CALIAN®
Group Ltd.

Management's Discussion and Analysis

For the three months ended December 31, 2020

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis is dated February 9, 2021 (this "MD&A") and should be read in conjunction with the unaudited interim condensed consolidated financial statements. The Company's accounting policies are in accordance with IFRS. As in the unaudited interim condensed consolidated financial statements, all dollar amounts in this MD&A are expressed in thousands of Canadian dollars unless otherwise noted.

This MD&A is the responsibility of management and has been reviewed and approved by the Board of Directors of the Company. This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators. The Board of Directors 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 of Directors carries out this responsibility principally through its Audit Committee.

IFRS and non-GAAP measures:

This MD&A contains both IFRS and non-GAAP measures. Non-GAAP measures are defined and reconciled to the most comparable IFRS measure.

Forward-Looking Statements

The Company cautions that this M&DA contains forward-looking statements. These forward-looking statements are based on certain assumptions made by the Company that may prove to be inaccurate. Forward-looking statements includes those identified by the expressions "anticipate," "believe," "plan," "estimate," "expect," "intend" and similar expressions. Forward-looking statements are not historical facts, but reflect the Company's current intentions, plans, expectations and assumptions regarding future results or events. Forward-looking statements are intended to assist readers in understanding management's expectations as of the date of this MD&A and may not be suitable for other purposes.

Forward-looking statements are based on assumptions, including assumptions as to the following factors:

- customer demand for the Company's services;
- the Company's ability to maintain and enhance customer relationships;
- market conditions;
- levels of government spending;
- the Company's ability to bring to market products and services; and
- the Company's ability to execute on its acquisition program including successful integration of previously acquired businesses; and
- the Company's ability to deliver to customers throughout the COVID-19 pandemic, and any government regulations limiting business activities.

The Company cautions that the forward-looking statements in this MD&A are based on current expectations as at February 9, 2021 that are subject to change and to risks and uncertainties, including those set out under the heading "Risks and Uncertainties" below, many of which are outside the Company's control. Actual results may materially differ from such forward-looking information due to factors such as customer demand, customer relationships, new service offerings, delivery schedules, revenue mix, competition, pricing pressure, foreign currency fluctuations and uncertainty in the markets in which the Company conducts business. Additional information identifying risks and uncertainties is contained in the Company's filings with securities regulators. The Company does not assume any intention or obligation to publicly update or revise any forward-looking statements or forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. Readers should not place undue reliance on the Company's forward-looking statements.

The outbreak of the coronavirus, or COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020 has spread across the globe and is impacting worldwide economic activity. A public health pandemic, including COVID-19, poses the risk that the Company and its employees, contractors, suppliers, and other partners may be prevented from conducting business activities. This can especially be the case where government authorities mandate shutdowns. Certain countries may also be more heavily impacted where travel restrictions continue for longer periods and full quarantines are in effect. The extent to which the COVID-19 outbreak impacts the Company's results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the virus and the actions to contain its impact. The Company and its employees have transitioned to working remotely and customer delivery has not been materially impacted. The Company is reliant on this alternative work arrangement in order to minimize the impact of outbreak on its financial results.

Business Overview and Strategic Direction

Calian is a diverse company. For over 38 years, the Company has evolved into an organization that has consistently demonstrated the ability to manage numerous profitable service offerings while earning a high level of customer satisfaction. Our DNA allows us to manage this complexity, and to successfully deliver in domestic and global markets.

Calian's primary operating segments are:

- Advanced Technologies
- Health
- Learning
- Information Technology ("IT")

The diversity of this operating model is pivotal to the Company's success. By serving many customers in wide ranging and geographically varied markets, Calian is able to capitalize on unique opportunities and upturns in a number of markets while at the same time weathering the downturns experienced in others. This diversity is most evident when comparing the business and operating models of the four segments.

While our services are diverse, our growth strategy is anchored in a common four- pillar framework which can be described as follows:

- **Customer retention:** through continued delivery excellence, maintain a valued relationship with current customer base;
- **Customer diversification:** through increasing the percentage of revenues derived from new business in adjacent and non-government markets, balance customer revenue into numerous global and domestic sectors;
- **Innovation:** continue investment in service and product offerings to increase differentiation and improve gross margins; and
- **Continuous improvement:** leverage innovation to improve how the company operates with a goal to streamline processes and provide for a scalable back office support capability.

The growth strategy at Calian can be summarized as follows: winning new contracts, expanding the scope of existing contracts, capitalizing on innovation demonstrated in each of the operating segments, and Mergers and Acquisitions. We have continued to demonstrate our ability to win new contracts and evolve; for example, continued expansion in our Health segment where we continue to increase our total number of contracts in place, but also our services continue to evolve as well. This can be observed through our continued contract wins in the current year for COVID-19 screening across Canada. Further, we have demonstrated an ability to expand the scope of services with existing customers through our cross service line pollination and growth.

A number of our services are applicable to each and every one of our customers and we have been bringing more value to the table for our customers through the diverse service offerings. Innovation is a key growth driver for Calian. Innovation in the new product and services we develop, as well as innovation in the way we deliver those services are key in maintaining our market position and winning new customers.

Finally, with fourteen successful acquisitions in the last ten years, we continue to demonstrate to our customers an ability to grow and expand, both in terms of geography and service offerings.

In aggregate, all of the factors contributed to Calian's profitable growth. Revenue grew 17% in the three month period ended December 31, 2020 when compared to the same period of the prior fiscal year continuing to drive profitability of the Company.

Key attributes of our four operating segments:

	Advanced Technologies	Health	Learning	Information Technology
Customers	European Space Agency, Inmarsat, MDA, Sirius XM, Bruce Power	Department of National Defence, Canadian Border Security, Loblaw, Police agencies across Ontario, SNC-Lavalin PAE	Department of National Defence, Canadian Army Simulation Centre, Bruce Power, City of Ottawa and other municipalities across Canada	Shared Services Canada, General Dynamics and other private and public high-tech companies
Business units	Engineering services, products, solutions, software development, manufacturing, training, technical services	Health services, psychological assessment services, medical property management	Custom training, emergency management solutions, software products, consulting, course development	IT consulting, IT and cloud solutions, software development, SAP consulting, cyber security solutions
Customer Geography	International	Canada	Canada, Europe	Canada
Government Revenue	22%	59%	99%	58%
Quality Initiatives	Excellence Canada / ISO 9001:2015	Excellence Canada	Excellence Canada	Excellence Canada
Backlog ($ 000's)	145,593	861,899	263,193	64,576

Calian operates at locations across Canada (ranging from British Columbia to Nova Scotia), as well as Europe (Germany, Norway and UK with the acquisition which closed on October 30, 2020). Calian is headquartered in Ottawa, Ontario, and is recognized as a leading professional services and solutions organization, providing services and solutions in Advanced Technologies, Health, Learning and IT. We are a continuous improvement organization, a founding partner of Excellence Canada, and accredited to Excellence Canada's Excellence, Innovation and Wellness Gold-Level certification.

The cost structure of Calian's Health, Learning and Information Technology segments is for the most part variable, as contracts are typically on a per-diem basis with a majority being multi-year outsourcing assignments. This allows for predictable cash flows over long periods of time. With a long term commitment and reduced risk profile, margins are correspondingly lower.

Historically our core competencies, common across all operating segments, are software engineering, project, contract and workforce management; however, the segments continue to evolve its services to incorporate technology to offer full solutions to our customers.

A large portion of our revenues are derived from Canadian sources in the public and private sectors, with a large presence in the Department of National Defence. We have been successful in our diversification strategy, and have developed a well-established private sector customer base across Indigenous communities, oil and gas, nuclear, aerospace, defence and numerous others. For example, our health service line includes the administration on behalf of Loblaw of over 150 medical clinics across Canada, as well as the provision of health care services to oil and gas customers. Our Learning segment, which historically was predominantly generating revenue from Canadian Federal Government customers, has expanded its customer base to include municipalities, First Nations, healthcare, private industry, and into NATO spurring from the acquisitions of Comprehensive Training Solutions and Cadence Consultancy. Advanced Technologies exports 60-70% of their services and products globally, and with recent acquisitions of Satservice and Intertronic, continues to expand into the European and US markets.

Revenue growth from new contract opportunities will be largely dependent on the issuance of the initial proposal request and the ultimate timing of the related contract award. The Company has significant realizable backlog at $1,335 million that span over 10 years in length. Calian's historical high renewal rate combined with its win strategy provides management confidence in its ability to successfully remain the customer's preferred choice.

While federal government spending priorities fluctuate, profitable business does exist for companies who have the financial strength to accommodate slowdowns in government spending, and the discipline to adjust costs to declines in revenue. Calian's strong back office capabilities, along with our emphasis on continuous improvement and business development, ensures that we are able to identify and win new business opportunities and accommodate that new business in a scalable fashion

Of note, as our segments operate in niche areas within large markets, there exists minimal third-party data to compare with the Company's performance. While analyzing general market trends provides some insight on the strength and potential opportunities within those markets, it is not always indicative of the health, demand, and funding of the individual customers of the Company. To compensate for the limited amount of information, and to provide an indication of future revenue potential, this MD&A provides a detailed overview of the Company's backlog by segment showing both contracted backlog and option renewals by fiscal year. In addition, the following discussion, which refers to the type of contracts performed by each of the four segments will provide some insight into the level of customer specific demand for our services.

The Company's operations are subject to some quarterly seasonality due to the timing of vacation periods and statutory holidays. Typically, the Company's first and last quarter will be negatively impacted because of the Christmas season and summer vacation period. During these periods, the Company can only invoice for work performed and is also required to pay for statutory holidays. This results in reduced levels of revenues and in a drop in gross margins. 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. This is slightly offset in the summer months with IntraGrain having higher sales in this period, but further adds to the seasonality in the first quarter results.

Selected Quarterly Financial Data

(Canadian dollars in millions, except per share data)

	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20	Q4/19(1)	Q3/19(1)	Q2/19(1)
Revenues								
Advanced Technologies	$ 37.3	$ 37.6	$ 35.9	$ 39.9	$ 40.0	$ 31.4	$ 30.5	$ 23.9
Health	47.1	56.8	43.9	32.2	30.0	31.3	29.3	27.8
Learning	18.0	14.3	11.1	17.3	15.1	14.0	15.6	17.6
Information Technology	13.8	14.4	14.6	15.1	14.1	14.2	13.4	14.1
Total Revenue	$ 116.2	$ 123.1	$ 105.5	$ 104.5	$ 99.2	$ 90.9	$ 88.8	$ 83.4
Cost of revenue	90.0	100.2	83.0	81.0	79.0	70.6	69.5	65.3
Gross profit	26.2	22.9	22.5	23.5	20.2	20.3	19.3	18.1
Selling and marketing	3.4	3.0	3.2	3.3	2.8	2.8	2.9	2.3
General and administration	11.6	10.0	9.8	9.5	8.6	9.1	9.3	8.9
Research and development	0.8	0.7	0.5	0.4	0.4	0.3	0.4	0.3
Profit before under noted items	10.4	9.2	9.0	10.3	8.4	8.1	6.7	6.6
Depreciation of equipment and application software	1.0	1.0	0.9	0.6	0.5	0.6	0.6	0.6
Depreciation of right of use asset	0.7	0.7	0.7	0.7	0.7	-	-	-
Amortization of acquired intangible assets	2.1	1.7	1.4	1.2	0.9	1.4	1.0	0.4
Other changes in fair value	-	-	-	-	(0.1)	-	-	-
Deemed compensation	1.9	-	-	-	-	-	-	-
Changes in fair value related to contingent earn-out	0.4	(2.8)	0.4	0.3	0.2	(4.1)	(0.3)	0.2
Profit before interest and income tax expense	4.3	8.6	5.6	7.5	6.2	10.2	5.4	5.4
Lease interest expense	0.1	0.1	0.1	0.1	0.1	-	-	-
Interest expense (income)	-	-	(0.1)	0.2	0.1	-	-	-
Profit before income tax expense	4.2	8.5	5.6	7.2	6.0	10.2	5.4	5.4
Income tax expense	1.7	1.6	1.8	1.8	1.7	1.7	1.1	1.5
Net profit	$ 2.5	$ 6.9	$ 3.8	$ 5.4	$ 4.3	$ 8.5	$ 4.3	$ 3.9
Weighted average shares outstanding - Basic	9.8M	9.0M	8.8M	8.8M	7.9M	7.9M	7.9M	7.8M
Weighted average shares outstanding - Diluted	9.9M	9.1M	8.9M	8.9M	8.0M	8.0M	7.9M	7.9M
Net profit per share								
Basic	$ 0.25	0.71	$ 0.40	$ 0.60	$ 0.55	$ 1.08	$ 0.54	$ 0.50
Diluted	$ 0.25	0.70	$ 0.40	$ 0.59	$ 0.54	$ 1.08	$ 0.54	$ 0.49
Adjusted EBITDA per share								
Basic	$ 1.06	0.95	$ 0.93	$ 1.16	$ 1.04	$ 1.03	$ 0.86	$ 0.84
Diluted	$ 1.05	0.93	$ 0.92	$ 1.14	$ 1.03	$ 1.02	$ 0.85	$ 0.84

(1) No restatement performed in Fiscal 2019 figures due to the entity applying the modified retrospective approach on implementation of IFRS 16 which occurred in fiscal 2020.

Calian Consolidated Results

During the three-month period ended December 31, 2020, the Company continued to make progress on its growth, diversification and innovation agendas. Overall consolidated revenue growth was 17% in the three month period. The realization of strong growth in our Health and Learning segments were partially offset by shortfalls experienced in our Advanced Technologies and IT segments. In the three-month period ended December 31, 2020, the Company signed $112 million in contracts and ended the period with a realizable backlog of $1,335 million of which $269 million is expected to be earned during the remainder of fiscal 2021.

	Three months ended	
	December 31, 2020	December 31, 2019
Revenues	$ 116,201	$ 99,244
Gross profit	26,222	20,255
Selling and marketing	3,364	2,777
General and administration	11,616	8,658
Research and development	837	414
Profit before under noted items	$ 10,405	$ 8,406

Revenue

The revenue growth in the three-months ended December 31, 2020 was 17% compared to the same period in the previous year. The increase in revenue can be attributed to 2% from organic growth, and 15% from acquisitions. We measure our growth through acquisition on trailing twelve-month basis; once the acquisition has been included in our results for twelve-months, we include their contribution in our organic growth metric.

The revenue increase of 17% of was led by our health segment which saw growth of 57% quarter over quarter. This was the result of continued growth in our current contract delivery, increases in scope for our existing contracts with the Government of Nunavut, continued supply under the Mobile Respiratory Care Units contract with SNC-Lavalin PAE that was signed in the prior year and significant contributions from Alio Health, acquired in Q2 of the 2020 fiscal year.

Learning revenue grew by 19% quarter over quarter. This is the result of acquisitive growth driven by CTS and Cadence, which were acquired in the third and fourth quarters, respectively, of the 2020 fiscal year.

The impacts of COVID-19 continue for the organization where in person delivery and travel restrictions impact the delivery to the customer. This has resulted in additional costs incurred to deliver existing contracts in our satellite ground system business unit. Increased costs for travel and quarantine, availability of trained staff and delays in material resulted in increased costs. At this time, we expect this environment to continue throughout 2021 and have been reflected in our estimates.

Despite the business impacts described, COVID-19 has generated new opportunities in our Health segment. Most signings occurred in the prior year, where revenue continues to be generated in the current quarter under these vehicles. However, the Company has won over $5M in additional contract value in the quarter related to COVID-19 Health Services.

Gross Profit

As can be seen in the detailed discussions of each segments performance, gross margin by segment vary greatly from 18% to 24% (see discussion by segment), and the mix of business in turn affects our consolidated gross margin. We continue to see high revenue levels from the Advanced Technology segment come from large ground installation projects with lower margins which has negatively impacted margins in the current year. Acquisitive margins offset the effect of this, and push for overall margin increase for all segments except for IT which held consistent with the margin earned in the first quarter of fiscal 2020.

The volatility of the Canadian dollar is always an influencing factor for margins on new work in the Advanced Technologies segment to the extent that work is denominated in foreign currencies.

Operating Expenses

Selling and marketing costs increased 21% for the three-month period ended December 31, 2020, compared to the same period of the prior year. The growth of existing business selling and marketing costs in the current year has slowed due to the ongoing Pandemic and the associated restrictions on travel, in person meetings and conferences. The overall increase in cost and activity is primarily due to selling and marketing costs from recent acquisitions.

General and administration costs increased by 34% for the three-month period ended December 31, 2020 compared to the same period of the year. The increase is the result of investments within the four operating segments to enable project delivery, as well as cost acquired through recent acquisitions, increased costs in relation to share equity plans and the one-time costs to complete the acquisition of Cadence and Intertronic that closed October 30, 2020, and January 4, 2021. The balance of the increase is the result of investments in our corporate capabilities in human resource and information technology.

Research and development costs increased $423 in the three-month period ended December 31, 2020, compared to the same period in the prior year. The additional costs are solely the result of research and development costs from our recent acquisitions.

Advanced Technologies

Calian's Advanced Technologies segment offers internally developed products, engineering services and solutions for the space, communications, nuclear, agriculture, defence and government sectors. Our capabilities are wide-ranging, covering software development, product development, custom manufacturing, full life-cycle support, studies, requirements analysis, project management, multi-discipline engineered system solutions, and training. With a presence across Canada and in Europe, the Advanced Technologies segment is a full-service organization offering turnkey solutions for industry-leading customers in North American, European and global markets.

A supplier of communication systems and products for terrestrial and satellite networks, Calian operates a global center of excellence in communication ground systems for satellite and cable network operators around the world. We provide satellite gateways which can include large aperture radio frequency ("RF") antennas, telemetry tracking and control, as well as high-availability software solutions for managing and monitoring these networks. The segment's software tools enable network operators to manage, plan and analyze network resources, including satellite power and frequencies. With an international reputation for supporting space missions, we deliver custom communication solutions and systems engineering capabilities to customers in Canada and around the world.

Calian's manufacturing capability includes a surface mount electronics manufacturing line with automated inspection and X-ray. We offer a composite carbon fiber manufacturing capability as well as an extruded cable manufacturing line. These are complemented by engineering capabilities that support custom build-to-print manufacturing services for commercial and defence clients. Calian's AgTech products and solutions are manufactured in-house for the agriculture sector, helping to protect assets such as stored crops, fuel and water. Our recent acquisition Tallysman brings forward product manufacturing Global Navigation Satellite System products that have a wide range of uses across many industries.

Calian's engineering and technical services support clients across the system engineering process, including concept development for the design and implementation of next-generation critical systems and full life-cycle support for propulsion, electrical and electronic systems, computer systems, naval architecture, and aerospace and nuclear systems. Associated services are provided in integrated logistics support, drafting, and other technical services. Our nuclear services team develops and executes comprehensive and cost-effective waste management and decommissioning solutions, and provides a systematic approach to identifying hazards, determining their consequences, and providing recommendations to mitigate identified risks. The scope of our nuclear services includes decommissioning programs, radioactive waste management programs and remediation.

Financial performance

	Three months ended December 31, 2020	December 31, 2019
Revenues	$ 37,330	$ 40,043
Gross profit	8,430	8,021
Selling and marketing	1,570	1,280
General and administration	2,025	1,521
Research and development	648	414
Profit before under noted items	$ 4,187	$ 4,806

Advanced Technologies' revenues decreased by 7% for the three-month period ended December 31, 2020 compared to the same period in the previous year. This revenue decrease is attributable to a reduction in activity in our large North American ground system project which is now in the deployment stage. We have also seen a reduction in order volumes of our mobile wireless product introduced in early 2020. These reductions were partially offset by growth in Europe for new satellite ground system projects and custom hardware sales as well as a strong first quarter of the recent Tallysman acquisition. . .

Acquisitive revenue offset the impact of the above, by providing growth of 8% for the three-month period ended December 31, 2020 which is attributable to revenue from acquisitions made in the last 12 month period from December 31, 2020. Realizable backlog at December 31, 2020 was $1,034 million.

Gross margin percentage has increased from 20% to 23% for the three-month period ended December 31, 2020 when compared to the same periods of the prior year. This is primarily due to the revenue mix being impacted by a lower proportion of revenues coming from a large ground system project along with higher margins from acquisitive revenue.

Selling and marketing expenses increased by $290 for the three-month period ended December 31, 2020, compared to the same period in the year prior. Increases in the current quarter can be attributable to costs stemming from recent acquisitions. General and administration expenses increased by $504 for the three-month period ended December 31, 2020, compared to the same period in the year prior due to the consolidation of costs from acquisitions completed in the last 12 months.

Profitability decreased for the three month period ended December 31, 2020 as a direct result of increased expenses when compared to the same period of the previous year.

First Quarter Highlights

The Advanced Technologies segment focused on ensuring business continuity of service for our customers in light of significant changes in the business environment in the US due to COVID-19 as most services provided are considered essential. Efforts to maintain workflow and minimize service interruptions included enhanced close contact with supply chains, remote working for most staff, and implementation of health and safety measures at the manufacturing facilities (staggered shifts, dispersed workstations, increased cleaning and sanitation, among other measures). The majority of work continued relatively unabated throughout the quarter, but the various changes mentioned did result in a higher cost environment. Any project disruptions are expected to be recovered in future quarters. Limitations on travel will continue to be a factor in our ability to deliver and complete system implementations.

Health

Calian's health services team is one of Canada's largest national health services organizations. The segment manages a network of more than 1,800 health care professionals delivering primary care and occupational health services to public and private sector clients across Canada.

The Department of National Defence is our largest customer, with health and psychological services also provided to police, correctional institutions and border services agencies in the Canadian market.

Primacy, Calian's medical property management brand, supports over nine million patient visits per year at over 150 clinic locations across Canada. Primacy clinics are located in Loblaw grocery stores across the country (including Real Canadian Superstore®, Zehrs®, Loblaws® and No Frills®).

Financial performance

	Three months ended December 31, 2020	Three months ended December 31, 2019
Revenues	$ 47,052	$ 30,010
Gross profit	10,936	6,518
Selling and marketing	495	205
General and administration	2,056	1,132
Research and Development	186	-
Profit before under noted items	$ 8,199	$ 5,181

Revenues increased 57% for the three-month period ended December 31, 2020 when compared to the same period of the previous year as a result of new contract wins that relate to health services and products to assist Canadians to respond to the COVID-19 Pandemic, and acquisitive revenue. Acquisitive growth represented a 29% increase for the three-month period ended December 31, 2020 when compared to the same periods of the prior year.

The Company has seen increased demand from new and existing opportunities in our clinician services, services to remote locations in Northern Canada, growth year over year from the delivery for SNC-Lavelin PAE, and COVID-19 screening for travelers re-entering Canada.

Gross margin percentage increased from 22% to 23% for the three-month period ended December 31, 2020 when compared to the same period of the prior year. The increase in margin was primarily driven by margins in our pharmaceutical services..

Selling and marketing expenses increased by $290 for the three-month period ended December 31, 2020 due to consolidation of costs from acquisitions completed in the last 12 months. General and administration expenses increased by $924 for the three-month period ended December 31, 2020 when compared to the same periods of the prior year, due to increases in headcount to support new contracts and new headcount from our acquisitions completed in the previous 12 months.

Research and development increased in the Health segment is the result of continued investment in our HOME software used extensively in the delivery of our patient support programs for pharmaceutical customers.

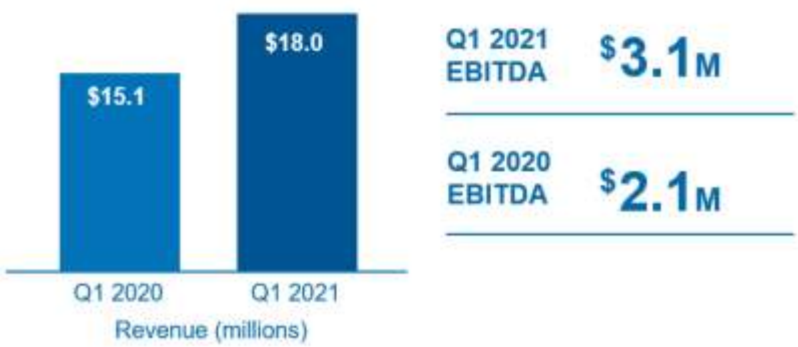
First Quarter Highlights

During the quarter the Health segment experienced increased demand in the provision of essential primary care services and health care equipment, largely related to COVID-19 health care needs. Non-primary health services workloads were adjusted to comply with social distancing guidelines.

Health saw significant growth in the our contract with the Government of Nunavut through expansion of current services that are being provided, and new wins for additional services including COVID-19 screening services. We provide a comprehensive suite of nursing services across multiple sites. During the quarter, we saw a significant increase in the need for nursing services as they managed their COVID-19 response.

Alio Health, Calian's fiscal 2020 acquisition, continues to contribute to the positive growth of the Company, and continues to win new patient support program contracts with existing and new customers. The company is also launching it's first patient support program in Europe starting in Q2 2021.

Learning



Calian is a trusted provider of specialized training services and solutions for the Canadian Armed Forces and clients in the defence, health, energy and other sectors. We enable clients to reach competency and validate learning plans and team performance. Calian provides consulting services in emergency management, training and advanced training technologies to federal and provincial governments, municipalities, Indigenous communities, and the private sector, primarily in domestic markets.

Learning offers full-service training programs and services ranging from needs analysis and program design, development and delivery to administration and evaluation. Our goal for clients is to shorten the student's time-to-competency. Calian's training consulting services help clients achieve learning outcomes and optimize their workforce.

Complementing our training services are our products and technology. Calian MaestroEDE™ is a tool used to design, develop and deliver high-fidelity, collective training exercises for military customers; Calian ResponseReady™ is an online platform and simulation tool that supports emergency management training exercise delivery and evaluation.

Financial performance

	Three months ended December 31, 2020	December 31, 2019
Revenues	$ 18,047	$ 15,108
Gross profit	4,356	3,124
Selling and marketing	249	253
General and administration	999	797
Research and development	-	-
Profit before under noted items	$ 3,108	$ 2,074

Revenue increased by 19% for the three-month period ended December 31, 2020 when compared to the same period of the prior year. The three-month growth is directly related to acquisitive growth. The learning segment generated 16% of revenue in the quarter in the European market, compared to Nil in the previous year.

Gross margin has increased from 21% to 24% for the three-month period ended December 31, 2020 due to a focus on margin efficiency for ongoing projects along with revenue from recent acquisitions being achieved at a higher margin.

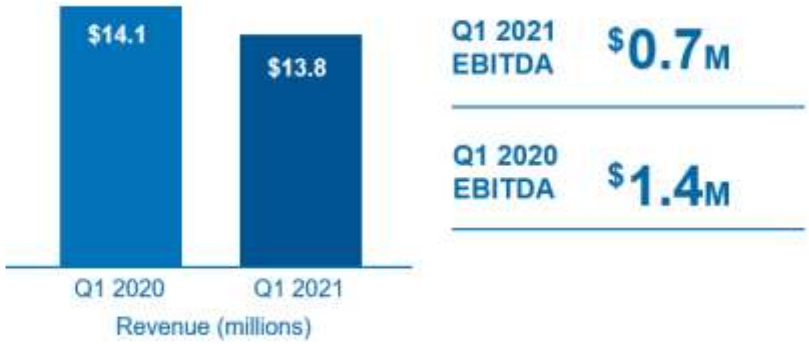
Selling and marketing costs remain in line with the three-months ended December 31, 2020 when compared to the same periods of the previous year due to reduction in non-essential spending and restrictions on travel and tradeshows. General and administration spending increased by $202 when compared to the same period of the prior year resulting from costs attributable to acquisitions completed within the past 12 months.

First Quarter Highlights

On October 30, 2020, the Company acquired Cadence Consultancy Limited ("Cadence"), a UK based training firm with operations across the North Atlantic Treaty Organization (NATO), with a particular focus on the Joint Forces Training Centre (JFTC) in Bydgoszcz, Poland. Cadence designs, develops and delivers complex training exercises for JFTC, one of the two multi-national and multi-service collective training centers in NATO, and to the wider NATO audience across Europe. It also delivers operational training to members of the NATO Mission in Iraq and the NATO Resolute Support Mission in Afghanistan. The Company has been successful in integrating the services of both Cadence and CTS to better serve existing customers. We will continue to integrate service offerings with the legacy Calian training and emergency management business to grow the service offering to both existing and new customers.

In the prior year the Learning segment was heavily impacted by COVID-19, and stay at home restrictions. The segment has worked hard to bring service levels back to customers across the segment. In the current quarter the segment has seen the result of this hard work through stability in revenue when compared to the same period of the previous year, where no effects of COVID-19 were present.

Information Technology



Calian's IT services support customer requirements for subject matter expertise in the delivery of their complex IT solutions. With a primary focus on cloud migration, IT development, support services, SAP consulting and cyber security solutions, Calian supports customers at all levels of government and the private sector in the domestic market.

Calian Cyber Security Solutions provides public and private sector organizations with the right people, processes and technology to build actionable plans and keep their environments safe and secure.

Financial performance

	Three months ended December 31, 2020	December 31, 2019
Revenues	$ 13,772	$ 14,083
Gross profit	2,500	2,592
Selling and marketing	693	579
General and administration	1,092	615
Research and development	3	-
Profit before under noted items	$ 712	$ 1,398

Revenues were down slightly by 2% for the three-month period ended December 31, 2020 compared to the same period of the previous year. The decrease is mainly resulting from a large one-time product sale that occurred in Q1 2020 and a slight reduction in the service delivery for IT professional services across a small number of existing customers. These decreases were slightly offset by revenue attributable to acquisitions completed within the past 12 months, growth from IT professional services in other existing and new customers, increased demand from existing customers for cyber security products and increased revenue attributable to maintenance revenue in relation to higher product sales from the previous quarters.

Gross margin is consistent for the three-month period ended December 31, 2020 when compared to the same period of the previous year.

Selling and marketing expense increased by $114 for the three-month period ended December 31, 2020 when compared to the same period of the previous year. This was the result of increased investment in our sales headcount, business development in existing and new geographies and costs incurred from acquisitions. General and administrative expenses have increased by $477 in the three-month period ended December 31, 2020 due to increased headcount to support the growth in a number of contracts and delivery requirements to end customers and other one-time costs.

First Quarter Highlights

The majority of Information Technology's revenues comes from large, stable customers. Some projects were scaled back during the previous and current quarter due to budget reductions and work-from-home measures, which impacted earned revenues. The team has been working with customers to successfully make work-from-home arrangements for many staff and projects, which has resulted in a slight recapture of revenues lost.

We were able to secure contract renewals and extensions with existing customers of $29M in the quarter, for delivery in the next 12 to 24 months.

The IT segment's cyber business unit has seen success in building out a strong backlog of maintenance revenue, and has since been focusing on product sales and cross pollination. Small wins have been achieved, and we are working to build the relationship with larger customers for additional product and service offerings.

Summary

In summary, the first quarter of 2021 demonstrated the Company's consistent dedication to growth, and the stability through diversification. The Company entered 2021 with a strong backlog of work and added $112M in new signings to our backlog. We have also seen a geographical extension of revenue into Europe with 11% of consolidated revenues in the quarter generated in the EU through our learning and advanced technology segments.

We continue to invest in research and development and sales in order to support future organic growth. M&A growth continues to be a focus with one acquisition that closed in the current quarter in our Learning segment

Calian is a diverse company which has consistently demonstrated the ability to manage this diversity and provide excellent returns for our shareholders. Under the framework of a common strategy, each segment of the company has the ability, capacity and management focus to control and manage their respective business segment. We are an innovative company, proudly Canadian, and are focused on sustaining our positive momentum.

Reconciliation of non-GAAP measures to most comparable IFRS measures

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

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

Adjusted EBITDA

	Three months ended December 31, 2020	Three months ended December 31, 2019
Net profit	$ 2,484	$ 4,333
Depreciation of equipment and application software	1,000	572
Depreciation of right of use asset	729	671
Amortization of acquired intangible assets	2,118	889
Lease interest expense	117	110
Changes in fair value related to contingent earn-out	384	207
Interest expense (income)	12	63
Deemed compensation related to acquisition earn-outs	1,847	-
Other changes in fair value	-	(101)
Income tax	1,714	1,662
Adjusted EBITDA	**$ 10,405**	**$ 8,406**

Adjusted Net Profit and Adjusted EPS

	Three months ended December 31, 2020	Three months ended December 31, 2019
Net profit	$ 2,484	$ 4,333
Other changes in fair value	-	(101)
Changes in fair value related to contingent earn-out	384	207
Deemed Compensation	1,847	-
Amortization of intangibles	2,118	889
Adjusted net profit	$ 6,833	$ 5,328
Weighted average number of common shares basic	9,783,913	7,943,768
Adjusted EPS Basic	0.70	0.67
Adjusted EPS Diluted	0.69	0.67

The Company uses adjusted net profit and adjusted earnings per share, which remove the impact of our acquisition amortization and gains, resulting in accounting for acquisitions and changes in fair value to measure our performance. These measurements better align the reporting of our results and improve comparability against our peers. We believe that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers. Management also uses non-GAAP measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess our ability to meet our capital expenditure and working capital requirements. Adjusted profit and adjusted earnings per share are not recognized, defined or standardized measures under the International Financial Reporting Standards. Our definition of adjusted profit and adjusted earnings per share will likely differ from that used by other companies (including our peers) and therefore comparability may be limited. Non-GAAP measures should not be considered a substitute for or be considered in isolation from measures prepared in accordance with International Financial Reporting Standards. 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 International Financial Reporting Standards financial measures. The Company has reconciled adjusted profit to the most comparable International Financial Reporting Standards financial measure as shown above.

Consolidated Net Income and Other Selected Financial Information

	Three months ended December 31, 2020	December 31, 2019
Profit before under noted items	$ 10,405	$ 8,406
Depreciation of equipment and application software	1,000	572
Depreciation of right of use asset	729	671
Amortization of acquired intangible assets	2,118	889
Other changes in fair value	-	(101)
Deemed Compensation	1,847	-
Changes in fair value related to contingent earn-out	384	207
Profit before interest income and income tax expense	$ 4,327	$ 6,168
Lease interest expense	117	110
Interest expense (income)	12	63
Income tax expense	1,714	1,662
Net profit	$ 2,484	$ 4,333
Net profit per share, basic	0.25	0.55
Total assets	331,527	331,053
Dividends per share	0.28	0.28

Depreciation increased by $428 in the three-month period ended December 31, 2020 when compared to the same periods in the year prior due to higher balances of assets across the organization, depreciation of the capitalized research and development asset which began in the prior year subsequent to the first quarter, and capital expenditures to sustain the Company's growth.

Depreciation of right of use assets increased by 9% in the three-month period ended December 31, 2020 when compared to the same period in the year prior due to lease additions that occurred within the 12 months prior. Further information regarding the lease accounting and depreciation can be found in the first quarter 2021 financial statements in note 10.

Amortization and impairment of acquired intangible assets has increased by $1,229 in the three-month period ending December 31, 2020 when compared to the same period of the previous year due to acquisitions in the prior year of Alio and Allphase, Comprehensive Training Solutions AS, EMSEC Solutions, Tallyman Wireless, as well as the current quarter acquisition of Cadence.

Deemed compensations for the three-month period ended December 31, 2020 represents the portion of contingent earn out that is deemed to compensate key management for services under the share purchase agreement. This is an amount of the contingent earn out that was separated for accounting purposes on acquisition and is recognized as an expense over the term of service for earn out purposes. There was no deemed compensation amount in the same period of the previous year as the acquisition had not yet occurred. See note 24 of the financial statements for additional information and discussion.

Interest expense decreased in the three-month period ended December 31, 2020 due to the Company's use of a line of credit in the prior year.

Finally, the Company reports its results on a fully taxed basis. The provision for income taxes for the three-month period ended December 31, 2020 was $1,714, or 28.2% of earnings before income taxes adjusted for non-taxable items compared to the $1,662, or 27.7% of earnings before income taxes in the same period of the previous fiscal year. The difference in effective tax rates 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 earnout amounts.

Backlog

The Company's realizable backlog at December 31, 2020 was $1,335 million with terms extending to fiscal 2030. Contracted backlog represents maximum potential revenues remaining to be earned on signed contracts, whereas option renewals represent customers' options to further extend existing contracts under similar terms and conditions.

During the three-month period ended December 31, 2020 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.

- $55 million value in extentions exercised under the existing DND Health Services agreement
- $8 million in contract extentions exercised by Canada Revenue Agency for IT consulting services
- $5 million for a contract re-win with Canada Deposit Insurance Corporation in our IT segment
- $4 million contract win with DND for IT system support consulting services
- $3 million contract win with Sirius XM for engineering services
- $3 million contract win for Covid screening for airport and border crossing
- $3 million new contract win with the Government of Canada for information systems product supply

There were no contracts which 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 2021, fiscal year 2022 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 $253 million. The Company's policy is to reduce the reported contractual backlog once it receives confirmation from the customer that indicates the utilization of the full contract value may not materialize.

Contract Backlog as of December 31, 2020

Contracted backlog	$	728,742
Option renewals		859,373
	$	1,588,115
Management estimate of unrealizable portion		(252,854)
Estimated Realizable Backlog	$	1,335,261

Estimated recognition of Estimated Realizable Backlog

	Remainder of current fiscal year	October 1, 2021 to September 30, 2022	Beyond September 30, 2022	Total
Advanced Technologies	$ 87,424	$ 43,560	$ 14,609	$ 145,593
Health	111,068	128,463	622,368	861,899
Learning	42,246	43,441	177,506	263,193
Information Technology	27,789	13,770	23,017	64,576
Total	$ 268,527	$ 229,234	$ 837,500	$ 1,335,261

Statement of Cash Flows

	Three months ended December 31, 2020	December 31, 2019
Cash flows from operating activities before changes in working capital	$ 7,169	$ 8,679
Changes in working capital	4,360	(21,258)
Cash flows from (used in) operating activities	11,529	(12,579)
Cash flows from (used in) financing activities	(2,605)	11,051
Cash flows from (used in) investing activities	(2,879)	(1,212)
Increase (decrease) in cash	$ 6,045	$ (2,740)

Operating Activities

Cash inflows from operating activities for the three-month period ended December 31, 2020 were $11,529 compared to cash outflows of $12,579 in the same period of the prior year.

Working capital (accounts receivable, work in process, inventory, prepaid expenses and other, accounts payable and accrued liabilities, provisions and unearned contract revenue) impacted cash flows by an increase of $4,360 in the three-month period ended December 31, 2020, and stood at a net balance of $93,331.

Factors related to the overall change in working capital were: decrease in WIP in the current year of $12M as larger projects reach billing milestones. This was offset by payments of tax deferrals of approximately $4M, increases in receivables balance, and decreases in accounts payable where payments could not be deferred.

Financing Activities

Lease payments

The Company has made payments of $709 for the three-month period ended December 31, 2020 under IFRS 16.

Dividend

The Company has maintained its dividend for the three-month period ended December 31, 2020. The Company paid dividends totaling $2,744 for the three-month period ended December 31, 2020 or $0.28 cents per share, compared to the same period of the prior year when the Company paid $2,232 in dividends or the same amount per share as the current periods. The increase in dividends paid is due to a higher number of common shares outstanding year over year.

Debt

In the three-month period ended December 31, 2020, the Company had no activity in relation to its debt facility, this compares to a draw on the facility of $13,180 in the same period of the prior year.

Shares

Exercises of stock options and issuances of shares under the employee share purchase plan has resulted in cash inflows of $848 for the three-month period ended December 31, 2020 when compared to an inflow of $717 for the same activities in the same period of the prior year.

Investing activities

Equipment expenditures and Capitalized Research and Development

The Company invested $1,132 in the three-month period ending December 31, 2020, when compared to $454 for the same period of the prior year. Acquisitions of equipment in the current period are mainly attributed to the Company's ERP implementation and general capital expenditures.

The Company invested $119 in capitalized research and development in the three-month period ending December 31, 2020, when compared to $658 for the same period of the prior year.

Acquisitions

The company acquired Cadence which resulted in a total cash outflow of $1,561 in the three-month period ended December 31, 2020. For the same period of the prior year, the Company had no acquisitions.

Investments

No investment was made in the current period compared to a $100 minority investment made in the three-month period ended December 31, 2019 in Cliniconex as described in Note 11 of the Financial Statements.

Liquidity and Capital Resources

Cash

Calian's cash and cash equivalent position was $30,280 at December 31, 2020, compared to $14,395 at December 31, 2019, with a cash net of debt position of $30,280 at December 31, 2020 when compared to -$11,799 at December 31, 2019.

Capital resources

At December 31, 2020, the Company had a short-term credit facility of $60,000 with a Canadian chartered bank that bears interest at prime and is secured by assets of the Company. To date, the Company has drawn NIL drawn against the credit facility and an amount of $50 was used to issue letters of credit to meet customer contractual requirements.

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

Off-balance sheet arrangements

There were no off-balance sheet arrangements at December 31, 2020.

Related-party transactions

During the three-months ended December 31, 2020 (2019), the Company had sales of $184 ($152) to GrainX in which Calian holds a non-controlling equity investment. At December 31, 2020 (2019), the Company had an accounts receivable balance with GrainX of $70 ($103) which is included in accounts receivable. The terms and conditions of the related party sales are within the Company's normal course of operations and are measured at the exchange amounts agreed to by both parties.

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 judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from those estimates.

Project completion for revenue

A significant portion of the revenue is derived from fixed-price contracts which can extend over more than one reporting period. Revenue from these fixed-price projects is recognized over time using the input method using management's best estimate of the costs and related risks associated with completing the projects. The greatest risk on fixed-price contracts is the possibility of cost overruns. Management's approach to revenue recognition is tightly linked to detailed project management processes and controls. The information provided by the project management system combined with a knowledgeable assessment of technical complexities and risks are used in estimating the percentage complete.

Impairment of goodwill and intangible assets

Determining whether goodwill or acquired intangibles assets are impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit, and a suitable discount rate in order to calculate present value.

Income taxes

The Company records deferred income tax assets and liabilities related to deductible or taxable temporary differences. The Company assesses the value of these assets and liabilities based on the likelihood of the realization as well as the timing of reversal given management assessments of future taxable income.

Contingent liabilities

From time-to-time the Company is involved in claims in the normal course of business. Management assesses such claims and where considered probable to result in an exposure and, where the amount of the claim can be measured reliably, provisions for loss are made based on management's assessment of the likely outcome.

Loss allowance

The Company has extensive commercial history upon which to base its provision for doubtful accounts receivable. Due to the nature of the industry in which the Company operates, the Company does not create a general provision for bad debts but rather determines bad debts on a specific account basis.

Judgments:

Financial instruments

The Company's accounting policy with regards to financial instruments is described in Note 2 of the September 30, 2020 annual financial statements. In applying this policy, judgments are made in applying the criteria set out in IFRS 9 – *Financial instruments*, to record financial instruments at fair value through profit or loss, and the assessments of the classification of financial instruments and effectiveness of hedging relationships.

Accounting policy for equipment and intangible assets

Management makes judgments in determining the most appropriate methodology for amortizing long-lived assets over their useful lives. The method chosen is intended to mirror, to the best extent possible, the consumption of the asset.

Deferred income taxes

The Company's accounting policy with regards to income taxes is described in Note 2 of the September 30, 2020 annual financial statements. In applying this policy, judgments are made in determining the probability of whether deductions or tax credits can be utilized and related timing of such items.

Input methodology for project completion

The Company uses judgment in determining the most appropriate basis on which to determine percentage of completion. Options available to the Company include the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, surveys of work performed, and completion of a physical proportion of the contract work. While the Company considers the costs to complete, the stage of completion is assessed based upon the assessment of the proportion of the contract completed. Judgments are also made in determining what costs are project costs for determining the percentage complete.

Management's conclusion on the effectiveness of disclosure controls

The Chief Executive Officer and the Chief Financial Officer of the Company, after evaluating the effectiveness of the Company's disclosure controls and procedures as of December 31, 2020, 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's conclusion on the effectiveness of internal control over financial reporting

The Chief Executive Officer and the Chief Financial Officer of the Company, after evaluating the effectiveness of the Company's internal control over financial reporting as of December 31, 2020, have concluded that the Company's internal controls over financial reporting provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with IFRS.

During the most recent interim quarter ending December 31, 2020, there have been no changes in the design of the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Risk and Uncertainties

We are exposed to risks and uncertainties in our business, including the risk factors set forth below:

- The markets for the Company's services are very competitive, rapidly evolving and subject to technological changes.

- The Company has certain ongoing contracts that account for a significant portion of the Company's revenues and if these contracts are not renewed at expiry or should a competitor win the renewal, the Company's future revenue stream and overall profitability could be significantly reduced.
- The Company must compete for qualified employees for its own operations and must have ready access to a large pool of qualified professionals to satisfy contractual arrangements with customers.
- There is a risk in all fixed-price contracts that the Company will be unable to deliver the system within the time specified and at the expected cost.
- The Company's business is often dependent on performance by third parties and subcontractors in connection with contracts for which the Company is the prime contractor.
- The markets in which the Company operates are characterized by changing technology and evolving industry standards and the Company's ability to anticipate changes in technology, technical standards and service offerings will be a significant factor in the Company's ability to compete or expand into new markets.
- Erosion of our customers' market share for a particular product could have a direct impact on the Company's revenues and profitability.
- The government may change its policies, priorities or funding levels through agency or program budget reductions or impose budgetary constraints, which could have a direct impact on the Company's revenues and profitability.
- Most fee-for-service contracts provide the applicable customer with the ability to adjust the timing and level of effort throughout the contract life so the amount actually realized by the Company could be materially different from the original contract value.
- There is a risk that as the Company grows, credit risk increases with respect to accounts receivable.
- In the event that an operating segment cannot secure an appropriate workforce, such operating segment may not be in a position to bid on or secure certain contracts.
- The Company is subject to foreign exchange risk in that approximately 19% of the Company's revenues are derived from non-Canadian sources, which can have a direct impact on the profitability of the Company.
- The Company is exposed to a range of risk related to its foreign operations.
- The Company conducts acquisitions and faces risks associated with those acquisitions and the integration of the acquired businesses.
- The Company's insurance policies may not be sufficient to insure itself for all events that could arise in the course of the Company's business and operations.
- The Company operates in the health services sector and faces the risks inherent in that sector.
- As newly formed entities in certain markets and industries are restructured and consolidated from time to time, opportunities for the Company may be diminished or work currently performed by the Company could be repatriated, resulting in a loss of revenue.
- Any fraudulent, malicious or accidental breach of our data security could result in unintentional disclosure of, or unauthorized access to, third party, customer, vendor, employee or other confidential or sensitive data or information, which could potentially result in additional costs to the Company to enhance security or to respond to occurrences, lost sales, violations of privacy or other laws, penalties, fines, regulatory action or litigation.
- The Company is dependent upon information technology systems in the conduct of our operations and we collect, store and use certain sensitive data, intellectual property, our proprietary business information and certain personally identifiable information of our employees and customers on our networks.
- The Company is exposed to environmental and health and safety regulations associated with its manufacturing activities.
- The Company faces risks related to health epidemics and other outbreaks of communicable diseases, which could significantly disrupt its operations and may materially and adversely affect its business and financial conditions.
- The international response to the spread of COVID-19 has led to significant restrictions on travel; temporary business closures; quarantines; global stock market and financial market volatility; declining trade and market sentiment; all of which have and could further effect on interest rates, credit ratings and credit risk. The continued spread of the coronavirus in Canada, and Globally, could adversely

impact the Company's business including without limitation, employee health, workforce productivity, increased insurance premiums, limitations on travel, the availability of industry experts and personnel, and other factors that will depend on future developments beyond the Company's control, which may have a material and adverse effect on the its business, financial condition and results of operations.

A comprehensive discussion of risks, including risks not specifically listed above, can be found in our most recently filed Annual Information Form. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of our shares to decline. If any of the noted risks actually occur, our business may be harmed and our financial condition and results of operations may suffer significantly.

Short-term outlook

	Guidance	
	Low	High
Revenue	$ 460,000	$ 500,000
Adjusted EBITDA	$ 42,250	$ 45,750
Adjusted net profit	$ 27,450	$ 30,550
Anticipated weighted average shares outstanding	9,850,000	

Long-term outlook

Management is confident that the Company is well positioned for sustained growth in the long term. The Company's strong contract backlog provides a solid base for the realization of future revenues. Leveraging the Company's diverse services offerings, the Company operates in global and domestic markets that will continue to require the services that the Company offers. To ensure the Company is positioned to respond to market requirements, the Company will focus on the execution of its four-pillar growth strategy:

- **Customer retention:** through continued delivery excellence, maintain a valued relationship with current customer base;
- **Customer diversification:** through increasing the percentage of its revenues derived from new business in adjacent and non-government markets, balance customer revenue into numerous global and domestic sectors;
- **Innovation:** continue investment in service and product offerings to increase differentiation and improve gross margin attainment;
- **Continuous improvement:** leverage innovation to improve how the company operates with a goal to streamline processes and provide for a scalable back office support capability.

The Company has completed fourteen acquisitions in the last ten years and will proactively look for companies that can accelerate its growth strategy with a focus on customer diversification and innovation.

Calian's Advanced Technologies segment has been working within a sustainable satellite sector and is expecting opportunities to continue to arise as systems adopting the latest technologies will be required by customers wishing to maintain and improve their service offerings and react to an increasing demand for bandwidth. We continue to invest in communications products, software development and manufacturing equipment to strengthen the segment's competitive position and diversify its customer base in the agriculture, cable and defence sectors. In the short-term, activity levels in custom manufacturing will continue to be directly dependent upon the segment's customer requirements and continuing volatility in orders is anticipated as both government and commercial customers continue to re-examine their traditional spending patterns. The delays, deferrals and cancellations of DND capital procurements have created intense competition for available manufacturing work. Finally, changes in the relative value of the Canadian dollar may negatively or positively impact the segment's competitiveness on projects denominated in foreign currencies.

The Health, Learning and IT segments' professional services are adaptable to many different markets. Currently, the strength of these segments lies in providing professional services, solutions, and delivery services across Canada with a significant portion of this work currently with the Department of National Defence. Recently these segments have been successful in diversifying their customer base and evolving their service offerings. Management believes that for the long term, the public and private sector will continue to require Health, Learning and IT services from private enterprise to achieve their business outcomes. As to the current outlook, the federal government continues to spend on priority programs and, while there is general uncertainty as to the extent of demand from this customer, at least in the short-term, spending seems to be stable. The impact of COVID19 on government spending may affect government spending longer term, but Calian services continue to be deemed essential and we expect our services to be required. With recent investments in sales, marketing, acquisitions and success in new markets outside of the federal government, these segments are better positioned to manage through any potential government spending downturns. Recent acquisitions have also bolstered the performance of these segments and it is expected that, overall, the acquired companies will continue to meet and exceed the financial targets established as part of the acquisitions.

Additional Information

Additional information about the Company such as the Company's 2020 Annual Information Form and Management Circular can be found on SEDAR at www.SEDAR.com

Dated: February 9, 2021

Corporate Information

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Board of Directors

George Weber
President, WebX Consulting Ltd.
Chairman, Calian Group Ltd.
Chair of the Nominating Committee

Kenneth J. Loeb
Executive Chairman, Ambassador Realty Inc.
Chair of the Compensation Committee

Jo-Anne Poirier
President and CEO, VON Canada
Chair of the Governance Committee

Ray Basler, CPA, CA
Consultant
Chair of the Audit Committee

Young Park
Consultant

Kevin Ford
President and CEO, Calian Group Ltd.

Common Share Information

The Company's common shares are listed for trading on the Toronto Stock Exchange under the symbol CGY.

Dividend Policy

The Company intends to continue to declare a quarterly dividend in line with its overall financial performance and cash flow generation. Decisions on dividend payments are made on a quarterly basis by the Board of Directors. There can be no assurance as to the amount of such dividends in the future.