CALIAN

NEWS RELEASE

IMMEDIATE RELEASE

CALIAN REPORTS SECOND QUARTER RESULTS

(All amounts in this release are in Canadian Dollars)

Ottawa, Ontario – May 10, 2017: Calian Group Ltd. (TSX.CGY) today released unaudited results for the second quarter ended March 31, 2017.

The Company reported revenues for the quarter of $67.1 million, a 2% decrease from the $68.1 million reported in the same quarter of the previous year. For the six-month period ended March 31, 2017 the Company reported revenues of $135.8 million, a 2% increase compared to revenues of $132.6 million in the prior year.

EBITDA(1) for the second quarter was $6.2 million, a 14.4% increase compared to $5.4 million in the same quarter of the previous year and for the six-month period ended March 31, 2017, EBITDA(1) was $11.4 million, a 7.7% increase compared to $10.6 million in the prior year.

Net profit for the second quarter was $4.2 million or $0.55 per share basic and diluted, a 28% increase compared to $3.3 million or $0.44 per share basic and diluted in the same quarter of the previous year. On a year-to-date basis, net profit was $7.6 million or $1.00 per share basic and diluted, an increase of 20% compared to net profit of $6.3 million or $0.86 per share basic and diluted in the previous six-month period. Adjusted Net Profit(1) for the second quarter was $4.2 million or $0.55 per share basic and diluted, compared to $3.5 million or $0.48 per share basic and diluted in the same quarter of the previous year. On a year-to-date basis, adjusted net profit(1) was $7.6 million or $1.00 per share basic and diluted compared to $6.9 million or $0.93 per share basic and diluted in the previous six-month period.

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

"Once again the team has delivered strong results for the quarter increasing profits by 28% and cash flows by 14.4%" stated Jacqueline Gauthier, CFO. "Our 2% decrease in revenues this quarter is primarily related to timing of new projects at our SED division; however we continue to track ahead for the 6 month period compared to fiscal 2016."

"In support of the customer retention pillar of our growth strategy, we continue to see excellent execution across all of our services", stated Kevin Ford, CEO. "Both divisions have achieved higher margins for the quarter and year-to-date periods in comparison to the previous year. This is due primarily to the successful completion of several projects allowing the retirement of end of project risks, solid product sales and a higher labor component in the current mix of projects which yields higher margins."

"This quarter we submitted our proposal for our DND health services contract. Our current contract will run to March 31, 2018 and we have no schedule from the government on when results of this competition will be released. We believe we have submitted an excellent competitive proposal, and are hopeful we can continue to be DND's healthcare program delivery partner for years to come", stated Ford.

"We are also very pleased to announce the acquisition of International Safety Research (ISR). This acquisition supports two elements of our growth strategy. With customer diversification, ISR brings new customers to Calian both domestically and globally. For our service line evolution pillar, ISR will strengthen our emergency management service capabilities in the nuclear sector and as well further strengthen our engineering pedigree, specifically in the Chemical, Biological, Radiological Nuclear and Explosive (CBRNE) area", stated Ford. "We are excited to have the ISR team as part of Calian, and believe their unique capabilities and skills will be a solid contributor to our long term growth objectives."

During fiscal 2017, management will continue to focus on its key strategic initiatives. Traditional markets in which Calian operates have stabilized recently and management expects organic revenue and earnings growth in most or all of its service lines through 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. Based on currently available information and our assessment of the marketplace, we expect revenues for fiscal 2017 to be in the range of $265 million to $285 million, net profit in the range of $1.75 to $2.00 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 2,700 people with offices and projects that span Canada, U.S. and international markets. The company's capabilities are diverse with services delivered through two divisions. The Business and Technology Services (BTS) Division is headquartered in Ottawa and includes the provision of business and technology services to industry, public and government in the health, training, engineering and IT services domains. 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

Kevin Ford	Jacqueline Gauthier
President and Chief Executive Officer	Chief Financial Officer
613-599-8600	613-599-8600

- 30 -

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; the dependence on new product development; the impact of rapid technological and market change; the ability of Calian to integrate the operations and technologies of acquired businesses in an effective manner; general industry and market conditions and growth rates; international growth and global economic conditions, particularly in emerging markets and including interest rate and currency exchange rate fluctuations; and the impact of consolidations in the business services industry. Additional risks and uncertainties affecting Calian can be found in Management’s Discussion and Analysis of Results of Operations and its Annual Information Form for the fiscal year ended September 30, 2016 on SEDAR at www.sedar.com. If any of these risks or uncertainties were to materialize, or if the factors and assumptions underlying the forward-looking information were to prove incorrect, actual results could vary materially from those that are expressed or implied by the forward-looking information contained herein and our current objectives or strategies may change. 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, except as required by law. 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.

Calian · Head Office · 340 Legget Drive, Suite 101 · Ottawa · Ontario · Canada · K2K 1Y6
Tel: 613.599.8600 · Fax: 613.599.8650 · General Info email: info@calian.com

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at March 31, 2017 and September 30, 2016
(Canadian dollars in thousands)

	NOTES	March 31, 2017	September 30, 2016
ASSETS			
CURRENT ASSETS			
Cash		$ 30,643	$ 16,761
Accounts receivable		51,340	61,032
Work in process		15,634	17,269
Prepaid expenses		2,417	1,044
Derivative assets	8	269	534
Total current assets		100,303	96,640
NON-CURRENT ASSETS			
Equipment		5,279	5,472
Application software		736	612
Investment	10	100	-
Acquired intangible assets		2,413	2,898
Goodwill		12,037	12,037
Total non-current assets		20,565	21,019
TOTAL ASSETS		$ 120,868	$ 117,659
LIABILITIES AND SHAREHOLDERS’ EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		$ 24,468	$ 26,671
Unearned contract revenue		9,503	11,271
Derivative liabilities	8	486	484
Total current liabilities		34,457	38,426
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,259	912
Total non-current liabilities		1,259	912
TOTAL LIABILITIES		35,716	39,338
SHAREHOLDERS' EQUITY			
Issued capital	5	25,594	22,820
Contributed surplus		379	472
Retained earnings		59,242	55,906
Accumulated other comprehensive loss		(63)	(877)
TOTAL SHAREHOLDERS’ EQUITY		85,152	78,321
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 120,868	$ 117,659

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET PROFIT
For the three and six-month periods ended March 31, 2017 and 2016
(Canadian dollars in thousands, except per share data)

	NOTES	Three months ended March 31, 2017	Three months ended March 31, 2016	Six months ended March 31, 2017	Six months ended March 31, 2016
Revenues		$ 67,063	$ 68,100	$ 135,770	$ 132,633
Cost of revenues		53,664	56,020	110,009	108,886
Gross profit		13,399	12,080	25,761	23,747
Selling and marketing		1,130	1,080	2,218	2,053
General and administration		5,080	4,689	10,164	9,302
Facilities		999	903	1,984	1,811
Depreciation		358	314	707	621
Amortization		242	312	485	624
Deemed compensation related to acquisitions		-	267	-	534
Profit before interest income and income tax expense		5,590	4,515	10,203	8,802
Interest income		41	7	65	11
Profit before income tax expense		5,631	4,522	10,268	8,813
Income tax expense – current		1,414	1,235	2,644	2,547
Income tax expense – deferred		31	25	59	(59)
Total income tax expense		1,445	1,260	2,703	2,488
NET PROFIT FOR THE PERIOD		**$ 4,186**	**$ 3,262**	**$ 7,565**	**$ 6,325**
NET PROFIT PER SHARE:					
Basic	6	$ 0.55	$ 0.44	$ 1.00	$ 0.86
Diluted	6	$ 0.55	$ 0.44	$ 1.00	$ 0.86

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three and six-month periods ended March 31, 2017 and 2016
(Canadian dollars in thousands)

	NOTES	Three months ended March 31, 2017	Three months ended March 31, 2016	Six months ended March 31, 2017	Six months ended March 31, 2016
NET PROFIT FOR THE PERIOD		$ 4,186	$ 3,262	$ 7,565	$ 6,325
Other comprehensive income, net of tax					
Change in deferred gain or loss on derivatives designated as cash flow hedges, net of tax of $17 and $287 (2016 - $530 and $408)		161	1,458	814	1,125
Other comprehensive income, net of tax		161	1,458	814	1,125
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**$ 4,347**	**$ 4,720**	**$ 8,379**	**$ 7,450**

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the six month periods ended March 31, 2017 and 2016
(Canadian dollars in thousands, except per share data)

	Notes	Issued capital	Contributed surplus	Retained earnings	Cash flow hedging reserve	Total
Balance October 1, 2016		$ 22,820	$ 472	$ 55,906	$ (877)	$ 78,321
Total comprehensive income		-	-	7,565	814	8,379
Dividends ($0.56 per share)		-	-	(4,229)	-	(4,229)
Issue of shares under the employee share purchase plan	5	476	-	-	-	476
Issue of shares under the employee share option plan	5	2,298	(114)	-	-	2,184
Share based compensation expense	5	-	21	-	-	21
Balance March 31, 2017		**$ 25,594**	**$ 379**	**$ 59,242**	**$ (63)**	**$ 85,152**

	Notes	Issued capital	Contributed surplus	Retained earnings	Cash flow hedging reserve	Total
Balance October 1, 2015		$ 20,673	$ 458	$ 50,633	$ (3,049)	$ 68,715
Total comprehensive income		-	-	6,325	1,125	7,450
Dividends ($0.56 per share)		-	-	(4,144)	-	(4,144)
Issue of shares under the employee share purchase plan	5	388	-	-	-	388
Issue of shares under the employee share option plan	5	398	(26)	-	-	372
Share based compensation expense	5	-	52	-	-	52
Balance March 31, 2016		**$ 21,459**	**$ 484**	**$ 52,814**	**$ (1,924)**	**$ 72,833**

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

CALIAN GROUP LTD.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six-month periods ended March 31, 2017 and 2016
(Canadian dollars in thousands)

	NOTES	Six months ended March 31, 2017	Six months ended March 31, 2016
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Net profit for the period		$ 7,565	$ 6,325
Items not affecting cash:			
Interest income		(65)	(11)
Income tax expense		2,703	2,488
Employee share plans compensation expense		71	91
Depreciation and amortization		1,192	1,245
Deemed compensation related to acquisitions		-	534
		11,466	10,672
Change in non-cash working capital			
Accounts receivable		9,534	(10,956)
Work in process		1,635	(410)
Prepaid expenses		(1,373)	166
Accounts payable and accrued liabilities		(864)	1,342
Unearned contract revenue		(1,768)	4,002
		18,630	4,816
Interest received		65	11
Income tax paid		(2,428)	(2,582)
		16,267	2,245
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Issuance of shares		2,582	698
Dividends		(4,229)	(4,144)
		(1,647)	(3,446)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Investment	10	(100)	-
Equipment and application software		(638)	(591)
		(738)	(591)
NET CASH INFLOW (OUTFLOW)		**$ 13,882**	**$ (1,792)**
CASH, BEGINNING OF PERIOD		16,761	10,624
CASH, END OF PERIOD		$ 30,643	$ 8,832

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

CALIAN GROUP LTD.
NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three and six-month periods ended March 31, 2017 and 2016
(Canadian dollars in thousands, except per share amounts)
(Unaudited)

1. BASIS OF PREPARATION

Calian Group Ltd. ("the Company") is incorporated under the Canada Business Corporations Act. The address of its registered office and principal place of business is 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, 2016 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, 2016. 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 May 10, 2017.

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 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.

IFRS 16 Leases

In January 2016, the IASB released IFRS 16 *Leases* which replaces IAS 17 *Leases*. For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. 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 when compared to the estimates or approaches used the annual consolidated financial statements for the year ended September 30, 2016.

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

Employee Share Purchase Plan

During the three and six-month periods ended March 31, 2017 (2016), the Company issued 31,214 (21,801) shares under the Company's Employee Share Purchase Plan at an average price of $12.73 ($14.92) for a total cash of $398 ($325) and total non-cash of $78 ($63).

Stock options

The Company has an established stock option plan. Under the plan, eligible directors and employees are granted the right to purchase shares of common stock at a price established by the Board of Directors on the date the options are granted but in no circumstances below fair market value of the shares at the date of grant. As at March 31, 2017 (2016), 241,100 (415,000) options are currently outstanding of which 221,100 (323,100) are exercisable. During the six-month period ending March 31, 2017 (2016), no options were issued.

Restricted Stock Units

The Company has established a restricted stock unit ("RSU") plan as of February 3, 2017. Under the plan, eligible employees are granted the right to shares of common stock as remuneration for services rendered to the Company. RSU's are granted by the Board of Directors and at the date of the grant, the market value is used to determine the fair value of the units. As at March 31, 2017 (2016), 9,345 (Nil) RSU's are currently outstanding of which Nil (Nil) have vested. During the six-month period ending March 31, 2017 (2016), 9,345 (Nil) RSU's were issued.

6. NET PROFIT PER SHARE

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

	Three months ended March 31		Six months ended March 31	
	2017	**2016**	**2017**	**2016**
Weighted average number of shares – basic	7,568,156	7,399,199	7,531,461	7,388,748
Addition to reflect the dilutive effect of employee stock options	70,658	-	69,513	-
Addition to reflect the dilutive effect of RSU's	-	-	-	-
Weighted average number of shares – diluted	7,638,814	7,399,199	7,600,974	7,388,748

Options and RSU's 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 six-month periods ended March 31, 2017 (2016), Nil (415,000) options and 9,345 (Nil) RSU's 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 domains.

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 consolidated financial statements for the year ended September 30, 2016.

7. SEGMENTED INFORMATION (Continued)

Three months ended March 31, 2017	Systems Engineering	Business and Technology Services	Corporate	Total
Revenues	$ 16,103	$ 50,960	$ -	$ 67,063
Profit before interest income and income tax expense	3,351	3,005	(766)	5,590
Interest income				41
Income tax expense				(1,445)
Net profit for the period				$ 4,186

Three months ended March 31, 2016	Systems Engineering	Business and Technology Services	Corporate	Total
Revenues	$ 17,484	$ 50,616	$ -	$ 68,100
Profit before interest income and income tax expense	3,141	2,013	(639)	4,515
Interest income				7
Income tax expense				(1,260)
Net profit for the period				$ 3,262

Six months ended March 31, 2017	Systems Engineering	Business and Technology Services	Corporate	Total
Revenues	$ 36,240	$ 99,530	$ -	$ 135,770
Profit before interest income and income tax expense	6,185	5,596	(1,578)	10,203
Interest income				65
Income tax expense				(2,703)
Net profit for the period				$ 7,565
Equipment and intangible expenditures	$ 340	$ 298	$ -	$ 638
Total assets other than cash and goodwill	$ 30,514	$ 47,476	$ 198	$ 78,188
Goodwill	-	12,037	-	12,037
Cash	-	-	30,643	30,643
Total assets	$ 30,514	$ 59,513	$ 30,841	$ 120,868

Six months ended March 31, 2016	Systems Engineering	Business and Technology Services	Corporate	Total
Revenues	$ 37,164	$ 95,469	$ -	$ 132,633
Profit before interest income and income tax expense	6,221	3,858	(1,277)	8,802
Interest income				11
Income tax expense				(2,488)
Net profit for the period				$ 6,325
Equipment and intangible expenditures	$ 366	$ 225	$ -	$ 591

As at September 30, 2016	Systems Engineering	Business and Technology Services	Corporate	Total
Total assets other than cash and goodwill	$ 40,245	$ 48,485	$ 131	$ 88,861
Goodwill	-	12,037	-	12,037
Cash	-	-	16,761	16,761
Total assets	$ 40,245	$ 60,522	$ 16,892	$ 117,659

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 March 31, 2017, the Company had the following forward foreign exchange contracts:

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value March 31, 2017
BUY	21,326	USD	April 2017	$ 28,361	$ 78
SELL	9,953	EURO	April 2017	14,122	191
Derivative assets					$ 269
SELL	40,221	USD	April 2017	$ 53,490	$ 147
SELL	1,000	USD	September 2017	1,330	272
BUY	3,496	EURO	April 2017	4,960	66
BUY	228	GBP	April 2017	380	1
Derivative liabilities					$ 486

A 10% strengthening of the Canadian dollar against the following currencies at March 31, 2017 would have decreased other comprehensive income as related to the forward foreign exchange contracts by the amounts shown below.

	March 31, 2017
USD	$ 2,405
EURO	833
GBP	(34)
	$ 3,204

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. INVESTMENT

On October 31, 2016, the Company invested $100 to acquire a non-controlling interest in common shares of Cliniconex Inc., an Ottawa-based patient outreach solutions vendor. As part of the investment, a member of the Company's management team has been appointed to the Cliniconex Inc. Board of Directors. The investment is measured at cost.

11. SUBSEQUENT EVENT

Effective May 9, 2017, the Company acquired the outstanding shares of International Safety Research Inc. ("ISR") for purchase consideration of up to $8,200 in cash, subject to final working capital adjustment. Of this amount $4,100 was paid on closing, $820 was placed in escrow and $3,280 is payable contingently. ISR specializes in nuclear safety and emergency preparedness and response nationally and internationally. ISR was acquired to expand the Company's emergency preparedness service offering and will be reported as part of the Business and Technology (BTS) operating segment.

Management Discussion and Analysis – March 31, 2017:

(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 second quarter of 2017, revenues were $67,063 compared to $68,100 reported for the same period in 2016 representing a 2% decrease from the prior year. For the six-month period ending March 31, 2017 revenues were $135,769 compared to $132,633 for 2016, an increase of 2%.

Systems Engineering’s (SED) revenues were $16,103 in the quarter and $36,240 on a year-to-date basis representing an 8% and 2% decrease respectively when compared to the $17,484 and $37,164 recorded for the same periods in the previous year. Work continued at a steady state in all areas of the division including systems engineering, defense related and commercial contract manufacturing. However this quarter reflected a higher amount of labor based revenue in comparison to the revenues dominated by the RF Systems in the same quarter of last year which have a higher non-labor content. This is a result of several RF system projects coming to successful completion along with others just in the early design phase.

Business and Technology Services (BTS) revenues were $50,960 in the quarter and $99,530 on a year-to-date basis representing a 1% and 4% increase, respectively, when compared to the $50,616 and $95,469 recorded for the same periods in the previous year. Demand in most of the division's mainstay contracts continues to be strong and we are achieving success in our customer diversification efforts.

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. Although we continue to focus our efforts on the diversification of our customer base outside of government, the nature and extent of future government spending remain uncertain and therefore, future revenues in this sector will ultimately be determined by customer demand on existing contracts as well as the timing of future contract awards.

Gross margin

Gross margin was 20.0% for the second quarter of 2017 and 19.0% on a year-to-date basis compared to the 17.7% and 17.9% recorded for the same periods in the previous year.

Gross margin in Systems Engineering was 32.7% in the second quarter of 2017 and 27.5% on a year-to-date basis compared to the 28.1% and 26.2% recorded for the same periods in the previous year. The higher margins for the quarter and year-to-date periods in comparison to the previous year are due to the successful completion of several projects allowing the retirement of end of project risks, solid product sales and a higher labor component in the current mix of projects which yields higher margins. The results reflect another solid quarter of performance in all of SED's business areas. Although the mix of revenues plays a significant role in the margin ultimately realized, product sales and excellent project execution helped the division maintain a solid level of margins.

Gross margin in Business and Technology Services was 15.9% for the three and six month periods ending March 31, 2017 compared to the 14.2% and 14.7% recorded for the same periods in the previous year. Gross Margin in this recent quarter was positively impacted by 2 additional work days with Easter 2017 falling in the third quarter 2017 this year compared to Q2 in 2016. In addition, solid execution on our contracts combined with recent contract renewals and wins provided for an additional uplift in margins. While competition on new work is expected to temper any significant near-term improvement, the division continues to evolve its service offering with a goal to increase gross margins realized in the longer term.

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, the competitive landscape 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 six-month period ended March 31, 2017, selling and marketing, general and administration and facilities totalled $14,366 or 10.6% of revenues compared to $13,166 or 10.0% of revenues reported in 2016. Operating costs increased over the prior year as a result of continued focus on selling and marketing efforts and service line evolution capabilities. Management will continue to challenge discretionary spending; however, prudent investments are required to support the evolution of the Company's service lines.

EBITDA[(1)]:

EBITDA[(1)] for the second quarter was $6,190 compared to $5,408 in the same quarter of the previous year. For the six-month period ended March 31, 2017, EBITDA[(1)] was $11,395 compared to $10,581 in the same period of the previous year.

Depreciation:

For the six-month period ended March 31, 2017, depreciation was $707 which is higher than the $621 recorded in 2016 as a result of higher levels of equipment purchases in 2016.

Amortization of intangibles:

Amortization of intangibles decreased to $485 compared to $624 in fiscal 2016, with a portion of the prior acquired intangibles are now fully amortized.

Deemed compensation related to acquisitions and Bargain purchase gain:

Deemed compensation was fully amortized in fiscal 2016.

Income taxes:

The provision for income taxes was $2,703 or 26.3% of earnings before tax compared to $2,488 in 2016 or 28.2% of earnings before tax. The difference in effective rates is primarily due to the non-deductibility of the deemed compensation amounts recorded in 2016. The effective tax rate for 2017, prior to considering the impact of non-taxable transactions and adjustments to reflect actual tax provision as filed, is expected to be approximately 26.9%.

Net profit:

As a result of the foregoing, in the second quarter of 2017 the Company recorded net profit of $4,186 or $0.55 per share basic and diluted, compared to $3,262 or $0.44 per share basic and diluted in the same quarter of the prior year. Adjusted net profit[(1)] for the second quarter was $4,186 or $0.55 per share basic and diluted, compared to $3,529 or $0.48 per share basic and diluted in the same quarter of the previous year. For the six-month period ended March 31, 2017 the Company recorded net profit of $7,565 or $1.00 per share basic and diluted, compared to $6,325 or $0.86 per share basic and diluted in the same period of the prior year. Adjusted net profit[(1)] for the six-month period ended March 31, 2017 was $7,565 or $1.00 per share basic and diluted, compared to $6,859 or $0.93 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	Second Quarter 2017	Second Quarter 2016	YTD Quarter 2017	YTD Quarter 2016
NET PROFIT	$ 4,186	$ 3,262	$ 7,565	$ 6,325
Deemed compensation related to acquisitions	-	267	-	534
Adjusted net profit	$ 4,186	$ 3,529	$ 7,565	$ 6,859

Reconciliation of EBITDA	Second Quarter 2017	Second Quarter 2016	YTD Quarter 2017	YTD Quarter 2016
Profit before interest income and income tax expense	$ 5,590	$ 4,515	$ 10,203	$ 8,802
Depreciation	358	314	707	621
Amortization	242	312	485	624
Deemed compensation related to acquisitions	-	267	-	534
EBITDA	$ 6,190	$ 5,408	$ 11,395	$ 10,581

BACKLOG

The Company's backlog at March 31, 2017 was $422 with terms extended to fiscal 2021. This compares to $488 reported at September 30, 2016. 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 2017, 2018 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 $91. 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 2017	Fiscal 2018	Beyond 2018	Estimated realizable portion of Backlog	Excess over estimated realizable portion	TOTAL
Contracted Backlog	$ 111	$ 115	$ 35	$ 261	$ 75	$ 336
Option Renewals	4	21	45	70	16	86
TOTAL	$ 115	$ 136	$ 80	$ 331	$ 91	$ 422
Business and Technology Services	$ 88	$ 100	$ 63	$ 251	$ 91	$ 342
Systems Engineering	27	36	17	80	-	80
TOTAL	$ 115	$ 136	$ 80	$ 331	$ 91	$ 422

FINANCIAL CONDITION AND CASHFLOWS

Operating activities:

Cash inflows from operating activities for the period ended March 31, 2017 were $16,267 compared to cash inflows of $2,245 in 2016. Cash flows for the quarter have been positively impacted by the increase in cash earnings and the decrease in accounts receivable commensurate the close off of certain large projects at SED. The aging of the accounts receivable remain in excellent health. 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 March 31, 2017, the Company's total unearned revenue amounted to $9,503 compared to $11,271 at September 30, 2016, with the decrease attributable to work progressing on certain contracts where advanced milestone payments had previously been made.

Financing activities:

During the periods ended March 31, 2017 (2016), the Company paid quarterly dividends of $0.56 ($0.56) per share. The Company intends to continue with its quarterly dividend policy for the foreseeable future.

Investing activities:

During the six-month period, the Company invested $638 in capital assets compared to $591 in the prior period. The Company also invested in Cliniconex as explained in Note 10 to these financial statements.

Capital resources:

At March 31, 2017 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 $75 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

	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
REVENUES	$ 67,063	$ 68,707	$ 68,758	$ 73,196	$ 68,100	$ 64,533	$ 60,944	$ 64,267
EBITDA(1)	$ 6,190	$ 5,205	$ 5,318	$ 6,114	$ 5,408	$ 5,173	$ 4,906	$ 3,970
Net profit	$ 4,186	$ 3,379	$ 3,380	$ 3,888	$ 3,262	$ 3,063	$ 2,877	$ 2,214
Adjusted net profit(1)	$ 4,186	$ 3,379	$ 3,380	$ 3,996	$ 3,529	$ 3,330	$ 3,144	$ 2,482
Net profit per share								
Basic	$ 0.55	$ 0.45	$ 0.45	$ 0.52	$ 0.44	$ 0.42	$ 0.39	$ 0.30
Diluted	$ 0.55	$ 0.45	$ 0.45	$ 0.52	$ 0.44	$ 0.42	$ 0.39	$ 0.30
Adjusted net profit per share(1)								
Basic	$ 0.55	$ 0.45	$ 0.45	$ 0.54	$ 0.48	$ 0.45	$ 0.43	$ 0.34
Diluted	$ 0.55	$ 0.45	$ 0.45	$ 0.54	$ 0.48	$ 0.45	$ 0.43	$ 0.34

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 is confident that the Company is well positioned for sustained growth in the long term. The Company's strong contract backlog provides a solid base for the realization of future revenues. Leveraging the Company's diverse service offerings, the Company operates in global and domestic markets that will continue to require the services that the Company offers. To ensure the Company is positioned to respond to market requirements, the Company will focus on the execution of its growth strategy using a common framework across all of its services:

1. Customer retention: through continued delivery excellence, maintain a valued relationship with current customer base;
2. Customer diversification: through increasing the percentage of its revenues derived from new business in adjacent and non-government markets, balance customer revenue into numerous global and domestic sectors;
3. Service Line Evolution: continue investment in service offerings to increase differentiation and improve gross margin attainment;
4. Continuous Improvement: leverage innovation to improve how the Company operates with a goal to streamline processes and provide for a scalable back office support capability.

With its most recent acquisition, the Company has completed five acquisitions in the past 5 years, and will proactively look for companies that can accelerate its growth strategy with a focus on companies that support our growth pillars of customer diversification and service line evolution.

The SED 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 and react to an increasing demand for bandwidth. SED continues to invest in communications products, software development and manufacturing equipment to strengthen its competitive position. SED also has a strong customer base in the Aeropsace and Defence sectors and recently has had success diversifying into the agriculture sector. In the short-term, activity levels in Custom manufacturing will continue to be directly dependent upon SED's customers' requirements and continuing volatility in orders is anticipated as both government and commercial customers continue to re-examine their traditional spending patterns. Continued delays of DND capital procurements have created intense competition for available manufacturing work. Finally, changes in the relative value of the Canadian dollar may negatively or positively impact the Systems Engineering Division's competitiveness on projects denominated in foreign currencies.

The BTS Division's services are adaptable to many different markets. Currently, its strength lies in providing health, training, engineering and IT professional services and solutions across Canada with a significant portion of this work currently with the Department of National Defence. The division continues to focus on diversifying its customer base and evolving its service offerings. As an example the division now provides direct to customer health services through the operation of managed medical clinics as well as onsite health practitioners in the oil and gas sector. Management believes that for the long term, the public and private sector will continue to require health, IT, and training services from private enterprises to achieve their business outcomes. Looking at the current outlook and the current economic climate, the new federal government agenda may create uncertainty as to the extent of demand from this customer, at least in the short term. With continued investments in sales, marketing and success in new markets outside of the federal government, the division is better positioned to manage through these downturns. After a few years of industry dialogue, the request for proposal for the division's DND Health Services business was released in early January and we have now submitted our proposal. The new contract will have increased scope adding two new government departments (RCMP and Veterans Affairs) as well as DND Cadets. The initial contract period is until March 31, 2022 with an option to extend the term of the contract by up to eight additional years. While we expect competition, we will continue to focus on executing on the current contract and maintaining our high customer satisfaction with the customer through to March 31, 2018. Acquisitions have also bolstered the division's performance and we will continue to look at acquisition opportunities to support our strategic growth objectives.

GUIDANCE

During fiscal 2017, management will continue to focus on its key strategic initiatives. Traditional markets in which Calian operates have stabilized recently and management expects organic revenue and earnings growth in most or all of its service lines through 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. Based on currently available information and our assessment of the marketplace, we expect revenues for fiscal 2017 to be in the range of $265 million to $285 million, net profit in the range of $1.75 to $2.00 per share.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the most recent interim quarter ended March 31, 2017, 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 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; the dependence on new product development; the impact of rapid technological and market change; the ability of Calian to integrate the operations and technologies of acquired businesses in an effective manner; general industry and market conditions and growth rates; international growth and global economic conditions, particularly in emerging markets and including interest rate and currency exchange rate fluctuations; and the impact of consolidations in the business services industry. Additional risks and uncertainties affecting Calian can be found in Management’s Discussion and Analysis of Results of Operations and its Annual Information Form for the fiscal year ended September 30, 2016 on SEDAR at www.sedar.com. If any of these risks or uncertainties were to materialize, or if the factors and assumptions underlying the forward-looking information were to prove incorrect, actual results could vary materially from those that are expressed or implied by the forward-looking information contained herein and our current objectives or strategies may change. 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, except as required by law. 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.

Date: May 10, 2017