MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2023

CALIAN®

Confidence. Engineered.

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

The following Management's Discussion and Analysis (MD&A) is dated August 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.
- 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 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 August 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. 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 14 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.

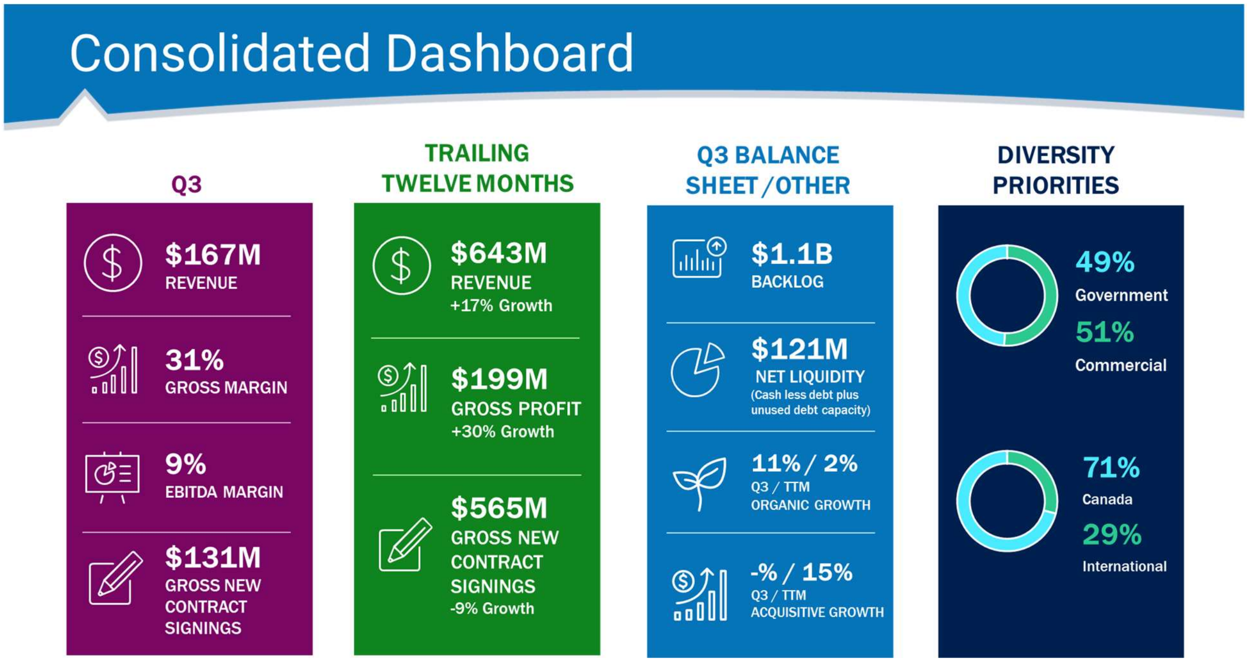
Four Pillars of Growth

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

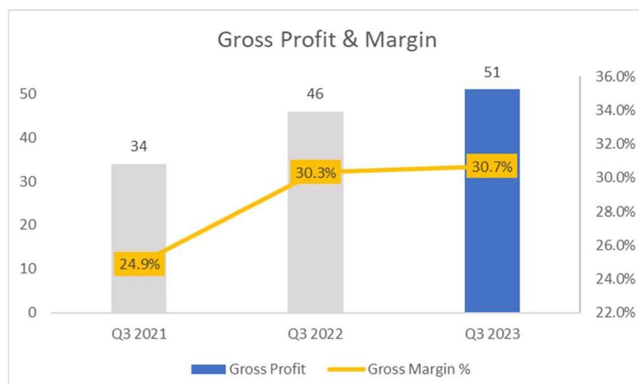
Q3 Consolidated Dashboard

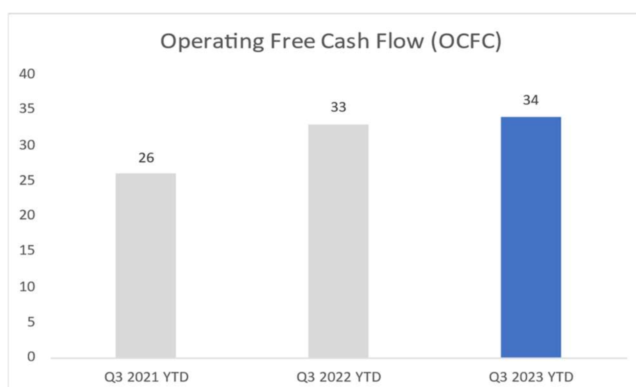
The four segments operate as a single company. Key performance indicators (KPIs) for the Company are highlighted in this dashboard.



Third Quarter Highlights

The Company posted double digit organic growth in the quarter when compared to the previous year. Gross margins remained stable above 30%, but EBITDA saw a reduction to 9% in the quarter due to operating expense investments put in place at the beginning of this fiscal year.





After careful review of our delivery capacity and overhead costs, the Company took steps subsequent to quarter end to reduce its fixed cost base and improve its operating efficiency. In mid-August, the Company reduced staff levels and other discretionary expenses with cumulative annual savings of approximately $8M. These savings will be in place for the final month of our fourth quarter and going into our 2024 fiscal year. The company will incur a one-time cost of approximately $2M that is expected to be recognized in our fourth quarter of FY23.

We believe this reduction re-aligns our cost base and restores our existing business to a double-digit EBITDA % business which is in-line with our recent levels. Subsequent to quarter end, the Company continued to make progress on its M&A agenda. On August 1st, the previously announced transaction with Hawaii Pacific Telecom closed after receiving regulatory approvals. The Company also renewed and expanded its debt agreements to provide liquidity to support further M&A transactions.

Selected Quarterly Financial Data

(Canadian dollars in millions, except per share data)

	Q3/23	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q4/21
Revenues								
Advanced Technologies	$ 44.8	$ 46.8	$ 34.3	$ 30.5	$ 39.2	$ 39.6	$ 41.1	$ 42.6
Health	49.1	43.6	40.4	39.4	39.7	45.4	42.4	44.1
Learning	26.7	28.8	26.4	21.8	22.3	24.8	22.8	17.6
ITCS	45.9	49.3	46.4	68.8	48.8	32.3	23.2	23.2
Total Revenue	$ 166.5	$ 168.5	$ 147.5	$ 160.5	$ 150.0	$ 142.1	$ 129.5	$ 127.5
Cost of revenue	115.4	116.5	102.3	110.4	104.5	102.2	95.8	94.5
Gross profit	51.1	52.0	45.2	50.1	45.5	39.9	33.7	33.0
Selling and marketing	11.9	11.8	11.1	13.1	9.6	5.3	4.5	4.4
General and administration	21.4	20.5	17.4	17.0	18.0	16.6	13.8	14.2
Research and development	3.3	2.9	2.4	1.0	1.8	1.2	1.4	2.0
Profit before under noted items	14.5	16.8	14.3	19.0	16.1	16.8	14.0	12.4
Depreciation of equipment and application software	2.4	2.3	2.3	2.4	2.3	1.4	1.2	1.2
Depreciation of right of use asset	1.2	1.0	1.0	1.0	1.0	0.9	0.8	0.8
Amortization of acquired intangible assets	3.6	3.4	3.4	3.5	3.4	10.1	3.6	3.4
Deemed Compensation	-	0.1	0.1	3.3	-	0.2	0.7	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
Profit before interest and income tax expense	7.3	7.5	6.8	6.5	8.7	2.6	6.7	2.6
Lease interest expense	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Interest expense (income)	(0.2)	-	-	-	0.1	0.1	0.1	0.2
Profit before income tax expense	7.4	7.4	6.7	6.4	8.5	2.4	6.5	2.3
Income tax expense	2.7	2.9	2.1	5.4	1.8	1.1	2.2	1.4
Net profit	$ 4.7	$ 4.5	$ 4.6	$ 1.0	$ 6.7	$ 1.3	$ 4.3	$ 0.9
Weighted average shares outstanding - Basic	11.7M	11.7M	11.6M	11.4M	11.3M	11.3M	11.3M	11.3M
Weighted average shares outstanding - Diluted	11.8M	11.8M	11.7M	11.5M	11.4M	11.4M	11.4M	11.3M
Net profit per share								
Basic	$ 0.40	$ 0.39	$ 0.39	$ 0.10	$ 0.60	$ 0.11	$ 0.38	$ 0.10
Diluted	$ 0.40	$ 0.38	$ 0.39	$ 0.10	$ 0.60	$ 0.11	$ 0.38	$ 0.10
Adjusted EBITDA per share								
Basic	$ 1.24	$ 1.45	$ 1.23	$ 1.67	$ 1.48	$ 1.24	$ 1.24	$ 1.10
Diluted	$ 1.23	$ 1.45	$ 1.22	$ 1.66	$ 1.47	$ 1.23	$ 1.23	$ 1.09

Calian Consolidated Results

The Company continued its double-digit growth in the third quarter with consolidated revenues increasing by 11% and 14% in the nine-month periods ended June 30, 2023 when compared to the same periods of the prior year.

Double digit revenue growth was achieved in Advanced Technologies, Learning and Health while the ITCS segment had a slight decline in the current quarter. The Health segment has rebounded and posted it's highest revenue since our third quarter of 2021 when we were assisting in the response to COVID-19.

	Three months ended		Nine months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Revenues	$ 166,550	$ 150,018	$ 482,635	$ 421,622
Gross profit	51,107	45,503	148,416	119,076
Selling and marketing	11,891	9,554	34,865	19,450
General and administration	21,437	17,994	59,329	48,404
Research and development	3,273	1,819	8,616	4,357
Profit before under noted items	$ 14,506	$ 16,136	$ 45,606	$ 46,865

Revenues

Consolidated revenues grew 11% in the three-month, and 14% in the nine-month periods ended June 30, 2023, when compared to the same periods in the previous year. Acquisitive growth was Nil in the three-month period as no acquisition was completed in the last 12 months, and 9% for the nine-month period ended June 30, 2023 as a result of our acquisition to enter the US IT market. This was coupled with organic growth of 11% for the three-month, and 5% for the nine-month periods ended June 30, 2023.

Calian measures growth through acquisition on a trailing twelve-month basis; once the acquisition has been included in our results for twelve months, its contribution is included in the organic growth metric.

Advanced Technologies revenues grew 14% for the three-month, and 5% in the nine-month periods ended June 30, 2023, when compared to the same periods of the previous year. Revenue growth was the strongest in our GNSS antennas and telecommunication products.

Learning achieved revenue growth of 20% for the three-month, and 17% for the nine-month periods ended June 30, 2023, when compared to the same periods of the previous year. Demand remains strong in the military training market due to geo-political issues and renewed focus on readiness. The pace of procurement has still not responded fully to the demand needs and will likely remain an issue in the coming quarters.

Health revenue increased by 23% for the three-month and 4% for the nine-month periods ended June 30, 2023, when compared to the same periods of the previous year. We continue to see strong demand from existing customers who had been re-aligning priorities and associated spend coming out of the COVID-19 pandemic and new wins for healthcare solutions across Canada.

IT and Cyber Solutions revenues decreased by 6% for the three-month and increased by 36% for the nine-month periods ended June 30, 2023, when compared to the same periods of the previous year. The decline in the three-month period is due to lower shipments in our product resale segment of the business. The increase in the nine-month period was resulting from acquisitive revenues related to our expansion into the US marketplace.

Gross Profit

As discussed below in each segment overview, gross margin by segment varies from 25% to 35% and the business mix, in turn, affects the consolidated gross margin. Consolidated gross margin percentage for the Company's third quarter was 30.7%, which is in line with the same period of the previous year. The Company has demonstrated resilience in margin stability maintaining margins over 30% for the 5th consecutive quarter all while revenues continue to increase at double digit levels from the prior year.

Operating Expenses

Selling and marketing costs increased $2,337 for the three-month, and $15,415 for the nine-month period ended June 30, 2023, when compared to the same periods of the prior year. $10 million of the increase for the nine-month period ended June 30, 2023 relates to selling and marketing costs from recent acquisitions with incentives on selling activities. The additional increase for the year to date, and total increase on the three-month to date period ended June 30, 2023 is a result of additional capacity, events and travel put in place to develop our respective markets and drive organic growth.

General and administration costs increased by 19% for the three-month, and 23% for the nine-month periods ended June 30, 2023, when compared to the same periods of the previous year. 12% of this increase for the nine-month periods ended June 30, 2023 relates to costs consolidated from recent acquisitions. Additional increases are a factor of increased headcount to support the Company's growth and investments in back office functions including systems enhancements tied to operational delivery.

Research and development costs increased by $1,454 in the three-month, and $4,259 for the nine-month periods ended June 30, 2023, when compared to the same periods in the prior year. The recent investments in research and development are to improve or enhance the assets that the Company had developed internally or acquired through its M&A agenda. 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 third quarter:

	Advanced Technologies	Health	Learning	ITCS
Revenue	$44,777 ↑14%	$49,152 ↑23%	$26,741↑20%	$45,880 ↓6%
Gross profit	$15,636	$13,363	$6,556	$15,552
Organic / acquisitive	14% / Nil	23% / Nil	20% / Nil	-6% / Nil
New contract signings	$49,898	$26,962	$1,379	$53,703
Backlog	$142,193	$634,366	$269,233	$100,193

**Comparisons in the above table are made to the three month-period ended June 30, 2022*

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. • Advanced Cable Network products • Precision GNSS location and timing antennas and receivers	Defence engineering services, solutions and products. Usually in support of large defence prime contractors or government direct. We provide highly reliable aerospace and defense electronics, engineering and technical services. • Vetronics control modules • Vehicle electronics boxes, assemblies and harnesses

• Satellite Communication Gateways including large aperture antennas • Satellite/Space Communications products • Space and ground asset command, control and test • Broadcast solutions • Satellite Operations	• Asset management solutions • Crop storage monitoring • Environment and nuclear SMR consulting	• Staffing services for various departments of DND including DRDC • Surveillance and situation awareness

Q3 Highlights

- Selected by the Canadian Space Agency (CSA) to receive $520k in funding to further develop RF over IP technology. RF over IP is the ability to digitize and transport RF signals over an IP network without data loss. This technology will be a key enabler for the introduction of a virtualized satellite ground system.

- Signed upwards of $20 million of new contracts for GNSS antennas and defence and space products.

- Announced a new distribution partnership with Mouser Electronics, a global authorized distributor of electronic components and semiconductors.

- Launched the new Bin-Sense Plus product to the grain storage monitoring suite of products which also provides key features for expansion to the US market.

Financial Performance

	Three months ended		Nine months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Revenues	$ 44,777	$ 39,152	$ 125,842	$ 119,881
Gross profit	15,636	11,225	41,210	33,158
Selling and marketing	3,071	2,486	8,920	6,460
General and administration	3,476	2,194	9,496	7,049
Research and development	1,979	1,278	5,604	3,509
Profit before under noted items	$ 7,110	$ 5,267	$ 17,190	$ 16,140

Advanced Technologies' revenues increased by 14% for the three-month, and 5% for the nine-month periods ended June 30, 2023, when compared to the same periods of the previous year. The revenue increase in the three-month period is attributable to stronger telecom product sales with existing customers, along with increased demand in our GNSS product division.

The segment continued to make progress in the current quarter on orders and projects 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 with 22% growth over the same quarter in the previous year. We continue to deploy our products to new large scale customers through new wins and increased demand from existing customers as they include our products into more of their offerings.

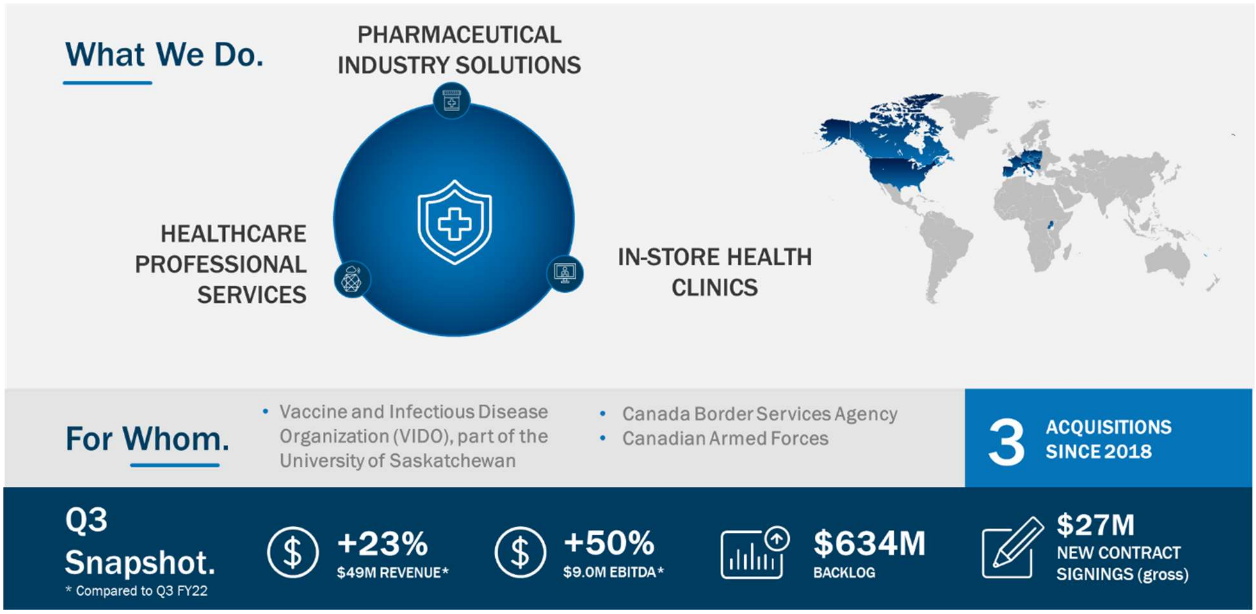
Gross margin percentage increased from 29% to 35% for the three-month, and from 28% to 33% for the nine-month periods ended June 30, 2023, when compared to the same periods of the prior year. The contribution of more Calian products will continue to drive higher gross margins in the longer term.

Sales and marketing expenses increased by $585 for the three-month, and $2,460 for the nine-month periods ended June 30, 2023, when compared to the same periods in the prior year. The overall increase is due to a higher volume of tradeshows, more on-site customer travel as restrictions have fully eased, and a more concerted effort to market our products to new customers in new geographies.

General and administration expenses increased by $1,282 in the three-month, and $2,447 for the nine-month periods ended June 30, 2023, as we had brought on additional capacity in anticipation of future contract awards.

Research and development expenses have increased by $701 in the three-month, and $2,095 for the nine-month periods ended June 30, 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
Manage a network of more than 2,800 healthcare professionals delivering primary care and occupational health services: • 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	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: • 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 Corolar Virtual Care) • Go-to-market pharmaceutical program partnerships – driving market access / commercialization	Design, build and manage all in-store health clinics (148 clinic spaces): • Medical property management • Establish physician practices • Clinic design, fit-up and 24x7 support • Medical clinic supply chain • Advertising and promotion

Q3 Highlights

- Recognized as a finalist for the Microsoft Partner of the Year Awards in the Modern Workplace for Frontline Workers category.

- Signed its first Software as a Service customer under the Nexi solution and released new features in the quarter to enhance user experience and capabilities.

- Reached another milestone in its Military Family Doctor Network Program (MFDN) with 4,179 patients from almost 2,000 military families who have been successfully referred to a family physician.

- Joined CDISC (Clinical Data Interchange Standards Consortium). CDISC is developing standards dealing with medical research data linked with healthcare, to enable information system interoperability to improve medical research and related areas of healthcare. Membership demonstrates our commitment to CDISC initiatives as part of the research and healthcare community.

Financial Performance

	Three months ended June 30, 2023	Three months ended June 30, 2022	Nine months ended June 30, 2023	Nine months ended June 30, 2022
Revenues	$ 49,152	$ 39,841	$ 133,288	$ 127,671
Gross profit	13,363	9,132	33,506	31,522
Selling and marketing	538	544	1,540	1,730
General and administration	3,623	2,475	8,968	7,518
Research and Development	177	106	338	296
Profit before under noted items	$ 9,025	$ 6,007	$ 22,660	$ 21,978

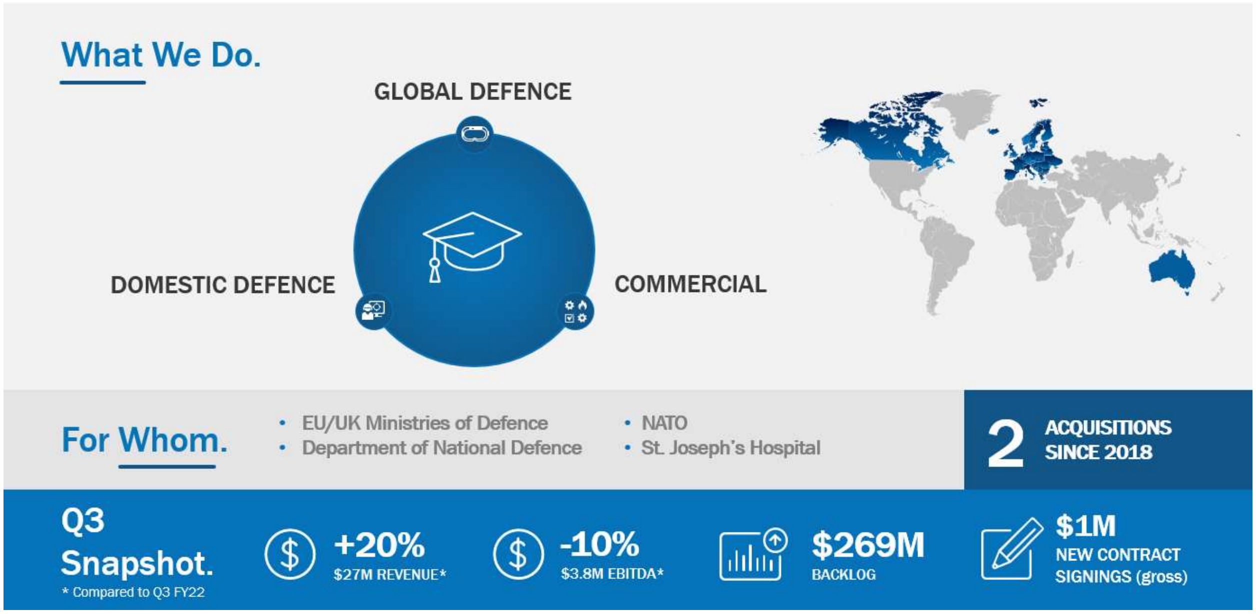
Revenues increased 23% for the three-month and 4% for the nine-month periods ended June 30, 2023, when compared to the same periods of the previous year. The increase in revenue is the result of both existing customers increasing their requirements for health care services, as well as new programs being launched across Canada.

These revenue levels are the highest in Health since the peak of COVID-19 when we were asked to participate in Canada's response to the pandemic. Although finding qualified skilled workers remains a challenge, our recent investments in recruiting and various outreach initiatives has helped us address customer needs across our portfolio.

Gross margin percentage increased from 23% to 27% for the three-month, and was stable on the nine-month period ended June 30, 2023, when compared to the same periods of the prior year. Our ability to fulfill contracts at higher utilization levels and lower turnover were key in achieving higher gross margins.

General and administration expense increased by $1,148 in the three-month and $1,450 in the nine-month periods ended June 30, 2023, when compared to the same periods of the prior year. The increase in costs is a result of capacity as we grow in our contract volume, and additional capacity in our recruitment teams to ensure that we are able to source the resources necessary to deliver on customer needs.

Learning Segment



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

<table>
<tr><th>Domestic Defence</th><th>Global Defence</th><th>Commercial</th></tr>
<tr><td>Provides simulation-based training for the Canadian Armed Forces. This includes individual training for skills development and collective training to sustain readiness.</td><td>Provides a range of military training for NATO member countries, including scenario development, concept development, and delivery of complex exercises.</td><td>Develops and delivers more engaging, efficient and cost-effective learning programs for companies.</td></tr>
<tr><td colspan="2">• 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</td><td>• Curriculum design and development
• Facilitation and delivery
• Immersive learning solutions
• Learning strategy and consulting
• Measurement and evaluation
• Workforce development
• Learning staff augmentation</td></tr>
</table>

Q3 Highlights

- **Domestic Defence**
    - Continued to bring new Integrated Synthetic Training Environment (ISTE) capabilities online through our research and development efforts to improve the efficiency and efficacy of training delivery to long-standing customers. With the implementation of artificial intelligence virtual assistant, we can greatly improve exercise design, development and delivery and reduce development time.

- **Global Defence**
    - Continued the expansion of Calian International training footprint with projects in Poland, Germany, the Netherlands, Australia and Switzerland.

- **Commercial**
    - Signed new contracts with academic clients including the University of Guelph and Sault College.

Financial Performance

	Three months ended June 30, 2023	Three months ended June 30, 2022	Nine months ended June 30, 2023	Nine months ended June 30, 2022
Revenues	$ 26,741	$ 22,259	$ 81,964	$ 69,869
Gross profit	6,556	5,859	21,352	18,404
Selling and marketing	405	354	1,395	947
General and administration	1,507	1,258	4,249	3,563
Research and development	808	-	2,253	-
Profit before under noted items	$ 3,836	$ 4,247	$ 13,455	$ 13,894

Revenue increased by 20% for the three-month and 17% for the nine-month periods ended June 30, 2023, when compared to the same periods of the prior year. The growth that we are seeing in the Learning segment is the result of 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. Demand signals for training in Canada and Europe continue to be high, but procurement processes are still grappling to catch up to the rapid change.

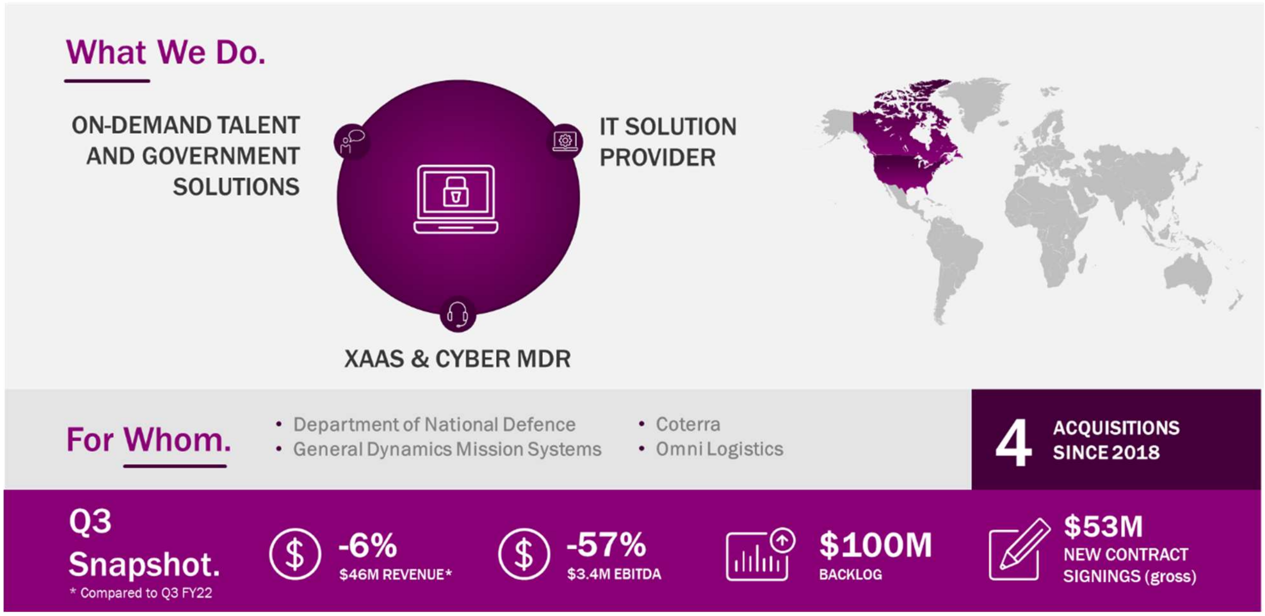
Gross margin percentage slightly decreased from 26% to 25% in the three-month and remained stable in the nine-month periods ended June 30, 2023, when compared to the same periods of the previous year. The cost of our delivery increased in advance of contractual rate increases with customers which temporarily affected gross margins. Pre-determined increase intervals are set to take place in Q1 FY24.

Selling and marketing expenses increased by $448 in the nine-month period ended June 30, 2023, when compared to the same period of the previous year. This is due to increased travel and attendance at tradeshows which has led to new business wins with expanded revenues.

General and administration expenses increased by $249 for the three-month, and $686 for the nine-month periods ended June 30, 2023, when compared to the same periods of the prior year, which is a result of supporting the growth into new countries in Europe.

Research and development expenses increased by $808 in the three-month, and $2,253 in the nine-month period ended June 30, 2023, when compared to the same period of the previous year. These expenses are related to the additional investment in our internally developed software used in the delivery of our virtual training and learning services which we are successfully integrating into current customer service delivery.

IT & Cyber Solutions Segment



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
• IT/Cyber Talent Resourcing • Application Modernization • RF Emission & Bug Sweeping • Drone Mitigation	• Enterprise Architecture • Tech. Advisory & Engineering • Public/Hybrid Cloud Migration • Data Centre Builds • Firewalls & Network Security • Wireless & SD-WAN	• Outsourced IT & Cyber Ops. • Cyber Consulting, Audits • Fractional CISO/CIO • Cyber Incident Response • Data Breach Remediation • IT Infra. Monitoring & Mgmt.

Q3 Highlights

- **Awards/Partnerships**
  - Won the 2023 Microsoft Canada Independent Software Vendor (ISV) Tech Intensity Impact Award.
  - Received the award of top Microsoft Security Service Provider (MSSP) partner.
  - Received Award from Forescout for Emerging Partner of the Year 2023.
- **New Contracts**
  - Selected as the designated provider to design and implement robust and secure IT solutions for one of the world's leading gas companies. This project is valued at over $10 million.
  - Selected to spearhead the design and implementation of cutting-edge solutions for one of the world's largest family entertainment companies, boasting an impressive portfolio of over 200 global venues. This series of projects is valued at over $20 million.
  - Chosen to be the lead cybersecurity partner for the world's leading powersports company.

Financial Performance

	Three months ended		Nine months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Revenues	$ 45,880	$ 48,766	$ 141,541	$ 104,201
Gross profit	15,552	19,287	52,348	35,992
Selling and marketing	6,431	4,880	18,987	7,305
General and administration	5,414	6,017	15,135	11,007
Research and development	309	435	421	552
Profit before under noted items	$ 3,398	$ 7,955	$ 17,805	$ 17,128

Revenues decreased by 6% for the three-month, and increased by 36% for the nine-month period ended June 30, 2023, when compared to the same periods of the previous year. Organic revenues have declined by 6% in the quarter when compared to the same period of the previous year. The decrease in the three-month period was due to lower deliveries in our product resale business based in the United States. The increase in the nine-month period was resulting from acquisitive revenues related to our expansion into the US marketplace. Gross contract signings for the quarter outpaced revenues with nearly $54 million in new contract value signed in the segment.

Gross margin decreased from 40% to 34% in the three-month, and increased from 35% to 37% for the nine-month periods ended June 30, 2023, when compared to the same periods of the previous year. The current quarter impact on margin is due to sales mix, where our higher margin product sales are lower in the current year quarter.

Selling and marketing costs have increased by $1,551 in the three-month, and $11,682 for the nine-month periods ended June 30, 2023, when compared to the same periods of the previous year. The increase in the three-month period is a result of increased spend attributable to incremental resources and marketing campaigns in the US. The Company has made significant investments in its marketing and business development across the IT segment as these have been key to the Company's success in recent quarters. The increase in the nine-month period can be directly related to additional costs of our expansion into the US marketplace through our acquisition of Computex in March of 2022.

Our cost reductions implemented subsequent to quarter end will aim to re-align our sales and marketing and delivery capacity with our run rate level of business.

General and administrative expenses decreased by $603 in the three-month and increased by $4,128 in the nine-month period ended June 30, 2023, when compared to the same period of the previous year. The decrease in the three-month period is as a result of decreased spending in relation to cost management while the Company progresses through product delivery slow downs. The increase in the nine-month period 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 Third Fiscal Quarter

The third quarter of 2023 has seen:

- Second highest revenue quarter in the Company's history
- Double digit growth in three of our four segments
- Double digit organic growth
- Maintaining our gross margins above 30% for the fifth consecutive quarters
- Total new gross contract signings of $131M

This is the fifth consecutive quarter with double digit growth over the same period of the previous year while our gross margin percentage has remained over 30% during this time. Although we saw a reduction in EBITDA and free cash flow, our cost reduction initiative subsequent to quarter end which will deliver approximately $8 million in annualized savings and will re-align our costs with our revenue levels.

Although cost reductions steps were taken during our fourth quarter, the full impact of the savings will not be seen until our first quarter of FY24. The one-time restructuring cost of approximately $2 million is excluded from EBITDA below.

Short-term Outlook

	Guidance	
	Low	High
Revenue	$ 630,000	$ 680,000
Adjusted EBITDA	$ 60,000	$ 65,000
Adjusted net profit	$ 36,000	$ 40,000

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		Nine months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Net profit	$ 4,673	$ 6,836	$ 13,766	$ 12,409
Depreciation of equipment and application software	2,361	2,237	6,910	4,666
Depreciation of right of use asset	1,127	978	3,149	2,679
Amortization of acquired intangible assets	3,603	3,351	10,414	17,071
Lease interest expense	139	94	372	308
Changes in fair value related to contingent earn-out	138	651	3,442	3,266
Interest expense (income)	(254)	142	(269)	288
Deemed compensation	-	-	147	1,000
Income tax	2,719	1,847	7,675	5,178
Adjusted EBITDA	$ 14,506	$ 16,136	$ 45,606	$ 46,865

Adjusted Net Profit and Adjusted EPS

	Three months ended		Nine months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Net profit	$ 4,673	$ 6,836	$ 13,766	$ 12,409
Changes in fair value related to contingent earn-out	138	651	3,442	3,266
Deemed compensation	-	-	147	1,000
Amortization of intangibles	3,603	3,351	10,414	17,071
Adjusted net profit	$ 8,414	$ 10,838	$ 27,769	$ 33,746
Weighted average number of common shares basic	11,732,711	11,350,214	11,689,528	11,325,096
Adjusted EPS Basic	0.72	0.95	2.38	2.98
Adjusted EPS Diluted	0.71	0.95	2.37	2.97

Operating Free Cash Flow

	Three months ended		Nine months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Cash flows generated from operating activities	$ 2,545	$ 19,775	$ 34,071	$. 43,153
Capitalized research and development	-	(25)	(86)	(175)
Equipment and application software	(3,341)	(1,585)	(5,986)	(4,908)
Free cash flow	**$ (796)**	**$ 18,165**	**$ 27,999**	**$ 38,070**
Free cash flow	$ (796)	$ 18,165	$ 27,999	$ 38,070
Adjustments:				
Change in non-cash working capital	12,089	(7,952)	6,123	(4,987)
Operating free cash flow	**$ 11,293**	**$ 10,213**	**$ 34,122**	**$ 33,083**
Operating free cash flow per share	**0.96**	**0.90**	**2.92**	**2.92**

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		Nine months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Profit before under noted items	$ 14,506	$ 16,136	$ 45,606	$ 46,865
Depreciation of equipment and application software	2,361	2,237	6,910	4,666
Depreciation of right of use asset	1,127	978	3,149	2,679
Amortization of acquired intangible assets	3,603	3,351	10,414	17,071
Deemed Compensation	-	-	147	1,000
Changes in fair value related to contingent earn-out	138	651	3,442	3,266
Profit before interest and income tax expense	$ 7,277	$ 8,919	$ 21,544	$ 18,183
Lease interest expense	139	94	372	308
Interest expense (income)	(254)	142	(269)	288
Income tax expense	2,719	1,847	7,675	5,178
Net profit	$ 4,673	$ 6,836	$ 13,766	$ 12,409
Net profit per share, basic	0.40	0.60	1.18	1.10
Total assets	511,944	529,969	511,944	529,969
Dividends per share	0.28	0.28	0.84	0.84

Depreciation of equipment and application software increased by $124 in the three-month, and $2,224 for the nine-month periods ended June 30, 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 $149 for the three-month, and $470 for the nine-month periods ended June 30, 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 increased by $252 in the three-month period ended June 30, 2023, when compared to the same period of the previous year due to intangible amortization beginning on an asset that was previously indefinite life, and decreased by $6,657 for the nine-month periods ending June 30, 2023 when compared to the same period of the previous year. This is 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 $853 in the nine-month period ended June 30, 2023 when compared to the same period of the previous year due to the deemed compensation amount recognized in the prior year being fully recognized and paid in fiscal 2022. Changes in fair value related to contingent earn out has decreased by $513 in the three-month, and increased by $176 for the nine-month periods ended June 30, 2023, when compared to the same periods of the previous year. The decrease in the three-month period is due to more of our earn out liabilities being booked at face value as they have concluded their measurement period. The increase in the nine-month period is due to higher than anticipated performance in relation to the Alio earn out. The change in fair value of contingent payments and deemed compensation is 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 June 30, 2023, was $2,719, which is higher than the $1,847 recorded in the same period of the previous fiscal year. The provision for income taxes for the nine-month period ended June 30, 2023 was $7,675, which higher than the $5,178 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 June 30, 2023 was $1,146 with terms extending to fiscal 2030. Contracted backlog represents maximum potential revenues remaining to be earned on signed contracts, whereas option renewals represent customers' options to further extend existing contracts under similar terms and conditions.

During the three-month period ended June 30, 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 $20 million of new contracts for GNSS antennas and defence and space products.
- $8 million in new contract signings with Immigration, Refugees and Citizenship Canada
- $7 million in contract extensions with long standing customers within our Healthcare business
- Over $30 million in total signings with numerous customers for product and/or service delivery in our Cybersecurity practice

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 $259 million. The Company's policy is to reduce the reported contractual backlog once it receives confirmation from the customer that indicates the utilization of the full contract value may not materialize.

Contract Backlog as of June 30, 2023

Contracted backlog	$	763,314
Option renewals		642,028
	$	1,405,342
Management estimate of unrealizable portion		(259,357)
Estimated Realizable Backlog	$	1,145,985

Estimated Recognition of Estimated Realizable Backlog

	July 1, 2023 to September 30, 2023	October 1, 2023 to September 30, 2024	Beyond September 30, 2024	Total
Advanced Technologies	$ 38,462	$ 65,463	$ 38,268	$ 142,193
Health	45,218	153,689	435,459	634,366
Learning	27,475	83,736	158,022	269,233
ITCS	39,523	39,687	20,983	100,193
Total	$ 150,678	$ 342,575	$ 652,732	$ 1,145,985

Statement of Cash Flows

	Three months ended		Nine months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Cash flows from operating activities before changes in working capital	$ 14,634	$ 11,823	$ 40,194	$ 38,166
Changes in working capital	(12,089)	7,952	(6,123)	4,987
Cash flows from operating activities	2,545	19,775	34,071	43,153
Cash flows used in financing activities	(4,119)	(21,705)	(18,308)	(2,608)
Cash flows used in investing activities	(3,341)	(6,026)	(17,421)	(67,721)
Increase (decrease) in cash	$ (4,915)	$ (7,956)	$ (1,658)	$ (27,176)

Operating Activities

Cash inflows from operating activities for the three-month period ended June 30, 2023, were $2,545 compared to cash inflows of $19,775 in the same period of the prior year. On a nine-month basis, cash inflows total $34,071 for the period ended June 30, 2023, when compared to inflows of $43,153 for the same period of the previous year.

Working capital (accounts receivable, work in process, inventory, prepaid expenses and other, accounts payable and accrued liabilities, provisions and unearned contract revenue) had negative effects on cash flows of $12,089 in the three-month and $6,123 for the nine-month periods ended June 30, 2023 and stood at a net balance of $94,654. Working capital remains at a lower level than it was all fiscal 2022.

Factors related to the overall change in working capital were decreases in accounts receivable and work in process balances of $12,641 for the three-month period ended June 30, 2023 as we progress through collections from larger scale projects as we complete significant milestones. This is however offset by decreases in our accounts payable in the amount of $19,883. We anticipate working capital to turnaround improve over time as we continue to progress through milestone billing and collection from some of our larger ongoing projects.

Financing Activities

Lease Payments

The Company has made payments of $1,199 for the three-month, and $3,121 for the nine-month periods ended June 30, 2023, when compared to the payments of $966 and $2,726 for the same periods of the previous year which relate to leases accounted for in accordance with IFRS 16. Increases relate to new leases signed in the current year, and additional leases brought on through acquisitions.

Dividend

The Company has maintained its dividend for the three-month period ended June 30, 2023. The Company paid dividends totaling $3,286 for the three-month period ended June 30, 2023 or $0.28 per share, and $9,828 for the nine-month period ended June 30, 2023 or $0.84 per share compared to the same periods of the previous year when the Company paid $3,179 and $9,516, 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

Company repaid Nil in the three-month and $7,500 in the nine-month period ended June 30, 2023 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 $366 for the three-month and $2,141 for the nine-month periods ended June 30, 2023 when compared to an inflow of $336 and $2,134 for the same activities in the same period of the prior year.

Investing Activities

Equipment Expenditures and Capitalized Research and Development

The Company invested $3,341 in the three-month period and $5,986 in the nine-month period ended June 30, 2023, when compared to $1,585 and $4,908 for the same periods of the prior year. Acquisitions of equipment in the current period are attributed to the Company's general capital expenditures along with a building purchase in Germany to support the growth of our local manufacturing teams.

Acquisitions

The Company had cash outflows in the amount of Nil in the three-month period, and $8,660 for the nine-month period ended June 30, 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 $4,416 in the three-month period, and $62,638 in the nine-month period ended June 30, 2022.

Investments

The Company invested $2,000USD ($2,689 CAD) in the nine-month periods ended June 30, 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 $40,988 at June 30, 2023, compared to $42,646 at September 30, 2022.

Capital Resources

At June 30, 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. Subsequent to June 30, 2023, the Company signed an upsized facility in the amount of $180,000 with an uncommitted accordion amount of $70,000.

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

Off-balance Sheet Arrangements

There were no off-balance sheet arrangements at June 30, 2023.

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 valuators to assist in the valuation of tangible and intangible assets acquired. When a business combination involves contingent consideration, an amount equal to the fair value of the contingent consideration is recorded as a liability at the time of acquisition. The key assumptions utilized in determining 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 June 30, 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 June 30, 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 June 30, 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 of 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	$ 60,000	$ 65,000
Adjusted net profit	$ 36,000	$ 40,000

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: August 10, 2023

Corporate Information

Corporate Head Office

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Board of Directors

George Weber
Consultant, ICD.D

Ray Basler, CPA, CA
Consultant

Kevin Ford
CEO, Calian Group Ltd.

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

Young Park
Corporate Director, ICD.D

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

Valerie Sorbie
Partner and Managing Director,
Gibraltar & Company

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.