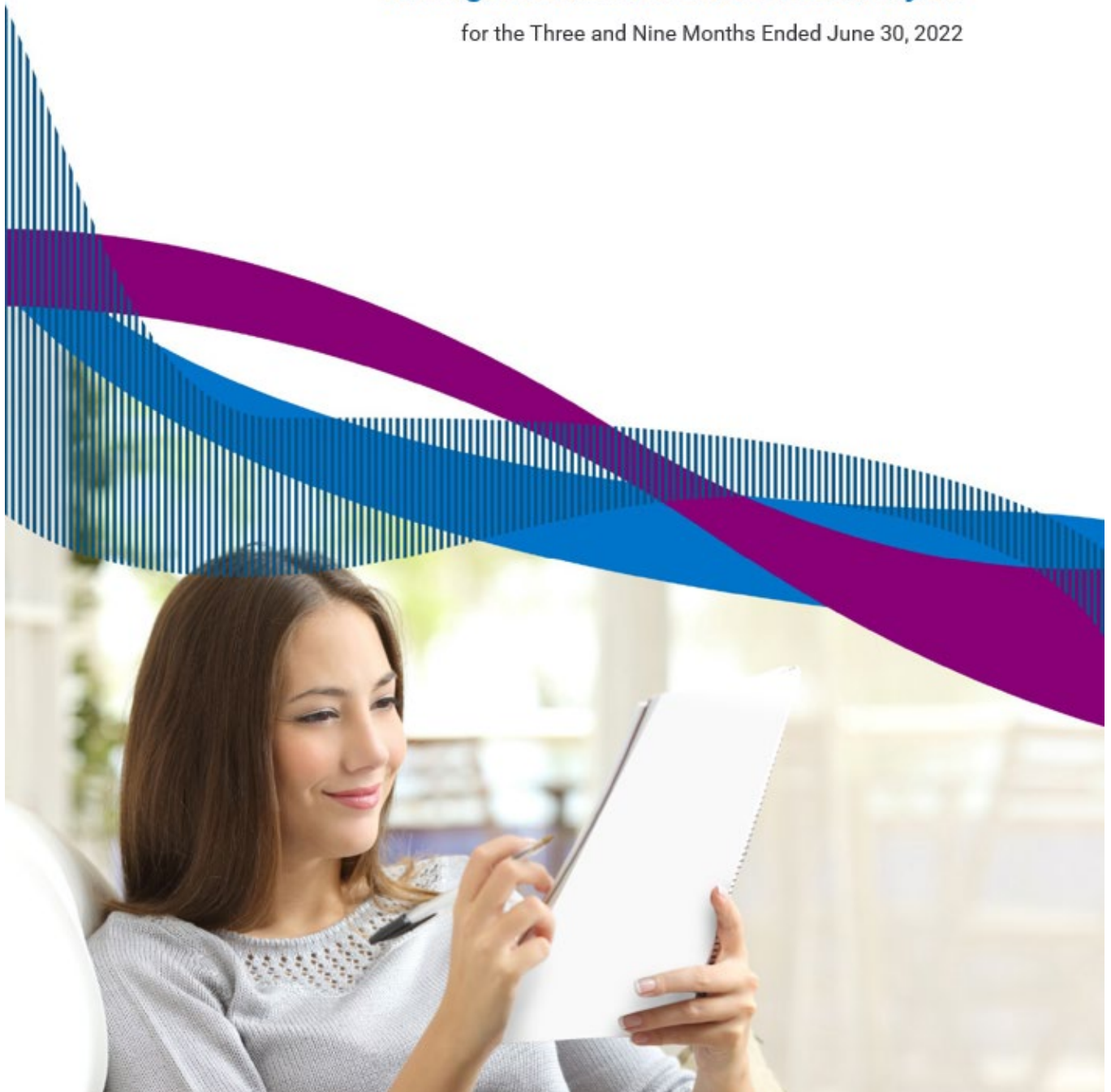




## Management's Discussion and Analysis

for the Three and Nine Months Ended June 30, 2022



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

The following Management's Discussion and Analysis (MD&A) is dated August 10, 2022 and should be read in conjunction with the unaudited interim condensed consolidated financial statements. Calian aligns its accounting policies 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 MD&A 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 include 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.
- The Company's ability to execute on its acquisition program including successful integration of previously acquired businesses.
- The Company's ability to deliver to customers throughout the COVID-19 pandemic, and any government regulations limiting business activities.
- The Company's ability to deliver to customers throughout the Russia/Ukraine conflict, 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 August 10, 2022, 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.

## Coronavirus

The outbreak of the coronavirus, or COVID-19, was declared a pandemic by the World Health Organization on March 11, 2020. The virus spread across the globe and impacted worldwide economic activity. The public health pandemic may continue to pose 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 continue to 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 a variant and the actions to contain its impact. The Company and its employees transitioned to working remotely where possible and customer delivery was not materially impacted. The Company remains reliant on this alternative work arrangement to minimize the impact of outbreak on its financial results and will continue to monitor the appropriate time to adjust our work and delivery model. The Company is also exposed to effects from supply chain disruptions as a result of COVID-19. Inability to obtain components in a timely manner can impact the timing of our delivery to our customers.

## Russia/Ukraine Conflict

On February 24, 2022, Russia attacked Ukraine. Impact on worldwide economic activity may occur. It is possible that the Company may experience, among other things, supply chain disruptions, shipping delays, labour shortages, and inflationary pricing pressures adversely affecting the business as a result of the conflict. These risks may be further exacerbated by the COVID-19 market impacts discussed above. The extent to which the conflict impacts the Company's results will depend on future developments that are highly and uncertain and cannot be predicted. A donation made to support Ukrainians demonstrates our social responsibility principles. In Q2, Calian donated \$63,000 to the Canadian Red Cross Ukrainian Humanitarian Crisis Appeal.

## Seasonality

The Company's operations are subject to some quarterly seasonality due to the timing of vacation periods, statutory holidays, industry-specific seasonal cycles and the timing and delivery of milestones for significant projects. Typically, the Company's first and last quarters will be negatively impacted because of the Christmas season and summer vacation period. During these periods, the Company can only invoice or recognize revenue for work performed and is also required to pay for statutory holidays. With travel restrictions easing in a number of countries, this impact may be seen to increase in any given period as more vacation and travel is taken. This results in reduced levels of revenues and 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 other periods in which sales volume for certain companies within the corporate structure increases due to increased demand in those periods.

## Executive Overview

Calian is a diversified and growing company that operates in Canada, the US, and Europe. Its growth strategy is achieved organically and through disciplined capital deployment on M&A. Calian has acquired 13 companies in the past four years.

### Four-Piston Engine

The Company's four-segment operating model—referred to as its Four-Piston Engine of Diversity—is pivotal to its transformational success. The four operating segments include:

- Advanced Technologies (AT)
- Health
- IT and Cyber Solutions (ITCS)
- Learning

This model provides diversity and stability. The model enables Calian to capitalize on unique opportunities during upturns in some markets while weathering downturns in others.

### Four-Piston Engine. One Company.

Today, Calian is a diverse products and services company providing innovative healthcare, communications, learning and cybersecurity solutions. The Company is headquartered in Ottawa, Ontario, and also has locations in the United States, Germany, Norway, and the UK. The Company is uniquely positioned to solve the significant and complex problems its customers face so that these companies are better able to succeed and deliver on their objectives.

**Mission Purpose:** Calian helps the world communicate, innovate, learn, and lead safe and healthy lives with confidence.

**Values:** The principles of Customer-first Commitment, Teamwork, Integrity, and Innovation, guide the decisions made by Calian.

**Culture:** Every Calian employee brings their “A” game for every client, works hard and works together using collaboration to powerful advantage. Calian attracts and challenges great people and great partners.

### Four Pillars of Growth

While the four operating segments are diverse, each is anchored by the Company's common four-pillar framework for growth.

- **Customer Retention:** Through continued delivery excellence, each segment maintains relationships with their valued customer bases, thus earning more revenue through expanded scopes of existing contracts.
- **Customer Diversification:** Through continued diversification, each segment increases its percentage of revenue derived from winning non-government contracts, from commercial activity in global markets, and from increasing product offerings—both acquisitive and organic.
- **Innovation:** Through continued investment in acquisitive and organic growth, each segment increases its differentiation thus improving gross margins.
- **Continuous Improvement:** Through continued leverage of innovation, the Company streamlines processes and scales its back-office support capability.

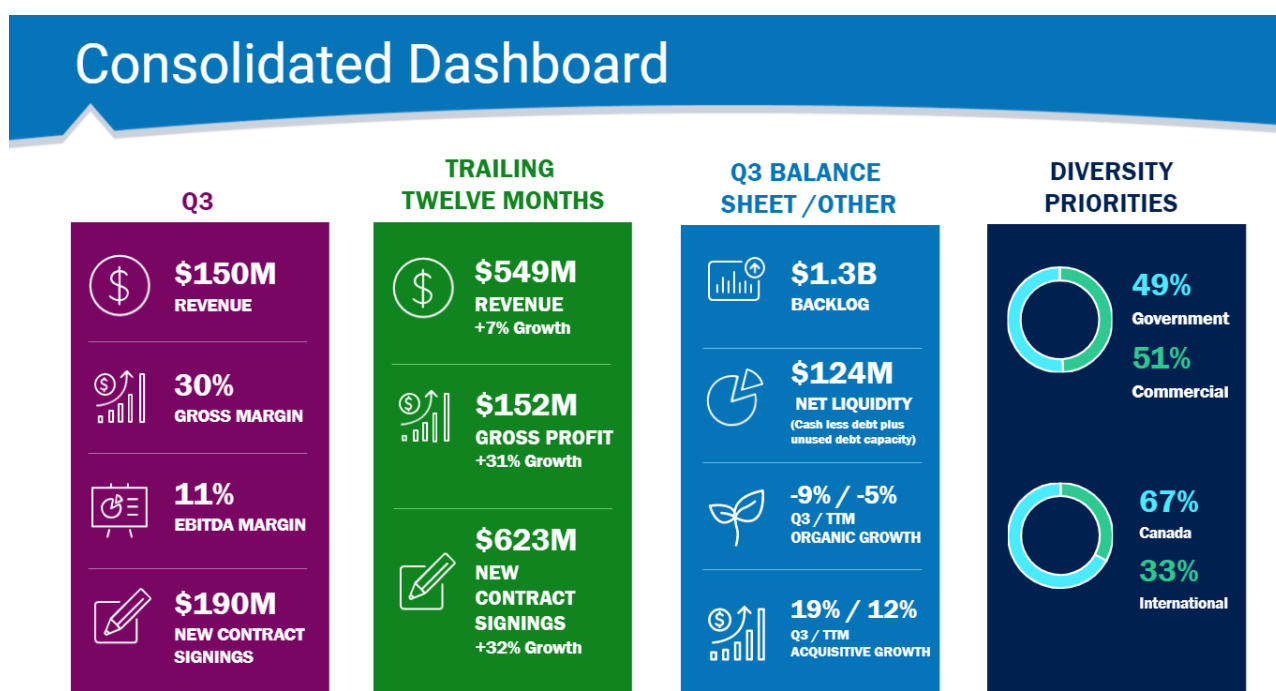
## Management Team

Jerry Johnston our Chief Information Officer announced his retirement following over 35 years of service with Calian. Jerry will be replaced by Mike Muldner starting in the fall of 2022. Mike brings a wealth of experience in dynamic technology companies. We thank Jerry for his countless contributions to Calian over his long and distinguished tenure.

Gordon McDonald also announced his plans to retire in 2023. Gordon joined Calian in 2016 as President of our Health segment. Gordon was able to successfully renew our contract with the Department of National Defence and grow our Health segment into several new areas. Gordon will stay in his role until a successor is identified in 2023.

## Q3 Consolidated Dashboard

The four segments operate as a single company. Key performance indicators (KPIs) for the Company are highlighted in this dashboard.



## Q3 Highlights

This quarter represents a new high across multiple indicators. Revenue of \$150M is a new all-time high. Along with this revenue growth has come diversification both geographically and by customer sector. Sales outside Canada accounted for 33% of revenue, as our expansion into the European defence sector and United States IT and Cyber sector yield results. Our customer sector mix was also a highlight this quarter, where commercial revenues eclipsed our Canadian government revenue for the first time.

Gross margin performance this quarter was also at an all-time high, eclipsing 30%. Our multi-pronged effort to diversify into new markets and investments to introduce new products and differentiated services has allowed us to expand our gross margins.

We have continued to see momentum in our new contract signings. Gross new contract signings were \$190M this quarter, and \$623M in the trailing twelve-month period. Both of these exceed our revenues, which reflects a strong demand for our offerings across all four segments.

Cash flow performance in the quarter was also strong. The Company generated \$16.8M in cash flow from operations in the quarter. Working capital contributed an additional \$8M in the quarter as we focused on our cash flow optimization. After outflows for dividends, capital expenditure and the payment of earnouts, cash ended up \$10M when compared to the previous quarter.

### Selected Quarterly Financial Data

(Canadian dollars in millions, except per share data)

|                                                      | Q3/22    | Q2/22    | Q1/22    | Q4/21    | Q3/21    | Q2/21    | Q1/21    | Q4/20    |
|------------------------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|
| <b>Revenues</b>                                      |          |          |          |          |          |          |          |          |
| Advanced Technologies                                | \$ 39.2  | \$ 39.6  | \$ 41.1  | \$ 42.6  | \$ 43.8  | \$ 42.8  | \$ 37.3  | \$ 37.6  |
| Health                                               | 39.7     | 45.4     | 42.4     | 44.1     | 50.8     | 52.9     | 47.1     | 56.8     |
| Learning                                             | 22.3     | 24.8     | 22.8     | 17.6     | 18.1     | 20.9     | 18.0     | 14.3     |
| ITCS                                                 | 48.8     | 32.3     | 23.2     | 23.2     | 23.4     | 21.9     | 13.8     | 14.4     |
| Total Revenue                                        | \$ 150.0 | \$ 142.1 | \$ 129.5 | \$ 127.5 | \$ 136.1 | \$ 138.5 | \$ 116.2 | \$ 123.1 |
| Cost of revenue                                      | 104.5    | 102.2    | 95.8     | 94.5     | 102.2    | 105.0    | 90.0     | 100.2    |
| Gross profit                                         | 45.5     | 39.9     | 33.7     | 33.0     | 33.9     | 33.5     | 26.2     | 22.9     |
| Selling and marketing                                | 9.6      | 5.3      | 4.5      | 4.4      | 4.5      | 4.0      | 3.4      | 3.0      |
| General and administration                           | 18.0     | 16.6     | 13.8     | 14.2     | 13.3     | 14.4     | 11.6     | 10.0     |
| Research and development                             | 1.8      | 1.2      | 1.4      | 2.0      | 1.2      | 1.0      | 0.8      | 0.7      |
| Profit before under noted items                      | 16.1     | 16.8     | 14.0     | 12.4     | 14.9     | 14.1     | 10.4     | 9.2      |
| Depreciation of equipment and application software   | 2.3      | 1.4      | 1.2      | 1.2      | 1.1      | 1.0      | 1.0      | 1.0      |
| Depreciation of right of use asset                   | 1.0      | 0.9      | 0.8      | 0.8      | 0.7      | 0.8      | 0.7      | 0.7      |
| Amortization of acquired intangible assets           | 3.4      | 10.1     | 3.6      | 3.4      | 3.2      | 3.0      | 2.1      | 1.7      |
| Deemed Compensation                                  | -        | 0.2      | 0.7      | 0.8      | 0.8      | 0.5      | 1.9      |          |
| Changes in fair value related to contingent earn-out | 0.7      | 1.6      | 1.0      | 3.6      | 5.1      | 1.3      | 0.4      | (2.8)    |
| Profit before interest and income tax expense        | 8.7      | 2.6      | 6.7      | 2.6      | 4.0      | 7.5      | 4.3      | 8.6      |
| Lease interest expense                               | 0.1      | 0.1      | 0.1      | 0.1      | 0.1      | 0.1      | 0.1      | 0.1      |
| Interest expense (income)                            | 0.1      | 0.1      | 0.1      | 0.2      | 0.1      | 0.2      | -        | -        |
| Profit before income tax expense                     | 8.5      | 2.4      | 6.5      | 2.3      | 3.8      | 7.2      | 4.2      | 8.5      |
| Income tax expense                                   | 1.8      | 1.1      | 2.2      | 1.4      | 1.7      | 1.7      | 1.7      | 1.6      |
| Net profit                                           | \$ 6.7   | \$ 1.3   | \$ 4.3   | \$ 0.9   | \$ 2.1   | \$ 5.5   | \$ 2.5   | \$ 6.9   |
| Weighted average shares outstanding - Basic          | 11.3M    | 11.3M    | 11.3M    | 11.3M    | 11.2M    | 10.1M    | 9.8M     | 9.0M     |
| Weighted average shares outstanding - Diluted        | 11.4M    | 11.4M    | 11.4M    | 11.3M    | 11.3M    | 10.2M    | 9.9M     | 9.1M     |
| Net profit per share                                 |          |          |          |          |          |          |          |          |
| Basic                                                | \$ 0.60  | \$ 0.11  | \$ 0.38  | \$ 0.10  | \$ 0.18  | \$ 0.55  | 0.25     | \$ 0.71  |
| Diluted                                              | \$ 0.60  | \$ 0.11  | \$ 0.38  | \$ 0.10  | \$ 0.18  | \$ 0.54  | 0.25     | \$ 0.70  |
| Adjusted EBITDA per share                            |          |          |          |          |          |          |          |          |
| Basic                                                | \$ 1.48  | \$ 1.24  | \$ 1.24  | \$ 1.10  | \$ 1.33  | \$ 1.40  | 1.06     | \$ 0.95  |
| Diluted                                              | \$ 1.47  | \$ 1.23  | \$ 1.23  | \$ 1.09  | \$ 1.32  | \$ 1.39  | 1.05     | \$ 0.93  |



## Calian Consolidated Results

The Company grew consolidated revenues by more than 10% relative to the same quarter in the prior fiscal year, thus continuing to successfully execute on its strategic plan and growth, diversification, and innovation agendas. Strong revenue growth was achieved in both our ITCS and Learning segments. ITCS posted revenue growth of 109% when compared to the same period in the previous year. This revenue growth continued to accelerate the Company's record overall gross margin percentage – currently at over 30% for the quarter. Acquisitive revenue contributed to overall growth in the quarter at 19% on a consolidated basis.

|                                 | Three months ended |               | Nine months ended |               |
|---------------------------------|--------------------|---------------|-------------------|---------------|
|                                 | June 30, 2022      | June 30, 2021 | June 30, 2022     | June 30, 2021 |
| Revenues                        | \$ 150,018         | \$ 136,094    | \$ 421,622        | \$ 390,765    |
| Gross profit                    | 45,503             | 33,897        | 119,076           | 93,633        |
| Selling and marketing           | 9,554              | 4,484         | 19,450            | 11,883        |
| General and administration      | 17,994             | 13,256        | 48,404            | 39,230        |
| Research and development        | 1,819              | 1,208         | 4,357             | 3,013         |
| Profit before under noted items | \$ 16,136          | \$ 14,949     | \$ 46,865         | \$ 39,507     |

### Revenues

Consolidated revenues grew 10% in the three-month period, and 8% in the nine-month period ended June 30, 2022, when compared to the same periods in the previous year. The increase in revenue can be largely attributed to the additional revenues from acquired entities. Acquisitive growth was 19% for the three-month period and 13% for the nine-month period ended June 30, 2022, when compared to the same periods in the previous year. The reduction in one-time business related to COVID also contributed to a decline in revenues in the Health segment. Calian measures growth through acquisition on a trailing twelve-month basis; once the acquisition has been included in our results for twelve months, their contribution is included in the organic growth metric.

IT and Cyber Solutions saw a staggering 109% growth for the three-month, and a 76% growth in the nine-month period ended June 30, 2022, when compared to the same periods of the previous year. This growth is driven primarily through contributions from the Company's more recent acquisition, Computex, in Q2 2022.

Learning posted growth of 23% for the three-month, and 22% growth in the nine-month periods ended June 30, 2022, when compared to the same periods of the previous year. Investments to grow our technology and European footprint were the main factors in the strong revenue growth.

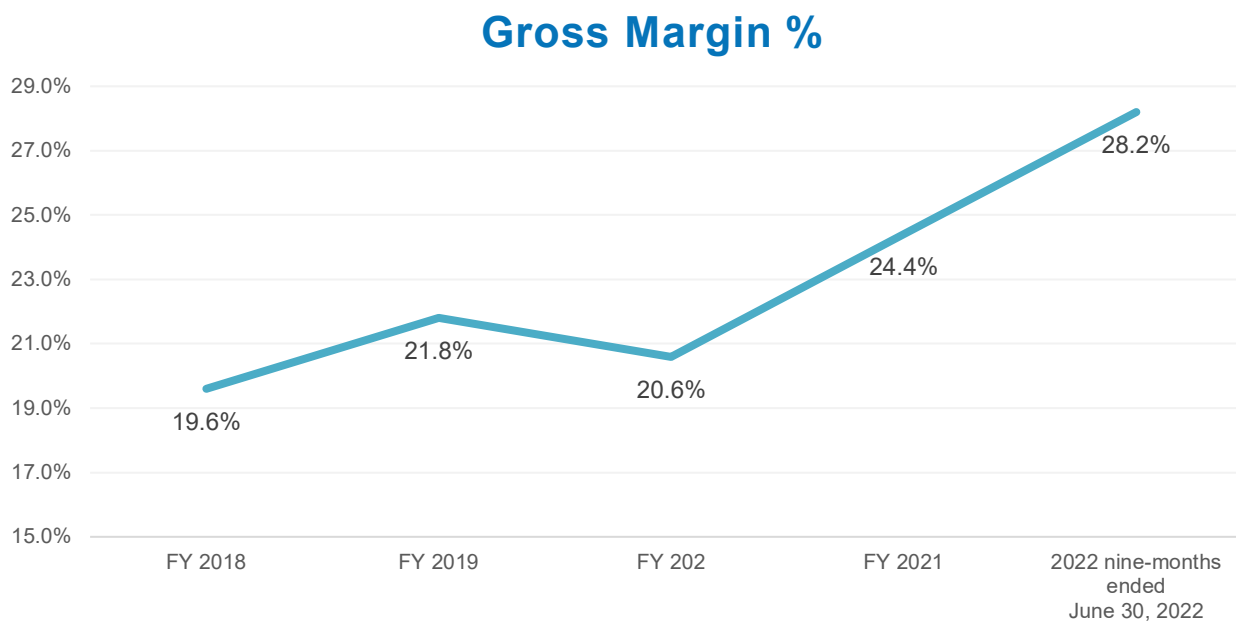
Advanced Technologies experienced a revenue decline of 11% for the three-month period ended June 30, 2022, and 3% for the nine-month period ended June 30, 2022, when compared to the same periods of the previous year. The winding down of a large ground system project has been replaced with higher margin business resulting in lower revenues, but significantly higher gross margins.

Health revenue decreased by 22% for the three-month and decreased by 15% for the nine-month periods ended June 30, 2022, when compared to the same periods of the previous year, which is primarily related to business the Company won to support various Canadian government agencies' responses to COVID-19, or increased demand on existing contracts with customers that were directly related to COVID-19.

Approximately 14% of the decline in revenues is attributable to COVID-19 driven demand in the prior year quarter. Those new engagements have reduced significantly as the response to the pandemic has evolved, and our existing vehicles have reduced to more normal run rates.

## Gross Profit

Consolidated gross margin percentage for the Company's third quarter was 30%, which represents yet another record quarter. This is due to several factors, including higher margins derived from products and services which were acquired through the Company's M&A agenda, organic revenues with a focus on market verticals where margins are higher, along with sustained focus on innovation to introduce products which derive higher margins.



As detailed below in each segment, performance and gross margin by segment varies from 23% to 40% and the business mix, in turn, affects the consolidated gross margin. The volatility of the Canadian dollar is always an influencing factor for margins on work denominated in foreign currencies, especially for the Advanced Technologies segment.

## Operating Expenses

Selling and marketing costs increased \$5,070 for the three-month period, and \$7,567 for the nine-month period ended June 30, 2022, when compared to the same periods of the prior year. The overall increase in cost and activity is primarily due to selling and marketing costs from recent acquisitions, in addition to continued spend on business development activities as government-imposed restrictions in response to COVID-19 were eased for conferences and travel.

General and administration costs increased by 36% for the three-month, and 23% for the nine-month periods ended June 30, 2022, when compared to the same periods of the previous year. The increase is the result of further investments within the four operating segments to enable strong project delivery, additional costs incurred through recent acquisitions, and enhancing capabilities in human resources and information technology. Information technology investments are critical for the company's sustained growth agenda.

Research and development costs increased by 51% in the three-month, and 45% in the nine-month periods ended June 30, 2022, when compared to the same periods in the prior year. The Company has developed and acquired more technology to drive differentiation and higher margins, its investments in research and development capabilities have also seen a commensurate increase.



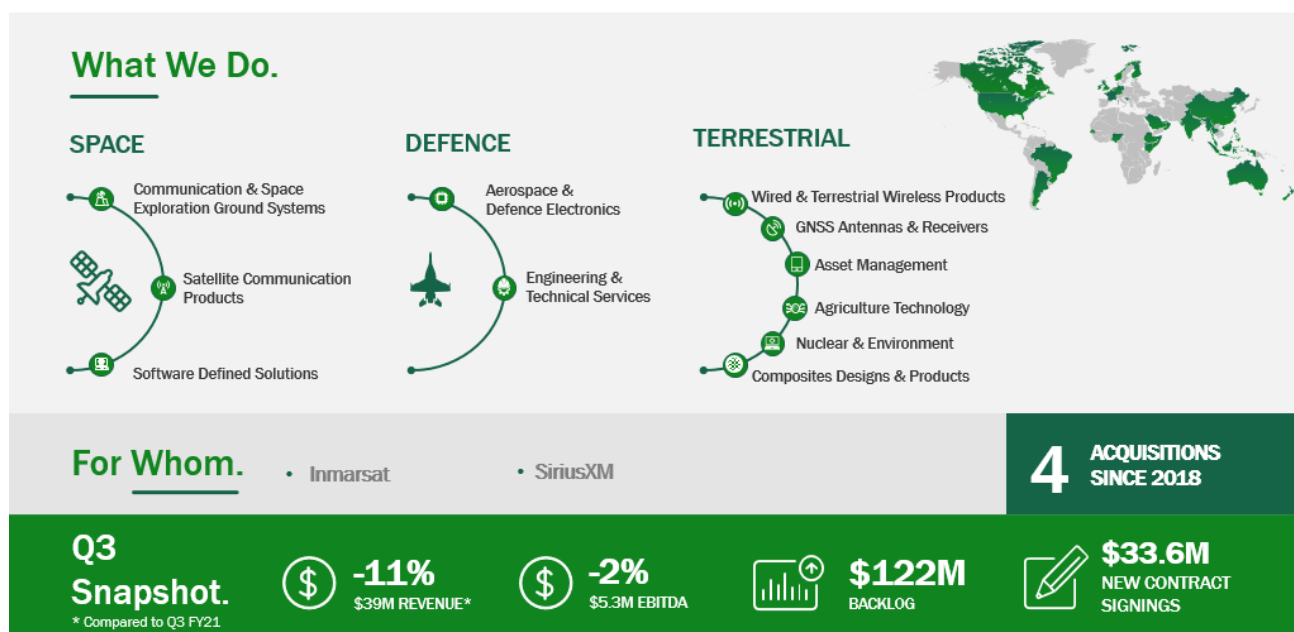
Below is a discussion of the performance of the four operating segments for the second quarter, including:

|                       | Advanced Technologies | Health        | Learning      | ITCS           |
|-----------------------|-----------------------|---------------|---------------|----------------|
| Revenue               | \$39,152 ↓11%         | \$39,841 ↓22% | \$22,259 ↑23% | \$48,766 ↑109% |
| Gross margin          | \$11,225              | \$9,132       | \$5,859       | \$19,287       |
| Organic / acquisitive | -11% / Nil            | -22% / Nil    | 6% / 17%      | 10% / 99%      |
| New contract signings | \$33,608              | \$20,474      | \$72,831      | \$62,875       |
| Backlog               | \$121,912             | \$712,017     | \$323,825     | \$113,117      |

Comparisons in the above table are made to the three month-period ended June 30, 2021. New contract signings reported throughout this management discussion and analysis represent new signings only, not changes in existing contracted backlog values.

## Operating Segments

### Advanced Technologies Segment



The Advanced Technologies segment operates in three distinct market verticals. It uses its deep experience and skills in software and development, Radio Frequency (RF) engineering, and hardware development to help customers across these market verticals.

| Space                                                                                                                                                                                                                                                                             | Defence                                                                                                                                                                                                                         | Terrestrial                                                                                                                                                                                                                                                   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Calian has been a global leader in the provision of sophisticated ground-based solutions to the satellite industry for over 50 years. The Company's solutions include sophisticated ground systems, services and products supporting space exploration, satellite communications, | Calian designs and manufactures aerospace and defence electronics including avionics, subsystem assemblies, circuitry and cable harnesses built to meet military qualifications and to perform in the harshest of environments. | The Company's terrestrial segment provides solutions oriented to a variety of markets including cable networks and wireless, precision GNSS and timing antennas and receivers, asset management solutions, producer to consumer agriculture technology, along |

|                                                     |  |                                          |
|-----------------------------------------------------|--|------------------------------------------|
| broadcast solutions, earth observation and defence. |  | with environment and nuclear consulting. |
|-----------------------------------------------------|--|------------------------------------------|

### **Q3 Highlights**

- The Advanced Technologies segment worked through part shortages in the supply chain resulting in GNSS antenna product sales increasing quarter over quarter. GNSS antennas are in demand by multiple markets including electronic vehicles and mining.
- Software Defined Solutions continue to contribute solid revenues. Calian signed an additional \$4.6M in development and support work for various custom satellite communication network orchestration projects.
- InterTronic Solutions, an acquisition focused on the Satellite Communications market, won additional antenna systems work from NASA, a long-standing customer.
- IntraGrain, an acquisition focused on the Agriculture Technology market, unveiled Bin-Sense® Solo, a low-cost remote monitoring solution for small to medium-sized grain bins.

### **Financial Performance**

|                                 | Three months ended |               | Nine months ended |               |
|---------------------------------|--------------------|---------------|-------------------|---------------|
|                                 | June 30, 2022      | June 30, 2021 | June 30, 2022     | June 30, 2021 |
| Revenues                        | \$ 39,152          | \$ 43,802     | \$ 119,881        | \$ 123,862    |
| Gross profit                    | 11,225             | 10,758        | 33,158            | 30,296        |
| Selling and marketing           | 2,486              | 2,054         | 6,460             | 5,521         |
| General and administration      | 2,194              | 2,407         | 7,049             | 7,164         |
| Research and development        | 1,278              | 927           | 3,509             | 2,298         |
| Profit before under noted items | \$ 5,267           | \$ 5,370      | \$ 16,140         | \$ 15,313     |

Advanced Technologies' revenues decreased by 11% for the three-month period and decreased by 3% in the nine-month period ended June 30, 2022, when compared to the same periods of the previous year. The revenue decrease in the three-month period is attributable primarily to a large-scale project in the prior year scaling down this year and not being replaced as rapidly in our Space division, along with a decrease in volume of manufactured product sales revenues due to parts shortages. This is partially offset by GNSS product sales increase which has increased by 57% year over year in the three-month period ended June 30, 2022. Internally developed product and software sales continue to be a focus for the Company, contributing positively to revenue growth and higher margins in the future.

Gross margin percentage increased from 25% to 29% for the three-month period, and from 24% to 28% for the nine-month period ended June 30, 2022, when compared to the same periods of the prior year. This change is primarily due to the revenue mix being impacted and a greater proportion of revenue attributable from higher margin product sales.

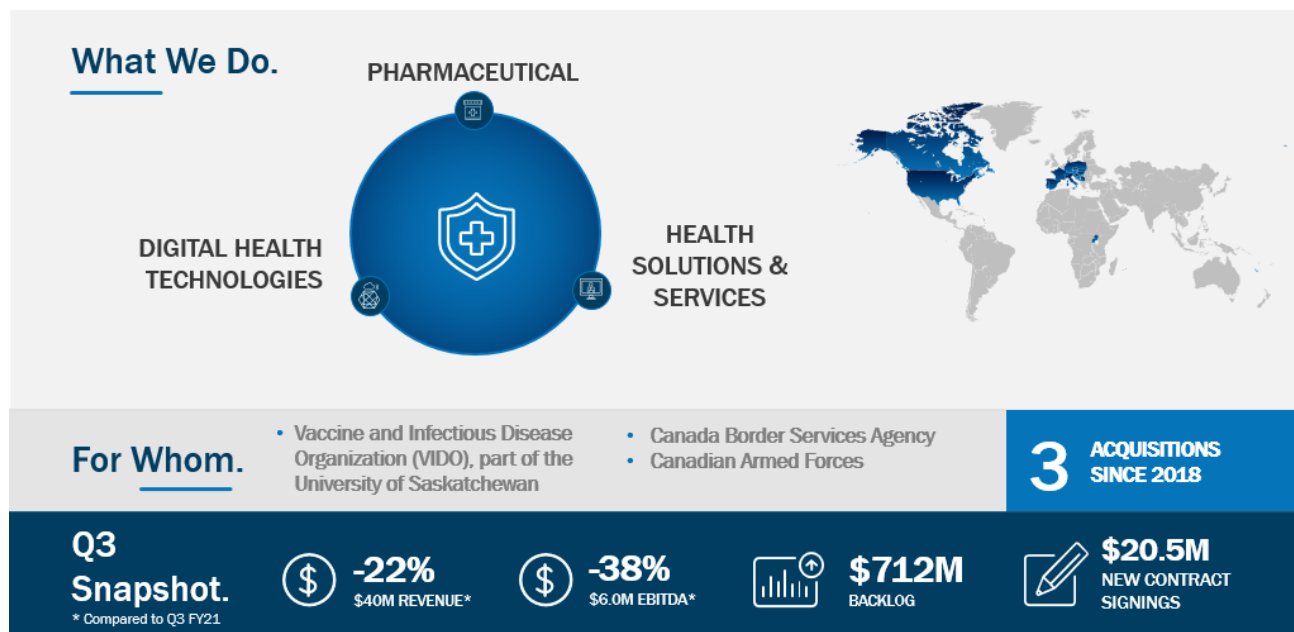
Sales and marketing expenses increased by \$432 for the three-month period and \$939 for the nine-month period ended June 30, 2022, when compared to the same periods in the prior year. Increase in the current year can be attributed to additional spend where selling and marketing expenses were significantly reduced by shutdowns and travel restrictions due to COVID-19, along with continued push for sales of manufactured products in new territories.

General and administration expenses decreased by 9% in the three-month period and decreased by 2% in the nine-month period ended June 30, 2022, which is a direct result of cost management within the segment to maintain profitability along with strategically utilizing staff on R&D projects.

Research and development costs increased by \$351 for the three-month period, and by \$1,211 for the nine-month periods ended June 30, 2022, when compared to the same periods of the previous year. This is due to the redeployment of internal resources on R&D projects where they would otherwise be underutilized.

Although the revenue declined in the three-month period ended June 30, 2022, when compared to the same period of the prior year, the segment has driven revenue mix at higher overall margin and held operating cost constant.

## Health Segment



Calian delivers healthcare and digital health solutions engineered to improve access to high-quality care. The company's innovations increase efficiencies, protect critical systems, and enable new pathways to better healthcare on a global scale.

| Digital Health Technologies                                                                                                                                                                                                                                                                                                                                              | Health Solutions & Services                                                                                                                                                                                                     | Pharmaceutical                                                                                                                                         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>Health Enterprise Resource Planning (ERP) Platform</li> <li>Solutions Cross-sold from ITCS                             <ul style="list-style-type: none"> <li>Virtual Care</li> <li>Care Coordination</li> <li>Health Data Integration and Interoperability</li> <li>Health Cloud and Application Services</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>Clinical Services</li> <li>Nursing Services</li> <li>Psychological Services</li> <li>Patient Support Programs</li> <li>Clinical Services</li> <li>Medical Property Management</li> </ul> | <ul style="list-style-type: none"> <li>Contract Research Outsourcing</li> <li>Patient Support Programs</li> <li>Functional Service Provider</li> </ul> |

### Q3 Highlights

- Syantra Inc., a precision health company, chose Calian to help improve access to its blood test for early breast cancer screening for women across Canada. The 3-year contract valued at \$5M includes Calian Nexi™ to automate patient support, the Calian nursing network for mobile testing, and the Calian clinical research services.

- Fraser Health Authority expands their existing Calian Corolar Virtual Care subscription to three additional clinics and adds the secure online chat module to support administrative and therapeutic communications.
- Calian and partner L-SPARK successfully launched the first cohort of the Calian L-SPARK MedTech Accelerator to help Canadian digital health startups grow their businesses and bring innovative, high-value solutions to healthcare organization across the country. This quarter, three companies in the program—Coalesce Health, Lime Health and Virtual Hallway—signed commercial teaming agreements to leverage the Calian Corolar platform.

## **Financial Performance**

|                                 | Three months ended |               | Nine months ended |               |
|---------------------------------|--------------------|---------------|-------------------|---------------|
|                                 | June 30, 2022      | June 30, 2021 | June 30, 2022     | June 30, 2021 |
| Revenues                        | \$ 39,841          | \$ 50,800     | \$ 127,671        | \$ 150,770    |
| Gross profit                    | 9,132              | 12,889        | 31,522            | 36,746        |
| Selling and marketing           | 544                | 634           | 1,730             | 1,845         |
| General and administration      | 2,475              | 2,503         | 7,518             | 6,929         |
| Research and Development        | 106                | 128           | 296               | 458           |
| Profit before under noted items | \$ 6,007           | \$ 9,624      | \$ 21,978         | \$ 27,514     |

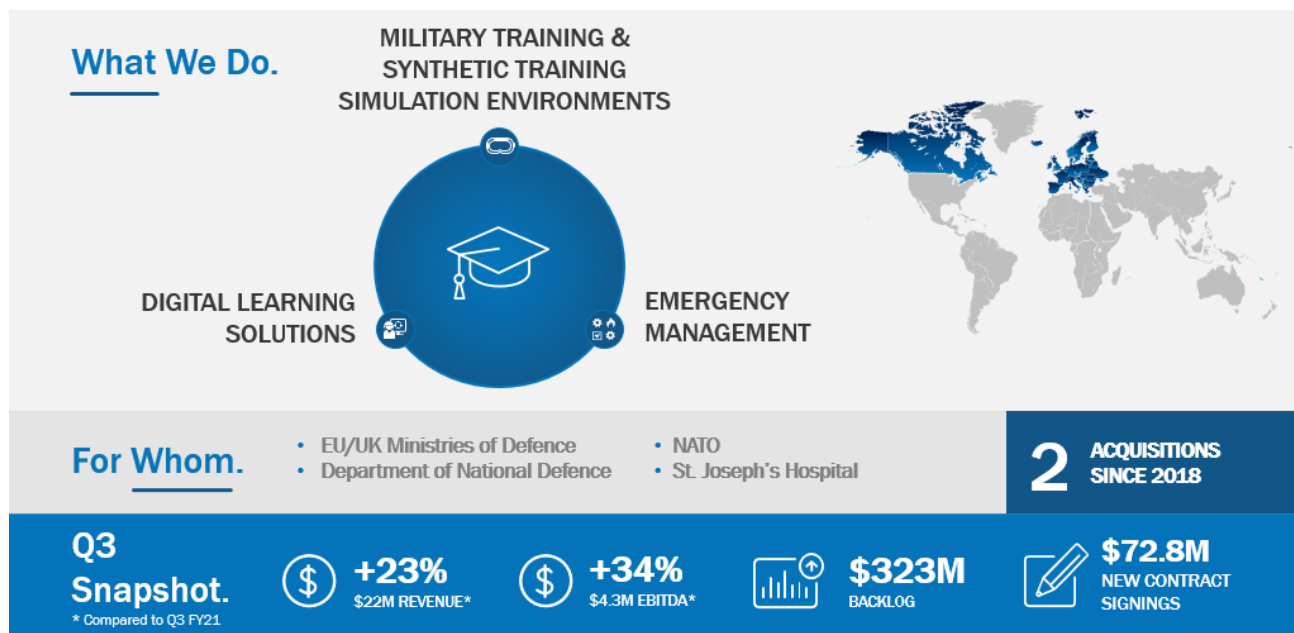
Revenues decreased 22% for the three-month period and 15% for the nine-month period ended June 30, 2022, when compared to the same periods of the previous year. In fiscal 2021, the Company saw significant demand for both new and existing contracts relating to COVID-19 response. Demand on existing contracts has since ramped down to more normalized levels, but the Company is still seeing COVID-19 response demand from new vehicles won during the COVID-19 period, which is offsetting some of this decline. The total revenue decline for the three-month period ended June 30, 2022, when compared to the same period in the prior year relating to COVID-19 generated demand in the prior year is approximately 14%. In addition to the decline in COVID-19 business, the Company has seen a temporary slowdown in demand in patient support programs as new contracts are being onboarded and resources are being shifted to the new programs.

Gross margin percentage decreased from 25% to 23% for the three-month period and increased from 24% to 25% for the nine-month period ended June 30, 2022, when compared to the same periods of the prior year.

General and administration expenses increased by \$589 for the nine-month period ended June 30, 2022, when compared to the same periods of the prior year, due to increases in fixed costs that were brought on to support new contracts won in the past 12 months.

Selling and marketing expenses, along with research and development expenses have been reduced in the three and nine-month period ended June 30, 2022, when compared to the same period of the previous year to maintain the Company's profitability as the Company manages through the COVID-19 demand decrease.

## Learning Segment



Military, all levels of government, and commercial clients leverage the Company's expertise in military training and simulations solutions, learning, and emergency management.

| Military Training & Synthetic Training Simulation Environments                                                                                                                             | Digital Learning Solutions                                                                                                                                            | Emergency Management                                                                                                                                                                                                                            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>Exercise Design, Development, and Delivery</li> <li>Military Occupational Trades and Leadership Training</li> <li>Competency Development</li> </ul> | <ul style="list-style-type: none"> <li>Learning Management Services</li> <li>Curriculum Development</li> <li>Immersive Training Technologies (AR/VR/MR/XR)</li> </ul> | <ul style="list-style-type: none"> <li>Risk Assessments</li> <li>Business Continuity Planning</li> <li>Crisis Communications Planning</li> <li>Training and Exercise Design, Development, and Delivery</li> <li>After Action Reviews</li> </ul> |

### Q3 Highlights

- Calian continues to expand its footprint within the Royal Canadian Navy. This quarter, Calian was awarded a \$3M contract for virtual fleet development and digital asset management.

## Financial Performance

|                                 | Three months ended |                  | Nine months ended |                  |
|---------------------------------|--------------------|------------------|-------------------|------------------|
|                                 | June 30,<br>2022   | June 30,<br>2021 | June 30,<br>2022  | June 30,<br>2021 |
| Revenues                        | \$ 22,259          | \$ 18,113        | \$ 69,869         | \$ 57,061        |
| Gross profit                    | 5,859              | 4,334            | 18,404            | 13,489           |
| Selling and marketing           | 354                | 175              | 947               | 685              |
| General and administration      | 1,258              | 1,008            | 3,563             | 3,006            |
| Research and development        | -                  | -                | -                 | -                |
| Profit before under noted items | \$ 4,247           | \$ 3,151         | \$ 13,894         | \$ 9,798         |

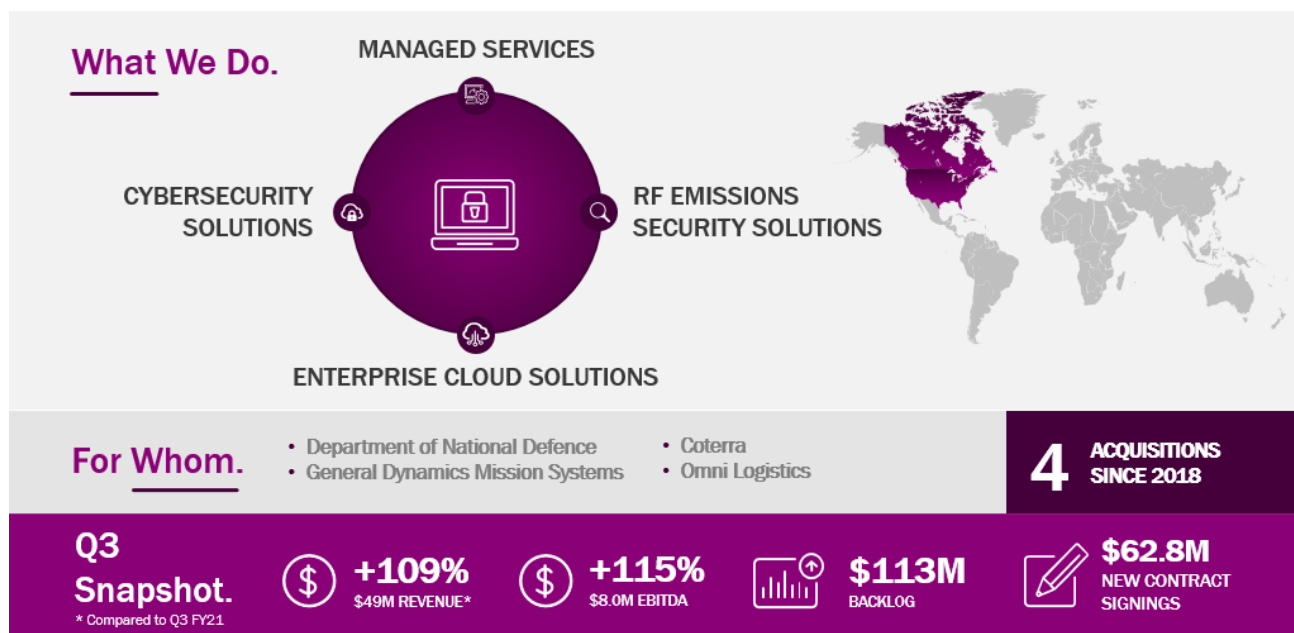
Revenue increased by 23% for the three-month period and 22% for the nine-month periods ended June 30, 2022, when compared to the same periods of the prior year. Revenues from SimFront, which Calian acquired in Q1 2022, contributed to the impressive results along with stability experienced in the existing revenues. Acquisitive growth was 17% for the three-month period and 16% for the nine-month period ended June 30, 2022, when compared to the same periods of the previous year. The Company is continuing to expand its geographic footprint in Europe and win work based on its brand recognition in the area. Organic growth has been achieved with very long-standing customers within the segment who have been working more with the Company in establishing requirements within their businesses.

Gross margin percentage increased from 24% to 26% for the three- and nine-month periods ended June 30, 2022, when compared to the same periods of the previous year. This is primarily due to investments in M&A and internally developed technology which contributes significantly higher gross margins.

General and administration expenses increased by \$250 for the three-month period and \$557 for the nine-month period ended June 30, 2022, when compared to the same periods of the prior year, resulting from costs attributable to acquisitions completed within the past twelve months, the consolidation of costs related to acquired entities, along with the costs of the segment's European expansion.



## IT & Cyber Solutions Segment



Calian creates enterprise value through a wide range of products and solutions that solve complex problems for the Company's customers.

| Cybersecurity Solutions                                                                                                                                                                                                                            | Managed Services                                                                                                                                                 | RF Emissions Security Solutions                                                                                                                                                                                        | Enterprise Cloud Solutions                                                                                                                                                                                                                                       |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>Managed Security Services</li> <li>Managed Detection and Response</li> <li>Incident Response</li> <li>Security Operations Services</li> <li>CISO as a Service</li> <li>Cyber Consulting Services</li> </ul> | <ul style="list-style-type: none"> <li>Communications</li> <li>Live Support</li> <li>Connectivity</li> <li>Productivity</li> <li>Systems Workstations</li> </ul> | <ul style="list-style-type: none"> <li>Threat Risk Assessment</li> <li>RF Vulnerability Assessments</li> <li>Training</li> <li>Custom Engineering Product Design</li> <li>TEMPEST Testing and Certification</li> </ul> | <ul style="list-style-type: none"> <li>Consulting Services</li> <li>Public, Hybrid, and Private Cloud Solutions</li> <li>Digital Infrastructure and Networking</li> <li>Data Integration and Interoperability</li> <li>Cloud and Application Services</li> </ul> |

### Q3 Highlights

- Calian will support modernization and transformation of Immigration, Refugees and Citizenship Canada's (IRCC) eServices. Renewal contract value is \$7.9M.
- Calian will provide cybersecurity technology and professional services to Coterra to build a data centre. Contract value is \$2.2M.

## Financial Performance

|                                 | Three months ended |                  | Nine months ended |                  |
|---------------------------------|--------------------|------------------|-------------------|------------------|
|                                 | June 30,<br>2022   | June 30,<br>2021 | June 30,<br>2022  | June 30,<br>2021 |
| Revenues                        | \$ 48,766          | \$ 23,379        | \$ 104,201        | \$ 59,072        |
| Gross profit                    | 19,287             | 5,916            | 35,992            | 13,102           |
| Selling and marketing           | 4,880              | 894              | 7,305             | 2,375            |
| General and administration      | 6,017              | 1,144            | 11,007            | 4,679            |
| Research and development        | 435                | 153              | 552               | 257              |
| Profit before under noted items | \$ 7,955           | \$ 3,725         | \$ 17,128         | \$ 5,791         |

Revenues increased by 109% for the three-month period and 76% for the nine-month period ended June 30, 2022, compared to the same periods of the previous year. The growth in this quarter is primarily attributed to the strong performance achieved through the recent acquisition of Computex. Acquisitive growth was 99% in the three-month and 70% for the nine-month period ended June 30, 2022, when compared to the same periods of the previous year. Organic growth for the quarter was 10%, and 7% for the nine-month period ended June 30, 2022, when compared to the same periods of the prior year. Organic growth was driven from our Canadian-based cybersecurity offerings and our legacy business of capacity augmentation.

Gross margin increased from 25% to 40% in the three-month period and 22% to 35% in the nine-month period ended June 30, 2022, when compared to the same periods of the previous year. This is primarily related to a higher margin percentage contribution from recent acquisitions.

Selling and marketing costs have increased by \$3,986 in the three-month period and \$4,930 in the nine-month period ended June 30, 2022, when compared to the same periods of the previous year. This increase can be directly related to additional costs of consolidating newly acquired entities.

General and administrative expenses increased by \$4,873 in the three-month period and \$6,328 for the nine-month period ended June 30, 2022, when compared to the same periods of the previous year. This increase relates to additional expenses from the consolidation of recent acquisitions, along with additional investments in headcount to support sustained growth across the segment.

Research and development expenses has increased by \$282 in the three-month period and \$295 for the nine-month period ended June 30, 2022, when compared to the same periods of the previous year. This increase is directly related to the development of new tools for customer delivery within the cyber business, along with joint delivery platforms between ITCS and Health.

Profitability for the segment has increased by 115% in the three-month period and 197% in the nine-month period ended June 30, 2022, when compared to the same period of the previous year. This is a direct result of the increases in sales volume and increases in gross margin percentage offset by the costs of consolidating newly acquired entities. Profit before under noted items for the segment is 16% for the three- and nine-month periods ended June 30, 2022, which is consistent with results observed in the prior year for the three-month period, but a significant increase from the 10% for the nine-month period. This is also a significant increase from the 6% reported in the three-month period ended June 30, 2020, along with the 8% for the nine-month period ended June 30, 2020. The investments in acquisitions and our internally generated delivery platforms are demonstrating the results of the Company's investment strategy.

## Summary

The third quarter represents a continuation of the Company's broader strategy:

1. Execute strong capital deployment on our M&A agenda to deliver customer diversification and innovation.
2. Introduce technology across our existing customer base and new market verticals to differentiate our offerings and drive higher margins.
3. Expand into new geographies and markets.
4. Demonstrate market leadership across our four segments, which will lead to significant cross-sell opportunities in the future.

This approach has resulted in consolidated revenue growth over the same period last year, while increasing both gross margins and EBITDA.

We continue to invest in our business to deliver future growth:

1. Sales and Marketing: The Company continues to invest in people and capabilities to reach new customers.
2. General and Administration: The Company's investments have focused on delivery capacity to enable it to support growth, as well as build efficient support services that can enable growth.
3. Research and Development: The Company's focus on technology in each of its segments has seen it invest in more resources to support and develop new products.

The Company signed \$190M in new contracts and exits the third quarter with a strong backlog of \$1.3B.

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 into the potential opportunities within and strength of 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, in the "Backlog" section, 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 products and services offered by each of the four segments, will provide some insight into the level of customer-specific demand for our offerings.

### Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures

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

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

## Adjusted EBITDA

|                                                      | Three months ended |               | Nine months ended |               |
|------------------------------------------------------|--------------------|---------------|-------------------|---------------|
|                                                      | June 30, 2022      | June 30, 2021 | June 30, 2022     | June 30, 2021 |
| Net profit                                           | \$ 6,836           | \$ 2,063      | \$ 12,409         | \$ 10,062     |
| Depreciation of equipment and application software   | 2,237              | 1,126         | 4,666             | 3,172         |
| Depreciation of right of use asset                   | 978                | 770           | 2,679             | 2,273         |
| Amortization of acquired intangible assets           | 3,351              | 3,200         | 17,071            | 8,359         |
| Lease interest expense                               | 94                 | 112           | 308               | 343           |
| Changes in fair value related to contingent earn-out | 651                | 5,130         | 3,266             | 6,780         |
| Interest expense (income)                            | 142                | 52            | 288               | 297           |
| Deemed Compensation                                  | -                  | 750           | 1,000             | 3,100         |
| Income tax                                           | 1,847              | 1,746         | 5,178             | 5,121         |
| Adjusted EBITDA                                      | \$ 16,136          | \$ 14,949     | \$ 46,865         | \$ 39,507     |

## Adjusted Net Profit and Adjusted EPS

|                                                      | Three months ended |               | Nine months ended |               |
|------------------------------------------------------|--------------------|---------------|-------------------|---------------|
|                                                      | June 30, 2022      | June 30, 2021 | June 30, 2022     | June 30, 2021 |
| Net profit                                           | \$ 6,836           | \$ 2,063      | \$ 12,409         | \$ 10,062     |
| Changes in fair value related to contingent earn-out | 651                | 5,130         | 3,266             | 6,780         |
| Deemed Compensation                                  | -                  | 750           | 1,000             | 3,100         |
| Amortization of intangibles                          | 3,351              | 3,200         | 17,071            | 8,359         |
| Adjusted net profit                                  | \$ 10,838          | \$ 11,143     | \$ 33,746         | \$ 28,301     |
| Weighted average number of common shares basic       | 11,350,214         | 11,251,483    | 11,325,096        | 10,375,745    |
| Adjusted EPS Basic                                   | 0.95               | 0.99          | 2.98              | 2.73          |
| Adjusted EPS Diluted                                 | 0.95               | 0.98          | 2.97              | 2.71          |

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 IFRS. 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 IFRS. Investors are encouraged to review our financial statements and disclosures in their entirety and are cautioned not to put undue reliance on non-GAAP measures and view them in conjunction with the most comparable IFRS financial measures. The Company has reconciled adjusted profit to the most comparable IFRS financial measure as shown above.

## Consolidated Net Income and Other Selected Financial Information

|                                                      | Three months ended |                  | Nine months ended |                  |
|------------------------------------------------------|--------------------|------------------|-------------------|------------------|
|                                                      | June 30,<br>2022   | June 30,<br>2021 | June 30,<br>2022  | June 30,<br>2021 |
| Profit before under noted items                      | \$ 16,136          | \$ 14,949        | \$ 46,865         | \$ 39,507        |
| Depreciation of equipment and application software   | 2,237              | 1,126            | 4,666             | 3,172            |
| Depreciation of right of use asset                   | 978                | 770              | 2,679             | 2,273            |
| Amortization of acquired intangible assets           | 3,351              | 3,200            | 17,071            | 8,359            |
| Deemed Compensation                                  | -                  | 750              | 1,000             | 3,100            |
| Changes in fair value related to contingent earn-out | 651                | 5,130            | 3,266             | 6,780            |
| Profit before interest income and income tax expense | \$ 8,919           | \$ 3,973         | \$ 18,183         | \$ 15,823        |
| Lease interest expense                               | 94                 | 112              | 308               | 343              |
| Interest expense (income)                            | 142                | 52               | 288               | 297              |
| Income tax expense                                   | 1,847              | 1,746            | 5,178             | 5,121            |
| Net profit                                           | \$ 6,836           | \$ 2,063         | \$ 12,409         | \$ 10,062        |
| Net profit per share, basic                          | 0.60               | 0.18             | 1.10              | 0.97             |
| Total assets                                         | 529,969            | 465,400          | 529,969           | 465,400          |
| Dividends per share                                  | 0.28               | 0.28             | 0.84              | 0.84             |

Depreciation of equipment and application software increased by \$1,111 in the three-month period and \$1,494 in the nine-month period ended June 30, 2022, when compared to the same periods in the year prior due to higher balances of assets across the organization as a result of investment in information technology assets and depreciation from recent acquisitions.

Depreciation of right of use asset has increased by 27% for the three-month and by 18% for the nine-month periods ended June 30, 2022, which is a result of new leases signed in the last 12 months, along with leases brought on from recent acquisitions.

Amortization of acquired intangible assets has increased by \$151 in the three-month period and \$8,712 in the nine-month period ending June 30, 2022, when compared to the same periods of the previous year due to acquisitions in the prior year of Dapasoft and Cadence, along with intangibles acquired in the current year through SimFront and Computex. Additionally, in the nine-month period, ended June 30, 2022, InterTronic did not achieve the prescribed level of new contract signings for the periods covered in the purchase agreement. This has resulted in a change of estimate regarding the amount of contingent consideration to be paid. The Company had reduced the contingent consideration owed to NIL and recorded a gain in change of estimate in the amount of \$3,228. As a result of this adjustment in estimated total purchase price, the Company reviewed the estimated cash flows to be derived from the assets acquired. As a result, the Company has taken an impairment of \$6,477 with existing intangible assets, and reduced associated deferred tax liability by \$1,716, resulting in a net loss in the period of \$4,761. Please see note 23 to the financial statements for more information.

Changes in fair value related to contingent earn out has decreased by \$4,479 in the three-month period and decreased by \$3,514 in the nine-month period ended June 30, 2022, when compared to the same periods of the previous year. This increase is attributable to more contingent earn outs having interest accumulate on them to bring the present value of the obligations at acquisition time to face value of the obligation at time of payment. The change in fair value of contingent payments and deemed compensation are explained further in note 24 of the Financial Statements.

## Consolidated Net Income and Other Selected Financial Information (continued)

Finally, the Company reports its results on a fully taxed basis. The provision for income taxes for the three-month period ended June 30, 2022, was \$1,847, which compares to the \$1,746, in the same period of the previous fiscal year. The provision for income taxes for the nine-month period ended June 30, 2022, was \$5,178, which compares to the \$5,121 for the same period from the previous year. The effective tax rate of the company is projected to be 27% for the annual period. The difference in effective tax rate to actual tax rate is primarily due to the increase in non-taxable items in the statement of profit and loss including intangible amortization and changes in fair value related to contingent earn out amounts which are quite significant to the company, and account for significant fluctuations in tax rate where income tax is a percentage of earnings before tax.

### Backlog

The Company's realizable backlog at June 30, 2022 was \$1,271 with terms extending to fiscal 2030. Contracted backlog represents maximum potential revenues remaining to be earned on signed contracts, whereas option renewals represent customers' options to further extend existing contracts under similar terms and conditions.

During the three-month period ended June 30, 2022, 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.

- \$30M contract re-win with the Department of National Defence.
- \$24M contract win to support psychological assessments.
- \$22M re-win for the development of e-learning content.
- \$9M in amendment value for an ongoing data remediation project.

There were no contracts that were cancelled unexpectedly that would have resulted in a significant decrease in our backlog.

Most fee-for-service contracts provide the customer with the ability to adjust the timing and level of effort throughout the contract life and as such the amount actually realized could be materially different from the original contract value. The following table represents management's best estimate of the backlog realization for fiscal year 2022, fiscal year 2023 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 \$327 million. The Company's policy is to reduce the reported contractual backlog once it receives confirmation from the customer that indicates the utilization of the full contract value may not materialize.

### Contract Backlog as of June 30, 2022

|                                             |    |           |
|---------------------------------------------|----|-----------|
| Contracted backlog                          | \$ | 807,205   |
| Option renewals                             |    | 791,090   |
|                                             | \$ | 1,598,295 |
| Management estimate of unrealizable portion |    | (327,423) |
| Estimated Realizable Backlog                | \$ | 1,270,872 |



## Estimated Recognition of Estimated Realizable Backlog

|                       | July 1,<br>2022 to<br>September<br>30, 2022 | October 1,<br>2022 to<br>September<br>30, 2023 | Beyond<br>September<br>30, 2023 | Total               |
|-----------------------|---------------------------------------------|------------------------------------------------|---------------------------------|---------------------|
| Advanced Technologies | \$ 33,105                                   | \$ 52,681                                      | \$ 36,126                       | \$ 121,912          |
| Health                | 40,041                                      | 120,051                                        | 551,925                         | 712,017             |
| Learning              | 24,856                                      | 82,761                                         | 216,208                         | 323,825             |
| ITCS                  | 27,573                                      | 71,629                                         | 13,916                          | 113,118             |
| <b>Total</b>          | <b>\$ 125,575</b>                           | <b>\$ 327,122</b>                              | <b>\$ 818,175</b>               | <b>\$ 1,270,872</b> |

## Statement of Cash Flows

|                                                                        | Three months ended<br>June 30, |             | Nine months ended<br>June 30, |           |
|------------------------------------------------------------------------|--------------------------------|-------------|-------------------------------|-----------|
|                                                                        | 2022                           | 2021        | 2022                          | 2021      |
| Cash flows from operating activities before changes in working capital | \$ 11,823                      | \$ 12,966   | \$ 38,166                     | \$ 31,220 |
| Changes in working capital                                             | 7,952                          | (11,807)    | 4,987                         | (12,344)  |
| Cash flows from (used in) operating activities                         | 19,775                         | 1,159       | 43,153                        | 18,876    |
| Cash flows from (used in) financing activities                         | (21,705)                       | (58,524)    | (2,608)                       | 67,373    |
| Cash flows from (used in) investing activities                         | (6,026)                        | (6,512)     | (67,721)                      | (54,434)  |
| Increase (decrease) in cash                                            | \$ (7,956)                     | \$ (63,877) | \$ (27,176)                   | \$ 31,815 |

## Operating Activities

Cash inflows from operating activities for the three-month period ended June 30, 2022, were \$19,775 compared to cash inflows of \$1,159 in the same period of the prior year. On a nine-month basis, cash inflows total \$43,153 for the period ended June 30, 2022, when compared to inflows of \$18,876 for the same period of the previous year.

Working capital (accounts receivable, work in process, inventory, prepaid expenses and other, accounts payable and accrued liabilities, provisions and unearned contract revenue) has a positive effect on cash flows by an increase of \$7,813 in the three-month period ended June 30, 2022 and stood at a net balance of \$80,799.

Factors related to the overall change in working capital were a decrease in accounts receivable as the Company focused on collections which resulted in an increase of cash in the amount of \$29,908 for the three-month period ended June 30, 2022, and an increase in prepaid expenses due to prepaid maintenance increases, resulting in a decrease of \$3,465. This is offset by a decrease in accounts payable of \$8,187, a decrease of unearned contract revenue of \$3,962, along with an increase in inventory of \$3,043.

## Financing Activities

### Lease Payments

The Company has made payments of \$966 for the three-month period and \$2,726 nine-month period ended June 30, 2022, when compared to the payments of \$771 and \$2,251 for the same periods of the previous year which relate to leases accounted for in accordance with IFRS 16. Increases relate to new leases signed in the current year, and additional leases brought on through acquisitions.

## **Dividend**

The Company has maintained its dividend for the three-month period ended June 30, 2022. The Company paid dividends totaling \$3,179 for the three-month period ended June 30, 2022, or \$0.28 per share, and \$9,516 for the nine-month period ended June 30, 2022, or \$0.84 per share, compared to the same periods of the previous year when the Company paid \$3,150 and \$8,670, 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 June 30, 2022, the Company had \$7,500 drawn on its debt facility, but repaid \$17,896 from the balance outstanding at March 31, 2022, whereas the Company had nil drawn on its debt facility at June 30, 2022, but had repaid \$55,000 in the three-month period ended March 31, 2021.

## **Shares**

Exercises of stock options and issuances of shares under the employee share purchase plan has resulted in cash inflows of \$336 for the three-month, and \$2,134 for the nine-month periods ended June 30, 2022, when compared to an inflow of \$422 and \$2,279, respectively, for the same activities in the same period of the prior year.

In the prior year, on March 17, 2021, the Company announced that it had completed a bought deal public offering, under which, a total of 1,318,000 common shares were sold at a price of \$60.50 per common share for aggregate gross proceeds of \$79,739, including common shares issued pursuant to the partial exercise of the over-allotment option granted to the underwriters. The Offering was conducted by a syndicate of underwriters co-led by Desjardins Capital Markets, and Acumen Capital Finance Partners Limited, and included Canaccord Genuity Corp., CIBC Capital Markets, Stifel GMP, Echelon Capital Markets, Laurentian Bank Securities, and Cormark Securities Inc.

## **Investing Activities**

### **Equipment Expenditures and Capitalized Research and Development**

The Company invested \$1,610 in the three-month period and \$5,083 for the nine-month period ended June 30, 2022, when compared to \$2,896, and \$5,326, respectively, for the same periods of the prior year. Acquisitions of equipment in the current period are mainly attributed to the Company's ERP implementation and general capital expenditures.

### **Acquisitions**

The Company had cash outflows in the amount of \$4,416 in the three-month period ended June 30, 2022, relating to earn out payments for CTS and Alio. Additionally, the Company acquired the assets of Computex on March 14, 2022, and the outstanding shares of SimFront on October 7, 2021, and earn out payments for CTS, Cadence and Tallysman which resulted in total cash outflows of \$62,638 in the nine-month period ended June 30, 2022. In the prior year the Company had cash outflows of \$3,616 in relation to earn out payments. In addition, the Company acquired InterTronic, Dapasoft, and Cadence in the nine-month period, resulting in total cash outflow of \$49,108 for the nine-month period ended June 30, 2021.

### **Investments**

No investment was made in the current or prior period.

## **Liquidity and Capital Resources**

### **Cash**

Calian cash and cash equivalent position was \$51,435 at June 30, 2022, compared to \$78,611 at September 30, 2021.

### **Capital Resources**

At June 30, 2022, the Company had a debt facility of \$80,000 with a Canadian chartered bank that bears interest at prime and is secured by assets of the Company.

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 June 30, 2022.

### **Related-party Transactions**

During the three-months ended June 30, 2022 (2021), the Company had sales of \$590 (\$1,121) to GrainX in which Calian holds a non-controlling equity investment. For the nine-months ended June 30, 2022 (2021), the Company had sales of \$731 (\$1,407) to GrainX. At June 30, 2022 (2021), the Company had an accounts receivable balance with GrainX of \$161 (\$682) which is included in accounts receivable. The terms and conditions of the related party sales are within the Company's normal course of operations and are measured at the exchange amounts agreed to by both parties.

## **Critical Accounting Judgements and Key Sources of Estimation Uncertainty**

### **Estimates**

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from those estimates.

#### *Project completion for revenue*

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

#### *Impairment of goodwill and intangible assets*

Determining whether goodwill or acquired intangible 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.

## **Judgements**

### *Financial instruments*

The Company's accounting policy with regards to financial instruments is described in Note 2 of the September 30, 2021, 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 judgmental. Where appropriate, the Company engages external business valuers 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 the 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, 2021, 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 Conclusion on the Effectiveness of Disclosure Controls**

The Chief Executive Officer and the Chief Financial Officer of the Company, after evaluating the effectiveness of the Company's disclosure controls and procedures as of June 30, 2022, have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries would have been known to them and that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified in the securities legislation.

### **Management Conclusion on the Effectiveness of Internal Control over Financial Reporting**

The Chief Executive Officer and the Chief Financial Officer of the Company, after evaluating the effectiveness of the Company's internal control over financial reporting as of June 30, 2022, have concluded that the Company's internal controls over financial reporting provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with IFRS.

During the most recent interim quarter ending June 30, 2022, 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.

## Risk and Uncertainties (continued)

- 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 33% 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 risks 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 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 its business, financial condition, and results of operations.
- On February 24, 2022, Russia attacked Ukraine. Impact on worldwide economic activity may occur. The extent to which the conflict impacts the Company's results will depend on future developments that are highly uncertain and cannot be predicted.
- Inflation and monetary policy adjustments by central banks may impact the Company's cost structure and corresponding financial results.
- The Company operates managed cybersecurity services for customers. Managed services, which provide protection and defenses against cyberattacks, are nevertheless not a guarantee that systems are entirely safe from cybercrime. In the event a managed service customer's system is compromised, a breach could negatively impact the Company's reputation and expose the Company to potential legal claims.

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



## Short-term Outlook

|                     | Guidance   |            |
|---------------------|------------|------------|
|                     | Low        | High       |
| Revenue             | \$ 560,000 | \$ 585,000 |
| Adjusted EBITDA     | \$ 61,000  | \$ 65,500  |
| Adjusted net profit | \$ 44,000  | \$ 48,000  |

## Long-term Outlook

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

- **Customer Retention:** Through continued delivery excellence, each segment maintains relationships with their customer bases, thus earning more revenue through expanded scopes of existing contracts.
- **Customer Diversification:** Through continued diversification, each segment increases its percentage of revenue derived from winning non-government contracts, from commercial activity in global markets, and from increasing product offerings—both acquisitive and organic.
- **Innovation:** Through continued investment in acquisitive and organic growth, each segment increases its differentiation thus improving gross margins.
- **Continuous Improvement:** Through continued leverage of innovation, the Company streamlines processes and scales its back-office support capability.

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

Calian 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 our customer base in the agriculture, cable, electric vehicles, 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 ITCS 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, the United States and Europe 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 in the long term, the public and private sector will continue to require Health, Learning, and ITCS services from private enterprises to achieve their business outcomes.

## Long-term Outlook (continued)

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 or exceed the financial targets established as part of the acquisitions.

## Additional Information

Additional information about the Company such as the Company's 2021 Annual Information Form and Management Circular can be found on SEDAR at [www.SEDAR.com](http://www.SEDAR.com)

Dated: August 10, 2022

## Corporate Information

### Corporate Head Office

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Phone: 613.599.8600  
Fax: 613.592.3664  
Web: [www.calian.com](http://www.calian.com)

### Board of Directors

George Weber  
Corporate Director, ICD.D

Ray Basler, CPA, CA  
Consultant

Kevin Ford  
CEO, Calian Group Ltd.

Jo-Anne Poirier  
President and CEO, VON Canada, ICD.D

Young Park  
Corporate Director, ICD.D

Ronald Richardson  
Corporate Director, P. ENG., ICD.D

Valerie Sorbie  
Partner and Managing Director,  
Gibraltar & Company

### Common Share Information

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

### Dividend Policy

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