

**CALIAN TECHNOLOGIES LTD.
MANAGEMENT PROXY CIRCULAR
NOVEMBER 30, 2006**

SOLICITATION OF PROXIES

This Management Proxy Circular (this “Circular”) is furnished in connection with the solicitation by the management of **CALIAN TECHNOLOGIES LTD.** (the “Corporation”) of proxies to be used at the annual meeting of shareholders of the Corporation to be held on **Wednesday February 7, 2007 at 3:00 p.m. (Ottawa time) at the Brookstreet Hotel, Kanata, Ontario** for the purposes set forth in the enclosed **notice of meeting or any adjournment thereof (the “Meeting”)**. It is expected that the solicitation will be primarily by mail, but employees of the Corporation may also solicit proxies personally. The cost of solicitation by management will be borne by the Corporation.

Except as otherwise stated, the information contained in this Circular is given as of November 30, 2006. All dollar amounts in this Circular are in Canadian dollars unless otherwise indicated.

APPOINTMENT OF PROXYHOLDERS AND REVOCATION OF PROXIES

A vote at all meetings of shareholders of the Corporation may be given in person or by proxy whether or not the proxy holder is a shareholder. The persons named in the Form of Proxy enclosed with this Circular are officers of the Corporation. **Each shareholder is entitled to appoint a person other than the individuals named in the Form of Proxy to represent such shareholder at the Meeting.** A shareholder desiring to appoint some other person to represent that shareholder at the Meeting may do so either by inserting such person’s name in the blank space provided in the appropriate Form of Proxy or by completing another proper Form of Proxy and, in either case, delivering the completed proxy to the Corporation’s transfer agent, the CIBC Mellon Trust Company, P.O. Box 721, Agincourt, Ontario, M1S 0A1, in the addressed envelope enclosed or to the Secretary of the Corporation no later than 5:00 p.m. (Ottawa time) on Monday, February 5, 2007.

The officers named in the Form of Proxy will vote or withhold from voting the common shares in the capital of the Corporation (the “Common Shares”) for which they are appointed proxy holders (including on any ballot that may be called for) in accordance with the instructions of the shareholder appointing them. **In the absence of such instructions, such Common Shares will be voted FOR the election of Directors and FOR the appointment of auditors.** The Form of Proxy confers discretionary authority with respect to amendments or variations to matters identified in the notice of meeting and other matters, which may properly come before the Meeting. At the date hereof, management of the Corporation is not aware of any other matters to come before the Meeting. Any amendment, variation or other matter, which is not known to management, which may properly come before the Meeting, will be voted upon by the proxies hereby solicited in accordance with the best judgment of the person or persons voting such proxies.

Pursuant to Section 148(4) of the *Canada Business Corporations Act* (the “CBCA”), a proxy given pursuant to this solicitation may be revoked (1) by instrument in writing, executed by the shareholder or by the shareholder’s attorney authorized in writing and deposited at the registered office of the Corporation at 2 Beaverbrook Road, Kanata, Ontario, K2K 1L1 at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, (2) by delivering the revocation prior to voting to the chair of the Meeting on the day of the Meeting, or any adjournment thereof or (3) in any other manner permitted by law. **If a shareholder appoints some person other than the officers named in the Form of Proxy to represent the shareholder, such person will vote the Common Shares in**

respect of which that person is appointed proxy holder in accordance with the direction of the shareholder who appointed that person. In the absence of such direction, that person may vote such shares at that person's discretion. It is the responsibility of the shareholder appointing any other person to represent such shareholder to inform that person that that person has been so appointed.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

As of the date of this Circular, 8,405,221 Common Shares were issued and outstanding, the holders of which are entitled to one vote for each Common Share held. The board of directors of the Corporation (the "Board") has fixed the close of business on December 13, 2006 as the record date for the purpose of determining shareholders entitled to receive notice of and to vote at the Meeting. The failure of any shareholder to receive notice of a meeting of the shareholders does not, however, deprive such shareholder of a vote at such meeting.

The following table sets forth information regarding the beneficial ownership of the Common Shares as of November 30, 2006 with respect to each person who, as of such date, is known to the directors or officers of the Corporation to be the beneficial owner of or exercise control or direction over more than 10% of the Common Shares:

<u>Name of Beneficial Owner</u>	<u>Number of Common Shares Held</u>	<u>Percentage of Voting Common Shares</u>
Bissett Investment Management, a division of Franklin Templeton Investments Corp.	1,578,800	18.8%

To the knowledge of the directors and officers of the Corporation, accounts and funds managed by Fidelity Management and Research Company ("Fidelity") of Boston, Massachusetts, U.S.A. and its affiliates, may beneficially own or exercise control or direction over Common Shares carrying more than 10% of the votes attached to the Common Shares. Fidelity does not publicly disclose its shareholdings in which such accounts and funds invests, including the Corporation.

PRESENTATION OF FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

The Corporation's audited financial statements for the year ended September 30, 2006 (the "Financial Statements") and the auditors' report on the Financial Statements will be presented to shareholders at the Meeting. The Financial Statements are included in the Corporation's 2006 Annual Report which accompanies this Circular. In accordance with the provisions of the CBCA, the Financial Statements are merely presented at the Meeting and will not be voted on.

The Corporation has filed an Annual Information Form (the "AIF") for its 2006 fiscal year and its 2006 Annual Report on SEDAR at www.sedar.com that contain, among other things, all of the financial disclosure (including copies of the Financial Statements and management's discussion and analysis of the Financial Statements) required under Multilateral Instrument 52-110 – Audit Committees of the Canadian Securities Administrators. In particular, the information that is required to be disclosed in Form 52-110F1 of Multilateral Instrument 52-110 may be found under the heading "Audit Committee" in the AIF.

ELECTION OF DIRECTORS

The Board is elected annually. The number of directors of the Corporation to be elected at the Meeting is set at six (6). Each of the persons listed below is proposed to be nominated as a director of the Corporation to serve until the next annual meeting or until such person's successor is elected or appointed, and each has agreed to serve as director if elected. Unless a shareholder directs that such shareholder's Common Shares are to be withheld from voting for the election of directors, the persons designated in the enclosed proxy will vote FOR the election of the proposed nominees listed in the table below, all of whom are currently directors of the Corporation:

<u>Name and Present Principal Occupation</u>	<u>Period of Service as a Director</u>	<u>Number of Common Shares Held</u>
Kenneth J. Loeb ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ , Ottawa, ON President, Capital Box of Ottawa Limited	2001 - 2007	2,461
Larry O'Brien ⁽³⁾ , Ottawa, ON Mayor, City of Ottawa	1982 - 2007	435,760 ⁽⁵⁾
Major Gen. (Ret'd) C. William Hewson ⁽¹⁾⁽²⁾⁽³⁾ Calabogie, ON, Consultant	2003 - 2007	961
Senator David Tkachuk ⁽¹⁾⁽²⁾⁽³⁾ , Saskatoon, SK Member of the Senate of Canada	2003 - 2007	300
Richard A. Vickers, FCA ⁽¹⁾⁽²⁾⁽³⁾ , Manotick, ON Chief Operating Officer, Borden Ladner Gervais LLP	2003 - 2007	3,461
Raymond Basler, Saskatoon, SK President and Chief Executive Officer of the Corporation	2005-2007	70,000

(1) Member of the Audit Committee of the Board.

(2) Member of the Compensation Committee of the Board

(3) Member of the Governance Committee of the Board.

(4) Chairman of the Board

(5) All of these Common Shares are held by Cinnatek Corporation, an Ontario corporation wholly owned by Larry O'Brien.

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.

RAYMOND BASLER was President of the Corporation's Systems Engineering division from November 25, 1998 to September 30, 2004 and was the Corporation's Executive Vice-President and Chief Operating Officer from September 28, 2001 to August 5, 2002. From August 6, 2002 to February 2, 2005, Mr. Basler was the Corporation's President and Chief Operating Officer.

LARRY O'BRIEN was elected Mayor of the City of Ottawa taking effect on December 1, 2006, prior to which Mr. O'Brien was the Corporation's Chairman, President and Chief Executive Officer from April 16, 2001 to August 5, 2002, the Corporation's Chairman and Chief Executive Officer from August 6, 2002 to February 2, 2005 and the Corporation's Chairman from February 2, 2005 to November 24, 2006.

No director or executive officer of the Corporation and, to the knowledge of the Corporation, no

shareholder holding a sufficient number of securities of the Corporation to materially affect its control is or was, in the 10 years preceding the date of this Circular, 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 the Corporation and, to the knowledge of the Corporation, no shareholder holding a sufficient number of securities of the Corporation to materially affect its control, within the 10 years preceding the date of this Circular, 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.

Management does not contemplate that any of the nominees listed above will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the persons named in the enclosed Form of Proxy reserve the right to vote for any nominee in their discretion unless the shareholder has specified in the Proxy that such shareholder's Common Shares are to be withheld from voting in the election of directors.

Directors' Attendance

For the 12-month period ended September 30, 2006, the Board met on seven occasions, the Audit Committee met four times, the Compensation Committee met three times and the Governance Committee met once. Compensation and governance issues are also discussed during the quarterly Board meetings with all of the Board members present. All of the directors were present at all Board and committee meetings either by phone or in person, with the exception of Senator Tkachuk who was absent from the May 3, 2006 Audit Committee meeting.

STATEMENT OF EXECUTIVE COMPENSATION

The following table, presented in accordance with the National Instrument 51-102 of the Canadian Securities Administrators, sets forth all compensation paid in respect of the individuals who were the Chief Executive Officer and Chief Financial Officer during the year ended September 30, 2006 and the other three most highly compensated executive officers of the Corporation (the "named executive officers") who earned more than \$150,000 in salary and bonus during the last fiscal year.

Summary Compensation Table
(all dollar amounts rounded to nearest dollar)

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation Awards	
		Salary	Bonus	Other Annual Compensation ⁽¹⁾	Options/SARs Granted ⁽²⁾	All Other Compensation
Raymond Basler ⁽³⁾	2006	\$280,950	\$310,000	-	Nil	Nil
President and Chief Executive Officer	2005	\$252,400	\$300,000	-	Nil	Nil
	2004	\$238,095	\$350,000	-	60,000	Nil
Jacqueline Gauthier ⁽⁴⁾	2006	\$165,000	\$155,000	-	Nil	Nil
Vice President, Chief Financial	2005	\$153,600	\$140,000	-	Nil	Nil

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation Awards	
		Salary	Bonus	Other Annual Compensation ⁽¹⁾	Securities Under Options/SARs Granted ⁽²⁾	All Other Compensation
Officer and Corporate Secretary	2004	\$146,035	\$145,000	-	45,000	Nil
Larry O'Brien ⁽⁵⁾	2006	\$250,000	Nil	-	Nil	Nil
Chairman of the Board	2005	\$235,900	\$ 65,000	-	Nil	Nil
	2004	\$225,454	\$350,000	-	40,000	Nil
Tom Coates	2006	\$181,000	\$162,000	-	Nil	Nil
Vice President and General Manager Business and Technology Services	2005	\$175,700	\$140,000	-	Nil	Nil
	2004	\$171,267	\$ 75,000	-	23,000	Nil
Brent McConnell ⁽⁶⁾	2006	\$170,000	\$160,000	-	Nil	Nil
President Systems Engineering Division	2005	\$157,500	\$240,000	-	Nil	Nil
	2004	\$145,000	\$325,000	-	8,000	Nil

- (1) Unless otherwise indicated, perquisites and other personal benefits do not exceed the lesser of \$50,000 and 10% of the total of the annual salary and bonus of the named executive officer.
- (2) This number represents the total number of Securities Under Options Granted outstanding at the end of each year
- (3) Raymond Basler was President of the Corporation's Systems Engineering division until September 30, 2004 and was the Corporation's Executive Vice-President and Chief Operating Officer from September 28, 2001 to August 5, 2002. From August 6, 2002 to February 2, 2005, Mr. Basler was President and Chief Operating Officer of the Corporation.
- (4) Jacqueline Gauthier was promoted to the Corporation's Chief Financial Officer and Corporate Secretary on March 7, 2002. From October 16, 2000 to March 6, 2002, Ms Gauthier was the Corporation's Vice President, Finance.
- (5) Mr. O'Brien was the Corporation's Chairman, President and Chief Executive Officer from April 16, 2001 to August 5, 2002, the Corporation's Chairman and Chief Executive Officer from August 6, 2002 to February 2, 2005 and the Corporation's Chairman from February 2, 2005 to November 24, 2006.
- (6) Mr. McConnell was Vice President and General Manager of the Corporation's Systems Engineering division from September 2002 to September 2004, prior to which he was the Vice President Operations of the Corporation's Systems Engineering division.

Stock Option Plans

On July 22, 1993, the Corporation established a Director and Employee Stock Option Plan (the "Old Plan") administered by the Compensation Committee of the Board, (the "Compensation Committee") which had the authority to select those directors and employees to whom options were granted, the number of options to be granted to each director and employee and the price at which Common Shares under such options could be purchased, provided that such price was to be based upon the market price of the Common Shares on the date the option was granted. Options granted under the Old Plan are non-transferable and each option, unless terminated pursuant to the Old Plan, expires on a date determined by the Compensation Committee, which date will not be later than 10 years from the date the option was granted.

Between November 6, 1995 and March 23, 2000, the Old Plan was amended by the Board to, among other things, increase the maximum number of Common Shares issuable under the Old Plan to 1,700,000 and permit the granting of options to service providers and to non-Canadian residents, subject to regulatory approvals. Each such amendment to the Old Plan was approved by the shareholders of the Corporation at various meetings of the shareholders from February 7, 1996 to March 23, 2000. On January 8, 1998, the form of the amended Old Plan, acceptable to the Toronto Stock Exchange, was approved by the Board. On November 12, 2002 the Board voted not to renew the Old Plan, which expired on July 22, 2003. All options granted under the Old Plan until that date will remain outstanding and exercisable in accordance with their respective terms. As of November 30, 2006, there were outstanding options granted pursuant to the Old Plan to purchase an aggregate of 4,000 Common Shares at a price of \$2.45 per share and expiring on December 14, 2006. No options granted under the Old Plan are currently outstanding for any of the five executive officers and directors of the Corporation and there were no exercises of options granted under the Old Plan for any of the five executives officers of the Corporation in the year ended September 30, 2006.

On February 2, 2005, the Corporation established a Director and Employee Stock Option Plan (the “New Plan”) administered by the Compensation Committee which had the authority to select those directors and employees to whom options were granted, the number of options to be granted to each director and employee and the price at which Common Shares under such options may be purchased, provided that such price was to be based upon the market price of the Common Shares on the date the option was granted. Options granted under the New Plan are non-transferable and each option, unless terminated pursuant to the New Plan, expires on a date determined by the Compensation Committee, which date will not be later than 10 years from the date the option was granted. The New Plan provides that the maximum number of Common Shares issuable pursuant to the exercise of options is 250,000 Common Shares. No options have been granted under the New Plan.

In addition to 250,000 Common Shares issuable under the New Plan and the outstanding options to purchase up to 4,000 Common Shares under the Old Plan, the Corporation has in place an employee stock purchase plan that has been approved by the shareholders of the Corporation (the “Purchase Plan”), pursuant to which Purchase Plan the Corporation has reserved an aggregate of up to 500,000 Common Shares for issuance of which 201,126 Common Shares have been issued as of November 30, 2006.

Employment Agreements and Management Contracts

Larry O’Brien

Pursuant to a memorandum of agreement with the Corporation dated July 22, 1993, amended February 2, 2005, Larry O’Brien was employed by the Corporation as Chairman of the Board of Directors. The compensation payable to Mr. O’Brien under this agreement is comprised of salary in the amount of \$150,000 per year and a car allowance in the amount of \$650 per month. In the event Mr. O’Brien is terminated by the Corporation for convenience or in the event of a change of control, the Corporation is required to pay Mr. O’Brien an amount equal to three times the remuneration Mr. O’Brien earned in the 12 months prior to his termination. On November 24, 2006, Mr. O’Brien resigned his position of Chairman to assume the role of Mayor of the City of Ottawa. Effective December 1, 2006, Mr. O’Brien’s employment agreement was amended to permit Mr. O’Brien to take a leave of absence without compensation while he holds public office. If elected by shareholders, Mr O’Brien will continue to sit on the Board, will be entitled to earn directors compensation referred to under the heading “Compensation of Directors” below and will be entitled to be reimbursed for all out-of-pocket expenses incurred in connection with carrying out his duties as a Board member.

Raymond Basler

Pursuant to an employment agreement dated February 2, 2005, Raymond Basler is employed by the Corporation as President and Chief Executive Officer. As of the date of this Circular, the compensation payable to Mr. Basler under this agreement is comprised of salary in the amount of \$295,000 per year, a pension allowance equal to 5% of annual salary, a cash bonus in such amount determined from time to time by the Compensation Committee or the Board based on the Corporation’s financial performance and a car allowance of \$800 per month. In the event Mr. Basler is terminated by the Corporation for convenience or in the event of a change of control, the Corporation is required to pay Mr. Basler an amount equal to two times the remuneration Mr. Basler earned in the 12 months prior to his termination plus an amount equal to the outstanding bonus earned to the date of termination on the basis of the financial statements for the previous month.

Tom Coates

Pursuant to an employment agreement dated June 1, 2000, Tom Coates is employed by the Corporation as Vice President and General Manager, Business and Technology Services. As of the date of this Circular, the compensation payable to Mr. Coates under this agreement is comprised of salary in the amount of \$187,000, a

pension allowance equal to 5% of annual salary, a cash bonus in such amount determined from time to time by the Compensation Committee or the Board based on the Corporation's financial performance and a car allowance of \$650 per month. In the event Mr. Coates is terminated by the Corporation for convenience, the Corporation is required to pay Mr. Coates an amount equal to 18 months' salary and benefits plus an amount equal to the outstanding bonus earned to the date of termination on the basis of the financial statements for the previous month.

Jacqueline Gauthier

Pursuant to an employment agreement dated February 22, 2005, Jacqueline Gauthier is employed by the Corporation as Vice President, Chief Financial Officer and Corporate Secretary. As of the date of this Circular, the compensation payable to Ms. Gauthier under this agreement is comprised of salary in the amount of \$173,000, a cash bonus in such amount determined from time to time by the Compensation Committee or the Board based on the Corporation's financial performance and a car allowance of \$650 per month. In the event Ms. Gauthier is terminated by the Corporation for convenience, the Corporation is required to pay Ms. Gauthier an amount equal to 18 months' salary and benefits plus an amount equal to the outstanding bonus earned to the date of termination on the basis of the financial statements for the previous month.

COMPOSITION OF THE COMPENSATION COMMITTEE

The members of the Compensation Committee during the Corporation's 2006 fiscal year were Senator David Tkachuk (Chairman), Mr. C. William Hewson, Mr. Richard A. Vickers and Mr. Kenneth J. Loeb.

REPORT ON EXECUTIVE COMPENSATION

The recommendations of the Compensation Committee are referred to the Board for approval. The compensation payable to Messrs. O'Brien, Basler and Coates and Ms. Gauthier is governed by the written employment agreements referred to above.

It is the policy of the Corporation that its employees receive compensation based on the market value of the type of job they perform, internal pay equity and their level of individual performance. The pay for performance philosophy adopted by the Board is specifically emphasized in the executive compensation program, in order to maintain the position of the Corporation in a highly competitive business environment.

Base salaries are competitive in the industry and are determined on the basis of outside market data as well as individual performance and experience level. The Chief Executive Officer's base salary is determined based on general understanding of salaries paid to chief executive officer salaries of publicly traded companies and the relative experience and expertise of the Corporation's Chief Executive Officer. Mr. Basler has been with the Corporation for 19 years and has extensive knowledge of the Corporation and its industry. Base salaries for senior managers of the Corporation are based on the experience and performance of each senior manager.

The annual bonuses paid to each of the Chief Executive Officer and the Chief Financial Officer are based on the overall financial performance of the Corporation. No specific weight is assigned to individual measures of financial performance. Annual bonuses are also paid to the senior managers of the Corporation based on a percentage of divisional profitability and individual performance. Certain members of the executive team are primarily responsible for the financial performance of a specific division. During 2006, Mr. McConnell was responsible for the performance of the Corporation's Systems Engineering division and Mr. Coates was responsible for the performance of the Corporation's Business and Technology Services division.

During fiscal 2006, the annual base salary for the Chief Executive Officer and the Chairman of the Corporation and the annual bonuses for the top four executive officers were submitted to the Compensation Committee and to the Board for their review and approval. For the fiscal 2007 period, the Corporation expects that the base salary of the Chief Executive Officer and any annual bonuses for the top four executive officers will continue to be submitted to the Compensation Committee and to the Board for review and approval.

The overall compensation program of the Corporation is intended to attract and retain competent, committed individuals, who will ensure the long-term success of the Corporation. The compensation for all remaining executives (except for that contractually provided for) is determined by the Chief Executive Officer.

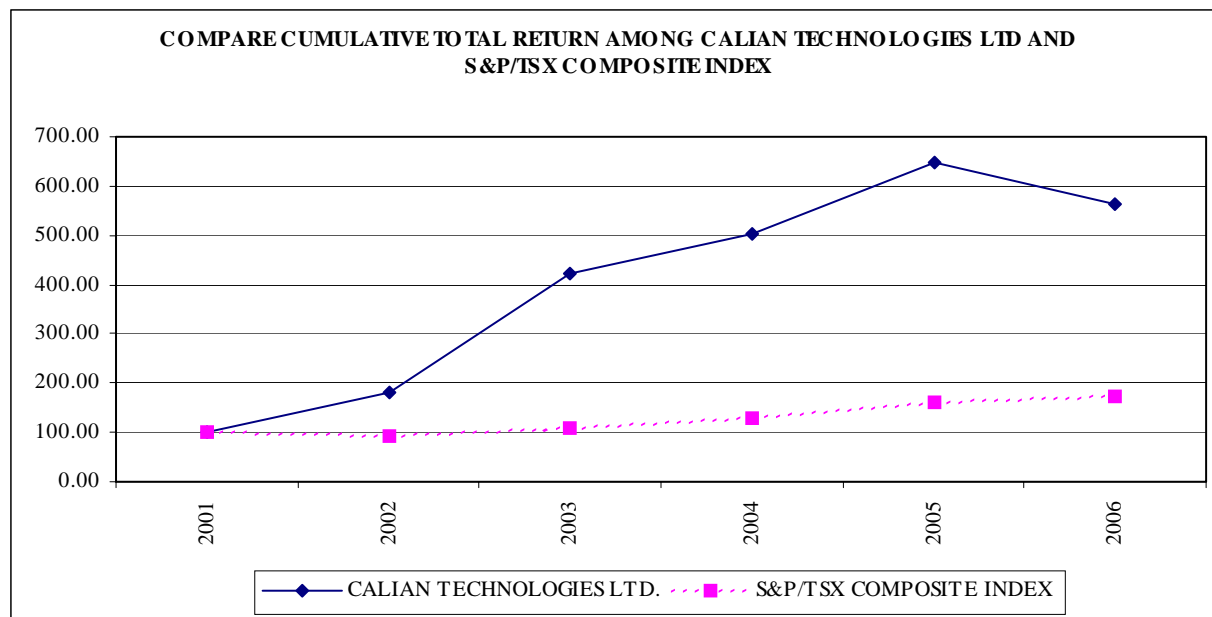
Presented by the Compensation Committee: David Tkachuk; Chairman of the Compensation Committee; C. William Hewson; Richard Vickers and Kenneth Loeb.

COMPENSATION OF DIRECTORS

During 2006, each director of the Corporation who is not an employee was entitled to an annual retainer in the amount of \$25,000 plus \$500 per special purpose meeting and reimbursement of out of pocket expenses. During 2006, each director also received additional compensation in the amount of \$15,000 for additional time and meetings related to legal matters addressed during the year. The directors of the Corporation are not required to hold a minimum number of Common Shares. For 2007, each director of the Corporation who is not an employee will be entitled to an annual retainer in the amount of \$25,000 plus \$500 per special purpose meeting and reimbursement of out of pocket expenses.

PERFORMANCE GRAPH

The following graph compares the percentage change in the cumulative total shareholder return on the Common Shares with the cumulative total return of the S&P/TSX Composite Index for the five year period ended September 30, 2006. The following graph assumes \$100 invested on October 2, 2001 and reinvestment of all dividends.



SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table summarizes the number of Common Shares authorized for issuance from treasury under the Corporation's equity compensation plans as at September 30, 2006.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders	10,000 ⁽¹⁾	\$2.45	250,000

- (1) These securities include Common Shares issuable under the Old Plan and the New Plan but do not include Common Shares authorized for issuance pursuant to the Purchase Plan. Under the Purchase Plan, the Corporation expects to issue approximately 24,071 Common Shares in February 2007 at a purchase price of approximately \$8.19 per share, following which approximately 274,803 Common Shares will be available for issuance under the Purchase Plan, all in accordance with the terms and conditions thereof as disclosed to and approved by the Company's shareholders on February 26, 2003.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Corporation maintains directors' and officers' liability insurance in the aggregate principal amount of \$50,000,000. The premium payable for such insurance during the period from October 26, 2006 to October 26, 2007 is \$224,000. The by-laws of the Corporation generally provide that the Corporation shall indemnify a director or officer of the Corporation against liability incurred in such capacity to the extent permitted or required by the CBCA. To the extent the Corporation is required to indemnify the directors or officers pursuant to its by-laws, the insurance policy provides that the Corporation is liable for the initial \$150,000 in the aggregate for each loss claimed.

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

There was no indebtedness owed to the Corporation during the fiscal year ended September 30, 2006 by any individual who was a director, executive officer and senior officer of the Corporation (and any associate of the foregoing).

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

There are no interests of any directors, officers or holders of over 10% of the Common Shares, or any directors or officers of any holders of over 10% of the Common Shares or any affiliates or associates of any of the foregoing, in any transactions of the Corporation during fiscal 2006 or in any proposed transaction that have materially affected or that would materially affect the Corporation or any of its subsidiaries.

APPOINTMENT OF AUDITORS

It is intended to vote the Proxy solicited hereby (unless the shareholder directs its Common Shares to be withheld from voting in the appointment of auditors) to re-appoint Deloitte & Touche LLP, as auditors of the Corporation to hold office until the next annual meeting of shareholders and to authorize the directors to fix the auditors' remuneration. Deloitte & Touche LLP was first appointed as the Corporation's auditors on March 25, 1991.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Canadian Securities Administrators have introduced National Instrument 58-101 – Disclosure of Corporate Governance Practices (the “National Instrument”) and National Policy 58-201 – Corporate Governance Guidelines (the “National Policy”). A complete description of the Corporation's approach to corporate governance in accordance with each of the National Instrument and the National Policy is set out in the “Statement of Corporate Governance Practices” attached as Appendix 1 to this Circular.

PARTICULARS OF OTHER MATTERS

Management knows of no other matters to come before the Meeting other than the matters referred to in the Notice of Meeting, however, if any other matters which are not now known to management should properly come before the Meeting, the Proxy will be voted upon such matters in accordance with the best judgment of the person voting the Proxy.

ADDITIONAL INFORMATION

Financial Information is provided in the Corporation's comparative financial statements and management discussion and analysis for its most recently completed financial year. Copies of the Corporation's financial statements and management discussion and analysis can be requested by contacting Investor Relations at IR@calian.com or by calling 1-613-599-8600.

Additional information relating to the Corporation can also be found on SEDAR at www.sedar.com.

DIRECTORS' APPROVAL

The undersigned hereby certifies that the directors of the Corporation have approved the contents and the sending of this Circular.

DATED: November 30, 2006

A handwritten signature in black ink, appearing to read "Jacqueline Gauthier". The signature is fluid and cursive, with the first name and last name clearly distinguishable.

Jacqueline Gauthier, Secretary
CALIAN Technologies Ltd.
Ottawa, Ontario

Appendix 1

Statement of Corporate Governance Practices

1. Board of Directors	
(a) Disclose the identity of directors who are independent	Kenneth J. Loeb, Major Gen. (Retired) C. William Hewson, Senator David Tkachuk and Richard A. Vickers, FCA are independent directors
(b) Disclose the identity of directors who are not independent, and describe the basis for that determination	Larry O'Brien is not independent because he has received during the last two years direct compensation in excess of \$75,000 per year from the Corporation. Raymond Basler is not independent because he is the President and Chief Executive Officer of the Corporation.
(c) Disclose whether or not a majority of directors are independent.	The Board is currently comprised of six members, four of whom are independent directors.
(d) Identify any director who is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction and identify that issuer.	None of the members of the Board are directors of any other reporting issuer (or the equivalent).
(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year.	At each of its quarterly meetings, the Board meets without management present. In addition, at each of its quarterly meetings, a meeting comprised of only independent Board members is also held. During 2006, independent Board members met four times without management present.
(f) Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities.	Effective November 25, 2006 the chair of the Board, Kenneth J. Loeb, is an independent member of the Board. Prior to November 24, 2006, Mr. Loeb served as the Corporation's Lead Director and the chair of the Board was Larry O'Brien who was not an independent member of the Board.
(g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.	Since the beginning of the Corporation's most recently completed financial year, all of the members of the Board were present at all Board meetings either by phone or in person with the exception of Senator Tkachuk who was absent from the May 3, 2006 Audit Committee meeting.
2. Board Mandate	
Disclose the text of the board's written mandate.	The text of the Board's written mandate and those of its committees are set out in Appendix 2 to this Circular.

3. Position Descriptions	
(a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.	As part of the Board’s mandate, the Board has developed position descriptions for the Chairman of the Board. The Board has not developed position descriptions for the Chairs of the Audit Committee, the Compensation Committee and the Governance Committee, however, the Board has developed a mandate for each of these committees and, as such, the Chair of each committee is responsible to ensure that such mandates are followed.
(b) Disclose whether or not the board and CEO have developed a written position description for the CEO.	The Board has developed a position description for the Chief Executive Officer. In addition, the Board annually approves the strategic and operational plans, business objectives and key results for which the Chief Executive Officer is responsible.
4. Orientation and Continuing Education	
(a) Briefly describe what measures the board takes to orient new directors regarding <ul style="list-style-type: none"> (i) the role of the board, its committees and its directors, and (ii) the nature and operation of the issuer’s business 	The Board does not have a formal process of orienting new members of the Board. However, an informal orientation occurs at the first Board meeting following the election of new directors. The Governance Committee has the responsibility of monitoring the existing process in order to determine if a more formal orientation process is warranted.
(b) Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors	The Board has not developed a formal continuing education program. The Corporation’s Corporate Secretary provides regular updates to the Board on new developments in corporate governance. Information on seminars and conferences are also passed along to directors but attendance at such events is not mandatory. Cost of attendance to seminars and conferences are paid by the Corporation.
5. Ethical Business Conduct	
(a) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code: <ul style="list-style-type: none"> (i) disclose how a person or company may obtain a copy of the code; (ii) describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and (iii) provide a cross-reference to any material change report filed since the beginning of the issuer’s most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code. 	The Board has adopted a written Guide to Ethical Business Practices (the “Guide”). In particular: <ul style="list-style-type: none"> (i) The Guide is available on the Corporation’s website and explains the mechanisms in place to report departures from the Guide. (ii) The Guide provides for a reporting mechanism to the Board. In addition, all of the Corporation’s employees who do not work directly at a customer’s premises must certify annually that they have read, understand and agree to comply with the Guide. (iii) There has been no material change report filed that pertains to any conduct of a director or an executive officer that constitutes a departure from the Guide

(b) Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.	The Board has adopted a policy on related party transactions which does not allow for any transactions to occur between the Corporation and a third party who has direct or indirect ties with the directors, officers or employees of the Corporation.
(c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.	The Board believes the Guide is sufficient to encourage and promote a culture of ethical business conduct.
6. Nomination of Directors	
(a) Describe the process by which the board identifies new candidates for board nomination.	The Board does not have a nominating committee composed entirely of independent directors.
(b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.	Nominations to the Board are largely the result of recruitment efforts of the Chairman of the Board. Potential nominees are discussed with the Board as a whole. The Board feels that the current approach is appropriate.
7. Compensation	
(a) Describe the process by which the board determines the compensation for the issuer's directors and officers	<p>The recommendations of the Compensation Committee are referred to the Board for approval. The compensation payable to each of Messrs. O'Brien, Basler and Coates and Ms. Gauthier is governed by the written employment agreements referred to in the Circular.</p> <p>It is the policy of the Corporation that its employees receive compensation based on the market value of the type of job they perform, internal pay equity and their level of individual performance. The pay for performance philosophy adopted by the Board is specifically emphasized in the executive compensation program, in order to maintain the position of the Corporation in a highly competitive business environment.</p> <p>Base salaries are competitive in the industry and are determined on the basis of outside market data as well as individual performance and experience level. The Chief Executive Officer's base salary is determined based on general knowledge of salaries paid to chief executive officers of publicly traded companies and the relative experience and expertise of the Corporation's chief executive officer. Mr. Basler has been with the Corporation for 19 years and has extensive knowledge of the Corporation and its industry. Base salaries for senior managers of the Corporation are based on the experience and performance of each senior manager.</p> <p>The annual bonus paid to each of the Chief Executive Officer and the Chief Financial Officer is based on the overall financial performance of the Corporation. No specific weight is assigned to individual measures of financial performance. Annual bonuses are also paid to the senior managers of the Corporation</p>

	<p>based on a percentage of divisional profitability and individual performance. Certain members of the executive team are primarily responsible for the financial performance of a specific division. During 2006, Mr. McConnell was responsible for the performance of the Corporation's Systems Engineering division and Mr. Coates was responsible for the performance of the Corporation's Business and Technology Services division.</p> <p>During fiscal 2006, the annual base salary for the Chief Executive Officer and the annual bonuses for the top four executive officers were submitted to the Compensation Committee and to the Board for their review and approval. For the fiscal 2007 period, the Corporation expects that any changes to the base salary of the Chief Executive Officer and annual bonuses for the top four executive officers will continue to be submitted to the Compensation Committee and to the Board for review and approval.</p> <p>The overall compensation program of the Corporation is intended to attract and retain competent, committed individuals, who will ensure the long-term success of the Corporation. The compensation for all remaining executives is determined by the Chief Executive Officer.</p> <p>The compensation of the prior Chairman of the Board, Mr. Larry O'Brien, was approved by the Board on August 2, 2006. Mr. O'Brien resigned as the Chairman on November 24, 2006.</p> <p>Directors' compensation is determined by the Chairman of the Board following discussions with the Board members.</p> <p>Stock options grants to employees and directors must be approved by the Board.</p>
<p>(b) Disclose whether or not the board has a compensation committee composed entirely of independent directors.</p>	<p>The Compensation Committee is composed of Messrs. David Tkachuk (Chairman), C. William Hewson, Richard Vickers and Kenneth J. Loeb, each of whom is an independent director.</p>
<p>(c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.</p>	<p>The mandate of the Compensation Committee is attached at Appendix 2 to this Circular.</p>
<p>(d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.</p>	<p>During fiscal 2006, the Board did not retain any compensation consultant.</p>

8. Other Board Committees	
If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.	The Board has a Governance Committee, the mandate of which committee is attached at Appendix 2 to this Circular.
9. Assessments	
Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.	The Chairman of the Board has the ongoing responsibility of assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors. Evaluation criteria include such factors as the attendance record of individual Board members and the effectiveness of their participation at Board meetings. Annually, the Chairman of the Board prepares and approves the list of nominees to be presented at the Annual General Meetings of shareholders.

APPENDIX 2
CALIAN TECHNOLOGIES LTD.
MANDATE OF THE BOARD OF DIRECTORS

The Board of Directors (Board) has the overall responsibility for the stewardship of the Corporation. As such, the Board delegates to management certain of its authority and responsibilities to manage the business of the Corporation. The delegation of authority conforms to statutory limitations and certain responsibilities cannot be delegated to management and remains with the Board. The Calian Board of Directors has a Chairman, a Corporate Governance Committee, a Compensation Committee and an Audit Committee.

The primary objective of the Board is to make sure that management is thinking and acting in a manner that reflects our core values of 1) thinking long-term, 2) adding value and 3) being honest and transparent in all its business activities.

This document is intended to provide the Directors, Management and interested investors insight into the Board process that affects the Corporation.

1. GENERAL PROCEDURES

- 1.1 The Board shall be composed of a minimum of 5 directors, with the majority being independent directors.
- 1.2 The Board shall meet on a quarterly basis. Each quarterly meeting will include the following sessions:
 - Informal board dinner with board members and senior management present;
 - Independent Directors meeting;
 - Board meeting with management present;
 - Board meeting without management present.
- 1.3 Special meetings shall be held at the call of the Chairman or upon the request of two members of the Board.
- 1.4 A quorum shall be a majority of the members.
- 1.5 Unless the Board otherwise specifies, the Secretary of the Corporation shall act as Secretary of all meetings of the Committee.
- 1.6 A copy of the minutes of each meeting of the Board of Directors shall be provided to each director in a timely fashion.
- 1.7 Board meeting agendas shall be the responsibility of the Chairman of the Board.
- 1.8 The Board 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.
- 1.9 To assist the Board in discharging its responsibilities, the Board may retain at the expense of the Corporation, one or more persons having special expertise.

2. Specific Responsibilities and Duties

2.1 *Strategic Planning and Annual Operational Plans*

- 2.1.1 Review and approve the strategic plan and monitor the implementation of the strategic plan by management;
- 2.1.2 Review and approve the financial goals of the Corporation;
- 2.1.3 Review and Approve the annual operating plan and budget of the Corporation;
- 2.1.4 Review and approve major business decisions and transactions not in the ordinary course of business such as

acquisitions, divestitures and capital transactions.

2.2 Risk Management

- 2.2.1 Review the processes utilized by management with respect to risk assessment and risk management and the identification by management of the principal risks of the business of the Corporation including financial risks;
- 2.2.2 Review the implementation by management of appropriate systems to manage business and financial risks;
- 2.2.3 Review the processes to ensure respect for and compliance with applicable regulatory, corporate, securities, environmental, health and safety and other legal requirements.

2.3 Succession Planning and Senior Officers Performance

- 2.3.1 Choose the Chief Executive officer and approve the appointment of Senior Officers;
- 2.3.2 Review and approve the corporate objectives that the Chief Executive Officer is responsible for meeting
- 2.3.3 Assess the performance of the Chief Executive Officer in relation to such objectives;
- 2.3.4 Establish the compensation for the Chief Executive Officer;
- 2.3.5 Assess and oversee the succession plan for Senior Officers;
- 2.3.6 Ensure that processes are in place for the recruitment, training, development and retention of executives who exhibit high-standards of integrity and competence;

2.4 Internal Controls

- 2.4.1 Oversee the establishment by management of an adequate system of internal controls and procedures and assess its effectiveness;
- 2.4.2 Oversee the reliability and integrity of accounting and disclosure principles and practices followed by management;
- 2.4.3 Approve the Annual Financial Statements, Management Discussion and Analysis and other statutory filings such as the AIF, Management Proxy Circular and Annual Report.
- 2.4.4 Approve the Interim Financial Statements and Management Discussion and Analysis.

2.5 Communication and Public Disclosure

- 2.5.1 Adopt communication policies and monitor the Corporation's investor relations program;
- 2.5.2 Oversee the establishment of processes for accurate, timely and full public disclosure.

2.6 Governance

- 2.6.1 Establish appropriate structures and procedures to allow the Board to function independently of management;
- 2.6.2 Evaluate the size and composition of the Board and establish Board committees. Define the committees mandates to assist the Board in carrying out its responsibilities;
- 2.6.3 Review periodically the Corporation's Guide to Ethical Business Practices;

- 2.6.4 Annually review and assess the adequacy of the Board's mandate and evaluate its effectiveness in fulfilling its responsibilities;
- 2.6.5 Review shareholder proposals and determine appropriate course of action.

ROLE OF THE CHAIRMAN

- 1.1 Assist newly appointed directors in becoming familiar with the operations of the Corporation and its governance process and provide orientation and continuing education for all members of the Board of Directors;
- 1.2 Review the Directors' compensation in relation to current norms and recommend changes to the Board of Directors;
- 1.3 Discuss with each director their assessment of their effectiveness and performance and contribution to the Board;
- 1.4 Recommend to the Board of Directors the size of the Board and the structure, responsibility and composition of Board committees;
- 1.5 Establish procedures for effective Board meetings and otherwise ensure that processes and structures are in place to ensure the Board functions independently from management and without conflicts of interest;
- 1.6 Recommend for approval by the Board of Directors nominees for election or appointment to the Board of Directors;
- 1.7 Discuss with each director their assessment of the effectiveness and performance of the Board of Directors and each of its committee, including the Corporate Governance Committee and report to the Board;
- 1.8 Ensure that an effective Board succession plan is in place;

CALIAN TECHNOLOGIES LTD.
MANDATE OF THE CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee (The Committee) will assist the Board of Directors in fulfilling its oversight responsibilities. In performing its duties, the Committee will provide advice and recommendations relating to Corporate Governance and will have the overall responsibility for the quality of the Corporation's governance system.

1. GENERAL PROCEDURES

- 1.1 The Committee shall be composed of a minimum of 3 directors, with the majority being independent directors.
- 1.2 The Committee shall meet periodically as circumstances dictate. Meetings shall be held at the call of the Chairman or upon the request of two members of the Board. The Committee shall report to the Board of Directors periodically on the Committee's activities.
- 1.3 A quorum shall be a majority of the members.
- 1.4 Unless the Committee otherwise specifies, the Secretary of the Corporation shall act as Secretary of all meetings of the Committee.
- 1.5 In the absence of the Chairman of the Committee, the Chairman shall chair the meeting.
- 1.6 A copy of the minutes of each meeting of the Committee shall be provided to each director in a timely fashion.
- 1.7 Committee meeting agendas shall be the responsibility of the Chairman of the Committee.
- 1.8 To assist the Committee in discharging its responsibilities, the Committee may retain at the expense of the Corporation, one or more persons having special expertise.
- 1.9 The Committee shall review its performance and mandate on an annual basis.

2. Specific Responsibilities and Duties

- 2.1 Establish appropriate structures and procedures to allow the Board to function independently of management;
- 2.2 Evaluate the size and composition of the Board and establish Board committees. Define the committees mandates to assist the Board in carrying out its responsibilities;
- 2.3 Annually review and assess the adequacy of the Board's mandate and evaluate its effectiveness in fulfilling its responsibilities;
- 2.4 Monitor best practices and ensure compliance with all legal requirements relating to corporate governance. Develop and recommend to the Board of Directors a set of corporate governance guidelines including the Board of Directors' mandate in accordance with applicable laws and regulations. Review such guidelines periodically and recommend changes as deemed necessary;
- 2.5 Review and assess the adequacy of the Corporation's Disclosure Policy, Insider Trading Policy, Guide to Ethical Business Practices and other related policies and guidelines, as deemed appropriate.

CALIAN TECHNOLOGIES LTD.
MANDATE OF THE COMPENSATION COMMITTEE

The purpose of the Compensation Committee (The Committee) is to review and establish the compensation of Senior Executive of the Corporation.

1. General Procedures

- 1.1 The Committee shall be composed of a minimum of 3 independent directors;
- 1.2 The Committee shall meet at least annually to discuss compensation arrangements for the Corporation's Senior Executives;
- 1.3 A quorum shall be a majority of the members;
- 1.4 To assist the Committee in discharging its responsibilities, the Committee may retain at the expense of the Corporation, one or more persons having special expertise;

2. Specific Responsibilities and Duties

- 2.1 Establish the Corporation's general compensation philosophy, and oversee the development and implementation of compensation programs;
- 2.2 Review and Approve the corporate objectives that the Chief Executive Officer is responsible for meeting, assess the performance of the Chief Executive Officer in relation to such objectives and establish the compensation for the Chief Executive Officer;
- 2.3 Review and approve compensation programs applicable to the Senior Executives of the Corporation;
- 2.4 Review and approve severance or similar termination payments proposed to be made to any current or former Senior Executives of the Corporation;
- 2.5 Oversee the development and implementation of the succession plan for Senior Executives.
- 2.6 Oversee the processes for the recruitment, training, development and retention of executives who exhibit high-standards of integrity and competence.