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NEWS RELEASE

FOR IMMEDIATE RELEASE

Calian Reports Results for the First Quarter and Reiterates its FY23 Guidance

(All amounts in release are in Canadian dollars)

OTTAWA, February 14, 2023 – Calian® Group Ltd. (TSX:CGY), a diverse products and services company providing innovative healthcare, communications, learning and cybersecurity solutions, today released its results for the first quarter ended December 31, 2022.

First quarter highlights:

- Revenue up 14% to $148 million
- Gross margin above 30% for the third consecutive quarter
- Adjusted EBITDA[1] up 2% to $14 million
- Operating Free Cash Flow[1] up 24% to $12 million
- Cash on hand of $58 million and net liquidity of $131 million
- New contract signings of $126 million
- Reiterated FY23 guidance

Financial Highlights *(in millions of $, except per share & margins)*	**Three months ended December 31,**		
	2022	**2021**	**%**
Revenue	147.5	129.5	14%
Adjusted EBITDA[1]	14.3	14.0	2%
Adjusted EBITDA %[1]	9.7%	10.8%	(110bps)
Net Profit	4.6	4.3	7%
EPS	$0.39	$0.38	3%
Adjusted Net Profit[1]	8.8	9.6	(8%)
Adjusted EPS Diluted[1]	$0.75	$0.85	(12%)
Operating Free Cash Flow[1]	12.1	9.8	24%

1 This is a non-GAAP measure. Please refer to the section “Reconciliation of non-GAAP measures to most comparable IFRS measures” at the end of this press release.

Access the full report on the Calian Financials web page. Register for the conference call on Wednesday, February 15, 2023, 8:00 a.m. Eastern Time.

“The strong performance of our ITCS and Learning segments was impressive. The combination of organic growth and performance from recent acquisitions in these two segments drove our results in the quarter,” said Kevin Ford, Calian CEO. “With $126 million in new signings and improvements in the supply environment we are confident in our ability to post our 6th consecutive record year.”

First Quarter Results

Revenues increased 14%, from $130 million to $148 million, driven by strong performance in our Information Technology & Cyber Solutions (ITCS) and Learning segments.

- **ITCS**: Revenues doubled to $46 million driven by the company’s strong performance from its expansion into the United States with the acquisition of Computex last March, coupled with double-digit organic growth of 11% in its overall cyber practice.
- **Learning**: Revenues grew 16% to $26 million driven by continued demand in the military learning and preparedness market from its long-standing customers.
- **Advanced Technologies:** Revenues declined 17% to $34 million due to delays in the award of new ground systems projects and ongoing supply chain issues, which result in parts delay that slow its ability to deliver products. This was partially offset by the strong performance of its GNSS antennas business. Gross margins improved significantly from 26% to 35% in the quarter.
- **Health:** Revenues decreased 5% to $40 million due to lower COVID-19 related business coupled with the slower pace of awards for new business.

Liquidity and Capital Resources

“Our cash performance was strong in our first quarter. We generated $12 million in operating free cash flows, an impressive increase of 24% over the prior year,” said Patrick Houston, Chief Financial Officer. “In addition, we were able to recapture a further $12 million in working capital throughout the quarter. This further improves our already strong balance sheet and puts us in an excellent position to continue to invest in our M&A growth agenda.

The Company ended the quarter with net cash of $58 million and an available credit facility resulting in total available liquidity of $131 million which consists of net cash on hand and available debt.

Quarterly Dividend

Today, Calian declared a quarterly dividend of $0.28 per share. The dividend is payable March 14, 2023, to shareholders of record as of February 28, 2023. Dividends paid by the Corporation are considered “eligible dividend” for tax purposes.

Guidance Reiterated

“With new contract signings of $126 million, a robust backlog of $1.3 billion combined with increased recurring revenue streams, we are on pace to deliver another record year in FY23,” said Mr. Ford.

	Guidance for the year ended Sept. 30, 2023	
(in thousands of Canadian $)	Low	High
Revenue	630,000	680,000
Adjusted EBITDA	70,000	75,000
Adjusted Net Profit	46,000	50,000

About Calian
We keep the world moving forward. Calian® helps others communicate, innovate, learn, stay safe and lead healthy lives – today and tomorrow. Every day, our employees live our values of customer-commitment, integrity, innovation and teamwork to engineer reliable solutions that solve complex problems. That’s Confidence. Engineered. A stable and growing 40-year company, we are headquartered in Ottawa with offices and projects spanning North American and International markets. Visit calian.com to learn about innovative healthcare, communications, learning and cybersecurity solutions.

Product or service names mentioned herein may be the trademarks of their respective owners.

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DISCLAIMER

Certain information included in this press release is forward-looking and is subject to important risks and uncertainties. The results or events predicted in these statements may differ materially from actual results or events. Such statements are generally accompanied by words such as “intend”, “anticipate”, “believe”, “estimate”, “expect” or similar statements. Factors which could cause results or events to differ from current expectations include, among other things: the impact of price competition; scarce number of qualified professionals; the impact of rapid technological and market change; loss of business or credit risk with major customers; technical risks on fixed price projects; general industry and market conditions and growth rates; international growth and global economic conditions, and including currency exchange rate fluctuations; and the impact of consolidations in the business services industry. For additional information with respect to certain of these and other factors, please see the Company's most recent annual report and other reports filed by Calian with the Ontario Securities Commission. Calian disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. No assurance can be given that actual results, performance or achievement expressed in, or implied by, forward-looking statements within this disclosure will occur, or if they do, that any benefits may be derived from them.

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CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2022 and September 30, 2022
(Canadian dollars in thousands, except per share data)

	December 31, 2022	September 30, 2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 58,194	$ 42,646
Accounts receivable	136,739	171,453
Work in process	33,040	39,865
Inventory	26,608	18,643
Prepaid expenses	21,754	23,780
Derivative assets	53	123
Total current assets	276,388	296,510
NON-CURRENT ASSETS		
Capitalized research and development	1,958	2,186
Equipment	15,692	16,623
Application software	10,044	10,395
Right of use asset	15,875	16,678
Investments	3,359	670
Acquired intangible assets	53,528	57,087
Deferred tax asset	997	1,054
Goodwill	146,046	145,959
Total non-current assets	247,499	250,652
TOTAL ASSETS	$ 523,887	$ 547,162
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Debt facility	$ 7,500	$ 7,500
Accounts payable and accrued liabilities	99,297	126,096
Contingent earn-out	26,464	25,676
Provisions	1,173	1,249
Unearned contract revenue	48,639	46,210
Derivative liabilities	42	812
Lease obligations	3,949	4,115
Total current liabilities	187,064	211,658
NON-CURRENT LIABILITIES		
Lease obligations	14,281	14,920
Contingent earn-out	-	2,874
Deferred tax liabilities	12,349	12,524
Total non-current liabilities	26,630	30,318
TOTAL LIABILITIES	213,694	241,976
SHAREHOLDERS' EQUITY		
Issued capital	215,614	213,277
Contributed surplus	2,622	3,479
Retained earnings	93,512	92,198
Accumulated other comprehensive income (loss)	(1,555)	(3,768)
TOTAL SHAREHOLDERS' EQUITY	310,193	305,186
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 523,887	$ 547,162
Number of common shares issued and outstanding	11,656,720	11,607,391

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET PROFIT
For the three months ended December 31, 2022 and 2021
(Canadian dollars in thousands, except per share data)

	Three months ended December 31,	
	2022	**2021**
Revenue		
Advanced Technologies	$ 34,267	$ 41,167
Health	40,455	42,378
Learning	26,440	22,782
ITCS	46,381	23,175
Total Revenue	**147,543**	**129,502**
Cost of revenues	102,324	95,848
Gross profit	**45,219**	**33,654**
Selling and marketing	11,143	4,554
General and administration	17,400	13,784
Research and development	2,421	1,354
Profit before under noted items	**14,255**	**13,962**
Depreciation of equipment, application software and research and development	2,297	1,127
Depreciation of right of use asset	1,007	823
Amortization of acquired intangible assets	3,361	3,592
Deemed compensation	97	750
Changes in fair value related to contingent earn-out	742	999
Profit before interest income and income tax expense	**6,751**	**6,671**
Lease obligations interest expense	111	108
Interest expense	12	51
Profit before income tax expense	**6,628**	**6,512**
Income tax expense – current	2,712	2,974
Income tax recovery – deferred	(660)	(768)
Total income tax expense	2,052	2,206
NET PROFIT	**$ 4,576**	**$ 4,306**
Net profit per share:		
Basic	$ 0.39	$ 0.38
Diluted	$ 0.39	$ 0.38

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended December 31, 2022 and 2021
(Canadian dollars in thousands)

	Three months ended December 31, 2022	Three months ended December 31, 2021
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES		
Net profit	$ 4,576	$ 4,306
Items not affecting cash:		
Interest expense	12	51
Changes in fair value related to contingent earn-out	742	999
Lease obligations interest expense	111	108
Income tax expense	2,052	2,206
Employee share purchase plan expense	163	135
Share based compensation expense	407	347
Depreciation and amortization	6,665	5,542
Deemed compensation	97	750
	14,825	14,444
Change in non-cash working capital		
Accounts receivable	34,714	2,618
Work in process	6,825	7,778
Prepaid expenses and other	3,664	(68)
Inventory	(7,965)	(1,785)
Accounts payable and accrued liabilities	(27,268)	(16,015)
Unearned contract revenue	2,429	424
	27,224	7,396
Interest paid	(123)	(159)
Income tax paid	(1,778)	(3,073)
	25,323	4,164
CASH FLOWS USED IN FINANCING ACTIVITIES		
Issuance of common shares net of costs	910	330
Dividends	(3,262)	(3,166)
Payment of lease obligations	(1,009)	(842)
	(3,361)	(3,678)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Investments	(2,689)	-
Business acquisitions	(2,925)	(10,298)
Capitalized research and development	(86)	(114)
Equipment and application software	(714)	(1,330)
	(6,414)	(11,742)
NET CASH (OUTFLOW) INFLOW	$ 15,548	$ (11,256)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	42,646	78,611
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 58,194	$ 67,355

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

Reconciliation of Non-GAAP Measures to Most Comparable IFRS Measures

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

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

Adjusted EBITDA

	Three months ended December 31, 2022	Three months ended December 31, 2021
Net profit	$ 4,576	$ 4,306
Depreciation of equipment and application software	2,297	1,127
Depreciation of right of use asset	1,007	823
Amortization of acquired intangible assets	3,361	3,592
Lease interest expense	111	108
Changes in fair value related to contingent earn-out	742	999
Interest expense	12	51
Deemed Compensation	97	750
Income tax	2,052	2,206
Adjusted EBITDA	$ 14,255	$ 13,962

Adjusted Net Profit and Adjusted EPS

	Three months ended December 31, 2022	Three months ended December 31, 2021
Net profit	$ 4,576	$ 4,306
Changes in fair value related to contingent earn-out	742	999
Deemed Compensation	97	750
Amortization of intangibles	3,361	3,592
Adjusted net profit	$ 8,776	$ 9,647
Weighted average number of common shares basic	11,630,180	11,299,287
Adjusted EPS Basic	0.75	0.85
Adjusted EPS Diluted	0.75	0.85

Operating Free Cash Flow

	Three months ended December 31, 2022	December 31, 2021
Cash flows generated from operating activities	25,323	4,164
Capitalized research and development	(86)	(114)
Equipment and application software	(714)	(1,330)
Free cash flow	**24,523**	**2,720**
Free cash flow	24,523	2,720
Adjustments:		
Change in non-cash working capital	(12,399)	7,048
Operating free cash flow	**12,124**	**9,768**
Operating free cash flow per share	**1.04**	**0.86**

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.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2022

CALIAN®

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CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2022 and September 30, 2022
(Canadian dollars in thousands, except per share data)

	NOTES	December 31, 2022	September 30, 2022
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	$ 58,194	$ 42,646
Accounts receivable	5	136,739	171,453
Work in process	8	33,040	39,865
Inventory	6	26,608	18,643
Prepaid expenses	7	21,754	23,780
Derivative assets	22	53	123
Total current assets		276,388	296,510
NON-CURRENT ASSETS			
Capitalized research and development	9	1,958	2,186
Equipment	9	15,692	16,623
Application software	9	10,044	10,395
Right of use asset	10	15,875	16,678
Investments	11	3,359	670
Acquired intangible assets	12	53,528	57,087
Deferred tax asset		997	1,054
Goodwill	13	146,046	145,959
Total non-current assets		247,499	250,652
TOTAL ASSETS		$ 523,887	$ 547,162
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Debt facility	16	$ 7,500	$ 7,500
Accounts payable and accrued liabilities	14	99,297	126,096
Contingent earn-out	24	26,464	25,676
Provisions	15	1,173	1,249
Unearned contract revenue	8	48,639	46,210
Derivative liabilities	22	42	812
Lease obligations	10	3,949	4,115
Total current liabilities		187,064	211,658
NON-CURRENT LIABILITIES			
Lease obligations	10	14,281	14,920
Contingent earn-out	24	-	2,874
Deferred tax liabilities		12,349	12,524
Total non-current liabilities		26,630	30,318
TOTAL LIABILITIES		213,694	241,976
SHAREHOLDERS' EQUITY			
Issued capital	17	215,614	213,277
Contributed surplus		2,622	3,479
Retained earnings		93,512	92,198
Accumulated other comprehensive income (loss)		(1,555)	(3,768)
TOTAL SHAREHOLDERS' EQUITY		310,193	305,186
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 523,887	$ 547,162
Number of common shares issued and outstanding	17	11,656,720	11,607,391

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET PROFIT
For the three months ended December 31, 2022 and 2021
(Canadian dollars in thousands, except per share data)

	NOTES	Three months ended December 31, 2022	2021
Revenue			
Advanced Technologies		$ 34,267	$ 41,167
Health		40,455	42,378
Learning		26,440	22,782
ITCS		46,381	23,175
Total Revenue	19	**147,543**	**129,502**
Cost of revenues		102,324	95,848
Gross profit		**45,219**	**33,654**
Selling and marketing		11,143	4,554
General and administration		17,400	13,784
Research and development		2,421	1,354
Profit before under noted items		**14,255**	**13,962**
Depreciation of equipment, application software and research and development	9	2,297	1,127
Depreciation of right of use asset	10	1,007	823
Amortization of acquired intangible assets	12	3,361	3,592
Deemed compensation	23, 24	97	750
Changes in fair value related to contingent earn-out	24	742	999
Profit before interest income and income tax expense		**6,751**	**6,671**
Lease obligations interest expense	10	111	108
Interest expense		12	51
Profit before income tax expense		**6,628**	**6,512**
Income tax expense – current		2,712	2,974
Income tax recovery – deferred		(660)	(768)
Total income tax expense		2,052	2,206
NET PROFIT		**$ 4,576**	**$ 4,306**
Net profit per share:			
Basic	20	$ 0.39	$ 0.38
Diluted	20	$ 0.39	$ 0.38

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three months ended December 31, 2022 and 2021
(Canadian dollars in thousands)

	Three months ended December 31, 2022	Three months ended December 31, 2021
NET PROFIT	$ 4,576	$ 4,306
Items that will be reclassified subsequently to net profit		
Cumulative translation adjustment	772	(712)
Change in deferred gain on derivatives designated as cash flow hedges, net of tax of $519 (2021 $84)	1,441	(177)
Other comprehensive income (loss), net of tax	2,213	(889)
COMPREHENSIVE INCOME	**$ 6,789**	**$ 3,417**

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the three months ended December 31, 2022 and 2021
(Canadian dollars in thousands, except per share data)

	NOTES	Issued capital	Contributed surplus	Retained earnings	Other comprehensive income (loss)	Total
Balance October 1, 2022		**$ 213,277**	**$ 3,479**	**$ 92,198**	**$ (3,768)**	**$ 305,186**
Net profit and comprehensive income		-	-	4,576	2,213	6,789
Dividend paid ($0.28 per share)		-	-	(3,262)	-	(3,262)
Shares issued under employee share plans	17	1,665	(1,264)	-	-	401
Shares issued under employee stock purchase plan	17	672	-	-	-	672
Share-based compensation expense	18	-	407	-	-	407
Balance December 31, 2022		**$ 215,614**	**$ 2,622**	**$ 93,512**	**$ (1,555)**	**$ 310,193**

	NOTES	Issued capital	Contributed surplus	Retained earnings	Other comprehensive income (loss)	Total
Balance October 1, 2021		**$ 194,960**	**$ 5,224**	**$ 91,359**	**$ 817**	**$ 292,360**
Comprehensive income		-	-	4,306	(889)	3,417
Dividend paid ($0.28 per share)		-	-	(3,166)	-	(3,166)
Shares issued under employee share plans	17	834	(834)	-	-	-
Shares issued under employee stock purchase plan	17	465	-	-	-	465
Share based compensation expense	18	-	347	-	-	347
Balance December 31, 2021		**$ 196,259**	**$ 4,737**	**$ 92,499**	**$ (72)**	**$ 293,423**

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended December 31, 2022 and 2021
(Canadian dollars in thousands)

	NOTES	Three months ended December 31, 2022	2021
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES			
Net profit		$ 4,576	$ 4,306
Items not affecting cash:			
Interest expense		12	51
Changes in fair value related to contingent earn-out	24	742	999
Lease obligations interest expense	10	111	108
Income tax expense		2,052	2,206
Employee share purchase plan expense	18	163	135
Share based compensation expense	18	407	347
Depreciation and amortization	9, 12	6,665	5,542
Deemed compensation	23, 24	97	750
		14,825	14,444
Change in non-cash working capital			
Accounts receivable		34,714	2,618
Work in process		6,825	7,778
Prepaid expenses and other		3,664	(68)
Inventory		(7,965)	(1,785)
Accounts payable and accrued liabilities		(27,268)	(16,015)
Unearned contract revenue		2,429	424
		27,224	7,396
Interest paid		(123)	(159)
Income tax paid		(1,778)	(3,073)
		25,323	4,164
CASH FLOWS USED IN FINANCING ACTIVITIES			
Issuance of common shares net of costs	17, 18	910	330
Dividends		(3,262)	(3,166)
Payment of lease obligations	10	(1,009)	(842)
		(3,361)	(3,678)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Investments	11	(2,689)	-
Business acquisitions	23	(2,925)	(10,298)
Capitalized research and development	9	(86)	(114)
Equipment and application software	9	(714)	(1,330)
		(6,414)	(11,742)
NET CASH (OUTFLOW) INFLOW		$ 15,548	$ (11,256)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		42,646	78,611
CASH AND CASH EQUIVALENTS, END OF PERIOD		$ 58,194	$ 67,355

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

1. Basis of Preparation

Calian Group Ltd. ("the Company") is incorporated under the Canada Business Corporations Act. The address of its registered office and principal place of business is 770 Palladium Drive, Ottawa, Ontario K2V 1C8. The Company's capabilities are diverse with services and solutions delivered through four segments: Advanced Technologies, Health, Learning and IT and Cyber Solutions ("ITCS"). Headquartered in Ottawa, Calian provides business services and solutions to both industry and government customers in the areas of health, learning, defence, security, aerospace, engineering, AgTech, satellite communications (satcom), and IT.

Statement of compliance

These unaudited interim condensed consolidated financial statements are expressed in Canadian dollars and have been prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These unaudited interim condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with the accounting policies the Company adopted in its annual consolidated financial statements for the year ended September 30, 2022, and should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report for the year ended September 30, 2022. These unaudited interim condensed consolidated financial statements do not include all of the information required in annual financial statements.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors on February 14, 2023.

2. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

There were no significant changes in estimates or approaches in the current period when compared to the estimates or approaches used to prepare the annual consolidated financial statements for the year ended September 30, 2022.

3. Seasonality

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

4. Cash and Cash Equivalents

The following table presents cash and cash equivalents by currency:

		Local Currency	Foreign Exchange		Presentation Currency
CAD	$	19,483	1.00	$	19,483
USD		19,631	1.35		26,502
GBP		209	1.63		340
EUR		7,137	1.45		10,349
NOK		10,857	0.14		1,520
Total cash and cash equivalents December 31, 2022				$	58,194
CAD	$	16,719	1.00	$	16,719
USD		12,933	1.37		17,718
GBP		388	1.51		586
EUR		5,619	1.34		7,529
NOK		723	0.13		94
Total cash and cash equivalents September 30, 2022				$	42,646

5. Accounts Receivable

The following table presents the trade and other receivables as at:

		December 31, 2022		September 30, 2022
Trade and accounts receivable	$	133,898	$	168,614
Tax and Scientific Research and Development receivable		2,239		2,235
Other		862		864
		136,999		171,713
Loss Allowance		(260)		(260)
	$	136,739	$	171,453

Bad debt expense recognized in the three months ended December 31, 2022 (2021) is $75 ($87).

6. Inventory

Inventories are recorded at the lower of cost or net realizable value. Cost is calculated based on the weighted average cost method. Write-downs are taken for excess and obsolete inventory and for a reduction in the carrying value of inventory to reflect realizable value based on current cost, production and sales estimates. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The following table presents inventories as at:

	December 31, 2022	September 30, 2022
Raw materials	$ 14,018	$ 12,187
Work in process inventory	2,259	2,717
Finished goods	10,331	3,739
	$ 26,608	$ 18,643

Inventory recognized as cost of revenues in the three months ended December 31, 2022 (2021) is $8,853 ($2,239). No inventory provisions have been recognized in periods ended December 31, 2022 (2021).

7. Prepaid Expenses

The following table presents prepaid expenses as at:

	December 31, 2022	September 30, 2022
Prepaid maintenance	$ 15,528	$ 18,924
Other prepaid expenses	6,226	4,856
	$ 21,754	$ 23,780

8. Contract Assets and Liabilities

The following table presents net contract assets as at:

	Net Contract Assets	
	December 31, 2022	September 30, 2022
Work in process	$ 33,040	$ 39,865
Unearned contract revenue	(48,639)	(46,210)
Net contract liabilities	$ (15,599)	$ (6,345)

The following table presents changes in net contract assets for the period ended:

	Changes in Net Contract Assets	
	December 31, 2022	December 31, 2021
Opening balance, October 1	$ (6,345)	$ 31,986
Net additions	18,406	30,278
Billings	(27,660)	(38,480)
Ending balance	$ (15,599)	$ 23,784

9. Equipment

A continuity of the equipment, application software and capitalized research and development for the three months ended December 31, 2022 is as follows:

	Cost	Cost Additions/ Disposals	Total	Depreciation Depreciation	Depreciation Accumulated Depreciation	Carrying Value December 31, 2022	Carrying Value September 30, 2022
Leasehold improvements	$ 4,382	$ 10	$ 4,392	$ (160)	$ (2,069)	$ 2,323	$ 2,477
Equipment	43,039	643	43,682	(1,464)	(30,313)	13,369	14,146
Total equipment	$ 47,421	$ 653	$ 48,074	$ (1,624)	$ (32,382)	$ 15,692	$ 16,623
Application software	$ 14,809	$ 7	$ 14,816	$ (358)	$ (4,772)	$ 10,044	$ 10,395
Capitalized research and development	$ 5,052	$ 86	$ 5,138	$ (315)	$ (3,180)	$ 1,958	$ 2,186

10. Right-of-Use Assets and Lease Obligations

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

	Three months ended December 31, 2022	Three months ended December 31, 2021
Balance October 1	$ 16,678	$ 15,383
Additions	204	1,144
Disposals and foreign exchange adjustments	-	(177)
Depreciation	(1,007)	(823)
Balance December 31	$ 15,875	$ 15,527

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

The following table presents lease obligations for the Company:

	Three months ended December 31, 2022	Three months ended December 31, 2021
Balance at October 1	$ 19,035	$ 17,478
Additions	180	1,144
Disposals and foreign exchange adjustments	24	(177)
Principal payments	(1,009)	(842)
Balance at December 31	$ 18,230	$ 17,603
Current	$ 3,949	$ 3,178
Non-current	14,281	14,425
Total	$ 18,230	$ 17,603

10. Right-of-Use Assets and Lease Obligations (continued)

The following table presents the contractual undiscounted cash flows for lease obligations as at December 31, 2022:

		Total Undiscounted Lease Obligations
Less than one year	$	4,612
One to five years		10,561
More than five years		4,543
Total undiscounted lease obligations	$	19,716

Total cash outflow for leases in the three months ended December 31, 2022 (2021) was $1,120 ($950), including principal payments relating to lease obligations of $1,009 ($842), interest expense on lease obligations was $111 ($108). Expenses relating to short-term leases recognized in general and administration expenses were $69 ($52) for three months ended December 31, 2022 (2021).

11. Investments

Cliniconex Inc., is an Ottawa-based patient outreach solutions vendor. In 2017, the Company invested $250, which included $100 in common shares, and $150 in convertible debt. In 2018, the Company invested an additional $150 in the form of a convertible loan. In Fiscal 2020, the Company elected to exchange its existing convertible debt into preferred shares, as well as invest a further $100 in preferred shares. The Company recognizes the investment at fair value and has adjusted its common and preferred shares to the most recent fair value, resulting in a gain of $101 recognized in fiscal 2020.

During the three-month period ended December 31, 2022, the Company invested $2,000 USD ($2,689) to acquire a minority interest in preferred shares of Field Effect Software Inc. ("Field Effect"). Field Effect is Ottawa-based and provides cyber security solutions. The Company recognizes the investment at fair value.

12. Acquired Intangible Assets

A continuity of the acquired intangible assets for the three months ended December 31, 2022 is as follows:

	December 31, 2022							
		Opening Balance		Amortization		Foreign Exchange Revaluation		Closing Balance
Customer relationship - Primacy	$	1,909	$	-	$	-	$	1,909
Customer relationships		39,689		(2,183)		(198)		37,308
Discrete contracts with customers & non-competition agreements		586		(81)		-		505
Technology and trademarks		14,903		(1,097)		-		13,806
	$	57,087	$	(3,361)	$	(198)	$	53,528

In the three months ended December 31, 2022 the Company recorded a foreign currency revaluation of intangible assets held in foreign subsidiaries which utilize different functional currencies than the Company's presentation currency. These foreign exchange revaluations are reflected in comprehensive income.

12. Acquired Intangible Assets (continued)

A continuity of the acquired intangible assets for the three months ended December 31, 2021 is as follows:

	December 31, 2021 Opening Balance	Additions (Note 23)	Amortization	Foreign Exchange Revaluation	Closing Balance
Customer relationship - Primacy	$ 1,909	$ -	$ -	$ -	$ 1,909
Customer relationships	27,702	2,231	(1,735)	(55)	28,143
Discrete contracts with customers & non-competition agreements	717	233	(92)	-	858
Technology and trademarks	24,191	3,071	(1,765)	(20)	25,477
	$ 54,519	$ 5,535	$ (3,592)	$ (75)	$ 56,387

13. Goodwill

The following table presents the goodwill for the Company for the three months ended December 31, 2022:

		December 31, 2022
Opening balance, October 1	$	145,959
Adjustments:		
Foreign Exchange		87
Ending balance, December 31	$	146,046

In the three months ended December 31, 2022 the Company recorded a foreign currency revaluation of goodwill held in foreign subsidiaries which utilize different functional currencies than the Company's presentation currency. These foreign exchange revaluations are reflected in comprehensive income.

The following table presents the goodwill for the Company for the three months ended as at December 31, 2021:

		December 31, 2021
Opening balance, October 1	$	100,103
Additions:		
Acquisition of SimFront (Note 23)		8,631
Adjustments:		
Foreign Exchange		(474)
Ending balance, December 31	$	108,260

14. Accounts Payable and Accrued Liabilities

The following table presents the accounts payable and accrued liabilities for the Company as at:

	December 31, 2022	September 30, 2022
Trade accounts payable	$ 72,938	$ 91,652
Payroll accruals	16,165	21,960
Income tax payable	3,617	3,225
Other accruals	6,577	9,259
	$ 99,297	$ 126,096

15. Provisions

Changes in provisions for the three months ended December 31, 2022 were as follows:

	Product Warranties	Severance	Other	Total
Balance at October 1, 2022	$ 897	$ 248	$ 104	$ 1,249
Additions	45	230	14	289
Utilization/Reversals	(87)	(278)	-	(365)
Balance at December 31, 2022	$ 855	$ 200	$ 118	$ 1,173

Changes in provisions for the three months ended December 31, 2021 were as follows:

	Product Warranties	Severance	Other	Total
Balance at October 1, 2021	$ 753	$ 685	$ 103	$ 1,541
Additions	328	70	-	398
Utilization/Reversals	(139)	(261)	-	(400)
Balance at December 31, 2021	$ 942	$ 494	$ 103	$ 1,539

16. Debt Agreement

On January 6, 2021, the Company signed a debt facility that provides the Company with the ability to draw up to $80,000 CAD. The agreement has a three-year term, which will mature on January 5, 2024. At December 31, 2022 (December 31, 2021), the Company utilized $7,500 (NIL) of the facility. The facility is secured against the Company's assets and is interest bearing at the Royal Bank of Canada's Prime Rate plus applicable margin. At December 31, 2022, the balance was classified as a current liability as the Company expects to settle the liability within twelve months after the reporting period.

17. Issued Capital and Reserves

Issued Capital

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares. The holders of Common Shares are entitled to dividends if, as and when declared by the Board, to one vote per share at the meetings of holders of Common Shares and, upon liquidation, to receive such assets of the Company as are distributable to the holders of the Common Shares. No Preferred Shares are outstanding as of the December 31, 2022.

Common share issued and outstanding:

	December 31, 2022		December 31, 2021	
	Shares	Amount	Shares	Amount
Balance October 1	11,607,391	$ 213,277	11,285,828	$ 194,960
Shares issued under employee share plans	38,525	1,665	19,802	834
Shares issued under employee share purchase plan	10,804	672	7,644	465
Issued capital	11,656,720	$ 215,614	11,313,274	$ 196,259

17. Issued Capital and Reserves (continued)

Subsequent to the date of the statement of financial position, on February 14, 2023, the date of issuance of these consolidated financial statements, the Company declared a dividend of $0.28 per common share payable on March 14, 2023.

Contributed Surplus

Contributed surplus comprises the value of share-based compensation expense related to options granted that have not been exercised or have expired unexercised.

18. Share-Based Compensation

Employee Share Purchase Plan

Under the Company's Employee Share Purchase Plan, shares are issued monthly using the volume weighted average price for the last 5 days of the month for the contributions made by employees in that month. The Company provides matching shares at 25% for all employee contributions each month. Pursuant to the plan, 500,000 Common Shares are reserved for issuance, as of December 31, 2022, the Company can issue 403,868 shares.

During the three months ended December 31, 2022 (2021) under the 2020 Employee Share Purchase Plan, the Company issued 10,804 (7,644) shares at an average price of $58.93 ($60.42). The Company received $510 ($369) in proceeds and recorded an expense of $163 ($96).

Stock Options

The Company has an established stock option plan. Under the plan, eligible directors and employees are granted the right to purchase shares of common stock at a price established by the Board of Directors on the date the options are granted but in no circumstances below fair market value of the shares at the date of grant. Stock options are issued at market value based on the price at the date preceding the grant, and can have a contractual term of up to ten years and generally vest over 3 years. The maximum number of common shares reserved for issuance under the plan is equal to an aggregate 9% (1,049,105) of the Company's issued and outstanding shares from time to time less the aggregate number of shares reserved for issuance or issuable under any other security-based compensation arrangement for the Company.

As at December 31, 2022, the Company has 443,821 stock options and restricted share units ("RSUs") outstanding. As a result, the Company could grant up to 605,284 additional stock options or RSU's pursuant to the plan.

The weighted average fair value of options granted during the three months ended December 31, 2022, was $14.26 per option calculated using the Black-Scholes option pricing model. Where relevant, the expected life of the options was based on historical data for similar issuances and adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. Expected volatility is based on historical price volatility over the past 5 years. To allow for the effects of early exercise, it was assumed that options would be exercised on average 2 years after vesting.

18. Share-Based Compensation (continued)

The following assumptions were used to determine the fair value of the options granted in the three months ended December 31, 2022:

	Weighted Average Options Granted			
	December 31, 2022		December 31, 2021	
Grant date share price	$	60.43	$	58.90
Exercise price	$	60.43	$	58.90
Expected price volatility	%	31.80	%	28.5
Expected option life	yrs	3.33	yrs	3.20
Expected dividend yield	%	1.85	%	1.90
Risk-free interest rate	%	3.64	%	1.21
Forfeiture rate	%	0	%	0

	December 31, 2022			December 31, 2021		
	Number of Options	Weighted Avg. Exercise Price		Number of Options	Weighted Avg. Exercise Price	
Outstanding October 1	220,800	$	52.22	204,913	$	49.46
Exercised	(11,000)		31.84	-		-
Granted	22,356		60.43	39,110		58.90
Outstanding December 31	232,156	$	53.97	244,023	$	50.97

The following share-based payment arrangements are in existence:

Option issuance:	Number of Options	Grant date	Expiry date	Exercise price		Fair value at grant date	
(1) Issued March 27, 2018	6,000	March 27, 2018	March 27, 2023	$	31.54	$	4.62
(2) Issued November 19, 2018	29,500	November 19, 2018	November 19, 2023	$	29.55	$	3.96
(3) Issued November 25, 2019	15,000	November 25, 2019	November 25, 2024	$	36.49	$	5.18
(4) Issued August 13, 2020	94,615	August 13, 2020	August 13, 2025	$	60.30	$	8.44
(5) Issued November 24, 2020	22,222	November 24, 2020	November 24, 2025	$	61.16	$	10.24
(6) Issued February 9, 2021	1,817	February 9, 2021	February 9, 2026	$	60.35	$	9.92
(7) Issued November 24, 2021	39,110	November 24, 2021	November 24, 2026	$	58.90	$	10.66
(8) Issued March 9, 2022	1,536	March 9, 2022	March 9, 2027	$	60.55	$	10.33
(9) Issued November 24, 2022	22,356	November 24, 2022	November 24, 2027	$	60.43	$	14.26

For the options issued on November 24, 2022, vesting occurs through to November 24, 2024.

At December 31, 2022 (2021) the weighted average remaining contractual life of options outstanding is 3.33 (3.13) years of which 169,154 (173,347) options are exercisable at a weighted average price of $51.92 ($47.46). The Company has recorded $90 ($108) of share-based compensation expense in the three months ended December 31, 2022 (2021) related to the options that have been granted. The Company has total unrecognized compensation expense of $313 (2021 - $443) that will be recorded in the next two fiscal years.

18. Share-Based Compensation (continued)

Restricted Share Units:

The Company has an established a restricted stock unit ("RSU") plan. Under the RSU plan, the maximum number of common shares reserved for issuance is equal to 9% of the Company's issued and outstanding shares from time to time less the aggregate number of shares reserved for issuance or issuable under any other security-based compensation arrangement for the Company. Share units may be awarded to any officer or employee of the Company. Each restricted share unit will vest on the date or dates designated for that unit, conditional on any vesting conditions being met. Participants in the RSU plan may elect to redeem their share units either by the Company issuing the participant one common share for each whole vested share unit or, subject to the consent by the Company, elect to receive an amount in cash. The cash amount is equal to the number of vested share units to be redeemed multiplied by the value of the common shares otherwise issuable on redemption of the share units. Under the above RSU plan, the Company issued performance share units ("PSUs") which will vest on the date or dates designated for that unit, conditional on any vesting conditions being met. Vesting conditions for performance share units are tied to metrics related to Company performance.

The following table summarizes information about the RSU's as of December 31, 2022:

	December 31, 2022			December 31, 2021		
	Number of RSUs		Weighted Avg. Grant Date Fair Value	Number of RSUs		Weighted Avg. Grant Date Fair Value
Balance at October 1	56,517	$	49.40	40,824	$	46.65
Exercised	(27,525)		46.04	(19,802)		42.12
Forfeited	(5,958)		25.46	(378)		46.95
Granted	188,631		59.18	33,346		46.83
Balance at December 31	211,665	$	59.23	53,990	$	48.41

Of the units issued in the current year under the RSU plan, NIL have vested as of December 31, 2022. The Company has recorded $317 ($259) of share-based compensation expense in the three months ended December 31, 2022 (2021) related to the RSUs that have been granted. The Company has total unrecognized compensation expense of $2,230 at December 31, 2022 (2021 - $1,881) that will be recorded over the next two years.

The following unvested RSU-based payment arrangements are in existence:

RSU issuance:		Number of units	Grant date	Vest through		Fair value at grant date
(1) Issued November 24, 2020	RSU	5,559	November 24, 2020	November 15, 2023	$	59.35
(2) Issued February 9, 2021	RSU	81	February 9, 2021	November 15, 2023	$	59.74
(3) Issued May 12, 2021	RSU	254	May 12, 2021	November 15, 2023	$	56.32
(4) Issued August 10, 2021	RSU	16	August 10, 2021	November 15, 2023	$	63.25
(5) Issued November 24, 2021	RSU	14,564	November 24, 2021	November 15, 2024	$	58.90
(6) Issued Feb 9, 2022	RSU	53	February 9, 2022	November 15, 2024	$	57.18
(7) Issued May 10, 2022	RSU	1,613	May 10, 2022	November 15, 2024	$	67.34
(8) Issued Aug 10, 2022	RSU	331	August 10, 2022	November 15, 2024	$	66.60
(9) Issued September 14, 2022	RSU	647	September 14, 2022	November 15, 2024	$	56.10
(10) Issued November 24, 2022	RSU	30,048	November 24, 2022	November 15, 2025	$	59.18
	PSU	158,499	November 24, 2022	November 15, 2025	$	59.18

18. Share-Based Compensation (continued)

Deferred Share Unit Plan

During the three months ended December 31, 2022 (2021) the Company granted 940 (602) deferred share units ("DSU"). The Company recorded share-based compensation of $164 ($126) related to the DSUs in the three months ended December 31, 2022 (2021) in the form of compensation expense of units along with fair valuing existing units. Each DSU entitles the participant to receive the value of one Common Share. The DSUs vest immediately as the participants are entitled to the shares upon termination of their service.

There are 17,640 (23,118) DSUs outstanding at December 31, 2022 (2021). The fair value of the DSUs outstanding at December 31, 2022 (2021) was $61.43 ($55.16) per unit using the fair value of a Common Share at period end.

19. Revenue

The following table presents the revenue of the Company for the three months ended December 31, 2022 and 2021:

	Three months ended December 31, 2022	December 31, 2021
Product revenue		
Advanced Technologies	$ 18,374	$ 27,620
Health	-	-
Learning	1,140	-
ITCS	8,754	2,654
Total product revenue	$ 28,268	$ 30,274
Service revenue		
Advanced Technologies	$ 15,893	$ 13,547
Health	40,455	42,378
Learning	25,300	22,782
ITCS	37,627	20,521
Total service revenue	$ 119,275	$ 99,228
Total revenue	$ 147,543	$ 129,502

Remaining Performance Obligations

The following table presents the aggregate amount of the revenues expected to be realized in the future from partially or fully unsatisfied performance obligations as at December 31, 2022 for contracts recognized over time. The amounts disclosed below represent the value of the firm orders only. Such orders may be subject to future modifications that might impact the amount and/or timing of revenue recognition. The amounts disclosed below do not include unexercised options or letters of intent.

Revenues expected to be recognized in:

	December 31, 2022
Less than 24 months	$ 498,617
Thereafter	40,690
Total	$ 539,307

20. Net Profit per Share

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

	Three months ended December 31	
	2022	2021
Weighted average number of common shares – basic	11,630,180	11,299,287
Additions to reflect the dilutive effect of employee stock options and RSU's	59,995	61,769
Weighted average number of common shares – diluted	11,690,175	11,361,056

Options that are anti-dilutive because the exercise price was greater than the average market price of the common shares are not included in the computation of diluted net profit per share. For the three months ended December 31, 2022 (2021), 46,114 (165,823) options and 30,048 (23,824) RSU's were excluded from the above computation.

21. Segmented Information

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, regarding how to allocate resources and assess performance. The Company's chief operating decision maker is the Chief Executive Officer ("CEO"). The Company's segments are categorized as follows: Advanced Technologies, Health, Learning, and IT and Cyber Solutions ("ITCS"). Shared Services are aggregated and incurred to support all segments. These include, but are not limited to, the Finance, Human Resources, IT support, Corporate development, Legal, Corporate marketing and administrative functions, facilities costs, costs of operating a public company, and other costs.

The Company evaluates performance and allocates resources based on profit before undernoted items.

21. Segmented Information (continued)

For the three months ended December 31, 2022:

For the three months ended December 31, 2022	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	$ 34,267	$ 40,455	$ 26,440	$ 46,381	$ -	$ 147,543
Cost of revenues	22,399	30,899	19,876	29,150	-	102,324
Gross profit	11,868	9,556	6,564	17,231	-	45,219
Gross profit %	35 %	24 %	25 %	37 %	N/A %	31 %
Selling and marketing	2,942	460	549	5,847	1,345	11,143
General and administration	2,683	2,559	1,432	4,111	6,615	17,400
Research and development	1,818	86	405	112	-	2,421
Profit before under noted items	$ 4,425	$ 6,451	$ 4,178	$ 7,161	$ (7,960)	$ 14,255
Profit before under noted items %	13 %	16 %	16 %	15 %	N/A %	10 %
Depreciation of equipment, application software and R&D						2,297
Depreciation of right of use asset						1,007
Amortization of acquired intangibles						3,361
Deemed compensation						97
Changes in fair value related to contingent earn-out						742
Profit before interest income and income tax expense						6,751
Lease obligations interest expense						111
Interest expense						12
Profit before income tax expense						6,628
Income tax expense – current						2,712
Income tax expense (recovery) – deferred						(660)
Total income tax expense						2,052
NET PROFIT FOR THE PERIOD						$ 4,576

21. Segmented Information (continued)

For the three months ended December 31, 2021:

For the three months ended December 31, 2021	Advanced Technologies	Health	Learning	ITCS	Shared Services	Total
Revenue	$ 41,167	$ 42,378	$ 22,782	$ 23,175	$ -	$ 129,502
Cost of revenues	30,433	31,330	17,049	17,036	-	95,848
Gross profit	10,734	11,048	5,733	6,139	-	33,654
Gross profit %	26 %	26 %	25 %	26 %	N/A %	26 %
Selling and marketing	2,036	585	334	786	813	4,554
General and administration	2,215	2,424	1,117	1,495	6,533	13,784
Research and Development	1,118	93	-	143	-	1,354
Profit before under noted items	$ 5,365	$ 7,946	$ 4,282	$ 3,715	$ (7,346)	$ 13,962
Profit before under noted items %	13 %	19 %	19 %	16 %	N/A %	11 %
Depreciation of equipment, application software and R&D						1,127
Depreciation of right of use asset						823
Amortization of acquired intangibles						3,592
Deemed compensation						750
Changes in fair value related to contingent earn-out						999
Profit before interest income and income tax expense						6,671
Lease obligations interest expense						108
Interest expense						51
Profit before income tax expense						6,512
Income tax expense – current						2,974
Income tax expense (recovery) – deferred						(768)
Total income tax expense						2,206
NET PROFIT FOR THE PERIOD						$ 4,306

The Company operates in Canada, the United States and Europe but provides services to customers in various countries. Revenues from external customers for the three months ended December 31, 2022 (2021) are attributed as follows:

	December 31, 2022	December 31, 2021
Canada	71 %	77 %
United States	20 %	8 %
Europe	8 %	14 %
Other	1 %	1 %

Revenues are attributed to foreign countries based on the location of the customer. Revenues from various departments and agencies of the Canadian federal, provincial and municipal governments for the three months ended December 31, 2022 (2021) represented 48% (52%) of the Company's total revenues. All four operating segments conduct business with this category of customer.

22. Financial Instruments and Risk Management

Capital Risk Management

The Company's objective is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business and provide the ability to continue as a going concern. Management defines capital as the Company's shareholders' equity excluding accumulated other comprehensive income relating to cash flow hedges. The Company uses both debt and equity to fund working capital and its investment initiatives. Net profits generated from operations are available to repay debt and reinvestment in the Company or distribution to the Company's shareholders. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year-over-year sustainable profitable growth. The Board of Directors also reviews on a quarterly basis the level of dividends paid to the Company's shareholders and monitors the share repurchase program activities. The Company does not have a defined share repurchase plan and buy and sell decisions are made on a specific transaction basis and depend on market prices and regulatory restrictions. There were no changes in the Company's approach to capital management during the period. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Market risk is the risk that changes in market prices, such as foreign exchange rates, and interest rates will affect the Company's income or the value of its holding of financial instruments.

Foreign Currency Risk Related to Contracts

The Company is exposed to foreign currency exchange fluctuations on its cash balance, accounts receivable, accounts payable and accrued liabilities, contingent earn-out and future cash flows related to contracts denominated in a foreign currency. Future cash flows will be realized over the life of the contracts. The Company utilizes derivative financial instruments, principally in the form of forward exchange contracts, in the management of its foreign currency exposures within entities operating in currencies outside of their functional currencies. The Company's objective is to manage and control exposure and secure the Company's profitability on existing contracts and therefore, the Company's policy is to hedge its foreign currency exposure where it is most practical to do so. The Company hedges long term projects in foreign currencies. Other foreign currency exposure is evaluated on an individual basis to assess the associated risks and costs to hedge. The Company does not utilize derivative financial instruments for trading or speculative purposes. The Company applies hedge accounting when appropriate documentation and effectiveness criteria are met.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific firm contractually related commitments on projects.

The Company also formally assesses, both at the hedge's inception and on an on-going basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Hedge ineffectiveness has historically been insignificant. The forward foreign exchange contracts primarily require the Company to purchase or sell certain foreign currencies with or for Canadian dollars at contractual rates.

The functional currency of each of the Company's entities is determined using the currency of the primary economic environment in which that entity operates. The Company's functional currency is the Canadian dollar while the functional currency of its US subsidiary is the US Dollar ("USD"), the functional currency of its German subsidiary is the European Euro ("EUR"), the functional currency of its Norwegian subsidiary is

22. Financial Instruments and Risk Management (continued)

the Norwegian Krone (“NOK”), and the functional currency of its U.K. based subsidiary is the Pound sterling (“GBP”). The presentation currency of these financial statements is the Canadian dollar.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are recorded at the rate of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at rates prevailing at the reporting dates and are recognized in profit and loss in the period in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of preparing consolidated financial statements, the assets and liabilities of the Company’s US operations, German operations, Norwegian operations, and U.K. operations are first expressed in the Companies’ USD, EUR, NOK and GBP functional currencies, respectively, using exchange rates prevailing at the reporting date which are then translated into the Company’s reporting currency using prevailing rates at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Translation differences are recognized in other comprehensive income and recorded in the “cumulative translation adjustment”.

At December 31, 2022, the Company had the following forward foreign exchange contracts:

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value December 31, 2022
SELL	$ 65,019	USD	January 2023	$ 88,010	$ 6
SELL	7,169	EURO	January 2023	10,411	47
Derivative assets					$ 53
BUY	$ 12,868	USD	January 2023	$ 17,418	$ (1)
BUY	6,118	EURO	January 2023	8,885	(41)
Derivative liabilities					$ (42)

A 10% strengthening of the Canadian dollar against the following currencies at December 31, 2022 would have decreased other comprehensive income as related to the forward foreign exchange contracts or subsidiaries operating outside of the Company’s presentation currency by the amounts shown below.

	December 31, 2022
USD	$ 8,799
EURO	1,756
GBP	76
NOK	163
Total	$ 10,794

A 10% strengthening against the Canadian dollar of the currencies to which the Company had exposure that is not related to forward foreign exchange contracts or subsidiaries operating outside of the Company’s

22. Financial Instruments and Risk Management (continued)

presentation currency would have increased Net Profit (a 10% weakening against the Canadian dollar would have had the opposite effect) by the amounts shown below.

	December 31, 2022
USD	$ 2,739
GBP	(5)
EURO	355
SEK	26
NOK	29
Total	$ 3,144

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's accounts receivable and its foreign exchange contracts.

The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Company's customers are diverse, however a significant portion of them are federal or provincial government agencies, or large private entities. A significant portion of the Company's accounts receivable is from long-time customers. At December 31, 2022 (December 31, 2021), 36% (50%) of its accounts' receivable were due from various departments and agencies of the Canadian federal government. Over the last five years the Company has not suffered any significant credit related losses.

The Company limits its exposure to credit risks from counterparties to derivative financial instruments by dealing only with major Canadian financial institutions. Management does not expect any counterparties to fail to meet their obligations.

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

	December 31, 2022	September 30, 2022
Cash and cash equivalents	$ 58,194	$ 42,646
Accounts receivable	136,739	171,453
Derivative assets	53	123
Total	$ 194,986	$ 214,222

The aging of accounts receivable at the reporting date was:

	December 31, 2022	September 30, 2022
Current	$ 125,604	$ 159,412
Past due (61-120 days)	6,427	6,378
Past due (> 120 days)	4,708	5,663
Total	$ 136,739	$ 171,453

22. Financial Instruments and Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. At December 31, 2022, the company has a secured debt facility that matures on January 5, 2024 that allows the Company to draw up to $80,000 CAD. As at December 31, 2022, the Company had $58,194 cash on hand and $7,500 was drawn on the facility for current operations and for temporary use through acquisitions, and NIL was drawn to issue letters of credit to meet customer contractual requirements.

Fair Value

The fair value of accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity. Fair value of the forward exchange contracts reflects the cash flows due to or from the Company if settlement had taken place on December 31, 2022 and represents the difference between the hedge rate and the exchange rate at the end of the reporting period.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 of the fair value hierarchy based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	December 31, 2022		
	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 58,194	$ -	$ -
Investments	-	-	3,359
Derivative assets	-	53	-
Debt facility	-	(7,500)	-
Contingent earn-out	-	-	(26,464)
Derivative liabilities	-	(42)	-
Total	$ 58,194	$ (7,489)	$ (23,105)

	September 30, 2022		
	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 42,646	$ -	$ -
Investments	-	-	670
Derivative assets	-	123	-
Debt facility		(7,500)	
Contingent earn-out	-	-	(28,550)
Derivative liabilities	-	(812)	-
Total	$ 42,646	$ (8,189)	$ (27,880)

There were no transfers between Level 1, Level 2 and level 3 during the three months ended December 31, 2022.

23. Acquisitions

Allphase Clinical Research Services Inc. and Alio Health Services Inc. (collectively "Alio/Allphase")

On January 30, 2020, the Company acquired all the outstanding shares of Alio/Allphase for a purchase price of up to $25,056. Of this amount, $10,500 was paid in cash on the date of closing, $56 was paid in cash on settlement of net equity, $2,500 was paid in common shares, and $12,000 is payable contingently, of which $3,000 is included in the initial accounting of the purchase price. Alio/Allphase provides clinical trial services, specialty medication support and community care and other services and is reported as a part of the Health operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Alio/Allphase an additional $3,616, $4,192 and $4,192 if Alio/Allphase attains specified levels of EBITDA for the years ending January 30, 2021, 2022, 2023, respectively. A portion of the first and second year earn out payable amounts is subject to the retention of the principal shareholders for a period of two years from the date of acquisition. This amount is deemed to represent deferred compensation payable to such shareholders and therefore is excluded from the total consideration of the purchase price and will be expensed in the Company's consolidated statement of net profit as deemed compensation related to acquisitions on a straight-line basis over the retention period. The Company recorded deemed compensation expense of NIL ($750) for the three-months ended December 31, 2022 (2021). In the 2021 fiscal year, the Company paid $3,616 based on achievement of the first year EBITDA under the agreement. The second year concluded in in the year ended September 30, 2022 with payment of $4,192 made at that time, representing full achievement of the earn out target. In the prior fiscal year, the Company had revised its estimate on achievement of the third year earn out based on current projected income to January 31, 2023, which has resulted in a gain relating to changes in fair value related to contingent earn out in the amount of $2,361 recognized at that time.

The Company recognized an additional $46 of expense in the three months ended December 31, 2022, related to changes in fair value of contingent earn out.

Tallysman Wireless Inc. ("Tallysman")

On September 3, 2020, the Company acquired all the outstanding shares of Tallysman for a purchase price of up to $25,354. Of this amount, $16,654 was paid in cash on the date of closing, and $8,700 is payable contingently. Tallysman designs, manufactures and sells a very wide range of Global Navigation Satellite System, Iridium and Globalstar antennas and related products into a market with a broad range of vertical applications that include precision reference systems, survey, timing, precision agriculture, unmanned and autonomous vehicles, marine and many more. The company also produces cloud based wireless tracking systems over two-way radio systems and 4G category M cellular systems, for applications ranging from school buses to municipal public works. Tallysman is reported as part of the Advanced Technologies operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Tallysman an additional $3,950 and $4,750 if Tallysman attains specific levels of EBITDA for the years ending August 31, 2021 and December 31, 2022, respectively. The first year concluded with full payment of $3,950 in the year ended September 30, 2022, plus overachievement payment in the amount of $192 which was recognized in deemed compensation on the income statement in the prior fiscal periods.

The second-year target was achieved in full as at December 31, 2022, with overachievement. This has resulted in additional bonus to key individuals involved in the business in the amount of $50 recognized in deemed compensation in the three months ended December 31, 2022, with an additional $763 recognized in fiscal 2022. The Company also recognized $102 in the three months ended December 31, 2022, related to changes in fair value of contingent earn out.

23. Acquisitions (continued)

Cadence Consultancy Limited (“Cadence”)

On October 30, 2020, the Company acquired the outstanding shares of Cadence for total cash consideration of up to 2,000 Pound Sterling ($3,518 CAD) of which, £1,100 ($1,966 CAD) was paid on closing, and £900 ($1,552 CAD) is payable contingently. Cadence is a UK based training firm with operations across the NATO with a particular focus on the Joint Forces Training Centre (JFTC). Cadence was acquired to expand the Company’s work with NATO which was initially won with the acquisition of CTS in July of fiscal 2020. Cadence is reported as part of the Learning operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Cadence an additional $776 and $776 if Cadence attains specific levels of EBITDA for the years ending October 31, 2021 and October 31, 2022, respectively. In the year ended September 30, 2022 the Company paid $776 relating to the year one contingent earn out which represented full achievement of targets. At September 30, 2022, it was deemed that the year 2 earn out amount was not to be achieved and was written off through the consolidated statement of net profit at that point. In the period ended December 31, 2022, the Company amended the earn out agreement with Cadence to pay a portion of the year 2 earn out amount in order to retain key management members subsequent to the earn out period. This has resulted in payment of £100 ($165 CAD) which was recognized in changes in fair value related to contingent earn-out in the three-month period ended December 31, 2022. Additionally, $47 was recognized as deemed compensation in the three-months ended December 31, 2022 relating to special bonus amounts for key management members earned in the period that were set as part of the share purchase agreement.

Dapasoft Inc. (“Dapasoft”)

On February 22, 2021, the Company acquired all the outstanding shares of Dapasoft for a purchase price of up to $78,709. Of this amount, $39,209 was paid in cash on the date of closing, $2,500 was placed in escrow, $5,000 was paid through the issuance of common shares, $2,000 of common shares are to be issued upon expiry of escrow on February 22, 2022 and $30,000 is payable contingently of which $11,605 was included in the purchase price. Dapasoft is a provider of innovative systems integration, cloud lifecycle management and cybersecurity solutions, which enable clients to securely implement digital transformation initiatives. Dapasoft is reported as part of the ITCS operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Dapasoft an additional $17,500 and $12,500 if Dapasoft attains specific levels of EBITDA for the years ending February 28, 2022 and February 28, 2023, respectively. A portion of the earn out is payable through issuance of common shares of the Company. In the year ended September 30, 2022, the Company concluded on the year one earn out with full achievement. Settlement of the year one earn out resulted in cash payment of $2,861, of which $2,000 was related to earn out payments, and the additional $861 was recognized in September 30, 2022 in changes in fair value related to contingent earn out, whereby the Company had agreed to a payment structure in the initial agreement where if Dapasoft was able to maintain low levels of working capital for the first year after acquisition, that the selling group would be entitled to additional achievement payments. Further, common shares in the amount of $14,048 were issued in relation to the payment of the year one earn out. An additional amount of $1,511 is owing as at December 31, 2022 in relation to the year one earn out and to be distributed in common shares. Overachievement bonus amounts were expensed in the 2022 fiscal year resulting in additional amounts owing of $2,175.

The Company recognized $291 in the three months ended December 31, 2022, related to changes in fair value of contingent earn out.

23. Acquisitions (continued)

SimFront Simulation Systems Corporation (“SimFront”)

On October 7, 2021, the Company acquired the outstanding shares of SimFront, for total cash consideration of up to $15,625 of which, $9,646 was paid on closing, and $6,000 is payable contingently. SimFront will enable Calian to provide end-to-end military training and simulation capabilities and pursue new opportunities with customers seeking integration and immersive training support. SimFront integration and augmented/virtual/mixed reality solutions elevate Calian capabilities in this area. SimFront is reported as part of the Learning operating segment.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of SimFront an additional $2,760 and $3,240 if SimFront attains specific levels of EBITDA for the annual periods ending September 30, 2022 and September 30, 2023, respectively. In the three-months ended December 31, 2022 the Company settled and paid the year one earn out in the amount of $2,760.

The Company recognized $138 in the three-months ended December 31, 2022 related to changes in fair value of contingent earn out.

24. Contingent Earn-Out

The following shows the contingent consideration activity for the three months ended December 31, 2022:

Company Acquired	Beginning balance	Acquisition	Payments	Change in Fair Value	Adjustments	Ending balance
Alio/Allphase	$ 1,860	$ -	$ -	$ 46	$ -	$ 1,906
Tallysman Wireless	5,411	-	-	102	50	5,563
Cadence	75	-	(165)	165	47	122
Dapasoft	15,758	-	-	291	-	16,049
SimFront	5,446	-	(2,760)	138	-	2,824
Total	$ 28,550	$ -	$ (2,925)	$ 742	$ 97	$ 26,464

As at December 31, 2022, the total gross value of all contingent consideration outstanding is $27,670. Included in the adjustments column in the table are amounts from deemed compensation, along with changes in estimated payment amounts to make under contingent earn out estimates.

The following shows the contingent consideration activity for the three months ended December 31, 2021:

Company Acquired	Beginning balance	Acquisition	Payments	Change in Fair Value	Adjustments	Ending balance
Alio/Allphase	$ 6,941	$ -	$ -	$ 118	$ 750	$ 7,809
Comprehensive Training Solutions	749	-	(417)	16	-	348
Tallysman Wireless	8,104	-	-	190	-	8,294
Cadence	1,417	-	(776)	31	-	672
InterTronic	3,228	-	-	134	-	3,362
Dapasoft	17,823	-	-	377	-	18,200
SimFront	-	5,186	-	133	-	5,319
Total	$ 38,262	$ 5,186	$ (1,193)	$ 999	$ 750	$ 44,004

25. Related Party Transactions

During the three months ended December 31, 2022 (2021), the Company had sales of $153 ($58) to GrainX. At December 31, 2022 (2021), the Company had an accounts receivable balance with GrainX of $93 (NIL) 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.

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2022

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 February 14, 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.
- 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 February 14, 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 gain 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 scopes of existing contracts.

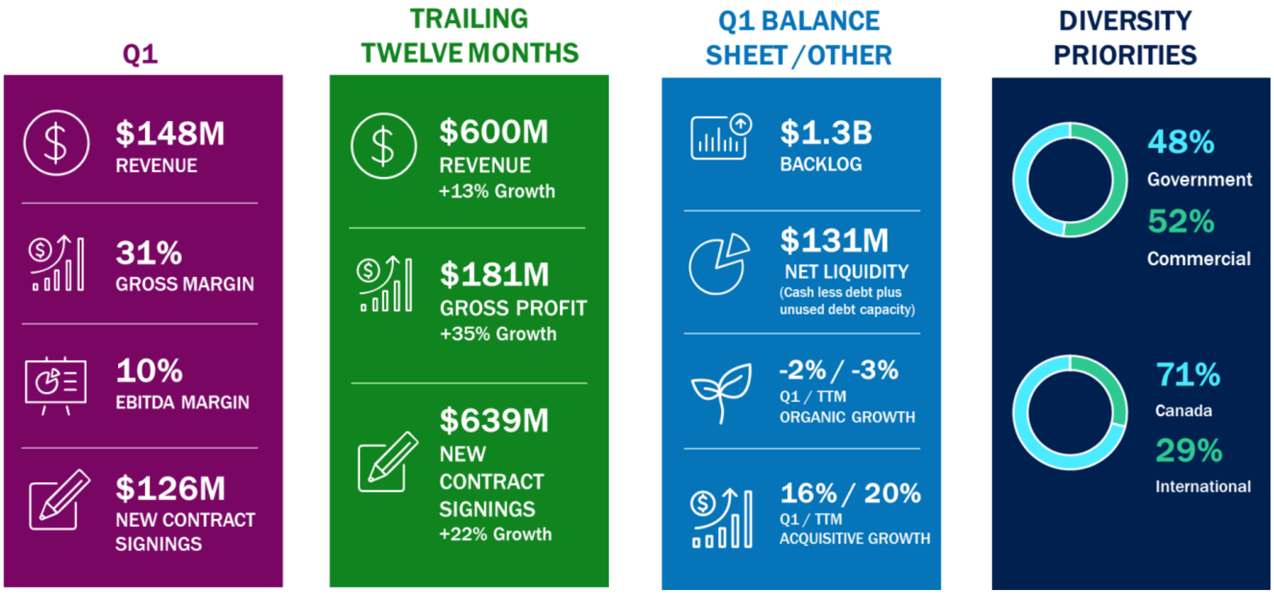
- **Customer Diversification:** Through continued diversification, each segment increases its percentage of revenue derived from winning non-government contracts, from commercial activity in global markets, and from increasing product offerings—both acquisitive and organic.

- **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.

Q1 Consolidated Dashboard

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



First Quarter Highlights

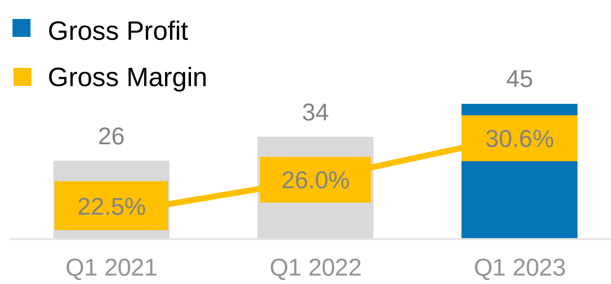
The Company's ability to grow revenue and expand margins is continuing its profitable growth into another successful quarter. Consolidated revenue growth was 14% in the three-month period ended December 31, 2022, which brings the trailing twelve-month revenues to over $600 million.

Gross margin performance continued to trend upwards, with now the last three consecutive quarters in excess of 30%. Gross margins have increased by over 4 points from the first quarter in the prior year, all while revenue is increasing at double digits and the Company deals with the macro environment of inflation.

Cash flow performance was strong in the quarter. The Company ended with a balance of $58 million, an increase of $16 million in the quarter. This was achieved through progress on reducing working capital, and the continued track record of solid cash flow conversion. Operating free cash flow in Q1 was $12.1 million. This represents an increase of 24% from the same period of the prior year, and gives the Company an ending cash balance of $58 million, allowing for additional growth opportunities through investments.

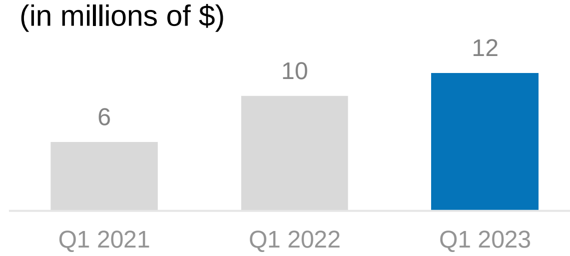
Gross Profit & Margin

(in millions of $, except margin)



Operating Free Cash Flow (OFCF)

(in millions of $)



Selected Quarterly Financial Data

(Canadian dollars in millions, except per share data)

	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21
Revenues								
Advanced Technologies	$ 34.3	$ 30.5	$ 39.2	$ 39.6	$ 41.1	$ 42.6	$ 43.8	$ 42.8
Health	40.4	39.4	39.7	45.4	42.4	44.1	50.8	52.9
Learning	26.4	21.8	22.3	24.8	22.8	17.6	18.1	20.9
ITCS	46.4	68.8	48.8	32.3	23.2	23.2	23.4	21.9
Total Revenue	$ 147.5	$ 160.5	$ 150.0	$ 142.1	$ 129.5	$ 127.5	$ 136.1	$ 138.5
Cost of revenue	102.3	110.4	104.5	102.2	95.8	94.5	102.2	105.0
Gross profit	45.2	50.1	45.5	39.9	33.7	33.0	33.9	33.5
Selling and marketing	11.1	13.1	9.6	5.3	4.5	4.4	4.5	4.0
General and administration	17.4	17.0	18.0	16.6	13.8	14.2	13.3	14.4
Research and development	2.4	1.0	1.8	1.2	1.4	2.0	1.2	1.0
Profit before under noted items	14.3	19.0	16.1	16.8	14.0	12.4	14.9	14.1
Depreciation of equipment and application software	2.3	2.4	2.3	1.4	1.2	1.2	1.1	1.0
Depreciation of right of use asset	1.0	1.0	1.0	0.9	0.8	0.8	0.7	0.8
Amortization of acquired intangible assets	3.4	3.5	3.4	10.1	3.6	3.4	3.2	3.0
Deemed Compensation	0.1	3.3	-	0.2	0.7	0.8	0.8	0.5
Changes in fair value related to contingent earn-out	0.7	2.3	0.7	1.6	1.0	3.6	5.1	1.3
Profit before interest and income tax expense	6.8	6.5	8.7	2.6	6.7	2.6	4.0	7.5
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	6.7	6.4	8.5	2.4	6.5	2.3	3.8	7.2
Income tax expense	2.1	5.4	1.8	1.1	2.2	1.4	1.7	1.7
Net profit	$ 4.6	$ 1.0	$ 6.7	$ 1.3	$ 4.3	$ 0.9	$ 2.1	$ 5.5
Weighted average shares outstanding - Basic	11.6M	11.4M	11.3M	11.3M	11.3M	11.3M	11.2M	10.1M
Weighted average shares outstanding - Diluted	11.7M	11.5M	11.4M	11.4M	11.4M	11.3M	11.3M	10.2M
Net profit per share								
Basic	$ 0.39	$ 0.10	$ 0.60	$ 0.11	$ 0.38	$ 0.10	$ 0.18	$ 0.55
Diluted	$ 0.39	$ 0.10	$ 0.60	$ 0.11	$ 0.38	$ 0.10	$ 0.18	$ 0.54
Adjusted EBITDA per share								
Basic	$ 1.23	$ 1.67	$ 1.48	$ 1.24	$ 1.24	$ 1.10	$ 1.33	$ 1.40
Diluted	$ 1.22	$ 1.66	$ 1.47	$ 1.23	$ 1.23	$ 1.09	$ 1.32	$ 1.39

Calian Consolidated Results

The Company continued its double-digit growth in the current year with consolidated revenues increasing by 14% in the three-month period ended December 31, 2022 when compared to the same period of the prior year.

Revenue growth was driven from our IT and Cyber segments continued expansion into the US market through our acquisition of Computex, as well as our Learning segment seeing continued demand in the military learning and preparedness market. This was offset by delays in new business in our Health and Advanced Technology groups, as well as short term impact of part shortage preventing us from fulfilling orders in our Advanced Technology and ITCS segments. The impact of the parts shortages resulted in revenue impact of approximately $10 million and gross margin $3 million, that we believe will be realized in the balance of fiscal year 2023 as components become available. The Company's four piston engine continues to be an asset in the environment as any customer cycles or supply chain issues can be mitigated through our diversity.

	Three months ended	
	December 31, 2022	December 31, 2021
Revenues	$ 147,543	$ 129,502
Gross profit	45,219	33,654
Selling and marketing	11,143	4,554
General and administration	17,400	13,784
Research and development	2,421	1,354
Profit before under noted items	$ 14,255	$ 13,962

Revenues

Consolidated revenues grew 14% in the three-month period ended December 31, 2022, when compared to the same period in the previous year. Acquisitive growth was 16% as a result of our investment in the ITCS US market. This was coupled with organic growth of 11% and 16% in our ITCS and Learning segments. Advanced Technologies and Health posted year over year declines due to timing of new opportunities.

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.

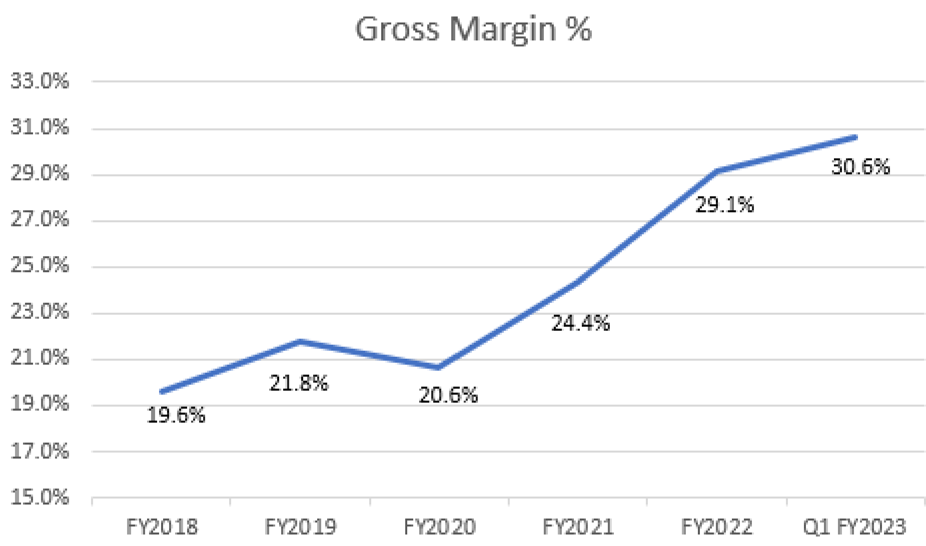
IT and Cyber Solutions grew its revenue by 100% for the three-month period ended December 31, 2022, when compared to the same period of the previous year. This growth was the result of its acquisition of Computex in March 2022 along with continued strong performance of its overall cyber practice.

Learning achieved strong revenue growth of 16% for the three-month period ended December 31, 2022, when compared to the same period of the previous year. This growth is all organic and comes from long standing customers in the legacy Learning business. Customer retention within Learning continues to be a positive driver. With a footprint in multiple countries, the Company sees significant growth opportunities by expanding our scope of services with existing customers.

Advanced Technologies experienced a revenue decline of 17% for the three-month period ended December 31, 2022, when compared to the same period of the previous year. Supply chain delays continue to challenge cause deliveries of customer orders to be pushed to future quarters. In addition, delays in the award of new ground system projects resulted in lower revenues. Gross margin increased significantly as a result of strong demand for our internally developed products.

Health revenue decreased by 5% for the three-month period ended December 31, 2022, when compared to the same period of the previous year. The impact of COVID response contracts ending were 3% when compared to the previous quarter. Our existing contract vehicles and services continue to be stable, and we are investing in various initiatives to attract new health care practitioners to fulfill demand on existing customer contracts.

Gross Profit



As detailed below in each segment, performance and gross margin by segment varies from 24% to 37% and the business mix, in turn, affects the consolidated gross margin. Consolidated gross margin percentage for the Company's first quarter was 31%, which is 4 points up from 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 innovation to introduce products which derive higher margins.

Consolidated gross margin percentage has increased by over 10 points since the Company's fiscal year 2018. This has been achieved through several initiatives. These include expansion into new markets, new geographies, expansion into more commercial customers, investment in our own products and strategic M&A investments. As the Company continues its positive trend in converting adjusted EBITDA to operating free cash flow, more investment into this profitable growth is possible.

Operating Expenses

Selling and marketing costs increased $6,589 for the three-month period ended December 31, 2022, when compared to the same period of the prior year. The overall increase in cost and activity, of which, $5 million relates to selling and marketing costs from recent acquisitions with incentives on selling activities, in addition to continued 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 26% for the three-month period ended December 31, 2022, when compared to the same period of the previous year. 17% of the overall increase relates to additional costs consolidated from recent acquisitions, along with investments to sustain delivery capabilities. This includes additional headcount and investment in information technology throughout the Company. Information technology investments are critical for the company's sustained growth agenda.

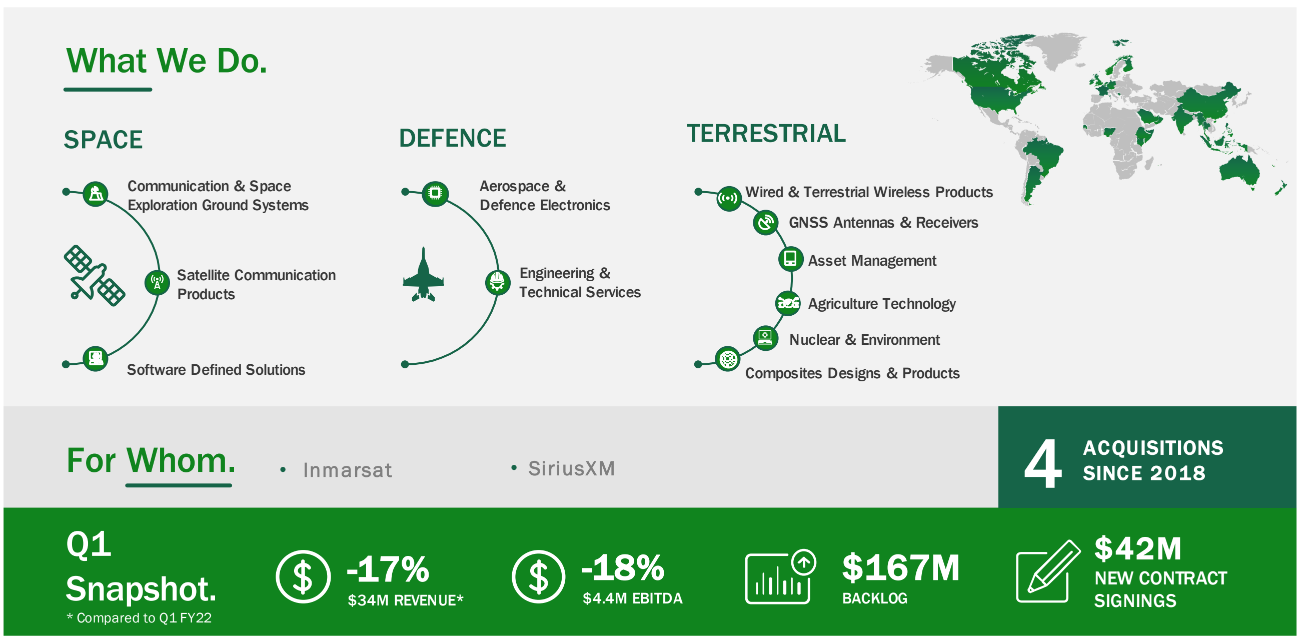
Research and development costs increased by $1,067 in the three-month period ended December 31, 2022, when compared to the same period in the prior year. The increase in research and development activities is part of the Company's additional investment in organic growth to improve the service and product offerings of the Company.

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

	Advanced Technologies	Health	Learning	ITCS
Revenue	$34,267 ↓17%	$40,455 ↓5%	$26,440↑16%	$46,381 ↑100%
Gross margin	$11,868	$9,556	$6,564	$17,231
Organic / acquisitive	-17% / NIL	-5% / NIL	16% / NIL	11% / 89%
New contract signings	$42,388	$34,201	$3,897	$45,569
Backlog	$167,186	$690,299	$313,245	$102,253

**Comparisons in the above table are made to the three month-period ended December 31, 2021*

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 • Precision GNSS location and timing antennas and receivers	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	• Asset management solutions • Crop storage monitoring • Environment and nuclear SMR consulting	• Staffing services for various departments of DND including DRDC • Surveillance and situation awareness

Q1 Highlights

- Awarded a contract valued at $12 million by Natural Resources Canada's Canada Centre for Mapping and Earth Observation for two 7.3-meter tri-band antennas to Inuvik and one dual band antenna to Gatineau, including data reception and telemetry, tracking and command equipment.
- Selected by the Canadian Space Agency for research and development funding for our RF over IP product, which will pave the way to the evolution of virtual satellite ground stations.
- Launched a new software product called "Illuminator" which expands the carrier monitoring capabilities of the Decimator. With Illuminator, customers can monitor their entire set of Decimator D4 and/or D3 spectrum analyzers at multiple remote sites on a single screen.
- Awarded a 3-year $4.8 million contract for the Nuclear Emergency Management program.
- Booked $6.6 million of signings in our Ag-Tech product for delivery in the spring and summer of 2023.
- Received $7 million in new orders for GNSS products.

Financial Performance

	Three months ended	
	December 31, 2022	December 31, 2021
Revenues	$ 34,267	$ 41,167
Gross profit	11,868	10,734
Selling and marketing	2,942	2,036
General and administration	2,683	2,215
Research and development	1,818	1,118
Profit before under noted items	$ 4,425	$ 5,365

Advanced Technologies' revenues decreased by 17% for the three-month period ended December 31, 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 scaling down while new contracts are experiencing delays in signing or starting. The segment was able to book $42 million in new signings which will drive revenue in the coming quarters.

Supply chain shortages impacted the realization of customer backlog in the quarter of approximately $5 million. We expect these orders to be fulfilled in the remainder of fiscal 2023 as parts are forecasted to arrive in the coming months.

Momentum in our GNSS business continues to be a strength with 38% growth from the first quarter in the previous year. This is driven by current customers where our products are designed into their product increasing demand, as well as new customer wins. We have continued to invest in capacity to meet future production needs for this vertical.

Gross margin percentage increased from 26% to 35% for the three-month period ended December 31, 2022, when compared to the same period of the prior year. The shift into our own products and software solutions over the last several years is showing its impact this quarter. These verticals deliver higher gross margins than our traditional ground-based antenna business and are becoming a larger portion of the revenue mix.

Sales and marketing expenses increased by $906 for the three-month period ended December 31, 2022, when compared to the same period 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 $468 in the three-month period ended December 31, 2022, as we bring on additional capacity to meet future demand requirements.

Research and development expenses have increased by $700 in the three-month period ended December 31, 2022, when compared to the same period of the prior year. This increase is the result of various initiatives across ag-tech, GNSS and communication products, and represents a greater focus on developing and evolving our intellectual property.

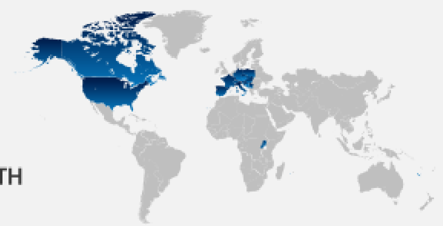
Health Segment

What We Do.

PHARMACEUTICAL INDUSTRY SOLUTIONS

HEALTHCARE PROFESSIONAL SERVICES

IN-STORE HEALTH CLINICS



For Whom.

- Vaccine and Infectious Disease Organization (VIDO), part of the University of Saskatchewan
- Canada Border Services Agency
- Canadian Armed Forces

3 ACQUISITIONS SINCE 2018

Q1 Snapshot.

* Compared to Q1 FY22

- **-5%** $40M REVENUE*
- **-19%** $6.5M EBITDA*
- **$690M** BACKLOG
- **$34M** NEW CONTRACT SIGNINGS

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) • 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

Q1 Highlights

- Launched a physician portal in support of the Patient Support Program in partnership with a pharmaceutical client. The physician portal is a Nexi website that enables physicians, psychiatrists, and mental health workers across Canada to prescribe a medication, request financial assistance on behalf of a patient and enroll a patient into the Patient Support Program – all in real-time. This makes this portal the first Patient Support Program in Canada to offer a fully digital experience for prescribers.
- Achieved its strongest revenue quarterly performance at Allphase, its full-service Contract Research Organization division.
- Continued strong relationship with pharmaceutical clients in Canada with a renewal of its FSP contracts for an annual revenue value of approximately $5 million.
- Total signings in our Contract Research Organization business of $31 million, expanding our long-term backlog of this business into 2024 and beyond.

Financial Performance

	Three months ended			
	December 31, 2022		December 31, 2021	
Revenues	$	40,455	$	42,378
Gross profit		9,556		11,048
Selling and marketing		460		585
General and administration		2,559		2,424
Research and Development		86		93
Profit before under noted items	$	6,451	$	7,946

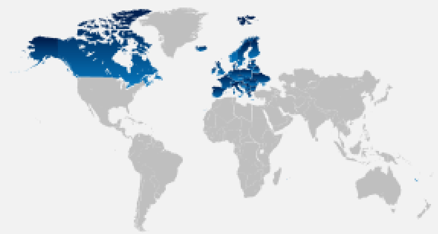
Revenues decreased 5% for the three-month period ended December 31, 2022, when compared to the same period of the previous year. In the previous two fiscal years, the Company saw significant demand for both new and existing contracts relating to COVID-19 response. This began to slow in the latter half of fiscal 2022, and the end of this surge demand resulted in 3% decline when compared to the previous year. In order to deal with the evolving health care landscape, and the shortage of specific skillsets, we are investing in multiple initiatives to recruit new professionals to realize unfulfilled demand on existing customer contracts. Strong signings this quarter in our pharmaceutical business will result in growth as delivery ramps up in the coming quarters.

Gross margin percentage declined slightly to 24% for the three-month period ended December 31, 2022, when compared to the same period of the prior year.

Operating expenses remained consistent compared to 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

What We Do.



For Whom.

- EU/UK Ministries of Defence
- Department of National Defence
- NATO
- St. Joseph's Hospital

2 ACQUISITIONS SINCE 2018

Q1 Snapshot.

* Compared to Q1 FY22

- **+16%** $26M REVENUE*
- **-2%** $4.2M EBITDA*
- **$313M** BACKLOG
- **$4M** NEW CONTRACT SIGNINGS

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

Q1 Highlights

- Signed several new commercial clients including Conestoga College and Centennial College, along with Government customers including Canadian Department of Foreign Affairs and International Trade
- Continued development of features for our command and control software in cooperation with NATO
- Delivered seminars to Military students from 13 Latin America and Caribbean countries
- Represented Canadian Armed Forces at training events in Columbia, Tunisia and Bosnia and Herzegovina
- Delivered two large NATO exercises in Europe - Steadfast Jupiter and Steadfast Jackal

Financial Performance

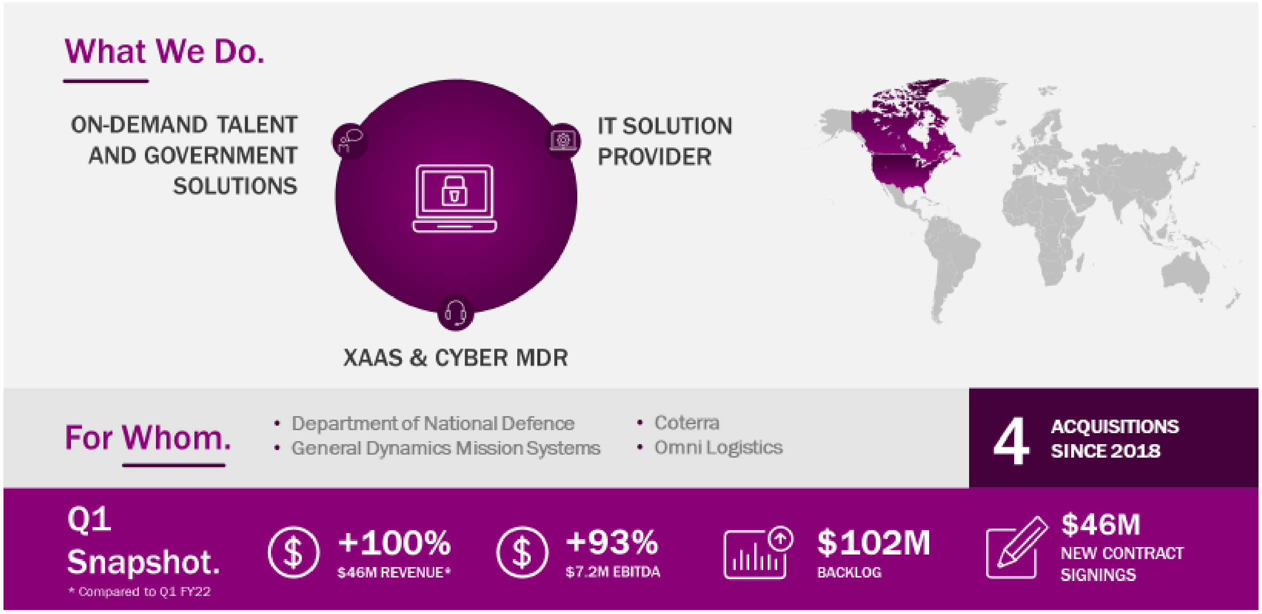
	Three months ended	
	December 31, 2022	December 31, 2021
Revenues	$ 26,440	$ 22,782
Gross profit	6,564	5,733
Selling and marketing	549	334
General and administration	1,432	1,117
Research and development	405	-
Profit before under noted items	$ 4,178	$ 4,282

Revenue increased by 16% for the three-month period ended December 31, 2022, when compared to the same period of the prior year. This growth in the segment is organic, and comes from increased demand on ongoing projects, along with new programs that we have implemented for long standing customers. Our ability to bring proven solutions in short order is key in this rapidly changing environment and is valued by our existing customers. We have continued to expand to new nations in Europe based on work with NATO, and bid on new engagement for both software and training services.

Gross margin percentage of 25% remained consistent for the three-month period when compared to the same period of the previous year as the segment focuses on holding or increasing margins as revenues grow.

Selling and marketing expenses increased by $215 in the three-month period ended December 31, 2022, when compared to the same period 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 $315 for the three-month period ended December 31, 2022, when compared to the same period of the prior year, which is a result of supporting the growth in the segment domestically, and its global expansion. Research and development expenses increased by $405 in the three-month period ended December 31, 2022, when compared to the same period of the previous year. These expenses are related to the additional investment in our internally developed software 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.

Q1 Highlights

- Invested $2 million USD in Field Effect Software, Series A to broaden eco-system into SMB space and broaden our product portfolio around Cyber Range capability
- Achieved SOC 2 Type 2 certification in Canada (iSecurity) cyber operations
- Won Cisco Meraki Gold partner
- Awarded a cybersecurity contract with Ontario Health

Financial Performance

	Three months ended			
	December 31, 2022		December 31, 2021	
Revenues	$	46,381	$	23,175
Gross profit		17,231		6,139
Selling and marketing		5,847		786
General and administration		4,111		1,495
Research and development		112		143
Profit before under noted items	$	7,161	$	3,715

Revenues increased by 100% for the three-month period ended December 31, 2022, when compared to the same period of the previous year. The growth in this quarter is primarily attributed to the strong performance achieved due to our expansion into the US marketplace. Acquisitive growth was 89% in the period. In addition to strong performance from our US expansion, we posted organic growth of 11% as continued to win new customers in Canada for our cyber security offerings. Product sales were impacted in the quarter as a result of significant deliveries in the final weeks of our fourth quarter of fiscal year 2022, and supply chain issues faced in the current quarter of approximately $5 million which management believes will be realized in the remaining quarters in fiscal 2023. The company expects product sales will increase throughout the balance of fiscal 2023 as we continue to see robust demand, and we address the remainder of the customer backlog due to supply chain shortages.

Gross margin increased from 26% to 37% in the three-month period ended December 31, 2022, when compared to the same period of the previous year. This is primarily a result of the acquisitive revenue coming at higher margin, but also the expansion of our cyber security offerings within Canada.

Selling and marketing costs have increased by $5,061 in the three-month period ended December 31, 2022, when compared to the same period of the previous year. This increase can be 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 $2,616 in the three-month period ended December 31, 2022, when compared to the same period of the previous year. This increase relates to additional expenses from the consolidation of recent acquisitions, along with additional investments for future growth opportunities between business units in Canada and the US.

Profitability of the segment overall has nearly doubled in the three-month period ended December 31, 2022 when compared to the same period of the previous year. This is a direct result of the revenue growth within the segment and its gross margin expansion.

Summary

The first quarter of fiscal 2023 marked the continued execution of our strategy:

- Strong performance from our recent acquisitions delivering strong acquisitive growth
- Double digit organic revenue growth in both our Learning and ITCS segments
- Significant increase in cash as a result of continued conversion of EBITDA into cashflow, coupled with strong working capital performance

Despite some supply chain delays and slower new business starts in our advanced technology and health segments, we continue to maintain our revenue, EBITDA and adjusted Net Profit guidance for FY23 which will represent our 9th consecutive year with record revenues and 6th consecutive year of double digit-growth.

Our balance sheet and liquidity position remains a strength as we continue to invest time in identifying new acquisition targets across our diverse business.

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	
	December 31, 2022	December 31, 2021
Net profit	$ 4,576	$ 4,306
Depreciation of equipment and application software	2,297	1,127
Depreciation of right of use asset	1,007	823
Amortization of acquired intangible assets	3,361	3,592
Lease interest expense	111	108
Changes in fair value related to contingent earn-out	742	999
Interest expense	12	51
Deemed Compensation	97	750
Income tax	2,052	2,206
Adjusted EBITDA	$ 14,255	$ 13,962

Adjusted Net Profit and Adjusted EPS

	Three months ended	
	December 31, 2022	December 31, 2021
Net profit	$ 4,576	$ 4,306
Changes in fair value related to contingent earn-out	742	999
Deemed Compensation	97	750
Amortization of intangibles	3,361	3,592
Adjusted net profit	$ 8,776	$ 9,647
Weighted average number of common shares basic	11,630,180	11,299,287
Adjusted EPS Basic	0.75	0.85
Adjusted EPS Diluted	0.75	0.85

Operating Free Cash Flow

	Three months ended	
	December 31, 2022	**December 31, 2021**
Cash flows generated from operating activities	25,323	4,164
Capitalized research and development	(86)	(114)
Equipment and application software	(714)	(1,330)
Free cash flow	**24,523**	**2,720**
Free cash flow	24,523	2,720
Adjustments:		
Change in non-cash working capital	(12,399)	7,048
Operating free cash flow	**12,124**	**9,768**
Operating free cash flow per share	**1.04**	**0.86**

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	
	December 31, 2022	December 31, 2021
Profit before under noted items	$ 14,255	$ 13,962
Depreciation of equipment and application software	2,297	1,127
Depreciation of right of use asset	1,007	823
Amortization of acquired intangible assets	3,361	3,592
Deemed Compensation	97	750
Changes in fair value related to contingent earn-out	742	999
Profit before interest income and income tax expense	$ 6,751	$ 6,671
Lease interest expense	111	108
Interest expense	12	51
Income tax expense	2,052	2,206
Net profit	$ 4,576	$ 4,306
Net profit per share, basic	0.39	0.38
Total assets	523,887	465,400
Dividends per share	0.28	0.28

Depreciation of equipment and application software increased by $1,170 in the three-month period ended December 31, 2022, when compared to the same period 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 $184 for the three-month period ended December 31, 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 decreased by $231 in the three-month period ending December 31, 2022 when compared to the same period 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 $653 in the three-month period ended December 31, 2022 when compared to the same period 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 decreased by $257 in the three-month period ended December 31, 2022, when compared to the same period of the previous year. This decrease is a result of fewer contingent earn out amounts on the balance sheet, and the ones that remain being at lower overall value than the prior year. 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 December 31, 2022, was $2,052, which is slightly lower than the $2,206 recorded in the same period of the previous fiscal year due to higher earnings in the current period being earned in jurisdictions with lower tax rates. 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 December 31, 2022 was $1,273 million with terms extending to fiscal 2030. Contracted backlog represents maximum potential revenues remaining to be earned on signed contracts, whereas option renewals represent customers' options to further extend existing contracts under similar terms and conditions.

During the three-month period ended December 31, 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.

- $12 million contract win with Natural Resources Canada's Canada Centre for Mapping and Earth Observation for two 7.3-meter tri-band antennas to Inuvik and one dual band antenna to Gatineau, including data reception and telemetry, tracking and command equipment
- Over $31 million in total signings with numerous customers for different programs in our contract research organization division
- $6.6 million in purchase orders received for Calian Ag-Tech product
- $7.1 million in orders received for GNSS product
- $12 million contract win with the Department of National Defence for IT services across Canada
- $20 million in signings in our US business for cyber security product and managed cyber services

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 $295 million. The Company's policy is to reduce the reported contractual backlog once it receives confirmation from the customer that indicates the utilization of the full contract value may not materialize.

Contract Backlog as of December 31, 2022

Contracted backlog	$	740,064
Option renewals		827,480
	$	1,567,543
Management estimate of unrealizable portion		(294,559)
Estimated Realizable Backlog	$	1,272,983

Estimated Recognition of Estimated Realizable Backlog

	January 1, 2023 to September 30, 2023	October 1, 2023 to September 30, 2024	Beyond September 30, 2024	Total
Advanced Technologies	$ 89,359	$ 42,696	$ 35,131	$ 167,186
Health	108,011	133,887	448,401	690,299
Learning	76,871	92,932	143,442	313,245
ITCS	65,686	21,325	15,242	102,253
Total	$ 339,927	$ 290,840	$ 642,216	$ 1,272,983

Statement of Cash Flows

		Three months ended		
		December 31, 2022		December 31, 2021
Cash flows from operating activities before changes in working capital	$	12,924	$	11,212
Changes in working capital		12,399		(7,048)
Cash flows from operating activities		25,323		4,164
Cash flows used in financing activities		(3,361)		(3,678)
Cash flows used in investing activities		(6,414)		(11,742)
Increase (decrease) in cash	$	15,548	$	(11,256)

Operating Activities

Cash inflows from operating activities for the three-month period ended December 31, 2022, were $25,323 compared to cash inflows of $4,164 in the same period of the prior year.

Working capital (accounts receivable, work in process, inventory, prepaid expenses and other, accounts payable and accrued liabilities, provisions and unearned contract revenue) has a positive effect on cash flows by an increase of $12,399 in the three-month period ended December 31, 2022, and stood at a net balance of $69,032. This is the lowest working capital balance that the Company has achieved in the last three fiscal years.

Factors related to the overall change in working capital were a decrease in accounts receivable of $34,714 for the three-month period ended December 31, 2022 due to significant revenue and billings that occurred in the fourth quarter of the prior fiscal period which were collected in the current quarter. This is however offset by decreases in accounts payable of $27,268 in order to pay the vendors that supplied the product in the prior year relating to these sales. The inventory levels have increased by $7,965 as a result of not having all parts in order to satisfy full delivery or manufacturing on products, and work in process has decreased as we have continued to satisfy milestones for invoicing customers.

Financing Activities

Lease Payments

The Company has made payments of $1,009 for the three-month period ended December 31, 2022, when compared to the payments of $842 the same period 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 December 31, 2022. The Company paid dividends totaling $3,262 for the three-month period ended December 31, 2022 or $0.28 per share, compared to the same period of the previous year when the Company paid $3,166 in dividends or the same amount per share as the current periods. The increase in dividends paid is due to a higher number of common shares outstanding year over year.

Debt

In the three-month period ended December 31, 2022, the Company did not draw additional funds from its debt facility.

Shares

Exercises of stock options and issuances of shares under the employee share purchase plan has resulted in cash inflows of $859 for the three-month period ended December 31, 2022 when compared to an inflow of $330 for the same activities in the same period of the prior year.

Investing Activities

Equipment Expenditures and Capitalized Research and Development

The Company invested $714 in the three-month period ended December 31, 2022, when compared to $1,330 for the same period 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 $2,925 in the three-month period ended December 31, 2022 relating to earn out payments for Cadence and SimFront. In the prior year the Company acquired SimFront and paid earn out achievements for CTS and Cadence, which had resulted in cash outflows of $10,298.

Investments

The Company invested $2,000USD ($2,689 CAD) in the three-month period ended December 31, 2022 due to investment in Field Effect Software Inc., where in the Company had no investments.

Liquidity and Capital Resources

Cash

Calian cash and cash equivalent position was $58,194 at December 31, 2022, compared to $42,646 at September 30, 2022.

Capital Resources

At December 31, 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 December 31, 2022.

Related-party Transactions

During the three months ended December 31, 2022 (2021), the Company had sales of $153 ($58) to GrainX. At December 31, 2022 (2021), the Company had an accounts receivable balance with GrainX of $93 (NIL) 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 December 31, 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 December 31, 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 December 31, 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 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: February 14, 2023

Corporate Information

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Board of Directors

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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.