CALIAN

NEWS RELEASE

IMMEDIATE RELEASE

CALIAN REPORTS THIRD QUARTER RESULTS

(All amounts in this release are in Canadian Dollars)

Ottawa, Ontario – August 10, 2017: Calian Group Ltd. (TSX.CGY) today released unaudited results for the third quarter ended June 30, 2017.

The Company reported revenues for the quarter of $67.3 million, an 8% decrease from the $73.2 million reported in the same quarter of the previous year. For the nine-month period ended June 30, 2017 the Company reported revenues of $203.1 million, a 1% decrease compared to revenues of $205.8 million in the prior year.

EBITDA(1) for the third quarter was $5.5 million, a 10% decrease compared to $6.1 million in the same quarter of the previous year and for the nine-month period ended June 30, 2017, EBITDA(1) was $16.9 million, a 1% increase compared to $16.7 million in the prior year.

Net profit for the third quarter was $3.5 million or $0.46 per share basic and $0.45 per share diluted, a 10% decrease compared to $3.9 million or $0.52 per share basic and diluted in the same quarter of the previous year. On a year-to-date basis, net profit was $11.1 million or $1.46 per share basic and $1.45 per share diluted, an increase of 8% compared to net profit of $10.2 million or $1.38 per share basic and diluted in the previous nine-month period. Adjusted Net Profit(1) for the third quarter was $3.5 million or $0.46 per share basic and $0.45 per share diluted, compared to $4.0 million or $0.54 per share basic and diluted in the same quarter of the previous year. On a year-to-date basis, adjusted net profit(1) was $11.1 million or $1.46 per share basic and $1.45 per share diluted compared to $10.9 million or $1.47 per share basic and diluted in the previous nine-month period.

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

"Once again the team delivered solid results for the quarter", stated Jacqueline Gauthier, CFO. "Although we've seen a decrease in revenues this quarter compared to the third quarter of fiscal 2016, the current revenue levels are in line with this past Q2 2017. Third quarter 2016 revenue levels benefited from significant levels of through-put related to a large SED contract in full production. However we continue to track ahead of EBITDA and Net profit for the nine-month period compared to fiscal 2016".

"I support Jacqueline's comments, another great quarter with solid project execution for the company despite dealing with the gap in the wind down and ramp up of few major projects", stated Kevin Ford, CEO. "Although at the consolidated level this quarter does not show growth year over year, we are achieving double digit growth in many of our service offerings specifically in our health, manufacturing, communication gateways and planning systems services as we continue to make progress on our long term growth objectives", stated Ford.

"We continue to invest in innovation, and specifically in next generation satellite and cable sector technologies. At my recent visit to the SED division, I was happy to see the progress being made on projects aimed at developing our capabilities to respond and be a market leader for the next wave of industry requirements and I am excited about the potential of these innovations to support our growth objectives".

"Last quarter we submitted our proposal for the 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 were happy to win this quarter an interim contract to support DND Cadets nationally for this summer's training period with an option for next summer as well", continued Ford.

Our recent acquisition of International Safety Research Inc. ("ISR") is going well and the teams are currently working through the integration process. To support our growth objectives, we continue to search proactively for M&A opportunities and in line with this growth strategy; we have increased our available credit facility to $40 million. This increase combined with our strong balance sheet provides us with the available capital resources to facilitate future organic and acquisition-related growth", stated Ford.

Management continues to focus on its key strategic initiatives. Traditional markets in which Calian operates are stable 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 $1.85 to $2.10 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 2,800 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

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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; 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.

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

	NOTES	June 30, 2017	September 30, 2016
ASSETS			
CURRENT ASSETS			
Cash		$ 31,861	$ 16,761
Accounts receivable		53,974	61,032
Work in process		16,803	17,269
Prepaid expenses		1,338	1,044
Derivative assets	8	115	534
Total current assets		104,091	96,640
NON-CURRENT ASSETS			
Equipment		6,170	5,472
Application software		899	612
Investments and loan receivable	10	530	-
Acquired intangible assets	11	6,044	2,898
Goodwill	11	15,383	12,037
Total non-current assets		29,026	21,019
TOTAL ASSETS		$ 133,117	$ 117,659
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		$ 29,480	$ 26,671
Unearned contract revenue		14,133	11,271
Derivative liabilities	8	288	484
Total current liabilities		43,901	38,426
NON-CURRENT LIABILITIES			
Deferred tax liabilities		2,257	912
Total non-current liabilities		2,257	912
TOTAL LIABILITIES		46,158	39,338
SHAREHOLDERS' EQUITY			
Issued capital	5	26,156	22,820
Contributed surplus		451	472
Retained earnings		60,605	55,906
Accumulated other comprehensive loss		(253)	(877)
TOTAL SHAREHOLDERS' EQUITY		86,959	78,321
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 133,117	$ 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 nine-month periods ended June 30, 2017 and 2016
(Canadian dollars in thousands, except per share data)

	NOTES	Three-months ended June 30, 2017	Three-months ended June 30, 2016	Nine-months ended June 30, 2017	Nine-months ended June 30, 2016
Revenues		$ 67,332	$ 73,196	$ 203,102	$ 205,829
Cost of revenues		54,398	60,162	164,407	169,048
Gross profit		12,934	13,034	38,695	36,781
Selling and marketing		1,099	1,107	3,317	3,160
General and administration		5,166	4,905	15,330	14,207
Facilities		1,165	908	3,149	2,719
Depreciation		376	334	1,083	955
Amortization		265	312	750	936
Deemed compensation related to acquisitions		-	108	-	642
Profit before interest income and income tax expense		4,863	5,360	15,066	14,162
Interest income		37	11	102	22
Profit before income tax expense		4,900	5,371	15,168	14,184
Income tax expense – current		1,374	1,531	4,018	4,078
Income tax expense – deferred		28	(48)	87	(107)
Total income tax expense		1,402	1,483	4,105	3,971
NET PROFIT FOR THE PERIOD		**$ 3,498**	**$ 3,888**	**$ 11,063**	**$ 10,213**
NET PROFIT PER SHARE:					
Basic	6	$ 0.46	$ 0.52	$ 1.46	$ 1.38
Diluted	6	$ 0.45	$ 0.52	$ 1.45	$ 1.38

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 nine-month periods ended June 30, 2017 and 2016
(Canadian dollars in thousands)

	NOTES	Three-months ended June 30, 2017	Three-months ended June 30, 2016	Nine-months ended June 30, 2017	Nine-months ended June 30, 2016
NET PROFIT FOR THE PERIOD		$ 3,498	$ 3,888	$ 11,063	$ 10,213
Other comprehensive income, net of tax					
Change in deferred gain or loss on derivatives designated as cash flow hedges, net of tax of $62 and $225 (2016 - $244 and $652)		(190)	647	624	1,772
Other comprehensive income (loss), net of tax		(190)	647	624	1,772
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**$ 3,308**	**$ 4,535**	**$ 11,687**	**$ 11,985**

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 nine-month periods ended June 30, 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		-	-	11,063	624	11,687
Dividends ($0.84 per share)		-	-	(6,364)	-	(6,364)
Issue of shares under the employee share purchase plan	5	476	-	-	-	476
Issue of shares under the employee share option plan	5	2,860	(142)	-	-	2,718
Share based compensation expense	5	-	121	-	-	121
Balance June 30, 2017		**$ 26,156**	**$ 451**	**$ 60,605**	**$ (253)**	**$ 86,959**

	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		-	-	10,213	1,772	11,985
Dividends ($0.84 per share)		-	-	(6,222)	-	(6,222)
Issue of shares under the employee share purchase plan	5	388	-	-	-	388
Issue of shares under the employee share option plan	5	398	(25)	-	-	373
Share based compensation expense	5	-	77	-	-	77
Balance June 30, 2016		**$ 21,459**	**$ 510**	**$ 54,624**	**$ (1,277)**	**$ 75,316**

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 nine-month periods ended June 30, 2017 and 2016
(Canadian dollars in thousands)

	NOTES	Nine-months ended June 30, 2017	Nine-months ended June 30, 2016
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Net profit for the period		$ 11,063	$ 10,213
Items not affecting cash:			
Interest income		(102)	(22)
Income tax expense		4,105	3,971
Employee share plans compensation expense		191	134
Depreciation and amortization		1,833	1,891
Deemed compensation related to acquisitions		-	642
		17,090	16,829
Change in non-cash working capital			
Accounts receivable		9,240	(11,609)
Work in process		676	1,480
Prepaid expenses		(245)	111
Accounts payable and accrued liabilities		(231)	5,873
Unearned contract revenue		2,862	336
		29,392	13,020
Interest received		118	22
Income tax paid		(3,685)	(3,071)
		25,825	9,971
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Issuance of shares	5	3,115	698
Dividends		(6,364)	(6,222)
		(3,249)	(5,524)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Investment	10	(250)	-
Equipment and application software		(1,882)	(905)
Acquisitions	11	(5,344)	(830)
		(7,476)	(1,735)
NET CASH INFLOW		**$ 15,100**	**$ 2,712**
CASH, BEGINNING OF PERIOD		16,761	10,624
CASH, END OF PERIOD		$ 31,861	$ 13,336

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 nine-month periods ended June 30, 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 August 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

<u>Estimates:</u>

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 nine-month periods ended June 30, 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 June 30, 2017 (2016), 244,600 (415,000) options were outstanding of which 200,600 (329,100) are exercisable. During the nine-month period ending June 30, 2017 (2016) 30,000 (Nil) options were issued.

The weighted average fair value of options granted during the three and nine-month period ending June 30, 2017 was $3.42 per option calculated using the Black-Scholes option pricing model. Where relevant, the expected life of the options was based on historical data for similar issuances and adjusted based on management's best estimate for the effects of non-transferability, exercises restrictions and behavioural considerations. Expected volatility is based on historical price volatility over the past 5 years. To allow for the effects of early exercise, it was assumed that options would be exercised on average 3.5 years after vesting. The following assumptions were used to determine the fair value of the options granted between October 1, 2016 and June 30, 2017:

Grant date share price	$ 27.30
Exercise price	$ 27.30
Expected price volatility	24.3%
Expected option life	4.2 yrs
Expected dividend yield	4.0%
Risk-free interest rate	0.9%
Forfeiture rate	0%

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 June 30, 2017 (2016), 11,345 (Nil) RSU's were outstanding of which Nil (Nil) have vested. During the nine-month period ending June 30, 2017 (2016), 11,345 (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 June 30		Nine-months ended June 30	
	2017	**2016**	**2017**	**2016**
Weighted average number of shares – basic	7,629,630	7,420,099	7,564,184	7,399,199
Addition to reflect the dilutive effect of employee stock options and RSU's	67,787	6,931	71,126	166
Weighted average number of shares – diluted	7,697,417	7,427,030	7,635,309	7,399,364

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-month period ended June 30, 2017 (2016), 30,000 (415,000) options and 2,000 (Nil) RSU's were excluded from the above computation and for the nine-month period ended June 30, 2017 (2016), 30,000 (415,000) options and 11,345 (Nil) RSU's were excluded from the above computation. Net 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.

Three-months ended June 30, 2017	Systems Engineering	Business and Technology Services	Corporate	Total
Revenues	$ 16,850	$ 50,482	$ -	$ 67,332
Profit before interest income and income tax expense	2,670	2,913	(810)	4,863
Interest income				37
Income tax expense				(1,402)
Net profit for the period				$ 3,498

Three-months ended June 30, 2016	Systems Engineering	Business and Technology Services	Corporate	Total
Revenues	$ 23,083	$ 50,113	$ -	$ 73,196
Profit before interest income and income tax expense	3,052	3,085	(777)	5,360
Interest income				11
Income tax expense				(1,483)
Net profit for the period				$ 3,888

Nine-months ended June 30, 2017	Systems Engineering	Business and Technology Services	Corporate	Total
Revenues	$ 53,090	$ 150,012	$ -	$ 203,102
Profit before interest income and income tax expense	8,945	8,509	(2,388)	15,066
Interest income				102
Income tax expense				(4,105)
Net profit for the period				$ 11,063
Equipment and intangible expenditures	$ 1,412	$ 470	$ -	$ 1,882
Total assets other than cash and goodwill	$ 30,648	$ 55,114	$ 111	$ 85,873
Goodwill	-	15,383	-	15,383
Cash	-	-	31.861	31,861
Total assets	$ 30,648	$ 70,497	$ 31,972	$ 133,117

7. SEGMENTED INFORMATION (Continued)

Nine-months ended June 30, 2016	Systems Engineering	Business and Technology Services	Corporate	Total
Revenues	$ 60,247	$ 145,582	$ -	$ 205,829
Profit before interest income and income tax expense	9,273	6,943	(2,054)	14,162
Interest income				22
Income tax expense				(3,971)
Net profit for the period				$ 10,213
Equipment and intangible expenditures	$ 583	$ 322	$ -	$ 905

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 June 30, 2017, the Company had the following forward foreign exchange contracts:

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value June 30, 2017
SELL	37,969	USD	July 2017	$ 49,272	$ 50
SELL	9,265	EURO	July 2017	13,724	65
Derivative assets					$ 115
SELL	1,000	USD	September 2017	$ 1,298	$ 240
BUY	16,637	USD	July 2017	21,590	22
BUY	3,416	EURO	July 2017	5,060	24
BUY	223	GBP	July 2017	342	2
Derivative liabilities					$ 288

8. HEDGING (Continued)

A 10% strengthening of the Canadian dollar against the following currencies at June 30, 2017 would have decreased other comprehensive income as related to the forward foreign exchange contracts by the amounts shown below.

	June 30, 2017
USD	$ 2,635
EURO	788
GBP	(24)
	$ 3,399

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. INVESTMENTS AND LOAN RECEIVABLE

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.

On June 9, 2017, the Company provided $150 to Cliniconex Inc. in the form of a convertible loan. The loan has a stated interest rate of 12% and matures on June 9, 2020. The loan contains an optional conversion feature that allows the Company to convert the principal and interest owing on maturity to common shares of Cliniconex Inc. The loan is measured at amortized cost.

On May 9, 2017, and included as part of the acquisition of ISR (Note 11), Calian acquired an equity position in International Safety Research Europe for $280. The investment is measured using the equity method.

11. ACQUISITION

International Safety Research Inc. ("ISR")

On May 9, 2017, the Company acquired all of the outstanding shares of ISR for a purchase price of up to $8,979. Of this amount, $4,879 was paid on the date of closing, $820 was placed in escrow and $3,280 is payable contingently.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of ISR an additional $1,640 and $1,640 if ISR attains specified levels of earnings before interest, taxes, depreciation and amortization ("EBITDA") for the years ending April 30, 2018 and 2019, respectively. With the current level of contracts signed by ISR and the ability to grow in its selected market segment, management believes that ISR can achieve its earn-out target in both years. Therefore, the amount of $3,074 represents the estimated fair value of the Company's obligation at the acquisition date. 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.

Acquisition-related costs amounting to $60 have been excluded from the consideration and have been recognized as an expense in the three and nine-month periods ended June 30, 2017, within the general and administration line item in the interim condensed consolidated statement of net profit.

This acquisition is accounted for as a business combination to which IFRS 3 *Business Combinations* applies.

Consideration:	
Cash	$ 5,699
Contingent payments	3,074
Consideration to allocate	$ 8,773

11. ACQUISITION (Continued)

The following are the assets acquired and liabilities recognized at the date of the acquisition:

Current assets:	
Cash	$ 355
Accounts receivable	2,960
Work in progress	210
Prepaid expenses and other	49
	$ 3,574
Non-current assets:	
Equipment	$ 186
Investment	280
Intangible assets	3,896
	$ 7,936
Current Liabilities:	
Accounts payable and accrued liabilities	$ 1,430
Deferred income	47
Deferred tax liability	1,032
	$ 2,509
Net assets acquired	$ 5,427

Goodwill arising on acquisitions:	ISR
Total consideration allocated	$ 8,773
Net assets acquired	5,427
	$ 3,346

None of the goodwill arising on the acquisitions is expected to be deductible for tax purposes.

Net cash outflow during the current year-to-date related to the acquisitions:

Consideration paid in cash	$ 5,699
Less- cash balance acquired	(355)
	$ 5,344

Impact of the acquisitions on the consolidated results of the Company:
Had the business combinations been effected at October 1, 2016, the revenue and net profit of the Company for the nine-month period ended June 30, 2017 would have been higher by $6,565 and $778 respectively. Management considers these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group for the nine-month period ended June 30, 2017. Future periods will be impacted by seasonality as ISR activities are impacted by the timing of vacation periods.

Management Discussion and Analysis – June 30, 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 third quarter of 2017, revenues were $67,332 compared to $73,196 reported for the same period in 2016 representing an 8% decrease from the prior year. For the nine-month period ending June 30, 2017 revenues were $203,102 compared to $205,829 for 2016, an decrease of 1%.

Systems Engineering's (SED) revenues were $16,850 in the quarter and $53,090 on a year-to-date basis representing a 27% and 12% decrease respectively when compared to the $23,083 and $60,247 recorded for the same periods in the previous year with several large system implementations which generated significant revenues in 2016 entering the close-out phase in early 2017. However, work continued at a steady state in all areas of the division including systems engineering, defense related and commercial contract manufacturing. As well, this quarter and year-to-date activities continued to reflect a higher amount of labor based revenue in comparison to the revenues dominated by the RF Systems in the same periods of last year which had a higher non-labor content. New systems implementation projects are underway but are mostly in the early design phase.

Business and Technology Services (BTS) revenues were $50,482 in the quarter and $150,012 on a year-to-date basis representing a 1% and 3% increase respectively when compared to the $50,113 and $145,582 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 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 19.2% for the third quarter of 2017 and 19.1% on a year-to-date basis compared to the 17.8% and 17.9% recorded for the same periods in the previous year.

Gross margin in Systems Engineering was 28.4% in the third quarter of 2017 and 27.8% on a year-to-date basis compared to the 21.2% and 24.3% 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 16.1% in the third quarter of 2017 and 16.0% on a year-to-date basis compared to the 16.2% and 15.2% recorded for the same periods in the previous year. Gross Margin in this recent quarter was negatively impacted by 2 additional work days with Easter 2017 falling in the third quarter 2017 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 nine-month period ended June 30, 2017, selling and marketing, general and administration and facilities totalled $21,796 or 10.7% of revenues compared to $20,086 or 9.8% 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, continued prudent investments are required to support the evolution of the Company's service lines.

EBITDA(1):

EBITDA(1) for the third quarter was $5,504 compared to $6,114 in the same quarter of the previous year. For the nine-month period ended June 30, 2017, EBITDA(1) was $16,899 compared to $16,695 in the same period of the previous year.

Depreciation:

For the nine-month period ended June 30, 2017, depreciation was $1,083 which is slightly higher than the $955 recorded in fiscal 2016.

Amortization of intangibles:

Amortization of intangibles decreased to $750 compared to $936 in fiscal 2016.

Deemed compensation related to acquisitions:

Deemed compensation was fully amortized in fiscal 2016.

Income taxes:

The provision for income taxes was $4,105 or 27.0% of earnings before tax compared to $3,971 in 2016 or 28.0% of earnings before tax. The difference in effective tax rates is primarily due to the non-deductibility of the deemed compensation amounts referred to in the above paragraph. 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 third quarter of 2017 the Company recorded net profit of $3,498 or $0.46 per share basic and $0.45 per share diluted, compared to $3,888 or $0.52 per share basic and diluted in the same quarter of the prior year. Adjusted net profit(1) for the third quarter was $3,498 or $0.46 per share basic and $0.45 per share diluted, compared to $3,996 or $0.54 per share basic and diluted in the same quarter of the previous year. For the nine-month period ended June 30, 2017 the Company recorded net profit of $11,063 or $1.46 per share basic and $1.45 per share diluted, compared to $10,213 or $1.38 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, 2017 was $11,063 or $1.46 per share basic $1.45 per share and diluted, compared to $10,855 or $1.47 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 2017	Third Quarter 2016	YTD Quarter 2017	YTD Quarter 2016
NET PROFIT	$ 3,498	$ 3,888	$ 11,063	$ 10,213
Deemed compensation related to acquisitions	-	108	-	642
Adjusted net profit	$ 3,498	$ 3,996	$ 11,063	$ 10,855

Reconciliation of EBITDA	Third Quarter 2017	Third Quarter 2016	YTD Quarter 2017	YTD Quarter 2016
Profit before interest income and income tax expense	$ 4,863	$ 5,360	$ 15,066	$ 14,162
Depreciation	376	334	1,083	955
Amortization	265	312	750	936
Deemed compensation related to acquisitions	-	108	-	642
EBITDA	$ 5,504	$ 6,114	$ 16,899	$ 16,695

BACKLOG

The Company's backlog at June 30, 2017 was $401 million with terms extended to fiscal 2021. This compares to $386 million 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 $86 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 2017	Fiscal 2018	Beyond 2018	Estimated realizable portion of Backlog	Excess over estimated realizable portion	TOTAL
Contracted Backlog	$ 69	$ 139	$ 37	$ 245	$ 67	$ 312
Option Renewals	1	19	50	70	19	89
TOTAL	$ 70	$ 158	$ 87	$ 315	$ 86	$ 401
Business and Technology Services	$ 49	$ 120	$ 70	$ 239	$ 86	$ 325
Systems Engineering	21	38	17	76	-	76
TOTAL	$ 70	$ 158	$ 87	$ 315	$ 86	$ 401

FINANCIAL CONDITION AND CASHFLOWS

Operating activities:

Cash inflows from operating activities for the period ended June 30, 2017 were $25,825 compared to cash inflows of $9,971 in 2016. Cash flows have been positively impacted by the increase in advance payments on contracts 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 June 30, 2017, the Company's total unearned revenue amounted to $14,133 compared to $11,271 at September 30, 2016, with the increase attributable to additional advanced milestone payments received on a large contract.

Financing activities:

During the periods ended June 30, 2017 (2016), 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.

Investing activities:

During the nine-month period, the Company invested $1,822 in capital assets compared to $905 in the prior period. The increase is attributable to additional manufacturing equipment purchased at SED.

The Company also invested in Cliniconex as explained in Note 10 to these financial statements, and acquired ISR as explained in Note 11 to the financial statements.

Capital resources:

At June 30, 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. As of the date of this Management Discussion and Analysis, the Company increased its credit facility to $40,000. 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

	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15
REVENUES	$ 67,332	$ 67,063	$ 68,707	$ 68,758	$ 73,196	$ 68,100	$ 64,533	$ 60,944
EBITDA(1)	$ 5,504	$ 6,190	$ 5,205	$ 5,318	$ 6,114	$ 5,408	$ 5,173	$ 4,906
Net profit	$ 3,498	$ 4,186	$ 3,379	$ 3,380	$ 3,888	$ 3,262	$ 3,063	$ 2,877
Adjusted net profit(1)	$ 3,498	$ 4,186	$ 3,379	$ 3,380	$ 3,996	$ 3,529	$ 3,330	$ 3,144
Net profit per share								
Basic	$ 0.46	$ 0.55	$ 0.45	$ 0.45	$ 0.52	$ 0.44	$ 0.42	$ 0.39
Diluted	$ 0.45	$ 0.55	$ 0.45	$ 0.45	$ 0.52	$ 0.44	$ 0.42	$ 0.39
Adjusted net profit per share(1)								
Basic	$ 0.46	$ 0.55	$ 0.45	$ 0.45	$ 0.54	$ 0.48	$ 0.45	$ 0.43
Diluted	$ 0.45	$ 0.55	$ 0.45	$ 0.45	$ 0.54	$ 0.48	$ 0.45	$ 0.43

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 and cable 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.

Calian continues to invest in new technologies primarily in next generation satellite and cable communications. This investment in innovation is critical to position Calian for long term growth.

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, engineering and training services from private enterprises to achieve their business outcomes. Looking at the current outlook and the current economic climate, the federal government agenda may create uncertainty as to the extent of demand from this customer. With continued investments in sales, marketing and success in new markets outside of the federal government, the division is better positioned to manage through slowdowns in government procurement.. 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

Management continues to focus on its key strategic initiatives. Traditional markets in which Calian operates are stable 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 $1.85 to $2.10 per share.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the most recent interim quarter ended June 30, 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: August 10, 2017