MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2024

CALIAN®

Confidence. Engineered.

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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.

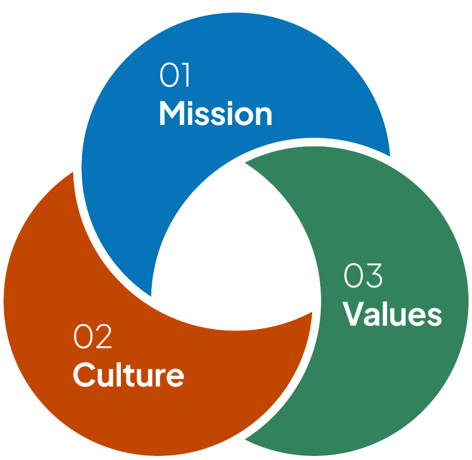
The Company cautions that the forward-looking statements in this MD&A are based on current expectations as at August 7, 2024, that may be subject to change and to risks and uncertainties, including those set out under the heading "Risks and Uncertainties" below, many of which are outside the Company's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

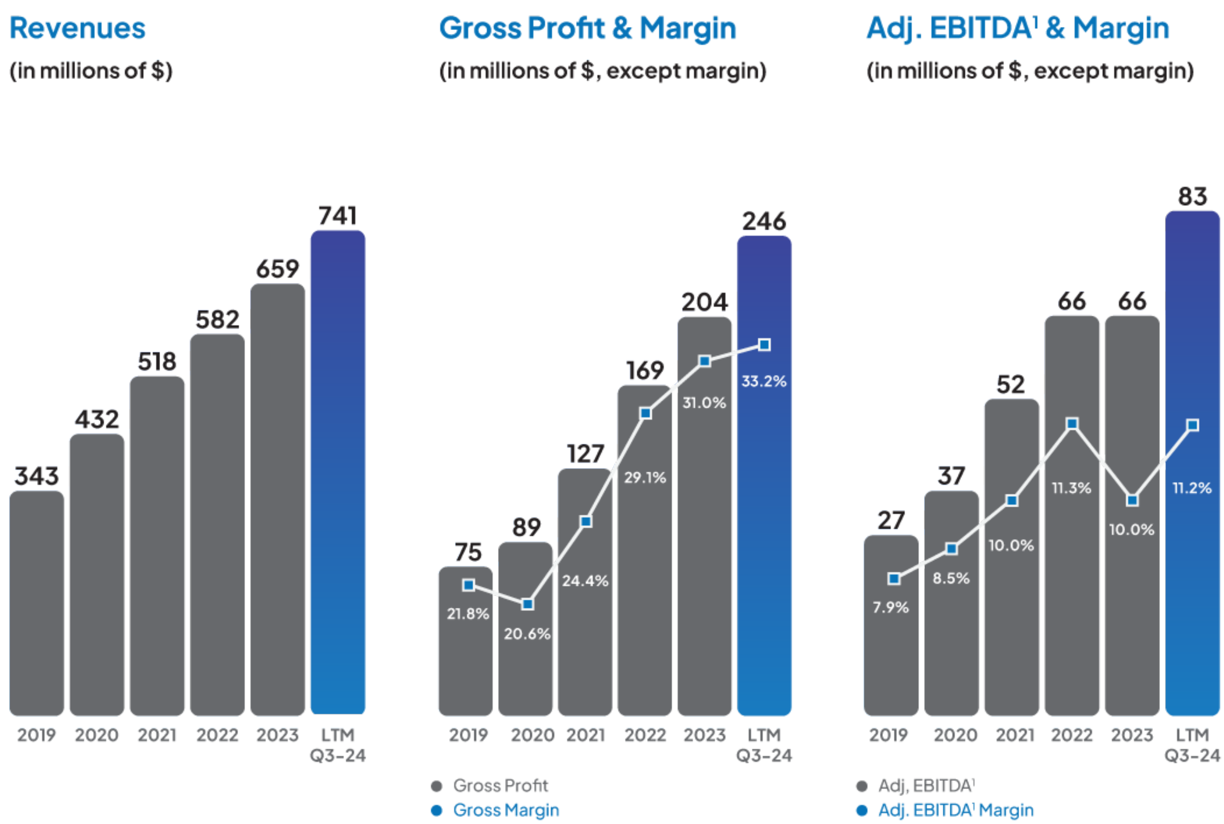
Through continued investment in acquisitive and organic growth, each segment increases its differentiation thus improving gross margins.

Continuous Improvement

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

5-Year Track Record of Execution

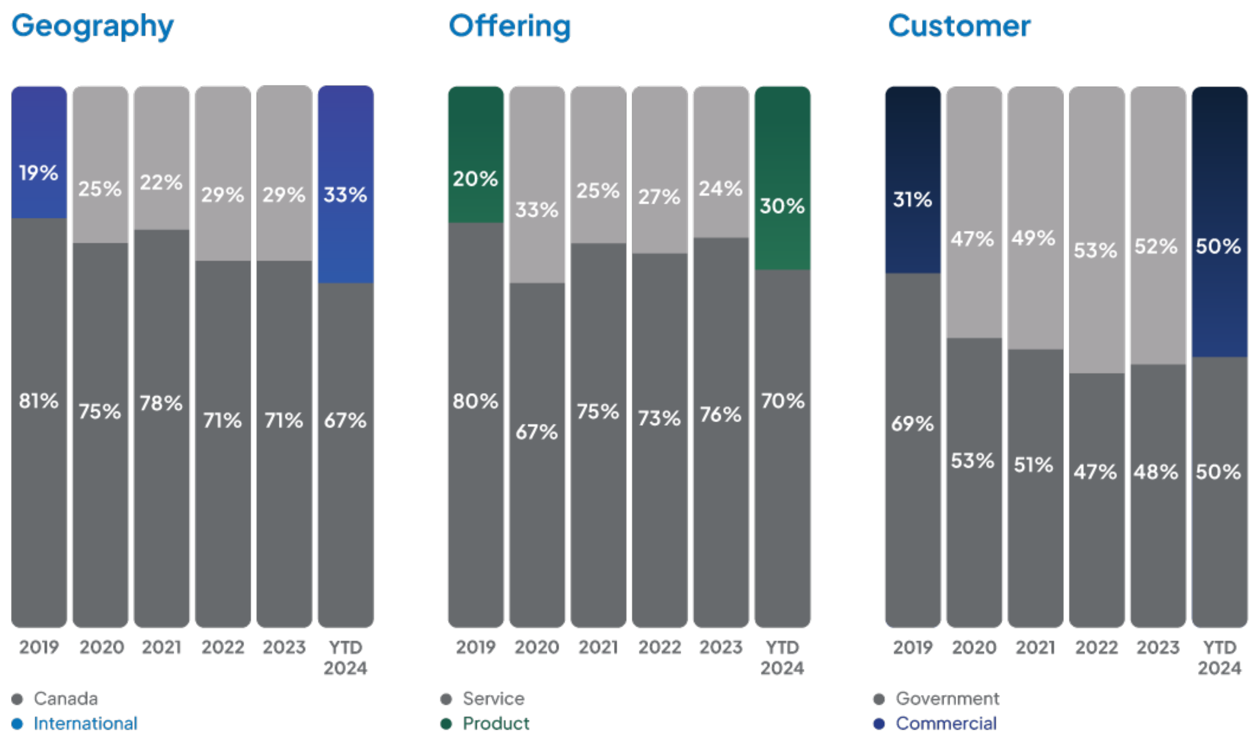
Over the past five years, Calian generated a revenue compound annual growth rate (CAGR) of 18% through organic growth and acquisitions, surpassing its 10% annual growth objective. The Company also increased its gross profit and adjusted EBITDA[1], which grew at a CAGR of 28% and 25%, respectively, significantly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

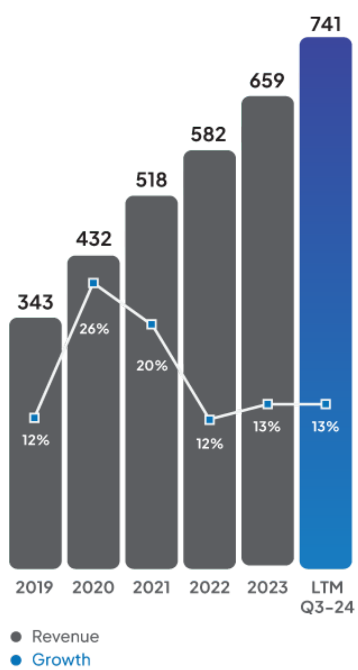
[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

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

Key Performance Indicators

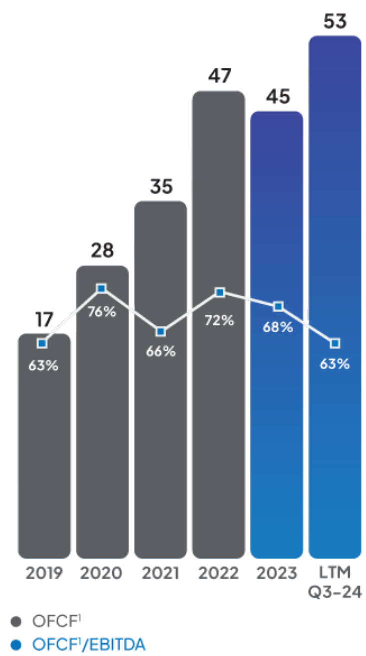
Revenue & Revenue Growth

(in millions of $, except %)



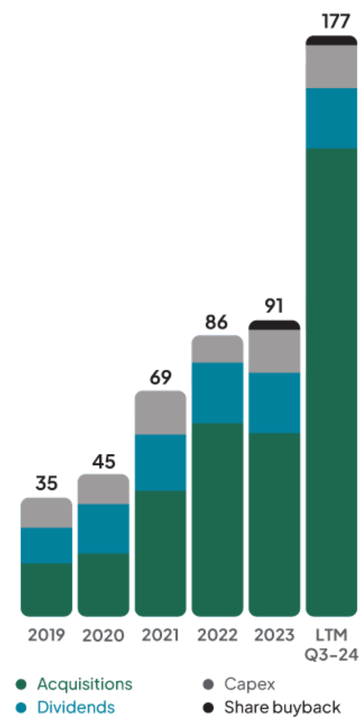
Operating Free Cash Flow (OFCF[1]) & OFCF[1] Conversion

(in millions of $, except ratio)



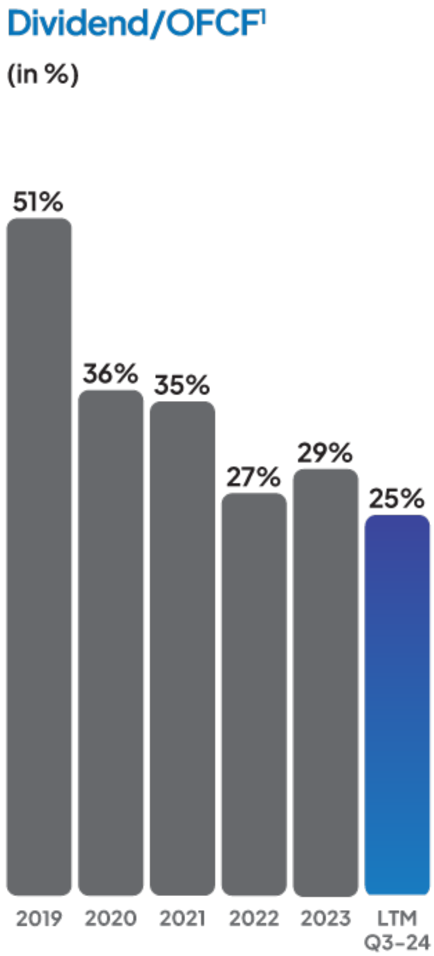
Capital Deployed

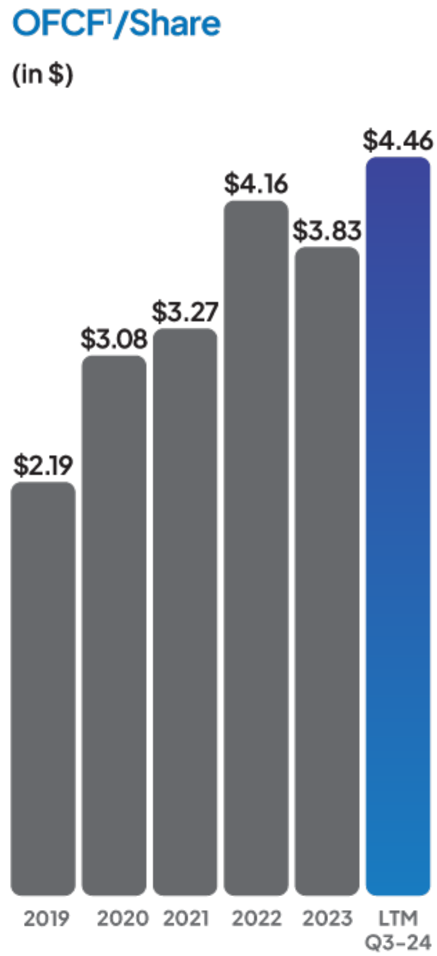
(in millions of $)



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

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





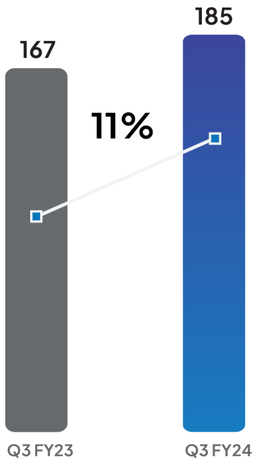
[1] Refer to the section entitled "Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures" of this MD&A for an explanation of the non-GAAP measure.

Overview – 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").

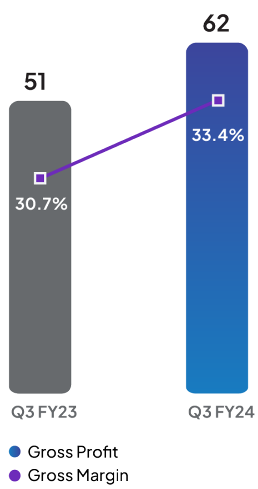
Revenues

(in millions of $)



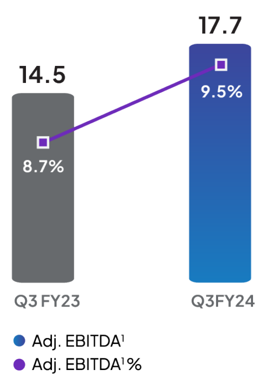
Gross profit & Gross margin %

(in millions of $, except margin)



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

(in millions of $, except margin)

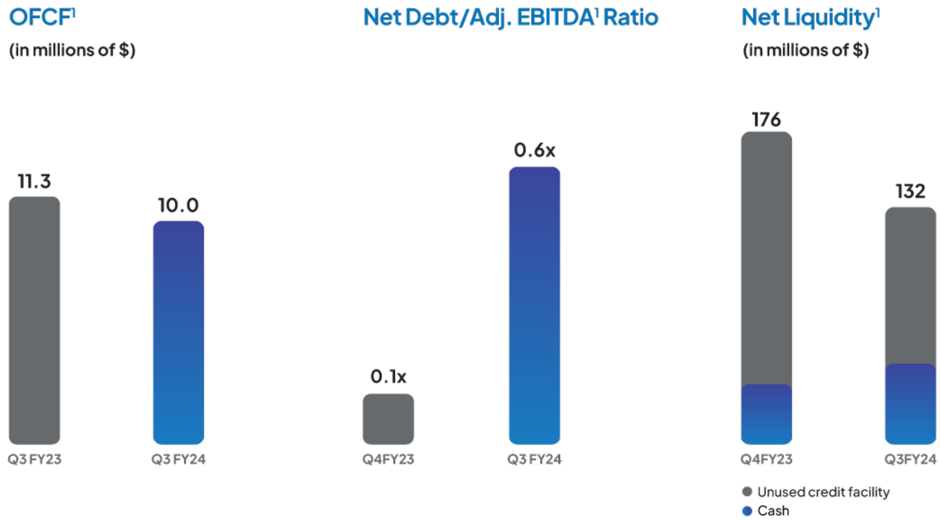


Gross profit increased 21%, to $61.8 million. Gross margin reached 33.4%, representing the 9th consecutive quarter above 30%. Similarly, adjusted EBITDA[1] increased by 22% to $17.7 million, driven by the higher-margin contribution from recent acquisitions in the Advanced Technologies and Learning segments, 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

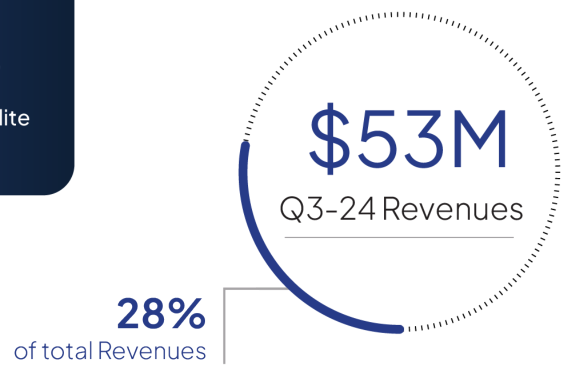
Advanced Technologies (AT)

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.

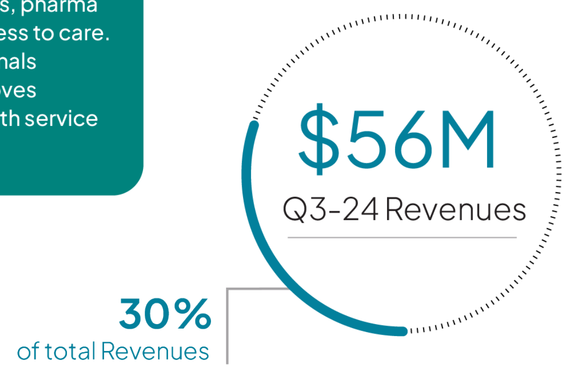
Health

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



	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