CALIAN

NEWS RELEASE

IMMEDIATE RELEASE

CALIAN REPORTS THIRD QUARTER RESULTS

(All amounts in this release are in Canadian Dollars)

Ottawa, Ontario – August 6, 2015: Calian Technologies Ltd. (TSX.CTY) today released unaudited results for the third quarter ended June 30, 2015.

The Company reported revenues for the quarter of $64.3 million, a 19% increase from the $53.8 million reported in the same quarter of the previous year. For the nine-month period ended June 30, 2015 the Company reported revenues of $181.3 million, a 16% increase from the revenues of $156.8 million in the prior year.

EBITDA(1) for the third quarter was $4.0 million, compared to $4.1 million in the same quarter of the previous year and for the nine-month period ended June 30, 2015, EBITDA(1) was $12.3 million, compared to $11.7 million in the prior year.

Net profit for the third quarter was $2.2 million or $0.30 per share basic and diluted, compared to $2.9 million or $0.39 per share basic and diluted in the same quarter of the previous year. On a year-to-date basis, net profit was $6.9 million or $0.94 per share basic and diluted compared to net profit of $8.0 million or $1.09 per share basic and diluted in the previous nine-month period. Adjusted Net Profit(1) for the third quarter was $2.5 million or $0.34 per share basic and diluted, compared to $2.7 million or $0.37 per share basic and diluted in the same quarter of the previous year. On a year-to-date basis, adjusted net profit(1) was $7.7 million or $1.05 per share basic and diluted compared to $7.8 million or $1.07 per share basic and diluted in the previous nine-month period.

(1) See caution regarding non-GAAP measures at the end of this press release

“Our 19% improvement in revenues this quarter is a reflection of the strong growth in SED revenues with strong support from our recent acquisitions. Overall consolidated gross margin percentages were lower than the prior year in both divisions as we continue to face the impact of increased competition, investments in products at our SED division coupled with an SED project mix biased towards lower-margin materials and subcontracts. As a result, our consolidated EBITDA was in line with the prior year but did not increase commensurate with the increased level of revenues” stated Jacqueline Gauthier, CFO.

"Despite challenging market conditions, we continue to see momentum and growth across both of our divisions and I am pleased to see our revenue growth continue as per our previous two quarters. Year to date we have improved cash flows, diversified our customer base and continue to execute key elements of our growth strategy. The significant IT service line win within our BTS division signed this quarter with the City of Toronto is a great example of our service line evolution strategy in action as we expand into the IT solutions market" stated Kevin Ford, President and CEO. "Looking forward, to counteract downward margin pressures, we continue to invest in our service lines in areas such as communications products and health care services in order to move into new higher margin segments".

"With a strong backlog of work and solid balance sheet, we are well equipped to grow revenues in future quarters. Our cash balance during the quarter was consistent with the prior quarter and reflects the ebbs and flows of our business, particularly with our SED division's project based business mix", continued Ford.

Management expects revenue growth over the prior year will be achieved through a combination of the stabilizing of our traditional markets, strong organic growth at the SED division, the incremental revenue of recent acquisitions and the successful execution of our growth strategy. However, we must caution that revenues realized are ultimately dependent on the extent and timing of future contract awards as well as customer utilization of existing contracting vehicles. In addition, the requirement to categorize certain acquisition payments as compensation expense will negatively impact fiscal 2015 earnings by approximately $0.15 per share. Based on currently available information and our assessment of the marketplace, we expect revenues for fiscal 2015 to be in the range of $235 million to $255 million, net profit per share in the range of $1.25 to $1.55 per share and adjusted net profit(1) in the range of $1.40 to $1.70 per share.

Caution regarding non-GAAP measures:

This press release is based on reported earnings in accordance with IFRS. Reference to generally accepted accounting principles (GAAP) means IFRS, unless indicated otherwise. This press release is also based on non-GAAP financial measures including EBITDA, adjusted net profit and adjusted net profit per share. These non-GAAP measures are mainly derived from the interim consolidated financial statements, but do not have a standardized meaning prescribed by IFRS; therefore, others using these terms may calculate them differently. Management believes that providing certain non-GAAP performance measures, in addition to IFRS measures, provides users of our financial reports with enhanced understanding of our results and related trends and increases transparency and clarity into the core results of our business. Refer to the MD&A for definitions of these metrics and reconciliations to the most comparable IFRS measures.

About Calian

Calian employs over 2,300 people with offices and projects that span Canada, U.S. and international markets. The company's capabilities are diverse and include the provision of business and technology services to industry and government in the health, training, engineering and IT services domains as well as the design, manufacturing and maintenance of complex systems to the communications and defence sectors. Calian's services are delivered through two divisions. The Business and Technology Services (BTS) Division is located in Ottawa. This division delivers outsourcing services for a variety of technical and professional functions and provides health services to numerous domestic customers. Our strength lies in understanding clients' needs, recruiting highly qualified personnel who understand and meet those needs, and then effectively managing those personnel within our customers' framework. Calian's Systems Engineering Division (SED) located in Saskatoon plans, designs and implements complex communication systems for many of the world's space agencies and leading satellite manufacturers and operators. SED also provides contract manufacturing services for both private sector and military customers in North America.

For further information, please visit our website at www.calian.com, or contact us at ir@calian.com

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DISCLAIMER

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

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CALIAN TECHNOLOGIES LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at June 30, 2015 and September 30, 2014
(Canadian dollars in thousands)

	NOTES	June 30, 2015	September 30, 2014
ASSETS			
CURRENT ASSETS			
Cash		$ 13,102	$ 25,200
Accounts receivable		48,537	39,249
Work in process		18,436	12,590
Prepaid expenses		1,350	1,700
Derivative assets	8	490	191
Total current assets		81,915	78,930
NON-CURRENT ASSETS			
Equipment		5,470	3,615
Application software		391	518
Acquired intangible assets	10	4,677	5,750
Goodwill		12,037	12,037
Total non-current assets		22,575	21,920
TOTAL ASSETS		$ 104,490	$ 100,850
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		$ 24,434	$ 24,013
Unearned contract revenue		7,864	5,141
Derivative liabilities	8	1,484	473
Total current liabilities		33,782	29,627
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,033	1,672
Total non-current liabilities		1,033	1,672
TOTAL LIABILITIES		34,815	31,299
SHAREHOLDERS' EQUITY			
Issued capital	5	20,574	20,161
Contributed surplus		412	336
Retained earnings		49,830	49,128
Accumulated other comprehensive loss		(1,141)	(74)
TOTAL SHAREHOLDERS' EQUITY		69,675	69,551
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 104,490	$ 100,850

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

CALIAN TECHNOLOGIES LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET PROFIT
For the three and nine-month periods ended June 30, 2015 and 2014
(Canadian dollars in thousands, except per share data)

	NOTES	Three months ended June 30, 2015	Three months ended June 30, 2014	Nine months ended June 30, 2015	Nine months ended June 30, 2014
Revenues		$ 64,267	$ 53,839	$ 181,309	$ 156,827
Cost of revenues		54,268	43,903	150,579	127,798
Gross profit		9,999	9,936	30,730	29,029
Selling and marketing		1,009	900	3,006	2,617
General and administration		4,194	4,103	12,894	12,267
Facilities		826	816	2,514	2,454
Depreciation		324	265	976	797
Amortization		357	255	1,073	546
Deemed compensation related to acquisitions	10	268	162	802	162
Bargain purchase gain	10	-	(330)	-	(330)
Profit before interest income and income tax expense		3,021	3,765	9,465	10,516
Interest income		18	74	77	214
Profit before income tax expense		3,039	3,839	9,542	10,730
Income tax expense – current		901	1,030	2,896	2,851
Income tax expense – deferred		(76)	(57)	(244)	(127)
Total income tax expense		825	973	2,652	2,724
NET PROFIT FOR THE PERIOD		**$ 2,214**	**$ 2,866**	**$ 6,890**	**$ 8,006**
NET PROFIT PER SHARE:					
Basic	6	$ 0.30	$ 0.39	$ 0.94	$ 1.09
Diluted	6	$ 0.30	$ 0.39	$ 0.94	$ 1.09

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

CALIAN TECHNOLOGIES LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three and nine-month periods ended June 30, 2015 and 2014
(Canadian dollars in thousands)

	NOTES	Three months ended June 30, 2015	Three months ended June 30, 2014	Nine months ended June 30, 2015	Nine months ended June 30, 2014
NET PROFIT FOR THE PERIOD		$ 2,214	$ 2,866	$ 6,890	$ 8,006
Other comprehensive income, net of tax					
Change in deferred gain or loss on derivatives designated as cash flow hedges, net of tax of $845 and $177 (2014 - $221 and $319)		772	608	(1,067)	877
Other comprehensive income , net of tax		772	608	(1,067)	877
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**$ 2,986**	**$ 3,474**	**$ 5,823**	**$ 8,883**

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

CALIAN TECHNOLOGIES LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the nine-month periods ended June 30, 2015 and 2014
(Canadian dollars in thousands, except per share data)

	Notes	Issued capital	Contributed surplus	Retained earnings	Cash flow hedging reserve	Total
Balance October 1, 2014		$ 20,161	$ 336	$ 49,128	$ (74)	$ 69,551
Total comprehensive income		-	-	6,890	(1,067)	5,823
Dividends ($0.84 per share)		-	-	(6,188)	-	(6,188)
Issue of shares under the employee share purchase plan	5	413				413
Stock option plan compensation expense	5	-	76	-	-	76
Balance June 30, 2015		**$ 20,574**	**$ 412**	**$ 49,830**	**$ (1,141)**	**$ 69,675**

	Notes	Issued capital	Contributed surplus	Retained earnings	Cash flow hedging reserve	Total
Balance October 1, 2013		$ 19,746	$ 216	$ 47,089	$ (254)	$ 66,797
Total comprehensive income		-	-	8,006	877	8,883
Dividends ($0.84 per share)		-	-	(6,196)	-	(6,196)
Issue of shares under the employee share purchase plan	5	465				465
Stock option plan compensation expense	5	-	45	-	-	45
Share repurchase	5	(174)	-	(1,102)	-	(1,276)
Share purchase agreement - reclassification	5	124	-	823	-	947
Balance June 30, 2014		**$ 20,161**	**$ 261**	**$ 48,620**	**$ 623**	**$ 69,665**

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

CALIAN TECHNOLOGIES LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine month periods ended June 30, 2015 and 2014
(Canadian dollars in thousands)

	NOTES	Nine months ended June 30, 2015	Nine months ended June 30, 2014
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Net profit for the period		$ 6,890	$ 8,006
Items not affecting cash:			
Interest income		(77)	(214)
Income tax expense		2,652	2,724
Employee stock purchase plan and option plan compensation expense		127	96
Depreciation and amortization		2,049	1,343
Deemed compensation related to acquisitions		802	162
Bargain purchase gain		-	(330)
		12,443	11,787
Change in non-cash working capital			
Accounts receivable		(9,333)	(602)
Work in process		(5,846)	(3,830)
Prepaid expenses		286	125
Accounts payable and accrued liabilities		63	(597)
Unearned contract revenue		2,723	1,447
		336	8,330
Interest received		77	228
Income tax paid		(3,132)	(3,011)
		(2,719)	5,547
CASH FLOWS USED IN FINANCING ACTIVITIES			
Issuance of shares	5	349	388
Dividends		(6,188)	(6,196)
Repurchase of shares		-	(1,276)
		(5,839)	(7,084)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Equipment and application software expenditures		(2,640)	(398)
Acquisitions	10	(900)	(5,572)
		(3,540)	(5,970)
NET CASH OUTFLOW		**$ (12,098)**	**$ (7,507)**
CASH, BEGINNING OF PERIOD		25,200	29,782
CASH, END OF PERIOD		$ 13,102	$ 22,275

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

CALIAN TECHNOLOGIES LTD.
NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine-month periods ended June 30, 2015 and 2014
(Canadian dollars in thousands, except per share amounts)
(Unaudited)

1. BASIS OF PREPARATION

Calian Technologies Ltd. ("the Company") is incorporated under the Canada Business Corporations Act. The address of its registered office and principal place of business is 340 Legget Drive, Ottawa, Ontario K2K 1Y6. The Company's capabilities include the provision of business and technology services to industry and government in the health, IT services and training domains as well as the design, manufacturing and maintenance of complex systems to the communications and defence sectors.

These unaudited interim condensed consolidated financial statements are expressed in Canadian dollars and have been prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting, as issued by the International Accounting Standard Board ("IASB"). These unaudited interim condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with the accounting policies the Company adopted in its annual consolidated financial statements for the year ended September 30, 2014 and should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report for the year ended September 30, 2014. These unaudited interim condensed consolidated financial statements do not include all of the information required in annual financial statements.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors on August 6, 2015.

2. FUTURE CHANGES IN ACCOUNTING POLICIES

IFRS 15 Revenue from Contracts with Customers

In April 2014, the IASB released IFRS 15 – *Revenue from Contracts with Customers*. The Standard replaces IAS11 *Construction Contracts and* IAS18 *Revenue*, providing a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

IFRS 9 Financial instruments

IFRS 9 was issued by the International Accounting Standards Board ("IASB") in November 2009 and October 2010, was amended in 2013 and finalized in July 2014 and will replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39").

IFRS 9 uses a single approach to determine whether a financial instrument is measured at fair value through profit or loss, fair value through other comprehensive income or amortized cost, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of those financial instruments. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates:

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

There were no significant changes in estimates or approaches to determining estimates in the periods presented.

4. SEASONALITY

The results of operations for the interim periods are not necessarily indicative of the results of operations for the full year. The Company's revenues and earnings have historically been subject to some quarterly seasonality due to the timing of vacation periods and statutory holidays.

5. ISSUED CAPITAL

Share repurchase

During the nine-month periods ended June 30, 2015, the Company did not acquire any of its outstanding common shares. During the three and nine-month periods ended June 30, 2014, the Company acquired nil (64,500) of its outstanding common shares at an average price of $nil ($19.79) per share for a total of $nil ($1,276) including related expenses, through normal course issuer bids in place during the period. The excess of the purchase price over the stated capital of the shares was charged to retained earnings.

Employee Share Purchase Plan

During the nine-month periods ended June 30, 2015 (2014), the Company issued 19,390 (22,075) shares under the Company's Employee Share Purchase Plan at an average price of $17.99 ($17.54) for a total of $349 ($388).

Stock options

The Company has an established stock option plan, which provides that the Board of Directors may grant stock options to eligible directors and employees. Under the plan, eligible directors and employees are granted the right to purchase shares of common stock at a price established by the Board of Directors on the date the options are granted but in no circumstances below fair market value of the shares at the date of grant. The plan provides for a 10% rolling maximum number of options available for grant. As at June 30, 2015 (2014), a total of 737,330 (735,391) common shares are reserved for issuance under the plan with 415,000 (240,000) options currently outstanding of which 326,600 (197,000) are exercisable. During the nine-month period ended June 30, 2015 (2014), no options were issued.

6. NET PROFIT PER SHARE

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

	Three months ended June 30		Nine months ended June 30	
	2015	**2014**	**2015**	**2014**
Weighted average number of shares – basic	7,373,298	7,353,908	7,363,603	7,372,054
Addition to reflect the dilutive effect of employee stock options	-	-	-	4,662
Weighted average number of shares – diluted	7,373,298	7,353,908	7,363,603	7,376,716

Options that are anti-dilutive because the exercise price was greater than the average market price of the common shares are not included in the computation of diluted earnings per share. For the three and nine-month period ended June 30, 2015 (2014), 415,000 (155,000) options were excluded from the above computation.

Profit for the period is the measure of profit or loss used to calculate Net profit per share.

7. SEGMENTED INFORMATION

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, regarding how to allocate resources and assess performance. The Company's chief operating decision maker is the Chief Executive Officer. The Company operates in two reportable segments described below, defined by their primary type of service offering, namely Systems Engineering and Business and Technology Services.

- Systems Engineering involves planning, designing and implementing solutions that meet a customer's specific business and technical needs, primarily in the satellite communications sector.
- Business and Technology Services provides business and technology services to industry and government in the health, IT services, training and engineering.

The Company evaluates performance and allocates resources based on earnings before interest income and income taxes. The accounting policies of the segments are the same as those described in Note 2 – Summary of significant accounting policies to the financial statements for the year ended September 30, 2014.

7. SEGMENTED INFORMATION (Continued)

Three months ended June 30, 2015	Systems Engineering	Business and Technology Services	Corporate	Total
Revenues	$ 20,433	$ 43,834	$ -	$ 64,267
Profit before interest income and income tax expense	2,142	1,383	(504)	3,021
Interest income				18
Income tax expense				(825)
Net profit for the period				$ 2,214

Three months ended June 30, 2014	Systems Engineering	Business and Technology Services	Corporate	Total
Revenues	$ 14,160	$ 39,679	$ -	$ 53,839
Profit before interest income and income tax expense	2,499	1,793	(527)	3,765
Interest income				74
Income tax expense				(973)
Net profit for the period				$ 2,866

Nine months ended June 30, 2015	Systems Engineering	Business and Technology Services	Corporate	Total
Revenues	$ 52,365	$ 128,944	$ -	$ 181,309
Profit before interest income and income tax expense	7,204	3,844	(1,583)	9,465
Interest income				77
Income tax expense				(2,652)
Net profit for the period				$ 6,890
Total assets other than cash and goodwill	$ 35,890	$ 43,356	$ 105	$ 79,351
Goodwill	-	12,037	-	12,037
Cash	-	-	13,102	13,102
Total assets	$ 35,890	$ 55,393	$ 13,207	$ 104,490
Equipment and intangible expenditures	$ 2,193	$ 447	$ -	$ 2,640

Nine months ended June 30, 2014	Systems Engineering	Business and Technology Services	Corporate	Total
Revenues	$ 41,070	$ 115,757	$ -	$ 156,827
Profit before interest income and income tax expense	6,874	5,213	(1,571)	10,516
Interest income				214
Income tax expense				(2,724)
Net profit for the period				$ 8,006
As at September 30, 2014				
Total assets other than cash and goodwill	$ 23,048	$ 40,463	$ 102	$ 63,613
Goodwill	-	12,037	-	12,037
Cash	-	-	25,200	25,200
Total assets	$ 23,048	$ 52,500	$ 25,302	$ 100,850
Equipment and intangible expenditures	$ 978	$ 210	$ -	$ 1,188

8. HEDGING

Foreign currency risk related to contracts

The Company is exposed to foreign currency exchange fluctuations on its cash balance, accounts receivable, accounts payable and accrued liabilities and future cash flows related to contracts denominated in a foreign currency. Future cash flows will be realized over the life of the contracts. The Company utilizes derivative financial instruments, principally in the form of forward exchange contracts, in the management of its foreign currency exposures. The Company's objective is to manage and control exposures and secure the Company's profitability on existing contracts and therefore, the Company's policy is to hedge 100% of its foreign currency exposure. The Company does not utilize derivative financial instruments for trading or speculative purposes. The Company applies hedge accounting when appropriate documentation and effectiveness criteria are met.

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

The Company also formally assesses, both at the hedge's inception and on an on-going basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Hedge ineffectiveness has historically been insignificant.

The forward foreign exchange contracts primarily require the Company to purchase or sell certain foreign currencies with or for Canadian dollars at contractual rates. At June 30, 2015, the Company had the following forward foreign exchange contracts:

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value June 30, 2015
BUY	31,192	USD	July 2015	$ 38,959	$ 487
BUY	171	EURO	July 2015	238	3
Derivative assets					$ 490
SELL	56,786	USD	July 2015	$ 70,926	$ 886
SELL	1,000	USD	September 2015	1,249	200
SELL	1,000	USD	September 2016	1,249	192
SELL	1,000	USD	September 2017	1,249	183
SELL	1,395	EURO	July 2015	1,943	22
BUY	10	GBP	July 2015	20	1
Derivative liabilities					$ 1,484

A 10% strengthening of the Canadian dollar against the following currencies at June 30, 2015 would have decreased other comprehensive income as related to the forward foreign exchange contracts by the amounts shown below.

	June 30, 2015
USD	$ 3,247
EURO	155
GBP	(2)
	$ 3,400

9. CONTINGENCIES

In the normal course of business, the Company is party to business and employee related claims. The potential outcomes related to existing matters faced by the Company are not determinable at this time. The Company intends to defend these actions, and management believes that the resolution of these matters will not have a material adverse effect on the Company's financial condition.

10. ACQUISITIONS

Med-Team Clinic Inc. ("Med-Team")

Effective December 31, 2013, the Company acquired all of the outstanding shares of Med-Team for consideration of $930 of which $600 was paid on the date of closing and $61 was paid subsequently upon determining the final working capital acquired. A discounted amount of $269 is payable contingently. Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Med-Team $300 if Med-Team attains specified levels of EBITDA for the years ended December 31, 2015 and 2016. The amount of $269 represents the estimated fair value of the Company's obligation at the acquisition date. Med-Team's principal business activity relates to the management of medical clinics. Med-Team was acquired to expand the Company's health service offerings.

Amtek Engineering Services Ltd. ("Amtek")

Effective April 30, 2014, the Company acquired all of the outstanding shares of Amtek for a purchase price of up to $5,890. Of this amount $3,490 was paid on the date of closing, $600 was placed in escrow and $1,800 is payable contingently.

Under the contingent payment arrangement, the Company is required to pay the former shareholders of Amtek an additional $900 and $900 if Amtek attains specified levels of earnings before interest, taxes, depreciation and amortization (EBITDA) for the years ended April 30, 2015 and 2016 respectively. During the nine-month period ended June 30, 2015, the Company paid the full $900 related to the first year earn-out. There are no changes in management’s assessment that Amtek can achieve its earn-out target in its second year based on the level of contracts and market share expectations. Amtek's principal business activity relates to the provision of engineering services mainly within the Federal Government. Amtek was acquired to expand the Company's training and support service offerings.

A portion of the amount placed in escrow and a portion of the contingent payment totaling $1,914 are subject to the retention of the principal shareholders for a period of two years. These amounts are deemed to represent deferred compensation payable to such shareholders and therefore are excluded from the total consideration of the purchase and will be expensed in the Company's consolidated statement of net profit as deemed compensation related to acquisitions on a straight-line basis over the retention period.

DWP Solutions Inc. (DWP)

Effective June 30, 2014, the Company acquired all of the outstanding shares of DWP for a purchase price of up to $1,759. Of this amount $750 was paid on the date of closing, $225 was placed in escrow, $109 was paid during the fourth quarter of 2014 and $675 is payable contingently.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of DWP an additional $300 and $375 if DWP attains specified levels of earnings before interest, taxes, depreciation and amortization (EBITDA) for the years ended June 30, 2015 and 2016 respectively. Effective June 30, 2015, DWP has met the earn-out targets related to the first year and $300 will be paid in July 2015. There are no changes in management’s assessment that DWP can achieve its earn-out target in its second year based on the level of contracts and market share expectations. DWP's principal business activity relates to the provision of IT cyber security professionals mainly within the Federal Government. DWP was acquired to expand the Company's IT service offerings.

The amount placed in escrow totaling $225 is subject to the retention of the principal shareholders for a period of two years. This amount is deemed to represent deferred compensation payable to such shareholders and therefore is excluded from the total consideration to the purchase and will be expensed in the Company's consolidated statement of net profit as deemed compensation related to acquisitions on a straight-line basis over the retention period.

Management Discussion and Analysis – June 30, 2015:

(Canadian dollars in thousands, except per share data)

This MD&A is the responsibility of management and has been reviewed and approved by the Board of Directors of the Company. This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators. The Board of Directors is responsible for ensuring that we fulfill our responsibilities for financial reporting and is ultimately responsible for reviewing and approving the MD&A. The Board of Directors carries out this responsibility principally through its Audit Committee.

IFRS and non-GAAP measures:

This MD&A contains both IFRS and non-GAAP measures. Non-GAAP measures are defined and reconciled to the most comparable IFRS measure.

RESULTS OF OPERATIONS

Revenues:

For the third quarter of 2015, revenues were $64,267 compared to $53,839 reported for the same period in 2014 representing a 19% increase from the prior year. For the nine-month period ended June 30, 2015 revenues were $181,309 compared to $156,827 for 2014, an increase of 16%.

Systems Engineering's (SED) revenues were $20,433 in the quarter and $52,365 on a year-to-date basis representing a 44% and 28% increase respectively when compared to the $14,160 and $41,070 recorded for the same periods in the previous year. Engineering, manufacturing and test related revenues showed an increase relative to the same period of last year. Due to the project nature of its business, the SED division is susceptible to significant variation in volumes of activity from period to period. During the quarter, the division experienced the positive effects of recent contract signings on realized revenue. It is expected that these projects will enhance revenues further as they reach the implementation phase.

Business and Technology Services (BTS) revenues were $43,834 in the quarter and $128,944 on a year-to-date basis representing a 7% and 11% increase respectively when compared to the $39,679 and $115,757 recorded for the same periods in the previous year. 2015 revenues from the division's traditional business lines continue to be consistent with the prior year. Accordingly, revenues generated from acquisitions made during fiscal 2014 accounted for the increased revenue in 2015.

Management expects that the marketplace for the near term will continue to be unsettled and very competitive and the timing of new contract awards is always subject to delay. Our backlog provides a reasonable level of revenue assurance on existing contracts and new opportunities continue to arise. However, the nature and extent of future government spending constraints remain uncertain and therefore, future revenues ultimately will be determined by customer demand on existing contracts as well as the timing of future contract awards.

Gross margin

Gross margin was 15.6% in the third quarter of 2015 and 16.9% on a year-to-date basis compared to the 18.6% and 18.5% recorded for the same periods in the previous year. Both divisions are showing lower gross margins this year.

Gross margin in Systems Engineering was 18.0% in the third quarter of 2015 and 22.6% on a year-to-date basis compared to the 28.0% and 27.4% recorded for the same periods in the previous year. The results for this quarter and year-to-date reflect increased competitive pressures, investments made in new product development combined with a project mix biased towards lower-margin materials and subcontracts.

Gross margin in Business and Technology Services was 14.4% in the third quarter of 2015 and 14.7% on a year-to-date basis compared to the 15.0% and 15.4% recorded for the same periods in the previous year. The traditional BTS business which is concentrated within the federal government has stabilized in recent quarters but is slightly down form prior year results. In addition, the acquired Amtek and DWP businesses are characterized by lower gross margins but with correspondingly reduced costs of business development and delivery. Accordingly, the inclusion of such revenues also had a dilutive effect on reported margin percentages. Stiff competition on new work is expected to temper any significant near-term improvement.

Because of the significant difference in gross margin between each of the two divisions, the overall gross margin of the Company is dependent on the relative level of revenue generated from each division. Management will continue to focus on operational execution and diligent negotiation of supplier costs in order to maximize margins. However, increased competition is expected to maintain the pressure on margins in both divisions. The volatility of the Canadian dollar is always an influencing factor for margins on new work in the SED division when denominated in foreign currencies.

Operating expenses:

For the nine-month period ended June 30, 2015, selling and marketing, general and administration and facilities totalled $18,414 or 10.2% of revenues compared to $17,338 or 11.1% of revenues reported in 2014. Operating costs increased as a result of including the operating costs of recent acquisitions and investing in both business development and service line evolution capabilities. However, with growing revenues, operating costs as a percentage of sales decreased. The inclusion of the results of recently acquired businesses has helped to lower this percentage as the acquired companies had a lower cost structure than our traditional business.

EBITDA(1):

EBITDA(1) for the third quarter was $3,970 million compared to $4,117 in the same quarter of the previous year. For the nine-month period ended June 30, 2015, EBITDA(1) was $12,316 million compared to $11,691 in the same period of the previous year.

Depreciation:

For the nine-month period ended June 30, 2015, depreciation was $976 which is higher than the $797 recorded in fiscal 2014 due to capital upgrades made to certain manufacturing assets in the SED division.

Amortization of intangibles:

As a result of the completion of three business acquisitions during fiscal 2014, for the nine-month period ended June 30, 2015, amortization of intangibles increased to $1,073 compared to $546 in fiscal 2014.

Deemed compensation related to acquisitions and Bargain purchase gain:

The deemed compensation results from a portion of the purchase price related to the Amtek and DWP acquisitions being deemed as deferred compensation payable to certain shareholders under IFRS and therefore is excluded from the total consideration of the purchase. In addition, as a result of excluding a significant portion of the purchase price in the Amtek acquisition, the identifiable tangible and intangible assets on acquisition were higher than the consideration allocated which resulted in a bargain purchase gain.

For the nine-month period ended June 30, 2015, deemed compensation related to acquisition amounted to $802 compared to $162 recorded in fiscal 2014. For the full year ended September 30, 2015, the amount of deemed compensation is expected to be $1,070. For the nine-month period ended June 30, 2015, bargain purchase gain related to acquisition amounted to $nil compared to $330 recorded in fiscal 2014.

Income taxes:

The provision for income taxes was $2,652 or 27.8% of earnings before tax compared to $2,724 in 2014 or 25.4% of earnings before tax. The difference in effective rates is primarily due to the non-deductibility of the deemed compensation amounts referred to in the above paragraph. The effective tax rate for 2015, prior to considering the impact of non-taxable transactions and adjustments to reflect actual tax provision as filed, is expected to be approximately 26.5%.

Net profit:

As a result of the foregoing, in the third quarter of 2015 the Company recorded net profit of $2,214 or $0.30 per share basic and diluted, compared to $2,866 or $0.39 per share basic and diluted in the same quarter of the prior year. Adjusted net profit(1) for the third quarter was $2,482 or $0.34 per share basic and diluted, compared to $2,698 or $0.37 per share basic and diluted in the same quarter of the previous year. For the nine-month period ended June 30, 2015 the Company recorded net profit of $6,890 or $0.94 per share basic and diluted, compared to $8,006 or $1.09 per share basic and diluted in the same period of the prior year. Adjusted net profit(1) for the nine-month period ended June 30, 2015 was $7,692 or $1.05 per share basic and diluted, compared to $7,838 or $1.07 per share basic and diluted in the same period of the previous year.

(1) See reconciliation regarding non-GAAP measures below

Reconciliation of non-GAAP measures to most comparable IFRS measures:

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

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

Reconciliation of adjusted net profit	Third Quarter 2015	Third Quarter 2014	YTD 2015	YTD 2014
NET PROFIT	$ 2,214	$ 2,866	$ 6,890	$ 8,006
Deemed compensation related to acquisitions	268	162	802	162
Bargain purchase gain	-	(330)	-	(330)
Adjusted net profit	$ 2,482	$ 2,698	$ 7,692	$ 7,838

Reconciliation of EBITDA	Third Quarter 2015	Third Quarter 2014	YTD 2015	YTD 2014
Profit before interest income and income tax expense	$ 3,021	$ 3,765	$ 9,465	$10,516
Depreciation	324	265	976	797
Amortization	357	255	1,073	546
Deemed compensation related to acquisitions	268	162	802	162
Bargain purchase gain	-	(330)	-	(330)
EBITDA	$ 3,970	$ 4,117	$12,316	$11,691

BACKLOG

The Company's backlog at June 30, 2015 was $471 million with terms extended to fiscal 2018. This compares to $523 million reported at September 30, 2014. Contracted Backlog represents maximum potential revenues remaining to be earned on signed contracts, whereas Option Renewals represent customers' options to further extend existing contracts under similar terms and conditions.

Most fee for service contracts provide the customer with the ability to adjust the timing and level of effort throughout the contract life and as such the amount actually realized could be materially different from the original contract value. The following table represents management's best estimate of the backlog realization for 2015, 2016 and beyond based on management's current visibility into customers' existing requirements. Management's estimate of the realizable portion (current utilization rates and known customer requirements) is less than the total value of signed contracts and related options by approximately $160 million. The Company's policy is to reduce the reported contractual backlog once it receives confirmation from the customer that indicates the utilization of the full contract value may not materialize.

(dollars in millions)	Fiscal 2015	Fiscal 2016	Beyond 2016	Estimated realizable portion of Backlog	Excess over estimated realizable portion	TOTAL
Contracted Backlog	$ 57	$ 149	$ 38	$ 244	$ 151	$ 395
Option Renewals	-	13	54	67	9	76
TOTAL	$ 57	$ 162	$ 92	$ 311	$ 160	$ 471
Business and Technology Services	$ 41	$ 132	$ 71	$ 244	$ 160	$ 404
Systems Engineering	16	30	21	67	-	67
TOTAL	$ 57	$ 162	$ 92	$ 311	$ 160	$ 471

FINANCIAL CONDITION AND CASHFLOWS

Operating activities:

Cash outflows from operating activities for the nine-month period ended June 30, 2015 were $2,719 compared to cash inflows of $5,547 in 2014. Although cash earnings were improved over the prior year, the cash flows have been negatively impacted by the increase in work in process with the SED division continuing to perform work on customer contracts in advance of milestone billings. These variations in cash flows are not considered unusual and reflect normal working capital fluctuations associated with the ebbs and flows of the business. The market for the Systems Engineering Division is characterized by contracts with billings tied to milestones achieved, which often results in significant working capital requirements. Conversely, given the nature of this business, it is sometimes possible to negotiate advance payments on contracts. Such advance payments give rise to unearned revenue that will be realized as revenue over the course of the contract. As at June 30, 2015, the Company's total unearned revenue amounted to $7,864. This compares to $5,141 at September 30, 2014, with the increase primarily attributable to advance billings for work to be performed in a future period.

Financing activities:

During the nine-month periods ended June 30, 2015 (2014), the Company paid quarterly dividends of $0.84 ($0.84) per share. The Company intends to continue with its quarterly dividend policy for the foreseeable future.

During the nine-month periods ended June 30, 2015 (2014), the Company repurchased nil (64,500) common shares through its normal course issuer bid at an average price of $nil ($19.79).

Investing activities:

During the nine-month periods ended June 30, 2015 (2014), the Company paid $900 ($5,572) for various acquisitions as described in these financial statements. Also, during the current year, the Company invested $2,640 in capital assets which included significant upgrades to the manufacturing assets in the SED division. Capital acquisitions are expected to revert to more normal levels for the balance of the year.

Capital resources:

At June 30, 2015 the Company had a short-term credit facility of $10,000 with a Canadian chartered bank that bears interest at prime and is secured by assets of the Company. An amount of $662 was used to issue a letter of credit to meet customer contractual requirements. Management believes that Calian has sufficient cash resources to continue to finance its working capital requirements and pay a quarterly dividend.

ADOPTION OF NEW ACCOUNTING RULES AND IMPACT ON FINANCIAL RESULTS

The Company did not adopt any new accounting policies this quarter.

SELECTED QUARTERLY FINANCIAL DATA

	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q4/13
REVENUES	$ 64,267	$ 61,042	$ 56,000	$ 54,430	$ 53,839	$ 51,186	$ 51,802	$ 57,502
EBITDA(1)	$ 3,970	$ 3,989	$ 4,357	$ 4,525	$ 4,117	$ 3,508	$ 4,066	$ 4,487
Net profit	$ 2,214	$ 2,208	$ 2,468	$ 2,575	$ 2,866	$ 2,364	$ 2,776	$ 3,024
Adjusted net profit(1)	$ 2,482	$ 2,475	$ 2,735	$ 2,842	$ 2,698	$ 2,364	$ 2,776	$ 3,024
Net profit per share								
Basic	$ 0.30	$ 0.30	$ 0.34	$ 0.35	$ 0.39	$ 0.32	$ 0.38	$ 0.41
Diluted	$ 0.30	$ 0.30	$ 0.34	$ 0.35	$ 0.39	$ 0.32	$ 0.38	$ 0.41
Adjusted net profit per share(1)								
Basic	$ 0.34	$ 0.34	$ 0.37	$ 0.39	$ 0.37	$ 0.32	$ 0.38	$ 0.41
Diluted	$ 0.34	$ 0.34	$ 0.37	$ 0.39	$ 0.37	$ 0.32	$ 0.38	$ 0.41

SEASONALITY

The Company's operations are subject to some quarterly seasonality due to the timing of vacation periods and statutory holidays. Typically the Company's first and last quarter will be negatively impacted as a result of the Christmas season and summer vacation period. During these periods, the Company can only invoice for work performed and is also required to pay for statutory holidays. This results in reduced levels of revenues and in a drop in gross margins. This seasonality may not be apparent in the overall results of the Company depending on the impact of the realized sales mix of its various projects.

OUTLOOK

Management continues to believe that the Company is well positioned for sustained growth in the long term. The Company operates in markets that will continue to require the services that the Company offers. To further assure itself of a stable source of revenues, the Company will continue to focus on increasing the percentage of its revenues derived from recurring business while pursuing new business in adjacent and non-government markets. The Company's strong contract backlog provides substantial confidence for the realization of future revenues.

The Systems Engineering Division has been working within a sustainable satellite sector and is expecting opportunities to continue to arise as systems adopting the latest technologies will be required by customers wishing to maintain and improve their service offerings. Custom manufacturing activity levels will continue to be directly dependent upon SED's customers' requirements. Continuing volatility in orders is anticipated as both government and commercial customers continue to re-examine their traditional spending patterns. Recent delays, deferrals and cancellations of DND capital procurements have created intense competition for available work. Changes in the relative value of the Canadian dollar will impact the Systems Engineering Division's competitiveness on projects denominated in foreign currencies.

The Business and Technology Services Division's services are adaptable to many different markets. Currently, its strength lies in providing program management and delivery services across Canada. While the majority of this work has been with Department of National Defence, management believes that in the long term, this department and many others within the federal government and private sector will continue to require more support services from private enterprises to supplement their current workforce. However, the pending election and budget balancing initiatives in the federal government, could further negatively impact demand, at least in the short term. Management believes that the types of service the division offers will continue to be attractive to government agencies in the long term and the division continues to invest and has been successful in entering new markets and seek new opportunities outside of the Federal Government. Recent acquisitions have bolstered the division's performance and it is expected that overall, the acquired companies will continue to meet and exceed the financial targets established as part of the acquisitions.

GUIDANCE

Management expects revenue growth over the prior year will be achieved through a combination of the stabilizing of our traditional markets, strong organic growth at the SED division, the incremental revenue of recent acquisitions and the successful execution of our growth strategy. However, we must caution that revenues realized are ultimately dependent on the extent and timing of future contract awards as well as customer utilization of existing contracting vehicles. In addition, the requirement to categorize certain acquisition payments as compensation expense will negatively impact fiscal 2015 earnings by approximately $0.15 per share. Based on currently available information and our assessment of the marketplace, we expect revenues for fiscal 2015 to be in the range of $235 million to $ 255 million, net profit per share in the range of $1.25 to $1.55 per share and adjusted net profit(1) in the range of $1.40 to $1.70 per share.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the most recent interim quarter ended June 30, 2015, there have been no changes in the design of the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

FORWARD-LOOKING STATEMENT

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

The foregoing discussion and analysis should be read in conjunction with the financial statements for the third quarter of 2015, and with the Management Discussion and Analysis in the 2014 annual report, including the section on risks and opportunities.

Date: August 6, 2015