. Continued diligence will be required in the coming quarters to maximize revenues while managing the global supply chains realities.

Health revenue decreased by 4% for the three and six-month periods ended March 31, 2023, when compared to the same periods of the previous year. The impact of our direct COVID response contracts ending was 19% when compared to the same quarter of the previous year. This was COVID response related revenues directly attributable to short term contracts won through the pandemic which ended in the prior fiscal year. This is offset by increased demand in our traditional in-person healthcare business, along with our clinical research organizational services which are operating at levels that outpace any previous quarter.

Gross Profit



As discussed below in each segment overview, gross margin by segment varies from 24% to 40% and the business mix, in turn, affects the consolidated gross margin. Consolidated gross margin percentage for the Company's first quarter was 30.9%, which is almost 3 points higher than 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 innovating products which derive higher margins.

The Company has been able to successfully increase its revenue period over period, while also increasing its gross margin percentage. This is a direct demonstration of the Company's strategic investment into capacity, capability and growth.

Operating Expenses

Selling and marketing costs increased \$6,489 for the three-month, and \$13,078 for the six-month period ended March 31, 2023, when compared to the same periods of the prior year. Approximately \$5 million of the increase for the three-month, and \$10 million of the increase for the six-month periods ended March 31, 2023 relate to recent acquisitions with incentives on selling activities. The remainder of the increase is a result of 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 23% for the three-month, and 25% for the six-month periods ended March 31, 2023, when compared to the same periods of the previous year. 12% of this increase for the three-month period, and 15% of this increase for the six-month periods ended March 31, 2023 relate to additional costs consolidated from recent acquisitions. Additional increases are a factor of increased headcount to support the Company's customer growth, the expansion that the Company continues internationally, and additional critical infrastructure or tools related to technology.

Research and development costs increased by \$1,738 in the three-month, and \$2,805 for the six-month periods ended March 31, 2023, when compared to the same periods in the prior year. The recent investments in research and development are to improve or enhance assets that the Company had developed internally or acquired through M&A. We believe these tools will help us further differentiate our services and maintain our gross margins.

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

	Advanced Technologies	Health	Learning	ITCS
Revenue	\$46,799 ↑18%	\$43,681 ↓4%	\$28,783 ↑16%	\$49,280 ↑53%
Gross profit	\$13,708	\$10,587	\$8,231	\$19,565
Organic / acquisitive	18% / Nil	-4% / Nil	16% / Nil	-5% / 57%
New contract signings	\$47,867	\$24,731	\$13,159	\$61,287
Backlog	\$156,805	\$680,807	\$298,913	\$110,063

*Comparisons in the above table are made to the three month-period ended March 31, 2023

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 	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"> • Precision GNSS location and timing antennas and receivers • 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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Q2 Highlights

- **Space:**
 - Entered into a definitive purchase agreement to acquire the assets of US-based Hawaii Pacific Teleport (HPT) which provides Calian with strong recurring revenue streams, access to top tier customers for cross-selling and high margins.
 - Awarded CSA STDP grant for Intelligent Satellite Anomaly Detection and Failure Prediction. This development is aimed at improving efficiencies of satellite operations using innovative AI and machine learning techniques.
- **Terrestrial:**
 - Announced the appointment of Darrell Wellington to the Tallysman senior leadership team. A seasoned technology veteran with over 20 years of experience, Mr. Wellington will lead Tallysman, a manufacturer of high-precision Global Navigation Satellite Systems (GNSS), as well as its subsidiary Tallymatics.
 - Received over \$6.0 million in new GNSS orders, including new marine customer booking.
- **Defence:**
 - Signed contracts with the Data Remediation Program valued at \$6.3 million, Help Desk and Operational Support to the CF Support Training Group valued at \$5.2 million, and the manufacture of defence targets valued at \$1.1 million.

Financial Performance

	Three months ended		Six months ended	
	March 31,	March 31,	March 31,	March 31,
	2023	2022	2023	2022
Revenues	\$ 46,799	\$ 39,562	\$ 81,066	\$ 80,729
Gross profit	13,708	11,199	25,575	21,933
Selling and marketing	2,907	1,938	5,849	3,974
General and administration	3,339	2,640	6,021	4,855
Research and development	1,809	1,113	3,625	2,231
Profit before under noted items	\$ 5,653	\$ 5,508	\$ 10,080	\$ 10,873

Advanced Technologies' revenues increased by 18% for the three-month, and was flat for the six-month periods ended March 31, 2023, when compared to the same periods of the previous year. The revenue increase in the three-month period is primarily attributable projects beginning within the Ground systems division that were recently won, along with increased demand in our GNSS product division and AgTech product deliveries.

The segment began making some progress on orders that were delayed due to supply chain delays in receiving key components. We continue to see delays in certain products, but the delays have started to ease. We anticipate this to continue to ease in the coming quarters.

We continue to increase our GNSS product revenues at double digit growth for the quarter. We continue to deploy our products to new large scale customers and increased demand from existing customers as they include our products into more of their offerings.

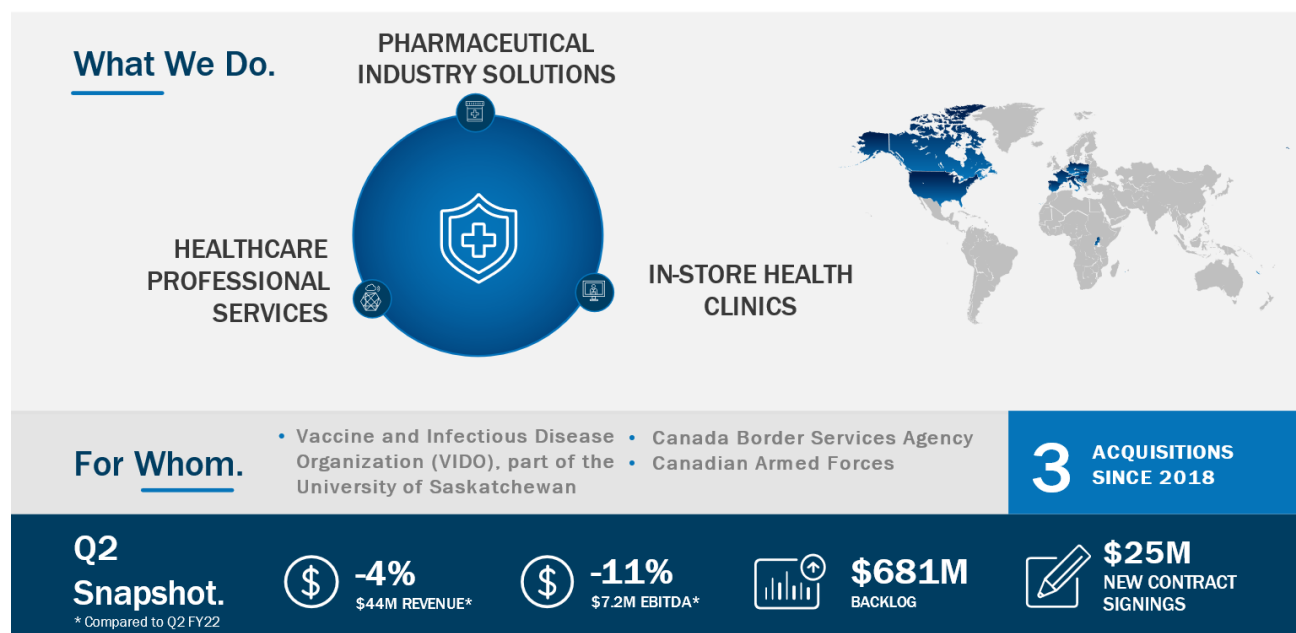
Gross margin percentage increased from 28% to 29% for the three-month, and from 27% to 32% for the six-month periods ended March 31, 2023, when compared to the same periods of the prior year. This is a result of higher margin product revenues. The contribution of more Calian products will continue to drive higher gross margins in the longer term.

Sales and marketing expenses increased by \$969 for the three-month, and \$1,875 for the six-month periods ended March 31, 2023, when compared to the same periods in the prior year. The overall increase is due to a higher volume of tradeshows and on-site customer travel as restrictions have fully eased.

General and administration expenses increased by \$699 in the three-month, and \$1,166 for the six-month periods ended March 31, 2023, as we bring on additional capacity to meet future demand requirements.

Research and development expenses have increased by \$696 in the three-month, and \$1,394 for the six-month periods ended March 31, 2023, when compared to the same periods of the prior year. This increase is the result of various initiatives within our ground systems product development and other product improvements for our manufactured products.

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) solutions • Mobile Research Nurse Services • 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

Q2 Highlights

- Appointed Derek Clark as President, Health. Effectively transitioned the leadership of Calian Health from Gordon McDonald, who retired at the end of March.
- Won a multi-year contract with Immigration, Refugees and Citizenship Canada (IRCC) to build a team of registered nurses and health aids to provide health and wellness checks to asylum seekers, and site management in six locations across Nova Scotia, New Brunswick and Newfoundland.
- Continued to gain traction with our solution that supports police organizations across western Canada including new contracts in Edmonton, Lethbridge and Regina as well as to Indigenous Services Canada with an increase in the demand for paramedics to serve northern communities in Manitoba and Ontario.
- Formed a partnership with Syantra to increase breast cancer awareness and promote early detection. Secured its first Market Access contract for PSP supporting the Syantra DX | Breast Cancer product, providing expertise in navigating complex reimbursement, pricing negotiations and access strategies to enable access to breast cancer screening across Europe.
- Achieved the strongest revenue quarterly performance at Allphase, the segments full-service Contract Research Organization, for a second quarter in a row.

Financial Performance

	Three months ended		Six months ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Revenues	\$ 43,681	\$ 45,452	\$ 84,136	\$ 87,830
Gross profit	10,587	11,342	20,143	22,390
Selling and marketing	542	601	1,002	1,186
General and administration	2,786	2,619	5,345	5,043
Research and development	74	97	161	190
Profit before under noted items	\$ 7,185	\$ 8,025	\$ 13,635	\$ 15,971

Revenues decreased 4% for the three and six-periods ended March 31, 2023, when compared to the same periods 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 which began to slow in the latter half of fiscal 2022. Revenue decline related to one time projects signed during the COVID-19 surge period that ended in the prior year has resulted in a decrease of 19% in revenue for the three-month period ended March 31, 2023.

The Health segment has been successfully able to win new contracts and grow its existing contracts to replace this COVID surge across the mainstay Health Services business, along with our CRO practice. Our Healthcare Professional services business is now at a new high run-rate level. We continue to focus on recruiting and our delivery capacity to help meet the demand from our existing customers.

Gross margin percentage declined slightly to 24% for the three and six-month periods ended March 31, 2023, when compared to the same periods 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

Q2
Snapshot.
* Compared to Q2 FY22

+16%
\$29M REVENUE*

+1%
\$5.4M EBITDA*

\$299M
BACKLOG

\$13M
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

Q2 Highlights

- **Domestic Defence**
 - Developed and delivered multiple large, coordinated training exercises for the Canadian Army and Royal Canadian Air Force.
- **Global Defence**
 - Continued the expansion of Calian International training footprint, with projects in France, Turkey, Netherlands, Philippines, Jamaica, Indonesia and Jordan.
- **Commercial**
 - Delivered a virtual reality scenario to St. Joe's Hospital and McMaster University entitled "Patient Perspective Communicating With Staff".

Financial Performance

	Three months ended		Six months ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Revenues	\$ 28,783	\$ 24,828	\$ 55,223	\$ 47,610
Gross profit	8,231	6,812	14,796	12,545
Selling and marketing	441	259	990	593
General and administration	1,310	1,188	2,742	2,305
Research and development	1,039	-	1,445	-
Profit before under noted items	\$ 5,441	\$ 5,365	\$ 9,619	\$ 9,647

Revenue increased by 16% for the three and six-month periods ended March 31, 2023, when compared to the same periods of the prior year. The growth that we are seeing in the Learning segment is directly attributable to the recent investments into technology and geographical diversification. These investments are proving to be very valuable for both existing and new customers across Canada and European markets. We have been continuing to deploy our product offerings to existing customers which is increasing the scope on projects, and adding additional demand for other services.

Gross margin percentage increased from 27% to 29% for the three-month, and from 26% to 27% for the six-month periods ended March 31, 2023 when compared to the same period of the previous year. Our product offerings will continue to expand margins.

Selling and marketing expenses increased by \$182 in the three-month, and \$397 in the six-month periods ended March 31, 2023, when compared to the same periods 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 \$122 for the three-month, and \$437 for the six-month periods ended March 31, 2023, when compared to the same periods of the prior year, which is a result of supporting the growth in the segment domestically, and it's global expansion.

Research and development expenses increased by \$1,039 in the three-month, and \$1,445 period ended March 31, 2023, when compared to the same period of the previous year. These expenses are related to the additional investment in our internally developed softwares used in the delivery of our virtual training and learning services.

IT & Cyber Solutions Segment

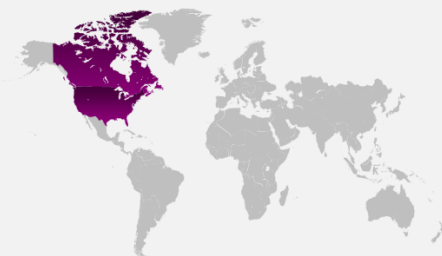
What We Do.

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

Q2
Snapshot.

* Compared to Q2 FY22



+53%

\$49M REVENUE*



+33%

\$7.2M EBITDA



\$110M

BACKLOG



\$61M

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.

Q2 Highlights

- Won a multi-year deal to support GPD Companies, a leading global provider of distribution services and smart solutions, with managed IT & Cyber XaaS services.
- Won an IT Solution Provider deal to support the growth of Resound Networks, a leading Internet Service Provider in Texas.
- Won the Burlington Ontario Health Team (BOHT) and Connected Care Halton Ontario Health Team (CCH OHT) bid for a digital health solution supporting a more integrated care model across partner organizations of the Community Wellness Hub in Halton Region. The BOHT and CCH OHT are networks of health and social service providers that plan and work together to create a more seamless care experience for individuals, families and caregivers. OHT priorities include integrated care through

a population health management approach, patient system navigation, digital access, and applying a health equity lens.

- Recognized with a Platinum designation by OECM Services, a (NPO) Non-For-Profit sourcing partner for Ontario's education sector, public sector and other NPOs.
- Achieved new Solutions Partner designations for the Microsoft Cloud Partner Program, significantly scaling its services reach across the globe.
- Awarded by Proofpoint, a leading cybersecurity and compliance company, as its Top Canadian Growth Partner.

Financial Performance

	Three months ended		Six months ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Revenues	\$ 49,280	\$ 32,260	\$ 95,661	\$ 55,435
Gross profit	19,565	10,566	36,796	16,705
Selling and marketing	6,709	1,639	12,556	2,425
General and administration	5,609	3,495	9,721	4,990
Research and development	-	(26)	112	117
Profit before under noted items	\$ 7,247	\$ 5,458	\$ 14,407	\$ 9,173

Revenues increased by 53% for the three-month, and 73% for the six-month period ended March 31, 2023, when compared to the same periods of the previous year. Growth in the current quarter relates to revenue expansion in the US marketplace, through acquisitive revenue amounting to 57% of the growth. Organic revenues have declined by 4% in the quarter when compared to the same period of the previous year. We continue to see longer lead times in our supply chain, however we are optimistic to see improvements in the balance of 2023.

Gross margin increased from 33% to 40% in the three-month, and 30% to 38% for the six-month periods ended March 31, 2023, when compared to the same periods of the previous year. This is primarily a result of the acquisitive revenue at higher margin, and higher margin Cyber Security services revenue in the quarter.

Selling and marketing costs have increased by \$5,070 in the three-month, and \$10,131 for the six-month periods ended March 31, 2023, when compared to the same periods of the previous year. This increase is 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 \$2,114 in the three-month, and \$4,731 for the six-month periods ended March 31, 2023, when compared to the same periods of the previous year. This increase relates to additional expenses from the consolidation of recent acquisitions, along with additional investments for future growth opportunities for business units in Canada and the US.

Summary of Second Fiscal Quarter

The second quarter of 2023 has seen:

- Record quarterly revenue for the Company
- Double digit growth in three of our four segments
- Positive organic and acquisitive growth
- Ability to maintain our gross margins above 30% for four consecutive quarters
- Total new gross contract signings of \$147M displaying our ability to replenish our backlog of \$1.2B
- Strong cash position with significant liquidity for continued investment

While supply chain disruptions have caused orders to have longer delivery times and pushing revenue to the right, our teams have been able to make some progress this quarter and will remain focused on fulfilling customer demand despite any disruptions.

The acquisition announcement of Hawaii Pacific Teleport is significant for both our continued geographic expansion into the US, and the enhancement of our product and service suite in our Advanced Technologies segment. Our focus on deploying capital to deliver long-term growth remains a key pillar to our strategy.

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		Six months ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Net profit	\$ 4,517	\$ 1,267	\$ 9,093	\$ 5,573
Depreciation of equipment and application software	2,252	1,302	4,549	2,429
Depreciation of right of use asset	1,015	878	2,022	1,701
Amortization of acquired intangible assets	3,450	10,128	6,811	13,720
Lease interest expense	122	106	233	214
Changes in fair value related to contingent earn-out	2,562	1,619	3,304	2,615
Interest expense (income)	(27)	95	(15)	146
Deemed compensation	50	247	147	1,000
Income tax	2,904	1,125	4,956	3,331
Adjusted EBITDA	\$ 16,845	\$ 16,767	\$ 31,100	\$ 30,729

Adjusted Net Profit and Adjusted EPS

	Three months ended		Six months ended	
	March 31,	March 31,	March 31,	March 31,
	2023	2022	2023	2022
Net profit	\$ 4,517	\$ 1,267	\$ 9,093	\$ 5,573
Changes in fair value related to contingent earn-out	2,562	1,619	3,304	2,615
Deemed compensation	50	247	147	1,000
Amortization of intangibles	3,450	10,128	6,811	13,720
Adjusted net profit	10,579	13,261	\$ 19,355	\$ 22,908
Weighted average number of common shares basic	11,705,770	11,325,786	11,667,937	11,312,537
Adjusted EPS Basic	0.90	1.17	1.66	2.03
Adjusted EPS Diluted	0.90	1.16	1.65	2.01

Operating Free Cash Flow

	Three months ended		Six months ended	
	March 31,	March 31,	March 31,	March 31,
	2023	2022	2023	2022
Cash flows generated from operating activities	6,203	19,214	31,526	23,378
Capitalized research and development	-	(36)	(86)	(150)
Equipment and application software	(1,931)	(1,993)	(2,645)	(3,323)
Free cash flow	4,272	17,185	28,795	19,905
Free cash flow	4,272	17,185	28,795	19,905
Adjustments:				
Change in non-cash working capital	6,433	(4,084)	(5,966)	2,964
Operating free cash flow	10,705	13,101	22,829	22,869
Operating free cash flow per share	0.91	1.16	1.96	2.02

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		Six months ended	
	March 31,	March 31,	March 31,	March 31,
	2023	2022	2023	2022
Profit before under noted items	\$ 16,845	\$ 16,767	\$ 31,100	\$ 30,729
Depreciation of equipment and application software	2,252	1,302	4,549	2,429
Depreciation of right of use asset	1,015	878	2,022	1,701
Amortization of acquired intangible assets	3,450	10,128	6,811	13,720
Deemed compensation	50	247	147	1,000
Changes in fair value related to contingent earn-out	2,562	1,619	3,304	2,615
Profit before interest income and income tax expense	\$ 7,516	\$ 2,593	\$ 14,267	\$ 9,264
Lease interest expense	122	106	233	214
Interest expense (income)	(27)	95	(15)	146
Income tax expense	2,904	1,125	4,956	3,331
Net profit	\$ 4,517	\$ 1,267	\$ 9,093	\$ 5,573
Net profit per share, basic	0.39	0.11	0.78	0.49
Total assets	533,599	563,283	533,599	563,283
Dividends per share	0.28	0.28	0.56	0.56

Depreciation of equipment and application software increased by \$950 in the three-month, and \$2,120 for the six-month periods ended March 31, 2023, when compared to the same periods 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 \$137 for the three-month, and \$321 for the six-month periods ended March 31, 2023, 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 \$6,678 in the three-month, and \$6,909 for the six-month periods ending March 31, 2023 when compared to the same periods of the previous year due to 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 \$197 in the three-month, and \$853 in the six-month periods ended March 31, 2023 when compared to the same periods 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 increased by \$943 in the three-month, and \$689 for the six-month periods ended March 31, 2023, when compared to the same periods of the previous year. The increase is a direct result of changes in fair value related to the Alio earn out given there was a write up in the amount payable in the current period due to higher than anticipated performance. 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 March 31, 2023, was \$2,904, which is higher than the \$1,125 recorded in the same period of the previous fiscal year. The provision for income taxes for the six-month period ended March 31, 2023 was \$4,956, which higher than the \$3,331 for the same period from the previous year. The increases in both periods is due to higher taxable income in 2023. 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 March 31, 2023 was \$1,247 with terms extending to fiscal 2030. Contracted backlog represents maximum potential revenues remaining to be earned on signed contracts, whereas option renewals represent customers' options to further extend existing contracts under similar terms and conditions.

During the three-month period ended March 31, 2023 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.

- Over \$31 million in total signings with numerous customers for product and/or service delivery in our Cybersecurity practice
- \$19 million in contract extensions with long standing programs within our IT services business
- \$18 million in contract extensions with long standing customers within our Healthcare business
- \$7.7 million in purchase orders received for Calian Ag-Tech products
- \$6.4 million contract win with NATO for learning and exercise programs

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 \$238 million. The Company's policy is to reduce the reported contractual backlog once it receives confirmation from the customer that indicates the utilization of the full contract value may not materialize.

Contract Backlog as of March 31, 2023

Contracted backlog	\$	797,331
Option renewals		686,838
	\$	1,484,169
Management estimate of unrealizable portion		(237,581)
Estimated Realizable Backlog	\$	1,246,588

Estimated Recognition of Estimated Realizable Backlog

	April 1, 2023 to September 30, 2023	October 1, 2023 to September 30, 2024	Beyond September 30, 2024	Total
Advanced Technologies	\$ 65,762	\$ 57,685	\$ 33,358	\$ 156,805
Health	83,529	137,775	459,503	680,807
Learning	56,962	87,658	154,293	298,913
ITCS	55,378	37,367	17,318	110,063
Total	\$ 261,631	\$ 320,485	\$ 664,472	\$ 1,246,588

Statement of Cash Flows

	Three months ended		Six months ended	
	March 31,	March 31,	March 31,	March 31,
	2023	2022	2023	2022
Cash flows from operating activities before changes in working capital	\$ 12,636	\$ 15,130	\$ 25,560	\$ 26,342
Changes in working capital	(6,433)	4,084	5,966	(2,964)
Cash flows from operating activities	6,203	19,214	31,526	23,378
Cash flows used in financing activities	(10,828)	22,775	(14,189)	19,097
Cash flows used in investing activities	(7,666)	(49,953)	(14,080)	(61,695)
Increase (decrease) in cash	\$ (12,291)	\$ (7,964)	\$ 3,257	\$ (19,220)

Operating Activities

Cash inflows from operating activities for the three-month period ended March 31, 2023, were \$6,203 compared to cash inflows of \$19,214 in the same period of the prior year. On a six-month basis, cash inflows total \$31,526 for the period ended March 31, 2023, when compared to inflows of \$23,378 for the same period of the previous year.

The Company's net position on its accounts receivable, work in process, inventory, prepaid expenses and other, accounts payable and accrued liabilities, provisions and unearned contract revenue had a negative effect on cash flows of \$6,433 in the three-month period ended March 31, 2023, and a positive effect on cash of \$4,084 for the six-month period ended March 31, 2023, and stood at a net balance of \$78,447 at March 31, 2023. This net balance remains at a lower level than it was all fiscal 2022.

Factors related to the overall change in working capital were a increase in accounts receivable of \$27,455 for the three-month period ended March 31, 2023 due to significant revenue, and movements from WIP to billings in the quarter. This is however offset by management of payables in the amount of \$19,729. We anticipate working capital to continue to turnaround for the remainder of the fiscal year unless there are significant product sales that occur at a quarter end to offset the working capital change.

Financing Activities

Lease Payments

The Company has made payments of \$913 for the three-month, and \$1,922 for the six-month periods ended March 31, 2023, when compared to the payments of \$918 and \$1,760 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 March 31, 2023. The Company paid dividends totaling \$3,280 for the three-month period ended March 31, 2023 or \$0.28 per share, and \$6,542 for the six-month period ended March 31, 2023 or \$0.56 per share compared to the same periods of the previous year when the Company paid \$3,171 and \$6,337, respectively, in dividends or the same amount per share as the current periods. The increase in dividends paid is due to a higher number of common shares outstanding year over year.

Debt

In the three-month period ended March 31, 2023, the Company repaid \$7,500 which was previously drawn on its debt facility.

Shares

Exercises of stock options and issuances of shares under the employee share purchase plan has resulted in cash inflows of \$865 for the three-month and \$1,775 for the six-month periods ended March 31, 2023 when compared to an inflow of \$1,468 and \$1,798 for the same activities in the same period of the prior year.

Investing Activities

Equipment Expenditures and Capitalized Research and Development

The Company invested \$1,931 in the three-month period and \$2,645 in the six-month period ended March 31, 2023, when compared to \$1,993 and \$3,323 for the same periods 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 \$5,735 in the three-month period relating to earnout payments for Tallysman, and \$8,660 for the six-month period ended March 31, 2023 relating to earn out payments which includes Tallysman and Simfront. In the prior year The Company acquired the assets of Computex on March 14, 2022, and the outstanding shares of SimFront on October 7, 2021, which resulted in a cash outflow of \$43,649 in the three-month period, and \$52,754 in the six-month period ended March 31, 2022. Additionally, the Company had cash outflows of \$1,193 for the three-month period, and \$5,337 in the six-month period ended March 31, 2022, related to the earn out payment of CTS, Cadence and Tallysman.

Investments

The Company invested \$2,000USD (\$2,689 CAD) in the three and six-month periods ended March 31, 2023 when compared to the same periods of the prior year, where the Company had no investments.

Liquidity and Capital Resources

Cash

Calian cash and cash equivalent position was \$45,903 at March 31, 2023, compared to \$42,646 at September 30, 2022.

Capital Resources

At March 31, 2023, 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 March 31, 2023.

Related-party Transactions

During the three months ended March 31, 2023 (2022), the Company had sales of \$458 (\$84) to GrainX, in which the Company holds a non-controlling equity investment. For the six months ended March 31, 2023 (2022), the Company had sales of \$610 (\$141) to GrainX. At March 31, 2023 (2022), the Company had an accounts receivable balance with GrainX of \$450 (\$72) 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 March 31, 2023, 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 March 31, 2023, have concluded that the Company's internal controls over financial reporting provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with IFRS.

During the most recent interim quarter ending March 31, 2023, 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: May 10, 2023

Corporate Information

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Board of Directors

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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

Lori O'Neill
Corporate Director, FCPA, FCA, ICD.D, CPA

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.