February 13, 2025

Unaudited Interim Condensed Consolidated Financial Statements

For the three months ended December 31, 2024

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CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2024 and September 30, 2024
(Canadian dollars in thousands, except per share data)

	NOTES	December 31, 2024	September 30, 2024
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	$ 61,040	$ 51,788
Accounts receivable		157,542	157,376
Work in process	5	20,205	20,437
Inventory		29,442	23,199
Prepaid expenses		23,805	23,978
Derivative assets	17	31	32
Total current assets		292,065	276,810
NON-CURRENT ASSETS			
Property, plant and equipment	6	41,234	40,962
Right of use assets	7	41,746	36,383
Prepaid expenses		7,157	7,820
Deferred tax asset		3,376	3,425
Investments		3,875	3,875
Acquired intangible assets	8	123,297	128,253
Goodwill	10	213,925	210,392
Total non-current assets		434,610	431,110
TOTAL ASSETS		$ 726,675	$ 707,920
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		$ 123,945	$ 124,884
Provisions		2,454	3,075
Unearned contract revenue	5	40,263	41,723
Lease obligations	7	5,556	5,645
Contingent earn-out	20	29,709	39,136
Derivative liabilities	17	169	92
Total current liabilities		202,096	214,555
NON-CURRENT LIABILITIES			
Debt facility	11	115,750	89,750
Lease obligations	7	39,425	33,798
Unearned contract revenue	5	17,256	14,503
Contingent earn-out	20	2,773	2,697
Deferred tax liabilities		23,738	25,862
Total non-current liabilities		198,942	166,610
TOTAL LIABILITIES		401,038	381,165
SHAREHOLDERS' EQUITY			
Issued capital	12	227,561	225,747
Contributed surplus		4,555	6,019
Retained earnings		84,038	91,268
Accumulated other comprehensive income		9,483	3,721
TOTAL SHAREHOLDERS' EQUITY		325,637	326,755
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 726,675	$ 707,920
Number of common shares issued and outstanding		11,765,055	11,802,364

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET PROFIT
For the three months ended December 31, 2024 and 2023
(Canadian dollars in thousands, except per share data)

	NOTES	Three months ended December 31, 2024	Three months ended December 31, 2023 (Note 21)
Revenue	14	$ 185,047	$ 179,179
Cost of revenues		126,246	120,961
Gross profit		**58,801**	**58,218**
Selling, general and administrative		38,105	34,145
Research and development		2,896	2,719
Share based compensation	13	1,091	1,190
Profit before under noted items		**16,709**	**20,164**
Restructuring expense		692	—
Depreciation and amortization	9	11,540	9,006
Mergers and acquisition costs	19	2,320	1,980
Profit before interest income and income tax expense		**2,157**	**9,178**
Interest expense		1,783	1,547
Income tax expense		1,350	2,106
NET PROFIT (LOSS)		**$ (976)**	**$ 5,525**
Net profit (loss) per share:			
Basic	15	$ (0.08)	$ 0.47
Diluted	15	$ (0.08)	$ 0.46

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three months ended December 31, 2024 and 2023
(Canadian dollars in thousands)

	Three months ended December 31,			
		2024		2023
NET PROFIT (LOSS)	$	(976)	$	5,525
Cumulative translation adjustment		6,726		900
Change in deferred loss on derivatives designated as cash flow hedges, net of tax of $348 (2024 - $(324))		(964)		(2,422)
Other comprehensive income (loss), net of tax		5,762		(1,522)
COMPREHENSIVE INCOME	**$**	**4,786**	**$**	**4,003**

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the three months ended December 31, 2024 and 2023
(Canadian dollars in thousands, except per share data)

	NOTES	Issued capital	Contributed surplus	Retained earnings	Other comprehensive income	Total
Balance October 1, 2024		**$ 225,747**	**$ 6,019**	**$ 91,268**	**$ 3,721**	**$ 326,755**
Net profit and comprehensive income		—	—	(976)	5,762	4,786
Dividend paid ($0.28 per share)		—	—	(3,292)	—	(3,292)
Share repurchase	12	(1,964)	—	(2,962)	—	(4,926)
Shares issued under employee share plans	12	2,779	(2,381)	—	—	398
Shares issued under employee share purchase plan	12	654	—	—	—	654
Share-based compensation expense	13	—	917	—	—	917
Obligation related to share repurchase	13	345	—	—	—	345
Balance December 31, 2024		**$ 227,561**	**$ 4,555**	**$ 84,038**	**$ 9,483**	**$ 325,637**

	NOTES	Issued capital	Contributed surplus	Retained earnings	Other comprehensive income (loss)	Total
Balance October 1, 2023		**$ 225,540**	**$ 4,856**	**$ 96,859**	**$ 1,117**	**$ 328,372**
Net profit and comprehensive income		—	—	5,525	(1,522)	4,003
Dividend paid ($0.28 per share)		—	—	(3,314)	—	(3,314)
Share repurchase	12	(520)	—	(836)	—	(1,356)
Shares issued under employee share plans	12	1,818	(1,360)	—	—	458
Shares issued under employee share purchase plan	12	628	—	—	—	628
Share based compensation expense	13	—	783	—	—	783
Balance December 31, 2023		**$ 227,466**	**$ 4,279**	**$ 98,234**	**$ (405)**	**$ 329,574**

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended December 31, 2024 and 2023
(Canadian dollars in thousands)

		Three months ended December 31, 2024	Three months ended December 31, 2023
CASH FLOWS GENERATED FROM (USED IN) OPERATING ACTIVITIES			
Net profit (loss)		$ (976)	$ 5,525
Items not affecting cash:			
Interest expense		1,295	1,098
Changes in fair value related to contingent earn-out	20	558	726
Lease obligations interest expense	7	488	449
Income tax expense		1,350	2,106
Employee share purchase plan expense	13	174	162
Share based compensation expense	13	917	1,013
Depreciation and amortization	10	11,540	9,006
Deemed compensation	18, 20	1,563	604
		16,909	20,689
Change in non-cash working capital			
Accounts receivable		(167)	(11,189)
Work in process		232	(898)
Prepaid expenses and other		(2,739)	(74)
Inventory		(6,241)	(2,590)
Accounts payable and accrued liabilities		(858)	15,516
Unearned contract revenue		1,294	206
		8,430	21,660
Interest paid		(1,783)	(1,547)
Income tax paid		(2,265)	(2,575)
		4,382	17,538
CASH FLOWS GENERATED FROM (USED IN) FINANCING ACTIVITIES			
Issuance of common shares net of costs	12, 13	881	694
Repurchase of common shares	12	(4,926)	(1,357)
Dividends		(3,292)	(3,314)
Net draw on debt facility	11	26,000	56,000
Payment of lease obligations	7	(1,442)	(1,171)
		17,221	50,852
CASH FLOWS USED IN INVESTING ACTIVITIES			
Business acquisitions	18	(11,215)	(47,457)
Property, plant and equipment	6	(1,136)	(2,400)
		(12,351)	(49,857)
NET CASH INFLOW		$ 9,252	$ 18,533
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		51,788	33,734
CASH AND CASH EQUIVALENTS, END OF PERIOD		$ 61,040	$ 52,267

The accompanying notes are an integral part of the unaudited interim 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 the 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, 2024, and should be read in conjunction with the audited consolidated financial statements and notes thereto, with the exception of a change in the Company's accounting policy under IAS1, presentation of financial statements. The Company modified classification of certain expenses, and the inclusion of certain expenses into different subtotals in the statement of net profit in the current period. The change in policy applies retrospectively where the impacts to the December 31, 2023 statement of profit and loss are disclosed in note 21 to these financial statements. These unaudited interim condensed consolidated financial statements do not include all of the information required in annual financial statements.

These consolidated financial statements were authorized for issuance by the Board of Directors on February 13, 2025.

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 other 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, 2024.

3. Seasonality

The results of operations for the interim periods are not necessarily indicative of the results of operations for the full year. The Company’s revenues and earnings have historically been subject to quarterly seasonality due to the timing of vacation periods, statutory holidays, industry specific seasonal cycles and the timing and delivery of milestones for significant projects.

4. Cash and Cash Equivalents

The following table presents cash and cash equivalents for the period ended:

	Cash and Cash Equivalents	
	December 31, 2024	September 30, 2024
Cash	$ 59,796	$ 51,788
Restricted cash	1,244	—
Total cash and cash equivalents	$ 61,040	$ 51,788

5. Contract Assets and Liabilities

The following table presents net contract liabilities as at:

	Net Contract Liabilities	
	December 31, 2024	September 30, 2024
Work in process	$ 20,205	$ 20,437
Unearned contract revenue (current)	(40,263)	(41,723)
Unearned contract revenue (non-current)	(17,256)	(14,503)
Net contract liabilities	$ (37,314)	$ (35,789)

The following table presents changes in net contract liabilities for three-month period December 31, 2024, and twelve month-period ended September 30, 2024:

	Changes in Net Contract Liabilities	
	December 31, 2024	September 30, 2024
Opening balance, October 1	$ (35,789)	$ (31,435)
Revenue recognized for net contract liabilities	35,945	126,970
Billings	(37,470)	(125,088)
Acquisitions (Note 18)	—	(6,236)
Ending balance	$ (37,314)	$ (35,789)

6. Property, Plant and Equipment

A continuity of the main components included in property, plant and equipment for the three-month period ended December 31, 2024 is as follows:

	Cost				Depreciation		Carrying Value	
	Cost	Additions/ Disposals	Acquisitions (Note 18)	Total	Depreciation	Accumulated Depreciation	December 31, 2024	September 30, 2024
Leasehold improvements	$ 5,075	$ —	$ —	$ 5,075	$ (60)	$ (3,105)	$ 1,970	$ 2,031
Land and Building	2,276	—	—	2,276	—	(28)	2,248	2,248
Equipment	62,681	2,877	—	65,558	(2,098)	(39,110)	26,448	26,156
Application software	15,838	520	—	16,358	(336)	(7,447)	8,911	8,775
Capitalized research and development	5,139	—	—	5,139	(21)	(4,841)	298	319
Intellectual property rights	1,482	—	—	1,482	(74)	(123)	1,359	1,433
Total	$ 92,491	$ 3,397	$ —	$ 95,888	$ (2,589)	$ (54,654)	$ 41,234	$ 40,962

6. Property, Plant and Equipment (continued)

Additions in the table above amount to $1,136 ($2,416) for the three months ended December 31, 2024 (2023) and are shown net of disposals and foreign exchange adjustments. The Company recognized foreign exchange of $2,278 in the cost and $(633) in the depreciation of property, plant and equipment for the three months ended December 31, 2024.

7. Right of Use Assets and Lease Obligations

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

	Three months ended			
		December 31, 2024		December 31, 2023
Balance at October 1	$	36,383	$	34,637
Additions		5,656		2,248
Disposals and foreign exchange adjustments		1,324		(1,371)
Depreciation		(1,617)		(1,463)
Acquisitions (Note 18)		—		2,059
	$	41,746	$	36,110

The Company's leases are for land, office, and manufacturing space. The Company has included renewal options in the measurement of lease obligations when it is reasonably certain to exercise the renewal option.

The following table presents lease obligations for the Company:

	Three months ended			
		December 31, 2024		December 31, 2023
Balance at October 1	$	39,443	$	37,006
Additions		5,420		2,250
Disposals and foreign exchange adjustments		1,560		(1,374)
Principal payments		(1,442)		(1,171)
Acquisitions (Note 18)		—		2,016
	$	44,981	$	38,727
Current	$	5,556	$	5,156
Non-current		39,425		33,571
Total	$	44,981	$	38,727

The following table presents the contractual undiscounted cash flows for lease obligations as at December 31, 2024:

		Total Undiscounted Lease Obligations
Less than one year	$	7,517
One to five years		22,175
More than five years		28,724
Total undiscounted lease obligations	$	58,416

7. Right of Use Assets and Lease Obligations (continued)

Total cash outflow for leases in the three months ended December 31, 2024 (2023) is $1,930 ($1,620), including principal payments relating to lease obligations of $1,442 ($1,171), interest expense on lease obligations is $488 ($449). Expenses relating to short-term leases recognized in general and administration expenses was $36 ($41) for the three months ended December 31, 2024 (2023)

8. Acquired Intangible Assets

A continuity of the acquired intangible assets for the three-month period ended December 31, 2024 is as follows:

	December 31, 2024			
	Opening Balance	Amortization	Foreign Exchange Revaluation	Closing Balance
Customer relationships	$ 118,482	$ (5,880)	$ 2,378	$ 114,980
Discrete contracts with customers & non-competition agreements	1,862	(450)	—	1,412
Technology and trademarks	7,909	(1,004)	—	6,905
	$ 128,253	$ (7,334)	$ 2,378	$ 123,297

In the three-month period ended December 31, 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, 2024 is as follows:

	September 30, 2024				
	Opening Balance	Additions (Note 18)	Amortization	Foreign Exchange Revaluation	Closing Balance
Customer relationships	$ 60,624	$ 77,030	$ (20,117)	$ 945	$ 118,482
Discrete contracts with customers & non-competition agreements	4,016	—	(2,154)	—	1,862
Technology and trademarks	10,520	856	(3,467)	—	7,909
	$ 75,160	$ 77,886	$ (25,738)	$ 945	$ 128,253

9. Depreciation and Amortization

The following table presents the depreciation and amortization for the Company for the three-month period ended December 31, 2024 (2023).

		Three-months ended	
	Notes	December 31, 2024	December 31, 2023
Depreciation of property, plant and equipment	6	$ 2,589	$ 2,308
Depreciation of right of use assets	7	1,617	1,463
Amortization of acquired intangible assets	8	7,334	5,235
		$ 11,540	$ 9,006

10. Goodwill

The following table presents the goodwill for the Company for the three-month period ended December 31, 2024:

	December 31, 2024
Opening balance, October 1	$ 210,392
Foreign Exchange	3,533
	$ 213,925

In the three-month period ended December 31, 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, 2024:

	September 30, 2024
Opening balance, October 1	$ 159,133
Additions:	
Acquisition of Decisive	29,959
Acquisition of MDA Nuclear Division	1,039
Acquisition of Mabway	16,159
Adjustments:	
Acquisition of Hawaii Pacific Teleport	2,767
Foreign Exchange	1,335
	$ 210,392

11. Debt Agreement

On July 21, 2023, the Company signed an amended debt facility that provides the Company with the ability to draw up to $180,000 CAD and an accordion feature of up to $75,000 CAD. The agreement has a three-year term, which will mature on July 21, 2026. At December 31, 2024 (September 30, 2023), the Company utilized $115,750 ($89,750) of the facility. The facility is secured against the Company's assets and is interest bearing at the Royal Bank of Canada's Prime Rate plus applicable margin. As at December 31, 2024 the Company is in compliance with all applicable covenants under the debt facility.

12. Issued Capital and Reserves

Issued Capital

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares. The holders of Common Shares are entitled to dividends if, as and when declared by the Board, to one vote per share at the meetings of holders of Common Shares and, upon liquidation, to receive such assets of the Company as are distributable to the holders of the Common Shares. No Preferred Shares are outstanding as of the December 31, 2024.

Common shares issued and outstanding:

	December 31, 2024			December 31, 2023		
	Shares		Amount	Shares		Amount
Balance October 1	11,802,364	$	225,747	11,812,650	$	225,540
Shares issued under employee share plans	50,394		2,779	37,443		1,818
Shares issued under employee share purchase plan	13,647		654	12,057		628
Shares repurchased	(101,350)		(1,964)	(27,226)		(520)
Obligation related to share repurchase	—		345	—		—
Issued capital	11,765,055	$	227,561	11,834,924	$	227,466

On September 1, 2024, the Company entered into a normal course issuer bid ("NCIB") where the Company was approved to purchase up to 995,904 shares during the 12-month period commencing September 1, 2024 and ending August 31, 2025. During the three-month period ended December 31, 2024 (2023), the Company repurchased and cancelled 101,350 (27,226) common shares for total cash consideration of $4,926 ($1,357) at an average purchase price per share of $48.60 ($49.95).

The Company has entered into an automatic share purchase plan (“ASPP”) to provide the option to instruct its broker to make purchases under the NCIB during any applicable blackout periods. As at December 31, 2024 (September 30, 2024), an obligation for the repurchase of shares of $2,730 ($3,075) was recognized as an accrued liability, as instructions were provided to the Company’s broker to continue making purchases during the current blackout period in accordance with the ASPP.

Subsequent to the date of the statement of financial position, on February 12, 2025, the Company declared a dividend of $0.28 per common share payable on March 12, 2025.

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.

13. Share-Based Compensation

Employee Share Purchase Plan

Under the Company's Employee Share Purchase Plan, shares are issued monthly using the volume weighted average price for the last 5 days of the month for the contributions made by employees in that month. The Company provides matching shares at 25% for all employee contributions each month. Pursuant to the plan, 500,000 Common Shares are reserved for issuance, as of December 31, 2024 (2023), the Company can issue 301,839 (353,995) shares.

During the three months ended December 31, 2024 (2023) under the 2020 Employee Share Purchase Plan, the Company issued 13,647 (12,057) shares at an average price of $47.87 ($52.05). The Company received $695 ($649) in proceeds and recorded an expense of $174 ($162).

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% (823,554) of the Company's issued and outstanding shares from time to time less the aggregate number of shares reserved for issuance or issuable under any other security-based compensation arrangement for the Company.

As at December 31, 2024 (2023), the Company has 512,263 (395,774) stock options and restricted share units ("RSUs") outstanding. As a result, the Company could grant up to 311,291 (669,391) additional stock options or RSUs pursuant to the plan.

The weighted average fair value of options granted during the twelve months ended December 31, 2024 (2023) was $9.74 ($11.05) 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 behavioral considerations. Expected volatility is based on historical price volatility over the past 5 years. To allow for the effects of early exercise, it was assumed that options would be exercised on average 2 years after vesting.

The following assumptions were used to determine the fair value of the options granted in the three-months ended December 31, 2024:

	Weighted Average Options Granted			
	December 31, 2024		December 31, 2023	
Grant date share price	$	48.76	$	52.26
Exercise price	$	48.76	$	52.26
Expected price volatility	%	27.4	%	27.21
Expected option life	yrs	3.54	yrs	3.42
Expected dividend yield	%	2.3	%	2.14
Risk-free interest rate	%	3.22	%	4.23
Forfeiture rate	%	—	%	—

13. Share-Based Compensation (continued)

	December 31, 2024		December 31, 2023	
	Number of Options	Weighted Avg. Exercise Price	Number of Options	Weighted Avg. Exercise Price
Outstanding October 1	220,410	$ 57.84	212,416	$ 56.22
Exercised	(11,000)	36.49	(15,500)	29.55
Forfeited	—	—	(216)	60.43
Granted	51,241	48.76	31,138	52.26
Outstanding December 31	260,651	$ 56.95	227,838	$ 57.49

The following options are outstanding at December 31, 2024:

Option issuance:	Number of Options	Grant date	Expiry date	Exercise price	Fair value at grant date
(1) Issued August 13, 2020	94,615	August 13, 2020	August 13, 2025	$ 60.30	$ 8.44
(2) Issued November 24, 2020	21,222	November 24, 2020	November 24, 2025	$ 61.16	$ 10.24
(3) Issued February 9, 2021	1,817	February 9, 2021	February 9, 2026	$ 60.35	$ 9.92
(4) Issued November 24, 2021	37,260	November 24, 2021	November 24, 2026	$ 58.90	$ 10.66
(5) Issued March 9, 2022	1,536	March 9, 2022	March 9, 2027	$ 60.55	$ 10.33
(6) Issued November 24, 2022	20,636	November 24, 2022	November 24, 2027	$ 60.43	$ 14.26
(7) Issued February 15, 2023	1,186	February 15, 2023	February 15, 2028	$ 60.44	$ 14.20
(8) Issued November 27, 2023	31,138	November 27, 2023	November 27, 2028	$ 52.26	$ 11.05
(9) Issued November 25, 2024	51,241	November 25, 2024	November 25, 2029	$ 48.76	$ 9.74

For the options issued on November 25, 2024, vesting occurs through to November 25, 2026.

At December 31, 2024 (2023) the weighted average remaining contractual life of options outstanding is 2.26 (2.51) years of which 204,211 (193,856) options are exercisable at a weighted average price of $59.13 ($58.16). The Company has recorded $75 ($114) of share-based compensation expense in the three months ended. At December 31, 2024 (2023) the Company has total unrecognized compensation expense of $467 ($300) 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.

13. Share-Based Compensation (continued)

The following table summarizes information about the RSUs for the three-month period ended December 31, 2024:

	December 31, 2024			December 31, 2023		
	Number of RSUs		Weighted Avg. Grant Date Fair Value	Number of RSUs		Weighted Avg. Grant Date Fair Value
Balance at October 1	189,961	$	58.92	191,413	$	59.18
Exercised	(39,394)		59.02	(21,943)		59.19
Forfeited	(1,334)		58.66	(1,534)		59.12
Granted	102,379		40.97	—		—
Outstanding December 31	251,612	$	51.60	167,936	$	59.18

Of the units issued in the current year under the RSU plan, NIL units have vested as of December 31, 2024. The Company has recorded $843 ($669) of share-based compensation expense in the three months ended December 31, 2024 (2023) related to the RSUs that have been granted. At December 31, 2024 (2023) the Company has total unrecognized compensation expense of $4,744 ($2,282) that will be recorded over the next three years. The following unvested RSU-based payment arrangements are in existence:

RSU issuance:		Number of units	Grant date	Vest through		Fair value at grant date
(1) Issued November 24, 2022	RSU	8,220	November 24, 2022	November 15, 2025	$	59.18
	PSU	92,582	November 24, 2022	November 15, 2025	$	59.18
(2) Issued February 14, 2024	RSU	1,243	February 14, 2024	February 14, 2027	$	58.68
(3) Issued February 23, 2024	RSU	6,415	February 23, 2024	February 28, 2026	$	59.00
(4) Issued March 15, 2024	RSU	23,258	March 15, 2024	November 15, 2026	$	59.00
	PSU	6,929	March 15, 2024	November 15, 2025	$	59.00
(5) Issued May 14, 2024	RSU	1,779	May 14, 2024	May 14, 2027	$	55.98
(6) Issued June 26, 2024	PSU	8,620	June 26, 2024	November 15, 2025	$	56.00
(7) Issued August 14, 2024	RSU	187	August 7, 2024	May 14, 2027	$	53.62
(8) Issued Nov 25, 2024	RSU	69,566	November 25, 2024	November 25, 2027	$	48.76
	PSU	32,813	November 25, 2024	November 25, 2025	$	24.44

Deferred Share Unit Plan

At December 31, 2024 (2023) the Company has 26,267 (84,117) Deferred Share Units ("DSU") outstanding, of which 26,267 (22,203) have vested. The Company recorded share-based compensation of $241 ($558) related to the DSUs in the three months ended December 31, 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. The fair value of the DSUs outstanding at December 31, 2024 (2023) was $43.08 ($51.96) per unit using the fair value of a Common Share at period end.

14. Revenue

The following table presents the revenue of the Company for the three-months ended December 31, 2024 and 2023:

	Three months ended			
	December 31, 2024		December 31, 2023	
Product revenue				
Advanced Technologies	$	32,625	$	34,007
Health		438		166
Learning		1,577		2,087
ITCS		15,510		14,332
Total product revenue	$	50,150	$	50,592
Service revenue				
Advanced Technologies	$	14,667	$	17,122
Health		50,551		49,928
Learning		35,124		25,028
ITCS		34,555		36,509
Total service revenue	$	134,897	$	128,587
Total revenue	$	185,047	$	179,179

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 December 31, 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:

	December 31, 2024	
Less than 24 months	$	671,451
Thereafter		26,938
Total	$	698,389

15. Net Profit per Share

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

	Three months ended December 31,	
	2024	2023
Weighted average number of common shares – basic	11,773,465	11,812,574
Additions to reflect the dilutive effect of employee stock options and RSUs	143,894	136,313
Weighted average number of common shares – diluted	11,917,359	11,948,887

Options that are anti-dilutive because the exercise price was greater than the average market price of the common shares are not included in the computation of diluted net profit per share. For the three months ended December 31, 2024 (2023), 260,651 (212,838) options and 69,566 (NIL) RSUs were excluded from the above computation.

16. 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 chief operating decision maker reviews adjusted EBITDA as the key measure of profit for the purposes of evaluating performance and allocating resources.

For the three-month period ended December 31, 2024:

For the three months ended December 31, 2024	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	$ 47,292	$ 50,989	$ 36,701	$ 50,065	$ —	$ 185,047
Cost of revenues	28,737	38,928	25,301	33,280	—	126,246
Operating costs	9,689	4,198	4,046	12,819	10,249	41,001
Adjusted EBITDA	$ 8,866	$ 7,863	$ 7,354	$ 3,966	$ (10,249)	$ 17,800
Adjusted EBITDA %	19 %	15 %	20 %	8 %	N/A %	10 %
Stock based compensation						1,091
Restructuring expense						692
Depreciation and amortization						11,540
Mergers and acquisitions costs						2,320
Profit before interest and income tax expense						2,157
Interest expense						1,783
Income tax expense						1,350
NET PROFIT (LOSS) FOR THE PERIOD						$ (976)

16 Segmented Information (continued)

For the three-month period ended December 31, 2023:

For the three months ended December 31, 2023	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	$ 51,129	$ 50,094	$ 27,115	$ 50,841	$ —	$ 179,179
Cost of revenues	32,661	36,745	20,541	31,014	—	120,961
Operating costs	9,247	3,894	2,589	12,540	8,594	36,864
Adjusted EBITDA	$ 9,221	$ 9,455	$ 3,985	$ 7,287	$ (8,594)	$ 21,354
Adjusted EBITDA %	18 %	19 %	15 %	14 %	N/A %	12 %
Stock based compensation						1,190
Restructuring expense						—
Depreciation and amortization						9,006
Mergers and acquisitions costs						1,980
Profit before interest and income tax expense						9,178
Interest expense						1,547
Income tax expense						2,106
NET PROFIT FOR THE PERIOD						$ 5,525

The Company operates in Canada but provides services to customers in various countries. Revenues from external customers for the three-month period ended December 31, 2024 (2023) are attributed as follows:

	December 31, 2024	December 31, 2023
Canada	58 %	63 %
United States	23 %	27 %
Europe	18 %	9 %
Other	1 %	1 %

Revenues are attributed to foreign countries based on the location of the customer. Revenues from various government departments and agencies, including both domestic and foreign government bodies, for the three months ended December 31, 2024 (2023) represented 55% (48%) of the Company’s total revenues. All four operating segments conduct business with this category of customer.

17. Financial Instruments and Risk Management

Capital Risk Management

Foreign Currency Risk Related to Contracts

The Company is exposed to foreign currency exchange fluctuations on its cash balance, accounts receivable, accounts payable and accrued liabilities, contingent earn-out and future cash flows related to contracts denominated in a foreign currency. Future cash flows will be realized over the life of the contracts. The Company utilizes derivative financial instruments, principally in the form of forward exchange contracts, in the management of its foreign currency exposures within entities operating in currencies outside of their functional currencies. The Company's objective is to manage and control exposure and secure the Company's profitability on existing contracts and therefore, the Company's policy is to hedge its foreign currency exposure where it is most practical to do so. The Company applies hedge accounting when appropriate documentation and effectiveness criteria are met.

At December 31, 2024, the Company had the following forward foreign exchange contracts:

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value December 31, 2024
BUY	$ 4,305	USD	January 2025	$ 6,193	$ 24
SELL	2,006	EURO	January 2025	3,005	7
Derivative assets					$ 31
SELL	$ 28,574	USD	January 2025	$ 41,107	$ (157)
BUY	3,490	EURO	January 2025	5,228	(12)
Derivative liabilities					$ (169)

Credit Risk

The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Company's customers are diverse, however a significant portion of them are federal or provincial government agencies, or large private entities. A significant portion of the Company's accounts receivable is from long-time customers. At December 31, 2024 (2023), 38% (41%) of its accounts receivable were due from various departments and agencies of the Canadian federal government. Over the last five years the Company has not incurred any significant credit related losses.

The Company limits its exposure to credit risks from counterparties to derivative financial instruments by dealing only with major Canadian financial institutions. Management does not expect any counterparties to fail to meet their obligations. Bad debt expense recognized in the three months ended December 31, 2024 (2023) is NIL ($2).

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

17. Financial Instruments and Risk Management (continued)

	December 31, 2024	September 30, 2024
Cash and cash equivalents	$ 61,040	$ 51,788
Accounts receivable	157,542	157,376
Derivative assets	31	32
Total	$ 218,613	$ 209,196

The aging of accounts receivable at the reporting date was:

	December 31, 2024	September 30, 2024
Current	$ 147,900	$ 145,855
Past due (61-120 days)	5,756	6,526
Past due (> 120 days)	3,886	4,995
Total	$ 157,542	$ 157,376

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. At December 31, 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 December 31, 2024, the Company had $61,040 cash on hand and $115,750 was drawn on the facility for current operations and for use in business acquisitions.

Fair Value

The carrying amount of accounts receivable, accounts payable and accrued liabilities are recorded at amortized cost and approximate fair value due to the short-term maturity of these investments. The debt facility is on a revolver and is recorded at amortized cost. Fair value of the forward exchange contracts reflects the cash flows due to or from the Company if settlement had taken place on December 31, 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.

17. Financial Instruments and Risk Management (continued)

	December 31, 2024		
	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 61,040	$ —	$ —
Investments	—	—	3,875
Derivative assets	—	31	—
Debt facility	—	(115,750)	—
Contingent earn-out	—	—	(32,482)
Derivative liabilities	—	(169)	—
Total	$ 61,040	$ (115,888)	$ (28,607)

	September 30, 2024		
	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 51,788	$ —	$ —
Investments	—	—	3,875
Derivative assets	—	32	—
Debt facility	—	(89,750)	—
Contingent earn-out	—	—	(41,833)
Derivative liabilities	—	(92)	—
Total	$ 51,788	$ (89,810)	$ (37,958)

There were no transfers between Level 1, Level 2 and level 3 during the three month period ended December 31, 2024.

18. 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) was 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.

The Company recognized $324 in the three-month period ended December 31, 2024 related to changes in fair value of contingent earn out or changes in foreign exchange and recorded deemed compensation expense of $801.

Decisive Group Inc. ("Decisive")

On December 1, 2023, the Company acquired all outstanding shares of Decisive, for total maximum consideration of $74,700. The consideration consisted of the following components: $49,882 was paid in cash on closing, $900 was placed in escrow, $105 was settled on finalized closing working capital and there is one potential earn-out with maximum value to be paid of $24,725, with an estimated fair value of $17,880 which has been determined at the closing date and included in the initial purchase price. The Company used a scenario-based model to value the contingent earn-out.

Decisive, an Ottawa-based IT infrastructure and cyber security services firm, brings new capabilities, partnerships and customers into the Company's portfolio. The goodwill recognized in the transaction primarily reflects the value of the assembled workforce and potential synergies with the Company's previously acquired entities in the IT and cybersecurity space. Decisive is reported as part of the ITCS operating segment.

18. Acquisitions (continued)

In valuing acquired intangible assets, including customer relationships of $49,400, the Company uses the multi-period excess earnings method. This method calculates the estimated fair value of an intangible asset based on projected future cash flows over the remaining useful life, isolating the cash flows attributable to the customer relationships by forecasting expected revenues from existing customers. The valuation involves significant estimation uncertainty, including assumptions related to forecasted revenues, earnings before interest, tax, amortization and depreciation ("EBITDA") margins attributable to the customer relationships, customer attrition rates, and discount rate.

Under the contingent consideration arrangement, the Company is obligated to pay the former shareholders of Decisive an additional amount up to $24,725, contingent on Decisive achieving specific EBITDA targets for the year ending December 1, 2024. Of note, there is a minimum EBITDA target for the year ended December 1, 2024 that must be surpassed in order to achieve any contingent earn-out amount. The difference between the earn-out amount included in the purchase price and the total potential liability reflects the Company's estimate of the likelihood of the earn-out being achieved as assessed on the purchase date.

As at December 31, 2024, the Company has completed its preliminary review of the earn out and the minimum threshold of EBITDA has not been met. The Company will work with the former shareholders as outlined in the purchase agreement to conclude on the EBITDA calculation and achievement during the remainder of the current fiscal year. The liability may be reassessed as the calculation of earn out achievement is finalized.

In the three-month period ended December 31, 2024, the Company recognized a reduction of the liability in the amount of $397 to bring the liability to the lower threshold of achievement.

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. Goodwill recorded can be represented by expansion of services into existing customers and synergies in delivery capabilities. 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.

The Company recognized $49 in the three-month period ended December 31, 2024 related to deemed compensation.

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 $5,128 (GBP 2,994) is included in the purchase price. The difference between the contingent consideration that is included in the purchase price and 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 that provides of large-scale defense role-playing environments that simulate real-world operational environments and provides technical engineering education for naval and maritime

18. Acquisitions (continued)

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. Mabway is reported as part of the Learning operating segment. The Company uses the multi-period excess earnings method to value customer relationship intangible assets and replacement cost to value the technology assets acquired. The multi-period excess earnings 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 $2,855 (GBP 1,667) if certain integration and transition criteria are attained by May 8, 2025. Of this amount, $2,855 (GBP 1,667) is subject to the retention of principal employees for a period of one year 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.

The Company recognized $631 in the three-month period ended December 31, 2024 related to changes in fair value of contingent earn out or changes in foreign exchange and recorded deemed compensation expense of $713.

19. Mergers and Acquisition Expenses

The following table presents the mergers and acquisition expenses for the Company for the three-month period ended December 31, 2024 (2023):

		Three-months ended	
	Notes	December 31, 2024	December 31, 2023
Deemed compensation	18	1,563	604
Changes in fair value related to contingent earn-out	18, 20	558	726
Other acquisition related costs		199	650
		2,320	1,980

20. Contingent Earn-Out

The following shows the contingent consideration activity for the three-month period ended December 31, 2024:

Company Acquired	Beginning balance	Acquisition	Payments	Change in Fair Value	Adjustments	Ending balance
Alio/Allphase	$ 841	$ —	$ —	$ —	$ —	$ 841
Hawaii Pacific Teleport	15,972	—	(11,215)	81	836	5,674
Decisive	18,672	—	—	—	(397)	18,275
Mabway	6,348	—	—	230	1,114	7,692
Total	$ 41,833	$ —	$ (11,215)	$ 311	$ 1,553	$ 32,482

As at December 31, 2024, the total gross value of all contingent consideration outstanding is $46,165. 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 and changes relating to foreign exchange. Contingent consideration estimates are based on the forecasted earnings before interest, tax, depreciation and amortization ("EBITDA") for the respective acquired entities included in the able above. There is significant judgement in the forecasted EBITDA for each respective entity. Payouts begin at agreed upon EBITDA targets, and the Company will increase the payout by multiples from $0.603 to $1.42384 for every dollar achieved above that target amount. Estimated payouts are then calculated and discounted using rates between 15% and 20%, depending on the acquired entity.

The following shows the contingent consideration activity for the year ended September 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	—	—	1,663	4,592	15,972
Decisive	—	14,172	—	3,090	1,410	18,672
Mabway	—	4,453	—	345	1,549	6,348
Total	$ 13,798	$ 18,625	$ (3,240)	$ 5,098	$ 7,551	$ 41,833

21. Comparative Figures

Certain comparative figures have been reclassified to align with the current year's presentation. The Company has combined the presentation of selling and marketing and general and administration expenses on the statement of Net profit. Additionally, $650 of expense for the three-month period ended December 31, 2023, was reclassified from the selling, general and administration line to the mergers and acquisitions expense line, to better reflect expenditures related to items outside of direct operations.

Furthermore, the Company reclassified $1,191 for share based compensation as a separate line in the statement of net profit from the selling, general and administration expense line. This change aims to present stock-based compensation as a distinct expense category for financial statement users.

Lastly, the Company has combined certain line items previously disclosed. Deemed compensation, changes in fair value associated with contingent earn-out and mergers and acquisitions costs previously presented in general and administration expense are now reported under the mergers and acquisitions expense line item. The combination of depreciation and amortization includes depreciation expense, depreciation of right of use asset expense, and amortization and impairment of intangibles expense.

For further details, please refer to Notes 9 and 19, which provide additional information on these reclassified expenses. These changes have been made to enhance the relevance of information presented to the users of these financial statements.