NEWS RELEASE

FOR IMMEDIATE RELEASE

Calian Reports Third Quarter Results

(All amounts in release are in Canadian dollars)

OTTAWA, August 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 third quarter ended June 30, 2023.

Third quarter highlights:

- Revenue up 11% to $167 million
- Gross margin above 30% for the fifth consecutive quarter
- Adjusted EBITDA[1] at $15 million, down 10% compared to Q3 last year
- Operating free cash flow of $11 million
- Cash on hand of $41 million and net liquidity of $221 million
- New contract signings of $131 million
- Completed the acquisition of Hawaii Pacific Teleport on August 1, 2023
- Closed $250 million debt agreement on July 24, 2023
- Implemented restructuring plan for annualized savings of $8 million
- Updated FY23 guidance

Financial Highlights *(in millions of $, except per share & margins)*	**Three months ended June 30,**			**Nine months ended June 30,**		
	2023	**2022**	**%**	**2023**	**2022**	**%**
Revenue	166.6	150.0	11%	482.6	421.6	14%
Adjusted EBITDA[1]	14.5	16.1	(10%)	45.6	46.9	(3%)
Adjusted EBITDA %[1]	8.7%	10.8%	(210bps)	9.4%	11.1%	(170bps)
Net Profit	4.7	6.8	(32%)	13.8	12.4	11%
EPS Diluted	$0.40	$0.60	(33%)	$1.17	$1.09	7%
Adjusted Net Profit[1]	8.4	10.8	(22%)	27.8	33.7	(18%)
Adjusted EPS Diluted[1]	$0.71	$0.95	(25%)	$2.37	$2.97	(20%)
Operating Free Cash Flow[1]	11.3	10.2	11%	34.1	33.1	3%

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 Friday, August 11, 2023, 8:30 a.m. Eastern Time.

“Our third quarter results were mixed. While we generated 11% revenue growth, and continued to drive gross margin performance above 30%, our Adjusted EBITDA and related margin decreased due to various investments we made at the end of our last fiscal year,” said Kevin Ford, Calian Chief Executive Officer. “We believe it is prudent at this time to proactively rebalance our investment levels in certain areas of our business in order to drive a more optimal level of growth and profitability.”

“Subsequent to quarter end, we underwent a complete review of our delivery capacity and overhead costs and already started to initiate cuts in targeted areas. This restructuring plan is expected to generate annual savings of approximately $8 million once implemented. Despite these adjustments, the fundamentals of our four business segments are strong and we are confident that we can maintain our recent pace of organic growth and return to double-digit EBITDA margins in the near term. However, we have updated our FY23 guidance to reflect the weaker EBITDA performance in our third quarter,” stated Mr. Ford.

“Shortly after the quarter, we continued to make progress on our M&A agenda. We completed the acquisition of Hawaii Pacific Teleport, which will provide us with a high margin business with recurring revenue streams,” said Patrick Houston, Calian Chief Financial Officer. “We also closed a $250 million debt agreement with a lending syndicate which will give us access to additional liquidity to fuel our growth strategy.”

Third Quarter Results

Revenues increased 11%, from $150 million to $167 million, driven by growth in Health, Learning and Advanced Technologies. This growth was partially offset by a revenue decrease in the ITCS segment.

- **Health:** Revenues increased 23% to $49 million driven by existing customers increasing their requirements for healthcare services, as well as new programs being launched across Canada.

- **Learning**: Revenues grew 20% to $27 million driven by its 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.

- **Advanced Technologies:** Revenues increased 14% to $45 million driven by stronger telecom product sales with existing customers and increased demand for GNSS products.

- **ITCS**: Revenues decreased 6% to $46 million mainly due to lower shipments in its product resale business based in the US.

Gross margin remained stable over 30% but Adjusted EBITDA and related margin decreased to $14.5 million and 8.7%, respectively, due to operating expense investments.

Liquidity and Capital Resources

Calian generated $11 million in operating free cash flows in the third quarter. The Company used its cash primarily to pay dividends, invest in capex and fund a temporary working capital need. The Company ended the quarter with net cash of $41 million, and with the new expanded credit facility put in place in July, now has total liquidity of $221 million.

Implemented a Restructuring Plan

On August 10, 2023, Calian implemented a restructuring plan to rebalance its investment levels in certain areas of its business in order to drive a more optimal level of growth and profitability. It is expected to generate annualized cost savings of approximately $8 million. Total one-time costs for implementing this restructuring are approximately $2 million. Benefits from this plan should start to materialize in Q4-23 with a full impact expected in Q1-24. See Q3-23 Management's Discussion and Analysis (MD&A) for further details.

Completed the Acquisition of Hawaii Pacific Teleport

On August 1, 2023, Calian completed the acquisition of US-based Hawaii Pacific Teleport (HPT) for up to CAD$62M (US$46M). The acquisition marks Calian's further move into the US following its acquisition of Computex in March 2022. It will also expand the Calian Advanced Technologies portfolio further into global markets. See press release for further details.

Debt Agreement

On July 24, 2023, Calian closed a $180 million debt facility with a lending syndicate. This new three-year term revolving credit facility includes an uncommitted accordion of $70 million for total availability of up to $250 million and replaces the existing debt facility. See press release for further details.

Quarterly Dividend

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

Updated Guidance

"We are updating our FY23 guidance in light of our third quarter results. Although we have a strong order book for our fourth quarter, the range reflects the timing of deliveries of products in our Advanced Technologies and ITCS segments," said Mr. Ford. "The cost reduction measures we have taken will restore EBITDA levels in-line with recent performance levels as we enter FY24. This along with our organic growth momentum, the recent acquisition of Hawaii Pacific Teleport, and our M&A pipeline gives us confidence that we are still on pace to post strong results in the short term and achieve our longer-term target of reaching $1 billion in revenue in FY26," said Mr. Ford.

	Guidance for the year ended Sept. 30, 2023	
(in thousands of Canadian $)	**Low**	**High**
Revenue	630,000	680,000
Adjusted EBITDA	60,000	65,000
Adjusted Net Profit	36,000	40,000

Note: This guidance includes Hawaii Pacific Teleport effective on August 1st, and benefits from the restructuring plan, but excludes the one-time restructuring cost of approximately $2 million to be recorded in Q4.

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 June 30, 2023 and September 30, 2022
(Canadian dollars in thousands, except per share data)

	June 30, 2023	September 30, 2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 40,988	$ 42,646
Accounts receivable	161,090	171,453
Work in process	22,746	39,865
Inventory	23,857	18,643
Prepaid expenses	15,949	23,780
Derivative assets	39	123
Total current assets	264,669	296,510
NON-CURRENT ASSETS		
Capitalized research and development	1,369	2,186
Equipment	17,259	16,623
Application software	9,676	10,395
Right of use assets	15,519	16,678
Investments	3,359	670
Acquired intangible assets	46,129	57,087
Prepaid expenses	8,031	-
Deferred tax asset	735	1,054
Goodwill	145,198	145,959
Total non-current assets	247,275	250,652
TOTAL ASSETS	$ 511,944	$ 547,162
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Debt facility	$ -	$ 7,500
Accounts payable and accrued liabilities	98,113	126,096
Contingent earn-out	21,968	25,676
Provisions	1,222	1,249
Unearned contract revenue	29,653	46,210
Derivative liabilities	158	812
Lease obligations	4,313	4,115
Total current liabilities	155,427	211,658
NON-CURRENT LIABILITIES		
Lease obligations	13,591	14,920
Contingent earn-out	-	2,874
Unearned contract revenue	12,567	-
Deferred tax liabilities	11,708	12,524
Total non-current liabilities	37,866	30,318
TOTAL LIABILITIES	193,293	241,976
SHAREHOLDERS' EQUITY		
Issued capital	220,400	213,277
Contributed surplus	3,462	3,479
Retained earnings	96,136	92,198
Accumulated other comprehensive loss	(1,347)	(3,768)
TOTAL SHAREHOLDERS' EQUITY	318,651	305,186
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 511,944	$ 547,162
Number of common shares issued and outstanding	11,740,099	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 nine month periods ended June 30, 2023 and 2022
(Canadian dollars in thousands, except per share data)

	Three months ended June 30,		Nine months ended June 30,	
	2023	**2022**	**2023**	**2022**
Revenue				
Advanced Technologies	$ 44,777	$ 39,152	$ 125,842	$ 119,881
Health	49,152	39,841	133,288	127,671
Learning	26,741	22,259	81,964	69,869
ITCS	45,880	48,766	141,541	104,201
Total Revenue	**166,550**	**150,018**	**482,635**	**421,622**
Cost of revenues	115,443	104,515	334,219	302,546
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**
Depreciation of equipment, application software and capitalized research and development	2,361	2,237	6,910	4,666
Depreciation of right of use assets	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 obligations interest expense	139	94	372	308
Interest expense (income)	(254)	142	(269)	288
Profit before income tax expense	**7,392**	**8,683**	**21,441**	**17,587**
Income tax expense – current	2,930	2,172	9,143	8,657
Income tax recovery – deferred	(211)	(325)	(1,468)	(3,479)
Total 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
Diluted	$ 0.40	$ 0.60	$ 1.17	$ 1.09

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 nine month periods ended June 30, 2023 and 2022
(Canadian dollars in thousands)

	Three months ended June 30,		Nine months ended June 30,	
	2023	**2022**	**2023**	**2022**
CASH FLOWS GENERATED FROM (USED IN) OPERATING ACTIVITIES				
Net profit	$ 4,673	$ 6,836	$ 13,766	$ 12,409
Items not affecting cash:				
Interest expense (income)	(254)	142	(269)	288
Changes in fair value related to contingent earn-out	138	651	3,442	3,266
Lease obligations interest expense	139	94	372	308
Income tax expense	2,719	1,847	7,675	5,178
Employee share purchase plan expense	166	131	467	393
Share based compensation expense	673	484	1,655	1,356
Depreciation and amortization	7,091	6,565	20,473	24,416
Deemed compensation	-	-	147	1,000
	15,345	16,750	47,728	48,614
Change in non-cash working capital				
Accounts receivable	3,105	29,715	10,364	12,933
Work in process	9,536	(1,812)	17,119	1,659
Prepaid expenses and other	2,234	(3,744)	3,019	(9,694)
Inventory	(190)	(3,044)	(5,213)	(5,021)
Accounts payable and accrued liabilities	(19,883)	(9,202)	(27,422)	(5,820)
Unearned contract revenue	(6,891)	(3,961)	(3,990)	10,930
	3,256	24,702	41,605	53,601
Interest paid	114	(237)	(104)	(597)
Income tax paid	(825)	(4,690)	(7,430)	(9,851)
	2,545	19,775	34,071	43,153
CASH FLOWS GENERATED FROM (USED IN) FINANCING ACTIVITIES				
Issuance of common shares net of costs	366	336	2,141	2,134
Dividends	(3,286)	(3,179)	(9,828)	(9,516)
Draw (repayment) on debt facility	-	(17,896)	(7,500)	7,500
Payment of lease obligations	(1,199)	(966)	(3,121)	(2,726)
	(4,119)	(21,705)	(18,308)	(2,608)
CASH FLOWS USED IN INVESTING ACTIVITIES				
Investments	-	-	(2,689)	-
Business acquisitions	-	(4,416)	(8,660)	(62,638)
Capitalized research and development	-	(25)	(86)	(175)
Equipment, building and application software	(3,341)	(1,585)	(5,986)	(4,908)
	(3,341)	(6,026)	(17,421)	(67,721)
NET CASH OUTFLOW	$ (4,915)	$ (7,956)	$ (1,658)	$ (27,176)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	45,903	59,391	42,646	78,611
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 40,988	$ 51,435	$ 40,988	$ 51,435

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		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 June 30, 2023	Three months ended June 30, 2022	Nine months ended June 30, 2023	Nine months ended 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.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2023

CALIAN®

Confidence. Engineered.

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

	NOTES	June 30, 2023	September 30, 2022
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	$ 40,988	$ 42,646
Accounts receivable	5	161,090	171,453
Work in process	8	22,746	39,865
Inventory	6	23,857	18,643
Prepaid expenses	7	15,949	23,780
Derivative assets	22	39	123
Total current assets		264,669	296,510
NON-CURRENT ASSETS			
Capitalized research and development	9	1,369	2,186
Equipment	9	17,259	16,623
Application software	9	9,676	10,395
Right of use assets	10	15,519	16,678
Investments	11	3,359	670
Acquired intangible assets	12	46,129	57,087
Prepaid expenses	7	8,031	-
Deferred tax asset		735	1,054
Goodwill	13	145,198	145,959
Total non-current assets		247,275	250,652
TOTAL ASSETS		$ 511,944	$ 547,162
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Debt facility	16	$ -	$ 7,500
Accounts payable and accrued liabilities	14	98,113	126,096
Contingent earn-out	24	21,968	25,676
Provisions	15	1,222	1,249
Unearned contract revenue	8	29,653	46,210
Derivative liabilities	22	158	812
Lease obligations	10	4,313	4,115
Total current liabilities		155,427	211,658
NON-CURRENT LIABILITIES			
Lease obligations	10	13,591	14,920
Contingent earn-out	24	-	2,874
Unearned contract revenue	15	12,567	-
Deferred tax liabilities		11,708	12,524
Total non-current liabilities		37,866	30,318
TOTAL LIABILITIES		193,293	241,976
SHAREHOLDERS' EQUITY			
Issued capital	17	220,400	213,277
Contributed surplus		3,462	3,479
Retained earnings		96,136	92,198
Accumulated other comprehensive loss		(1,347)	(3,768)
TOTAL SHAREHOLDERS' EQUITY		318,651	305,186
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 511,944	$ 547,162
Number of common shares issued and outstanding	17	11,740,099	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 nine month periods ended June 30, 2023 and 2022
(Canadian dollars in thousands, except per share data)

		Three months ended June 30,		Nine months ended June 30,	
	NOTES	**2023**	**2022**	**2023**	**2022**
Revenue					
Advanced Technologies		$ 44,777	$ 39,152	$ 125,842	$ 119,881
Health		49,152	39,841	133,288	127,671
Learning		26,741	22,259	81,964	69,869
ITCS		45,880	48,766	141,541	104,201
Total Revenue	19	**166,550**	**150,018**	**482,635**	**421,622**
Cost of revenues		115,443	104,515	334,219	302,546
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**
Depreciation of equipment, application software and capitalized research and development	9	2,361	2,237	6,910	4,666
Depreciation of right of use assets	10	1,127	978	3,149	2,679
Amortization of acquired intangible assets	12	3,603	3,351	10,414	17,071
Deemed compensation	23, 24	-	-	147	1,000
Changes in fair value related to contingent earn-out	23, 24	138	651	3,442	3,266
Profit before interest and income tax expense		**7,277**	**8,919**	**21,544**	**18,183**
Lease obligations interest expense	10	139	94	372	308
Interest expense (income)		(254)	142	(269)	288
Profit before income tax expense		**7,392**	**8,683**	**21,441**	**17,587**
Income tax expense – current		2,930	2,172	9,143	8,657
Income tax recovery – deferred		(211)	(325)	(1,468)	(3,479)
Total 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	20	$ 0.40	$ 0.60	$ 1.18	$ 1.10
Diluted	20	$ 0.40	$ 0.60	$ 1.17	$ 1.09

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 nine month periods ended June 30, 2023 and 2022
(Canadian dollars in thousands)

	Three months ended June 30,		Nine months ended June 30,	
	2023	**2022**	**2023**	**2022**
NET PROFIT	$ 4,673	$ 6,836	$ 13,766	$ 12,409
Items that will be reclassified subsequently to net profit				
Cumulative translation adjustment	(1,065)	(1,345)	(264)	(1,510)
Change in deferred gain on derivatives designated as cash flow hedges, net of tax of $393 and $968 (2022 - $433 and $301)	1,089	(1,100)	2,685	(587)
Other comprehensive income (loss), net of tax	24	(2,445)	2,421	(2,097)
COMPREHENSIVE INCOME	**$ 4,697**	**$ 4,391**	**$ 16,187**	**$ 10,312**

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 nine month periods ended June 30, 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		-	-	13,766	2,421	16,187
Dividend paid ($0.84 per share)		-	-	(9,828)	-	(9,828)
Shares issued under employee share plans	17	2,027	(1,434)	-	-	593
Shares issued through acquisition	17	2,844	-	-	-	2,844
Shares issued under employee share purchase plan	17	2,252	-	-	-	2,252
Share-based compensation expense	18	-	1,417	-	-	1,417
Balance June 30, 2023		**$ 220,400**	**$ 3,462**	**$ 96,136**	**$ (1,347)**	**$ 318,651**

	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		-	-	12,409	(2,097)	10,312
Dividend paid ($0.84 per share)		-	-	(9,516)	-	(9,516)
Shares issued under employee share plans	17	1,773	(895)	-	-	878
Shares issued under employee share purchase plan	17	1,778	(129)	-	-	1,649
Share based compensation expense	18	-	1,356	-	-	1,356
Balance June 30, 2022		**$ 198,511**	**$ 5,556**	**$ 94,252**	**$ (1,280)**	**$ 297,039**

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 nine month periods ended June 30, 2023 and 2022
(Canadian dollars in thousands)

		Three months ended June 30,		Nine months ended June 30,	
	NOTES	**2023**	**2022**	**2023**	**2022**
CASH FLOWS GENERATED FROM (USED IN) OPERATING ACTIVITIES					
Net profit		$ 4,673	$ 6,836	$ 13,766	$ 12,409
Items not affecting cash:					
Interest expense (income)		(254)	142	(269)	288
Changes in fair value related to contingent earn-out	24	138	651	3,442	3,266
Lease obligations interest expense	10	139	94	372	308
Income tax expense		2,719	1,847	7,675	5,178
Employee share purchase plan expense	18	166	131	467	393
Share based compensation expense	18	673	484	1,655	1,356
Depreciation and amortization	9, 10, 12	7,091	6,565	20,473	24,416
Deemed compensation	23, 24	-	-	147	1,000
		15,345	16,750	47,728	48,614
Change in non-cash working capital					
Accounts receivable		3,105	29,715	10,364	12,933
Work in process		9,536	(1,812)	17,119	1,659
Prepaid expenses and other		2,234	(3,744)	3,019	(9,694)
Inventory		(190)	(3,044)	(5,213)	(5,021)
Accounts payable and accrued liabilities		(19,883)	(9,202)	(27,422)	(5,820)
Unearned contract revenue		(6,891)	(3,961)	(3,990)	10,930
		3,256	24,702	41,605	53,601
Interest paid		114	(237)	(104)	(597)
Income tax paid		(825)	(4,690)	(7,430)	(9,851)
		2,545	19,775	34,071	43,153
CASH FLOWS GENERATED FROM (USED IN) FINANCING ACTIVITIES					
Issuance of common shares net of costs	17, 18	366	336	2,141	2,134
Dividends		(3,286)	(3,179)	(9,828)	(9,516)
Draw (repayment) on debt facility	16	-	(17,896)	(7,500)	7,500
Payment of lease obligations	10	(1,199)	(966)	(3,121)	(2,726)
		(4,119)	(21,705)	(18,308)	(2,608)
CASH FLOWS USED IN INVESTING ACTIVITIES					
Investments	11	-	-	(2,689)	-
Business acquisitions	23	-	(4,416)	(8,660)	(62,638)
Capitalized research and development	9	-	(25)	(86)	(175)
Equipment, building and application software	9	(3,341)	(1,585)	(5,986)	(4,908)
		(3,341)	(6,026)	(17,421)	(67,721)
NET CASH OUTFLOW		$ (4,915)	$ (7,956)	$ (1,658)	$ (27,176)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		45,903	59,391	42,646	78,611
CASH AND CASH EQUIVALENTS, END OF PERIOD		$ 40,988	$ 51,435	$ 40,988	$ 51,435

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 nine month periods ended June 30, 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 August 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	$	7,044	1.00	$	7,044
USD		22,906	1.32		30,236
GBP		205	1.68		344
EUR		1,663	1.44		2,395
NOK		8,075	0.12		969
Total cash and cash equivalents June 30, 2023				$	40,988
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:

		June 30, 2023		September 30, 2022
Trade and accounts receivable	$	156,235	$	168,614
Tax and Scientific Research and Development credit receivable		3,793		2,235
Other		1,463		864
		161,491		171,713
Loss Allowance		(401)		(260)
	$	161,090	$	171,453

Bad debt expense recognized in the three months ended June 30, 2023 (2022) is $160 ($117). Bad debt expense recognized in the nine months ended June 30, 2023 (2022) is $565 ($327).

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:

		June 30, 2023		September 30, 2022
Raw materials	$	17,693	$	12,187
Work in process inventory		2,216		2,717
Finished goods		3,948		3,739
	$	23,857	$	18,643

Inventory recognized as cost of revenues in the three months ended June 30, 2023 (2022) is $8,394 ($4,718). Inventory recognized as cost of revenues in the nine months ended is $28,539 ($9,502). No inventory provisions have been recognized in periods ended June 30, 2023 (2022).

7. Prepaid Expenses

The following table presents prepaid expenses as at:

	June 30, 2023	September 30, 2022
Prepaid maintenance	$ 16,040	$ 18,924
Other prepaid expenses	7,940	4,856
	$ 23,980	$ 23,780
Current	15,949	23,780
Non-current	8,031	-
Total	$ 23,980	$ 23,780

8. Contract Assets and Liabilities

The following table presents net contract liabilities as at:

	Net Contract Liabilities	
	June 30, 2023	September 30, 2022
Work in process	$ 22,746	$ 39,865
Unearned contract revenue (current)	(29,653)	(46,210)
Unearned contract revenue (non-current)	(12,567)	-
Net contract liabilities	$ (19,474)	$ (6,345)

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

	Changes in Net Contract Liabilities	
	June 30, 2023	September 30, 2022
Opening balance, October 1	$ (6,345)	$ 31,986
Net additions	71,414	84,000
Billings	(84,543)	(110,774)
Acquisitions (Note 23)	-	(11,557)
Ending balance	$ (19,474)	$ (6,345)

9. Equipment

A continuity of the equipment, application software and capitalized research and development for the nine months ended June 30, 2023 is as follows:

	Cost			Depreciation		Carrying Value	
	Cost	Additions/ Disposals	Total	Depreciation	Accumulated Depreciation	June 30, 2023	September 30, 2022
Leasehold improvements	$ 4,382	$ 10	$ 4,392	$ (299)	$ (2,203)	$ 2,189	$ 2,477
Building	-	1,321	1,321	-	-	1,321	-
Equipment	43,039	4,032	47,071	(4,644)	(33,322)	13,749	14,146
Total equipment & building	$ 47,421	$ 5,363	$ 52,784	$ (4,943)	$ (35,525)	$ 17,259	$ 16,623
Application software	$ 14,809	$ 344	$ 15,153	$ (1,064)	$ (5,477)	$ 9,676	$ 10,395
Capitalized research and development	$ 5,052	$ 86	$ 5,138	$ (903)	$ (3,769)	$ 1,369	$ 2,186

10. Right-of-Use Assets and Lease Obligations

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

	Nine months ended	
	June 30, 2023	June 30, 2022
Balance October 1	$ 16,678	$ 15,383
Additions	2,308	1,877
Disposals and foreign exchange adjustments	(318)	(142)
Depreciation	(3,149)	(2,679)
Acquisitions (Note 23)	-	2,705
Balance June 30	$ 15,519	$ 17,144

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:

	Nine months ended	
	June 30, 2023	June 30, 2022
Balance at October 1	$ 19,035	$ 17,478
Additions	2,267	1,892
Disposals and foreign exchange adjustments	(277)	(86)
Principal payments	(3,121)	(2,726)
Acquisitions (Note 23)	-	2,739
Balance at June 30	$ 17,904	$ 19,297
Current	$ 4,313	$ 3,860
Non-current	13,591	15,437
Total	$ 17,904	$ 19,297

The following table presents the contractual undiscounted cash flows for lease obligations as at June 30, 2023:

	Total Undiscounted Lease Obligations
Less than one year	$ 4,744
One to five years	10,115
More than five years	4,571
Total undiscounted lease obligations	$ 19,430

Total cash outflow for leases in the three months ended June 30, 2023 (2022) is $1,338 ($1,060), including principal payments relating to lease obligations of $1,199 ($966), interest expense on lease obligations is $139 ($94). Total cash outflow for leases in the nine months ended June 30, 2023 (2022) is $3,493 ($3,034), including principal payments relating to lease obligations of $3,121 ($2,726), interest expense on lease obligations is $372 ($308). Expenses relating to short-term leases recognized in general and administration expenses are $41 ($20) for the three months ended June 30, 2023 (2022) and $137 ($58) for the nine months ended June 30, 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 Cliniconex Inc., 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 nine months ended June 30, 2023 is as follows:

	June 30, 2023			
	Opening Balance	Amortization	Foreign Exchange Revaluation	Closing Balance
Customer relationship - Primacy	$ 1,909	$ (364)	$ -	$ 1,545
Customer relationships	39,689	(6,513)	(544)	32,632
Discrete contracts with customers & non-competition agreements	586	(246)	-	340
Technology and trademarks	14,903	(3,291)	-	11,612
	$ 57,087	$ (10,414)	$ (544)	$ 46,129

In the nine months ended June 30, 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 nine months ended June 30, 2023:

		June 30, 2023
Opening balance, October 1	$	145,959
Adjustments:		
Foreign Exchange		(761)
Ending balance, June 30	$	145,198

In the nine months ended June 30, 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:

	June 30, 2023	September 30, 2022
Trade accounts payable	$ 72,639	$ 91,652
Payroll accruals	17,100	21,960
Income tax payable	3,967	3,225
Other accruals	4,407	9,259
	$ 98,113	$ 126,096

15. Provisions

Changes in provisions for the nine months ended June 30, 2023 were as follows:

	Product Warranties	Severance	Other	Total
Balance at October 1, 2022	$ 897	$ 248	$ 104	$ 1,249
Additions	472	439	4	915
Utilization/Reversals	(521)	(414)	(7)	(942)
Balance at June 30, 2023	$ 848	$ 273	$ 101	$ 1,222

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 June 30, 2023, the company settled the liability. At June 30, 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 June 30, 2023.

Common share issued and outstanding:

	June 30, 2023		June 30, 2022	
	Shares	Amount	Shares	Amount
Balance October 1	11,607,391	$ 213,277	11,285,828	$ 194,960
Shares issued under employee share plans	47,640	2,027	41,742	1,773
Shares issued under employee share purchase plan	37,192	2,252	26,307	1,778
Shares issued through acquisition	47,876	2,844	-	-
Issued capital	11,740,099	$ 220,400	11,353,877	$ 198,511

Subsequent to the date of the statement of financial position, on August 10, 2023, the date of issuance of these consolidated financial statements, the Company declared a dividend of $0.28 per common share payable on September 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 June 30, 2023, the Company can issue 377,480 shares.

During the three months ended June 30, 2023 (2022) under the 2020 Employee Share Purchase Plan, the Company issued 12,460 (6,755) shares at an average price of $62.15 ($68.38). The Company received $620 ($375) in proceeds and recorded an expense of $166 ($124). During the nine months ended June 30, 2023 (2022) under the 2020 Employee Share Purchase Plan, the Company issued 37,192 (26,307) shares at an average price of $61.71 ($61.06). The Company received $1,836 ($1,216) in proceeds and recorded an expense of $467 ($354).

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% (1,056,609) 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 June 30, 2023, the Company has 417,083 stock options and restricted share units (“RSUs”) outstanding. As a result, the Company could grant up to 639,526 additional stock options or RSUs pursuant to the plan.

The weighted average fair value of options granted during the nine months ended June 30, 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 nine months ended June 30, 2023:

	Weighted Average Options Granted			
	June 30, 2023		June 30, 2022	
Grant date share price	$	60.44	$	58.96
Exercise price	$	60.43	$	58.96
Expected price volatility	%	31.74	%	28.45
Expected option life	yrs	3.33	yrs	3.18
Expected dividend yield	%	1.89	%	1.98
Risk-free interest rate	%	3.66	%	1.19
Forfeiture rate	%	0	%	0

18. Share-Based Compensation (continued)

	June 30, 2023			June 30, 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
Forfeited	(926)		60.43	-		-
Granted	23,542		60.43	40,646		58.96
Outstanding June 30	224,416	$	54.80	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	21,430	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, 2024.

At June 30, 2023 (2022) the weighted average remaining contractual life of options outstanding is 2.08 (2.33) years of which 224,416 (158,484) options are exercisable at a weighted average price of $54.80 ($59.74). The Company has recorded $76 ($117) of share-based compensation expense in the three months ended and $271 ($358) in the nine months ended June 30, 2023 (2022) related to the options that have been granted. At June 30, 2023 (2022) the Company has total unrecognized compensation expense of $136 ($192) that will be recorded in the next two fiscal years.

Restricted Share Units:

Under the Company's restricted stock unit ("RSU") plan, the 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.

18. Share-Based Compensation (continued)

The following table summarizes information about the RSUs as of June 30, 2023:

	June 30, 2023			June 30, 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	(28,640)		46.87	(20,983)		42.35
Forfeited	(23,842)		50.72	(482)		51.54
Granted	188,632		59.18	35,601		48.10
Outstanding June 30	192,667	$	59.19	54,960	$	49.09

Of the units issued in the current year under the RSU plan, $Nil has vested as of June 30, 2023. The Company has recorded $354 ($367) of share-based compensation expense in the three months and $1,141 ($1,018) in the nine months ended June 30, 2023 (2022) related to the RSUs that have been granted. At June 30, 2023 (2022) the Company has total unrecognized compensation expense of $1,364 ($1,293) 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	13,659	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	558	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	28,784	November 24, 2022	November 15, 2025	$	59.18
	PSU	142,785	November 24, 2022	November 15, 2025	$	59.18

Deferred Share Unit Plan

At June 30, 2023 (2022) the Company has 36,560 (17,640) Deferred Share Units ("DSU") outstanding, of which 19,616 (15,756) have vested, and the remainder will vest until May 2026. The Company recorded share-based compensation of $209 ($171) related to the DSUs in the three months ended and $579 ($466) in the nine months ended June 30, 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 19,616 (15,756) vested DSUs outstanding at June 30, 2023 (2022). The fair value of the DSUs outstanding at June 30, 2023 (2022) was $56.15 ($57.70) 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 nine months ended June 30, 2023 and 2022:

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Nine months ended June 30, 2023	Nine months ended June 30, 2022
Product revenue				
Advanced Technologies	$ 27,050	$ 25,249	$ 73,931	$ 77,017
Learning	1,984	1,324	4,668	2,089
ITCS	12,275	16,592	31,885	25,431
Total product revenue	$ 41,309	$ 43,165	$ 110,484	$ 104,537
Service revenue				
Advanced Technologies	$ 17,727	$ 13,903	$ 51,911	$ 42,864
Health	49,152	39,841	133,288	127,671
Learning	24,757	20,935	77,296	67,780
ITCS	33,605	32,174	109,656	78,770
Total service revenue	$ 125,241	$ 106,853	$ 372,151	$ 317,085
Total revenue	$ 166,550	$ 150,018	$ 482,635	$ 421,622

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 June 30, 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:

	June 30, 2023
Less than 24 months	$ 440,161
Thereafter	117,713
Total	$ 557,874

20. Net Profit per Share

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

	Three months ended June 30 2023	Three months ended June 30 2022	Nine months ended June 30 2023	Nine months ended June 30 2022
Weighted average number of common shares – basic	11,732,711	11,350,214	11,689,528	11,325,096
Additions to reflect the dilutive effect of employee stock options and RSUs	51,799	69,104	35,276	51,551
Weighted average number of common shares – diluted	11,784,510	11,419,318	11,724,804	11,376,647

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 June 30, 2023 (2022), 44,838 (1,536) options and Nil (25,754) RSUs were excluded from the above computation. For the nine months ended June 30, 2023 (2022), 22,616 (1,536) options and Nil (2,255) 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 June 30, 2023:

For the three months ended June 30, 2023	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	$ 44,777	$ 49,152	$ 26,741	$ 45,880	$ -	$ 166,550
Cost of revenues	29,141	35,789	20,185	30,328	-	115,443
Gross profit	15,636	13,363	6,556	15,552	-	51,107
Gross profit %	35 %	27 %	25 %	34 %	N/A %	31 %
Selling and marketing	3,071	538	405	6,431	1,446	11,891
General and administration	3,476	3,623	1,507	5,414	7,417	21,437
Research and development	1,979	177	808	309	-	3,273
Profit before under noted items	$ 7,110	$ 9,025	$ 3,836	$ 3,398	$ (8,863)	$ 14,506
Profit before under noted items %	16 %	18 %	14 %	7 %	N/A %	9 %
Depreciation of equipment, application software and R&D						2,361
Depreciation of right of use asset						1,127
Amortization of acquired intangibles						3,603
Deemed compensation						-
Changes in fair value related to contingent earn-out						138
Profit before interest income and income tax expense						7,277
Lease interest expense						139
Interest income						(254)
Profit before income tax expense						7,392
Income tax expense – current						2,930
Income tax recovery – deferred						(211)
Total income tax expense						2,719
NET PROFIT FOR THE PERIOD						$ 4,673

21. Segmented Information (continued)

For the three months ended June 30, 2022:

For the three months ended June 30, 2022		Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	$	39,152 $	39,841 $	22,259 $	48,766 $	- $	150,018
Cost of revenues		27,927	30,709	16,400	29,479	-	104,515
Gross profit		11,225	9,132	5,859	19,287	-	45,503
Gross profit %		29 %	23 %	26 %	40 %	N/A %	30 %
Selling and marketing		2,486	544	354	4,880	1,290	9,554
General and administration		2,194	2,475	1,258	6,017	6,050	17,994
Research and development		1,278	106	-	435	-	1,819
Profit before under noted items	$	5,267 $	6,007 $	4,247 $	7,955 $	(7,340)$	16,136
Profit before under noted items %		13 %	15 %	19 %	16 %	N/A %	11 %
Depreciation of equipment, application software and R&D							2,237
Depreciation of right of use asset							978
Amortization of acquired intangibles							3,351
Deemed compensation							-
Changes in fair value related to contingent earn-out							651
Profit before interest income and income tax expense							8,919
Lease interest expense							94
Interest expense							142
Profit before income tax expense							8,683
Income tax expense – current							2,172
Income tax recovery – deferred							(325)
Total income tax expense							1,847
NET PROFIT FOR THE PERIOD						$	6,836

21. Segmented Information (continued)

For the nine months ended June 30, 2023:

For the nine months ended June 30, 2023	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	$ 125,842	$ 133,288	$ 81,964	$ 141,541	$ -	$ 482,635
Cost of revenues	84,632	99,782	60,612	89,193	-	334,219
Gross profit	41,210	33,506	21,352	52,348	-	148,416
Gross profit %	33 %	25 %	26 %	37 %	N/A %	31 %
Selling and marketing	8,920	1,540	1,395	18,987	4,023	34,865
General and administration	9,496	8,968	4,249	15,135	21,481	59,329
Research and development	5,604	338	2,253	421	-	8,616
Profit before under noted items	$ 17,190	$ 22,660	$ 13,455	$ 17,805	$ (25,504)	$ 45,606
Profit before under noted items %	14 %	17 %	16 %	13 %	N/A %	9 %
Depreciation of equipment, application software and R&D						6,910
Depreciation of right of use asset						3,149
Amortization of acquired intangibles						10,414
Deemed compensation						147
Changes in fair value related to contingent earn-out						3,442
Profit before interest income and income tax expense						21,544
Lease obligations interest expense						372
Interest income						(269)
Profit before income tax expense						21,441
Income tax expense – current						9,143
Income tax recovery – deferred						(1,468)
Total income tax expense						7,675
NET PROFIT FOR THE PERIOD						$ 13,766

21. Segmented Information (continued)

For the nine months ended June 30, 2022:

For the nine months ended June 30, 2022	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	$ 119,881	$ 127,671	$ 69,869	$ 104,201	$ -	$ 421,622
Cost of revenues	86,723	96,149	51,465	68,209	-	302,546
Gross profit	33,158	31,522	18,404	35,992	-	119,076
Gross profit %	28 %	25 %	26 %	35 %	N/A %	28 %
Selling and marketing	6,460	1,730	947	7,305	3,008	19,450
General and administration	7,049	7,518	3,563	11,007	19,267	48,404
Research and Development	3,509	296	-	552	-	4,357
Profit before under noted items	$ 16,140	$ 21,978	$ 13,894	$ 17,128	$ (22,275)	$ 46,865
Profit before under noted items %	13 %	17 %	20 %	16 %	N/A %	11 %
Depreciation of equipment, application software and R&D						4,666
Depreciation of right of use asset						2,679
Amortization of acquired intangibles						17,071
Deemed compensation						1,000
Changes in fair value related to contingent earn-out						3,266
Profit before interest income and income tax expense						18,183
Lease obligations interest expense						308
Interest expense						288
Profit before income tax expense						17,587
Income tax expense – current						8,657
Income tax recovery – deferred						(3,479)
Total income tax expense						5,178
NET PROFIT FOR THE PERIOD						$ 12,409

The Company operates in Canada but provides services to customers in various countries. Revenues from external customers for the nine months ended June 30, 2023 (2022) are attributed as follows:

	June 30, 2023	June 30, 2022
Canada	71 %	67 %
United States	20 %	20 %
Europe	8 %	11 %
Other	1 %	2 %

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 nine months ended June 30, 2023 (2022) represented 49% (49%) 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

22. Financial Instruments and Risk Management (continued)

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 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 June 30, 2023, the Company had the following forward foreign exchange contracts:

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value June 30, 2023
BUY	$ 13,418	USD	July 2023	$ 17,761	$ 32
SELL	4,063	EURO	July 2023	5,885	7
Derivative assets					$ 39
SELL	$ 62,480	USD	July 2023	$ 82,701	$ (146)
BUY	6,747	EURO	July 2023	9,772	(12)
Derivative liabilities					$ (158)

A 10% strengthening of the Canadian dollar against the following currencies at June 30, 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.

	June 30, 2023
USD	$ (5,281)
EURO	527
GBP	65
NOK	179
Total	$ (4,510)

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.

	June 30, 2023
USD	$ 4,476
GBP	(4)
EURO	209
SEK	29
NOK	29
Total	$ 4,739

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 June 30, 2023 (2022), 38% (22%) of its accounts' receivable was 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:

	June 30, 2023	September 30, 2022
Cash and cash equivalents	$ 40,988	$ 42,646
Accounts receivable	161,090	171,453
Derivative assets	39	123
Total	$ 202,117	$ 214,222

The aging of accounts receivable at the reporting date was:

	June 30, 2023	September 30, 2022
Current	$ 151,034	$ 159,412
Past due (61-120 days)	6,641	6,378
Past due (> 120 days)	3,415	5,663
Total	$ 161,090	$ 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 June 30, 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 June 30, 2023, the Company had $40,988 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 June 30, 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).

	June 30, 2023		
	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 40,988	$ -	$ -
Investments	-	-	3,359
Derivative assets	-	39	-
Contingent earn-out	-	-	(21,968)
Derivative liabilities	-	(158)	-
Total	$ 40,988	$ (119)	$ (18,609)

	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 June 30, 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 nine-months ended June 30, 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 Nil in the three-month and $2,272 in the nine-month period ended June 30, 2023 recognized in changes in fair value of contingent earn out.

The Company recognized an additional $60 of expense in the nine-months ended June 30, 2023, related to changes in fair value of contingent earn out. All amounts are to be settled in the fourth quarter of 2023.

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. The company 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 prior fiscal year.

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 nine-months ended June 30, 2023, with an additional $763 recognized in fiscal 2022. The Company also recognized Nil in the three-months and $102 in the nine-months ended June 30, 2023, related to changes in fair value of contingent earn out. All amounts are settled and paid as at June 30, 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 nine-month periods ended June 30, 2023. Additionally, $47 was recognized as deemed compensation in the nine-months ended June 30, 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 June 30, 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 nine-month period ended June 30, 2023. Overachievement bonus amounts were expensed in the 2022 fiscal year resulting in additional amounts owing of $2,175. At June 30, 2023, the second year earn out has concluded and the full achievement of target is met. The amount was concluded with the sellers subsequent to June 30, 2023 and the amount will be settled and paid in the fourth quarter of 2023.

23. Acquisitions (continued)

The Company recognized Nil in the three-months and $429 in the nine-months ended June 30, 2023, related to changes in fair value of contingent earn out.

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 nine-months ended June 30, 2023 the Company settled and paid the year one earn out in the amount of $2,760.

The Company recognized $138 in the three-months and $414 in the nine-months ended June 30, 2023 related to changes in fair value of contingent earn out.

24. Contingent Earn-Out

The following shows the contingent consideration activity for the nine months ended June 30, 2023:

Company Acquired	Beginning balance	Acquisition	Payments	Change in Fair Value	Adjustments	Ending balance
Alio/Allphase	$ 1,860	$ -	$ -	$ 60	$ 2,272	$ 4,192
Tallysman Wireless	5,411	-	(5,613)	102	100	-
Cadence	75	-	(287)	165	47	-
Dapasoft	15,758	-	(1,511)	429	-	14,676
SimFront	5,446	-	(2,760)	414	-	3,100
Total	$ 28,550	$ -	$ (10,171)	$ 1,170	$ 2,419	$ 21,968

As at June 30, 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)	$ 472	$ (1,361)	$ 1,860
Comprehensive Training Solutions	749	-	(1,102)	52	301	-
Tallysman Wireless	8,104	-	(4,142)	493	956	5,411
Cadence	1,417	-	(776)	94	(660)	75
InterTronic	3,228	-	-	215	(3,443)	-
Dapasoft	17,823	-	(14,283)	1,173	11,045	15,758
SimFront	-	4,914	-	532	-	5,446
Total	$ 38,262	$ 4,914	$ (24,495)	$ 3,031	$ 6,838	$ 28,550

25. 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 approximately $46,000 USD (approximately $62,000 CAD) including earnouts of up to $11,000 USD (approximately $15,000 CAD) based on the achievement of certain levels of EBITDA performance over the next 24 months. This transaction was completed on August 1, 2023. HPT will be reported as part of the Advanced Technologies operating segment.

On July 24, 2023 Calian signed an $180,000 debt agreement with Royal Bank of Canada, Desjardins Capital Markets, Canadian Imperial Bank of Commerce and Bank of Montreal. The agreement matures July 24, 2026, has an accordion of $70,000 and replaces the existing credit line with Royal Bank of Canada and Desjardins Capital Markets.

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.

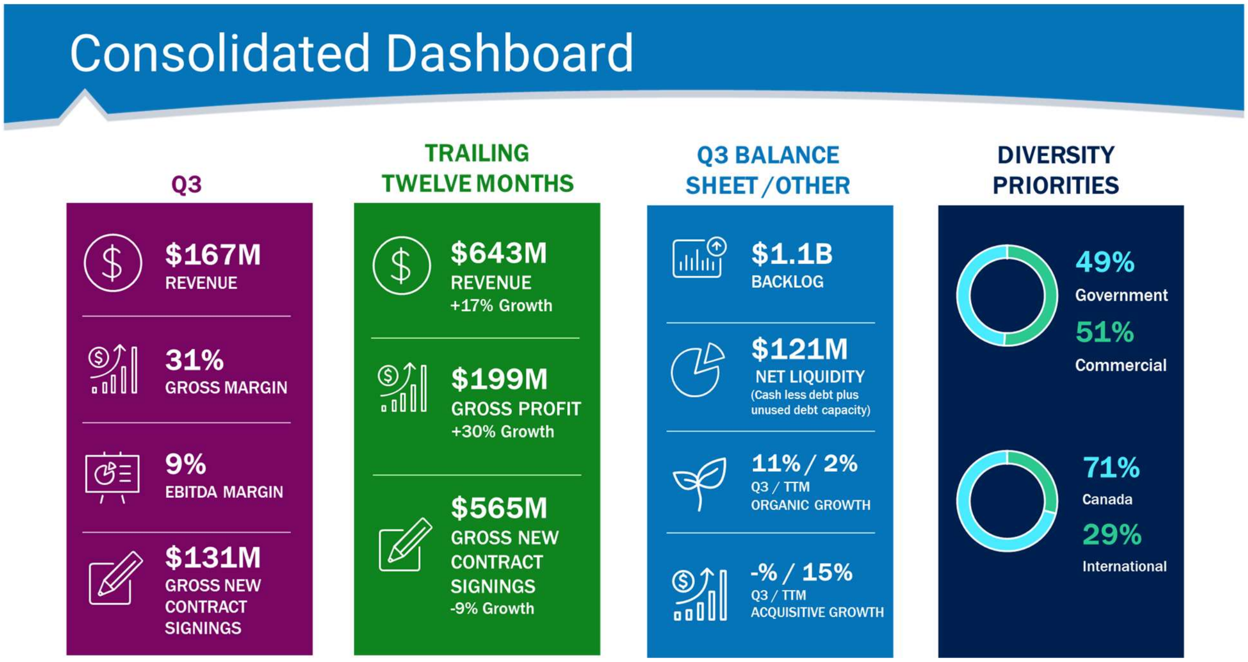
- **Customer Diversification:** Through continued diversification, each segment increases its percentage of revenue derived from winning non-government contracts, from commercial activity in global markets, and from increasing product offerings—both acquisitive and organic.

- **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.

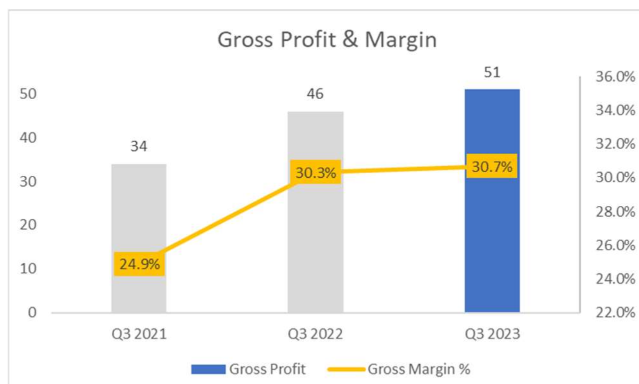


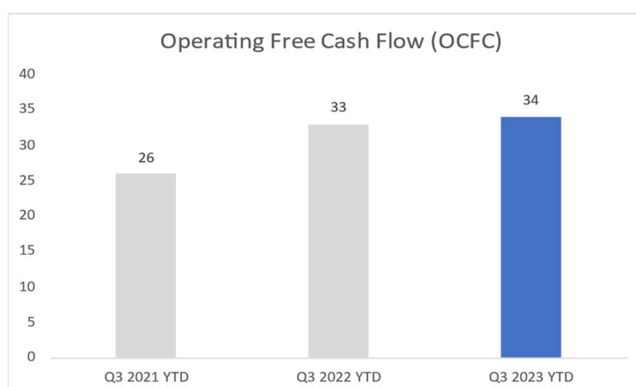
Third Quarter Highlights

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.

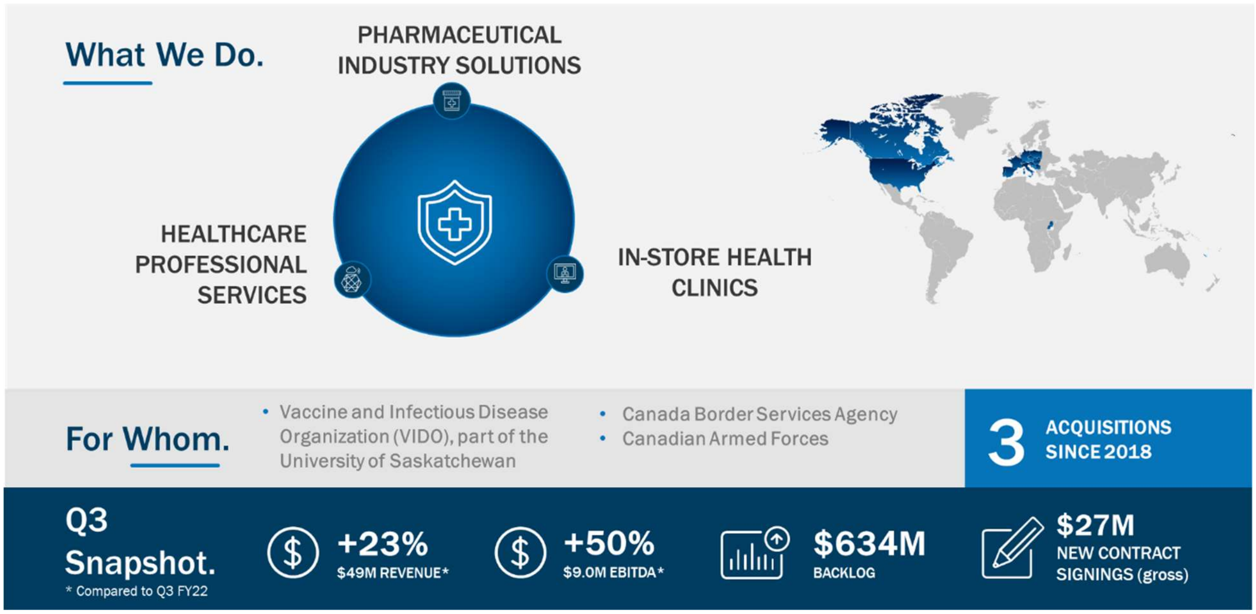
Gross margin percentage increased from 29% to 35% for the three-month, and from 28% to 33% for the nine-month periods ended June 30, 2023, when compared to the same periods of the prior year. The contribution of more Calian products will continue to drive higher gross margins in the longer term.

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		Nine months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	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

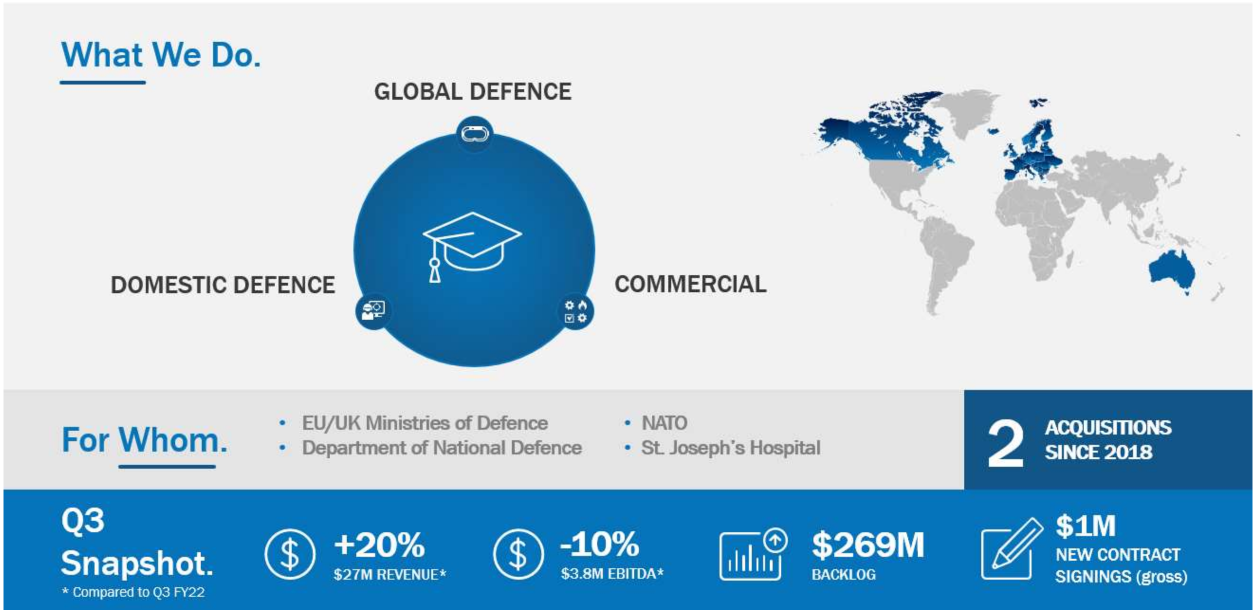
Revenues increased 23% for the three-month and 4% for the nine-month periods ended June 30, 2023, when compared to the same periods of the previous year. The increase in revenue is the result of both existing customers increasing their requirements for health care services, as well as new programs being 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		Nine months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	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.

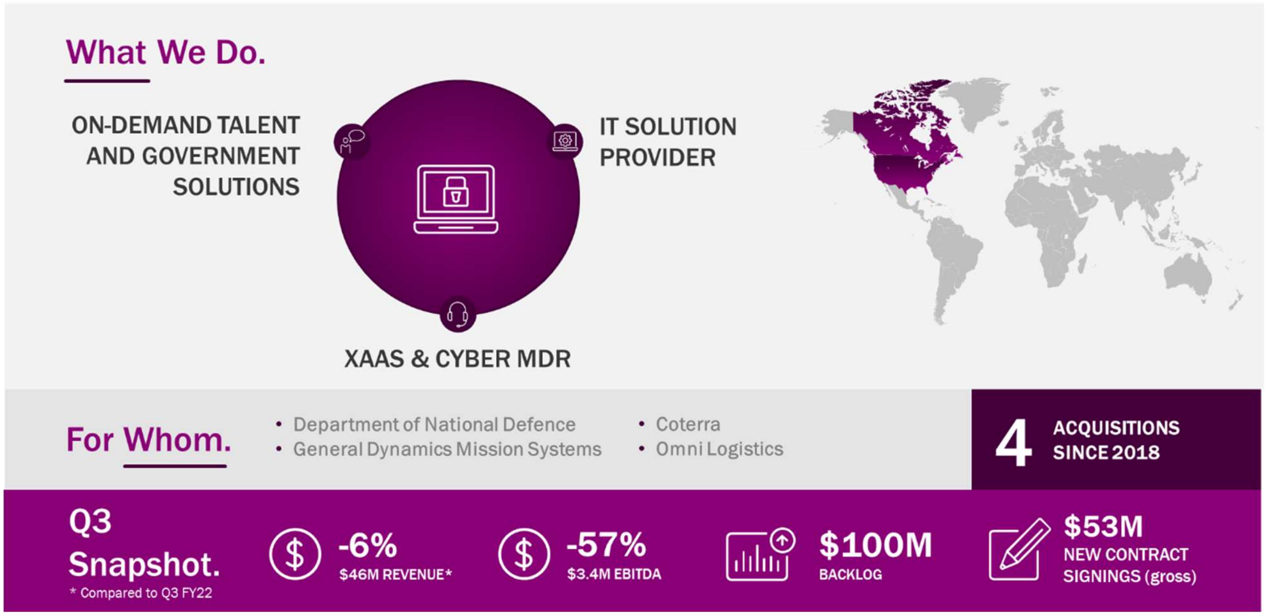
Gross margin percentage slightly decreased from 26% to 25% in the three-month and remained stable in the nine-month periods ended June 30, 2023, when compared to the same periods of the previous year. The cost of our delivery increased in advance of contractual rate increases with customers which temporarily 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 June 30, 2023	Three months ended June 30, 2022	Nine months ended June 30, 2023	Nine months ended 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.

<u>Financing Activities</u>

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

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Board of Directors

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Kevin Ford
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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.