CALIAN®
Confidence. Engineered.

NEWS RELEASE

FOR IMMEDIATE RELEASE

Calian Reports Results for the First Quarter

(All amounts in release are in Canadian dollars)

OTTAWA, February 14, 2024 – 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 first quarter ended December 31, 2023.

Q1-24 Highlights:

- Revenue up 21% to $179 million
- Gross margin at 32.5%, up from 30.6% last year
- Adjusted EBITDA[1] up 37% to $19.5 million
- Operating free cash flow[1] of $14.2 million
- Net liquidity of $139 million
- Repurchased 27,226 shares in consideration of $1.4 million
- Guidance reiterated
- Appointed President, IT & Cyber Solutions
- Completed the acquisition of Decisive Group

Financial Highlights *(in millions of $, except per share & margins)*	**Three months ended December 31,**		
	2023	**2022**	**%**
Revenue	179.1	147.5	21%
Adjusted EBITDA[1]	19.5	14.3	37%
Adjusted EBITDA[1] %	10.9%	9.7%	123bps
Net Profit	5.5	4.6	21%
EPS Diluted	$0.46	$0.39	18%
Operating Free Cash Flow[1]	14.2	12.1	17%

Access the full report on the Calian Financials web page.
Register for the conference call on Thursday, February 15, 2024, 8:00 a.m. Eastern Time.

"We had a strong start to the year with revenues up 21% driven by double-digit organic growth and the strong contribution from recent acquisitions," said Kevin Ford, Calian Chief Executive Officer. "Steps to restore our efficiency are bearing fruit with gross margin at an all-time high and adjusted EBITDA[1] margin bordering on 11%. These results demonstrate the strength of our business model, our diversification into new markets and offerings as well as the value creation

[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 the press release.

generated from our M&A agenda. With our guidance reiterated we are on track to deliver another record year and one step closer to our objective of reaching one billion dollars by the end of FY26," stated Mr. Ford.

First Quarter Results

Revenues increased 21%, from $148 million to $179 million, driven by growth across all four segments, including double-digit growth in Health, ITCS and Advanced Technologies. Acquisitive growth was 9% and was generated by the acquisitions of Hawaii Pacific Teleport ("HPT") and Decisive. Organic growth was 12% and was driven by double digit growth in Health and Advanced Technologies.

Gross margin reached a record 32.5%, representing its 7th consecutive quarter above 30%. Adjusted EBITDA[1] reached $19.5 million, up 37% over the same period last year, driven by strong overall revenue growth and margin expansion in Advanced Technologies and Health, as well as from the benefits generated from the restructuring plan implemented midway through the fourth quarter. Adjusted EBITDA[1] margin reached 10.9%, up from 9.7% in the same period last year, as a result of a favorable revenue mix.

Net profit reached $5.5 million, or $0.46 per diluted share, up from $4.6 million, or $0.39 per diluted share for the same period last year.

Liquidity and Capital Resources

"In the first quarter we generated $14.2 million in operating free cash flow[1], representing a 73% conversion rate from adjusted EBITDA[1]," said Patrick Houston, Calian CFO. "We used our cash and drew on our credit line primarily to invest in our business with the acquisition of Decisive for $47 million and capital expenditures of $2 million. We also provided a return to shareholders in the form of dividends of $3 million and share buybacks of $1 million. We ended the quarter with $139 million in net liquidity, well-positioned to pursue our growth objectives," concluded Mr. Houston.

Normal Course Issuer Bid

In the three-month period ended December 31, 2023, as part of its Normal Course Issuer Bid, the Company repurchased 27,226 shares for cancellation in consideration of $1.4 million. Since the launch of the Normal Course Issuer Bid on September 1, 2023, the Company repurchased 59,320 common shares for cancellation in consideration of $3.0 million.

Quarterly Dividend

Today, Calian declared a quarterly dividend of $0.28 per share. The dividend is payable March 13, 2024, to shareholders of record as of February 28, 2024. Dividends paid by the Corporation are considered "eligible dividend" for tax purposes.

[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 the press release.

Guidance Reiterated

(in thousands of Canadian $)	Guidance for the year ended September 30, 2024	
	Low	**High**
Revenue	730,000	790,000
Adjusted EBITDA[1]	83,000	89,000

This guidance does not include any acquisitions that may close within the fiscal year. The guidance reflects another record year for the Company and positions it well to achieve its long-term growth targets.

Management Update

Recently, Patrick Thera, President Advanced Technologies, informed Calian that he will be retiring after a 38-year career with SED Systems and Calian. “Patrick played a pivotal role in shaping the success of the Advanced Technologies segment. I am immensely grateful for his dedication, sage counsel and commitment to the business. He will remain at the helm of the segment while we conduct a search for his successor and provide a smooth transition,” said Kevin Ford, Calian Chief Executive Officer.

[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 the press release.

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, respect 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.

Media inquiries:
pr@calian.com
613-599-8600 x 2298

Investor Relations inquiries:
ir@calian.com

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.

Calian · Head Office · 770 Palladium Drive · Ottawa · Ontario · Canada · K2V 1C8
Tel: 613.599.8600 · Fax: 613-592-3664 · General info email: info@calian.com

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

	December 31, 2023	September 30, 2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 52,267	$ 33,734
Accounts receivable	185,150	173,052
Work in process	17,478	16,580
Inventory	28,585	21,983
Prepaid expenses	22,128	19,040
Derivative assets	40	155
Total current assets	305,648	264,544
NON-CURRENT ASSETS		
Property, plant and equipment	38,320	37,223
Right of use assets	36,110	34,637
Prepaid expenses	9,690	10,386
Deferred tax asset	1,034	967
Investments	3,673	3,673
Acquired intangible assets	118,318	75,160
Goodwill	190,485	159,133
Total non-current assets	397,630	321,179
TOTAL ASSETS	$ 703,278	$ 585,723
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Debt facility	$ 93,750	$ 37,750
Accounts payable and accrued liabilities	132,159	105,550
Provisions	2,593	2,848
Unearned contract revenue	41,587	32,423
Lease obligations	5,156	4,949
Contingent earn-out	26,697	11,263
Derivative liabilities	141	353
Total current liabilities	302,083	195,136
NON-CURRENT LIABILITIES		
Lease obligations	33,571	32,057
Unearned contract revenue	14,850	15,592
Contingent earn-out	2,603	2,535
Deferred tax liabilities	20,597	12,031
Total non-current liabilities	71,621	62,215
TOTAL LIABILITIES	373,704	257,351
SHAREHOLDERS' EQUITY		
Issued capital	227,466	225,540
Contributed surplus	4,279	4,856
Retained earnings	98,234	96,859
Accumulated other comprehensive income (loss)	(405)	1,117
TOTAL SHAREHOLDERS' EQUITY	329,574	328,372
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 703,278	$ 585,723
Number of common shares issued and outstanding	11,834,924	11,812,650

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 months ended December 31, 2023 and 2022
(Canadian dollars in thousands, except per share data)

	Three months ended December 31, 2023		Three months ended December 31, 2022	
Revenue	$	179,179	$	147,543
Cost of revenues		120,961		102,324
Gross profit		**58,218**		**45,219**
Selling and marketing		12,351		11,143
General and administration		23,634		17,400
Research and development		2,719		2,421
Profit before under noted items		**19,514**		**14,255**
Depreciation of property, plant and equipment		2,308		2,297
Depreciation of right of use assets		1,463		1,007
Amortization of acquired intangible assets		5,235		3,361
Deemed compensation		604		97
Changes in fair value related to contingent earn-out		726		742
Profit before interest income and income tax expense		**9,178**		**6,751**
Interest expense		1,547		123
Income tax expense		2,106		2,052
NET PROFIT	**$**	**5,525**	**$**	**4,576**
Net profit per share:				
Basic	$	0.47	$	0.39
Diluted	$	0.46	$	0.39

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 months ended December 31, 2023 and 2022
(Canadian dollars in thousands)

	Three months ended December 31, 2023	2022
CASH FLOWS GENERATED FROM (USED IN) OPERATING ACTIVITIES		
Net profit	$ 5,525	$ 4,576
Items not affecting cash:		
Interest expense	1,098	12
Changes in fair value related to contingent earn-out	726	742
Lease obligations interest expense	449	111
Income tax expense	2,106	2,052
Employee share purchase plan expense	162	163
Share based compensation expense	1,013	407
Depreciation and amortization	9,006	6,665
Deemed compensation	604	97
	20,689	14,825
Change in non-cash working capital		
Accounts receivable	(11,189)	34,714
Work in process	(898)	6,825
Prepaid expenses and other	(74)	3,664
Inventory	(2,590)	(7,965)
Accounts payable and accrued liabilities	15,516	(27,268)
Unearned contract revenue	206	2,429
	21,660	27,224
Interest paid	(1,547)	(123)
Income tax paid	(2,575)	(1,778)
	17,538	25,323
CASH FLOWS GENERATED FROM (USED IN) FINANCING ACTIVITIES		
Issuance of common shares net of costs	694	910
Dividends	(3,314)	(3,262)
Draw on debt facility	56,000	-
Payment of lease obligations	(1,171)	(1,009)
Repurchase of common shares	(1,357)	-
	50,852	(3,361)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Investments	-	(2,689)
Business acquisitions	(47,457)	(2,925)
Property, plant and equipment	(2,400)	(800)
	(49,857)	(6,414)
NET CASH INFLOW	$ 18,533	$ 15,548
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	33,734	42,646
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 52,267	$ 58,194

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

The following 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 these measures differently than we do. In those cases, it may be difficult to use similarly named non-GAAP measures of other entities to compare performance of those entities to the Company's performance.

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

Adjusted EBITDA

	Three months ended	
	December 31, 2023	December 31, 2022
Net profit	$ 5,525	$ 4,576
Depreciation of equipment and application software	2,308	2,297
Depreciation of right of use asset	1,463	1,007
Amortization of acquired intangible assets	5,235	3,361
Interest expense	1,547	123
Changes in fair value related to contingent earn-out	726	742
Deemed Compensation	604	97
Income tax	2,106	2,052
Adjusted EBITDA	$ 19,514	$ 14,255

Operating Free Cash Flow

	Three months ended	
	December 31, 2023	December 31, 2022
Cash flows generated from operating activities	$ 17,538	$ 25,323
Property, plant and equipment	(2,400)	(800)
Free cash flow	**$ 15,138**	**$ 24,523**
Free cash flow	$ 15,138	$ 24,523
Adjustments:		
Change in non-cash working capital	(971)	(12,399)
Operating free cash flow	**$ 14,167**	**$ 12,124**
Operating free cash flow per share	**1.20**	**1.04**
Operating free cash flow conversion	**73%**	**85%**

Operating free cash flow measures the company's cash profitability after required capital spending when excluding working capital changes. The Company's ability to convert adjusted EBITDA to operating free cash flow is critical for the long term success of its strategic growth. 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. 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.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2023

CALIAN®

Confidence. Engineered.

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

	NOTES	December 31, 2023	September 30, 2023
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		$ 52,267	$ 33,734
Accounts receivable		185,150	173,052
Work in process	4	17,478	16,580
Inventory		28,585	21,983
Prepaid expenses		22,128	19,040
Derivative assets	15	40	155
Total current assets		305,648	264,544
NON-CURRENT ASSETS			
Property, plant and equipment	5	38,320	37,223
Right of use assets	6	36,110	34,637
Prepaid expenses		9,690	10,386
Deferred tax asset		1,034	967
Investments		3,673	3,673
Acquired intangible assets	7	118,318	75,160
Goodwill	8	190,485	159,133
Total non-current assets		397,630	321,179
TOTAL ASSETS		$ 703,278	$ 585,723
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Debt facility	9	$ 93,750	$ 37,750
Accounts payable and accrued liabilities		132,159	105,550
Provisions		2,593	2,848
Unearned contract revenue	4	41,587	32,423
Lease obligations	6	5,156	4,949
Contingent earn-out	17	26,697	11,263
Derivative liabilities	15	141	353
Total current liabilities		302,083	195,136
NON-CURRENT LIABILITIES			
Lease obligations	6	33,571	32,057
Unearned contract revenue	4	14,850	15,592
Contingent earn-out	17	2,603	2,535
Deferred tax liabilities		20,597	12,031
Total non-current liabilities		71,621	62,215
TOTAL LIABILITIES		373,704	257,351
SHAREHOLDERS' EQUITY			
Issued capital	10	227,466	225,540
Contributed surplus		4,279	4,856
Retained earnings		98,234	96,859
Accumulated other comprehensive income (loss)		(405)	1,117
TOTAL SHAREHOLDERS' EQUITY		329,574	328,372
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 703,278	$ 585,723
Number of common shares issued and outstanding	10	11,834,924	11,812,650

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 months ended December 31, 2023 and 2022
(Canadian dollars in thousands, except per share data)

		Three months ended December 31,	
	NOTES	**2023**	**2022**
Revenue	12	$ 179,179	$ 147,543
Cost of revenues		120,961	102,324
Gross profit		**58,218**	**45,219**
Selling and marketing		12,351	11,143
General and administration		23,634	17,400
Research and development		2,719	2,421
Profit before under noted items		**19,514**	**14,255**
Depreciation of property, plant and equipment	5	2,308	2,297
Depreciation of right of use assets	6	1,463	1,007
Amortization of acquired intangible assets	7	5,235	3,361
Deemed compensation	16, 17	604	97
Changes in fair value related to contingent earn-out	16, 17	726	742
Profit before interest income and income tax expense		**9,178**	**6,751**
Interest expense		1,547	123
Income tax expense		2,106	2,052
NET PROFIT		**$ 5,525**	**$ 4,576**
Net profit per share:			
Basic	13	$ 0.47	$ 0.39
Diluted	13	$ 0.46	$ 0.39

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 months ended December 31, 2023 and 2022
(Canadian dollars in thousands)

	Three months ended December 31,			
		2023		2022
NET PROFIT	$	5,525	$	4,576
Cumulative translation adjustment		900		772
Change in deferred gain on derivatives designated as cash flow hedges, net of tax of $324 (2022 - $519)		(2,422)		1,441
Other comprehensive income (loss), net of tax		(1,522)		2,213
COMPREHENSIVE INCOME	**$**	**4,003**	**$**	**6,789**

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 three months ended December 31, 2023 and 2022
(Canadian dollars in thousands, except per share data)

	NOTES	Issued capital	Contributed surplus	Retained earnings	Other comprehensive income (loss)	Total
Balance October 1, 2023		**$ 225,540**	**$ 4,856**	**$ 96,859**	**$ 1,117**	**$ 328,372**
Net profit and comprehensive income		-	-	5,525	(1,522)	4,003
Dividend paid ($0.28 per share)		-	-	(3,314)	-	(3,314)
Share repurchase		(520)	-	(836)	-	(1,356)
Shares issued under employee share plans	10	1,818	(1,360)	-	-	458
Shares issued under employee share purchase plan	10	628	-	-	-	628
Share-based compensation expense	11	-	783	-	-	783
Balance December 31, 2023		**$ 227,466**	**$ 4,279**	**$ 98,234**	**$ (405)**	**$ 329,574**

	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**
Comprehensive income		-	-	4,576	2,213	6,789
Dividend paid ($0.28 per share)		-	-	(3,262)	-	(3,262)
Shares issued under employee share plans	10	1,665	(1,264)	-	-	401
Contingent earn-out	17	-	-			-
Shares issued under employee share purchase plan	10	672	-	-	-	672
Share based compensation expense	11	-	407	-	-	407
Balance December 31, 2022		**$ 215,614**	**$ 2,622**	**$ 93,512**	**$ (1,555)**	**$ 310,193**

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 months ended December 31, 2023 and 2022
(Canadian dollars in thousands)

		Three months ended December 31,	
	NOTES	**2023**	**2022**
CASH FLOWS GENERATED FROM (USED IN) OPERATING ACTIVITIES			
Net profit		$ 5,525	$ 4,576
Items not affecting cash:			
Interest expense		1,098	12
Changes in fair value related to contingent earn-out	17	726	742
Lease obligations interest expense	6	449	111
Income tax expense		2,106	2,052
Employee share purchase plan expense	11	162	163
Share based compensation expense	11	1,013	407
Depreciation and amortization	5, 6, 7	9,006	6,665
Deemed compensation	16, 17	604	97
		20,689	14,825
Change in non-cash working capital			
Accounts receivable		(11,189)	34,714
Work in process		(898)	6,825
Prepaid expenses and other		(74)	3,664
Inventory		(2,590)	(7,965)
Accounts payable and accrued liabilities		15,516	(27,268)
Unearned contract revenue		206	2,429
		21,660	27,224
Interest paid		(1,547)	(123)
Income tax paid		(2,575)	(1,778)
		17,538	25,323
CASH FLOWS GENERATED FROM (USED IN) FINANCING ACTIVITIES			
Issuance of common shares net of costs	10, 11	694	910
Dividends		(3,314)	(3,262)
Draw on debt facility	9	56,000	-
Payment of lease obligations	6	(1,171)	(1,009)
Repurchase of common shares		(1,357)	-
		50,852	(3,361)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Investments		-	(2,689)
Business acquisitions	16	(47,457)	(2,925)
Property, plant and equipment	5	(2,400)	(800)
		(49,857)	(6,414)
NET CASH INFLOW		$ 18,533	$ 15,548
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		33,734	42,646
CASH AND CASH EQUIVALENTS, END OF PERIOD		$ 52,267	$ 58,194

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

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, 2023, 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, 2023. 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 February 14, 2024.

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, 2023.

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. Contract Assets and Liabilities

The following table presents net contract liabilities as at:

	Net Contract Liabilities December 31, 2023	Net Contract Liabilities September 30, 2023
Work in process	$ 17,478	$ 16,580
Unearned contract revenue (current)	(41,587)	(32,423)
Unearned contract revenue (non-current)	(14,850)	(15,592)
Net contract liabilities	$ (38,959)	$ (31,435)

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

	Changes in Net Contract Liabilities December 31, 2023	Changes in Net Contract Liabilities September 30, 2023
Opening balance, October 1	$ (31,435)	$ (6,345)
Net additions	24,705	93,592
Billings	(24,645)	(117,805)
Acquisitions (Note 16)	(7,584)	(877)
Ending balance	$ (38,959)	$ (31,435)

5. Property, plant and equipment

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

	Cost				Depreciation		Carrying Value	
	Cost	Additions/ Disposals	Acquisitions (Note 16)	Total	Depreciation	Accumulated Depreciation	December 31, 2023	September 30, 2023
Leasehold improvements	$ 5,197	$ (76)	$ -	$ 5,121	$ (184)	$ (2,615)	$ 2,506	$ 2,765
Land and Building	1,321	885	-	2,206	(11)	(22)	2,184	1,309
Equipment	51,909	1,525	898	54,332	(1,498)	(30,596)	23,736	22,635
Application software	15,265	(8)	-	15,257	(314)	(6,129)	9,128	9,446
Capitalized research and development	5,138	-	-	5,138	(301)	(4,372)	766	1,068
Total	78,830	2,326	898	82,054	(2,308)	(43,734)	38,320	37,223

The Company recognized foreign exchange of $347 in the cost and $190 in the depreciation of equipment in the three months ended December 31, 2023.

6. Right of Use Assets and Lease Obligations

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

	Three months ended December 31, 2023	Three months ended December 31, 2022
Balance at October 1	$ 34,637	$ 16,678
Additions	2,248	204
Disposals and foreign exchange adjustments	(1,371)	-
Depreciation	(1,463)	(1,007)
Acquisitions (Note 16)	2,059	-
	$ 36,110	$ 15,875

The Company's leases are for land, 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:

	Three months ended December 31, 2023	Three months ended December 31, 2022
Balance at October 1	$ 37,006	$ 19,035
Additions	2,250	180
Disposals and foreign exchange adjustments	(1,374)	24
Principal payments	(1,171)	(1,009)
Acquisitions (Note 16)	2,016	-
	$ 38,727	$ 18,230
Current	$ 5,156	$ 3,949
Non-current	33,571	14,281
Total	$ 38,727	$ 18,230

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

	Total Undiscounted Lease Obligations
Less than one year	$ 7,382
One to five years	18,151
More than five years	26,171
Total undiscounted lease obligations	$ 51,704

Total cash outflow for leases in the three months ended December 31, 2023 (2022) is $1,620 ($1,120), including principal payments relating to lease obligations of $1,171 ($1,009), interest expense on lease obligations is $449 ($111). Expenses relating to short-term leases recognized in general and administration expenses was $41 ($69) for the three months ended December 31, 2023 (2022).

7. Acquired Intangible Assets

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

	December 31, 2023				
	Opening Balance	Additions (Note 16)	Amortization	Foreign Exchange Revaluation	Closing Balance
Customer relationships	$ 60,624	$ 49,400	$ (3,741)	$ (1,007)	$ 105,276
Discrete contracts with customers & non-competition agreements	4,016	-	(542)	-	3,474
Technology and trademarks	10,520	-	(952)	-	9,568
	$ 75,160	$ 49,400	$ (5,235)	$ (1,007)	$ 118,318

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

A continuity of the acquired intangible assets for the year ended September 30, 2023 is as follows:

	September 30, 2023				
	Opening Balance	Additions (Note 16)	Amortization	Foreign Exchange Revaluation	Closing Balance
Customer relationships	41,598	28,553	(9,850)	323	60,624
Discrete contracts with customers & non-competition agreements	586	4,071	(641)	-	4,016
Technology and trademarks	14,903	-	(4,383)	-	10,520
	$ 57,087	$ 32,624	$ (14,874)	$ 323	$ 75,160

8. Goodwill

The following table presents the goodwill for the Company for the three months ended December 31, 2023:

	December 31, 2023
Opening balance, October 1	$ 159,133
Additions:	
Acquisition of Decisive (Note 16)	29,502
Adjustments:	
Acquisition of Hawaii Pacific Teleport (Note 16)	2,767
Foreign Exchange	(917)
	$ 190,485

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

8. Goodwill (continued)

The following table presents the goodwill for the Company for the year ended September 30, 2023:

		September 30, 2023
Opening balance, October 1	$	145,959
Additions:		
Acquisition of HPT (Note 16)		12,916
Adjustments:		
Foreign Exchange		258
	$	159,133

9. Debt Agreement

On July 21, 2023, the Company signed an amended debt facility that provides the Company with the ability to draw up to $180,000 CAD and an accordion feature of up to $75,000 CAD. The agreement has a three-year term, which will mature on July 21, 2026. At December 31, 2023 (September 30, 2023), the Company utilized $93,750 ($37,750) 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. As at December 31, 2023, the Company is in compliance with all applicable covenants under the debt facility.

10. 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 December 31, 2023.

Common shares issued and outstanding:

	December 31, 2023		December 31, 2022	
	Shares	Amount	Shares	Amount
Balance October 1	11,812,650	$ 225,540	11,607,391	$ 213,277
Shares issued under employee share plans	37,443	1,818	38,525	1,665
Shares issued under employee share purchase plan	12,057	628	10,804	672
Shares repurchased	(27,226)	(520)	-	-
Issued capital	11,834,924	$ 227,466	11,656,720	$ 215,614

Subsequent to the date of the statement of financial position, on February 14, 2024, the date of issuance of these interim condensed consolidated financial statements, the Company declared a dividend of $0.28 per common share payable on March 13, 2024.

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.

11. 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 December 31, 2023 (2022), the Company can issue 353,995 (403,868) shares.

During the three months ended December 31, 2023 (2022) under the 2020 Employee Share Purchase Plan, the Company issued 12,057 (10,804) shares at an average price of $52.05 ($58.93). The Company received $649 ($510) in proceeds and recorded an expense of $162 ($163).

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% (1,065,165) 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 December 31, 2023 (2022), the Company has 395,774 (443,821) stock options and restricted share units ("RSUs") outstanding. As a result, the Company could grant up to 669,391 (605,284) additional stock options or RSUs pursuant to the plan.

The weighted average fair value of options granted during the three months ended December 31, 2023 (2022) was $11.05 ($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 three months ended December 31, 2023:

	Weighted Average Options Granted			
	December 31, 2023		December 31, 2022	
Grant date share price	$	52.26	$	60.43
Exercise price	$	52.26	$	60.43
Expected price volatility	%	27.21	%	31.80
Expected option life	yrs	3.42	yrs	3.33
Expected dividend yield	%	2.14	%	1.85
Risk-free interest rate	%	4.23	%	3.64
Forfeiture rate	%	0	%	0

11. Share-Based Compensation (continued)

	December 31, 2023			December 31, 2022		
	Number of Options	Weighted Avg. Exercise Price		Number of Options	Weighted Avg. Exercise Price	
Outstanding October 1	212,416	$	56.22	220,800	$	52.22
Exercised	(15,500)		29.55	(11,000)		31.84
Forfeited	(216)		60.43	-		-
Granted	31,138		52.26	22,356		60.43
Outstanding December 31	227,838	$	57.49	232,156	$	53.97

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 25, 2019	15,000	November 25, 2019	November 25, 2024	$ 36.49	$ 5.18
(2) Issued August 13, 2020	94,615	August 13, 2020	August 13, 2025	$ 60.30	$ 8.44
(3) Issued November 24, 2020	22,222	November 24, 2020	November 24, 2025	$ 61.16	$ 10.24
(4) Issued February 9, 2021	1,817	February 9, 2021	February 9, 2026	$ 60.35	$ 9.92
(5) Issued November 24, 2021	39,110	November 24, 2021	November 24, 2026	$ 58.90	$ 10.66
(6) Issued March 9, 2022	1,536	March 9, 2022	March 9, 2027	$ 60.55	$ 10.33
(7) Issued November 24, 2022	21,214	November 24, 2022	November 24, 2027	$ 60.43	$ 14.26
(8) Issued February 15, 2023	1,186	February 15, 2023	February 15, 2028	$ 60.44	$ 14.20
(9) Issued November 27, 2023	31,138	November 27, 2023	November 27, 2028	$ 52.26	$ 11.05

For the options issued on November 27, 2023, vesting occurs through to November 27, 2025.

At December 31, 2023 (2022) the weighted average remaining contractual life of options outstanding is 2.51 (3.33) years of which 193,856 (169,154) options are exercisable at a weighted average price of $58.16 ($51.92). The Company has recorded $114 ($90) of share-based compensation expense in the three months ended December 31, 2023 (2022) related to the options that have been granted. At December 31, 2023 (2022) the Company has total unrecognized compensation expense of $300 ($313) that will be recorded in the next two fiscal years.

<u>Restricted Share Units:</u>

Under the Company's restricted stock unit ("RSU") plan, 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. At the discretion of the Board, the Company may issue one common share to participants for each whole vested share unit or a cash payment. 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 the Company's performance over time.

11. Share-Based Compensation (continued)

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

	December 31, 2023		December 31, 2022	
	Number of RSUs	Weighted Avg. Grant Date Fair Value	Number of RSUs	Weighted Avg. Grant Date Fair Value
Balance at October 1	191,413	$ 59.18	56,517	$ 49.40
Exercised	(21,943)	59.19	(27,525)	46.04
Forfeited	(1,534)	59.12	(5,958)	25.46
Granted	-	-	188,631	59.18
Outstanding December 31	167,936	$ 59.18	211,665	$ 59.23

Of the units issued in the current year under the RSU plan, $Nil has vested as of December 31, 2023. The Company has recorded $669 ($317) of share-based compensation expense in the three months ended December 31, 2023 (2022) related to the RSUs that have been granted. At December 31, 2023 (2022) the Company has total unrecognized compensation expense of $2,282 ($2,230) that will be recorded over the next three 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, 2021	RSU	6,432	November 24, 2021	November 15, 2024	$ 58.90
(2) Issued Feb 9, 2022	RSU	26	February 9, 2022	November 15, 2024	$ 57.18
(3) Issued May 10, 2022	RSU	280	May 10, 2022	November 15, 2024	$ 67.34
(4) Issued Aug 10, 2022	RSU	40	August 10, 2022	November 15, 2024	$ 66.60
(5) Issued September 14, 2022	RSU	326	September 14, 2022	November 15, 2024	$ 56.10
(6) Issued November 24, 2022	RSU	18,047	November 24, 2022	November 15, 2025	$ 59.18
	PSU	142,785	November 24, 2022	November 15, 2025	$ 59.18

<u>Deferred Share Unit Plan</u>

At December 31, 2023 (2022) the Company has 84,117 (17,640) Deferred Share Units ("DSU") outstanding, of which 22,203 (17,640) have vested, and the remainder will vest until November 2026. The Company recorded share-based compensation of $558 ($164) related to the DSUs in the three months ended December 31, 2023 (2022). Each DSU entitles the participant to receive the value of one Common Share at the time of vesting. Vesting of the share units are based on service intervals or held until termination of service.

There are 22,203 (17,640) vested DSUs outstanding at December, 2023 (2022). The fair value of the DSUs outstanding at December 31, 2023 (2022) was $51.96 ($61.43) per unit using the fair value of a Common Share at period end.

12. Revenue

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

	Three months ended	
	December 31, 2023	December 31, 2022
Product revenue		
Advanced Technologies	$ 34,007	$ 18,374
Health	166	-
Learning	2,087	1,140
ITCS	14,332	8,754
Total product revenue	$ 50,592	$ 28,268
Service revenue		
Advanced Technologies	$ 17,122	$ 15,893
Health	49,928	40,455
Learning	25,028	25,300
ITCS	36,509	37,627
Total service revenue	$ 128,587	$ 119,275
Total revenue	$ 179,179	$ 147,543

<u>Remaining Performance Obligations</u>

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 December 31, 2023 for contracts recognized over time. The amounts disclosed below represent the value of the firm orders only. Such orders may be subject to future modifications that might impact the amount and/or timing of revenue recognition. The amounts disclosed below do not include unexercised options or letters of intent.

Revenues expected to be recognized in:

	December 31, 2023
Less than 24 months	$ 492,768
Thereafter	38,719
Total	$ 531,487

13. Net Profit per Share

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

	Three months ended December 31	
	2023	2022
Weighted average number of common shares – basic	11,812,574	11,630,180
Additions to reflect the dilutive effect of employee stock options and RSUs	136,313	59,995
Weighted average number of common shares – diluted	11,948,887	11,690,175

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 December 31, 2023 (2022), 212,838 (46,114) options and NIL (30,048) RSUs were excluded from the above computation.

14. 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. The Company's segments are categorized as follows: Advanced Technologies, Health, Learning, and 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 December 31, 2023:

For the three months ended December 31, 2023	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	$ 51,129	$ 50,094	$ 27,115	$ 50,841	$ -	$ 179,179
Cost of revenues	32,661	36,745	20,541	31,014	-	120,961
Gross profit	18,468	13,349	6,574	19,827	-	58,218
Gross profit %	36 %	27 %	24 %	39 %	N/A %	32 %
Operating expenses	9,310	3,909	2,610	12,668	10,207	38,704
Profit before under noted items	$ 9,158	$ 9,440	$ 3,964	$ 7,159	$ (10,207)	$ 19,514
Profit before under noted items %	18 %	19 %	15 %	14 %	N/A %	11 %
Depreciation of property, plant and equipment						2,308
Depreciation of right of use asset						1,463
Amortization of acquired intangibles						5,235
Deemed compensation						604
Changes in fair value related to contingent earn-out						726
Profit before interest income and income tax expense						9,178
Interest expense						1,547
Income tax expense						2,106
NET PROFIT FOR THE PERIOD						$ 5,525

14. Segmented Information (continued)

For the three months ended December 31, 2022:

For the three months ended December 31, 2022	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	$ 34,267	$ 40,455	$ 26,440	$ 46,381	$ -	$ 147,543
Cost of revenues	22,399	30,899	19,876	29,150	-	102,324
Gross profit	11,868	9,556	6,564	17,231	-	45,219
Gross profit %	35 %	24 %	25 %	37 %	N/A %	31 %
Operating expenses	7,443	3,105	2,386	10,070	7,960	30,964
Profit before under noted items	$ 4,425	$ 6,451	$ 4,178	$ 7,161	$ (7,960)	$ 14,255
Profit before under noted items %	13 %	16 %	16 %	15 %	N/A %	10 %
Depreciation of property, plant and equipment						2,297
Depreciation of right of use asset						1,007
Amortization of acquired intangibles						3,361
Deemed compensation						97
Changes in fair value related to contingent earn-out						742
Profit before interest income and income tax expense						6,751
Interest expense						123
Income tax expense						2,052
NET PROFIT FOR THE PERIOD						$ 4,576

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

	December 31, 2023	December 31, 2022
Canada	63 %	71 %
United States	27 %	20 %
Europe	9 %	8 %
Other	1 %	1 %

Revenues are attributed to foreign countries based on the location of the customer. Revenues from various departments and agencies of the Canadian federal, provincial and municipal governments for the three months ended December 31, 2023 (2022) represented 47% (48%) of the Company's total revenues. All four operating segments conduct business with this category of customer.

15. Financial Instruments and Risk Management

Capital Risk Management

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 applies hedge accounting when appropriate documentation and effectiveness criteria are met.

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

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value December 31, 2023
BUY	$ 7,896	USD	January 2024	$ 10,448	$ 19
SELL	4,082	EURO	January 2024	5,970	21
Derivative assets					$ 40
SELL	$ 46,377	USD	January 2024	$ 61,364	$ (109)
BUY	6,086	EURO	January 2024	8,901	(32)
Derivative liabilities					$ (141)

Credit Risk

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 December 31, 2023 (2022), 41% (36%) of its accounts' receivable were due from various departments and agencies of the Canadian federal government. Over the last five years the Company has not incurred any significant credit related losses.

The Company limits its exposure to credit risks from counterparties to derivative financial instruments by dealing only with major Canadian financial institutions. Management does not expect any counterparties to fail to meet their obligations. Bad debt expense recognized in the three months ended December 31, 2023 (2022) is $2 ($75).

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

	December 31, 2023	September 30, 2023
Cash and cash equivalents	$ 52,267	$ 33,734
Accounts receivable	185,150	173,052
Derivative assets	40	155
Total	$ 237,457	$ 206,941

15. Financial Instruments and Risk Management (continued)

The aging of accounts receivable at the reporting date was:

	December 31, 2023	September 30, 2023
Current	$ 171,017	$ 161,985
Past due (61-120 days)	9,349	7,905
Past due (> 120 days)	4,784	3,162
Total	$ 185,150	$ 173,052

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. At December 31, 2023, the Company has a secured debt facility that matures on July 21, 2026 that allows the Company to draw up to $180,000 CAD. As at December 31, 2023, the Company had $52,267 cash on hand and $93,750 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 carrying amount of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are recorded at amortized cost and approximate fair value due to the short-term maturity of these investments. The debt facility is on a revolver and is recorded at amortized cost. Fair value of the forward exchange contracts reflects the cash flows due to or from the Company if settlement had taken place on December 31, 2023 and represents the difference between the hedge rate and the exchange rate at the end of the reporting period.

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Investments are made in companies that do not have directly an observable market. These are fair valued when market participant data becomes available or if financings for the investments are completed. The fair value of contingent earn-out amounts has been determined by applying a discounted cash flow technique on the expected future value of a settlement amount along with Black-Scholes if applicable.

	December 31, 2023		
	Level 1	Level 2	Level 3
Investments	$ -	$ -	$ 3,673
Derivative assets	-	40	-
Debt facility	-	(93,750)	-
Contingent earn-out	-	-	(29,300)
Derivative liabilities	-	(141)	-
Total	$ -	$ (93,851)	$ (25,627)

15. Financial Instruments and Risk Management (continued)

	September 30, 2023		
	Level 1	Level 2	Level 3
Investments	$ -	$ -	$ 3,673
Derivative assets	-	155	-
Debt facility	-	(37,750)	-
Contingent earn-out	-	-	(13,798)
Derivative liabilities	-	(353)	-
Total	$ -	$ (37,948)	$ (10,125)

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

16. Acquisitions

Hawaiian Pacific Teleport ("HPT")

On August 1, 2023, the Company acquired the outstanding shares of HPT, for total cash consideration of up to $50,393 USD ($66,978 CAD) of which, $28,474 USD ($37,845 CAD) was paid in cash on the date of closing, $681 USD ($905 CAD) is estimated owing back to Calian for the settlement of net working capital, $3,500 USD ($4,562 CAD) was placed in escrow, $3,000 USD ($3,964 CAD) was paid through the issuance of common shares and $16,100 USD ($21,399 CAD) is payable contingently, of which $8,905 USD ($11,835 CAD) is included in the purchase price. The difference between the amount payable contingently that is included in the purchase price and the total potential liability is deemed compensation and an adjustment for the likelihood of achievement of earn out amounts. HPT operates as a US-based provider of independent teleport and satellite communications solutions. HPT has service locations across the Hawaiian Islands and Guam, and HPT provides connectivity through the Asia Pacific region. HPT 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 HPT an additional $8,050 USD ($10,699 CAD) and $8,050 USD ($10,699 CAD) if HPT attains specific levels of EBITDA for the years ended July 31, 2024 and July 31, 2025, respectively. $3,816 USD ($5,072 CAD) 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 will be 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.

There was a change in the purchase price from September 30, 2023 due to final adjustments to the closing balance sheet resulting in an increase to goodwill of $2,767 in the three months ended December 31, 2023. Final valuation of the acquisition and the allocation between intangible assets and goodwill will be completed during the remainder of the 2024 fiscal year, the numbers presented below represent management's best estimate pending finalization of closing procedures with the selling party. The Company recognized $417 in the three months ended December 31, 2023 related to changes in fair value of contingent earn out and recorded deemed compensation expense of $604.

16. Acquisitions (continued)

Decisive Group Inc. ("Decisive")

On December 1, 2023, the Company acquired all outstanding shares of Decisive, for total maximum consideration of $74,700. Of this amount, $49,882 was paid in cash on close, $900 was put in escrow, $356 is to be settled once the working capital is finalized for closing and there is one potential earnout with maximum value to be paid of $24,725 of which $17,880 is included in the purchase price. Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Decisive an additional $24,725 if Decisive attains specific levels of EBITDA for the year ended December 1, 2024. The difference between the amount payable contingently that is included in the purchase price and the total potential liability is deemed compensation and an adjustment for the likelihood of achievement of the earn out amount. Decisive is an Ottawa-based IT infrastructure and cyber security services business and is reported as part of the ITCS operating segment. The Company uses the multi-period excess earnings method to value acquired intangible assets, including the customer relationships. This method calculates the estimated fair value of an intangible asset based on the estimated future cash flows that the asset can be expected to generate over its remaining useful life, and isolates the cash flows attributable to the customer relationships by utilizing a forecast of expected cash flows for existing customers alone. The valuation involves significant estimation uncertainty, including assumptions relating to forecasted revenues and forecasted earnings before interest and tax ("EBIT") margins attributable to the customer relationships, customer attrition rate, and discount rate.

Final valuation of the acquisition and the allocation between intangible assets and goodwill will be completed during the remainder of the 2024 fiscal year, the numbers presented below represent management's best estimate pending finalization of closing procedures with the selling party.

The Company recognized $309 in the three months ended December 31, 2023 related to changes in fair value of contingent earn out.

	Net Assets Acquired	Goodwill and Intangibles Accounting	Total Net Assets Acquired
Cash	$ 3,326	$ -	$ 3,326
Accounts receivable	3,148	-	3,148
Inventory	4,012	-	4,012
Prepaid expenses	1,509	-	1,509
Deferred tax asset	4,045	-	4,045
	$ 16,040	$ -	$ 16,040
Prepaid expenses	$ 611	$	$ 611
Property, plant and equipment	898	-	898
Right of use asset	2,059	-	2,059
Acquired intangible assets	-	49,400	49,400
Goodwill	-	29,502	29,502
	$ 19,608	$ 78,902	$ 98,510
Accounts payable and accrued liabilities	$ 11,221	$ -	$ 11,221
Lease obligation	2,016	-	2,016
Unearned contract revenue	7,584	-	7,584
Deferred tax liability	-	13,091	13,091
	$ 20,821	$ 13,091	$ 33,912
Net purchase price			$ 64,598
Discount on contingent consideration			3,708
Total purchase price			$ 68,306

16. Acquisitions (continued)

Cash consideration paid for the acquisition activity during the three months ended December 31, 2023:

		Decisive
Consideration paid in cash	$	50,782
Less- cash balance acquired		(3,325)
	$	47,457

17. Contingent Earn-Out

The following shows the contingent consideration activity for the three months ended December 31, 2023:

Company Acquired	Beginning balance	Acquisition	Payments	Change in Fair Value	Adjustments	Ending balance
Alio/Allphase	$ 841	$ -	$ -	$ -	$ -	$ 841
SimFront	3,240	-	-	-	-	3,240
Hawaii Pacific Teleport	9,717	-	-	417	604	10,738
Decisive	-	14,172	-	309	-	14,481
Total	$ 13,798	$ 14,172	$ -	$ 726	$ 604	$ 29,300

As at December 31, 2023, the total gross value of all contingent consideration outstanding is $50,100. Included in the adjustments column in the table are 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, 2023:

Company Acquired	Beginning balance	Acquisition	Payments	Change in Fair Value	Adjustments	Ending balance
Alio/Allphase	$ 1,860	$ -	$ (3,350)	$ 59	$ 2,272	$ 841
Tallysman Wireless	5,411	-	(5,613)	102	100	-
Cadence	75	-	(287)	165	47	-
Dapasoft	15,758	-	(16,187)	429	-	-
SimFront	5,446	-	(2,760)	554	-	3,240
Hawaii Pacific Teleport	-	9,037	-	277	403	9,717
Total	$ 28,550	$ 9,037	$ (28,197)	$ 1,586	$ 2,822	$ 13,798

18. Related Party Transactions

At December 31, 2023 (September 30, 2023) the Company had a related party note outstanding to an employee as a result of a recent acquisition included in Accounts Payable of $463 ($473). This is measured at the exchange amounts agreed upon by both parties.

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2023

CALIAN®

Confidence. Engineered.

Table of Contents

Basis of Presentation

The following Management's Discussion and Analysis (MD&A) of the financial condition and results of operations of Calian Group ("Calian" or the "Company") is dated February 14, 2024 and should be read in conjunction with the unaudited interim condensed consolidated financial statements.

The Company's unaudited interim condensed consolidated financial statements are reported in Canadian dollars and are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and Chartered Professional Accountants ("CPA Canada") Handbook Accounting - Part I. All amounts in this MD&A are in thousands of Canadian dollars unless otherwise indicated, except per share data.

This MD&A also contains non-GAAP and other financial measures which are not prescribed by IFRS and are not likely to be comparable to similar measures presented by other issuers. Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP and other financial measures used and presented by the Company and a reconciliation of non-GAAP financial measures to the most directly comparable GAAP measures.

This MD&A is the responsibility of management and has been reviewed and approved by the Board of Directors ("the Board") of the Company. The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the MD&A. The Board carries out this responsibility principally through its Audit Committee.

Additional information, including the Company's Annual Information Form, quarterly and annual reports, and supplementary information is available on the SEDAR web site at www.sedarplus.ca. Press releases and other information are also available in the Investor Relations section of the Company's website at www.calian.com.

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 products and 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 any worldwide conflict zones, and any government regulations limiting business activities within such areas.
- The Company's ability to successfully and efficiently manage through supply chain challenges, in sourcing and procuring goods used in production or for delivery to end customers.

The Company cautions that the forward-looking statements in this MD&A are based on current expectations as at February 14, 2024, 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.

Calian Profile

Calian is a diverse products and services company providing innovative healthcare, communications, learning and cybersecurity and technology solutions. The Company is headquartered in Ottawa, Ontario with locations across Canada and in the U.S., the U.K. and Europe. 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. The Company's common shares are listed on the Toronto Stock Exchange under the symbol CGY.

01 Help the world communicate, innovate, learn, and lead safe and healthy lives with confidence.

02 Every Calian employee brings their "A" game for every client, works hard and works together using collaboration to powerful advantage. Calian attracts and challenges great people and great partners.

03
- Customer-first Commitment
- Teamwork
- Integrity
- Innovation
- Respect

The Company is organized in four operating segments: Advanced Technologies, Health, IT and Cyber Solutions and Learning. This business model provides both diversity and stability. It enables Calian to capitalize on unique opportunities during upturns in some markets while weathering downturns in others.

Strategy

Growth Fundamentals and Track Record

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

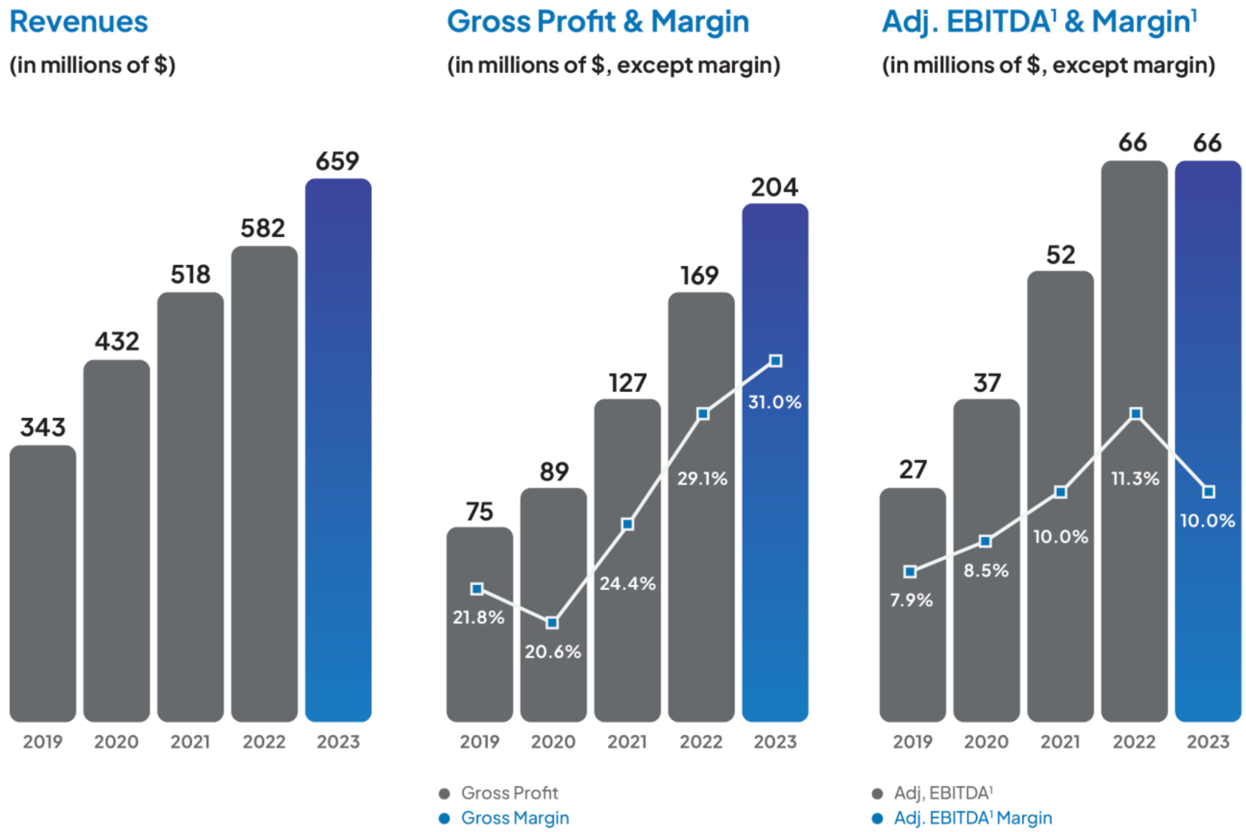
Through continued investment in acquisitive and organic growth, each segment increases its differentiation thus improving gross margins

Continuous Improvement

Through continued leverage of innovation, the Company streamlines processes and scales its back-office support capability.

5-Year Track Record of Execution

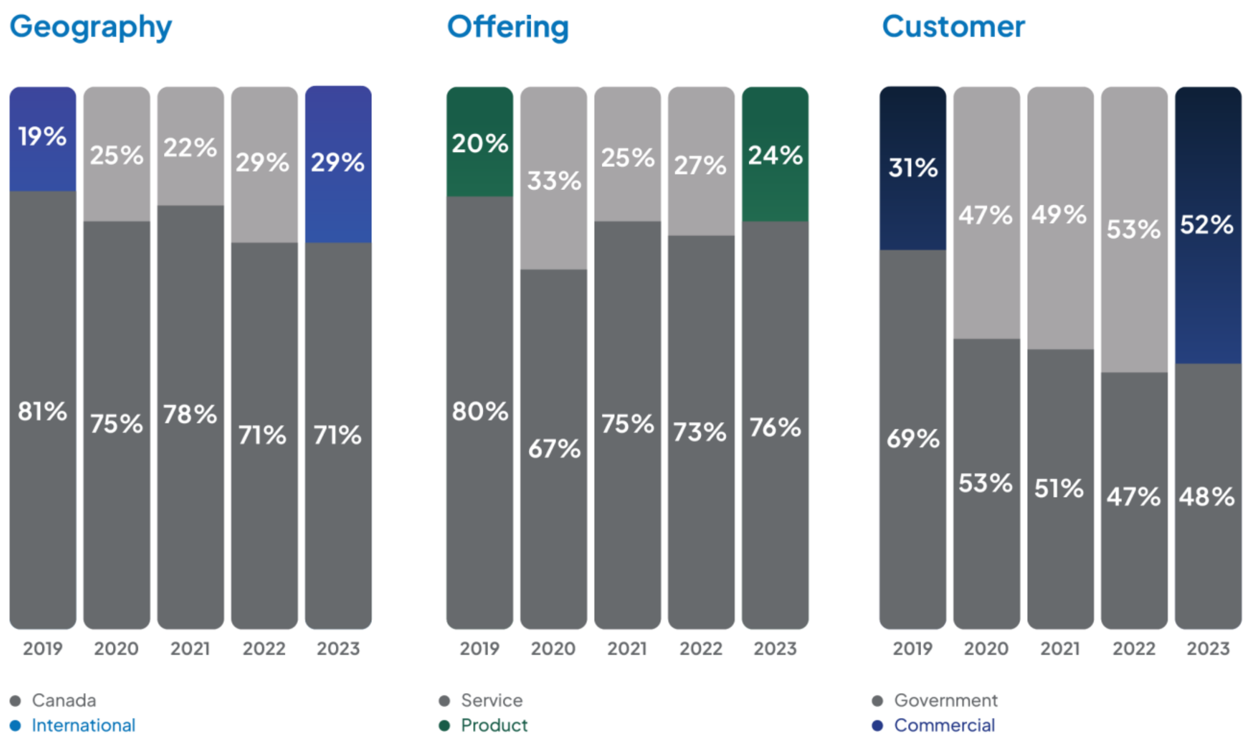
Over the past five years, Calian generated a revenue compound annual growth rate (CAGR) of 18% through organic growth and acquisitions, surpassing its 10% annual growth objective. The Company also increased its gross profit and adjusted EBITDA[1], which grew at a CAGR of 28% and 25%, respectively, significantly outpacing top line growth. Furthermore, its gross margin expanded from 21.8% in FY19 to 31.0% in FY23 and its adjusted EBITDA[1] margins expanded from 7.9% to double digits over the same period. This significant profitability growth and margin expansion was driven by the Company's revenue diversification by geography, customer and offering.



Over the past five years, Calian successfully diversified its revenue streams by geography, customer and offering. Revenues generated outside Canada reached 29% of total revenues, up from 19% in FY19. Over this same period, revenues from commercial customers, typically at higher margins, grew from 31% to 52%. The Company was able to accomplish this while continuing to grow its legacy Canadian government business characterized by long-term contracts. A continued balance of both government and commercial customers will provide a balance of longer-term visibility and stability, with shorter term growth and margins.

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

Finally, in FY23, product revenues totaled $157 million, up 124% from $70 million in FY19, demonstrating the Company's progressive pivot to a technology company.



New 3-Year Strategic Plan

On October 1, 2023, Calian launched its new three-year strategic plan called *One Vision, One Purpose, One Calian 2026*. The objective of the plan is to continue to build a purpose-driven organization that has a strong values foundation and is growing profitably. The focus of the plan is to continue to diversify the Company by geography, customer and offering, while improving operational efficiencies, retaining existing customers and building an effective sales culture.

More specifically, the financial objective of this strategic plan is to reach one billion dollars in revenues by the end of FY26 through both organic growth and acquisitions. The playbook is to convert a high-level of profitable growth into strong operating free cash flow where the capital generated can then be deployed to maximize shareholder value. All this while maintaining a healthy balance sheet.

Key Performance Indicators

Calian measures the success of the execution of its strategic plan by monitoring three key performance indicators (KPI) on an annual basis: revenue, operating free cash flow[1] and capital deployment.

Revenue growth is an important measure because $1 billion is the key target the Company aspires to reach at the end of FY26. It is also the starting point to generate profitability and cash flow. It also indicates that our products and services are relevant in our markets and our retention efforts are working. We measure revenue growth on both on an organic and acquisitive basis.

Operating free cash flow[1] generation is important because it determines how much capital Calian will be able to re-invest into growth opportunities, with the primary path being our M&A agenda which will represent a significant portion of the 15% revenue growth target. The Company's ability to convert adjusted EBITDA[1] to operating free cash flow[1] will be critical for long term capital investment.

Successful capital deployment is a key differentiator in creating shareholder value. It also allows us to continually expand our customer base, service offerings and geographical footprint to remain relevant within our various markets.

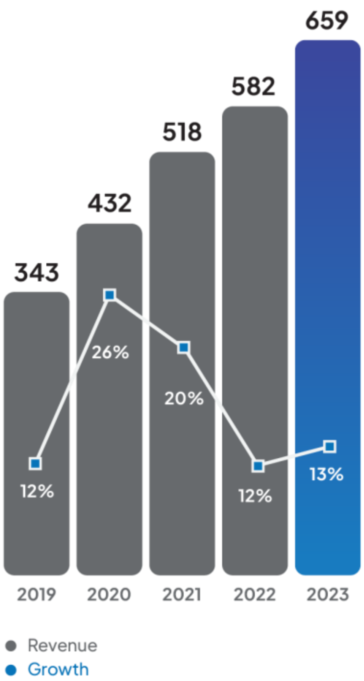
[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

The graphs below illustrate the five-year trends of these key performance indicators.

Key Performance Indicators

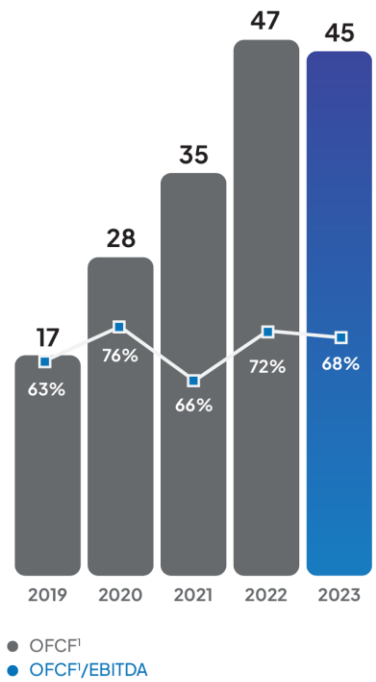
Revenue & Revenue Growth

(in millions of $, except %)



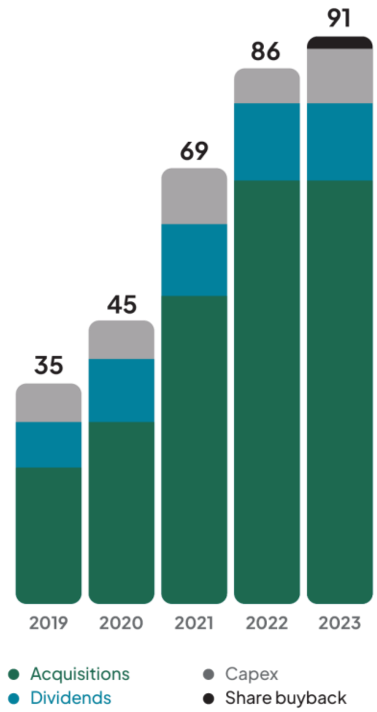
Operating Free Cash Flow (OFCF[1]) & OFCF[1] Conversion

(in millions of $, except ratio)



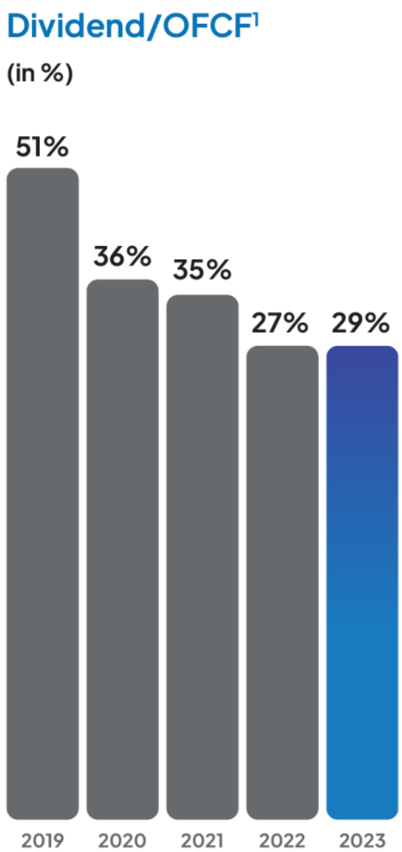
Capital Deployed

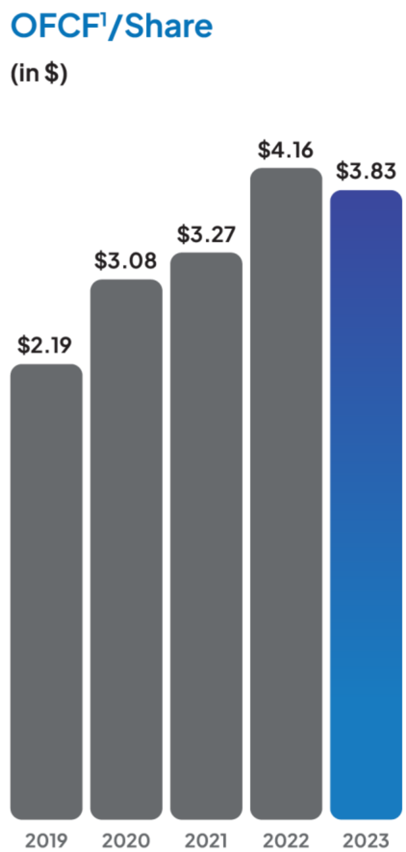
(in millions of $)



[1] Refer to the section entitled “Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures” of this MD&A for an explanation of the non-GAAP measure.

The Company also wants to ensure that it analyzes the success of its execution through a shareholder lens. As such, it monitors key dividend payout ratios and operating free cash flow[1] on a per share basis.

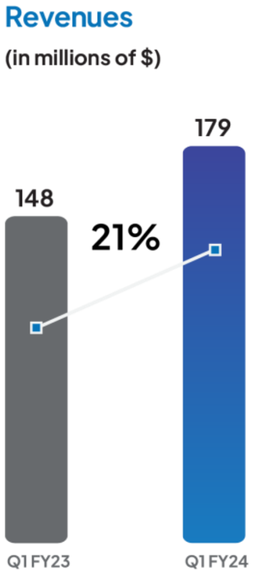


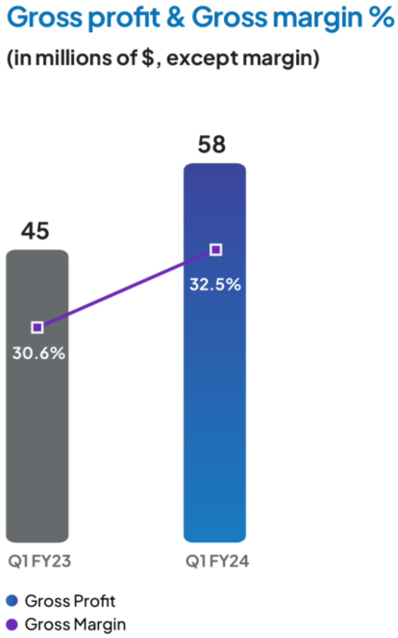


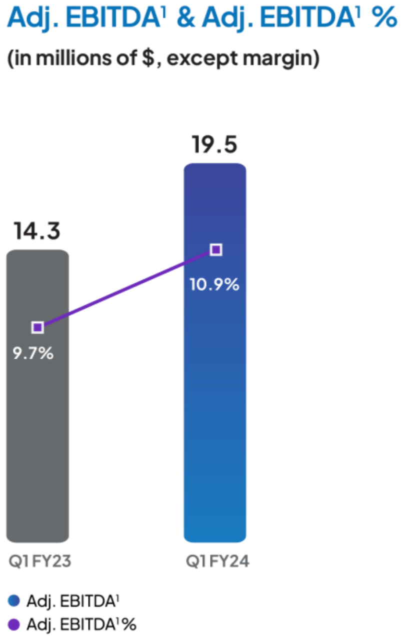
[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

Overview – First Quarter of FY24

Revenues increased 21% to $179.1 million, as compared to $147.5 million for the same period last year. This represents the highest quarterly revenue in the Company's history and was driven by growth across all four segments, including double-digit growth in the Health, ITCS and Advanced Technologies segments. Acquisitive growth was 9% and was generated by the acquisitions of Hawaii Pacific Teleport ("HPT") and Decisive Group Inc. ("Decisive"). Organic growth was 12% and was driven by double digit growth in Health and Advanced Technologies.



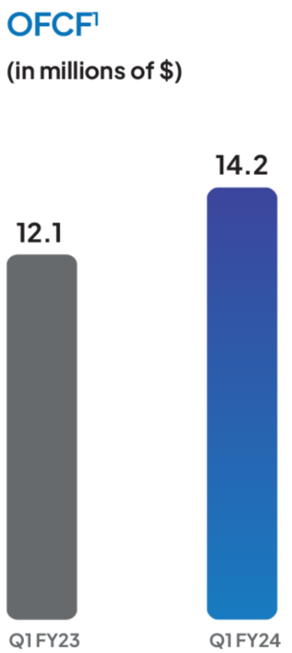


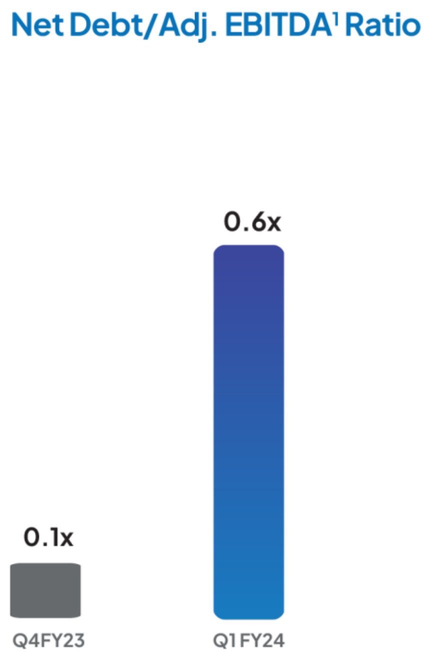


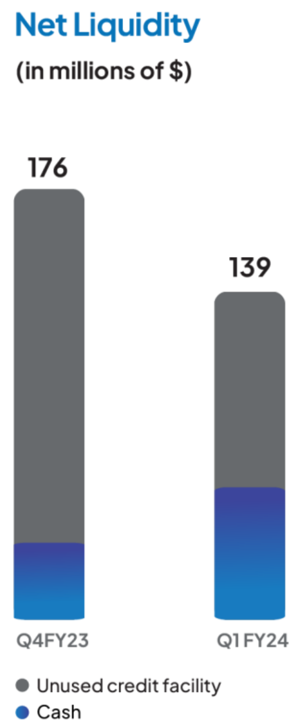
Gross profit increased 29% to $58.2 million. Gross margin reached 32.5%, representing the 7th consecutive quarter above 30% and is also a record high for the Company. It is the first time that gross margin is over 32% for a quarter. Similarly, adjusted EBITDA[1] increased by 37% to $19.5 million, driven by strong overall revenue growth and margin expansion in Advanced Technologies and Health, as well as from the benefits generated from the restructuring plan implemented midway through the fourth quarter of 2023. Adjusted EBITDA[1] margin reached 10.9%, up from 9.7% for the same period last year, as a result of a favorable revenue mix.

Calian generated $14.2 million of operating free cash flow[1]. The Company used its cash and drew on its credit line to primarily invest in its business with the acquisition of Decisive and capital expenditures. It also provided a return to shareholders in the form of dividends and share buybacks in accordance with its normal course issuer bid (NCIB). The Company ended the quarter with net debt[2] of $41.5 million, which on a trailing twelve month basis represented a net debt to adjusted EBITDA[1] ratio of 0.6x. With cash on hand of $52.3 million, combined with the unused portion of its credit facility, Calian ended the quarter with net liquidity[3] of $139.0 million.

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.
[2] Net debt is calculated using total debt less cash.
[3] Net liquidity is calculated using total cash and available credit on the debt facility.







Calian signed gross new contracts of $150 million and ended the quarter with a backlog of $1.1 billion, of which $342 million is earmarked for the remainder of FY24, $307 million for FY25 and $481 million beyond FY25.

FY24 Financial Guidance Reiterated

The following table presents the Company's financial guidance for FY24.

	Guidance	
	Low	High
Revenue	$ 730,000	$ 790,000
Adjusted EBITDA[1]	$ 83,000	$ 89,000

This guidance includes the full-year contribution from the Hawaii Pacific Teleport acquisition and the Decisive Group acquisition closed on December 1, 2023. It does not include any other further acquisitions that may close within the fiscal year. The guidance reflects another record year for the Company and positions it well to achieve its long-term growth targets.

At the midpoint of the range, this guidance reflects revenue and adjusted EBITDA[1] growth of 15% and 30%, respectively, and an adjusted EBITDA[1] margin of 11.3%. It would represent the 7th consecutive year of double-digit growth and record levels.

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

15%
(mid-range vs FY23)
Revenue growth

69%
(of mid-range guidance)
Q1+Backlog coverage

11.3%
(at mid-range)
EBITDA margin

The reader should be advised that revenues and profitability realized are ultimately dependent on the extent and timing of future contract awards, customer realization of existing contract vehicles and potential recessionary pressures. Please refer to the forward-looking statement at the beginning of this MD&A.

Backlog

The Company's realizable backlog at December 31, 2023 was $1,130 million with terms extending to fiscal 2030. Contracted backlog represents maximum potential revenues remaining to be earned on signed contracts, whereas option renewals represent customers' options to further extend existing contracts under similar terms and conditions.

During the three-month period ended December 31, 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.

- $17.4 million in new contracts brought on from our acquisition of Decisive
- $5.9 million new contract for traditional IT consulting services
- $5.2 million in option periods utilized by our short term delivery work in Healthcare
- $31.4 million in signings of Cyber product and services
- $8.5 million in agriculture product signings to be delivered in the next nine months

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 actually realized could be materially different from the original contract value. The following table represents management's best estimate of the backlog realization for fiscal year 2024, fiscal year 2025 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 $220 million. The Company's policy is to reduce the reported contractual backlog once it receives confirmation from the customer that indicates the utilization of the full contract value may not materialize.

Contract Backlog as of December 31, 2023

Contracted backlog	$	714,084
Option renewals		636,141
	$	1,350,225
Management estimate of unrealizable portion		(220,271)
Estimated Realizable Backlog	$	1,129,954

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

Estimated Recognition of Estimated Realizable Backlog

	January 1, 2024 to September 30, 2024	October 1, 2024 to September 30, 2025	Beyond September 30, 2025	Total
Advanced Technologies	$ 84,191	$ 37,343	$ 20,592	$ 142,126
Health	137,362	167,421	321,674	626,457
Learning	55,952	67,772	97,981	221,705
ITCS	64,521	34,632	40,513	139,666
Total	$ 342,026	$ 307,168	$ 480,760	$ 1,129,954

Consolidated Results

Selected Consolidated Financial Highlights – Three and Twelve Months of FY23

	Three months ended December 31,	
	2023	2022
Revenues	$ 179,179	$ 147,543
Gross profit	**58,218**	**45,219**
Gross profit margin (%)	32%	31%
Profit before under noted items (adjusted EBITDA[1])	**$ 19,514**	**$ 14,255**
Adjusted EBITDA[1] margin %	11%	10%
Depreciation of equipment, application software and capitalized research and development	2,308	2,297
Depreciation of right of use assets	1,463	1,007
Amortization of acquired intangible assets	5,235	3,361
Deemed compensation	604	97
Changes in fair value related to contingent earn-out	726	742
Profit before interest income and income tax expense	**$ 9,178**	**$ 6,751**
Interest expense	1,547	123
Income tax expense	2,106	2,052
NET PROFIT	**$ 5,525**	**$ 4,576**
EPS - Basic	0.47	0.39
EPS - Diluted	0.46	0.39

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

Analysis of Consolidated Results – First quarter of 2024

Revenue

For the three-month period ended December 31, 2023, revenues increased 21% to $179,193 compared to $147,543 for the same period last year. This represents the highest revenue quarter in the Company's history. Acquisitive growth was 9% and was generated by the acquisitions of Hawaii Pacific Teleport (HPT) closed on August 1, 2023, and Decisive which was acquired on December 1, 2023. Organic growth was 12% and was achieved by all four segments, with double digit organic growth in Health and Advanced Technologies.

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

Gross Profit

For the three-month period ended December 31, 2023, gross profit increased 29% to $58,218 compared to $45,219 for the same period last year. This growth was driven by an increase in volume, favorable revenue mix for existing revenues along with acquisitive revenues earned at higher margins. Gross margin stood at 32.5%, up from 30.6% for the same period last year, and represented the Company's highest quarterly margin percentage in its history, and seventh consecutive quarter above the 30% mark.

Adjusted EBITDA[1]

For the three-month period ended December 31, 2023, adjusted EBITDA[1] increased 37% to $19,514 compared to $14,255 for the same period last year. This growth was driven by strong growth in revenue and gross margin, coupled with the continued benefits from the restructuring plan implemented midway through the fourth quarter of fiscal 2023. Adjusted EBITDA[1] margin increased to 10.9% compared to 9.7% for the same period last year as a result of higher revenues, higher margin percentage and controlling of operating expenses throughout the business.

Depreciation and Amortization

For the three-month period ended December 31, 2023, depreciation of equipment, application software and research and development stood at $2,308, in line with the same period last year.

For the three-month period ended December 31, 2023, depreciation of right of use assets increased $456, compared to the same period last year, as a result of new leases signed in the last twelve months coupled with leases brought on from recent acquisitions.

For the three-month period ended December 31, 2023, amortization of acquired intangible assets increased $1,874, compared to the same period last year, due to the acquired intangible assets from the HPT and Decisive amortizing since the acquisition dates.

Please see note 7 to the financial statements for more information.

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

Deemed Compensation and Changes in Fair Value Related to Contingent Earn Out

For the three-month period December 31, 2023, deemed compensation increased by $507, compared to the same period last year. This increase is due to deemed compensation amounts applicable under the HPT acquisition agreement which began in the fourth quarter of fiscal 2023.

For the three-month ended December 31, 2023, changes in fair value related to contingent earn-out was in line with the same period of the previous year. The change in fair value of contingent payments and deemed compensation is explained further in notes 16 and 17 of the Financial Statements.

Interest Expense

For the three-month period ended December 31, 2023, interest expense increased by $1,424 as the Company drew on its credit facility to fund the acquisitions of HPT and Decisive that closed in the fourth quarter of fiscal 2023 and first quarter of fiscal 2024, respectively.

Income Tax Expense

For the three-month period ended December 31, 2023, the provision for income taxes was $2,106 which was in line with the $2,052 for the same period of the prior year. This is primarily due to lower tax expense in the current year from tax assets acquired through acquisitions.

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.

Net Profit

For the three-month period ended December 31, 2023, net profit was $5,525, or $0.46 per diluted share, versus $4,576, or $0.39 per diluted share, for the same period last year. This growth was driven by higher adjusted EBITDA[1], offset by higher expenses related to acquisitions.

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

Segmented Results

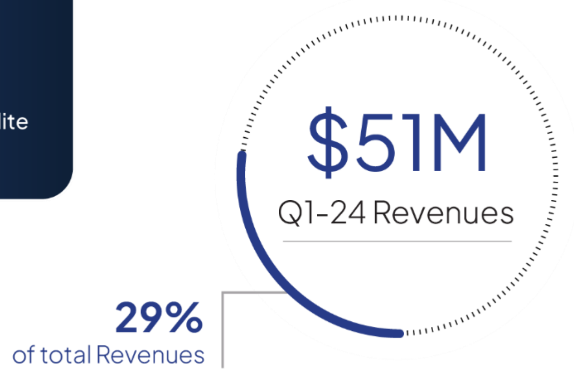
Advanced Technologies (AT)

Provides comprehensive solutions across the space, defence and terrestrial sectors. Diverse capabilities encompassing software development, product design, custom manufacturing, full lifecycle support, project management, multi-disciplinary system solutions, satellite operations and hosting services.

Space

Terrestrial

Defence



	Three months ended December 31, 2023	Three months ended December 31, 2022
Product	$ 34,007	$ 18,374
Service	17,122	15,893
Revenues	51,129	34,267
Gross profit	18,468	11,868
Gross profit %	36 %	35 %
EBITDA[1]	9,158	4,425
EBITDA[1] Margin	18 %	13 %
Organic/ Acquisitive Revenue Growth	21% / 28%	-17% / NIL
New contract signings (gross)	$ 43,999	$ 42,388
Backlog	$ 142,126	$ 167,186

Three-months ended December 31, 2023

For the three-month period ended December 31, 2023, revenues increased 49% to $51,129, compared to the same period last year. Acquisitive growth was 28% and was generated by the acquisition of Hawaii Pacific Teleport (HPT) which closed on August 1, 2023. Organic growth was 21% and was driven by strong product sales across all divisions, including GNSS antennas, telecom products and software services.

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

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

For the three-month period ended December 31, 2023, adjusted EBITDA[1] more than doubled to $9,158, compared to the same period last year. This significant growth was driven by continued increases in margin in the segment due to a favorable revenue mix skewed toward higher margin products and software offerings as well as the higher margin contribution from the HPT acquisition. This growth was partially offset by higher operating expenses relating to the inclusion of operating costs from HPT, along with additional cost relating to support functions to support the growth in the segment. Adjusted EBITDA[1] margin increased to 18%, from 13% for the same period last year.

In the quarter, Advanced Technologies signed new contracts valued at $44 million, leaving the backlog at $142 million.

Health

	Three months ended December 31, 2023	Three months ended December 31, 2022
Product	$ 166	$ -
Service	49,928	40,455
Revenues	50,094	40,455
Gross profit	13,349	9,556
Gross profit %	27 %	24 %
EBITDA[1]	9,440	6,451
EBITDA[1] Margin %	19 %	16 %
Organic/ Acquisitive Revenue Growth	24% / Nil	-5% / Nil
New contract signings (gross)	$ 40,371	$ 34,201
Backlog	$ 626,457	$ 690,299

Three-months ended December 31, 2023

For the three-month period ended December 31, 2023, revenues increased 24% to $50,094, compared to the same period last year. This growth is all organic and was driven by significantly increased demand with our long-standing customers as well as continued short-term health response demand.

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

For the three-month period ended December 31, 2023, adjusted EBITDA[1] increased 46% to $9,440, compared to the same period last year. This significant growth was driven by increased revenue and short-term health response demand, which boasts higher margins due to the nature of the services provided offset slightly by increases in operating costs relating to sales initiatives and R&D related to our digital health product offerings. Adjusted EBITDA[1] margin increased to 19%, from 16% for the same period last year.

In the quarter, Health signed new contracts valued at $40 million, leaving the backlog for the segment at $626 million.

Selected highlights for the quarter:

- Announced a contribution of $25 per year for the next three years to the Canadian Institute for Military and Veteran Health Research (CIMVHR) to fund research related to improving access to care for military families
- Selected to participate in the Canadian Technology Accelerator (CTA) program on Digital Health in the United Kingdom

Learning

		December 31, 2023			December 31, 2022	
Product	$	2,087		$	1,140	
Service		25,028			25,300	
Revenues		27,115			26,440	
Gross profit		6,574			6,564	
Gross profit %		24	%		25	%
EBITDA[1]		3,964			4,178	
EBITDA[1] Margin %		15	%		16	%
Organic/ Acquisitive Revenue Growth		3% / Nil			16% / NIL	
New contract signings (gross)	$	4,088		$	3,897	
Backlog	$	221,705		$	313,245	

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

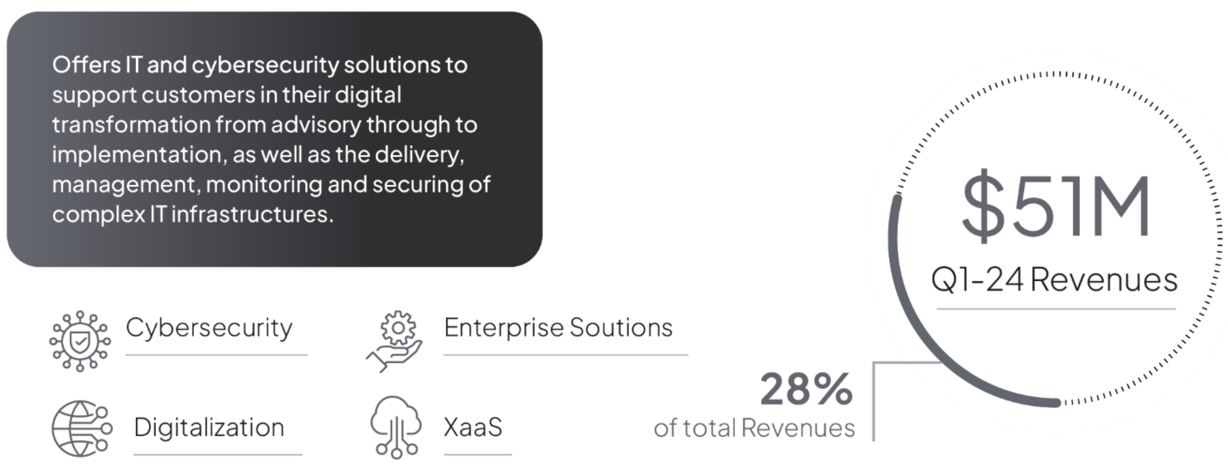
Three-months ended December 31, 2023

For the three-month period ended December 31, 2023, revenues increased 3% to $27,115, compared to the same period last year. This represents the second highest revenue quarter for the segment. The revenue growth is organic and was driven by strong demand for military training with existing Canadian customers as well as demand for new products and technologies for NATO customers due to geo-political issues and renewed focus on readiness.

For the three-month period ended December 31, 2023, adjusted EBITDA[1] decreased by 5% to $3,964, compared to the same period last year which was a result of increased research costs related to our software products that enable advanced learning and exercise delivery, and resource cost increases which occurred earlier in the year than billing rate increases. Adjusted EBITDA[1] margin declined slightly to 14.6% from 15.8% when compared to the same period of the previous year.

In the quarter, Learning signed new contracts valued at $4 million, and backlog stood at $222 million.

ITCS



	Three months ended					
		December 31, 2023			December 31, 2022	
Product	$	10,586		$	8,754	
Service		40,255			37,627	
Revenues		50,841			46,381	
Gross profit		19,827			17,231	
Gross profit %		39	%		37	%
EBITDA[1]		7,159			7,161	
EBITDA[1] Margin %		14	%		15	%
Organic/ Acquisitive Revenue Growth		1% / 9%			11% / 89%	
New contract signings (gross)	$	61,710		$	45,569	
Backlog	$	139,666		$	102,253	

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

Three-months ended December 31, 2023

For the three-month period ended December 31, 2023, revenues increased 10% to $50,841, compared to the same period last year. Acquisitive revenue increase was 9%, relating to our acquisition of Decisive which occurred on December 1, 2023 and organic growth was 1% in the quarter.

For the three-month period ended December 31, 2023, adjusted EBITDA[1] was flat at $7,159, compared to the same period last year. The increases in sales and margin percentage were offset by higher operating costs in the segment. Operating costs have increased with the consolidation of costs from Decisive, one time costs of integration in order to create efficiencies with acquired entities, along with increases in incentives in the current year when compared to the same period of the prior year. As a result, adjusted EBITDA[1] margin decreased to 14%, from 15% for the same period last year.

In the quarter, ITCS signed new contracts valued at $62 million, implying a book-to-bill ratio of 1.2.

Selected highlights for the quarter:

- Announced the appointment of Michael Tremblay as President, IT and Cyber Solutions
- Completed the acquisition of Decisive Group
- Recognized as Canada Partner of the Year at the 2023 CrowdStrike Global Partner Awards
- Achieved multiple Cisco Powered Services specializations for managed service expertise

Shared Services

For the three-month period ended December 31, 2023, shared services expenses increased by $2,247 to $10,207, when compared to the same period last year. This is due to additional costs in relation to M&A activities, additional investments in information system applications to support the organizations growth, new employee benefit programs rolled out in the current year, impacts of foreign exchange on the results of our overall business and costs recognized for performance share units which pertain to long term growth targets of the Company where achievement was not anticipated in the first quarter of the prior year.

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

Selected Quarterly Financial Data

The Company's operations are subject to some quarterly seasonality due to the timing of vacation periods, statutory holidays, industry-specific seasonal cycles and the timing and delivery of milestones for significant projects. Typically, the Company's first and fourth quarters will be negatively impacted because of the Christmas season and summer vacation period. During these periods, the Company can only invoice or recognize revenue for work performed and is also required to pay for statutory holidays. This seasonality may not be apparent in the overall results of the Company, depending on the impact of the realized sales mix of its various projects. The following table sets forth selected financial information for the Company's past eight quarters.

(Canadian dollars in millions, except per share data)

	Q1/24	Q4/23	Q3/23	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22
Revenues									
Advanced Technologies	$ 51.1	$ 52.5	$ 44.8	$ 46.8	$ 34.3	$ 30.5	$ 39.2	$ 39.6	$ 41.1
Health	50.1	51.6	49.1	43.6	40.4	39.4	39.7	45.4	42.4
Learning	27.1	24.2	26.7	28.8	26.4	21.8	22.3	24.8	22.8
ITCS	50.8	47.6	45.9	49.3	46.4	68.8	48.8	32.3	23.2
Total Revenue	$ 179.1	$ 175.9	$ 166.5	$ 168.5	$ 147.5	$ 160.5	$ 150.0	$ 142.1	$ 129.5
Cost of revenue	121.0	120.2	115.4	116.5	102.3	110.4	104.5	102.2	95.8
Gross profit	58.1	55.7	51.1	52.0	45.2	50.1	45.5	39.9	33.7
Selling and marketing	12.4	10.5	11.9	11.8	11.1	13.1	9.6	5.3	4.5
General and administration	23.6	22.0	21.4	20.5	17.4	17.0	18.0	16.6	13.8
Research and development	2.7	2.8	3.3	2.9	2.4	1.0	1.8	1.2	1.4
Profit before under noted items	19.4	20.4	14.5	16.8	14.3	19.0	16.1	16.8	14.0
Depreciation of equipment and application software	2.3	2.1	2.4	2.3	2.3	2.4	2.3	1.4	1.2
Depreciation of right of use asset	1.5	1.4	1.2	1.0	1.0	1.0	1.0	0.9	0.8
Amortization of acquired intangible assets	5.2	4.5	3.6	3.4	3.4	3.5	3.4	10.1	3.6
Other changes in fair value	-	(0.3)	-	-	-	-	-	-	-
Restructuring expense	-	2.6	-	-	-	-	-	-	-
Deemed Compensation	0.6	0.4	-	0.1	0.1	3.3	-	0.2	0.7
Changes in fair value related to contingent earn-out	0.7	0.4	-	2.5	0.7	2.3	0.7	1.6	1.0
Profit before interest and income tax expense	9.1	9.3	7.3	7.5	6.8	6.5	8.7	2.6	6.7
Interest expense	1.6	0.8	(0.1)	0.1	0.1	0.1	0.2	0.2	0.2
Income tax expense	2.1	3.4	2.7	2.9	2.1	5.4	1.8	1.1	2.2
Net profit	5.4	5.1	4.7	4.5	4.6	1.0	6.7	1.3	4.3
Weighted average shares outstanding - Basic	11.8M	11.8M	11.7M	11.7M	11.6M	11.4M	11.3M	11.3M	11.3M
Weighted average shares outstanding - Diluted	11.9M	11.8M	11.8M	11.8M	11.7M	11.5M	11.4M	11.4M	11.4M
Net profit per share									
Basic	$ 0.47	$ 0.43	$ 0.40	$ 0.39	$ 0.39	$ 0.10	$ 0.60	$ 0.11	$ 0.38
Diluted	$ 0.46	$ 0.43	$ 0.40	$ 0.38	$ 0.39	$ 0.10	$ 0.60	$ 0.11	$ 0.38
Adjusted EBITDA[1] per share									
Basic	$ 1.73	$ 1.73	$ 1.24	$ 1.45	$ 1.23	$ 1.67	$ 1.48	$ 1.24	$ 1.24
Diluted	$ 1.72	$ 1.72	$ 1.23	$ 1.45	$ 1.22	$ 1.66	$ 1.47	$ 1.23	$ 1.23

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

Financial Position

Working capital as a percentage of trailing twelve month revenue has decreased to 10.4% at December 31, 2023 versus 11.5% for the same period of the prior year. This is a testament to the Company's ability to increase growth and successfully manage it's investments in working capital while doing so. The total working capital for the Company has only slightly increased which is primarily a factor of acquisitions made in the fiscal year, however the cash flow impact from working capital for the three-month period ended December 31, 2023 continued to contribute to positive cash flow for the Company as working capital management continues to be a priority for the business.

Assets

As at December 31, 2023, total assets stood at $703,278, versus $585,723 as at September 30, 2023. The increase in total assets is primarily a result of the acquisition of Decisive with the corresponding purchased assets.

As at December 31, 2023, cash and cash equivalents were $52,267, compared to $33,734 at September 30, 2023.

Liabilities

As at December 31, 2023, total liabilities stood at $373,704, versus $257,351 as at September 30, 2023. The increase is primarily a result of the acquisition of Decisive, along with the debt facility utilized in order to fund the acquisitions.

As at December 31, 2023, Calian had net debt of $41,483 and its net debt to trailing twelve month adjusted EBITDA[1] ratio was 0.6x, well below its maximum target of 2.5x. As at December 31, 2023, the Company was in full compliance with its debt covenants.

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

There were no off-balance sheet arrangements as at December 31, 2023.

Shareholders' Equity

On August 30, 2023, the TSX accepted Calian's Notice of Intention to Make a Normal Course Issuer Bid ("NCIB") to purchase for cancellation up to 1,044,012 common shares during the 12-month period commencing September 1, 2023 and ending August 31, 2024, representing approximately 10% of the public float of its common shares as at August 22, 2023.

For the three-month period ended December 31, 2023, the Company repurchased 27,226 common shares for cancellation in consideration of $1,357 under its NCIB.

[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

Share Capital

As at December 31, 2023, the capital stock issued and outstanding of the Company consisted of 11,834,924 common shares (11,656,720 as at December 31, 2022).

The following table presents the outstanding capital stock activity for the three-month period ended December 31, 2023 and December 31, 2022.

	Three-months ended December 31, 2023	Three-months ended December 31, 2022
Balance October 1	11,812,650	11,607,391
Shares issued under employee share plans	37,443	38,525
Shares issued under employee share purchase plan	12,057	10,804
Shares issued through acquisition	-	-
Shares cancelled through NCIB program	(27,226)	-
Issued capital	11,834,924	11,656,720
Weighted average number of common shares – basic	11,812,574	11,630,180
Weighted average number of common shares – diluted	11,948,887	11,690,175

Liquidity and Capital Resources

The following table provides selected information from the cash flow statement.

	Three months ended December 31, 2023	2022
Net profit	$ 5,525	$ 4,576
Items not affecting cash:	15,164	10,249
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	20,689	14,825
Change in non-cash working capital	971	12,399
Interest and income tax paid	(4,122)	(1,901)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	17,538	25,323
Dividends	(3,314)	(3,262)
Draw (repayment) on debt facility	56,000	-
Other	(1,834)	(99)
CASH FLOWS GENERATED FROM (USED IN) FINANCING ACTIVITIES	50,852	(3,361)
Investments	-	(2,689)
Business acquisitions	(47,457)	(2,925)
Capital Expenditures	(2,400)	(800)
CASH FLOWS USED IN INVESTING ACTIVITIES	(49,857)	(6,414)
NET CASH INFLOW	$ 18,533	$ 15,548
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	33,734	42,646
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 52,267	$ 58,194

Operating Activities

For the three-month period ended December 31, 2023, cash flows generated from operating activities amounted to $17,538, compared to an inflow of $25,323 for the same period last year.

Financing Activities

For the three-month period ended December 31, 2023, financing activities increased cash by $50,852 mainly due to borrowings on the credit facility of $56,000, partially offset by dividend payments of $3,314 and share repurchases of $1,357. For the three-month period ended December 31, 2022, financing activities decreased cash by $3,361, primarily as a result of dividend payments of $3,262.

Note that Calian 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.

Investing Activities

For the three-month period ended December 31, 2023, investing activities decreased cash by $49,857 due to the acquisition of Decisive coupled with purchases of equipment and application software amounting to $2,400. For the three-month period ended December 31, 2022, investing activities decreased cash by $6,414 mainly due to earn-out payments for previous acquisitions of $2,925, an equity investment made of $2,689 and capital expenditures of $800.

Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures

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

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

Adjusted EBITDA

	Three months ended			
	December 31, 2023		December 31, 2022	
Net profit	$	5,525	$	4,576
Depreciation of equipment and application software		2,308		2,297
Depreciation of right of use asset		1,463		1,007
Amortization of acquired intangible assets		5,235		3,361
Interest expense		1,547		123
Changes in fair value related to contingent earn-out		726		742
Deemed Compensation		604		97
Income tax		2,106		2,052
Adjusted EBITDA	$	19,514	$	14,255

Operating Free Cash Flow

	Three months ended			
	December 31, 2023		December 31, 2022	
Cash flows generated from operating activities	$	17,538	$	25,323
Property, plant and equipment		(2,400)		(800)
Free cash flow	**$**	**15,138**	**$**	**24,523**
Free cash flow	$	15,138	$	24,523
Adjustments:				
Change in non-cash working capital		(971)		(12,399)
Operating free cash flow	**$**	**14,167**	**$**	**12,124**
Operating free cash flow per share		**1.20**		**1.04**
Operating free cash flow conversion		**73%**		**85%**

Operating free cash flow measures the company's cash profitability after required capital spending when excluding working capital changes. The Company's ability to convert adjusted EBITDA to operating free cash flow is critical for the long term success of its strategic growth. 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. 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.

Risk and Uncertainties

1. Economic uncertainty
2. Sustainability and management of recent growth
3. Acquisitions (none available, we don’t grow, we don’t integrate)
4. Access to capital
5. Negative covenants in credit facilities
6. Liquidity/cash flow
7. Availability of commodities and inflationary prices
8. Security breaches – cyber attacks
9. Competition within key markets
10. Availability of qualified professionals
11. Government contracts
12. Defense industry
13. Non-Performance of a key supplier or contractor
14. Senior management personnel and succession planning
15. Concentration of key revenues
16. Performance on fixed-priced contracts
17. Rapidly changing technologies and customer demands
18. Outsourcing/subcontracting
19. Historical pricing trends
20. Customer’s ability to retain market share
21. Consolidation of customer base
22. Backlog
23. Accounts receivable collection risk
24. Foreign currency
25. Foreign operations
26. Dependence on subsidiaries’ cash flows
27. Reputational and brand risks
28. Errors and defects in technology
29. Tax consequences
30. Privacy concerns
31. Intellectual property infringement and protection
32. Manufacturing limitations
33. Use of open-source software
34. Use of licensed technology
35. Insurance sufficiency
36. Medical malpractice
37. Negotiation of facilities leases
38. Warranty and product liability claims
39. Litigation
40. Climate risks
41. Environmental and health & safety risks
42. Events out of the Company’s control (natural disasters, war, terrorism, illness, etc.,)
43. Fraud
44. Corruption
45. Conflicts of interest
46. Product obsolesce
47. Covid-19 and impact on global markets
48. Changes in laws, rules and regulations
49. SRED or other R&D tax credits
50. Transfer pricing
51. Investment in R&D
52. Compliance with ESG reporting requirements

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.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Estimates

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent 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

The Company enters into 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. Management's approach to revenue recognition is tightly linked to detailed project management processes and controls. The information provided by the project managers combined with a knowledgeable assessment of technical complexities and risks are used in estimating the percentage complete. Specifically for the Advanced Technologies fixed-price contracts, there is significant judgement and estimation uncertainty in determining the estimated costs to complete, including materials, labour and subcontractor costs.

Impairment of goodwill and intangible assets

Determining whether goodwill or acquired intangible assets are impaired requires an estimation of the value of the cash-generating units. This was done through the value in use calculation. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit, and a suitable discount rate in order to calculate the 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.

Judgments

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 estimated 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 estimated fair value of the contingent consideration is recorded as a liability at the time of acquisition and is measured at the estimated fair value at each reporting period. The key assumptions utilized in determining estimated 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, cash flow volatility and the appropriate discount rate.

Deferred income taxes

The Company's accounting policy with regards to income taxes is described in Note 2 of the September 30, 2023 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.

Disclosure Controls and Internal Controls over Financial Reporting

Management Conclusion on the Effectiveness of Disclosure Controls

The Chief Executive Officer and the Chief Financial Officer of the Company, after evaluating the effectiveness of the Company's disclosure controls and procedures as of December 31, 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 December 31, 2023, have concluded that the Company's internal controls over financial reporting provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with IFRS.

During the most recent interim quarter ending December 31, 2023, there have been no changes in the design of the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

On behalf of Management,

(s) Patrick Houston
Chief Financial Officer

February 14, 2024