MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2023

CALIAN®

Confidence. Engineered.

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

The following Management's Discussion and Analysis (MD&A) is dated May 10, 2023 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 has been prepared in accordance with the requirements of the Canadian Securities Administrators.

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.
- The Company's ability to win customers and contracts
- 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 May 10, 2023, 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.

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. 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.

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 disicplined capital deployment on M&A. Calian has acquired 13 companies in the past five 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 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 - today and tomorrow.

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 a 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 scope of existing contracts.

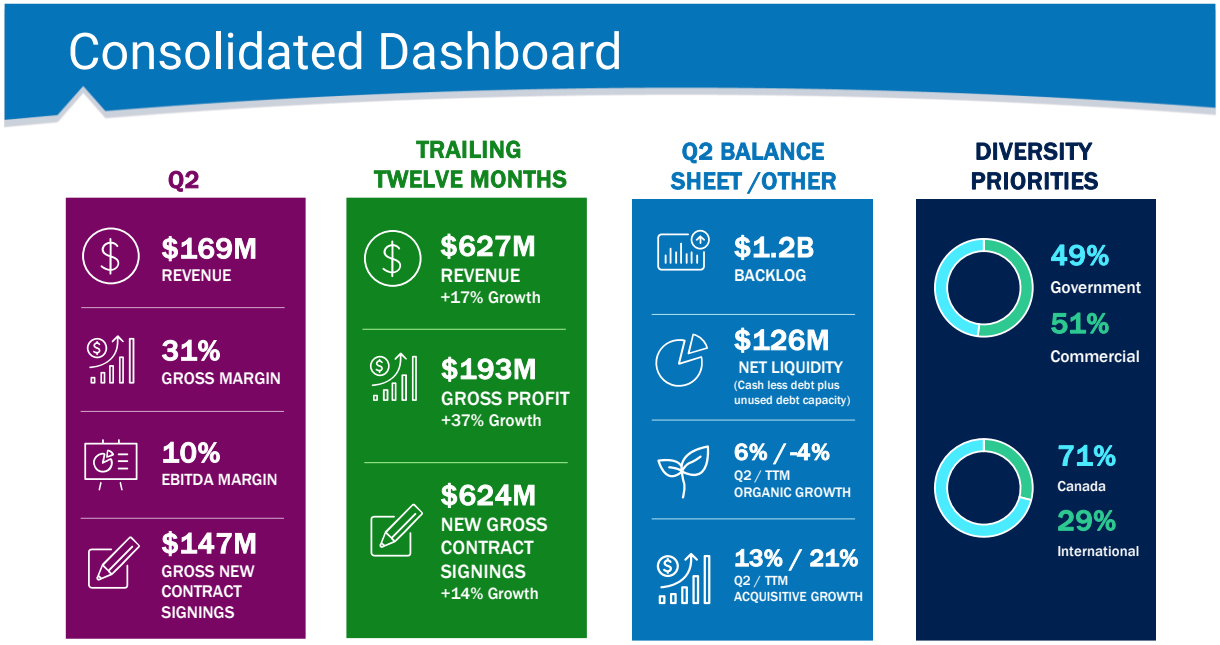
- **Customer Diversification:** Through continued diversification, each segment increases its percentage of revenue derived from winning non-government contracts, from commercial activity in global markets, and from increasing product offerings—both acquisitive and organic.

- **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.

Q2 Consolidated Dashboard

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

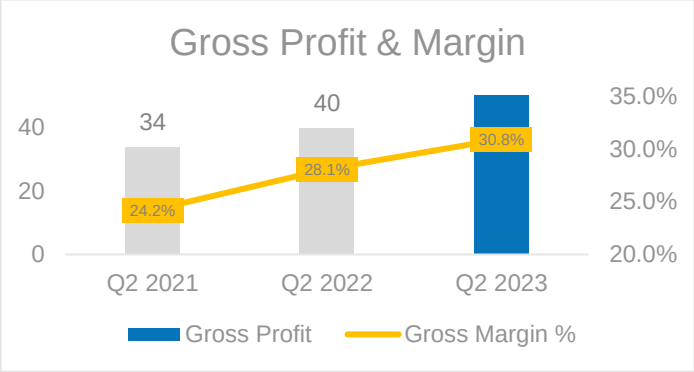


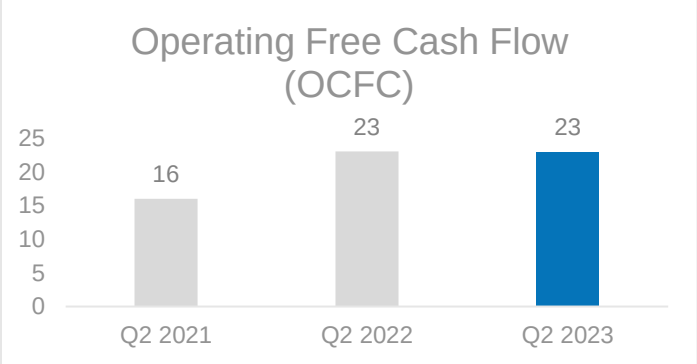
Second Quarter Highlights

The Company continues its trend of profitable growth in the quarter, with a record quarterly performance in revenue, at $169 million. This is 5% higher than its previous highest quarterly revenues. We are seeing strong growth from both acquisitive and organic revenue which is a result of our recent investments in increased capacity in the organization including investments in research and development.

Gross margin performance continued at over 30% in the second quarter for the fourth straight quarter. This trend is a demonstration of the Company's ability to successfully execute on its strategic goals of higher product mix and acquiring entities with stronger contributions than the historical services of the Company.

In the quarter we have announced that we have entered into a definitive purchase agreement to acquire the assets of US-based Hawaii Pacific Teleport. We believe that this acquisition will bring complementary strengths and customer relationships to the Company and futher expand Calian's footprint in the United States. We expect the transaction to close in the second half of fiscal year 2023 following regulatory approvals.





Selected Quarterly Financial Data

(Canadian dollars in millions, except per share data)

	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21
Revenues								
Advanced Technologies	$ 46.8	$ 34.3	$ 30.5	$ 39.2	$ 39.6	$ 41.1	$ 42.6	$ 43.8
Health	43.6	40.4	39.4	39.7	45.4	42.4	44.1	50.8
Learning	28.8	26.4	21.8	22.3	24.8	22.8	17.6	18.1
ITCS	49.3	46.4	68.8	48.8	32.3	23.2	23.2	23.4
Total Revenue	$ 168.5	$ 147.5	$ 160.5	$ 150.0	$ 142.1	$ 129.5	$ 127.5	$ 136.1
Cost of revenue	116.5	102.3	110.4	104.5	102.2	95.8	94.5	102.2
Gross profit	52.0	45.2	50.1	45.5	39.9	33.7	33.0	33.9
Selling and marketing	11.8	11.1	13.1	9.6	5.3	4.5	4.4	4.5
General and administration	20.5	17.4	17.0	18.0	16.6	13.8	14.2	13.3
Research and development	2.9	2.4	1.0	1.8	1.2	1.4	2.0	1.2
Profit before under noted items	16.8	14.3	19.0	16.1	16.8	14.0	12.4	14.9
Depreciation of equipment and application software	2.3	2.3	2.4	2.3	1.4	1.2	1.2	1.1
Depreciation of right of use asset	1.0	1.0	1.0	1.0	0.9	0.8	0.8	0.7
Amortization of acquired intangible assets	3.4	3.4	3.5	3.4	10.1	3.6	3.4	3.2
Deemed compensation	0.1	0.1	3.3	-	0.2	0.7	0.8	0.8
Changes in fair value related to contingent earn-out	2.5	0.7	2.3	0.7	1.6	1.0	3.6	5.1
Profit before interest and income tax expense	7.5	6.8	6.5	8.7	2.6	6.7	2.6	4.0
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
Profit before income tax expense	7.4	6.7	6.4	8.5	2.4	6.5	2.3	3.8
Income tax expense	2.9	2.1	5.4	1.8	1.1	2.2	1.4	1.7
Net profit	$ 4.5	$ 4.6	$ 1.0	$ 6.7	$ 1.3	$ 4.3	$ 0.9	$ 2.1
Weighted average shares outstanding - Basic	11.7M	11.6M	11.4M	11.3M	11.3M	11.3M	11.3M	11.2M
Weighted average shares outstanding - Diluted	11.8M	11.7M	11.5M	11.4M	11.4M	11.4M	11.3M	11.3M
Net profit per share								
Basic	$ 0.39	$ 0.39	$ 0.10	$ 0.60	$ 0.11	$ 0.38	$ 0.10	$ 0.18
Diluted	$ 0.38	$ 0.39	$ 0.10	$ 0.60	$ 0.11	$ 0.38	$ 0.10	$ 0.18
Adjusted EBITDA per share								
Basic	$ 1.45	$ 1.23	$ 1.67	$ 1.48	$ 1.24	$ 1.24	$ 1.10	$ 1.33
Diluted	$ 1.45	$ 1.22	$ 1.66	$ 1.47	$ 1.23	$ 1.23	$ 1.09	$ 1.32

Calian Consolidated Results

The Company continued its double-digit growth in the current year with consolidated revenues increasing by 19% in the three-month and 16% in the six-month periods ended March 31, 2023 when compared to the same periods of the prior year.

Double digit revenue growth was achieved in Advanced Technologies, Learning and ITCS all while delivering expanded gross margins. The Health segment posted a reduction compared to revenues in the same period of the previous year, but was able to grow its traditional in-person health services to new high levels, which is the foundation of the business going forward.

	Three months ended		Six months ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Revenues	$ 168,543	$ 142,102	$ 316,086	$ 271,604
Gross profit	52,091	39,919	97,310	73,573
Selling and marketing	11,831	5,342	22,974	9,896
General and administration	20,493	16,626	37,893	30,410
Research and development	2,922	1,184	5,343	2,538
Profit before under noted items	$ 16,845	$ 16,767	$ 31,100	$ 30,729

Revenues

Consolidated revenues grew 19% in the three-month, and 16% in the six-month periods ended March 31, 2023, when compared to the same periods in the previous year. Acquisitive growth was 13% in the three-month, and 14% for the six-month periods ended March 31, 2023 as a result of our investment in the ITCS US market. This was coupled with organic growth of 6% for the three-month, and 2% for the six-month periods ended March 31, 2023.

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.

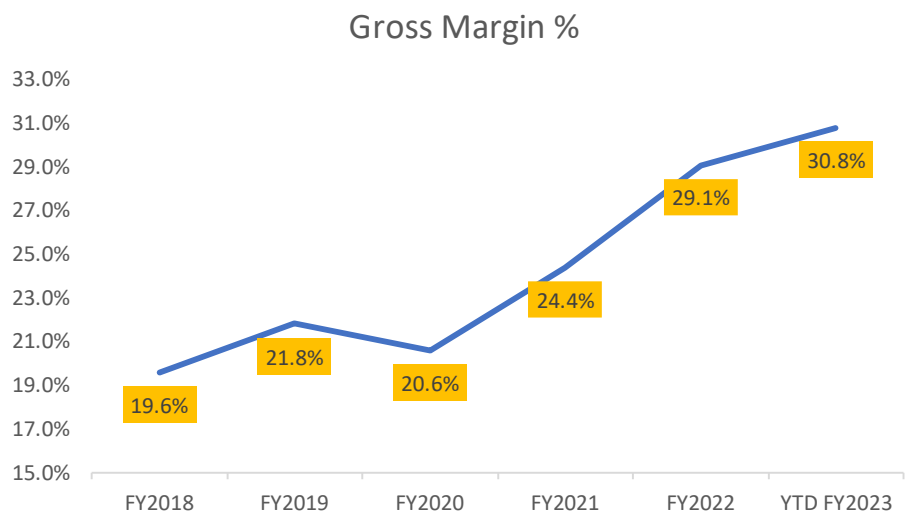
IT and Cyber Solutions grew its revenue by 53% for the three-month, and 73% for the six-month periods ended March 31, 2023, when compared to the same periods of the previous year. This growth was the result of its acquisition of Computex in March 2022 along with continued strong performance of its overall cyber practice.

Learning achieved strong revenue growth of 16% for the three and six-month periods ended March 31, 2023, when compared to the same periods of the previous year. This growth is the result of our organic growth initiatives including business development, research & development of our software tools and further international expansion.

Advanced Technologies revenues grew 18% for the three-month, and was flat for the six-month periods ended March 31, 2023, when compared to the same periods of the previous year. We were able to make some progress in the final month of the quarter, however the impact from the ongoing parts shortage is causing extended lead times. Continued diligence will be required in the coming quarters to maximize revenues while managing the golabl supply chains realities.

Health revenue decreased by 4% for the three and six-month periods ended March 31, 2023, when compared to the same periods of the previous year. The impact of our direct COVID response contracts ending was 19% when compared to the same quarter of the previous year. This was COVID response related revenues directly attributable to short term contracts won through the pandemic which ended in the prior fiscal year. This is offset by increased demand in our traditional in-person healthcare business, along with our clinical research organizational services which are operating at levels that outpace any previous quarter.

Gross Profit



As discussed below in each segment overview, gross margin by segment varies from 24% to 40% and the business mix, in turn, affects the consolidated gross margin. Consolidated gross margin percentage for the Company's first quarter was 30.9%, which is almost 3 points higher than the same period of the previous year. 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 innovating products which derive higher margins.

The Company has been able to successfully increase it's revenue period over period, while also increasing its gross margin percentage. This is a direct demonstration of the Company's strategic investment into capacity, capability and growth.

Operating Expenses

Selling and marketing costs increased $6,489 for the three-month, and $13,078 for the six-month period ended March 31, 2023, when compared to the same periods of the prior year. Approximately $5 million of the increase for the three-month, and $10 million of the increase for the six-month periods ended March 31, 2023 relate to recent acquisitions with incentives on selling activities. The remainder of the increase is a result of spend on business development activities where in the prior year these events or efforts could not take place due to restrictions on events or travel.

General and administration costs increased by 23% for the three-month, and 25% for the six-month periods ended March 31, 2023, when compared to the same periods of the previous year. 12% of this increase for the three-month period, and 15% of this increase for the six-month periods ended March 31, 2023 relate to additional costs consolidated from recent acquisitions. Additional increases are a factor of increased headcount to support the Company's customer growth, the expansion that the Company continues internationally, and additional critical infrastructure or tools related to technology.

Research and development costs increased by $1,738 in the three-month, and $2,805 for the six-month periods ended March 31, 2023, when compared to the same periods in the prior year. The recent investments in research and development are to improve or enhance assets that the Company had developed internally or acquired through M&A. We believe these tools will help us further differentiate our services and maintain our gross margins.

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

	Advanced Technologies	Health	Learning	ITCS
Revenue	$46,799 ↑18%	$43,681 ↓4%	$28,783↑16%	$49,280 ↑53%
Gross profit	$13,708	$10,587	$8,231	$19,565
Organic / acquisitive	18% / Nil	-4% / Nil	16% / Nil	-5% / 57%
New contract signings	$47,867	$24,731	$13,159	$61,287
Backlog	$156,805	$680,807	$298,913	$110,063

**Comparisons in the above table are made to the three month-period ended March 31, 2023*

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	Terrestrial	Defence
Global leader in the provision of sophisticated ground-based solutions to the satellite industry for over 55 years. High availability, high reliability, high performance products and solutions allowing our customers to provide services, orchestrate services, test their capabilities using a combination of software, electronics and mechanical components.	Provides solutions oriented to a variety of markets including wired and terrestrial wireless products, GNSS antennas and receivers, asset management, agriculture technology, nuclear and environment and composites structures designs and fabrication. • Advanced Cable Network products	Defence engineering services, solutions and products. Usually in support of large defence prime contractors or government direct. We provide highly reliable aerospace and defense electronics, engineering and technical services. • Vetronics control modules • Vehicle electronics boxes, assemblies and harnesses

• Satellite Communication Gateways including large aperture antennas • Satellite/Space Communications products • Space and ground asset command, control and test • Broadcast solutions • Satellite Operations	• Precision GNSS location and timing antennas and receivers • Asset management solutions • Crop storage monitoring • Environment and nuclear SMR consulting	• Staffing services for various departments of DND including DRDC • Surveillance and situation awareness

Q2 Highlights

- **Space:**
  - Entered into a definitive purchase agreement to acquire the assets of US-based Hawaii Pacific Teleport (HPT) which provides Calian with strong recurring revenue streams, access to top tier customers for cross-selling and high margins.
  - Awarded CSA STDP grant for Intelligent Satellite Anomaly Detection and Failure Prediction. This development is aimed at improving efficiencies of satellite operations using innovative AI and machine learning techniques.
- **Terrestrial:**
  - Announced the appointment of Darrell Wellington to the Tallysman senior leadership team. A seasoned technology veteran with over 20 years of experience, Mr. Wellington will lead Tallysman, a manufacturer of high-precision Global Navigation Satellite Systems (GNSS), as well as its subsidiary Tallymatics.
  - Received over $6.0 million in new GNSS orders, including new marine customer booking.
- **Defence:**
  - Signed contracts with the Data Remediation Program valued at $6.3 million, Help Desk and Operational Support to the CF Support Training Group valued at $5.2 million, and the manufacture of defence targets valued at $1.1 million.

Financial Performance

	Three months ended		Six months ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Revenues	$ 46,799	$ 39,562	$ 81,066	$ 80,729
Gross profit	13,708	11,199	25,575	21,933
Selling and marketing	2,907	1,938	5,849	3,974
General and administration	3,339	2,640	6,021	4,855
Research and development	1,809	1,113	3,625	2,231
Profit before under noted items	$ 5,653	$ 5,508	$ 10,080	$ 10,873

Advanced Technologies' revenues increased by 18% for the three-month, and was flat for the six-month periods ended March 31, 2023, when compared to the same periods of the previous year. The revenue increase in the three-month period is primarily attributable projects beginning within the Ground systems division that were recently won, along with increased demand in our GNSS product division and AgTech product deliveries.

The segment began making some progress on orders that were delayed due to supply chain delays in receiving key components. We continue to see delays in certain products, but the delays have started to ease. We anticipate this to continue to ease in the coming quarters.

We continue to increase our GNSS product revenues at double digit growth for the quarter. We continue to deploy our products to new large scale customers and increased demand from existing customers as they include our products into more of their offerings.

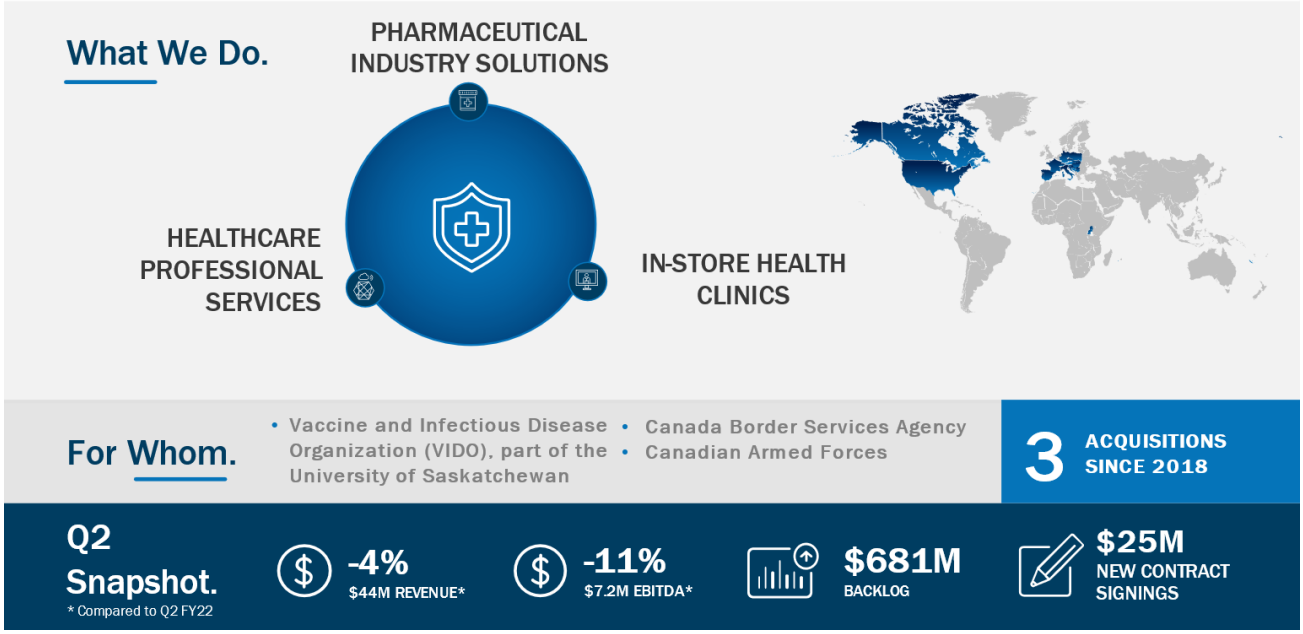
Gross margin percentage increased from 28% to 29% for the three-month, and from 27% to 32% for the six-month periods ended March 31, 2023, when compared to the same periods of the prior year. This is a result of higher margin product revenues. The contribution of more Calian products will continue to drive higher gross margins in the longer term.

Sales and marketing expenses increased by $969 for the three-month, and $1,875 for the six-month periods ended March 31, 2023, when compared to the same periods in the prior year. The overall increase is due to a higher volume of tradeshows and on-site customer travel as restrictions have fully eased.

General and administration expenses increased by $699 in the three-month, and $1,166 for the six-month periods ended March 31, 2023, as we bring on additional capacity to meet future demand requirements.

Research and development expenses have increased by $696 in the three-month, and $1,394 for the six-month periods ended March 31, 2023, when compared to the same periods of the prior year. This increase is the result of various initiatives within our ground systems product development and other product improvements for our manufactured products.

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.

Healthcare Professional Services	Pharmaceutical Industry Solutions	In-store Health Clinics
Manage a network of more than 2,800 healthcare professionals delivering primary care and occupational health services: • 85 classifications of care providers supporting the members of our Canadian Armed Forces ("CAF") • Mental health and primary care and dental services to provinces and territories • Psychological services to Canada's enforcement agencies • Turnkey medical solutions • Direct to patient solutions • Hospital Health Professional Services and solutions	Provide clinical trial management services, specialty medication support and market access services to the pharmaceutical industry, all enabled by an innovative healthcare delivery management software: • Full-service Contract Research Organization (CRO) • Functional Service Provider (FSP) solutions • Mobile Research Nurse Services • Patient Support Programs (PSP) • Digital health technology platforms (Nexi and CVC) • Go-to-market pharmaceutical program partnerships – driving market access / commercialization	Design, build and manage all in-store health clinics (148 clinic spaces): • Medical property management • Establish physician practices • Clinic design, fit-up and 24x7 support • Medical clinic supply chain • Advertising and promotion

Q2 Highlights

- Appointed Derek Clark as President, Health. Effectively transitioned the leadership of Calian Health from Gordon McDonald, who retired at the end of March.
- Won a multi-year contract with Immigration, Refugees and Citizenship Canada (IRCC) to build a team of registered nurses and health aids to provide health and wellness checks to asylum seekers, and site management in six locations across Nova Scotia, New Brunswick and Newfoundland.
- Continued to gain traction with our solution that supports police organizations across western Canada including new contracts in Edmonton, Lethbridge and Regina as well as to Indigenous Services Canada with an increase in the demand for paramedics to serve northern communities in Manitoba and Ontario.
- Formed a partnership with Syantra to increase breast cancer awareness and promote early detection. Secured its first Market Access contract for PSP supporting the Syantra DX | Breast Cancer product, providing expertise in navigating complex reimbursement, pricing negotiations and access strategies to enable access to breast cancer screening across Europe.
- Achieved the strongest revenue quarterly performance at Allphase, the segments full-service Contract Research Organization, for a second quarter in a row.

Financial Performance

	Three months ended		Six months ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Revenues	$ 43,681	$ 45,452	$ 84,136	$ 87,830
Gross profit	10,587	11,342	20,143	22,390
Selling and marketing	542	601	1,002	1,186
General and administration	2,786	2,619	5,345	5,043
Research and development	74	97	161	190
Profit before under noted items	$ 7,185	$ 8,025	$ 13,635	$ 15,971

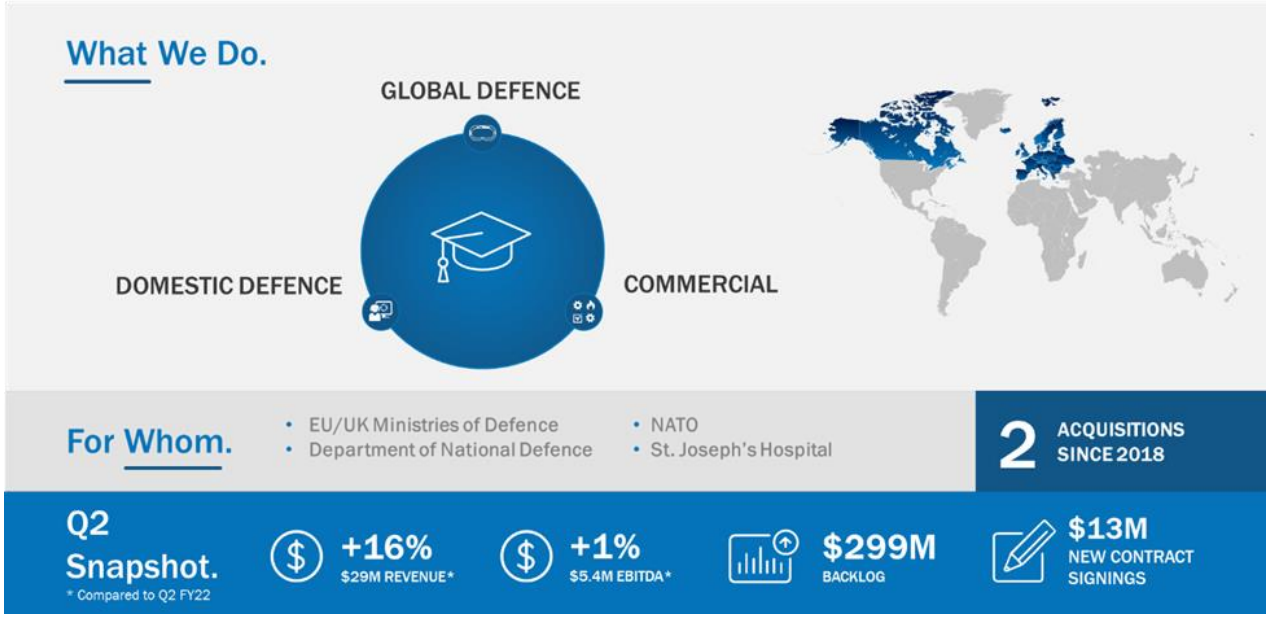
Revenues decreased 4% for the three and six-periods ended March 31, 2023, when compared to the same periods of the previous year. In the previous two fiscal years, the Company saw significant demand for both new and existing contracts relating to COVID-19 response which began to slow in the latter half of fiscal 2022. Revenue decline related to one time projects signed during the COVID-19 surge period that ended in the prior year has resulted in a decrease of 19% in revenue for the three-month period ended March 31, 2023.

The Health segment has been successfully able to win new contracts and grow its existing contracts to replace this COVID surge across the mainstay Health Services business, along with our CRO practice. Our Healthcare Professional services business is now at a new high run-rate level. We continue to focus on recruiting and our delivery capacity to help meet the demand from our existing customers.

Gross margin percentage declined slightly to 24% for the three and six-month periods ended March 31, 2023, when compared to the same periods of the prior year.

Operating expenses remained consistent compared ot the previous year. Investments will be made in coming quarters to increase recruiting capacity to fully utilize existing customer contracts, as well as investments to drive new business.

Learning Segment



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

Domestic Defence	Global Defence	Commercial
Provides simulation-based training for the Canadian Armed Forces. This includes individual training for skills development and collective training to sustain readiness.	Provides a range of military training for NATO member countries, including scenario development, concept development, and delivery of complex exercises.	Develops and delivers more engaging, efficient and cost-effective learning programs for companies.
• Providing end-to-end training solutions, including design, development, delivery, and evaluation of training exercises • Support after-action-review (AAR) of training, to understand the effectiveness of training • Developing a synthetic training environment for all participants • System-agnostic architecture, to allow any simulation system to connect into the synthetic environment • Immersive training solutions for individual competency development (VR/AR/MR/XR) • Operational applications for simulation-to-C2 and automate voice recognition		• Curriculum design and development • Facilitation and delivery • Immersive learning solutions • Learning strategy and consulting • Measurement and evaluation • Workforce development • Learning staff augmentation

Q2 Highlights

- **Domestic Defence**
  - Developed and delivered multiple large, coordinated training exercises for the Canadian Army and Royal Canadian Air Force.

- **Global Defence**
  - Continued the expansion of Calian International training footprint, with projects in France, Turkey, Netherlands, Philippines, Jamaica, Indonesia and Jordan.

- **Commercial**
  - Delivered a virtual reality scenario to St. Joe's Hospital and McMaster University entitled "Patient Perspective Communicating With Staff".

Financial Performance

	Three months ended		Six months ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Revenues	$ 28,783	$ 24,828	$ 55,223	$ 47,610
Gross profit	8,231	6,812	14,796	12,545
Selling and marketing	441	259	990	593
General and administration	1,310	1,188	2,742	2,305
Research and development	1,039	-	1,445	-
Profit before under noted items	$ 5,441	$ 5,365	$ 9,619	$ 9,647

Revenue increased by 16% for the three and six-month periods ended March 31, 2023, when compared to the same periods of the prior year. The growth that we are seeing in the Learning segment is directly attributable to the recent investments into technology and geographical diversification. These investments are proving to be very valuable for both existing and new customers across Canada and European markets. We have been continuing to deploy our product offerings to existing customers which is increasing the scope on projects, and adding additional demand for other services.

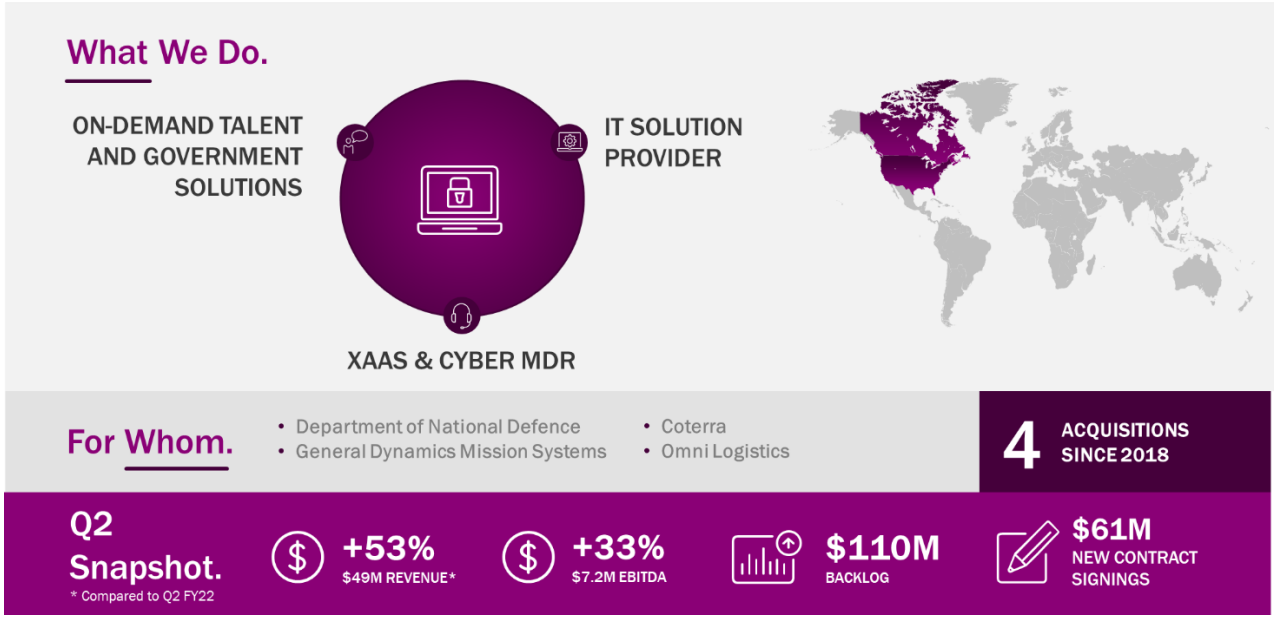
Gross margin percentage increased from 27% to 29% for the three-month, and from 26% to 27% for the six-month periods ended March 31, 2023 when compared to the same period of the previous year. Our product offerings will continue to expand margins.

Selling and marketing expenses increased by $182 in the three-month, and $397 in the six-month periods ended March 31, 2023, when compared to the same periods of the previous year. This is due to increased travel and attendance at tradeshows which has led to new business wins with expanded revenues.

General and administration expenses increased by $122 for the three-month, and $437 for the six-month periods ended March 31, 2023, when compared to the same periods of the prior year, which is a result of supporting the growth in the segment domestically, and it’s global expansion.

Research and development expenses increased by $1,039 in the three-month, and $1,445 period ended March 31, 2023, when compared to the same period of the previous year. These expenses are related to the additional investment in our internally developed softwares used in the delivery of our virtual training and learning services.

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.

On-demand Talent and Government Solutions	IT Solution Provider	XaaS & Cyber MDR
• IT/Cyber Talent Resourcing • Application Modernization • RF Emission & Bug Sweeping • Drone Mitigation	• Enterprise Architecture • Tech. Advisory & Engineering • Public/Hybrid Cloud Migration • Data Centre Builds • Firewalls & Network Security • Wireless & SD-WAN	• Outsourced IT & Cyber Ops. • Cyber Consulting, Audits • Fractional CISO/CIO • Cyber Incident Response • Data Breach Remediation • IT Infra. Monitoring & Mgmt.

Q2 Highlights

- Won a multi-year deal to support GPD Companies, a leading global provider of distribution services and smart solutions, with managed IT & Cyber XaaS services.

- Won an IT Solution Provider deal to support the growth of Resound Networks, a leading Internet Service Provider in Texas.

- Won the Burlington Ontario Health Team (BOHT) and Connected Care Halton Ontario Health Team (CCH OHT) bid for a digital health solution supporting a more integrated care model across partner organizations of the Community Wellness Hub in Halton Region. The BOHT and CCH OHT are networks of health and social service providers that plan and work together to create a more seamless care experience for individuals, families and caregivers. OHT priorities include integrated care through

a population health management approach, patient system navigation, digital access, and applying a health equity lens.

- Recognized with a Platinum designation by OECM Services, a (NPO) Non-For-Profit sourcing partner for Ontario's education sector, public sector and other NPOs.

- Achieved new Solutions Partner designations for the Microsoft Cloud Partner Program, significantly scaling its services reach across the globe.

- Awarded by Proofpoint, a leading cybersecurity and compliance company, as its Top Canadian Growth Partner.

Financial Performance

	Three months ended		Six months ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Revenues	$ 49,280	$ 32,260	$ 95,661	$ 55,435
Gross profit	19,565	10,566	36,796	16,705
Selling and marketing	6,709	1,639	12,556	2,425
General and administration	5,609	3,495	9,721	4,990
Research and development	-	(26)	112	117
Profit before under noted items	$ 7,247	$ 5,458	$ 14,407	$ 9,173

Revenues increased by 53% for the three-month, and 73% for the six-month period ended March 31, 2023, when compared to the same periods of the previous year. Growth in the current quarter relates to revenue expansion in the US marketplace, through acquisitive revenue amounting to 57% of the growth. Organic revenues have declined by 4% in the quarter when compared to the same period of the previous year. We continue to see longer lead times in our supply chain, however we are optimistic to see improvements in the balance of 2023.

Gross margin increased from 33% to 40% in the three-month, and 30% to 38% for the six-month periods ended March 31, 2023, when compared to the same periods of the previous year. This is primarily a result of the acquisitive revenue at higher margin, and higher margin Cyber Security services revenue in the quarter.

Selling and marketing costs have increased by $5,070 in the three-month, and $10,131 for the six-month periods ended March 31, 2023, when compared to the same periods of the previous year. This increase is directly related to additional costs of our expansion into the US marketplace through our acquisition of Computex in March of 2022.

General and administrative expenses increased by $2,114 in the three-month, and $4,731 for the six-month periods ended March 31, 2023, 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 for future growth opportunities for business units in Canada and the US.

Summary of Second Fiscal Quarter

The second quarter of 2023 has seen:
- Record quarterly revenue for the Company
- Double digit growth in three of our four segments
- Positive organic and acquisitive growth
- Ability to maintain our gross margins above 30% for four consecutive quarters
- Total new gross contract signings of $147M displaying our ability to replenish our backlog of $1.2B
- Strong cash position with significant liquidity for continued investment

While supply chain disruptions have caused orders to have longer delivery times and pushing revenue to the right, our teams have been able to make some progress this quarter and will remain focused on fulfilling customer demand despite any disruptions.

The acquisition announcement of Hawaii Pacific Teleport is significant for both our continued geographic expansion into he US, and the enhancement of our product and service suite in our Advanced Technologies segment. Our focus on deploying capital to deliver long-term growth remains a key pillar to our strategy.

Short-term Outlook

	Guidance	
	Low	High
Revenue	$ 630,000	$ 680,000
Adjusted EBITDA	$ 70,000	$ 75,000
Adjusted net profit	$ 46,000	$ 50,000

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		Six months ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Net profit	$ 4,517	$ 1,267	$ 9,093	$ 5,573
Depreciation of equipment and application software	2,252	1,302	4,549	2,429
Depreciation of right of use asset	1,015	878	2,022	1,701
Amortization of acquired intangible assets	3,450	10,128	6,811	13,720
Lease interest expense	122	106	233	214
Changes in fair value related to contingent earn-out	2,562	1,619	3,304	2,615
Interest expense (income)	(27)	95	(15)	146
Deemed compensation	50	247	147	1,000
Income tax	2,904	1,125	4,956	3,331
Adjusted EBITDA	$ 16,845	$ 16,767	$ 31,100	$ 30,729

Adjusted Net Profit and Adjusted EPS

	Three months ended		Six months ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Net profit	$ 4,517	$ 1,267	$ 9,093	$ 5,573
Changes in fair value related to contingent earn-out	2,562	1,619	3,304	2,615
Deemed compensation	50	247	147	1,000
Amortization of intangibles	3,450	10,128	6,811	13,720
Adjusted net profit	10,579	13,261	$ 19,355	$ 22,908
Weighted average number of common shares basic	11,705,770	11,325,786	11,667,937	11,312,537
Adjusted EPS Basic	0.90	1.17	1.66	2.03
Adjusted EPS Diluted	0.90	1.16	1.65	2.01

Operating Free Cash Flow

	Three months ended		Six months ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Cash flows generated from operating activities	6,203	19,214	31,526	23,378
Capitalized research and development	-	(36)	(86)	(150)
Equipment and application software	(1,931)	(1,993)	(2,645)	(3,323)
Free cash flow	**4,272**	**17,185**	**28,795**	**19,905**
Free cash flow	4,272	17,185	28,795	19,905
Adjustments:				
Change in non-cash working capital	6,433	(4,084)	(5,966)	2,964
Operating free cash flow	**10,705**	**13,101**	**22,829**	**22,869**
Operating free cash flow per share	**0.91**	**1.16**	**1.96**	**2.02**

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. Operating free cash flow measures the Company's cash profitability after required capital spending when excluding working capital changes. 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		Six months ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Profit before under noted items	$ 16,845	$ 16,767	$ 31,100	$ 30,729
Depreciation of equipment and application software	2,252	1,302	4,549	2,429
Depreciation of right of use asset	1,015	878	2,022	1,701
Amortization of acquired intangible assets	3,450	10,128	6,811	13,720
Deemed compensation	50	247	147	1,000
Changes in fair value related to contingent earn-out	2,562	1,619	3,304	2,615
Profit before interest income and income tax expense	$ 7,516	$ 2,593	$ 14,267	$ 9,264
Lease interest expense	122	106	233	214
Interest expense (income)	(27)	95	(15)	146
Income tax expense	2,904	1,125	4,956	3,331
Net profit	$ 4,517	$ 1,267	$ 9,093	$ 5,573
Net profit per share, basic	0.39	0.11	0.78	0.49
Total assets	533,599	563,283	533,599	563,283
Dividends per share	0.28	0.28	0.56	0.56

Depreciation of equipment and application software increased by $950 in the three-month, and $2,120 for the six-month periods ended March 31, 2023, 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 $137 for the three-month, and $321 for the six-month periods ended March 31, 2023, 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 decreased by $6,678 in the three-month, and $6,909 for the six-month periods ending March 31, 2023 when compared to the same periods of the previous year due intangibles acquired from multiple years prior being fully amortized in the prior year. Additionally, amortization incurred from intangibles acquired through Intertronic would not have current year amortization as they were written off in the prior year. Please see note 23 to the financial statements for more information.

Deemed compensation has decreased by $197 in the three-month, and $853 in the six-month periods ended March 31, 2023 when compared to the same periods of the previous year due to the deemed compensation amount recognized in the prior year being fully recognized and paid in fiscal 2022. Changes in fair value related to contingent earn out has increased by $943 in the three-month, and $689 for the six-month periods ended March 31, 2023, when compared to the same periods of the previous year. The increase is a direct result of changes in fair value related to the Alio earn out given there was a write up in the amount payable in the current period due to higher than anticipated performance. The change in fair value of contingent payments and deemed compensation are explained further in notes 23 and 24 of the Financial Statements.

Finally, the Company reports its results on a fully taxed basis. The provision for income taxes for the three-month period ended March 31, 2023, was $2,904, which is higher than the $1,125 recorded in the same period of the previous fiscal year. The provision for income taxes for the six-month period ended March 31, 2023 was $4,956, which higher than the $3,331 for the same period from the previous year. The increases in both periods is due to higher taxable income in 2023. The effective tax rate of the company is projected to be approximately 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 March 31, 2023 was $1,247 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 March 31, 2023 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.

- Over $31 million in total signings with numerous customers for product and/or service delivery in our Cybersecurity practice
- $19 million in contract extensions with long standing programs within our IT services business
- $18 million in contract extensions with long standing customers within our Healthcare business
- $7.7 million in purchase orders received for Calian Ag-Tech products
- $6.4 million contract win with NATO for learning and exercise programs

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

Most fee-for-service contracts provide the customer with the ability to adjust the timing and level of effort throughout the contract life and as such the amount 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 2023, fiscal year 2024 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 $238 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 March 31, 2023

Contracted backlog	$	797,331
Option renewals		686,838
	$	1,484,169
Management estimate of unrealizable portion		(237,581)
Estimated Realizable Backlog	$	1,246,588

Estimated Recognition of Estimated Realizable Backlog

	April 1, 2023 to September 30, 2023	October 1, 2023 to September 30, 2024	Beyond September 30, 2024	Total
Advanced Technologies	$ 65,762	$ 57,685	$ 33,358	$ 156,805
Health	83,529	137,775	459,503	680,807
Learning	56,962	87,658	154,293	298,913
ITCS	55,378	37,367	17,318	110,063
Total	$ 261,631	$ 320,485	$ 664,472	$ 1,246,588

Statement of Cash Flows

	Three months ended		Six months ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Cash flows from operating activities before changes in working capital	$ 12,636	$ 15,130	$ 25,560	$ 26,342
Changes in working capital	(6,433)	4,084	5,966	(2,964)
Cash flows from operating activities	6,203	19,214	31,526	23,378
Cash flows used in financing activities	(10,828)	22,775	(14,189)	19,097
Cash flows used in investing activities	(7,666)	(49,953)	(14,080)	(61,695)
Increase (decrease) in cash	$ (12,291)	$ (7,964)	$ 3,257	$ (19,220)

Operating Activities

Cash inflows from operating activities for the three-month period ended March 31, 2023, were $6,203 compared to cash inflows of $19,214 in the same period of the prior year. On a six-month basis, cash inflows total $31,526 for the period ended March 31, 2023, when compared to inflows of $23,378 for the same period of the previous year.

The Company's net position on its accounts receivable, work in process, inventory, prepaid expenses and other, accounts payable and accrued liabilities, provisions and unearned contract revenue had a negative effect on cash flows of $6,433 in the three-month period ended March 31, 2023, and a positive effect on cash of $4,084 for the six-month period ended March 31, 2023, and stood at a net balance of $78,447 at March 31, 2023. This net balance remains at a lower level than it was all fiscal 2022.

Factors related to the overall change in working capital were a increase in accounts receivable of $27,455 for the three-month period ended March 31, 2023 due to significant revenue, and movements from WIP to billings in the quarter. This is however offset by management of payables in the amount of $19,729. We anticipate working capital to continue to turnaround for the remainder of the fiscal year unless there are significant product sales that occur at a quarter end to offset the working capital change.

Financing Activities

Lease Payments

The Company has made payments of $913 for the three-month, and $1,922 for the six-month periods ended March 31, 2023, when compared to the payments of $918 and $1,760 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 March 31, 2023. The Company paid dividends totaling $3,280 for the three-month period ended March 31, 2023 or $0.28 per share, and $6,542 for the six-month period ended March 31, 2023 or $0.56 per share compared to the same periods of the previous year when the Company paid $3,171 and $6,337, 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 March 31, 2023, the Company repaid $7,500 which was previously drawn on its debt facility.

Shares

Exercises of stock options and issuances of shares under the employee share purchase plan has resulted in cash inflows of $865 for the three-month and $1,775 for the six-month periods ended March 31, 2023 when compared to an inflow of $1,468 and $1,798 for the same activities in the same period of the prior year.

Investing Activities

Equipment Expenditures and Capitalized Research and Development

The Company invested $1,931 in the three-month period and $2,645 in the six-month period ended March 31, 2023, when compared to $1,993 and $3,323 for the same periods of the prior year. Acquisitions of equipment in the current period are attributed to the Company's general capital expenditures.

Acquisitions

The Company had cash outflows in the amount of $5,735 in the three-month period relating to earnout payments for Tallysman, and $8,660 for the six-month period ended March 31, 2023 relating to earn out payments which includes Tallysman and Simfront. In the prior year The Company acquired the assets of Computex on March 14, 2022, and the outstanding shares of SimFront on October 7, 2021, which resulted in a cash outflow of $43,649 in the three-month period, and $52,754 in the six-month period ended March 31, 2022. Additionally, the Company had cash outflows of $1,193 for the three-month period, and $5,337 in the six-month period ended March 31, 2022, related to the earn out payment of CTS, Cadence and Tallysman.

Investments

The Company invested $2,000USD ($2,689 CAD) in the three and six-month periods ended March 31, 2023 when compared to the same periods of the prior year, where the Company had no investments.

Liquidity and Capital Resources

Cash

Calian cash and cash equivalent position was $45,903 at March 31, 2023, compared to $42,646 at September 30, 2022.

Capital Resources

At March 31, 2023, 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 March 31, 2023.

Related-party Transactions

During the three months ended March 31, 2023 (2022), the Company had sales of $458 ($84) to GrainX, in which the Company holds a non-controlling equity investment. For the six months ended March 31, 2023 (2022), the Company had sales of $610 ($141) to GrainX. At At March 31, 2023 (2022), the Company had an accounts receivable balance with GrainX of $450 ($72) 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 Judgments and Key Sources of Estimation Uncertainty

Estimates:

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

Project completion for revenue

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

Impairment of goodwill and intangible assets

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

Income taxes

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

Contingent liabilities

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

Loss allowance

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

Judgments:

Financial instruments

The Company's accounting policy with regards to financial instruments is described in Note 2 of the September 30, 2022 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 valuators to assist in the valuation of tangible and intangible assets acquired. When a business combination involves contingent consideration, an amount equal to the fair value of the contingent consideration is recorded as a liability at the time of acquisition. The key assumptions utilized in determining 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, 2022 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 March 31, 2023, 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 March 31, 2023, 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 March 31, 2023, 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 Company's business depends in part on a stable and growing economy. If the Canadian of global economy suffers a downturn or enters a recession as a result of COVID-19, the war in Ukraine, or otherwise, it could affect customers' ability to spend on the Company's products and services.
- The recent delays in the global supply chain and scarcity of materials may impact the Company's ability to secure the materials and components required to meet customers' needs and contractual obligations.
- Inflation and monetary policy adjustments by central banks may impact the Company's cost structure and corresponding financial results.
- The Company is subject to risks associated with the ongoing pandemic. Rising inflation, slow economic growth and/or a potential recession may impact our customers' ability to invest and spend on new or existing programs, which could reduce our deliverables. 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 Company conducts acquisitions and faces risks associated with those acquisitions and the integration of the acquired businesses.
- The Company has experienced significant growth in recent years. Its growth has and will likely continue to place a strain on resources with increased demands on all corporate services and business units. It is possible that the Company may over-hire with no guarantee of corresponding increase in revenue.
- 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. 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.
- Any changes to the management team, including the hiring or departing of executives, could be disruptive to the business.
- 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.
- 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.
- 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.

- 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.
- As many of the Company's services are offered on location at military bases or other defence locations, the Company faces risks inherent in operations at those sites. In the event one of the Company's military customers were targeted by a hostile state or group, the Company, as a key partner to those militaries, could be at an increased risk of state-sponsored strikes, including cyber-attacks, damage to infrastructure, and supply chain interference, and therefore be at risk of sustaining financial losses and reputational damage.
- Most fee-for-service contracts provide the applicable customer with the ability to adjust the timing and level of effort throughout the contract life so the amount actually realized by the Company could be materially different from the original contract value.
- There is a risk that as the Company grows, credit risk increases with respect to accounts receivable.
- The Company is subject to foreign exchange risk in that approximately 29% 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's brand and reputation play an important role in its ability to maintain existing customers and generate new business. The Company's brand and reputation depend on the ability to continue successfully delivering products and solutions without interruptions, errors and defects.
- Many of the Company's solutions rely upon imbedded or external software to deliver goods and services. Any such defects could lead to service interruptions and impact the Company's ability to deliver its products and services.
- 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.
- 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 collects, stores and uses certain sensitive data, intellectual property, proprietary business information and certain personally identifiable information.
- The Company compete in industries that are subject to many intellectual property rights including patents. The risk of infringement claims increases as the Company continues to innovate, offer new solutions and enter new markets.
- 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 climate change progresses, and its effects increase, the Company may be subject to increased operating risks.
- The Company is exposed to environmental and health and safety regulations associated with its manufacturing activities.

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	$ 630,000	$ 680,000
Adjusted EBITDA	$ 70,000	$ 75,000
Adjusted net profit	$ 46,000	$ 50,000

Additional Information

Additional information about the Company such as the Company's 2022 Annual Information Form and Management Circular can be found on SEDAR at www.SEDAR.com

Dated: May 10, 2023

Corporate Information

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Board of Directors

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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

Lori O'Neill
Corporate Director, FCPA, FCA, ICD.D, CPA

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.