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FOR IMMEDIATE RELEASE

Calian Reports Results for the Third Quarter

(All amounts in release are in Canadian dollars)

OTTAWA, August 7, 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 third quarter ended June 30, 2024.

Q3-24 Highlights:

- Revenue up 11% to $185 million
- Gross margin at 33.4%, up from 30.7% last year
- Adjusted EBITDA[1] up 22% to $17.7 million
- Operating free cash flow[1] of $10.0 million
- Net liquidity of $132 million
- Repurchased 26,600 shares in consideration of $1.5 million
- Renewed and won several contracts
- Backlog increased to $1.2 billion
- Completed the acquisition of Mabway on May 9, 2024
- The Company intends to renew its NCIB in August 2024, subject to TSX approval

Financial Highlights *(in millions of $, except per share & margins)*	**Three months ended June 30,**			**Nine months ended June 30,**		
	2024	**2023**	**%**	**2024**	**2023**	**%**
Revenue	185.0	166.6	11 %	565.4	482.6	17 %
Adjusted EBITDA[1]	17.7	14.5	22 %	62.9	45.6	38 %
Adjusted EBITDA %[1]	9.5 %	8.7 %	83bps	11.1 %	9.4 %	167bps
Net Profit	1.3	4.7	(72)%	11.7	13.8	(15)%
EPS Diluted	0.11	0.40	(73)%	0.98	1.17	(16)%
Operating Free Cash Flow[1]	10.0	11.3	(12)%	42.0	34.1	23 %

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

Access the full report on the Calian Financials web page.
Register for the conference call on Thursday, August 8, 2024, 8:30 a.m. Eastern Time.

"In the third quarter, we continued our growth journey towards becoming a global business with over $1 billion in revenues," said Kevin Ford, Calian Chief Executive Officer. "We completed the strategic acquisition of Mabway, signed and acquired new contracts valued at over $300 million and reported revenue and adjusted EBITDA[1] growth of 11% and 22%, respectively. We did encounter some headwinds as the result of short-term budget reductions from the Canadian Armed Forces, and we expect this to persist for a few quarters. Despite this, after nine months, our revenues are up 17%, adjusted EBITDA is up 38%, and we are on track for our seventh consecutive record year," stated Mr. Ford.

Third Quarter Results

Revenues increased 11%, from $167 million to $185 million. This represents the highest third quarter revenue in the Company's history. Acquisitive growth was 11% and was generated by the acquisitions of Hawaii Pacific Teleport ("HPT"), Decisive, the nuclear assets from MDA Ltd and Mabway. Organic growth was flat as double-digit growth generated in the Health segment was offset by declines in the other segments.

Gross margin reached 33.4%, representing its 9th consecutive quarter above 30%. Adjusted EBITDA[1] reached $17.7 million, up 22% from the same period last year, driven by the higher margin contribution from acquisitions, revenue growth across all segments and progress to expand geographically and increase share of product revenue. Adjusted EBITDA[1] margin reached 9.5%, up from 8.7% in the same period last year, as a result of a favorable revenue mix and increased volume.

Net profit reached $1.3 million, or $0.11 per diluted share, down from $4.7 million, or $0.40 per diluted share for the same period last year. This decrease in profitability is primarily due to increased amortization and interest expenses related to acquisitions, partially offset by higher adjusted EBITDA[1] and lower income tax expense.

Liquidity and Capital Resources

"In the third quarter we generated $10.0 million in operating free cash flow[1], representing a 57% conversion rate from adjusted EBITDA[1]," said Patrick Houston, Calian CFO. "We used our cash and a portion of our credit facility to invest in our business with the acquisition of Mabway for $29.6 million and capital expenditures of $4.1 million. We also provided a return to shareholders in the form of dividends of $3.3 million and share buybacks of $1.5 million. We ended the quarter with $132 million in net liquidity, well-positioned to pursue our growth objectives," concluded Mr. Houston.

Mabway Acquisition

On May 9, 2024 Calian agreed to acquire U.K.-based Mabway for up to $47.0 million, including $37.8 million of cash upfront on closing and $8.6 million of earnouts. Mabway is a leader in the management of large-scale defence role-playing environments that simulate real-world operational environments and provides technical engineering education for naval and maritime communities. The company has been a prime supplier to the British Army since 2012. Mabway has several offices across the U.K., a workforce of more than 1,000 ex-military and civilian permanent staff and contractors, and services reaching into Europe and the Middle East. Mabway will be integrated in Calian's Learning segment.

Contract Signings - Renewing and Winning New Customers

Calian renewed and won several contracts during the third quarter including:

On May 7, 2024 Calian renewed a contract worth $10 million to provide military training support for the Canadian Defence Academy (CDA) and Military Personnel Generation Group (MPGG).

On May 1, 2024 Calian was awarded a major new contract valued up to $90 million over six years with General Dynamics Mission Systems - Canada (GDMS-C) to enhance the Canadian Army's capabilities through advanced land command, control, communications, computers, intelligence, surveillance and reconnaissance (C4ISR) systems.

On April 25, 2024 Calian was awarded a significant contract by the Canadian Armed Forces' Canadian Forces Health Services Group (CFHSG), valued at $17 million for three years with an option to extend for a fourth year, potentially increasing the total value to $23 million.

Normal Course Issuer Bid

In the three-month period ended June 30, 2024, as part of its Normal Course Issuer Bid, the Company repurchased 26,600 shares for cancellation in consideration of $1.5 million. Since the launch of the Normal Course Issuer Bid on September 1, 2023, the Company repurchased 85,920 common shares for cancellation in consideration of $4.5 million.

The Company intends to renew its NCIB in August 2024, subject to TSX approval.

Quarterly Dividend

Today, Calian declared a quarterly dividend of $0.28 per share. The dividend is payable September 4, 2024, to shareholders of record as of August 21, 2024. Dividends paid by the Company are considered “eligible dividend” for tax purposes.

Guidance

Calian’s guidance, which was raised last quarter and marks its seventh consecutive record year of revenue and adjusted EBITDA[1] growth, is now anticipated to be at the bottom of its guidance range. This adjustment is due to short-term operating budget cuts from the Canadian Armed Forces, which have affected the latter half of its third quarter and are expected to continue into the fourth quarter.

	Guidance for the year ended September 30, 2024			FY23 Results	YOY Growth at Low Point
(in thousands of $)	Low	Midpoint	High		
Revenue	750,000	780,000	810,000	658,584	14%
Adj. EBITDA[1]	86,000	89,000	92,000	65,987	30%

This guidance includes the full-year contribution from the Hawaii Pacific Teleport acquisition, the Decisive Group acquisition, closed on December 1, 2023, the nuclear asset acquisition from MDA Ltd., closed on March 5, 2024 and the Mabway acquisition, closed on May 9, 2024. It does not include any other further acquisitions that may close within the fiscal year. The guidance also includes one-time transaction and integration costs related to these acquisitions of approximately $2 million. The guidance reflects another record year for the Company and positions it well to achieve its long-term growth targets.

At the bottom of the range, this guidance reflects revenue and adjusted EBITDA[1] growth of 14% and 30%, respectively, and an adjusted EBITDA[1] margin of 11.5%. It would represent the 7th consecutive year of double-digit growth and record levels.

About Calian

www.calian.com

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 challenges. That's Confidence. Engineered. A stable and growing 40-year company, we are headquartered in Ottawa with offices and projects spanning North American, European and international markets. Visit calian.com to learn about innovative healthcare, communications, learning and cybersecurity solutions.

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

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DISCLAIMER

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

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CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at June 30, 2024 and September 30, 2023
(Canadian dollars in thousands, except per share data)

	June 30, 2024	September 30, 2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 45,999	$ 33,734
Accounts receivable	147,745	173,052
Work in process	19,314	16,580
Inventory	24,202	21,983
Prepaid expenses	25,886	19,040
Derivative assets	23	155
Total current assets	263,169	264,544
NON-CURRENT ASSETS		
Property, plant and equipment	41,135	37,223
Right of use assets	35,998	34,637
Prepaid expenses	8,598	10,386
Deferred tax asset	1,264	967
Investments	3,673	3,673
Acquired intangible assets	135,323	75,160
Goodwill	209,969	159,133
Total non-current assets	435,960	321,179
TOTAL ASSETS	$ 699,129	$ 585,723
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Debt facility	$ —	$ 37,750
Accounts payable and accrued liabilities	112,040	105,550
Provisions	2,180	2,848
Unearned contract revenue	40,066	32,423
Lease obligations	4,957	4,949
Contingent earn-out	32,150	11,263
Derivative liabilities	56	353
Total current liabilities	191,449	195,136
NON-CURRENT LIABILITIES		
Debt facility	94,000	—
Lease obligations	33,983	32,057
Unearned contract revenue	17,847	15,592
Contingent earn-out	5,475	2,535
Deferred tax liabilities	22,437	12,031
Total non-current liabilities	173,742	62,215
TOTAL LIABILITIES	365,191	257,351
SHAREHOLDERS' EQUITY		
Issued capital	228,829	225,540
Contributed surplus	5,866	4,856
Retained earnings	96,860	96,859
Accumulated other comprehensive income (loss)	2,383	1,117
TOTAL SHAREHOLDERS' EQUITY	333,938	328,372
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 699,129	$ 585,723
Number of common shares issued and outstanding	11,841,237	11,812,650

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET PROFIT
For the three and nine months ended June 30, 2024 and 2023
(Canadian dollars in thousands, except per share data)

	Three months ended June 30,		Nine months ended June 30,	
	2024	2023	2024	2023
Revenue	$ 184,998	$ 166,550	$ 565,445	$ 482,635
Cost of revenues	123,163	115,443	375,355	334,219
Gross profit	**61,835**	**51,107**	**190,090**	**148,416**
Selling and marketing	14,284	11,891	41,649	34,865
General and administration	26,393	21,437	76,663	59,329
Research and development	3,506	3,273	8,920	8,616
Profit before under noted items	**17,652**	**14,506**	**62,858**	**45,606**
Depreciation of property, plant and equipment	2,494	2,361	7,298	6,910
Depreciation of right of use assets	1,525	1,127	4,456	3,149
Amortization of acquired intangible assets	6,777	3,603	18,161	10,414
Restructuring expense	1	—	1,496	—
Deemed compensation	1,010	—	2,525	147
Changes in fair value related to contingent earn-out	1,458	138	6,272	3,442
Profit before interest income and income tax expense	**4,387**	**7,277**	**22,650**	**21,544**
Interest expense	1,366	(115)	4,647	103
Income tax expense	1,723	2,719	6,255	7,675
NET PROFIT	**$ 1,298**	**$ 4,673**	**$ 11,748**	**$ 13,766**
Net profit per share:				
Basic	$ 0.11	$ 0.40	$ 0.99	$ 1.18
Diluted	$ 0.11	$ 0.40	$ 0.98	$ 1.17

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three and nine months ended June 30, 2024 and 2023
(Canadian dollars in thousands)

	Three months ended June 30, 2024	Three months ended June 30, 2023	Nine months ended June 30, 2024	Nine months ended June 30, 2023
CASH FLOWS GENERATED FROM (USED IN) OPERATING ACTIVITIES				
Net profit	$ 1,298	$ 4,673	$ 11,748	$ 13,766
Items not affecting cash:				
Interest expense	892	(254)	3,416	(269)
Changes in fair value related to contingent earn-out	1,458	138	6,272	3,442
Lease obligations interest expense	474	139	1,231	372
Income tax expense	1,723	2,719	6,255	7,675
Employee share purchase plan expense	131	166	427	467
Share based compensation expense	1,239	673	3,262	1,655
Depreciation and amortization	10,796	7,091	29,915	20,473
Deemed compensation	1,010	—	2,525	147
	19,021	15,345	65,051	47,728
Change in non-cash working capital				
Accounts receivable	88,441	3,105	27,256	10,364
Work in process	(1,829)	9,536	(1,386)	17,119
Prepaid expenses and other	886	2,234	(2,671)	3,019
Inventory	813	(190)	1,793	(5,213)
Accounts payable and accrued liabilities	(84,893)	(19,883)	(10,196)	(27,422)
Unearned contract revenue	(3,059)	(6,891)	1,681	(3,990)
	19,380	3,256	81,528	41,605
Interest paid	(1,366)	114	(4,647)	(104)
Income tax paid	(3,536)	(825)	(9,077)	(7,430)
	14,478	2,545	67,804	34,071
CASH FLOWS GENERATED FROM (USED IN) FINANCING ACTIVITIES				
Issuance of common shares net of costs	529	366	2,168	2,141
Dividends	(3,321)	(3,286)	(9,954)	(9,828)
Draw on debt facility	25,000	—	56,250	(7,500)
Payment of lease obligations	(1,371)	(1,199)	(3,971)	(3,121)
Repurchase of common shares	(1,472)	—	(2,829)	—
	19,365	(4,119)	41,664	(18,308)
CASH FLOWS USED IN INVESTING ACTIVITIES				
Investments	—	—	—	(2,689)
Business acquisitions	(29,565)	—	(87,862)	(8,660)
Property, plant and equipment	(4,145)	(3,341)	(9,341)	(6,072)
	(33,710)	(3,341)	(97,203)	(17,421)
NET CASH INFLOW (OUTFLOW)	$ 133	$ (4,915)	$ 12,265	$ (1,658)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	45,866	45,903	33,734	42,646
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 45,999	$ 40,988	$ 45,999	$ 40,988

Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures

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

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

Adjusted EBITDA

	Three months ended		Nine months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Net profit	$ 1,298	$ 4,673	$ 11,748	$ 13,766
Depreciation of equipment and application software	2,494	2,361	7,298	6,910
Depreciation of right of use asset	1,525	1,127	4,456	3,149
Amortization of acquired intangible assets	6,777	3,603	18,161	10,414
Restructuring expense	1	—	1,496	—
Interest expense	1,366	(115)	4,647	103
Changes in fair value related to contingent earn-out	1,458	138	6,272	3,442
Deemed Compensation	1,010	—	2,525	147
Income tax	1,723	2,719	6,255	7,675
Adjusted EBITDA	$ 17,652	$ 14,506	$ 62,858	$ 45,606

[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.

Operating Free Cash Flow

	Three months ended		Nine months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Cash flows generated from operating activities	$ 14,478	$ 2,545	$ 67,804	$ 34,071
Property, plant and equipment	(4,145)	(3,341)	(9,341)	(6,072)
Free cash flow	**$ 10,333**	**$ (796)**	**$ 58,463**	**$ 27,999**
Free cash flow	$ 10,333	$ (796)	$ 58,463	$ 27,999
Adjustments:				
Change in non-cash working capital	(359)	12,089	(16,477)	6,123
Operating free cash flow	**$ 9,974**	**$ 11,293**	**$ 41,986**	**$ 34,122**
Operating free cash flow per share	0.84	0.96	**3.55**	**2.92**
Operating free cash flow conversion	57 %	78 %	67 %	75 %

[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.

Net Debt to Adjusted EBITDA

		June 30, 2024		September 30, 2023
Cash	$	45,999	$	33,734
Debt facility		94,000		37,750
Net debt (net cash)		48,001		4,016
Trailing twelve month adjusted EBITDA		82,239		65,987
Net debt to adjusted EBITDA		0.6		0.1

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. The Company has reconciled adjusted profit to the most comparable IFRS financial measure as shown above.

[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.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2024

CALIAN®

Confidence. Engineered.

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at June 30, 2024 and September 30, 2023
(Canadian dollars in thousands, except per share data)

	NOTES	June 30, 2024	September 30, 2023
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		$ 45,999	$ 33,734
Accounts receivable		147,745	173,052
Work in process	4	19,314	16,580
Inventory		24,202	21,983
Prepaid expenses		25,886	19,040
Derivative assets	15	23	155
Total current assets		263,169	264,544
NON-CURRENT ASSETS			
Property, plant and equipment	5	41,135	37,223
Right of use assets	6	35,998	34,637
Prepaid expenses		8,598	10,386
Deferred tax asset		1,264	967
Investments		3,673	3,673
Acquired intangible assets	7	135,323	75,160
Goodwill	8	209,969	159,133
Total non-current assets		435,960	321,179
TOTAL ASSETS		$ 699,129	$ 585,723
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Debt facility	9	$ —	$ 37,750
Accounts payable and accrued liabilities		112,040	105,550
Provisions		2,180	2,848
Unearned contract revenue	4	40,066	32,423
Lease obligations	6	4,957	4,949
Contingent earn-out	17	32,150	11,263
Derivative liabilities	15	56	353
Total current liabilities		191,449	195,136
NON-CURRENT LIABILITIES			
Debt facility	9	94,000	—
Lease obligations	6	33,983	32,057
Unearned contract revenue	4	17,847	15,592
Contingent earn-out	17	5,475	2,535
Deferred tax liabilities		22,437	12,031
Total non-current liabilities		173,742	62,215
TOTAL LIABILITIES		365,191	257,351
SHAREHOLDERS' EQUITY			
Issued capital	10	228,829	225,540
Contributed surplus		5,866	4,856
Retained earnings		96,860	96,859
Accumulated other comprehensive income (loss)		2,383	1,117
TOTAL SHAREHOLDERS' EQUITY		333,938	328,372
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 699,129	$ 585,723
Number of common shares issued and outstanding	10	11,841,237	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 and nine months ended June 30, 2024 and 2023
(Canadian dollars in thousands, except per share data)

		Three months ended June 30,		Nine months ended June 30,	
	NOTES	2024	2023	2024	2023
Revenue	12	$ 184,998	$ 166,550	$ 565,445	$ 482,635
Cost of revenues		123,163	115,443	375,355	334,219
Gross profit		**61,835**	**51,107**	**190,090**	**148,416**
Selling and marketing		14,284	11,891	41,649	34,865
General and administration		26,393	21,437	76,663	59,329
Research and development		3,506	3,273	8,920	8,616
Profit before under noted items		**17,652**	**14,506**	**62,858**	**45,606**
Depreciation of property, plant and equipment	5	2,494	2,361	7,298	6,910
Depreciation of right of use assets	6	1,525	1,127	4,456	3,149
Amortization of acquired intangible assets	7	6,777	3,603	18,161	10,414
Restructuring expense		1	—	1,496	—
Deemed compensation	16, 17	1,010	—	2,525	147
Changes in fair value related to contingent earn-out	16, 17	1,458	138	6,272	3,442
Profit before interest income and income tax expense		**4,387**	**7,277**	**22,650**	**21,544**
Interest expense (income)		1,366	(115)	4,647	103
Income tax expense		1,723	2,719	6,255	7,675
NET PROFIT		**$ 1,298**	**$ 4,673**	**$ 11,748**	**$ 13,766**
Net profit per share:					
Basic	13	$ 0.11	$ 0.40	$ 0.99	$ 1.18
Diluted	13	$ 0.11	$ 0.40	$ 0.98	$ 1.17

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three and nine months ended June 30, 2024 and 2023
(Canadian dollars in thousands)

	Three months ended June 30,		Nine months ended June 30,	
	2024	**2023**	**2024**	**2023**
NET PROFIT	$ 1,298	$ 4,673	$ 11,748	$ 13,766
Cumulative translation adjustment	1,260	(1,065)	1,027	(264)
Change in deferred gain on derivatives designated as cash flow hedges, net of tax of ($56) and $86 (2023 - $393 and $968)	(156)	1,089	239	2,685
Other comprehensive income, net of tax	1,104	24	1,266	2,421
COMPREHENSIVE INCOME	**$ 2,402**	**$ 4,697**	**$ 13,014**	**$ 16,187**

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the nine months ended June 30, 2024 and 2023
(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		—	—	11,748	1,266	13,014
Dividend paid ($0.84 per share)		—	—	(9,954)	—	(9,954)
Share repurchase		(1,036)	—	(1,793)	—	(2,829)
Shares issued under employee share plans	10	2,131	(2,603)	—	—	(472)
Shares issued through acquisition		34	—	—	—	34
Shares issued under employee share purchase plan	10	2,160	—	—	—	2,160
Share-based compensation expense	11	—	3,613	—	—	3,613
Balance June 30, 2024		**$ 228,829**	**$ 5,866**	**$ 96,860**	**$ 2,383**	**$ 333,938**

	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		—	—	13,766	2,421	16,187
Dividend paid ($0.84 per share)		—	—	(9,828)	—	(9,828)
Shares issued under employee share plans	10	2,027	(1,434)	—	—	593
Shares issued through acquisition		2,844	—	—	—	2,844
Shares issued under employee share purchase plan	10	2,252	—	—	—	2,252
Share based compensation expense	11	—	1,417	—	—	1,417
Balance June 30, 2023		**$ 220,400**	**$ 3,462**	**$ 96,136**	**$ (1,347)**	**$ 318,651**

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three and nine months ended June 30, 2024 and 2023
(Canadian dollars in thousands)

	NOTES	Three months ended June 30, 2024	Three months ended June 30, 2023	Nine months ended June 30, 2024	Nine months ended June 30, 2023
CASH FLOWS GENERATED FROM (USED IN) OPERATING ACTIVITIES					
Net profit		$ 1,298	$ 4,673	$ 11,748	$ 13,766
Items not affecting cash:					
Interest expense (income)		892	(254)	3,416	(269)
Changes in fair value related to contingent earn-out	17	1,458	138	6,272	3,442
Lease obligations interest expense	6	474	139	1,231	372
Income tax expense		1,723	2,719	6,255	7,675
Employee share purchase plan expense	11	131	166	427	467
Share based compensation expense	11	1,239	673	3,262	1,655
Depreciation and amortization	5, 6, 7	10,796	7,091	29,915	20,473
Deemed compensation	16, 17	1,010	—	2,525	147
		19,021	15,345	65,051	47,728
Change in non-cash working capital					
Accounts receivable		88,441	3,105	27,256	10,364
Work in process		(1,829)	9,536	(1,386)	17,119
Prepaid expenses and other		886	2,234	(2,671)	3,019
Inventory		813	(190)	1,793	(5,213)
Accounts payable and accrued liabilities		(84,893)	(19,883)	(10,196)	(27,422)
Unearned contract revenue		(3,059)	(6,891)	1,681	(3,990)
		19,380	3,256	81,528	41,605
Interest paid		(1,366)	114	(4,647)	(104)
Income tax paid		(3,536)	(825)	(9,077)	(7,430)
		14,478	2,545	67,804	34,071
CASH FLOWS GENERATED FROM (USED IN) FINANCING ACTIVITIES					
Issuance of common shares net of costs	10, 11	529	366	2,168	2,141
Dividends		(3,321)	(3,286)	(9,954)	(9,828)
Net draw (repayment) on debt facility	9	25,000	—	56,250	(7,500)
Payment of lease obligations	6	(1,371)	(1,199)	(3,971)	(3,121)
Repurchase of common shares		(1,472)	—	(2,829)	—
		19,365	(4,119)	41,664	(18,308)
CASH FLOWS USED IN INVESTING ACTIVITIES					
Investments		—	—	—	(2,689)
Business acquisitions	16	(29,565)	—	(87,862)	(8,660)
Property, plant and equipment	5	(4,145)	(3,341)	(9,341)	(6,072)
		(33,710)	(3,341)	(97,203)	(17,421)
NET CASH INFLOW (OUTFLOW)		$ 133	$ (4,915)	$ 12,265	$ (1,658)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		45,866	45,903	33,734	42,646
CASH AND CASH EQUIVALENTS, END OF PERIOD		$ 45,999	$ 40,988	$ 45,999	$ 40,988

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 August 7, 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	
	June 30, 2024	September 30, 2023
Work in process	$ 19,314	$ 16,580
Unearned contract revenue (current)	(40,066)	(32,423)
Unearned contract revenue (non-current)	(17,847)	(15,592)
Net contract liabilities	$ (38,599)	$ (31,435)

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

	Changes in Net Contract Liabilities	
	June 30, 2024	September 30, 2023
Opening balance, October 1	$ (31,435)	$ (6,345)
Revenue recognized for net contract liabilities	62,409	93,592
Billings	(63,337)	(117,805)
Acquisitions (Note 16)	(6,236)	(877)
Ending balance	$ (38,599)	$ (31,435)

5. Property, Plant and Equipment

A continuity of the leasehold improvements, land and building, equipment, application software and capitalized research and development for the nine months ended June 30, 2024 is as follows:

	Cost				Depreciation		Carrying Value	
	Cost	Additions/ Disposals	Acquisitions (Note 16)	Total	Depreciation	Accumulated Depreciation	June 30, 2024	September 30, 2023
Leasehold improvements	$ 5,197	$ 137	$ —	$ 5,334	$ (554)	$ (2,889)	$ 2,445	$ 2,765
Land and Building	1,321	955	—	2,276	(42)	(54)	2,222	1,309
Equipment	51,909	7,807	1,758	61,474	(5,359)	(34,804)	26,670	22,635
Application software	15,265	571	—	15,836	(694)	(6,516)	9,320	9,446
Capitalized research and development	5,138	60	—	5,198	(649)	(4,720)	478	1,068
Total	$ 78,830	$ 9,530	$ 1,758	$ 90,118	$ (7,298)	$ (48,983)	$ 41,135	$ 37,223

The Company recognized foreign exchange of $231 in the cost and $(88) in the depreciation of property, plant and equipment in the three months ended June 30, 2024.The Company recognized foreign exchange of $194 in the cost and $(80) in the depreciation of equipment in the nine months ended June 30, 2024.

6. Right of Use Assets and Lease Obligations

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

	Nine months ended	
	June 30, 2024	June 30, 2023
Balance at October 1	$ 34,637	$ 16,678
Additions	3,908	2,308
Disposals and foreign exchange adjustments	(385)	(318)
Depreciation	(4,456)	(3,149)
Acquisitions (Note 16)	2,294	—
	$ 35,998	$ 15,519

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:

	Nine months ended	
	June 30, 2024	June 30, 2023
Balance at October 1	$ 37,006	$ 19,035
Additions	3,913	2,267
Disposals and foreign exchange adjustments	(239)	(277)
Principal payments	(3,971)	(3,121)
Acquisitions (Note 16)	2,231	—
	$ 38,940	$ 17,904
Current	$ 4,957	$ 4,313
Non-current	33,983	13,591
Total	$ 38,940	$ 17,904

The following table presents the contractual undiscounted cash flows for lease obligations as at June 30, 2024:

	Total Undiscounted Lease Obligations
Less than one year	$ 7,111
One to five years	18,509
More than five years	25,505
Total undiscounted lease obligations	$ 51,125

Total cash outflow for leases in the three months ended June 30, 2024 (2023) is $1,845 ($1,338), including principal payments relating to lease obligations of $1,371 ($1,199), interest expense on lease obligations is $474 ($139). Total cash outflow for leases in the nine months ended June 30, 2024 (2023) is $5,202 ($3,493), including principal payments relating to lease obligations of $3,971 ($3,121), interest expense on lease obligations is $1,231 ($372). Expenses relating to short-term leases recognized in general and administration expenses was $40 ($41) for the three months ended June 30, 2024 (2023) and $121 ($137) for the nine months ended June 30, 2024 (2023).

7. Acquired Intangible Assets

A continuity of the acquired intangible assets for the nine months ended June 30, 2024 is as follows:

	June 30, 2024				
	Opening Balance	Additions (Note 16)	Amortization	Foreign Exchange Revaluation	Closing Balance
Customer relationships	$ 60,624	$ 77,030	$ (13,926)	$ 438	$ 124,166
Discrete contracts with customers & non-competition agreements	4,016	—	(1,617)	—	2,399
Technology and trademarks	10,520	856	(2,618)	—	8,758
	$ 75,160	$ 77,886	$ (18,161)	$ 438	$ 135,323

In the nine months ended June 30, 2024 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 nine months ended June 30, 2024:

	June 30, 2024
Opening balance, October 1	$ 159,133
Additions:	
Acquisition of Decisive (Note 16)	29,959
Acquisition of MDA Nuclear Division (Note 16)	1,039
Acquisition of Mabway (Note 16)	16,159
Adjustments:	
Acquisition of Hawaii Pacific Teleport (Note 16)	2,767
Foreign Exchange	912
	$ 209,969

8. Goodwill (continued)

In the nine months ended June 30, 2024 the Company recorded a foreign currency revaluation of goodwill held in foreign subsidiaries which utilize different functional currencies than the Company's presentation currency. These foreign exchange revaluations are reflected in comprehensive income.

The following table presents the goodwill for the Company for the year ended September 30, 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 June 30, 2024 (September 30, 2023), the Company utilized $94,000 ($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 June 30, 2024 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 June 30, 2024.

Common shares issued and outstanding:

	June 30, 2024			June 30, 2023		
	Shares		Amount	Shares		Amount
Balance October 1	11,812,650	$	225,540	11,607,391	$	213,277
Shares issued under employee share plans	42,707		2,131	47,640		2,027
Shares issued under employee share purchase plan	39,140		2,160	37,192		2,252
Shares issued through acquisition	566		34	47,876		2,844
Shares repurchased	(53,826)		(1,036)	—		—
Issued capital	11,841,237	$	228,829	11,740,099	$	220,400

Subsequent to the date of the statement of financial position, on August 7, 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 September 4, 2024.

10. Issued Capital and Reserves (continued)

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 June 30, 2024 (2023), the Company can issue 326,912 (377,480) shares.

During the three months ended June 30, 2024 (2023) under the 2020 Employee Share Purchase Plan, the Company issued 11,841 (12,460) shares at an average price of $55.78 ($62.15). The Company received $525 ($620) in proceeds and recorded an expense of $131 ($166). During the nine months ended June 30, 2024 (2023) under the 2020 Employee Share Purchase Plan, the Company issued 39,140 (37,192) shares at an average price of $55.19 ($61.71). The Company received $1,706 ($1,836) in proceeds and recorded an expense of $427 ($467).

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 7% (828,887) of the Company's issued and outstanding shares from time to time less the aggregate number of shares reserved for issuance or issuable under any other security-based compensation arrangement for the Company.

As at June 30, 2024 (2023), the Company has 448,611 (417,083) stock options and restricted share units ("RSUs") outstanding. As a result, the Company could grant up to 380,276 (639,526) additional stock options or RSUs pursuant to the plan.

The weighted average fair value of options granted during the nine months ended June 30, 2024 (2023) 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 nine months ended June 30, 2024:

11. Share-Based Compensation (continued)

	Weighted Average Options Granted			
	June 30, 2024		June 30, 2023	
Grant date share price	$	52.26	$	60.43
Exercise price	$	52.26	$	60.43
Expected price volatility	%	27.21	%	31.74
Expected option life	yrs	3.42	yrs	3.33
Expected dividend yield	%	2.14	%	1.89
Risk-free interest rate	%	4.23	%	3.66
Forfeiture rate	%	—	%	—

	June 30, 2024			June 30, 2023		
	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	(19,000)		31.50
Forfeited	(216)		60.43	(926)		60.43
Granted	31,138		52.26	23,542		60.43
Outstanding June 30	227,838	$	57.49	224,416	$	54.80

The following options are outstanding at June 30, 2024:

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.

11. Share-Based Compensation (continued)

At June 30, 2024 (2023) the weighted average remaining contractual life of options outstanding is 2.01 (2.08) years of which 202,321 (224,416) options are exercisable at a weighted average price of $58.00 ($54.80). The Company has recorded $74 ($76) of share-based compensation expense in the three months ended and $293 ($271) in the nine months ended June 30, 2024 (2023) related to the options that have been granted. At June 30, 2024 (2023) the Company has total unrecognized compensation expense of $120 ($136) that will be recorded in the next two fiscal years.

Restricted Share Units:

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.

The following table summarizes information about the RSUs for the nine months ended June 30, 2024:

	June 30, 2024		June 30, 2023	
	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	(27,207)	59.15	(28,640)	46.87
Forfeited	(1,613)	59.11	(23,842)	50.72
Granted	58,180	58.90	188,632	59.18
Outstanding June 30	220,773	$ 59.11	192,667	$ 59.19

Of the units issued in the current year under the RSU plan, 312 units have vested as of June 30, 2024. The Company has recorded $1,165 ($354) of share-based compensation expense in the three months and $2,969 ($1,141) in the nine months ended June 30, 2024 (2023) related to the RSUs that have been granted. At June 30, 2024 (2023) the Company has total unrecognized compensation expense of $3,045 ($1,364) that will be recorded over the next three years.

11. Share-Based Compensation (continued)

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	5,921	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	17,399	November 24, 2022	November 15, 2025	$	59.18
	PSU	142,785	November 24, 2022	November 15, 2025	$	59.18
(7) Issued February 14, 2024	RSU	1,243	February 14, 2024	February 14, 2027	$	58.68
(8) Issued February 23, 2024	RSU	6,973	February 23, 2024	February 28, 2026	$	59.00
(9) Issued March 15, 2024	RSU	35,484	March 15, 2024	November 15, 2026	$	59.00
	PSU	8,449	March 15, 2024	November 15, 2025	$	59.00
(10) Issued May 14, 2024	RSU	1,847	May 14, 2024	May 14, 2027	$	55.98

Deferred Share Unit Plan

At June 30, 2024 (2023) the Company has 25,969 (36,560) Deferred Share Units ("DSU") outstanding, of which 24,009 (19,616) have vested, and the remainder will vest until December 2024. The Company recorded share-based compensation of $212 ($209) related to the DSUs in the three months and $754 ($579) in the nine months ended June 30, 2024 (2023). 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 24,009 (19,616) vested DSUs outstanding at June 30, 2024 (2023). The fair value of the DSUs outstanding at June 30, 2024 (2023) was $50.92 ($56.15) 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 and nine months ended June 30, 2024 and 2023:

	Three months ended		Nine months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Product revenue				
Advanced Technologies	$ 37,234	$ 27,050	$ 105,898	$ 73,931
Health	173	—	936	—
Learning	1,941	1,984	6,218	4,668
ITCS	12,879	12,275	58,897	31,885
Total product revenue	$ 52,227	$ 41,309	$ 171,949	$ 110,484
Service revenue				
Advanced Technologies	$ 15,356	$ 17,727	$ 49,087	$ 51,911
Health	55,883	49,152	158,855	133,288
Learning	25,454	24,757	76,447	77,296
ITCS	36,078	33,605	109,107	109,656
Total service revenue	$ 132,771	$ 125,241	$ 393,496	$ 372,151
Total revenue	$ 184,998	$ 166,550	$ 565,445	$ 482,635

Remaining Performance Obligations

The following table presents the aggregate amount of the revenues expected to be realized in the future from partially or fully unsatisfied performance obligations as at June 30, 2024 for contracts recognized over time. The amounts disclosed below represent the value of the firm orders only. Such orders may be subject to future modifications that might impact the amount and/or timing of revenue recognition. The amounts disclosed below do not include unexercised options or letters of intent.

Revenues expected to be recognized in:

	June 30, 2024
Less than 24 months	$ 553,460
Thereafter	202,173
Total	$ 755,633

13. Net Profit per Share

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

	Three months ended June 30,		Nine months ended June 30,	
	2024	2023	2024	2023
Weighted average number of common shares – basic	11,856,132	11,732,711	11,838,348	11,689,528
Additions to reflect the dilutive effect of employee stock options and RSUs	171,917	51,799	161,493	35,276
Weighted average number of common shares – diluted	12,028,049	11,784,510	11,999,841	11,724,804

Options that are anti-dilutive because the exercise price was greater than the average market price of the common shares are not included in the computation of diluted net profit per share. For the three months ended June 30, 2024 (2023), 181,700 (44,838) options and 1,847 (NIL) RSUs were excluded from the above computation. For the nine months ended June 30, 2024 (2023), 212,838 (22,616) options and 3,090 (NIL) 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.

14. Segmented Information (continued)

For the three months ended June 30, 2024:

For the three months ended June 30, 2024	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	$ 52,590	$ 56,056	$ 27,395	$ 48,957	$ —	$ 184,998
Cost of revenues	31,894	41,483	19,848	29,938	—	123,163
Gross profit	20,696	14,573	7,547	19,019	—	61,835
Gross profit %	39 %	26 %	28 %	39 %	N/A %	33 %
Operating expenses	10,235	4,270	4,166	16,085	9,427	44,183
Profit before under noted items	$ 10,461	$ 10,303	$ 3,381	$ 2,934	$ (9,427)	$ 17,652
Profit before under noted items %	20 %	18 %	12 %	6 %	N/A%	10 %
Depreciation of property, plant and equipment						2,494
Depreciation of right of use asset						1,525
Amortization of acquired intangibles						6,777
Restructuring expense						1
Deemed compensation						1,010
Changes in fair value related to contingent earn-out						1,458
Profit before interest income and income tax expense						4,387
Interest expense (income)						1,366
Income tax expense						1,723
NET PROFIT FOR THE PERIOD						$ 1,298

14. Segmented Information (continued)

For the three months ended June 30, 2023:

For the three months ended June 30, 2023	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	$ 44,777	$ 49,152	$ 26,741	$ 45,880	$ —	$ 166,550
Cost of revenues	29,141	35,789	20,185	30,328	—	115,443
Gross profit	15,636	13,363	6,556	15,552	—	51,107
Gross profit %	35 %	27 %	25 %	34 %	N/A %	31 %
Operating expenses	8,526	4,338	2,720	12,154	8,863	36,601
Profit before under noted items	$ 7,110	$ 9,025	$ 3,836	$ 3,398	$ (8,863)	$ 14,506
Profit before under noted items %	16 %	18 %	14 %	7 %	N/A %	9 %
Depreciation of property, plant and equipment						2,361
Depreciation of right of use asset						1,127
Amortization of acquired intangibles						3,603
Deemed compensation						—
Changes in fair value related to contingent earn-out						138
Profit before interest income and income tax expense						7,277
Interest expense (income)						(115)
Income tax expense						2,719
NET PROFIT FOR THE PERIOD						$ 4,673

14. Segmented Information (continued)

For the nine months ended June 30, 2024:

For the nine months ended June 30, 2024	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	$ 154,985	$ 159,791	$ 82,665	$ 168,004	$ —	$ 565,445
Cost of revenues	94,367	118,030	61,685	101,273	—	375,355
Gross profit	60,618	41,761	20,980	66,731	—	190,090
Gross profit %	39 %	26 %	25 %	40 %	N/A %	34 %
Operating expenses	29,736	12,348	9,401	44,539	31,208	127,232
Profit before under noted items	$ 30,882	$ 29,413	$ 11,579	$ 22,192	$ (31,208)	$ 62,858
Profit before under noted items %	20 %	18 %	14 %	13 %	N/A %	11 %
Depreciation of property, plant and equipment						7,298
Depreciation of right of use asset						4,456
Amortization of acquired intangibles						18,161
Restructuring expense						1,496
Deemed compensation						2,525
Changes in fair value related to contingent earn-out						6,272
Profit before interest income and income tax expense						22,650
Interest expense (income)						4,647
Income tax expense						6,255
NET PROFIT FOR THE PERIOD						$ 11,748

14. Segmented Information (continued)

For the nine months ended June 30, 2023:

For the nine months ended June, 2023	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	$ 125,842	$ 133,288	$ 81,964	$ 141,541	$ —	$ 482,635
Cost of revenues	84,632	99,782	60,612	89,193	—	334,219
Gross profit	41,210	33,506	21,352	52,348	—	148,416
Gross profit %	33 %	25 %	26 %	37 %	N/A %	31 %
Operating expenses	24,020	10,846	7,897	34,543	25,504	102,810
Profit before under noted items	$ 17,190	$ 22,660	$ 13,455	$ 17,805	$ (25,504)	$ 45,606
Profit before under noted items %	14 %	17 %	16 %	13 %	N/A %	9 %
Depreciation of property, plant and equipment						6,910
Depreciation of right of use asset						3,149
Amortization of acquired intangibles						10,414
Deemed compensation						147
Changes in fair value related to contingent earn-out						3,442
Profit before interest income and income tax expense						21,544
Interest expense (income)						103
Income tax expense						7,675
NET PROFIT FOR THE PERIOD						$ 13,766

The Company operates in Canada but provides services to customers in various countries. Revenues from external customers for the nine months ended June 30, 2024 (2023) are attributed as follows:

	June 30, 2024	June 30, 2023
Canada	67 %	71 %
United States	23 %	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 nine months ended June 30, 2024 (2023) represented 50% (49%) 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 June 30, 2024, the Company had the following forward foreign exchange contracts:

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value June 30, 2024
BUY	$ 4,210	USD	August 2024	$ 5,754	$ 5
BUY	5,835	EURO	August 2024	8,566	18
Derivative assets					$ 23
SELL	$ 36,224	USD	August 2024	$ 49,510	$ (46)
SELL	3,302	EURO	August 2024	4,847	(10)
Derivative liabilities					$ (56)

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 June 30, 2024 (2023), 41% (49%) 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 June 30, 2024 (2023) is $85 ($160). Bad debt expense recognized in the nine months ended June 30, 2024 (2023) is $110 ($565).

15. Financial Instruments and Risk Management (continued)

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

	June 30, 2024	September 30, 2023
Cash and cash equivalents	$ 45,999	$ 33,734
Accounts receivable	147,745	173,052
Derivative assets	23	155
Total	$ 193,767	$ 206,941

The aging of accounts receivable at the reporting date was:

	June 30, 2024	September 30, 2023
Current	$ 134,422	$ 161,985
Past due (61-120 days)	7,024	7,905
Past due (> 120 days)	6,299	3,162
Total	$ 147,745	$ 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 June 30, 2024, 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 June 30, 2024, the Company had $45,999 cash on hand and $94,000 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 short-term investments, 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 June 30, 2024 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.

15. Financial Instruments and Risk Management (continued)

	June 30, 2024		
	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 45,999	$ —	$ —
Investments	—	—	3,673
Derivative assets	—	23	—
Debt facility	—	(94,000)	—
Contingent earn-out	—	—	(37,625)
Derivative liabilities	—	(56)	—
Total	$ 45,999	$ (94,033)	$ (33,952)

	September 30, 2023		
	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 33,734	$ —	$ —
Investments	—	—	3,673
Derivative assets	—	155	—
Debt facility	—	(37,750)	—
Contingent earn-out	—	—	(13,798)
Derivative liabilities	—	(353)	—
Total	$ 33,734	$ (37,948)	$ (10,125)

There were no transfers between Level 1, Level 2 and level 3 during the three and nine months ended June 30, 2024.

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.

16. Acquisitions (continued)

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. The Company recognized $1,247 in the nine months ended June 30, 2024 related to changes in fair value of contingent earn out and recorded deemed compensation expense of $1,811.

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 closing, $900 was put in escrow, $105 was settled on finalized closing working capital 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 an adjustment for the likelihood of achievement of the earn out amount. Decisive is an Ottawa-based IT infrastructure and cyber security services business that will bring new capabilities, partnerships and customers into the Company's portfolio. Decisive 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.

The Company recognized $2,163 in the nine months ended June 30, 2024 related to changes in fair value of contingent earn out. The Company recognized an adjustment to the contingent earn out payable in the nine months ended June 30, 2024 in the amount of $2,747. This adjustment is as a result of Decisive outperforming the Company's initial forecasted earn out achievement expectation.

16. Acquisitions (continued)

	Net Assets Acquired	Goodwill and Intangibles Accounting	Total Net Assets Acquired
Cash	$ 3,325	$ —	$ 3,325
Accounts receivable and tax receivable	3,148	—	3,148
Inventory	4,012	—	4,012
Prepaid expenses	1,509	—	1,509
Deferred tax asset	4,045	—	4,045
	$ 16,039	$ —	$ 16,039
Prepaid expenses	$ 611	$	$ 611
Equipment and application software	898	—	898
Right of use asset	2,059	—	2,059
Acquired intangible assets	—	49,400	49,400
Goodwill	—	29,959	29,959
	$ 19,607	$ 79,359	$ 98,966
Accounts payable and accrued liabilities	$ 11,216	$ —	$ 11,216
Lease obligation	2,016	—	2,016
Unearned contract revenue	7,584	—	7,584
Deferred tax liability	—	13,091	13,091
	$ 20,816	$ 13,091	$ 33,907
Net purchase price			$ 65,059
Discount on contingent consideration			3,708
Total purchase price			$ 68,767

MDA Ltd. (“MDA”)

On March 5, 2024, the Company acquired assets of MDA's nuclear services, for total cash consideration of $7,600. Of this amount, $7,400 was paid in cash on closing and $200 was put in escrow. MDA provides professional services to the Canadian nuclear industry and increases the Company's technical capability in it's service delivery. MDA is reported as part of the Advanced Technologies 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.

Due to timing of this acquisition, the final valuation of the acquisition and the allocation between intangible assets and goodwill is provisional. The fair value assigned to the consideration paid, intangible assets and net assets acquired is based on management's best estimate using the information currently available and may be revised by the Company as additional information is received.

The Company recognized $120 in the nine month period ended June 30, 2024 related to deemed compensation.

16. Acquisitions (continued)

		Goodwill and Intangibles Accounting		Total Net Assets Acquired
Acquired intangible assets	$	6,561	$	6,561
Goodwill		1,039		1,039
	$	7,600	$	7,600
Total purchase price			$	7,600

Mabway Limited "Mabway"

On May 9, 2024, the Company acquired all outstanding shares of Mabway, for total maximum consideration of $47,037 (GBP 27,440). Of this amount, $37,798 (GBP 22,045) was paid in cash on closing, and $9,239 (GBP 5,395) as contingent consideration, of which $6,384 (GBP 3,728) is included in the purchase price. The difference between the contingent consideration that is included in the purchase price to the total potential liability is due to some amounts being considered deemed compensation and likelihood of achievement of EBITDA targets and fulfillment of other contingent conditions.

Mabway is a U.K.-based business in the of management of large-scale defense role-playing environments that simulate real-world operational environments and provides technical engineering education for naval and maritime communities. The acquisition expands Calian's existing presence in the U.K. and Europe, reinforcing the Company's military training and simulation solutions portfolio in the region. Mabway's position in the U.K. defense sector provides opportunities for the Company to introduce its immersive learning solutions to complement the solutions Mabway is delivering. The Company uses the multi-period excess earnings method to value customer relationship intangible assets and replacement cost to value the technology assets acquired. 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 attributable to the customer relationships, and discount rate.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Mabway an additional $5,770 (3,334 GBP) if Mabway attains specific EBITDA targets for the year ended March 31, 2025 and obtains certain key signings by October 1, 2027, and $2,885 (1,667 GBP) if certain integration and transition criteria are attained by May 8, 2025.

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 Company recognized $115 in the nine months ended June 30, 2024 related to changes in fair value of contingent earn out. The Company recognized an adjustment to the contingent earn out payable in the three and nine month period ended June 30, 2024 in the amount of $358.

16. Acquisitions (continued)

		Net Assets Acquired		Goodwill and Intangibles Accounting		Total Net Assets Acquired
Cash	$	8,233	$	—	$	8,233
Accounts receivable and tax receivable		1,635		—		1,635
Work in progress		1,348		—		1,348
Prepaid expenses		630		—		630
	$	11,846	$	—	$	11,846
Equipment and application software	$	860		—		860
Right of use asset		235		—		235
Acquired intangible assets		—		21,925		21,925
Goodwill		—		16,159		16,159
	$	12,941	$	38,084	$	51,025
Accounts payable and accrued liabilities	$	2,356	$	—	$	2,356
Lease obligation		215		—		215
Deferred tax liability		99		5,430		5,529
	$	2,670	$	5,430	$	8,100
Net purchase price					$	42,925
Discount on contingent consideration						1,257
Total purchase price					$	44,182

The goodwill of $16,159 comprises the value of expected synergies arising from the acquisition and assembled workforce, which is not separately recognized from the goodwill. The assembled workforce does not meet the criteria for recognition as an intangible asset under IAS 38. None of the goodwill recognized is expected to be deductible for income tax purposes.

Cash consideration paid for the acquisition activity during the nine months ended June 30, 2024:

		Decisive		MDA		Mabway
Consideration paid in cash	$	50,782	$	7,600	$	37,798
Less- cash balance acquired		(3,325)		—		(8,233)
	$	47,457	$	7,600	$	29,565

17. Contingent Earn-Out

The following shows the contingent consideration activity for the nine months ended June 30, 2024:

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	—	—	1,247	1,811	12,775
Decisive	—	14,172	—	2,163	2,747	19,082
Mabway	—	4,454	—	115	358	4,927
Total	$ 13,798	$ 18,626	$ (3,240)	$ 3,525	$ 4,916	$ 37,625

As at June 30, 2024, the total gross value of all contingent consideration outstanding is $56,254. 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 June 30, 2024 (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 $240 ($473). This is measured at the exchange amounts agreed upon by both parties.

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2024

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 August 7, 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.

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 information within the meaning of applicable securities laws ("forward-looking statements").

Forward-looking statements include those identified by the expressions "anticipate," "believe," "plan," "estimate," "expect," "intend," "will", "should" and similar expressions. Forward-looking statements are not based on historical facts, but instead reflect the Company's current intentions, plans, expectations, and assumptions regarding future results or events which may prove to be inaccurate. Forward-looking statements in this MD&A include, but are not limited to, statements about the manner in which the Company intends to achieve and maintain growth, management's expectations for the markets in which the Company provides its services, competition to be faced by the Company and expectations for certain customer projects described herein including expected timing of completion for certain projects.

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; and
• 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.

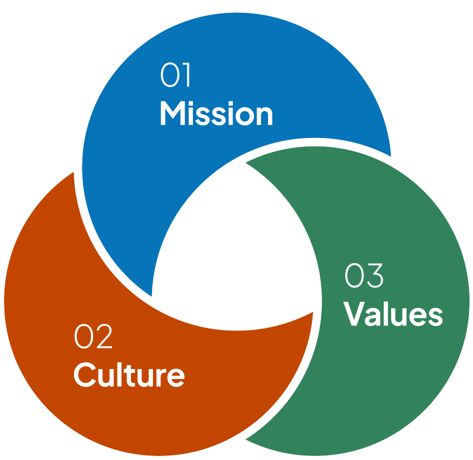
The Company cautions that the forward-looking statements in this MD&A are based on current expectations as at August 7, 2024, that may be subject to change and to risks and uncertainties, including those set out under the heading "Risks and Uncertainties" below, many of which are outside the Company's control.

Actual results may materially differ from those anticipated in those forward-looking statements if any of these risks or uncertainties materialize, or if assumptions underlying forward-looking statements prove incorrect.

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, 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 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 contacts.

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

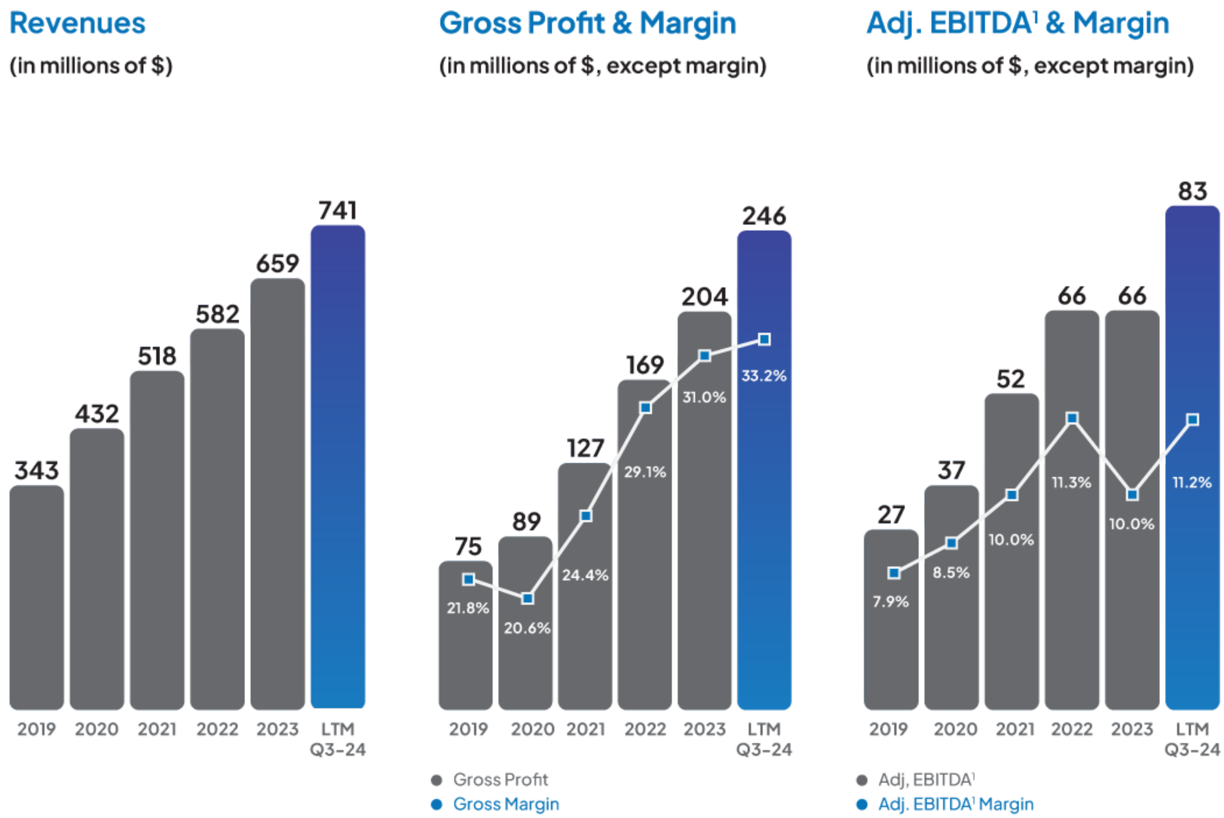
Through continued investment in acquisitive and organic growth, each segment increases its differentiation thus improving gross margins.

Continuous Improvement

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

5-Year Track Record of Execution

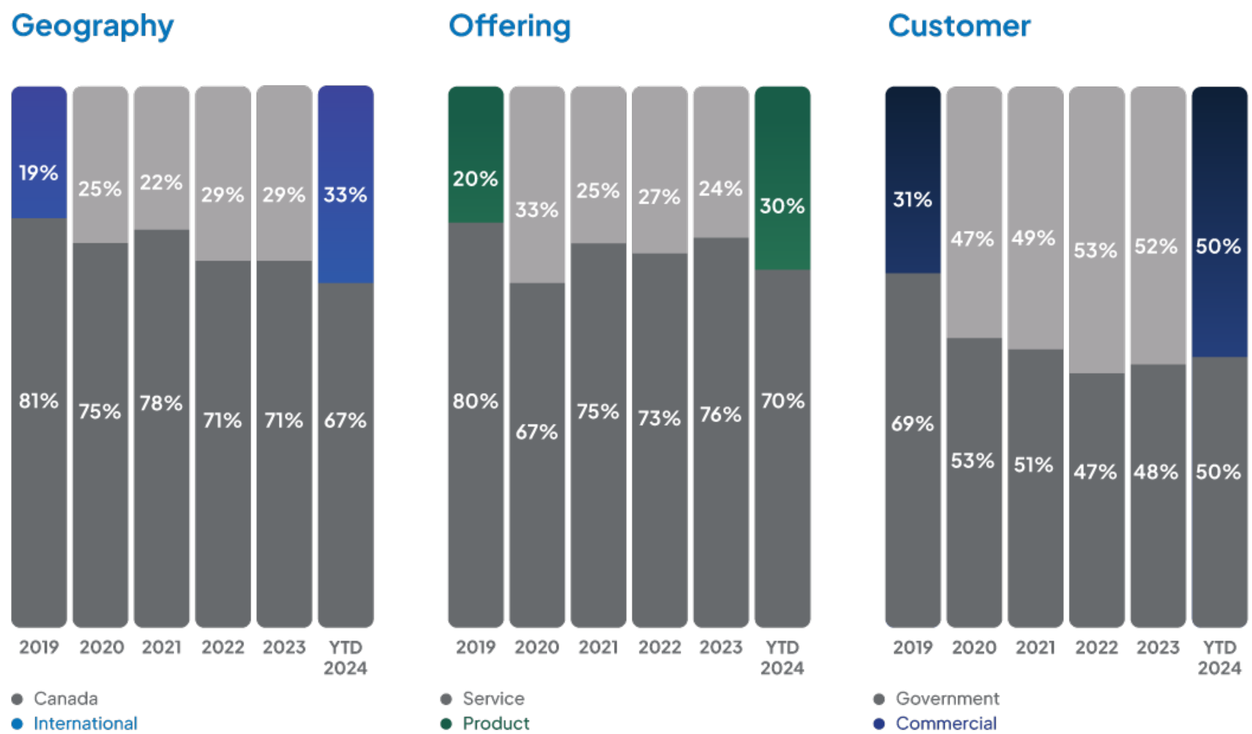
Over the past five years, Calian generated a revenue compound annual growth rate (CAGR) of 18% through organic growth and acquisitions, surpassing its 10% annual growth objective. The Company also increased its gross profit and adjusted EBITDA[1], which grew at a CAGR of 28% and 25%, respectively, significantly 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.



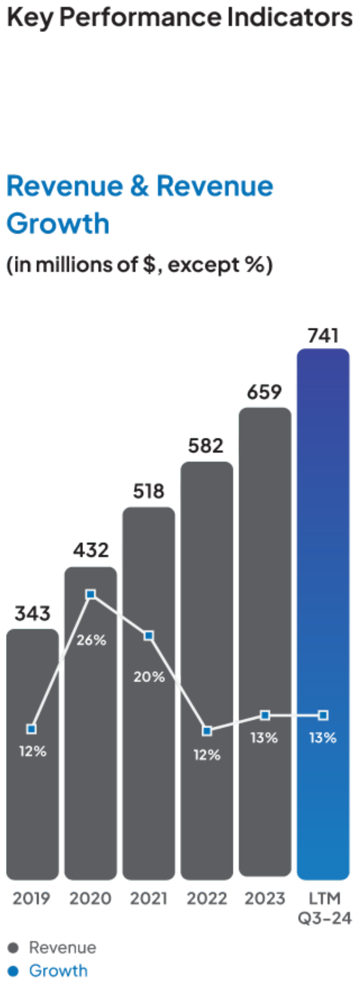
New 3-Year Strategic Plan

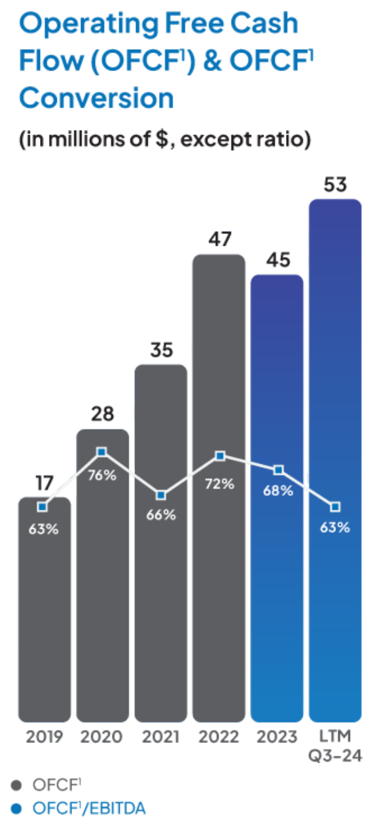
On October 1, 2023, Calian launched its new three-year strategic plan called *One Vision, One Purpose, One Calian 2026*. The objective of the plan is to continue to build a purpose-driven organization that has a strong values foundation and is growing profitably. The focus of the plan is to continue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

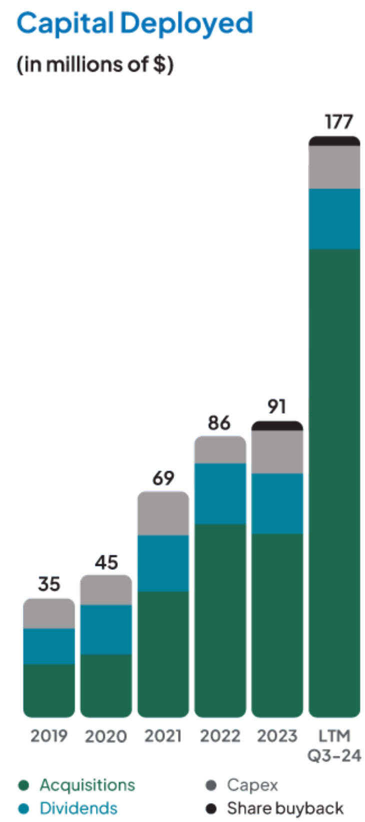
More specifically, the financial objective of this strategic plan is to reach one billion dollars in revenues by the end of FY26 through both organic growth and acquisitions. The playbook is to convert a high-level of profitable growth into strong operating free cash flow[1] where the capital generated can then be deployed to maximize shareholder value. All this while maintaining a healthy balance sheet.

[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.

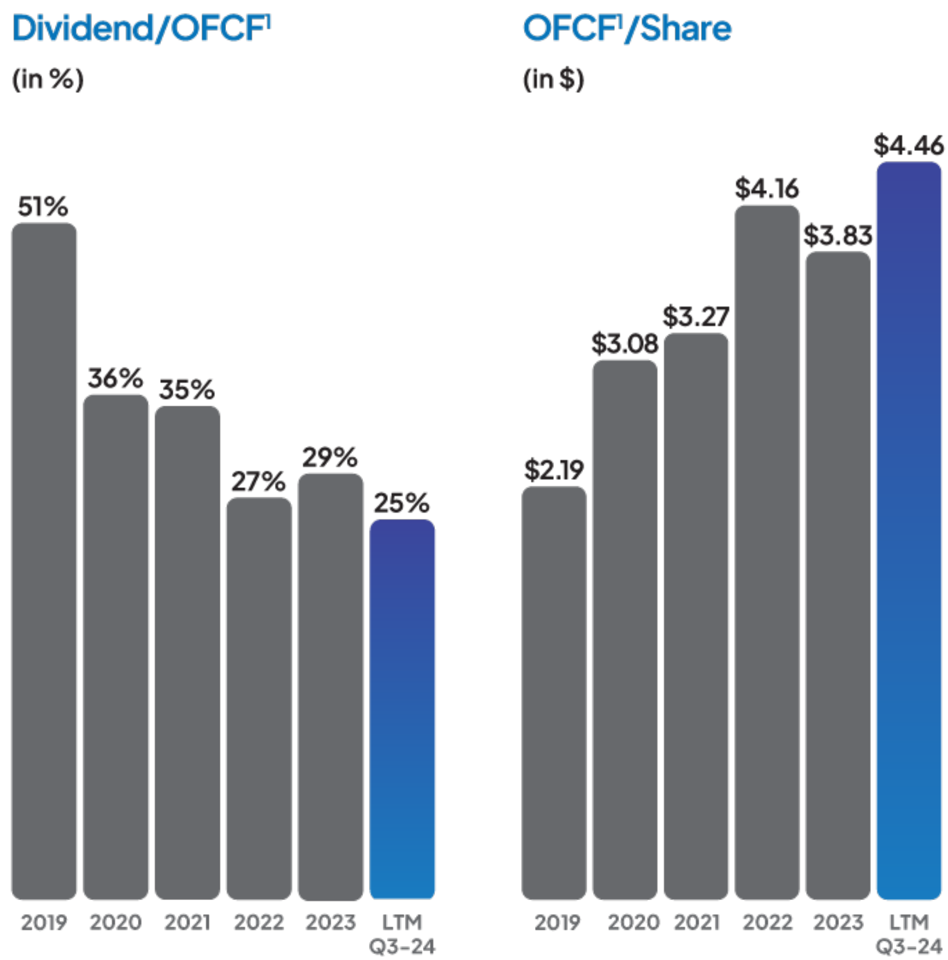






[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

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.



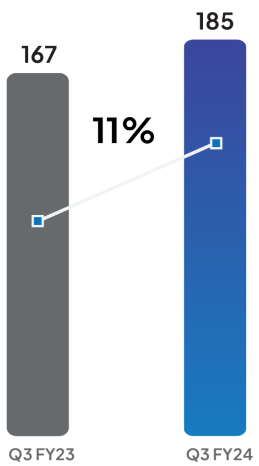
[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

Overview – Third Quarter of FY24

Revenues increased 11% to $185.0 million, as compared to $166.6 million for the same period last year. Strong performance across the board in our segments, with double growth in our Health and Advanced Technologies segments. Health has now achieved double digit revenue growth for three consecutive quarters. Acquisitive growth was 11% and was generated by the acquisitions of Hawaii Pacific Teleport ("HPT"), Decisive Group Inc. ("Decisive"), our acquisition of the Nuclear assets from MDA Ltd., and our most recent acquisition of Mabway Limited ("Mabway").

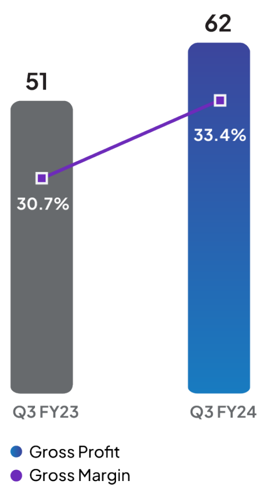
Revenues

(in millions of $)



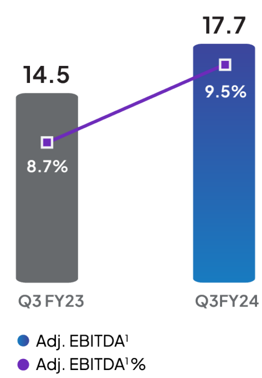
Gross profit & Gross margin %

(in millions of $, except margin)



Adj. EBITDA[1] & Adj. EBITDA[1] %

(in millions of $, except margin)

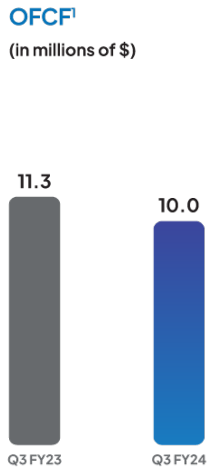


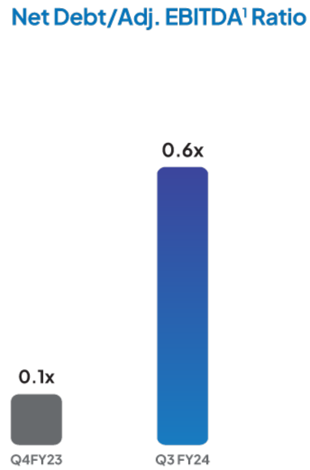
Gross profit increased 21%, to $61.8 million. Gross margin reached 33.4%, representing the 9th consecutive quarter above 30%. Similarly, adjusted EBITDA[1] increased by 22% to $17.7 million, driven by the higher-margin contribution from recent acquisitions in the Advanced Technologies and Learning segments, revenue growth across all segments, and progress in our push to expand geographically and increase our share of product revenue. Adjusted EBITDA[1] margin reached 9.5%, up from 8.7% for the same period last year, as a result of a favorable revenue mix and increased volume.

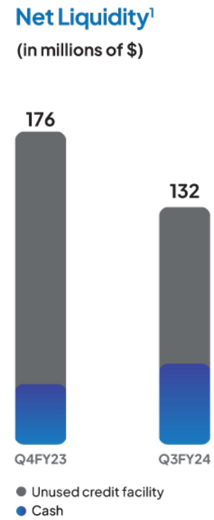
Calian generated $10.0 million of operating free cash flow[1] in the quarter. The Company used its cash and a portion of its credit facility to make strategic investments including the acquisition of Mabway and capital expenditures. It also provided a return to shareholders in the form of dividends and share buybacks. The Company ended the quarter with net debt[1] of $48.0 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 $46.0 million, combined with the unused portion of its credit facility, Calian ended the quarter with net liquidity[2] of $132.0 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 liquidity is defined as the Company's total available credit under its credit facility less its net debt.







Calian signed and acquired gross new contracts of $317 million and ended the quarter with a backlog of $1.2 billion, of which $169 million is earmarked for the remainder of FY24, $409 million for FY25 and $618 million beyond FY25.

[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 liquidity is defined as the Company's total available credit under its credit facility less its net debt.

FY24 Financial Guidance

Calian's guidance, which was raised last quarter and marks its seventh consecutive record year of revenue and adjusted EBITDA[1] growth, now anticipates being at the bottom of its guidance range. This adjustment is due to short-term operating budget cuts from the Canadian Armed Forces, which have affected the latter half of its third quarter and are expected to continue into the fourth quarter.

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

	Guidance for the year ended September 30, 2024			FY23 Results	YOY Growth at Low Point
(in thousands of $)	Low	Midpoint	High		
Revenue	750,000	780,000	810,000	658,584	14 %
Adjusted EBITDA[1]	86,000	89,000	92,000	65,987	30 %

This guidance includes the full-year contribution from the Hawaii Pacific Teleport acquisition, the Decisive Group acquisition, closed on December 1, 2023, the nuclear asset acquisition from MDA Ltd., closed on March 5, 2024 and the Mabway acquisition, closed on May 9, 2024. It does not include any other further acquisitions that may close within the fiscal year. The guidance also includes one-time transaction and integration costs related to these acquisitions of approximately $2 million. The guidance reflects another record year for the Company and positions it well to achieve its long-term growth targets.

At the low point of the range, this guidance reflects revenue and adjusted EBITDA[1] growth of 14% and 30%, respectively, and an adjusted EBITDA[1] margin of 11.5%. It would represent the 7th consecutive year of double-digit revenue growth and record levels.

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 June 30, 2024 was $1,196 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 June 30, 2024 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.

- $140 million added to backlog from the acquisition of Mabway
- $65.4 million addition with the option period extension in our Health Services Contract with the Department of National Defence
- $26.8 million in signings of Cyber product and services
- $14.7 million contract rewin for IT and technical support services
- $8.6 million contract rewin within Learning for continued training with the Canadian Armed Forces

[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.

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 $240 million. The Company's policy is to reduce the reported contractual backlog once it receives confirmation from the customer that indicates the utilization of the full contract value may not materialize.

Contract Backlog as of June 30, 2024

Contracted backlog	$	953,148
Option renewals		483,699
	$	1,436,847
Management estimate of unrealizable portion		(240,425)
Estimated Realizable Backlog	$	1,196,422

Estimated Recognition of Estimated Realizable Backlog

	July 1, 2024 to September 30, 2024	October 1, 2024 to September 30, 2025	Beyond September 30, 2025	Total
Advanced Technologies	$ 33,874	$ 53,655	$ 32,052	$ 119,581
Health	61,978	186,502	393,065	641,545
Learning	33,634	109,163	151,040	293,837
ITCS	39,504	59,701	42,254	141,459
Total	$ 168,990	$ 409,021	$ 618,411	$ 1,196,422

[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.

Consolidated Results

Selected Consolidated Financial Highlights

	Three months ended June 30,		Nine months ended June 30,	
	2024	2023	2024	2023
Revenues	$ 184,998	$ 166,550	$ 565,445	$ 482,635
Gross profit	**61,835**	**51,107**	**190,090**	**148,416**
Gross profit margin (%)	33 %	31 %	34 %	31 %
Profit before under noted items (adjusted EBITDA[1])	**$ 17,652**	**$ 14,506**	**$ 62,858**	**$ 45,606**
Adjusted EBITDA[1] margin %	10 %	9 %	11 %	9 %
Depreciation of equipment, application software and capitalized research and development	2,494	2,361	7,298	6,910
Depreciation of right of use assets	1,525	1,127	4,456	3,149
Amortization of acquired intangible assets	6,777	3,603	18,161	10,414
Restructuring expense	1	—	1,496	—
Deemed compensation	1,010	—	2,525	147
Changes in fair value related to contingent earn-out	1,458	138	6,272	3,442
Profit before interest income and income tax expense	**$ 4,387**	**$ 7,277**	**$ 22,650**	**$ 21,544**
Interest expense	1,366	(115)	4,647	103
Income tax expense	1,723	2,719	6,255	7,675
NET PROFIT	**$ 1,298**	**$ 4,673**	**$ 11,748**	**$ 13,766**
EPS - Basic	$ 0.11	$ 0.40	$ 0.99	$ 1.18
EPS - Diluted	$ 0.11	$ 0.40	$ 0.98	$ 1.17

Analysis of Consolidated Results – Three and Nine Months ended June 30, 2024

Revenue

For the three-month period ended June 30, 2024, consolidated revenues increased 11% to $184,998, compared to the same period last year. Acquisitive growth was 11% and was generated from four acquisitions that provided contribution for a portion of the year. Hawaii Pacific Teleport (HPT), closed on August 1, 2023, Decisive Group, closed December 1, 2023, Nuclear asset acquisition from MDA Ltd., closed March 5, 2024, and the acquisition of Mabway, closed on May 9, 2024. Organic revenues were flat on a consolidated level in the quarter. Strong growth in our Health segment was offset by declines in our domestic Learning segment due to government budget reductions, and ITCS where prolonged sales cycles saw a reduction in product revenues.

[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 nine-month period ended June 30, 2024, consolidated revenues increased 17%, compared to the same period last year. Acquisitive growth was 12% and was generated from the same acquisitions mentioned above. Organic growth was at our targeted 5%, primarily driven by double-digit growth from the Health segment and growth in 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 June 30, 2024, gross profit increased 21%, to $61,835, compared to $51,107 for the same period last year. This growth was driven by an increase in volume in our Health segment, favorable revenue mix for existing business across all segments, and the contribution from higher-margin acquisitive revenues. Gross margin reached 33.4%, up from 30.7% for the same period last year, representing the 9th consecutive quarter above 30%.

For the nine-month period ended June 30, 2024, gross profit increased 28% to $190,090, compared to $148,416 for the same period last year. Gross margin stood at 33.6% for the nine-month period ended June 30, 2024, up from 30.8% for the same period last year.

Adjusted EBITDA[1]

For the three-month period ended June 30, 2024, adjusted EBITDA[1] increased 22% to $17,652, compared to $14,506 for the same period last year. This growth was driven by the higher-margin contribution from recent acquisitions in the Advanced Technologies, Learning and ITCS segments and organic revenue growth in Health. We have continued to invest in our sales and marketing activities to generate more pipeline that should benefit the company in the coming years. Adjusted EBITDA[1] margin increased to 9.5%, compared to 8.7% for the same period last year, as a result of a favorable revenue mix and increased volume.

For the nine-month period ended June 30, 2024, adjusted EBITDA[1] increased 38% to $62,858, compared to $45,606 for the same period last year. Adjusted EBITDA[1] margin increased to 11.1%, compared to 9.4% for the same period last year.

Depreciation and Amortization

For the three-month period ended June 30, 2024, depreciation of property, plant and equipment stood at $2,494, an increase of 6% from the same period last year. This increase is primarily due to asset additions from recent acquisitions. For the nine-month period ended June 30, 2024, depreciation of property, plant and equipment stood at $7,298, an increase of 6% from the same period last year.

For the three-month period ended June 30, 2024, depreciation of right of use assets increased $398, compared to the same period last year. This increase is mainly due to new leases signed in the last twelve months, coupled with leases brought on from recent acquisitions. For the nine-month period ended June 30, 2024, depreciation of right of use assets increased by $1,307, compared to the same period last year.

For the three-month period ended June 30, 2024, amortization of acquired intangible assets increased $3,174, compared to the same period last year. This increase is primarily due to the acquired intangible assets from recent acquisitions (HPT, Decisive, the nuclear assets from MDA Ltd. and Mabway) amortizing since the acquisition dates in the last twelve months. For the nine-month period ended June 30, 2024, amortization of acquired intangible assets increased $7,747 from the same period last year.

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.

Restructuring Expense

For the nine-month period ended June 30, 2024, the Company recorded a non-recurring restructuring charge of $1,496 relating to realignment of management. These expenses were not incurred in the same period last year.

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

For the three-month period ended June 30, 2024, deemed compensation increased by $1,010, compared to the same period last year. This increase is due to deemed compensation amounts applicable under the acquisition agreements of HPT, the asset acquisition from MDA Ltd. and Mabway in the last twelve months. For the nine-month period ended June 30, 2024, deemed compensation increased by $2,378 compared to the same period last year.

For the three-month period ended June 30, 2024, changes in fair value related to contingent earn-out increased by $1,320, compared to the same period last year. This increase relates to additional accretion of interest in relation to open earn out amounts including HPT, Decisive and Mabway. For the nine-month period ended June 30, 2024, the change in fair value related to contingent earn-out increased by $2,830.

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 (income)

For the three-month period ended June 30, 2024, interest expense increased by $1,481, compared to the same period last year. This increase is due to the Company drawing on its credit facility to fund its recent acquisitions.

For the nine-month period ended June 30, 2024, interest expense increased by $4,544, compared to the same period last year, due to the same reason mentioned above.

Income Tax Expense

For the three-month period ended June 30, 2024, the provision for income taxes was $1,723, down $996 compared to the same period last year. This is primarily due to lower taxable income in the quarter, tax savings from utilizing tax assets acquired in the last 12 months along with impacts of deferred taxes from recent acquisitions. For the nine-month period ended June 30, 2024, the provision for income taxes was $6,255, down $1,420 compared to the same period last year.

The effective tax rate of the Company is projected to be approximately 31% for the annual period. The difference in effective tax rate to actual tax rate is primarily due to the increase in non-taxable items in the statement of profit and loss including intangible amortization and changes in fair value related to contingent earn out amounts which are quite significant to the Company, and account for significant fluctuations in tax rate where income tax is a percentage of earnings before tax.

Net Profit

For the three-month period ended June 30, 2024, net profit was $1,298, or $0.11 per diluted share, versus $4,673, or $0.40 per diluted share, for the same period last year. This decrease in profitability is primarily due to increased amortization and interest expenses related to acquisitions, partially offset by higher adjusted EBITDA[1] and lower income tax expense. For the nine-month period ended June 30, 2024, net profit was $11,748, or $0.98 per diluted share, versus $13,766, or $1.17 per diluted share, for the same period last 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.

Segmented Results

Advanced Technologies

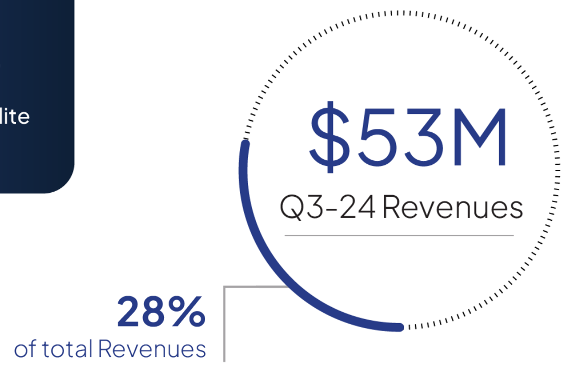
Advanced Technologies (AT)

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		Nine months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Product	$ 37,234	$ 27,050	$ 105,898	$ 73,931
Service	15,356	17,727	49,087	51,911
Revenues	52,590	44,777	154,985	125,842
Gross profit	20,696	15,636	60,618	41,210
Gross profit %	39 %	35 %	39 %	33 %
EBITDA[1]	10,461	7,110	30,882	17,190
EBITDA[1] Margin %	20 %	16 %	20 %	14 %
Organic/ Acquisitive Revenue Growth	-2%/19%	14%/0%	1%/22%	5%/0%
New contract signings (gross)	$ 40,000	$ 50,000	$ 141,000	$ 140,000
Backlog	$ 119,581	$ 142,192	$ 119,581	$ 142,192

Three-months ended June 30, 2024

For the three-month period ended June 30, 2024, revenues increased 17% to $52,590, compared to the same period last year. Acquisitive growth was 19%, generated by the acquisition of Hawaii Pacific Teleport and the asset acquisition from MDA Ltd. which closed on August 1, 2023 and March 5, 2024, respectively. Organic revenues declined 2%, primarily due to lower communication product sales as the Company was able to release significant product backlog in the prior year. This was partially offset by strong growth in nuclear 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 June 30, 2024, adjusted EBITDA[1] increased by 47% to $10,461, compared to the same period last year. This significant growth was mainly driven by a favorable revenue mix, higher margin contribution from the HPT acquisition and strong growth from nuclear services. It was partially offset by lower communication product volume, coupled with increased investments for the future. Adjusted EBITDA[1] margin increased to 20%, from 16% for the same period last year.

In the quarter, Advanced Technologies signed new contracts valued at $40 million, leaving the backlog at $120 million.

Nine-months ended June 30, 2024

For the nine-month period ended June 30, 2024, revenues increased 23% to $154,985, compared to the same period last year. Acquisitive growth was 22%, driven by the strong contribution from HPT and the nuclear assets of MDA. Organic growth was 1%, driven by the contribution of product sales, more specifically, GNSS, Ag tech products, as well as nuclear services. It was partially offset by large scale communication ground systems projects having been completed in the last 12 months.

For the nine-month period ended June 30, 2024, adjusted EBITDA[1] increased by 80% to $30,882, compared to the same period last year. This significant growth was primarily fueled by acquisitions. Adjusted EBITDA[1] margin increased to 20%, from 14% for the same period last year.

Selected highlights for the quarter:

- Collaborating with Point One Navigation to deliver Smart GNSS Antenna support for Polaris Real-Time Kinematic (RTK).
- Acquired portfolio of dedicated DOCSIS test products from Rohde & Schwarz

[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.

Health

Combines deep domain expertise in healthcare services, pharma solutions and digital technologies to enable better access to care. With a vast network of over 2,800 healthcare professionals spanning 85 specialties, Calian's Health segment improves access to care by connecting patients and providers with service delivery, clinical knowledge and digital technology.

Health Service

Pharma Solution

Digital Health

$56M

Q3-24 Revenues

30%

of total Revenues

	Three months ended		Nine months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Product	$ 173	$ —	$ 936	$ —
Service	55,883	49,152	158,855	133,288
Revenues	56,056	49,152	159,791	133,288
Gross profit	14,573	13,363	41,761	33,506
Gross profit %	26 %	27 %	26 %	25 %
EBITDA[1]	10,303	9,025	29,413	22,660
EBITDA[1] Margin %	18 %	18 %	18 %	17 %
Organic/ Acquisitive Revenue Growth	14%/0%	22%/0%	20%/0%	4%/0%
New contract signings (gross)	$ 80,000	$ 27,000	$ 124,000	$ 86,000
Backlog	$ 641,545	$ 634,366	$ 641,545	$ 634,366

Three-months ended June 30, 2024

For the three-month period ended June 30, 2024, revenues increased 14% to $56,056, compared to the same period last year. This growth was all organic and was driven by continued strong demand from our long standing customers.

For the three-month period ended June 30, 2024, adjusted EBITDA[1] increased 14% to $10,303, compared to the same period last year. This growth was driven by increased revenue and proactive management of operating expenses. Adjusted EBITDA[1] margin stood at 18%, in line with the same period last year.

In the quarter, Health signed new contracts valued at $80 million, leaving the backlog for the segment at $642 million.

Nine-months ended June 30, 2024

[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 nine-month period ended June 30, 2024, revenues increased 20% to $159,791, compared to the same period last year. This growth was all organic and was driven by the same reasons mentioned above. Adjusted EBITDA[1] increased 30% for the nine-month period ended June 30, 2024, compared to the same period last year, due to the same reasons mentioned above. Adjusted EBITDA[1] margin increased to 18% from 17% for the same period last year.

Selected highlights for the quarter:

- Announced significant enhancements to its Corolar Virtual Care Platform with new features to advance virtual healthcare

[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.

Learning

Provides specialized training and immersive learning solutions to defence, commercial, and higher education clients domestically and in international markets. The segment continues to grow its footprint in Europe servicing NATO and NATO member countries with a variety of military training and simulation technologies and services. It also provides consulting services in emergency management to federal, provincial and municipal governments, indigenous communities, academia, and the private sector.

Learning Technologies and Innovation

Defence Learning and Training

Emergency Management

Immersive Learning

$27M
Q3-24 Revenues

15%
of total Revenues

	Three months ended		Nine months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Product	$ 1,941	$ 1,984	$ 6,218	$ 4,668
Service	25,454	24,757	76,447	77,296
Revenues	27,395	26,741	82,665	81,964
Gross profit	7,547	6,556	20,980	21,352
Gross profit %	28 %	25 %	25 %	26 %
EBITDA[1]	3,381	3,836	11,579	13,455
EBITDA[1] Margin %	12 %	14 %	14 %	16 %
Organic/ Acquisitive Revenue Growth	-14%/16%	20%/0%	-5%/5%	17%/0%
New contract signings (gross)	$ 154,000	$ 1,000	$ 185,000	$ 18,000
Backlog	$ 293,837	$ 269,223	$ 293,837	$ 269,223

Three-months ended June 30, 2024

For the three-month period ended June 30, 2024, revenues increased 2% to $27,395, compared to the same period last year. Acquisitive growth was 16%, generated by the acquisition of Mabway closed on May 10, 2024. Organic revenues declined 14% compared to the previous year. Despite being awarded new contracts from the Canadian Armed Forces in the quarter, the ramp up of activity has been significantly slower than previous contracts. This was coupled with short term reductions in activity on long term existing contracts, with a target to meet their reduced budget. Our recent investments in expansion into Europe delivered growth as compared to last year due to our continued work with NATO.

For the three-month period ended June 30, 2024, adjusted EBITDA[1] decreased by 12% to $3,381, compared to the same period last year. This decrease is due to the lower demand from the Canadian Armed Forces,

[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.

and one-time acquisition related expenses incurred. As a result, adjusted EBITDA[1] margin declined to 12% from 14%, compared to the same period last year.

In the quarter, Learning signed new contracts valued at $154 million, and backlog stood at $294 million.

Nine-months ended June 30, 2024

For the nine-month period ended June 30, 2024, revenues stood at $82,665, in line with the same period last year, as the contribution from the Mabway acquisition for 6 weeks and continued growth in Europe was offset by short term Canadian government spending cuts. For the nine-month period ended June 30, 2024, adjusted EBITDA[1] decreased by 14% to $11,579, compared to the same period last year. As a result, adjusted EBITDA[1] margin decreased to 14% from 16% for the same period last year.

Selected highlights for the quarter:

- Won $23 million contract for new military medical training program with the Canadian Armed Forces (Learning and Health combined)
- Renewed $10 million contract for military training with Canadian Defence Academy and Military Personnel Generation Group
- Completed the acquisition of Mabway, expanding military training and simulation solutions globally
- Harnessing AI to bolster MaestroEDE exercise management tool for global military training

[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.

ITCS

Offers IT and cybersecurity solutions to support customers in their digital transformation from advisory through to implementation, as well as the delivery, management, monitoring and securing of complex IT infrastructures.

Cybersecurity

Enterprise Soutions

Digitalization

XaaS

$49M

Q3-24 Revenues

26%

of total Revenues

	Three months ended		Nine months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Product	$ 12,879	$ 12,275	$ 58,897	$ 31,885
Service	36,078	33,605	109,107	109,656
Revenues	48,957	45,880	168,004	141,541
Gross profit	19,019	15,552	66,731	52,348
Gross profit %	39 %	34 %	40 %	37 %
EBITDA[1]	2,934	3,398	22,192	17,805
EBITDA[1] Margin %	6 %	7 %	13 %	13 %
Organic/ Acquisitive Revenue Growth	-3%/10%	-5%/0%	-1%/20%	-1%/37%
New contract signings (gross)	$ 43,000	$ 53,000	$ 179,000	$ 160,000
Backlog	$ 141,459	$ 110,063	$ 141,459	$ 110,063

Three-months ended June 30, 2023

For the three-month period ended June 30, 2024, revenues increased 7% to $48,957, compared to the same period last year. Acquisitive growth was 10% driven by the acquisition of Decisive, closed on December 1, 2023. Organic revenues declined 3% due to lower government spending, longer sales cycles in our value added resale business, and delivery of customer backlog in the Company's second quarter of 2024, our strongest quarter of the year, resulting in lower shipments in the current quarter.

For the three-month period ended June 30, 2024, adjusted EBITDA[1] decreased by $464 to $2,934, compared to the same period last year. This decline is due to fixed cost increases from acquisition of Decisive and investments in our sales capacity not fully absorbed by lower sales volumes in the current quarter. As a result, adjusted EBITDA[1] margin declined to 6%, compared to 7% for the same period last year.

In the quarter, ITCS signed new contracts valued at $43 million, implying a book-to-bill ratio of 0.9.

[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.

Nine-months ended June 30, 2024

For the nine-month period ended June 30, 2024, revenues increased 19% to $168,004, compared to the same period last year. This growth was mainly attributed to the Decisive acquisition and our expansion into commercial and federal government markets in Canada. Adjusted EBITDA[1] increased 25% to $22,192, compared to the same period last year, due to the same factors mentioned above.

Selected highlights for the quarter:

- Named to CRN's Managed Service Provider 500 List
- Secured contract valued up to $90 million for IT and software development services with General Dynamics Mission Systems - Canada to support Canadian Army
- Named to CRN's Solution Provider 500 list
- Topped list of largest Houston-area Cybersecurity companies

Shared Services

For the three-month period ended June 30, 2024, shared services expenses increased by $564 to $9,427, compared to the same period last year. This increase is due to additional costs as the Company has accelerated its M&A agenda, additional investments in information system applications to support the organization's growth, new employee benefit programs rolled out in the current year, and costs recognized for performance share units which pertain to long term growth targets of the Company where achievement was not anticipated in the same quarter of the prior year.

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. The Company's first and third quarters are affected by business specific cycles, along with working days, statutory holidays and vacation periods impacting the Company's delivery teams contributing to lower service revenues. 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.

[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.

(Canadian dollars in millions, except per share data)

	Q3/24	Q2/24	Q1/24	Q4/23	Q3/23	Q2/23	Q1/23	Q4/22	Q3/22
Revenues									
Advanced Technologies	$ 52.6	$ 51.3	$ 51.1	$ 52.5	$ 44.8	$ 46.8	$ 34.3	$ 30.5	$ 39.2
Health	56.1	53.6	50.1	51.6	49.1	43.6	40.4	39.4	39.7
Learning	27.4	28.2	27.1	24.2	26.7	28.8	26.4	21.8	22.3
ITCS	49.0	68.2	50.8	47.6	45.9	49.3	46.4	68.8	48.8
Total Revenue	$ 185.1	$ 201.3	$ 179.1	$ 175.9	$ 166.5	$ 168.5	$ 147.5	$ 160.5	$ 150.0
Cost of revenue	123.2	131.2	121.0	120.2	115.4	116.5	102.3	110.4	104.5
Gross profit	61.9	70.1	58.1	55.7	51.1	52.0	45.2	50.1	45.5
Selling and marketing	14.3	15.0	12.4	10.5	11.9	11.8	11.1	13.1	9.6
General and administration	26.4	26.6	23.6	22.0	21.4	20.5	17.4	17.0	18.0
Research and development	3.5	2.7	2.7	2.8	3.3	2.9	2.4	1.0	1.8
Profit before under noted items	17.7	25.8	19.4	20.4	14.5	16.8	14.3	19.0	16.1
Depreciation of equipment and application software	2.5	2.5	2.3	2.1	2.4	2.3	2.3	2.4	2.3
Depreciation of right of use asset	1.5	1.5	1.5	1.4	1.2	1.0	1.0	1.0	1.0
Amortization of acquired intangible assets	6.8	6.2	5.2	4.5	3.6	3.4	3.4	3.5	3.4
Other changes in fair value	0.0	0.0	0.0	-0.3	0.0	0.0	0.0	0.0	0.0
Restructuring expense	0.0	1.5	0.0	2.6	0.0	0.0	0.0	0.0	0.0
Deemed Compensation	1.0	0.9	0.6	0.4	0.0	0.1	0.1	3.3	0.0
Changes in fair value related to contingent earn-out	1.5	4.1	0.7	0.4	0.0	2.5	0.7	2.3	0.7
Profit before interest and income tax expense	4.4	9.1	9.1	9.3	7.3	7.5	6.8	6.5	8.7
Interest expense	1.4	1.8	1.6	0.8	-0.1	0.1	0.1	0.1	0.2
Income tax expense	1.7	2.4	2.1	3.4	2.7	2.9	2.1	5.4	1.8
Net profit	1.3	4.9	5.4	5.1	4.7	4.5	4.6	1.0	6.7
Weighted average shares outstanding - Basic	11.89	11.8M	11.8M	11.8M	11.7M	11.7M	11.6M	11.4M	11.3M
Weighted average shares outstanding - Diluted	12.0M	12.0M	11.9M	11.8M	11.8M	11.8M	11.7M	11.5M	11.4M
Net profit per share									
Basic	$ 0.11	$ 0.42	$ 0.47	$ 0.43	$ 0.4	$ 0.39	$ 0.39	$ 0.1	$ 0.6
Diluted	$ 0.11	$ 0.41	$ 0.46	$ 0.43	$ 0.4	$ 0.38	$ 0.39	$ 0.1	$ 0.6
Adjusted EBITDA[1] per share									
Basic	$ 1.49	2.17	$ 1.73	$ 1.73	$ 1.24	$ 1.45	$ 1.23	$ 1.67	$ 1.48
Diluted	$ 1.47	2.14	$ 1.72	$ 1.72	$ 1.23	$ 1.45	$ 1.22	$ 1.66	$ 1.47

[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 8.5% at June 30, 2024 versus 14.0% 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 decreased from where it was a year ago which has contributed to a positive cash flow for the Company as working capital management continues to be a priority for the business.

Assets

As at June 30, 2024, total assets stood at $699,129, 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 along with positive operating contributions from the existing business.

As at June 30, 2024, cash and cash equivalents were $45,999, compared to $33,734 at September 30, 2023.

Liabilities

As at June 30, 2024, total liabilities stood at $365,191, versus $257,351 as at September 30, 2023. The increase is primarily a result of the acquisitions Decisive, along with the debt facility utilized in order to fund the acquisition.

As at June 30, 2024, Calian had net debt[1] of $48,001 and its net debt[1] to trailing twelve month adjusted EBITDA[1] ratio was 0.6x, well below its maximum target of 2.5x. As at June 30, 2024, 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 June 30, 2024.

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.

The Company repurchased 26,600 common shares for cancellation in the three-month period ended June 30, 2024 for consideration of $1,472 under its NCIB. The Company repurchased 53,826 common shares for cancellation in the nine-month period ended June 30, 2024 for consideration of $2,829.

The Company intends to renew its NCIB in August of 2024, subject to TSX approval.

[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 June 30, 2024, the capital stock issued and outstanding of the Company consisted of 11,841,237 common shares (11,740,099 as at June 30, 2023).

The following table presents the outstanding capital stock activity for the nine-month period ended June 30, 2024 and June 30, 2023.

	June 30, 2024	June 30, 2023
Balance October 1	11,812,650	11,607,391
Shares issued under employee share plans	42,707	47,640
Shares issued under employee share purchase plan	39,140	37,192
Shares issued through acquisition	566	47,876
Shares cancelled through NCIB program	(53,826)	—
Issued capital	11,841,237	11,740,099
Weighted average number of common shares – basic	11,838,348	11,689,528
Weighted average number of common shares – diluted	11,999,841	11,724,804

Liquidity and Capital Resources

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

	Three months ended		Nine months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Net profit	$ 1,298	$ 4,673	$ 11,748	$ 13,766
Items not affecting cash:	17,723	10,672	53,303	33,962
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	19,021	15,345	65,051	47,728
Change in non-cash working capital	359	(12,089)	16,477	(6,123)
Interest and income tax paid	(4,902)	(711)	(13,724)	(7,534)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	14,478	2,545	67,804	34,071
Dividends	(3,321)	(3,286)	(9,954)	(9,828)
Draw (repayment) on debt facility	25,000	—	56,250	(7,500)
Other	(2,314)	(833)	(4,632)	(980)
CASH FLOWS GENERATED FROM (USED IN) FINANCING ACTIVITIES	19,365	(4,119)	41,664	(18,308)
Investments	—	—	—	(2,689)
Business acquisitions	(29,565)	—	(87,862)	(8,660)
Capital Expenditures	(4,145)	(3,341)	(9,341)	(6,072)
CASH FLOWS USED IN INVESTING ACTIVITIES	(33,710)	(3,341)	(97,203)	(17,421)
NET CASH OUTFLOW	$ 133	$ (4,915)	$ 12,265	$ (1,658)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	45,866	45,903	33,734	42,646
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 45,999	$ 40,988	$ 45,999	$ 40,988

[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.

Operating Activities

For the three-month period ended June 30, 2024, cash flows generated from operating activities amounted to $14,478, compared to $2,545 for the same period last year. This is a result of the increased cash based income generated in the current quarter, along with maintaining working capital at a steady state whereas working capital detracted from cash in the same quarter of the prior year.

Financing Activities

For the three-month period ended June 30, 2024, financing activities increased cash by $19,365 mainly due to use of the credit facility in the current quarter of $25,000, offset by outflows for dividend payments of $3,321 and repurchases of common shares in the amount of $1,472. For the three-month period ended June 30, 2023, financing activities decreased cash by $4,119, primarily as a result of dividend payments of $3,286.

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 June 30, 2024, investing activities decreased cash by $33,710 mainly due to the acquisition of Mabway for $29,565 and capital expenditures of $4,145. For the three-month period ended June 30, 2023, investing activities decreased cash by $3,341 due to capital expenditures.

[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.

Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures

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

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

Adjusted EBITDA

	Three months ended		Nine months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Net profit	$ 1,298	$ 4,673	$ 11,748	$ 13,766
Depreciation of equipment and application software	2,494	2,361	7,298	6,910
Depreciation of right of use asset	1,525	1,127	4,456	3,149
Amortization of acquired intangible assets	6,777	3,603	18,161	10,414
Restructuring expense	1	—	1,496	—
Interest expense	1,366	(115)	4,647	103
Changes in fair value related to contingent earn-out	1,458	138	6,272	3,442
Deemed Compensation	1,010	—	2,525	147
Income tax	1,723	2,719	6,255	7,675
Adjusted EBITDA	$ 17,652	$ 14,506	$ 62,858	$ 45,606

[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.

Operating Free Cash Flow

	Three months ended		Nine months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Cash flows generated from operating activities	$ 14,478	$ 2,545	$ 67,804	$ 34,071
Property, plant and equipment	(4,145)	(3,341)	(9,341)	(6,072)
Free cash flow	**$ 10,333**	**$ (796)**	**$ 58,463**	**$ 27,999**
Free cash flow	$ 10,333	$ (796)	$ 58,463	$ 27,999
Adjustments:				
Change in non-cash working capital	(359)	12,089	(16,477)	6,123
Operating free cash flow	**$ 9,974**	**$ 11,293**	**$ 41,986**	**$ 34,122**
Operating free cash flow per share	0.84	0.96	3.55	2.92
Operating free cash flow conversion	57 %	78 %	67 %	75 %

Net Debt to Adjusted EBITDA

	June 30, 2024	September 30, 2023
Cash	$ 45,999	$ 33,734
Debt facility	94,000	37,750
Net debt (net cash)	48,001	4,016
Trailing twelve month adjusted EBITDA	82,239	65,987
Net debt to adjusted EBITDA	0.6	0.1

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[1] 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. The Company has reconciled adjusted profit to the most comparable IFRS financial measure as shown above.

[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.

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 June 30, 2024 have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries would have been known to them and that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified in the securities legislation.

Management Conclusion on the Effectiveness of Internal Control over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer of the Company, after evaluating the effectiveness of the Company's internal control over financial reporting as of June 30, 2024, have concluded that the Company's internal controls over financial reporting provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with IFRS.

During the most recent interim quarter ending June 30, 2024, 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

August 7, 2024