The following Management's Discussion and Analysis is dated November 24, 2020 (this "MD&A") and should be read in conjunction with the audited 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 November 24, 2020 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;
- **Service line innovation:** continue investment in service 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 have not only increased our total number of contracts in the year, but also our services continue to evolve as well. This can be observed through our contract wins in the current year for COVID-19 screening, and the support in delivering up to ten 100-bed Mobile respiratory Care Units as part of the federal government's pandemic response. 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 twelve successful acquisitions in the last nine 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 these factors contributed to Calian's profitable growth. Revenue grew 12% in fiscal 2019 and 26% in fiscal 2020 which resulted in the Company's highest level of both adjusted net profit and EBITDA.

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, Canada Border Services Agency, 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	19%	64%	98%	65%
Quality initiatives	Excellence Canada / ISO 9001:2015	Excellence Canada / ISO 9001:2015	Excellence Canada	Excellence Canada
Backlog ($ 000's)	143,366	822,568	276,109	65,914

Calian operates at locations across Canada (ranging from British Columbia to Nova Scotia), as well as Europe (Germany, and Norway with the acquisition which closed on July 8, 2020). Calian is headquartered in Ottawa, Ontario, and is recognized as a leading professional services 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 project, contract and workforce management; however, the segments continue to evolve their services to incorporate technology to offer full solutions to our customers. Each of these competencies is aligned to each of our segments.

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. The Learning segment, which historically was predominantly revenue generated from the Government of Canada, has expanded its customer base to include municipalities, First Nations, healthcare, private industry, and into NATO spurring from the acquisition of Comprehensive Training Solutions. In addition, Advanced Technologies delivers to customers through usually fixed price projects and product sales to a predominantly global marker with over 80% of sales coming from international business.

Revenue growth from new contract opportunities within government 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 $1,307 million that spans over 10 years. 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 , statutory holidays and fluctuations in demand by industry. 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)

	Q4/20	Q3/20	Q2/20	Q1/20	Q4/19[1]	Q3/19[1]	Q2/19[1]	Q1/19[1]
Revenues								
Advanced Technologies	$ 37.6	$ 35.9	$ 39.9	$ 40.0	$ 31.4	$ 30.5	$ 23.9	$ 23.8
Health	56.8	43.9	32.2	30.0	31.3	29.3	27.8	27.3
Learning	14.3	11.1	17.3	15.1	14.0	15.6	17.6	15.9
Information Technology	14.4	14.6	15.1	14.1	14.2	13.4	14.1	12.9
Total revenue	$ 123.1	$ 105.5	$ 104.5	$ 99.2	$ 90.9	$ 88.8	$ 83.4	$ 79.9
Cost of revenue	100.2	83.0	81.0	79.0	70.6	69.5	65.3	63.1
Gross profit	22.9	22.5	23.5	20.2	20.3	19.3	18.1	16.8
Selling and marketing	3.0	3.2	3.3	2.8	2.8	2.9	2.3	2.4
General and administration	10.0	9.8	9.5	8.6	9.1	9.3	8.9	8.3
Research and development	0.7	0.5	0.4	0.4	0.3	0.4	0.3	0.4
Profit before under noted items	9.2	9.0	10.3	8.4	8.1	6.7	6.6	5.7
Depreciation of equipment and application software	1.0	0.9	0.6	0.5	0.6	0.6	0.6	0.5
Depreciation of right of use asset	0.7	0.7	0.7	0.7	-	-	-	-
Amortization of acquired intangible assets	1.7	1.4	1.2	0.9	1.4	1.0	0.4	0.3
Other changes in fair value	-	-	-	(0.1)	-	-	-	-
Changes in fair value related to contingent earn-out	(2.8)	0.4	0.3	0.2	(4.1)	(0.3)	0.2	0.1
Profit before interest and income tax expense	8.6	5.6	7.5	6.2	10.2	5.4	5.4	4.8
Lease interest expense	0.1	0.1	0.1	0.1	-	-	-	-
Interest expense (income)	-	(0.1)	0.2	0.1	-	-	-	-
Profit before income tax expense	8.5	5.6	7.2	6.0	10.2	5.4	5.4	4.8
Income tax expense	1.6	1.8	1.8	1.7	1.7	1.1	1.5	1.5
Net profit	$ 6.9	$ 3.8	$ 5.4	$ 4.3	$ 8.5	$ 4.3	$ 3.9	$ 3.3
Weighted average shares outstanding - Basic	9.0M	8.8M	8.8M	7.9M	7.9M	7.9M	7.8M	7.8M
Weighted average shares outstanding - Diluted	9.1M	8.9M	8.9M	8.0M	8.0M	7.9M	7.9M	7.8M
Net profit per share								
Basic	$ 0.70	$ 0.40	$ 0.60	$ 0.55	$ 1.08	$ 0.54	$ 0.50	$ 0.43
Diluted	$ 0.70	$ 0.40	$ 0.59	$ 0.54	$ 1.08	$ 0.54	$ 0.49	$ 0.43
Adjusted EBITDA per share								
Basic	$ 0.94	$ 0.93	$ 1.16	$ 1.04	$ 1.03	$ 0.86	$ 0.84	$ 0.73
Diluted	$ 0.95	$ 0.92	$ 1.14	$ 1.03	$ 1.02	$ 0.85	$ 0.84	$ 0.73

(1)No restatement performed in Fiscal 2019 or 2018 figures due to the entity applying the modified retrospective approach on implementation of IFRS 16 which occurred in fiscal 2020.

Certain comparative figures have been reclassified to conform to the current year's presentation whereby facilities expense have been reclassified into general and administration expense, and research and development expense in operating expenses have been separated from general and administration expense.

With the implementation of IFRS 16, facilities expenses have decreased significantly since the Company has adopted the standard using the modified retrospective method where prior period statements are not restated. The fixed lease cost portion of previous lease expenses is now depreciation and interest under IFRS 16. Lease costs not capitalized under IFRS 16 have been included in general and administration expenses. The reclassification of facilities to general and admin by quarter was Q1 FY19: $1,293, Q2 FY19: $1,305, Q3 FY19: $1,346 and Q4 FY19: $1,362. The Company is presenting comparative information for fiscal 2019 with research and development as a separate line item in the statement of profit, whereas previously it was presented in general and administrative expenses. The reclassification of research and development from general and administration by quarter was Q1 FY19: $279, Q2 FY19: $361, Q3 FY19: $343 and Q4 FY19: $436. When reporting comparative information, there is no financial statement that the Company has issued where research and development are presented separately for fiscal year 2018 or previous. The Company maintains that presentation here for 2018 where research and development operating expense costs are included in the general and administration expense.

The Company has included all changes that relate to contingent earnout in the changes in fair value related to contingent earnout for the current year. A reclassification is required for the prior year when management separated changes in earnout relating to interest in changes in fair value related to contingent earnout and writing down the provision for earnout payable to other changes in fair value line. The reclassification of other changes in fair value to changes in fair value related to contingent earnout by quarter was Q3 FY19: $650, Q4 FY19: $4,522.

Fourth Quarter Financial Summary

This fourth quarter unaudited interim condensed consolidated financial summary should be read in conjunction with the annual financial statements along with accompanying notes thereto.

Consolidated Statements of Net Profit

For the years ended September 30, 2020 and 2019 (Canadian dollars in thousands, except per share data):

	Three months ended September 30,		Year ended September 30,	
	2020	2019	2020	2019
Revenue				
Advanced Technologies	$ 37,570	$ 31,437	$ 153,382	$ 109,697
Health	56,848	31,286	163,035	115,718
Learning	14,282	13,983	57,834	63,098
Information Technology	14,357	14,208	58,069	54,531
Total Revenue	123,057	90,914	432,320	343,044
Cost of revenues	100,190	70,571	343,164	268,387
Gross profit	22,867	20,343	89,156	74,657
Selling and marketing	3,028	2,769	12,336	10,499
General and administration	9,978	8,990	38,012	35,592
Research and development	658	436	1,998	1,420
Profit before under noted items	9,203	8,148	36,810	27,146
Depreciation of equipment, application software and research and development	969	622	2,976	2,220
Depreciation of right of use asset	734	-	2,771	-
Amortization of acquired intangible assets	1,684	1,460	5,166	3,168
Other changes in fair value	-	-	(101)	-
Changes in fair value related to contingent earn-out	(2,772)	(4,225)	(1,882)	(4,149)
Profit before interest income and income tax expense	8,588	10,291	27,880	25,907
Lease obligations interest expense	123	-	475	-
Interest expense (income)	19	50	185	36
Profit before income tax expense	8,446	10,241	27,220	25,871
Income tax expense – current	2,122	1,982	8,171	6,318
Income tax expense (recovery) – deferred	(562)	(217)	(1,311)	(439)
Total income tax expense	1,560	1,765	6,860	5,879
NET PROFIT	**$ 6,886**	**$ 8,476**	**$ 20,360**	**$ 19,992**
Net profit per share:				
Basic	$ 0.70	$ 1.08	$ 2.25	$ 2.55
Diluted	$ 0.70	$ 1.08	$ 2.23	$ 2.54

Consolidated Statements of Cash Flows

For the years ended September 30, 2020 and 2019 (Canadian dollars in thousands):

	Three months ended September 30,		Year ended September 30,	
	2020	2019	2020	2019
CASH FLOWS GENERATED FROM (USED IN) OPERATING ACTIVITIES				
Net profit	$ 6,886	$ 8,476	$ 20,360	$ 19,992
Items not affecting cash:				
Interest expense (income)	19	50	185	36
Changes in fair value related to contingent earn-out	(2,772)	(4,225)	(1,882)	(4,149)
Lease obligations interest expense	123	-	475	-
Income tax expense	1,560	1,765	6,860	5,879
Employee share purchase plan expense	78	37	199	173
Share based compensation expense	279	322	1,163	1,182
Depreciation and amortization	3,387	2,082	10,913	5,388
Other changes in fair value	-	-	(101)	-
	9,560	8,507	38,172	28,501
Change in non-cash working capital				
Accounts receivable	7,256	3,140	(11,676)	6,334
Work in process	(8,508)	(12,501)	(44,911)	(20,973)
Prepaid expenses	1,225	1,173	(1,271)	(1,395)
Inventory	(133)	(85)	(328)	1,216
Accounts payable and accrued liabilities	2,233	4,479	17,251	8,167
Unearned contract revenue	(12,314)	(2,587)	4,501	(1,806)
	(681)	2,126	1,738	20,044
Interest received (paid)	(142)	(50)	(678)	(127)
Income tax recovered (paid)	1,059	(1,409)	(3,813)	(6,384)
	236	667	(2,753)	13,533
CASH FLOWS GENERATED FROM FINANCING ACTIVITIES				
Issuance of common shares	1,589	366	70,488	3,316
Dividends paid	(2,747)	(2,235)	(9,938)	(8,803)
Draw (repayment) on line of credit	-	1,000	(13,000)	13,000
Share repurchases	-	-	-	(118)
Payment of lease obligations	(656)	-	(2,508)	-
	(1,814)	(869)	45,042	7,395
CASH FLOWS USED IN INVESTING ACTIVITIES				
Investments and loan receivable	-	-	(100)	-
Business acquisitions	(18,855)	-	(29,288)	(20,849)
Capitalized research and development	(107)	(96)	(1,227)	(1,768)
Equipment and application software	(1,521)	(552)	(4,574)	(3,018)
	(20,483)	(648)	(35,189)	(25,635)
NET CASH (OUTFLOW) INFLOW	$ (22,061)	$ (850)	$ 7,100	$ (4,707)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	$ 46,296	$ 17,985	$ 17,135	$ 21,842
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 24,235	$ 17,135	$ 24,235	$ 17,135

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

	Three months ended September 30,		Year ended September 30,	
	2020	2019	2020	2019
Weighted average number of common shares – basic	9,732,754	7,915,071	9,044,588	7,843,265
Additions to reflect the dilutive effect of employee stock options and RSU's	122,603	43,722	59,910	20,096
Weighted average number of common shares – diluted	9,855,357	7,958,793	9,104,498	7,863,361

The following table presents the revenue of the Company for the years ended September 30, 2020 and 2019 (Canadian dollars in thousands):

	Three months ended September 30,		Year ended September 30,	
	2020	2019	2020	2019
Product revenue				
Advanced Technologies	$ 26,420	$ 19,985	$109,532	$ 66,204
Health	17,534	-	25,184	-
Learning	-	-	-	-
Information Technology	1,758	1,713	8,357	3,549
Total product revenue	$ 45,712	$ 21,698	$ 143,073	$ 69,753
Service revenue				
Advanced Technologies	$ 11,150	$ 11,452	$ 43,850	$ 43,493
Health	39,314	31,286	137,851	115,718
Learning	14,282	13,983	57,834	63,098
Information Technology	12,599	12,495	49,712	50,982
Total service revenue	$ 77,345	$ 69,216	$289,247	$ 273,291
Total revenue	$ 123,057	$ 90,914	$432,320	$ 343,044

Segmented information is as follows for three months ended September 30, 2020 (Canadian dollars in thousands):

For the three months ended September 30, 2020	Advanced Technologies	Health	Learning	IT	Shared Services	Total
Revenue	$ 37,570	$ 56,848	$ 14,282	$ 14,357	-	$123,057
Cost of revenues	30,544	46,976	10,955	11,715	-	100,190
Gross profit	7,026	9,872	3,327	2,642	-	22,867
Gross profit %	19%	17%	23%	18%	N/A	19%
Selling and marketing	1,136	526	230	724	412	3,028
General and administration	1,559	2,069	778	829	4,743	9,978
Research and development	497	160	-	1	-	658
Profit before under noted items	$ 3,834	$ 7,117	$ 2,319	$ 1,088	$ (5,155)	$ 9,203
Profit before under noted items %	10%	13%	16%	8%	N/A%	7%
Depreciation of equipment and application software						969
Depreciation of right of use asset						734
Amortization of acquired intangibles						1,684
Other changes in fair value						-
Changes in fair value related to contingent earn-out						(2,772)
Profit before interest income and income tax expense						$8,588
Lease interest expense						123
Interest expense (income)						19
Profit before income tax expense						$8,446
Income tax expense – current						2,122
Income tax expense – deferred						(562)
Total income tax expense						$1,560
NET PROFIT FOR THE PERIOD						$6,886

Segmented information is as follows for three months ended September 30, 2019 (Canadian dollars in thousands):

For the three months ended September 30, 2019	Advanced Technologies	Health	Learning	IT	Shared Services	Total
Revenue	$ 31,437	$ 31,286	$ 13,983	$ 14,208	-	$ 90,914
Cost of revenues	22,974	24,870	11,025	11,702	-	70,571
Gross profit	8,463	6,416	2,958	2,506	-	20,343
Gross profit %	26%	21%	21%	18%	-	22%
Selling and marketing	1,320	191	198	712	348	2,769
General and administration	2,117	1,002	732	587	4,552	8,990
Research and development	436	-	-	-	-	436
Profit before under noted items	$ 4,590	$ 5,223	$ 2,028	$ 1,207	$ (4,900)	$ 8,148
Profit before under noted items %	15%	17%	15%	9%	N/A	9%
Depreciation of equipment and application software						622
Depreciation of right of use asset						-
Amortization of acquired intangibles						1,460
Other changes in fair value						-
Changes in fair value related to contingent earn-out						(4,225)
Profit before interest income and income tax expense						$10,291
Lease interest expense						-
Interest expense (income)						50
Profit before income tax expense						$ 10,241
Income tax expense – current						1,982
Income tax expense – deferred						(217)
Total income tax expense						$ 1,765
NET PROFIT FOR THE PERIOD						$ 8,476

Certain comparative figures have been reclassified to conform to the current year's presentation whereby facilities expense have been reclassified into general and administration expense, and research and development expense in operating expenses have been separated from general and administration expense.

With the implementation of IFRS 16, facilities expenses have decreased significantly since the Company has adopted the standard using the modified retrospective method where prior period statements are not restated. The fixed lease cost portion of previous lease expenses is now depreciation and interest under IFRS 16. Lease costs not capitalized under IFRS 16 have been included in general and administration expenses. The reclassification of facilities to general and admin by quarter was Q1 FY19: $1,293, Q2 FY19: $1,305, Q3 FY19: $1,346 and Q4 FY19: $1,362. The Company is presenting comparative information for fiscal 2019 with research and development as a separate line item in the statement of profit, whereas previously it was presented in general and administrative expenses. The reclassification of research and development from general and administration by quarter was Q1 FY19: $279, Q2 FY19: $361, Q3 FY19: $343 and Q4 FY19: $436. When reporting comparative information, there is no financial statement that the Company has issued where research and development are presented separately for fiscal year 2018 or previous. The Company maintains that presentation here for 2018 where research and development operating expense costs are included in the general and administration expense.

The Company has included all changes that relate to contingent earnout in the changes in fair value related to contingent earnout for the current year. A reclassification is required for the prior year when management separated changes in earnout relating to interest in changes in fair value related to contingent earnout and writing down the provision for earnout payable to other changes in fair value line. The reclassification of other changes in fair value to changes in fair value related to contingent earnout by quarter was Q3 FY19: $650, Q4 FY19: $4,522.

Calian consolidated results

During 2020, the Company made significant progress on its growth, diversification and innovation agendas. Overall consolidated growth was 26%. The realization of double digit growth in our health and advanced technologies segments, along with single digit growth in out IT segment were partially offset by shortfalls experienced in segments where the effects of the COVID-19 business environment are felt more strongly. In 2020, we also signed numerous significant contracts totaling $554 million, ending the period with a realizable backlog of $1,307 million. This compares to a realizable backlog of $1,185 million at the beginning of the year.

The Company has made progress in its efforts to diversify outside its traditional customer base of government entities. Revenue from government in 2020 was 53%, compared to 69% in the previous year. Revenue growth year over year for customers outside government was 90%.

	Three months ended		Year ended	
	September 30, 2020	September 30, 2019[1]	September 30, 2020	September 30, 2019[1]
Revenue	$ 123,057	$ 90,914	$ 432,320	$ 343,044
Gross profit	22,867	20,343	89,156	74,657
Selling and marketing	3,028	2,769	12,336	10,499
General and administration	9,978	8,990	38,012	35,592
Research and development	658	436	1,998	1,420
Profit before under noted items	$ 9,203	$ 8,148	$ 36,810	$ 27,146

[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.

Revenue

The Company experienced significant growth in revenue in its fourth quarter and fiscal year, increasing revenue by 35% in the three-month period and 26% for the twelve months ended September 30, 2020, compared to already record levels in the same periods of the prior year. Revenue growth in the three-month period ending September 30, 2020 can be attributed to 27% from organic growth, and 8% from acquisitions while revenue growth for the twelve month period ended September 30, 2020 can be attributed to 21% organic growth, and 5% from acquisitions. We measure our growth through acquisition on trailing 12-month basis; once the acquisition has been included in our results for 12-months, we include the contribution in our organic growth metric.

Our Health segment saw the most significant growth in the quarter. Revenue increased 82% quarter over quarter, and 41% year over year. This was the result of strong demand on our existing contracts despite COVID-19, increases in scope for our existing contracts with the Government of Nunavut, a new contract to supply Mobile Respiratory Care Units with SNC-Lavalin PAE and contributions from Alio Health, acquired earlier this year.

Advanced Technologies revenue grew by 20% in our fourth quarter when compared to the same period of the previous year, and 40% for the twelve months when compared to the previous fiscal year. This was the result of deliveries on the company's largest ever satellite ground system project, and growth of its business into new market verticals.

During the three and twelve-month periods ended September 30, 2020, the Company has been impacted by the COVID-19 pandemic which resulted in the pause of certain projects which required on-site delivery. This was the case in our Health, IT and Learning segments where customer engagements were structured to be delivered in-person.

In cooperation with our customers, the Company was able to resume activities with increased safety protocols, or develop alternative delivery models which respected local government health and safety restrictions. The financial impact of these temporary pauses in activity in contracts that otherwise would have continued was approximately $12,200 in revenue and $3,700 in gross margins for the full fiscal year.

COVID-19 also impacted the business from demand perspective as certain customer groups reduced or deferred spending. This was seen in our fourth quarter as demand for our AgTech products was lower than expected in the pandemic context.

The impacts of COVID-19 were also seen on our cost 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 into 2021 and we have reflected this in our project estimates.

Despite the business impacts described, COVID-19 has generated new opportunities in our Health and Learning segments. We won $35,500 of new business related to governments and private enterprises responding to the pandemic, of which, $27,600 was delivered in the current year.

Gross profit

As can be seen in the detailed discussions of each segments performance, gross margin by segment vary greatly from 15% to 28% (see discussion by segment), and the mix of business in turn affects our consolidated gross margin. We continue to see a significant portion of revenues from the Advanced Technology segment come from large ground installation projects which typically have lower gross margins which has impacted margins in the current year. Margins have also been impacted by the pandemic, as the revenues lost were at our historical margin levels while new business won in our Health segment for Mobile Respiratory Care Units have lower gross margins.

The volatility of the Canadian dollar is an influencing factor for gross margins on new work in the Advanced Technologies segment to the extent that work is denominated in foreign currencies and our direct costs are incurred in Canadian dollars.

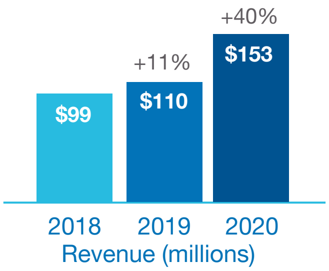
Operating expenses

Selling and marketing costs increased 17% for the 12-month period ended September 30, 2020, compared to the same period of the prior year. The growth of selling and marketing costs is part of the Company's efforts to diversify our customer base and enter new market verticals. Our recent acquisitions have also resulted in additional sales and marketing. COVID-19 did see us reduce our travel, and participation in trade shows and events due to social distancing measures and travel restrictions.

General and administration costs increased by 11% for the three-month period and 7% for the twelve-month period ended September 30, 2020 compared to the same periods of the year. Implementation of IFRS 16 in the current period resulted in a reduction of facilities cost of $735 for the three-month period and $2,747 for the 12-month period ended September 30, 2020, with a similar increase in depreciation and interest expense. After adjusting for this modification, general and admin expenses increased by 19% for the three-month and 15% for the 12-month periods when compared to the same period in the previous year. The increase is the result of investments within the four operating segments to enable project delivery, increased costs for technology as our staff migrated to work from home, costs acquired through recent acquisitions, increased costs in relation to share equity plans and the one-time costs to complete the acquisitions of EMSEC Solutions, Comprehensive Training Solutions International, and Tallysman Wireless.

Research and development costs increased $222 in the three-month and $579 for the 12-month periods ended September 30, 2020, compared to the same periods in the prior year. The increase was the result of investments in our AgTech product development along with software development costs from our recent acquisitions.

Advanced Technologies



2020 Segment Revenue **$153.4M**

2020 Segment EBITDA **$21.0M**

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 centre 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.

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		Year ended	
	September 30, 2020	**September 30, 2019[1]**	**September 30, 2020**	**September 30, 2019[1]**
Revenue	$ 37,570	$ 31,437	$ 153,382	$ 109,697
Gross profit	7,026	8,463	33,991	30,628
Selling and marketing	1,136	1,320	4,995	4,934
General and administration	1,559	2,119	6,457	7,750
Research and development	497	436	1,536	1,420
Profit before under noted items	$ 3,834	$ 4,588	$ 21,003	$ 16,524

(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.

In 2020, Advanced Technologies' revenues increased by 20% for the three-month and 40% for the 12-month periods ended September 30, 2020 compared to the same periods in the previous year. This continued revenue growth in the current year is attributable to ongoing ground systems projects, increases in volumes of a new mobile wireless product for a Tier 1 North American mobile operator, contract manufacturing for various defence projects, and increases due to an ongoing satellite gateways software systems project. Internally developed product sales continue to be a focus for the Company, contributing positively to revenue growth and higher margins in the future.

Acquisitive revenue growth amounted to 3% for the three-month and 4% for the 12-month periods ended September 30, 2020 which is attributable to revenue from acquisitions made in the last 12 month period from September 30, 2020.

During the quarter, margins were negatively impacted as higher costs for delivery and installation were seen on our large North American satellite ground system project. The environment is resulting in increased costs for travel and quarantine, availability of trained staff and delays in material resulted in increased costs. We expect this to continue in the near future and have reflected this cost in our project costs which had a negative impact on the segment's gross margins. Gross margin percentage has decreased from 27% to 19% for the three-month period, and from 28% to 22% in the twelve-month period ended September 30, 2020 when compared to the same periods of the prior year.

During the quarter, the Advanced Technologies segment was impacted by COVID-19 in three main areas. First the demand from our Fuel Lock product did not have the market penetration that we wanted due to travel restrictions and trade show cancellations hindering our marketing efforts, along with the Agriculture industry tightening their spending out of COVID-19 fears. Secondly, the ground systems projects have experienced additional costs due to additional challenges introduced by COVID-19 mentioned previously and resulted in the company re-assessing its cost to complete current ground system projects. This not only has a direct impact on the gross margin of the project, but also impacts revenues as projects are recognized over time using the input method as costs are incurred. Finally, throughout the segment we have seen projects that would have ultimately been delivered on time being delayed which push out the revenue and margin into the next fiscal year. Total COVID-19 impacts have resulted in revenue decrease of approximately $1,300 and $1,500 of gross profit for the quarter, and approximately $1,750 in revenue and $1,600 in gross margin for the twelve month period ended September 30, 2020.

Selling and marketing expenses decreased by $184 for the three-month period ended September 30, 2020, compared to the same period in the year prior. Decreases in the current quarter can be attributable to the ongoing COVID-19 Pandemic, where travel restrictions and conferences have been delayed or cancelled. Increase in year to date expenses when compared to the prior year is due to additional sales efforts across the segment focused on customer diversification. General and administration expenses decreased by 26% for the three-month period, and 17% for the twelve-month period ended September 30, 2020, compared to the same periods in the year prior due to changes in estimates of amounts payable, reductions from streamlining certain processes, and a focus on arbitrary spend to offset lost revenues and margin due to the pandemic while being slightly offset by increases in revenue from acquisitions.

Profitability decreased for the three-month period ended September 30, 2020 due to lower gross margin percentage compared to the previous year. For the twelve-month period ended September 30, 2020, profitability for the Advanced Technologies segment increased due to higher volumes and lower operating expenses, offset by a lower gross margin percentage.

Fourth quarter and fiscal year 2020 highlights

Throughout the 2020 year, the Advanced Technologies segment focused on ensuring business continuity of service for our customers in light of significant changes in the business environment 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 year, 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.

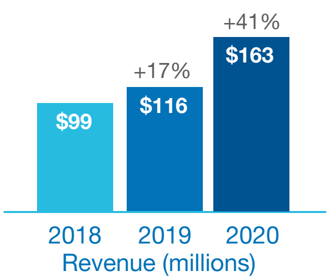
On June 16, 2020, the Company announced the release of the Decimator D4 spectrum analyzer product. This is the fourth generation of a previously successful product for the Advanced Technologies segment which is designed to monitor radio frequency communications and detect signal issues. Powered by a new signal processing engine, the Decimator D4 demodulates and decodes satellite signals, allowing a deeper inspection and analysis of the signals than a traditional spectrum display. The feature proactively identifies issues in the network before they manifest as a failure.

The Engineering Technical Services unit was impacted by the COVID-19 customer site shutdowns early in the pandemic, but has successfully moved to a remote delivery platform and which has resulted in a subsequent increase in revenue up to the end of the year.

Calian Nuclear's work continued on existing contracts without disruption. The nuclear consulting team has started delivery on a new contract to conduct a large-scale, interoperable emergency preparedness exercise and safety analysis work with a nuclear power station.

On September 1, 2020 the Company acquired Tallysman Wireless Inc. a leading manufacturer of precision Global Navigation Satellite Systems (GNSS) antennas, and related components. Tallysman designs, manufactures and sells a very wide range of GNSS, Iridium and Globalstar antennas and related products into a market with a broad range of vertical applications that include precision reference systems, survey, timing, precision agriculture, unmanned and autonomous vehicles, marine and many more. Tallysman also produces cloud-based wireless tracking systems over two-way radio systems and 4G category M cellular systems, for applications ranging from school buses to municipal public works.

Health



2020 Segment Revenue **$163.0M**

2020 Segment EBITDA **$23.4M**

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®).

Our Health team recently entered the pharmaceutical trial management and administering patient support programs on behalf of large Canadian pharmaceutical companies, through the acquisition of Alio and Allphase.

Financial performance

	Three months ended		Year ended	
	September 30, 2020	September 30, 2019[1]	September 30, 2020	September 30, 2019[1]
Revenue	$ 56,848	$ 31,286	$ 163,035	$ 115,718
Gross profit	9,872	6,416	32,370	23,211
Selling and marketing	526	191	1,699	767
General and administration	2,069	1,002	6,815	3,948
Research and development	160	-	460	-
Profit before under noted items	$ 7,117	$ 5,223	$ 23,396	$ 18,496

[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.

Revenues increased 82% for the three-month and 41% for the twelve-month periods ended September 30, 2020 when compared to the same periods of the previous year as a result of new contract wins for fast turnaround in relation to the COVID-19 Pandemic, and acquisitive revenue. Acquisitive growth represented a 20% increase for the three-month and 12% for the twelve-month periods ended September 30, 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 and services to remote locations in Northern Canada, and significant growth year-over-year from the delivery for SNC-Lavalin PAE and government customers for medical screening for travelers.

Health was able to win considerable new business during the pandemic. This included a $30 million contract with SNC Lavalin-PAE as well as multiple engagements to carry out screening for private enterprises.

During the quarter, the Health segment saw delays and shutdowns in certain projects due to the impact of COVID-19 which negatively affected both revenue and margin. The impact of those temporary pauses were a decrease of approximately $600 in revenue for the three-month period, and approximately $4,250 in revenue and $770 in gross margin for the twelve-month period ended September 30, 2020.

Gross margin percentage decreased from 20% to 17% for the three-month, and has remained constant at 20% for the twelve-month periods ended September 30, 2020 when compared to the same periods of the prior year. The decrease in the current quarter was due to the lower margin profile on the contract to deliver mobile hospitals in response to COVID-19. Excluding this one-time item, margins overall for the fiscal year have improved by 3% as compared to the previous year.

Selling and marketing expenses increased by $335 for the three-month and $932 for the twelve-month periods ended September 30, 2020 due to costs in our Alio and Allphase pharmaceutical business unit, and variable compensation costs. General and administration expenses increased by $1,067 for the three-month and $2,867 for the twelve-month periods ended September 30, 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.

Fourth quarter and fiscal year 2020 highlights

During the year, 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 workload were adjusted to comply with social distancing guidelines.

Health saw significant growth in our contract with the Government of Nunavut. The segment provides a comprehensive suite of nursing services across multiple sites. During the quarter, we saw a significant increase in their need for nursing services as they managed their COVID-19 response. Health saw a 100% increase in the revenues attributable to the Government of Nunavut in the last quarter which demonstrates the satisfaction levels of the customer.

Customer satisfaction has been a staple for the Health segment over the years with long-standing contracts with customers. This includes the contract with DND for the provision of health care providers which was won in 2017, and was a continuation of services from the previous contract held from 2005 to 2018. In the current year, the Health segment obtained record high performance management framework scores on the contract, which has resulted in the highest performance incentive fee in relation to the contract to-date.

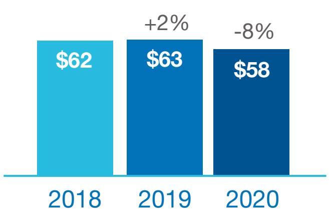
Customer diversification was also demonstrated in the quarter with the SNC-Lavalin PAE Joint Venture contract win to support the delivery of up to ten 100-bed Mobile Respiratory Care Units (MRCUs) for the Government of Canada's pandemic response efforts. Deliveries of approximately $25 million have been made in the fiscal year with the remaining scheduled to be delivered in the first quarter of fiscal 2021. This opportunity demonstrates the Health segment's ability to generate new business through difficult times. This is our first entry into the resiliency services market, and launches a relationship which may prove strategic to the segment's evolution.

Alio Health, Calian's second quarter acquisition, contributed significant growth as it added new pharmaceutical programs to its existing base. With the launch of "PSP One" for a large Canadian pharmaceutical company, which is the consolidation of all of the Pharmaceutical Company's patient support programs ("PSP") with a single partner.

Wins in the energy sector across provinces of Alberta, British Columbia, and Saskatchewan over 8 locations will continue throughout the COVID-19 Pandemic and help in offsetting some of the lost revenues from the Pandemic's impact on the segment.

Primacy, Allphase Clinical Research Services, and Alio Health Services continued to provide essential services with steady demand and minimal disruptions to operations.

Learning



Revenue (millions)

2020 Segment Revenue **$57.8M**

2020 Segment EBITDA **$8.6M**

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 improve 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		Year ended	
	September 30, 2020	September 30, 2019[1]	September 30, 2020	September 30, 2019[1]
Revenue	$ 14,282	$ 13,983	$ 57,834	$ 63,098
Gross profit	3,327	2,958	12,451	12,535
Selling and marketing	230	198	987	910
General and administration	778	731	2,882	2,838
Research and development	-	-	-	-
Profit before under noted items	$ 2,319	$ 2,029	$ 8,582	$ 8,787

[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.

Revenue increased by 2% for the three-month and decreased by 8% for the twelve-month periods ended September 30, 2020 when compared to the same period of the prior year due to the impact of the COVID-19 pandemic. The three-month growth is directly related to acquisitive growth. COVID-19 had a significant impact for programs that required in-person training exercises, and in-class learning environments. As much as possible, the Company has worked with customers to find alternative approaches to maintaining continuity of service and as of June, many of the engagements that had to be paused have returned to work with new regulations to maintain safety of the instructors and students. The impact to the learning segment in the current year due to the pandemic has resulted in revenue decrease of approximately $480 and $90 of gross margin, respectively, for the three-month period, and approximately $5,050 in revenue and $975 in gross margin for the twelve-month period ended September 30, 2020.

Gross margin increased from 21% to 23% for the three-month period and 20% to 22% for the twelve-month periods ended September 30, 2020 due to a focus on margin efficiency for ongoing projects and some of the COVID-19 impact being on lower margin work. Operating costs remained in line with previous periods.

Fourth quarter and fiscal year 2020 highlights

Early in the year, the Learning segment won a contract for the Region of Peel to develop a wastewater emergency response plan and a flood response plan. Calian Emergency Management Solutions will provide the Region of Peel with engineering, security and emergency management expertise and lead a team of specialists to conduct risk and vulnerability assessments, develop site-specific, facility-based response plans and procedures, and design and facilitate a comprehensive training program. In similar recent projects, Learning segment experts have assisted the Province of New Brunswick, City of Ottawa and City of Nanaimo with after-action reviews, and City of Whitehorse with a hazard, risk and vulnerability assessment.

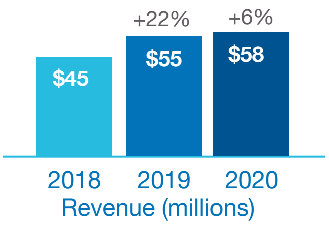
On April 28, 2020, the Company was awarded a contract renewal for custom training with the Canadian Forces School of Aerospace Technology and Engineering. The contract is valued at $54 million over a six-year period. This continues the engagement from our previous contract which began in 2016, and continues the relationship with the Canadian Forces School of Aerospace Technology and Engineering who has been a partner of Calian's for over 10 years.

On June 17, 2020, through the Learning segment, Calian has expanded its product catalogue with the launch of ResponseReady™ for exercise simulation and training. ResponseReady™ is a licensed software solution for the design, delivery and evaluation of emergency exercises and training. The software solution is applicable to the work of emergency management professionals responsible for situations such as floods, wildfires and pandemics; communications personnel who manage public response during a crisis; experts mandated with maintaining critical infrastructure safety such as that of nuclear power facilities; or enterprise IT teams responsible for business continuity related to cyber security threats.

On July 8th, 2020 the Company acquired Custom Training Solutions AS ("CTS"), a boutique training firm based in Stavanger, Norway to expand its customer base and geographical reach. CTS designs, develops and delivers complex training exercises for the Joint Warfare Centre (JWC), a multi-national and multi-service organization of NATO, and the wider NATO audience across Europe.

Overall, Learning was greatly impacted by COVID-19 and temporary restrictions imposed by governments across Canada. However, through the impacts of the pandemic, the segment has won significant work, and expanded geographically along with customer base through acquisition closed in the year, which well positions the segment looking out into fiscal year 2021.

Information Technology



2020 Segment Revenue **$58.1M**

2020 Segment EBITDA **$4.8M**

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		Year ended	
	September 30, 2020	**September 30, 2019[(1)]**	**September 30, 2020**	**September 30, 2019[(1)]**
Revenue	$ 14,357	$ 14,208	$ 58,069	$ 54,531
Gross profit	2,642	2,506	10,344	8,283
Selling and marketing	724	712	2,770	2,219
General and administration	829	586	2,785	2,497
Research and development	1	-	2	-
Profit before under noted items	$ 1,088	$ 1,208	$ 4,787	$ 3,567

(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.

Revenues were up by 1% for the three-month period, and increased by 6% in the twelve-month period ended September 30, 2020 compared to the same periods of the previous year. The increase in the fourth quarter is attributable to recent acquisitions. The annual revenue growth is the result of increased demand from existing customers for cyber security products, increase revenue attributable to maintenance revenue in relation to higher product sales from the previous quarters, and an increase in service delivery for IT professional services across a number of existing customers.

Gross margin is consistent for the three-month period and increased from 15% to 18% in the twelve-month period ended September 30, 2020 when compared to the same period of the previous year due to higher product sales, and focus on higher margin activities in cyber security.

During the quarter, the Information Technology segment saw continued delays with certain projects which were impacted in the second quarter of 2020 through customers premises shutting down which led to the inability to deliver certain services all due to the impact of COVID-19. In the year ended September 30, 2020, this has resulted in revenue decreases of approximately $260 in revenue and $30 of gross margin, respectively, for the three-month period and approximately $2,100 in revenue and $280 in gross margin for the twelve-month period ended September 30, 2020.

Selling and marketing expense increased by $551 for the twelve-month period ended September 30, 2020 when compared to the same period of the previous year. This was the result of increased investment in our sales headcount and business development in existing and new geographies. General and administrative expenses have increased by $243 in the three-month and $288 in the twelve-month periods ended September 30, 2020 due to increased supporting headcount to support the growth in number of contracts and delivery requirements to end customers.

Fourth quarter and fiscal year 2020 highlights

The majority of Information Technology's revenues comes from large, stable customers. Some projects were scaled back during the previous quarters due to work-from-home measures and school closures, which impacted billings. The team has been working with customers to successfully make work-from-home arrangements for many staff and projects, which has resulted in recapture of revenues lost. Through the group's efforts and alteration of delivery method, 97% of the work that was impacted due to COVID-19 is back to full delivery at pre-pandemic levels by year end.

In the first quarter the cyber security practice won a substantial contract with Shared Services Canada to support the expansion of the customer's data centre consolidation initiative. We continue to generate new customers and business in existing customers across the service line, but especially in the cyber security offerings. The segment continues to invest in delivery of services, implementing best-in-breed cyber security solutions in new geographies and with new customers.

On May 15, 2020 the Information Technology segment has secured a $22 million cyber security defence contract with the Department of National defence for service delivery over the next three years. This re-win demonstrates the Company's focus on customer retention.

On July 14 the Company acquired EMSEC Solutions Inc. ("EMSEC"), a boutique firm specializing in radio frequency (RF) emission security and technical surveillance countermeasures located in Ottawa, Canada who will expand the current cyber product and service offering at Calian. Emissions security relates to the control and prevention of unintentional electrical and electromagnetic emissions that can disclose sensitive or classified information. EMSEC provides technical and professional services including TEMPEST products and other mitigation techniques such as facility zoning (physical distancing, building modifications, separation of IT systems, and other measures). This specialized field is growing as organizations increasingly see a need to protect intellectual property.

The Information Technology segment although impacted greatly in March and April due to temporary lockdown measures by the Government of Canada, moved swiftly to shift customer delivery, and focused on margin efficiency. This has resulted in overall record revenue and margin percentage for the year ended September 30, 2020.

Summary

In summary, 2020 was a year of focused efforts and a demonstration of the Company's delivery in a challenging environment. The Company entered 2020 with a strong backlog of work, and successfully added $554M of new contracts during the year to maintain its backlog position.

The Company diversified its customer base and grew its non-government business by 90%. Our organic growth in FY20 was 21%. We continue to invest in research and development and sales capacity in order to support further organic growth.

Growth through acquisitions continues to be a focus. We completed four M&A transactions this year, with three of them closing during our fourth quarter. All of these transactions bring new products and services in three new customer verticals which we did not participate in previously (Emissions security, GNSS antennas and pharmaceutical health services).

COVID-19 presented us with new challenges. Contracts that otherwise would have continued uninterrupted were paused in the spring due to stay-at-home measures. It also changed our operating environment in our Advanced Technology segment which resulted in higher costs. These factors resulted in revenue and gross profit impacts of approximately $1,475 and $1,600, respectively, in our fourth quarter due to the impacts of COVID-19. On a year-to-date basis ending September 30, 2020, revenue and gross profit impacts due to COVID-19 are approximately $13,200 and $3,775, respectively.

COVID-19 also presented an opportunity to provide our expertise to respond to this pandemic. Our Health segment was able to win $35M in new business directly related to the health response in Canada.

Calian is a diverse company which has consistently demonstrated the ability to manage this diversity and provide excellent returns for our shareholders. Under our strategic framework, 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 focused on sustaining our positive momentum into the next fiscal year.

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.

The weighted average shares outstanding over the period presented increased largely because of equity financing in the twelve-month period ended September 30, 2020. The equity financing closed in February 2020 resulted in an additional 1,568,600 common shares being issued. Along with other equity transactions throughout the year, the total common shares outstanding grew from 7,929,238 at September 30, 2019 to 9,760,032 as at September 30, 2020. The fully diluted weighted average shares outstanding increased to 9,855,357 for the three-month period and 9,104,498 for the twelve-month period ended September 30, 2020 when compared to 7,965,442 and 7,863,361, respectively, for the same periods of the previous year.

Adjusted EBITDA

	Three months ended		Year ended	
	September 30, 2020	September 30, 2019[1]	September 30, 2020	September 30, 2019[1]
Net profit	$ 6,886	$ 8,476	$ 20,360	$ 19,992
Depreciation of equipment, application software and R&D	969	622	2,976	2,220
Depreciation of right of use asset	734	-	2,771	-
Amortization of acquired intangible assets	1,684	1,460	5,166	3,168
Lease interest expense	123	-	475	-
Changes in fair value related to contingent earn-out	(2,772)	(4,225)	(1,882)	(4,149)
Deemed compensation	-	-	-	-
Interest expense (income)	19	50	185	36
Other changes in fair value	-	-	(101)	-
Income tax	1,560	1,765	6,860	5,879
Adjusted EBITDA	$ 9,203	$ 8,148	$ 36,810	$ 27,146

[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.

Adjusted net profit and adjusted EPS

	Three months ended		Year ended	
	September 30, 2020	September 30, 2019[1]	September 30, 2020	September 30, 2019[1]
Net profit	$ 6,886	$ 8,476	$ 20,360	$ 19,992
Other changes in fair value	-	-	(101)	-
Changes in fair value related to contingent earn-out	(2,772)	(4,225)	(1,882)	(4,149)
Deemed compensation	-	-	-	-
Amortization of intangibles	1,684	1,460	5,166	3,168
Adjusted net profit	$ 5,798	$ 5,711	$ 23,543	$ 19,011
Weighted average number of common shares basic	9,732,754	7,915,071	9,044,588	7,843,265
Adjusted EPS Basic	0.60	0.74	2.60	2.43
Adjusted EPS Diluted	0.59	0.73	2.59	2.41

[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.

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		Year ended	
	September 30, 2020	September 30, 2019[1]	September 30, 2020	September 30, 2019[1]
Profit before under noted items	$ 9,203	$ 8,148	$ 36,810	$ 27,146
Depreciation of equipment and application software	$ 969	$ 622	$ 2,976	$ 2,220
Depreciation of right of use asset	734	-	2,771	-
Amortization of acquired intangible assets	1,684	1,460	5,166	3,168
Other changes in fair value	-	-	(101)	-
Changes in fair value related to contingent earn-out	(2,772)	(4,225)	(1,882)	(4,149)
Profit before interest income and income tax expense	$ 8,588	$ 10,291	$ 27,880	$ 25,907
Lease interest expense	123	-	475	-
Interest expense (income)	19	50	185	36
Income tax expense	1,560	1,765	6,860	5,879
Net profit	$ 6,886	$ 8,476	$ 20,360	$ 19,992
Net profit per share, basic	0.70	1.08	2.25	2.55
Total assets	331,053	195,026	331,053	195,026
Dividends per share	0.28	0.28	1.12	1.12

[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.

Depreciation increased by 56% in the three-month and 34% in the twelve-month periods ended September 30, 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 current year, and capital expenditures to sustain the Company's growth.

Depreciation of right of use assets is the result of adopting IFRS 16 at the beginning of the current period. Further information regarding the lease accounting and depreciation can be found in the first quarter 2020 financial statements in notes 3 and 12.

Amortization increased by $224 in the three-month and $1,998 in the twelve-month periods ending September 30, 2020 when compared to the same periods of the previous year due to acquisitions in the prior year of Intragrain and SatService which have a full year of amortization in the current year, along with the current year acquisitions of Alio and Allphase, Comprehensive Training Solutions, EMSEC Solutions, and Tallysman Wireless as described in note 26 to the financial statements. Other changes in fair value for the twelve-month period ended September 30, 2020 represent a gain on fair value of the Cliniconex investment as described in note 13 of the Financial Statements.

The gain on changes in fair value related to contingent earn-outs decreased by $1,453 in the three-month and $2,267 in the twelve-month periods ended September 30, 2020 when compared to the same periods of the previous year. The gains represent the Company derecognizing liabilities for earnout targets that are not going to be achieved by the acquisitions. The targets are based on achievement of EBITDA levels for annual periods to which IntraGrain and Satservice are not likely to achieve. The acquisitions both attributed positive EBITDA in the annual period, but not at the level that was negotiated upon at the time of acquisition. The acquisitions were also impacted by COVID-19 impacts on sales and marketing efforts in order to bring products into expanded geographical markets, and impacted delivery ability on international products due to travel restrictions. This is offset by accruing interest charges relating to present valuing of the earnout liabilities for Allphase/Alio, Comprehensive Training Solutions, EMSEC Solutions, and Tallysman Wireless, along with recognition of a loss relating to Allphase/Alio for liabilities not accrued for at the acquisition date. For further information refer to notes 26 and 27 of the Financial Statements.

Interest income increased in the twelve-month period ended September 30, 2020 due to GIC balances held by the Company in the year, whereas interest income was offset in the prior year by interest expenses due to the Company's use of a line of credit.

Finally, the Company reports its results on a fully taxed basis. The provision for income taxes for the three-month period ended September 30, 2020 was $1,560, or 27.5% of earnings before income taxes adjusted for non-taxable items compared to the $1,765, or 29.3% of earnings before income taxes in the same period of the previous fiscal year. The provision for income taxes for the twelve-month period ended September 30, 2020 was $6,860, or 27.1% of earnings before income taxes adjusted for non-taxable items compared to the $5,879, or 27.1% 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 September 30, 2020 was $1,307 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 September 30, 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.

- $15 million Defence Research and Development Canada contract win to support the Center for Security Science
- $14 million in added backlog from recent acquisitions
- $13.5 million contract signing for a patient support program with the Canadian division of a Global pharmaceutical company
- $5 million IT consulting services contract amendment with an existing customer
- $5 million contract renewal with DND in supporting the Royal Canadian Air Force through Training Delivery and Concept Development services

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 $284 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 September 30, 2020

Contracted backlog	$	740,254
Option renewals		851,552
	$	1,591,806
Management estimate of unrealizable portion		(283,848)
Estimated Realizable Backlog	$	1,307,958

Estimated recognition of estimated realizable backlog

	October 1, 2020 to September 31, 2021	October 1, 2021 to September 30, 2022	Beyond September 30, 2022	Total
Advanced Technologies	$ 97,563	$ 35,367	$ 10,437	$ 143,367
Health	151,641	136,960	533,968	822,569
Learning	56,524	47,708	171,877	276,109
Information Technology	33,800	14,833	17,281	65,913
Total	$ 339,528	$ 234,868	$ 733,562	$ 1,307,958

Statement of cash flows

	Three months ended		Year ended	
	September 30, 2020	September 30, 2019[1]	September 30, 2020	September 30, 2019[1]
Cash flows from operating activities before changes in working capital	$ 10,477	$ 7,048	$ 33,681	$ 28,501
Changes in non-cash working capital	(10,241)	(6,381)	(36,434)	(14,968)
Cash flows from (used in) operating activities	236	667	(2,753)	13,533
Cash flows from (used in) financing activities	(1,814)	(869)	45,042	7,395
Cash flows from (used in) investing activities	(20,483)	(648)	(35,189)	(25,635)
Increase (decrease) in cash	$ (22,061)	$ (850)	$ 7,100	$ (4,707)

[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.

Operating activities

Cash inflows from operating activities for the three-month period ended September 30, 2020 were $236 compared to cash inflows of $667 in the same period of the prior year. On a twelve-month basis, cash outflows total $2,753 for the period ended September 30, 2020 when compared to inflows of $13,533 for the same period in 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 a reduction of $10,528 in the three-month period ended September 30th, and stood at a net balance of $91,563.

Amounts owed from customer increased by $19,000 driven by the growth in revenue. Our ongoing large North American ground system project was $8,000 of this increase. We were able to offset this by an improvement in the USD/CAD foreign exchange rate of $1,500, government programs which allowed us to defer tax payments into future periods of $1,100 and improved collections of older receivables and management of our accounts payables of $6,000.

Financing activities

Lease payments

The Company has made payments of $656 for the three-month and $2,508 for the twelve-month periods ended September 30, 2020 due to the implementation of IFRS 16 in the current year.

Dividend

The Company has maintained its dividend for the three and twelve-month periods ended September 30, 2020. The Company paid dividends totaling $2,747 for the three-month period ended September 30, 2020 or $0.28 cents per share, and $9,938 for the twelve-month period then ended, or $1.12 cents per share compared to the same periods of the prior year when the Company paid $2,235 and $8,803, respectively, 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 September 30, 2020, the Company had no activity in relation to its debt facility, this compares to a draw on the facility of $1,000 in the same period of the prior year. In the twelve-month period ended September 30, 2020, the Company repaid the Revolving Credit Facility in its entirety, which amounted to a cash outflow of $13,000, when compared to a cash inflow of $13,000 from utilizing the facility in the same period of the previous year.

Shares

On February 25, 2020 the Company completed an upsized public offering, under which a total of 1,568,600 Common Shares were sold at a price of $44.00 per Common Share for aggregate gross proceeds of $69,018, including shares issued pursuant to the exercise in full of the over-allotment option granted to the Underwriters. Net cash proceeds after commissions and issuance costs were $64,713.

Exercises of stock options and issuances of shares under the employee share purchase plan has resulted in cash inflows of $1,589 for the three-month period ended September 30, 2020 when compared to an inflow of $366 for the same activities in the same period of the prior year. In the twelve-month period ended September 30, 2020, the cash inflow from stock option exercises and issuances of shares under the employee share purchase plan amounted to $5,775, when compared to an inflow of $3,316 for the same period of the prior year.

Investing activities

Equipment expenditures and capitalized research and development

The Company invested $1,521 in the three-month and $4,574 in the twelve-month periods ending September 30, 2020, when compared to $552 and $3,018, respectively, for the same periods of the prior year. Acquisitions of equipment in the current period are mainly attributed to the beginning stages of the Company's ERP implementation and general capital expenditures.

The Company invested $107 in capitalized research and development in the three-month and $1,227 in the twelve-month periods ending September 30, 2020, when compared to $96 and $1,768, respectively, for the same periods of the prior year.

Acquisitions

The company acquired Allphase/Alio, Comprehensive Training Solutions, EMSEC Solutions, and Tallysman Wireless along with making payment for earn out amounts related to the acquisition of Secure Technologies which resulted in a total cash outflow of $29,288 in the twelve-month period ended September 30, 2020. For the same period of the prior year, the Company acquired IntraGrain and Satservice, and made earn out payments to ISR resulting in cash outflows relating to acquisitions of $20,849.

Investments

A $100 minority investment was made in the nine-month period ended September 30, 2020 in Cliniconex as described in Note 13 of the Financial Statements, whereas there were no investment outflows for the same period of the prior year.

Liquidity and capital resources

Cash

Calian's cash and cash equivalent position was $24,235 at September 30, 2020, compared to $17,135 at September 30, 2019, with a cash net of debt position of $24,235 at September 30, 2020 when compared to $4,135 at September 30, 2019.

Capital resources

At September 30, 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 against the credit facility and an amount of $130 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 September 30, 2020.

Related-party transactions

During the three-month period ended September 30, 2020 (2019), the Company had sales of $230 ($231) to GrainX in which Cailan holds a non-controlling equity investment. During the year ended September 30, 2020 (2019), the Company had sales of $1,160 ($1,552) to GrainX. At September 30, 2020 (2019), the Company had an accounts receivable balance with GrainX of $130 ($90) 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.

The Company has certain office space leases with employees of the Company. The total amount of expense due to leases with related parties is $46 (46) for the three-month period ended September 30, 2020 (2019) The total amount of expense due to leases with related parties is $184 ($90) for the year ended September 30, 2020 (2019).

Adoption of new accounting standards and impact on financial results

In 2020 the Company adopted *IFRS 16* – Leases. The accounting policies and impacts to the financial statements are expressed in note 2 to the financial statements.

Had the Company not adopt *IFRS16* – Leases in the current period, the Statement of Net Profit would be impacted in the following way for the twelve-months ended September 30, 2020:

	IAS 17	IFRS 16	Change
Operating Expenses	$ 5,405	$ 2,494	$ (2,911)
Profit before under noted items	(5,405)	(2,494)	2,911
Depreciation of right of use assets	-	2,771	2,771
Profit before interest income and income tax expense	(5,405)	(5,265)	140
Lease interest expense	-	475	(475)
Net profit impact	$ (5,405)	$ (5,740)	$ (335)

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. Management's approach to revenue recognition is tightly linked to detailed project management processes and controls. The information provided by the project managers combined with a knowledgeable assessment of technical complexities and risks are used in estimating the percentage complete.

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, 2019 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.

Business combinations

The consideration transferred for an acquired business is assigned to the identifiable tangible and intangible assets purchased, along with liabilities assumed on the basis of their acquisition date fair values. The identification of assets purchased and liabilities assumed and the valuation thereof is specialized and judgemental. Where appropriate, the Company engages external business valuators to assist in the valuation of tangible and intangible assets acquired. When a business combination involves contingent consideration, an amount equal to the fair value of the contingent consideration is recorded as a liability at the time of acquisition. The key assumptions utilized in determining fair value of contingent consideration may include probabilities associated with the occurrence of specified future events, financial projections of the acquired business, the timing of future cash flows, and the appropriate discount rate.

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, 2019 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 September 30, 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 September 30, 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 September 30, 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

	Fiscal 2021 Guidance	
	Low	High
Revenue	$ 450,000	$ 490,000
Adjusted EBITDA	$ 38,500	$ 42,000
Adjusted net profit	$ 25,200	$ 28,300

On a year to date basis ending September 30, 2020, the Company experienced both revenue and gross profit impacts of $13,200 and $3,775, respectively related to the COVID-19 Pandemic.

Long-term outlook

We believe the company Company is well positioned for sustained profitable 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;
- **Service line innovation:** continue investment in service 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 multiple acquisitions in recent years and will proactively look for companies that can accelerate its growth strategy with a focus on customer diversification and service line evolution.

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 have stabilized. 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.

Independent Auditor's Report

To the Shareholders and the Board of Directors of Calian Group Ltd.

Opinion

We have audited the consolidated financial statements of Calian Group Ltd. (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2020 and 2019, and the consolidated statements of net profit, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Amy deRidder.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Ottawa, Canada
November 24, 2020