

**CALIAN TECHNOLOGIES LTD.**

**ANNUAL INFORMATION FORM**

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2007**

December 20, 2007

**CALIAN TECHNOLOGIES LTD.**

**ANNUAL INFORMATION FORM**  
**YEAR ENDED SEPTEMBER 30, 2007**

Table of Contents	Page
1. CORPORATE STRUCTURE.....	1
2. GENERAL DEVELOPMENT OF THE BUSINESS .....	2
3. DESCRIPTION OF THE BUSINESS .....	3
Systems Engineering Division .....	4
Business and Technology Services Division.....	6
The Market .....	7
Competition.....	8
Research and Development .....	8
Employees .....	9
Facilities .....	9
Risk Factors.....	9
4. DIVIDENDS .....	12
5. DESCRIPTION OF CAPITAL STRUCTURE.....	12
6. MARKET FOR SECURITIES.....	13
7. DIRECTORS AND OFFICERS .....	13
8. AUDIT COMMITTEE.....	15
9. LEGAL PROCEEDINGS .....	17
10. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS .....	17
11. TRANSFER AGENTS AND REGISTRARS.....	17
12. INTERESTS OF EXPERTS .....	17
13. MATERIAL CONTRACTS.....	17
14. ADDITIONAL INFORMATION .....	17

In this Annual Information Form, all references to specific fiscal years are references to the fiscal year ended September 30 of the year named. All references to “\$” or “dollars” are references to Canadian dollars, unless otherwise specified.

## FORWARD-LOOKING STATEMENTS

Calian Technologies Ltd. (“Calian” or the “Company”) cautions that the forward-looking statements in this Annual Information Form are based on certain assumptions made by the Company that may prove to be inaccurate. Forward-looking statements includes those identified by the expressions “anticipate,” “believe,” “plan,” “estimate,” “expect,” “intend” and similar expressions to the extent that they relate to the Company or its management. These forward-looking statements are not historical facts, but reflect the Company’s current expectations and assumptions regarding future results or events. Assumptions made include customer demand for the Company’s services, the Company’s ability to maintain and enhance customer relationships, as well as the Company’s ability to bring to market the products and services currently under development. Furthermore, the Company cautions that the forward-looking statements in this Annual Information Form are based on current expectations as at December 20, 2007 that are subject to change and to risks and uncertainties including those set out under the heading “Risk Factors” below. Actual results may differ due to facts 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 the various provincial securities regulators. Readers should not place undue reliance on the Company’s forward-looking statements.

## CORPORATE STRUCTURE

The Company was incorporated as “Calian Technology Ltd” under the *Canada Business Corporations Act* pursuant to Articles of Incorporation dated September 27, 1982. The articles of the Company were amended on January 12, 1984, December 23, 1988 and April 21, 1992 in each case to amend the provisions of the share capital of the Company. On September 2, 1993, the articles of the Company were amended to amend the provisions of the Company’s share capital and to change the Company’s name to “Calian Technology Ltd.”. The articles of the Company were further amended on September 14, 1993 to remove certain “private company restrictions” contained therein. On March 14, 2003, the articles of the Company were further amended to permit the directors of the Company to appoint additional directors as permitted under the *Canada Business Corporations Act*. The Company’s articles were most recently amended on March 11, 2005 to change its name to “Calian Technologies Ltd.”

The registered office of the Company is located at 2 Beaverbrook Road, Kanata, Ontario, K2K 1L1.

The Company has the following operating subsidiaries:

- Calian Ltd., located in Kanata, Ontario and incorporated under the laws of Canada;
- Calian Inc., located in Manassas, Virginia and incorporated under the laws of the State of Virginia; and
- Calian Technologies (US) Ltd., located in Manassas, Virginia and incorporated under the laws of the State of Delaware.

Each subsidiary is wholly owned by the Company, except that Calian Technology (US) Ltd. is wholly owned by Calian Inc. Unless the context otherwise requires, the “Company” or “Calian” refers to Calian Technologies Ltd. together with its subsidiaries.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

Calian was founded in 1982 as a consulting firm providing quality assurance services to Canadian high technology companies. The Company has grown through a combination of strategic acquisitions and sales and marketing initiatives to sales of \$190 million in fiscal 2007 and is now focused on the provision of systems engineering and business and technology services to industry and government. The Company enters fiscal year 2008 with an order backlog of \$960 million, of which approximately 16% pertains to fiscal 2008 and 10% pertains to fiscal year 2009.

### 2005 Fiscal Year

During fiscal 2005, SED saw a decrease in revenues by 40% due mainly to an expected reduction in MSTAR activity with Systems and Electronics Inc. While the MSTAR business was nominal during 2005, SED saw strong performance in other sectors. During the year, SED made significant progress on a number of projects that are now nearing completion. Also during fiscal 2005, BTS increased its revenue by almost 50% as a result of six months of activity related to a health services support contract awarded by the Department of National Defence earlier in 2005 and twelve month of Titan revenues.

### 2006 Fiscal Year

During fiscal 2006, SED revenues decreased by 27% from the preceding fiscal year primarily as a result of the completion of several large contracts specifically the ground systems for Inmarsat's fourth generation satellites and the construction of the European Space Agency's second deep space antenna, providing very little revenue in 2006. SED obtained new contracts from Hughes Network Systems, Systems and Electronics Inc., Boeing Satellite Systems, Skywave Mobile Communications Inc. and Kidde Dual Spectrum. During fiscal 2006, BTS increased its revenues by 15% over the preceding fiscal year as a result of twelve months of activity related to a health services support contract awarded by the Department of National Defence earlier in 2005 and organic growth within existing customer contracts. This growth was significantly offset by the completion of a major contract to provide call-center services which had been held since 1998 and generated annualized revenues of approximately \$28 million. An option to extend the contract was not exercised by the customer due to its internal restructuring. In addition BTS achieved Progressive Excellence Program Level 4 accreditation from the National Quality Institute and was subsequently awarded a Gold Canada Award of Excellence for Quality and a Silver Canada Award for Excellence for Healthy Workplace.

On July 11, 2006, the Company paid \$2.0 million in return for a complete and full release and discharge of a \$100 million claim filed by Med-Emerg International Inc. ("Med-Emerg") in the Ontario Superior Court of Justice against the Company and an employee of the Company for breach of confidence, breach of fiduciary duty and unlawful interference with economic interests. The release confirms that the Company does not admit and in fact denies all allegations. Calian also invested \$3.5 million in Med-Emerg in the form of convertible preferred shares, which preferred shares have a face value of \$3.9 million and are convertible into 8,750,000 Med-Emerg common shares at Calian's option. After two years, provided certain conditions are met, Med-Emerg is also entitled to cause the preferred shares to be converted into Med-Emerg common shares under certain circumstances where its common shares trade above US\$0.46 per share over a stipulated period of time. On a fully converted basis, this investment represents a 13% interest in Med-Emerg based on the current number of outstanding Med-Emerg common shares. If the preferred shares are not converted by July 11, 2011, they must be redeemed by Med-Emerg by way of, at Med-Emerg's option, cash or Med-Emerg common shares based on the then fair market value of the common shares.

On March 1, 2006, the Company amended its agreement relating to the Company's acquisition of Titan providing that the remaining purchase price payable by Calian to Titan's former shareholders would be satisfied in full by cash payments to such shareholders instead of the issuance of any Common Shares. All such cash payments were made paid in full by Calian by August 31, 2006.

During fiscal 2006, the Company purchased for cancellation 134,000 of its outstanding Common Shares under normal course issuer bids for an aggregate purchase price of \$1,461,000.

### 2007 Fiscal Year

During fiscal 2007, SED revenues increased by 52% from the preceding fiscal year primarily as a result of several large contracts signing late in 2006 and early in 2007 with Hughes Network Systems, Systems and Electronics Inc., Boeing Satellite Systems, Skywave Mobile Communications Inc. and Kidde Dual Spectrum. During fiscal 2007, BTS saw a decrease in its revenues of 8% over the preceding fiscal year as a result of the completion in June 2006 of a major contract to provide call-center services and a marked reduction in manpower spending in certain federal government departments; partially offset by organic growth within existing customer contracts.

During fiscal 2007, the Company purchased for cancellation 87,100 of its outstanding Common Shares under normal course issuer bids for an aggregate purchase price of \$1,132,000.

Management expects that the marketplace in 2008 will continue to be very competitive. The market conditions for SED are expected to be strong and should present many new opportunities in 2008. The eventual lifting of the recent constraints within the federal government and the timing of future contract wins will ultimately determine the BTS revenue growth for the next 12 months. While the Company begins the year with \$150 million of backlog to be earned in 2008, the above noted variables will have an impact in revenues ultimately realized.

## **DESCRIPTION OF THE BUSINESS**

The Company sells technology services to industry and government in Canada and around the world. Calian provides customers with access to a team of over 2,200 engineers, telecommunications and technology professionals, health services professionals and other qualified staff. The Company has built a combination of specialized internal capabilities coupled with a large reservoir of externally available talent. These resources provide Calian with the ability to promptly assist customers to implement their diverse needs through the timely assembly and deployment of teams of professionals with the requisite capabilities. The Company experiences repeat business and a large number of contract renewals due, in part, to the Company's successful delivery and execution of projects. With efficient and flexible operating processes, the Company has been able to profitably address lower margin business without compromising quality or performance, thereby further distinguishing the Company from its competitors.

The Company operates in two segments defined by their primary type of service offering, namely SED and BTS. SED plans, designs and implements solutions to meet clients' specific business and technical needs for many of the world's space agencies and leading communications satellite manufacturers and operators. BTS works to augment clients' workforces with flexible short and long-term placements of personnel, recruitment and outsourcing of engineering and other skilled professionals and provides long-term management of projects, facilities and client business processes.

The Company evaluates performance and allocates resources based on earnings before interest and income taxes. The Company's accounting policies are described in the significant accounting policies in the notes to the Company's audited financial statements for its financial year ended September 30, 2007 contained in the Company's 2007 Annual Report.

The Company's revenues are derived from the following geographical segments:

	<b>2007</b>	<b>2006</b>
Canada	78%	83%
United States	19%	12%
Europe	3%	5%

Revenues are attributed to countries other than Canada based on the location of clients. No significant assets of the Company are held outside of Canada.

Revenues from various departments and agencies of the Canadian federal government represented 59 % of the Company's total revenues in fiscal 2007 and 2006. Both of the Company's divisions conduct business with this major customer.

### **Systems Engineering Division**

SED's core business is the provision of communication systems. SED benefits from over 41 years of experience in its industry. The primary market is the satellite industry but SED also applies its capabilities and expertise to adjacent markets with needs for similar systems and services such as domestic surveillance and security.

SED generally acts as a systems integrator, working with its clients on a project basis to develop custom systems tailored to specific operational requirements. SED strives to reuse system architecture, core software modules and custom hardware from one project to another as much as possible to reduce development time, cost and technical risk.

SED's core competencies that combine to differentiate it from its competitors include strong project management capability and experience, engineering know-how in systems, radio frequency ("RF") and software disciplines, and a "cradle-to-grave" full service approach to fully address client needs throughout project life cycles.

Approximately 70% of SED's annual revenues are from export sales. The business is characterized by long-term, fixed price contracts, won through competitive tenders, often spanning more than one fiscal year and often containing a high proportion of non-labour costs. In certain cases, the sale and installation of systems can lead to subsequent operations and maintenance support contracts.

SED's clients include major satellite manufacturers, operators and service providers worldwide and its systems are now operating on six continents. SED also provides contract manufacturing services to telecommunications, aviation and military customers in North American markets. Systems and services are provided through four business units: Network Management Systems; Communications Systems; Services; and Test Solutions.

Where possible, SED's systems are developed using highly reliable, commercially available equipment from quality suppliers. As certain unique sub-assemblies are considered sole source, SED is highly reliant on its supplier base.

### Network Management Systems

Based on commonly available technologies, SED's Network Management business unit provides network-level support and control of satellite communications systems. These systems attend to all levels of management including business, service, network and element management and are able to access all system elements from anywhere in the network. Their purpose is to help ensure that important network resources are utilized efficiently to improve performance and quality of service for the user and profitability for the operator.

This business unit also produces a Monitor and Control System used primarily by satellite operators to directly and remotely control and co-ordinate their RF stations around the world. The system is also used to continually monitor the performance of these stations and alert operators of anomalies.

### Communications Systems

The Communication Systems business unit provides a range of products, primarily to satellite manufacturers, operators and service providers. The most important of these are RF systems and satellite test systems.

**RF Systems:** These systems provide a radio frequency link from an earth station to an orbiting satellite for control and monitoring of the spacecraft and for communications traffic. Examples include: the 35 metre antennas that SED is providing to the European Space Agency for use with their deep space missions; the RF systems provided for Inmarsat Ltd.'s BGAN program; and the RF portion of the feederlink and uplink stations provided to WorldSpace Corporation and XM Satellite Radio Inc.

**Satellite Test Systems:** These products verify the proper operation of communications payloads during factory integration and on-orbit. SED is a leading supplier of in-orbit test systems in the commercial satellite marketplace due to the significant legacy of systems developed and delivered by the Company over the last 20 years.

### Services

#### *Satellite Operations*

SED controls and monitors RADARSAT, Canada's first remote sensing satellite, in orbit under contract to the Canadian Space Agency. A team of more than 50 Calian engineers and technicians provide their expertise in payload and bus engineering analysis, orbit prediction and maintenance, and payload scheduling and commanding at the Canadian Space Agency's Mission Control Centre and a telemetry, tracking and command facility adjacent to SED's building in Saskatoon.

#### *Contract Manufacturing*

SED manufactures various assemblies according to customer's designs and specifications. SED's manufacturing operation produces high quality commercial, military and aerospace equipment in low to medium volumes. Capabilities include surface mount technology, circuit card assembly, wire harness and cable assembly, automated testing and environmental stress screening.

### Test Solutions

SED applies its RF and test expertise to assess the needs of telecommunications equipment companies and provide innovative systems to meet their requirements.

### **Business and Technology Services Division**

BTS assists clients by providing recruiting and placement services, strategic long-term outsourcing services and per-diem staffing services.

BTS provides its services to clients through long-term contracting arrangements that typically last for more than one year and usually provide clients with options to renew or extend the periods of contracts. These long-term arrangements take the form of qualified vendor lists, standing offers, supply arrangements, managed service arrangements and formal contracts for service. These arrangements are usually won in a competitive environment in response to a formal request for proposal issued by BTS's clients. BTS prepares prices and submits a formal response to client requests and, if selected as the preferred vendor, is often awarded a multi year contracting vehicle to supply its services.

BTS's core competencies are in the area of recruiting, proposal writing and contract and program management and delivery. This expertise provides a strong competitive position in the overall services market.

The market for the individual service offering is very broad and competitive with numerous companies supplying service offerings similar to Calian. These competitors are comprised of local or regional small and medium sized enterprises that typically supply one or two similar services into a specific niche market, or large multinational firms that specialize in either outsourcing (such as the CGI Group Inc. and PricewaterhouseCoopers LLP) or staffing (such as Manpower Inc., Kelly Services, Inc., Valcom, Adga, the Adecco Group and Ajilon).

While government spending is under tight controls and slightly unpredictable, business does exist for companies who have the financial strength to weather these down periods and the discipline to adjust costs to declines in revenue. BTS's development of strong back office capabilities, centred on an SAP based management information system, its emphasis on continuous improvement and on business development ensures that it is able to identify and win new business opportunities and accommodate that new business in a scalable fashion.

#### **Outsourcing**

BTS's Outsourcing Services Department offers its clients the opportunity to focus on what they do best by providing resources to perform a variety of non-core functions on a multi-year contract basis. The Company's team of outsourcing managers supported by rigorous processes, modern technology and a continuous improvement management system, deliver cost effective, high quality services to the Company's clients.

BTS's outsourcing clients, primarily Canadian federal public sector departments, benefit from a cost-effective service, which allows them the ability to focus their vital resources on key organizational priorities. The depth of BTS's skills and its ability to develop full partnerships with its clients means BTS is an effective contributor to the success of each of its outsourcing clients. The Company takes a long-range view of each client's success by working to anticipate its respective needs, and delivering new capabilities when required on existing programs.

#### **Staffing**

BTS's Staffing Services Department offers its private and public sector clients an effective solution to managing the ebb and flow of their human resources needs. Founded on the premise of "just-in-time" or

flexible staffing, BTS provides contract resources to augment the efforts of clients' internal teams. Whether their requirement is for a day, a week or a year, BTS's Staffing services ensure that the company resource solution meets both the business requirements and fits with the Company's clients' respective corporate cultures.

BTS's Staffing options include hourly resources, contract professionals, permanent/executive search services and contract-to-hire service packages. The Company's success in the marketplace is due to the Company's ability to deliver consistent value to its clients on short notice in a highly competitive market. The Company's Staffing teams in Ottawa, Toronto, Calgary and Montreal work to ensure complete client satisfaction and, as a result, contractor/staff retention. The Staffing business unit continually builds and maintains an inventory of as-and-when required resources to supplement our clients' staff.

### **The Market**

Industry and government have been adopting new approaches and technologies for many decades and the Company expects that they will continue to do so in the foreseeable future. This trend is not expected to change as customers continue to look for better and more efficient ways of operating their businesses.

With the ever increasing push to "do more with less", organizations are faced with significant requirements to balance their workforces and deploy systems that minimize ongoing operational costs. In addition, these same organizations are seeking operational efficiencies through the use of suppliers and outsourcing companies so as to ensure that they can focus on their core business activities.

### **Strategy**

The Company benefits from many years of experience in its various markets and has a team of more than 2,200 professionals who offer a diverse combination of services.

The Company's strategy is to operate in niche markets and it plans to continue to focus its business development efforts on targeting clients requiring specialized technology and business services.

The Company believes that its specialization and past experiences within the telecommunications industry and Canadian government, specifically the Department of National Defence, leaves it well positioned to continue to capitalize on the technical, staffing and outsourcing service requirements within these important market segments.

The Company intends to achieve and maintain profitable growth primarily through an increase in its existing business base. The Company will attempt to diversify its revenue and client base so as to ensure a revenue mix that will produce optimal profitability over the long term. The Company will continue to optimize its operations to ensure that gross margins are maximized while overhead expenses and indirect costs of the operation are maintained.

### **Sales and Marketing**

In SED, commercial contracts for ground control equipment systems are typically awarded by open or selective tender based on complex and detailed requests for proposals. The Company's business development efforts together with its reputation and industry relationships ensure that it is included on lists of bidders. The Company visits existing clients on a regular basis to maintain a presence with them and also participates in trade shows and trade organizations. Where necessary, the Company will retain agents who assist in the marketing of its systems in selected foreign countries. Due to the fact that

revenues are generally nonrecurring and project based, significant volatility can be experienced in the revenues of the SED division.

The majority of BTS' business is won in a competitive environment responding to large, technically complex requests for proposals. The company has developed a very skilled team of business development and proposal writing professionals that identifies tracks and responds to these openly competed opportunities. BTS also employs a direct sales force with specific sales goals. Through a large contact base, excellent client service, the provision of value added services and constant contact with clients; BTS experiences a large percentage of repeat business. New opportunities are sought out regularly and when required a strategic alliance is sought with the most appropriate teaming partner. The Company has successfully teamed with a large number of consulting and staffing services firms in this area. Currently more than 64% of the BTS revenue base consists of multi-year contracts providing for a stable revenue base.

### **Competition**

For SED, competition varies by market and by product type. The Company often competes with its clients, as there is usually a make versus buy decision. Some of the key competitors in this sector are Alcatel, Hughes Network Systems, General Dynamics and satellite manufacturers including Lockheed Martin Corporation, Space Systems/Loral, and Boeing Satellite Systems.

The Company competes for contracts on the basis of system design, flexibility, price, delivery capability and reputation. Procurement is generally by open tender, except in the case of system upgrades, and often attracts three or more qualified bidders.

In the domestic defence market, the Company faces considerable competition not only from other subcontractors, but also from prime contractors. Nevertheless, management believes that the Company will sustain its share of the market through strategic teaming arrangements and competitive advantages, including its reputation for quality, favourable labour costs and military communications systems engineering and manufacturing capability.

Within the BTS market, Calian competes with a large number of small firms as well as larger outsourcing companies such as the CGI Group Inc. and PricewaterhouseCoopers LLP, and larger staffing companies such as Manpower Inc., Kelly Services, Inc., the Adecco Group and Ajilon.

The Company's competitive advantages are its low cost structure, which enables the Company to be very competitive in pricing, its strategy to focus the marketing efforts on specialized niches where the Company can create barriers to entry for those that may wish to compete with the services it provides and in its continuous improvement management environment that optimizes both operational flexibility and efficiency.

### **Research and Development**

The Company expenses all research costs as incurred and defers development costs once technical feasibility has been established and all criteria for deferral under Canadian generally accepted accounting principles are met.

The Company's most effective means of developing saleable systems is to win a contract on a competitive basis and expend the necessary development funds to complete the contract. After building an initial system, the Company then possesses a core technology, which can be applied to other contracts

in order to enhance profits or competitiveness. This process has been used by the Company for the development of many of the systems it currently sells.

Consistent with the focus on specialized technology and business services, the Company does not expect to undertake significant research and development expenditures that are not funded by clients. Accordingly, any unfunded research and development undertaken will be to ensure that the Company's services remain competitive in the market.

### **Employees**

As at September 30, 2007, the Company had approximately 2,200 employees, 275 of whom are personnel of SED and the balance of whom are employed within BTS. A fundamental strategy of the Company is to maintain, as far as possible, a flexible workforce that can adapt to the changing requirements of its clients. Under this approach to business, it is necessary to maintain a significant number of employees as contract employees.

### **Facilities**

The Company maintains facilities in Kanata, Ottawa, Toronto, Calgary, Edmonton, Montreal, Oromocto, Halifax and Saskatoon in Canada, and in Manassas, Virginia, and Phoenix, Arizona in the US. All of the offices are located in rented premises. A portion of the equipment, furniture and fixtures used by the Company is covered by capital leases. As at September 30, 2007, the net value of the Company's equipment was \$3.5 million.

### **Risk Factors**

The Company is subject to a number of risks and uncertainties that could significantly affect the Company's financial condition and future results of operations. The Company has a comprehensive planning process where risks are identified and plans initiated to minimize risks wherever possible. The Systems Engineering and Business and Technology Services divisions face some or all of the following risks and uncertainties:

#### *Competition for contracts within key markets*

The markets for the Company's services are intensely competitive, rapidly evolving and subject to technological changes. The principal competitive factors in the Company's markets are quality, performance, price, timeliness, customer support and reputation. Calian has a disciplined approach to management of all aspects of its business. The Company is a proponent of quality management; SED is registered under ISO 9001-2000 standards and BTS is accredited at Level 4 of the Progressive Excellence Program by the National Quality Institute. This approach to management was developed to help the Company ensure that its employees deliver services consistently according to the Company's high standards and based on strong values underlying its client-focused culture.

#### *The availability of qualified professionals*

Competition from other firms has a two-fold impact on the Company. The Company must not only vie for qualified employees for its own operations but must have ready access to a large pool of qualified professionals to satisfy contractual arrangements with customers. The Company mitigates these factors through a number of means. The Company's performance driven remuneration policies and its favorable working environment are conducive to attracting ambitious, qualified professionals. As a supplier of professional employees through outsourcing contracts, the Company regularly establishes relationships with a significant number of professionals in key markets.

*Performance on fixed-price contracts*

A large percentage of SED's contracts are based on a fixed price for the provision of a specified service against an agreed delivery schedule. These fixed-price contracts at times involve the completion of large-scale system engineering projects. 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 employs sophisticated design and testing processes and practices, which include a range of stringent factory and on-site acceptance tests with criteria and requirements jointly developed with the customer. However, non-performance could result in a customer being in a position to terminate the contract for default, or to demand repayments or penalties. Program management methodologies have been implemented to adequately manage each project and any customer changes, and to identify and mitigate potential technical risks and related cost overruns. In addition, the Company employs procedures to ensure accurate estimating of costs and performs regular detailed reviews of progress on each project.

*Non-performance of a key supplier or contractor*

The Company's business is often dependent on performance by third parties and subcontractors for completion of contracts for which the Company is the prime contractor. Subcontractors for large systems are selected in concurrence with the customer's requirements, and if not directed by the customer, are selected through a competitive bid or negotiated process. Most major development subcontracts are established as fixed-price contracts. The Company believes that these subcontractors have an economic incentive to perform such subcontracts for the Company. However, no company can protect itself against all material breaches, particularly those related to financial insolvency of the subcontractors or to cost overruns by subcontractors. Risks include a significant price increase in those few subcontracts that are not fixed-price, delay in performance, failure of any major subcontractor to perform or the inability of the Company to obtain replacement subcontractors at a reasonable price. The performance of key subcontracts is closely monitored as part of the Company's project management process to promptly identify potential issues and develop remedial actions.

*Rapidly changing technologies and customer demands*

The markets in which the Company operates are characterized by changing technology and evolving industry standards. Calian keeps pace with developments in the industries it serves and actively monitors the evolution of these markets, thus ensuring that it can meet the evolving needs of its clients. The Company achieves this by continually recruiting professionals in high demand positions and providing regular training to ensure employee skills remain current. 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.

*Government contracts*

During 2007, approximately 59% of the Company's total revenues was derived from contracts with the Canadian government and its agencies. The government may change its policies, priorities or funding levels through agency or program budget reductions or impose budgetary constraints. Furthermore, contracts with governments, including the Canadian government, may be terminated or suspended by the government at any time, with or without cause. Although in the past the Company has not experienced any significant cancellations of previously awarded contracts by the Canadian government, there can be no assurance that any contract with the government will not be terminated or suspended in the future.

*Backlog*

Most fee for service contracts provide the customer with the ability to adjust the timing and level of effort throughout the contract life and as such the amount actually realized could be materially different from the original contract value. At September 30, 2007 the Company's backlog included \$326 million of contract value in excess of the current estimated utilization levels. Should additional customer

requirements for the Company's services under these contracts not materialize, this excess will not be realized.

*Credit risk concentration with respect to accounts receivable*

As the Company grows, it monitors the concentration of its business in its various segments and with particular customers. In management's opinion, the fact that the Company operates in two segments that provide some diversification of its customer base mitigates the potential impact on earnings and cash flow of problems related to an individual sector or customer.

*Insufficient or inappropriate mix of work for fixed labour resources*

Virtually all employees of SED are full time staff and represent a broad spectrum of unique skill sets. Accordingly, SED strives to secure sufficient labour sales that adequately match the skill sets. SED's business development practices are designed to dynamically adjust pursuits of contracts to address the sufficiency and mix of available resources.

*Operational risk*

Operational risk is managed through the establishment of effective infrastructure and controls. Key elements of the infrastructure are qualified, well-trained personnel, clear authorization levels and reliable technology. Controls established by documented policies and procedures include the regular examination of internal controls by internal employees as well as our auditors, segregation of duties, and financial management and reporting. In addition, the Company maintains insurance coverage and contingency plans for systems failures or catastrophic events.

*Foreign currency risk*

The Company operates internationally with approximately 22% of its business derived from non-Canadian sources. A substantial portion of this international business is denominated in major foreign currencies and therefore the Company's results from operations are affected by exchange rate fluctuations of these currencies relative to the Canadian dollar. The Company uses financial instruments, principally in the form of forward exchange contracts, in its management of foreign currency exposures. At September 30, 2007 the Company had various forward exchange contracts, which are explained in Note 16 to the Company's consolidated financial statements for the year ended September 30, 2007. The strengthening of the Canadian dollar relative to other foreign currencies may negatively impact the Company's competitiveness and increase pressure on margins for new work.

*Lease commitment*

As indicated in Note 12 of the Company's consolidated financial statements, during 2005, the Company renegotiated a new lease with a sub-tenant of the Company at its premises in Kanata, Ontario for a significant portion of the Company's excess space at current market rates. As a result, the Company will be required to assume a portion of the costs associated with this facility. Management believes that the current provision of \$1,287 will be sufficient to cover the Company's share of such costs.

*Sufficiency of insurance*

The Company carries various forms of insurance to protect itself from a variety of insurable risks. However, such coverage may not be sufficient in extreme circumstances and accordingly there exists a risk to the Company. While the Company cannot reasonably insure itself for all events, it regularly reviews the availability, scope and amounts of coverage with its professional advisors and implements an approach balancing both cost and risk.

*Medical malpractice*

As a result of the Company winning the health services support contract from the Department of National Defence, the Company will be subject to additional risks associated with the medical profession. In order to mitigate such risks to the degree possible, the Company has obtained medical malpractice and professional liability insurance in accordance with the terms of this contract. In addition, it is a condition of employment for doctors, dentists and other medical professionals to maintain appropriate credentials, be in good standing with their medical associations and obtain medical malpractice insurance from their respective association.

*Political and trade barriers*

Revenues on certain projects are derived from customers in foreign jurisdictions and are subject to trade and political barriers relating to the protection of national interests. These barriers could have an adverse effect on our ability to win repeat business and attract new customers.

*Consolidation of customer base*

The satellite industry has experienced both restructuring and consolidation. As the newly formed entities focus on optimizing cash flows and gaining economies of scale, opportunities for systems integrators may be diminished thereby creating a very competitive environment with commensurate pressure on margins.

## **DIVIDENDS**

Calian's Board of Directors (the "Board") has declared and paid the following dividends over the last 3 years:

	Fiscal 2007	Fiscal 2006	Fiscal 2005
Quarter 1	\$0.10	\$0.08	\$0.08
Quarter 2	\$0.10	\$0.08	\$0.08
Quarter 3	\$0.10	\$0.08	\$0.08
Quarter 4	\$0.12	\$0.09	\$0.08

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

## **DESCRIPTION OF CAPITAL STRUCTURE**

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares ("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. The Preferred Shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series. The Preferred Shares are entitled to a priority over the Common Shares with respect to the payment of dividends and the distribution of assets upon liquidation of the Company. No Preferred Shares have been issued as of the date of this Annual Information Form.

**MARKET FOR SECURITIES**

Calian's Common Shares are listed and posted for trading on the Toronto Stock Exchange under the symbol "CTY". The volume of trading and price ranges of the Common Shares for the periods indicated are set forth in the following table:

<b>Fiscal 2007</b>	<b>Volume</b>	<b>High Trading Price</b>	<b>Low Trading Price</b>
October 2006	54,800	\$12.00	\$10.90
November 2006	334,500	\$12.00	\$10.45
December 2006	181,000	\$12.48	\$11.05
January 2007	136,800	\$13.50	\$12.31
February 2007	417,500	\$13.73	\$12.50
March 2007	138,700	\$13.32	\$12.05
April 2007	90,800	\$13.50	\$12.50
May 2007	121,900	\$13.50	\$12.75
June 2007	89,900	\$13.58	\$13.00
July 2007	56,500	\$13.85	\$13.30
August 2007	140,600	\$14.01	\$12.43
September 2007	33,600	\$13.25	\$12.61

**DIRECTORS AND OFFICERS****Directors**

The members of the Board are elected each year at the annual meeting of the shareholders of the Company. The next annual meeting of the shareholders will be held on February 8, 2008. The following table presents the name, municipality of residence, period of service and principal occupation of each of the current directors of the Company.

<u>Name and Residence</u>	<u>Director since:</u>	<u>Principal Occupation(s) within the 5 preceding years</u>
Larry O'Brien Ontario, Canada	1982	Municipal politician, December 1, 2006 to present; Chairman of Calian Technologies Ltd., 1982 to 2006
Kenneth J. Loeb <sup>(1)</sup> Ontario, Canada	2001	Chief Executive Officer, Capital Box Limited
William Hewson <sup>(2)</sup> Ontario, Canada	2003	Consultant
Richard Vickers, FCA <sup>(3)</sup> Ontario, Canada	2003	Chief Operating Officer, Borden Ladner Gervais LLP
David Tkachuk <sup>(4)</sup> Saskatchewan, Canada	2003	Member of the Senate of Canada

<u>Name and Residence</u>	<u>Director since:</u>	<u>Principal Occupation(s) within the 5 preceding years</u>
Raymond Basler, Saskatchewan, Canada	2005	President and Chief Executive Officer of Calian Technologies Ltd.
Paul Cellucci, Massachusetts, USA	2007	Special Counsel to McCarter & English, LLP

## NOTES:

- (1) Chairman of the Corporation since November 25, 2006
- (2) Chairman of the Governance Committee
- (3) Chairman of the Audit Committee
- (4) Chairman of the Compensation Committee

Mr. Loeb, Mr. Vickers, Mr. Hewson, Senator Tkachuk and Mr. Cellucci are the members of the Governance Committee, the Audit Committee and the Compensation Committee of the Board. Mr. O'Brien is a member of the Governance Committee. Mr. Basler is not a member of any committee of the Board.

Except as set forth below, the above-mentioned persons have held the principal occupations set below their names or other management functions within their respective organizations for the last five years.

LARRY O'BRIEN was elected Mayor of the City of Ottawa taking effect on December 1, 2006, prior to which he was Calian's Chairman and Chief Executive Officer from August 6, 2002 to February 2, 2005 and Calian's Chairman from February 3, 2005 to November 24, 2006.

RAYMOND BASLER was President of SED from November 25, 1998 to September 30, 2004, and from August 6, 2002 to February 2, 2005; Mr. Basler was Calian's President and Chief Operating Officer.

PAUL CELLUCCI was US Ambassador to Canada from April 17, 2001 to March 18, 2005.

**Officers**

The following table presents the name, municipality of residence and position held by each of the executive officers of the Company.

<u>Name and Residence</u>	<u>Position with Calian</u>
Raymond Basler Saskatchewan, Canada	President and Chief Executive Officer
Jacqueline Gauthier Quebec, Canada	Vice President, Chief Financial Officer and Corporate Secretary
Tom Coates Ontario, Canada	Vice President and General Manager, Business and Technical Services Division
Brent McConnell Saskatchewan, Canada	Vice President and General Manager, Systems Engineering Division

All of the above-mentioned persons have held the principal occupation set opposite their names for the

last five years except as follows: Mr. Basler was President of SED from November 25, 1998 to September 30, 2004 and Calian's President and Chief Operating Officer, from August 6, 2002 to February 2, 2005.

As of December 20, 2006 the directors and officers of the Company as a group, beneficially own, directly and indirectly, or exercise control over 6.8% of Calian's Common Shares.

No director or executive officer of Calian and, to the knowledge of the Company, no shareholder holding a sufficient number of securities of Calian to materially affect its control is or was, in the 10 years preceding the date of this Annual Information Form, a director or executive officer of any company that was, while that person was acting in that capacity, (a) the subject of a cease trade or similar order or an order that denied any such company access to any exemption under securities legislation for a period of more than 30 consecutive days, (b) subject to an event that resulted, after such person ceased to be a director or executive officer, in such company being the subject of any such order or (c) within a year of such person ceasing to act in that capacity, became bankrupt, made a proposal under any bankruptcy or insolvency related legislation or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No director or executive officer of Calian and, to the knowledge of the Company, no shareholder holding a sufficient number of securities of Calian to materially affect its control, within the 10 years preceding the date of this Annual Information Form, has become bankrupt, made a proposal under any bankruptcy or insolvency related legislation or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

## **AUDIT COMMITTEE**

### **Audit Committee Charter**

The text of the Company's Audit Committee Charter is attached at Appendix "A" to this Annual Information Form.

### **Composition**

The Audit Committee members are Mr. Richard Vickers (Chairman), Mr. Ken Loeb, Mr. Bill Hewson, Senator Tkachuk and Mr. Paul Cellucci. All of the committee members are independent and financially literate.

### **Education and Experience**

Mr. Richard Vickers is an FCA with over 40 years of experience in the financial field. Prior to his recent position with Borden Ladner Gervais LLP, Mr. Vickers worked at PricewaterhouseCoopers LLP from 1965 to 1998, including as an audit partner from 1973 to 1998. Mr. Vickers holds a Bachelor of Arts degree from Carleton University.

Mr. Kenneth Loeb is a graduate of Osgoode Hall Law School and maintained a private law practice for ten years. He is currently President of Capital Box Limited and deals on a daily basis with accounting issues including issues related to internal controls and financial reporting. Mr. Loeb is also a director of three private companies whose aggregate annual gross revenues exceed \$45 million.

Mr. Bill Hewson holds engineering degrees from the Royal Military College and the University of

Toronto. In his military and public service careers he has held a variety of positions with operational responsibility for sizeable budgets. He is also a director of two private companies.

Senator Tkachuk has many years of private business experience. From 1975 to 1979, Senator Tkachuk was Executive Director of the Progressive Conservative Party of Saskatchewan, in which one of his duties was managing the financial affairs and financial reporting of the party to its membership and to the government of Saskatchewan. From 1994 to 1997, Senator Tkachuk was Chairman of the Senate Finance Committee and, from 1997 to 2004, Chairman of the Senate Committee on Banking, Trade and Commerce. From 2001 to 2004, Senator Tkachuk was the chairman of the audit committee and a member of the board of directors of Blackstrap Hospitality Corporation, a company publicly traded until June 2, 2005.

Mr. Paul Cellucci graduated from the Boston College School of Management in 1970 with a major in accounting and received a law degree from the Boston College Law School in 1973. Mr. Cellucci has also worked with businesses to expand their growth opportunities both nationally and internationally. He most recently served as Executive Vice President of Corporate Development at a large automobile parts manufacturer, where he played a leadership role in the Company's efforts to bring about regulatory reform.

### **Pre-Approval of Non-Audit Services**

The following describes the Company's policy relating to the engagement of the external auditors for the provision of non-audit services.

When requiring the use of accounting and taxation and other consulting services, the Company will not utilize the services of its current external auditor where the delivery of the service may create a potential or perceived conflict of interest. Consulting services, which require subsequent external auditing, cannot be performed by the Company's auditors. For greater clarity, the following consulting services do not present a conflict of interest: advice relating to the accounting treatment of new CICA pronouncements or services ancillary to the audit; preparation of corporate tax returns; and advice on tax related matters.

At each quarterly Audit Committee meeting, the Chief Financial Officer will request the Audit Committee to approve the non-audit services expected to be performed by the external auditor during the next quarter. If during the quarter, additional requirements are identified, the Chief Financial Officer will obtain a separate approval from the Audit Committee prior to the work commencing. To ensure that all services performed by the external auditors are approved in accordance with this policy, management must discuss their requirements with the Chief Financial Officer prior to any work commencing.

In addition, at each quarterly audit committee meeting, the Chief Financial Officer will report on the following: new engagements initiated during the most recent quarter, activities performed on each active engagement and amount of fees paid to the external auditors during the current quarter and on a year-to-date basis on each active engagement.

**External Auditor Service Fees**

	<b>Fiscal 2007</b>	<b>Fiscal 2006</b>	<b>Fiscal 2005</b>
Audit Fees	\$ 182,000	\$ 170,000	\$ 156,000
Audit-Related Fees	29,550	7,800	-
Tax Fees	37,600	32,200	73,050
<b>TOTAL</b>	<b>\$ 249,150</b>	<b>\$ 210,000</b>	<b>\$ 229,050</b>

**LEGAL PROCEEDINGS**

The Company is not party to any material legal proceedings.

**INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

There are no interests of management and others in material transactions.

**TRANSFER AGENT AND REGISTRARS**

The transfer agent and registrar for the Common Shares is CIBC Mellon Trust Company at its principal stock transfer office in Toronto, Ontario.

**INTERESTS OF EXPERTS**

The Company's annual financial statements for the year ended September 30, 2007 have been audited by Deloitte & Touche LLP, the Company's independent auditor.

**MATERIAL CONTRACTS**

The Company has not entered into any material contracts since October 1, 2006, other than material contracts entered into in the ordinary course of business.

**ADDITIONAL INFORMATION**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Other additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans for the financial year ended September 30, 2007, is contained in the Company's Management Proxy Circular dated December 3, 2007 prepared in connection with its annual meeting of shareholders to be held on February 8, 2008. Additional financial information is provided in the Company's financial statements and management's discussion and analysis for its most recently completed financial year.

**APPENDIX “A”****CALIAN TECHNOLOGIES LTD  
AUDIT COMMITTEE CHARTER**

The Audit Committee (the “Committee”) will assist the Board of Directors in fulfilling its oversight responsibilities. In performing its duties, the Committee will maintain effective working relationships with management and the external auditors. The Committee expects the management of the Corporation to operate in compliance with the Corporation’s Code of Conduct and corporate policies; with laws and regulations governing the Corporation; and to maintain strong financial reporting and control processes.

**1. DEFINITIONS***1.1 Financial Literacy*

“Financially Literate” means the ability to read and understand a balance sheet, an income statement, a cash flow statement and the notes attached thereto and be sufficiently versed in financial matters to understand the Corporation’s accounting practices and policies and the major judgments involved in preparing the financial statements.

*1.2 Accounting and Related Financial Experience*

“Accounting or Related Financial Experience” means the ability to analyze and interpret a full set of Financial Statements, including the notes thereto, in accordance with Canadian Generally Accepted Accounting Principles.

*1.3 Independent Director*

“An Independent Director” means a Director that has no direct or indirect material relationship with the issuer. A material relationship means a relationship, which could, in the view of the issuer’s board of directors, reasonably interfere with the exercise of a director’s independent judgment.

**2. GENERAL PROCEDURES**

2.1 The Committee shall be composed of a minimum of three directors, all of whom shall be independent directors. A minimum of three Committee Members should be financially literate and at least one Committee member should have accounting or related financial experience.

2.2 The Committee shall meet at least four times annually, or more frequently as circumstances dictate. Meetings shall be held at the call of the Chairman, upon the request of two members of the Committee or at the request of the Chairman of the Board of the Corporation or the external auditors.

2.3 A quorum shall be a majority of the members.

2.4 Unless the Committee otherwise specifies, the Secretary of the Corporation shall act as Secretary of all meetings of the Committee.

2.5 In the absence of the Chairman of the Committee, the members shall appoint an acting Chairman.

- 2.6 A copy of the minutes of each meeting of the Committee shall be provided to each member of the Committee in a timely fashion.
- 2.7 Committee meeting agendas shall be the responsibility of the Chairman of the Committee in consultation with Committee members, senior management and the external auditors.
- 2.8 The Committee shall communicate its expectations to management with respect to the nature, timing and extent of its information needs. The Committee expects that written materials will be received from management at least five (5) days in advance of meeting dates.
- 2.9 At each meeting of the Committee, the members of the Committee shall meet in private session with the Committee members only.
- 2.10 The Committee, through its Chairman, shall report after each Committee meeting to the Board at the Board's next regular meeting.
- 2.11 To assist the Committee in discharging its responsibilities, the Committee may, in addition to the external auditors, at the expense of the Corporation, retain one or more persons having special expertise.
- 2.12 The Committee shall annually review, discuss and assess its own performance. In addition, the Committee shall periodically review its role and responsibilities.

### **3. Specific Responsibilities and Duties**

#### **3.1 *Financial Reporting***

- 3.1.1 review the Corporation's quarterly financial statements including the Management Discussion and Analysis (MDA) and related press releases with management and review the Corporation's annual audited financial statements with the external auditors to gain reasonable assurance that the statements are accurate, complete, represent fairly the Corporation's financial position and performance and are in accordance with GAAP and report thereon to the Board before such financial statements are approved by the Board. Specifically, in its review of the Financial Statements, MDA and press releases, the Committee should:
  - a) obtain an explanation from management of all significant variances between comparative reporting periods and budget;
  - b) review unusual items, related party transactions and adequacy of disclosure;
  - c) review key estimates and judgments;
  - d) review uncertainties, commitments and contingent liabilities and;
  - e) review the appropriateness of the Corporation's significant accounting principles and practices, including acceptable alternatives, and the appropriateness of any significant changes in accounting principles and practices.
- 3.1.2 review the quarterly and annual compliance of management certification of financial reports with applicable legislation and attestation of the Corporation's disclosure controls and procedures.

- 3.1.3 review general accounting trends and issues regarding accounting policy, standards and practices, including new developments with Generally Accepted Accounting principles, which may affect the Corporation.
- 3.1.4 review annually with management and the external auditors the degree of conservatism of the Corporation's underlying accounting policies, key estimates and judgments and reserves.
- 3.1.5 receive from the external auditors reports on their audit of the annual financial statements;
- 3.1.6 receive from management a copy of the representation letter provided to the external auditors and receive from management any additional representations required by the Committee;
- 3.1.7 review any report which accompanies published financial statements (to the extent such report discusses financial condition or operating results) for consistency of disclosure with the financial statements themselves.
- 3.1.8 review and, if appropriate, recommend approval to the Board of prospectuses, material change disclosures of a financial nature, management discussion and analysis, annual information forms and similar disclosure documents to be issued by the Corporation.

### **3.2 *Internal Controls***

- 3.2.1 review and monitor the Corporation's internal control procedures, program and policies, and assess the adequacy and effectiveness of internal controls over the accounting and financial reporting systems.
- 3.2.2 review the annual plan for internal audits;
- 3.2.3 review the reports of the Corporation on internal audits with respect to control and financial risk, and any other matters appropriate to the Committee's duties. The Committee shall review the adequacy and appropriateness of management's response, including the implementation thereof;
- 3.2.4 review the evaluation of internal controls by the external auditors, together with management's response;
- 3.2.5 review the adequacy of the Corporation's internal audit resources; and
- 3.2.6 review the working relationship between management and the external auditors

### **3.3 *External Auditors***

- 3.3.1 recommend to the Board the nomination of the external auditors and approve the remuneration and the terms of engagement of the external auditors as set forth in the Engagement Letter;
- 3.3.2 review the performance of the external auditors annually or more frequently as required;
- 3.3.3 receive a report annually from the external auditors with respect to their independence, such report to include a disclosure of all engagements (and fees related thereto) for non-audit services by the Corporation;

- 3.3.4 review with the external auditors the audit plan including the scope of the audit, the areas of special emphasis to be addressed in the audit, the extent to which the planned audit scope can be relied upon to detect weaknesses in internal control or fraud or illegal acts, and the materiality levels which the external auditors propose to employ. The Committee should recommend to the Board of Directors the scope of the external audit as stated in the audit plan;
- 3.3.5 review all engagements for non-audit services provided by the external auditors together with fees for such services, and consider the impact of this on the independence of the external auditors. The Committee shall determine which non-audit services the external auditors are prohibited from providing.
- 3.3.6 meet annually with the external auditors in the absence of management to determine,
- a) that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditors or the reporting of their findings to the Committee;
  - b) the level of cooperation received from management;
  - c) any unresolved material differences of opinion or disputes;
  - d) the effectiveness of the work of internal audit; and
  - e) the quality of the financial personnel.
- 3.3.7 establish effective communication processes with management and the Corporation's external auditors to assist the Committee to monitor objectively the quality and effectiveness of the relationship among the external auditors, management and the Committee.
- 3.3.8 when a change of auditors is proposed, the Committee shall review all issues related to the change, including the information required to be disclosed by regulations and the planned steps for an orderly transition.
- 3.3.9 when discussing auditor independence, the Committee will consider both rotating the lead audit partner or audit partner responsible for reviewing the audit after a number of years and establishing hiring policies for employees or former employees of its external auditor.

### **3.4 Risk Management**

- 3.4.1 put in place procedures to receive and handle complaints or concerns received by the Corporation about accounting or audit matters including the anonymous submission by employees of concerns respecting accounting and auditing matters.
- 3.4.2 acknowledging that it is the responsibility of the Board, in consultation with management, to identify the principal business risks facing the Corporation, determine the Corporation's tolerance for risk and approve risk management policies, the Committee shall focus on financial risk and gain reasonable assurance that financial risk is being effectively managed or controlled by:
- a) reviewing with management the Corporation's tolerance for financial risks;

- b) reviewing with management its assessment of the significant financial risks facing the Corporation;
  - c) reviewing with management the Corporation's policies and any proposed changes thereto for managing those significant financial risks;
  - d) reviewing with management its plans, processes and programs to manage and control such risks;
- 3.4.3 ascertain that policies and procedures are in place to minimize environmental, occupational health and safety and other risks to asset value and mitigate damage to or deterioration of asset value and review such policies and procedures periodically;
- 3.4.4 ascertain that policies and procedures include comprehensive computer disaster recovery plans.
- 3.4.5 review policies and compliance therewith that require significant actual or potential liabilities, contingent or otherwise, to be reported to the Board in a timely fashion;
- 3.4.6 review foreign currency risk mitigation strategies, including the use of derivative financial instruments;
- 3.4.7 review the adequacy of insurance coverage maintained by the Corporation;
- 3.4.8 review regularly with management and the external auditors any legal claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Corporation and the manner in which these matters have been disclosed in the financial statements.

### **3.5 *Compliance with Laws and Regulations***

- 3.5.1 review regular reports from management and others (e.g. internal and external auditors) with respect to the Corporation's compliance with laws and regulations having a material impact on the financial statements including:
- a) tax and financial reporting laws and regulations;
  - b) legal withholding requirements;
  - c) environmental protection laws and regulations;
  - d) other laws and regulations which expose directors to liability;
- 3.5.2 review reports with respect to Occupational Health and Safety matters having a potential significant financial impact and to gain reasonable assurance annually that the Corporation's reserves with respect to such matters are sufficient and appropriate;
- 3.5.3 review the status of the Corporation's tax returns and those of its subsidiaries.

### **3.6 *Other Responsibilities***

- 3.6.1 review periodically the form, content and level of detail of financial reports to the Board;
- 3.6.2 approve quarterly the reasonableness of the expenses of the Chairman of the Board and the Chief Executive Officer;
- 3.6.3 after consultation with the Chief Financial Officer and the external auditors, gain reasonable assurance, at least annually, of the quality and sufficiency of the Corporation's accounting and financial personnel and other resources;
- 3.6.4 review in advance the appointment of the Corporation's Chief Financial Officer;
- 3.6.5 investigate any matters that, in the Committee's discretion, fall within the Committee's duties;
- 3.6.6 review reports from management, the external auditors, and/or other Committee Chairmen on their review of compliance with the Corporation's Code of Conduct;
- 3.6.7 perform such other functions as may from time to time be assigned to the Committee by the Board.

### **3.7 *Accountability***

- 3.7.1 annually review and assess the adequacy of its mandate and evaluate its effectiveness in fulfilling its mandate;
- 3.7.2 review and update this Charter on a regular basis for approval by the Board;
- 3.7.3 review the description of the Committee's activities as set forth in the Corporation's statement of corporate governance practices.