CALIAN

NEWS RELEASE

IMMEDIATE RELEASE

CALIAN REPORTS THIRD QUARTER RESULTS

(All amounts in this release are in Canadian Dollars)

Ottawa, Ontario – August 9, 2018: Calian Group Ltd. (TSX.CGY) today released unaudited results for the third quarter ended June 30, 2018.

The Company reported revenues for the quarter of $73.4 million, representing a 9% increase from the $67.3 million reported in the same quarter of the previous year. For the nine-month period ended June 30, 2018 the Company reported revenues of $226.2 million, an 11% increase compared to revenues of $203.1 million in the prior year.

EBITDA(1) for the third quarter was $6.0 million, a 9% increase compared to $5.5 million in the same quarter of the previous year and for the nine-month period ended June 30, 2018, EBITDA(1) was $18.4 million, a 9% increase compared to $16.9 million in the prior year.

Net profit for the third quarter was $3.9 million or $0.50 per share basic and diluted, an 11% increase compared to $3.5 million or $0.46 per share basic and $0.45 per share diluted in the same quarter of the previous year. On a year-to-date basis, net profit was $11.8 million or $1.53 per share basic and $1.52 per share diluted, an increase of 6% compared to net profit of $11.1 million or $1.46 per share basic and $1.45 diluted in the previous nine-month period.

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

"Our four pillar growth strategy focus on service line evolution, customer retention and diversification, and continuous improvement, continues to be a driving force of our success as each service line continues to make progress in each of these elements; resulting in an EBITDA improvement of 9% for the year to date", stated Jacqueline Gauthier, CFO."

“Once again, the Calian team has delivered excellent results for our customers and shareholders. Having this consistent track record of profitable growth does not happen without a high performing team committed to execution, and I wish to thank our staff for another very strong quarter”, stated Kevin Ford, CEO.

“With strong financial results, the quarter has also been very exciting on numerous fronts. At our SED division, the signing of our largest satellite ground systems contract in our history combined with our continued investment in innovation focusing not only our core satellite sector, but as well new areas such as cable and agriculture technologies positions us well for the future. At the BTS division the closing of the Secure Technologies acquisition, the successful launch of our new DND health services contract and numerous contract wins across Health, Training and IT services demonstrates that the strategy to embrace our diverse service offerings is on track. With our contracted backlog of over one billion dollars, positive cash flows and a strong balance sheet, Calian is uniquely positioned to leverage our strong financial position to continue to invest in both organic and acquisitive growth”, continued Ford.

“As well, we are happy to announce the closing of a small acquisition in the health space: PriorityOne, which specializes in psychological assessment and selection services to the Canadian law enforcement community, We believe the market for psychological services will continue to grow, and this acquisition strengthens our services in this critical area.”, stated Ford.

“Finally, on a personal note, my recovery is going well and I am back in the office expecting to be fulltime in September” stated Ford.

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 2018 to be in the range of $300 million to $315 million, net profit in the range of $1.95 to $2.20 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 3,000 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 and solutions 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, 2017 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, 2018 and September 30, 2017
(Canadian dollars in thousands)

	NOTES	June 30, 2018	September 30, 2017
ASSETS			
CURRENT ASSETS			
Cash		$ 18,270	$ 28,639
Accounts receivable		73,435	54,884
Work in process		20,892	19,490
Prepaid expenses		3,191	1,650
Derivative assets	8	735	123
Total current assets		116,523	104,786
NON-CURRENT ASSETS			
Equipment		8,278	6,503
Application software		793	766
Investments and loan receivable	10, 11	400	530
Acquired intangible assets	11	6,212	5,586
Goodwill	11	18,084	15,383
Total non-current assets		33,767	28,768
TOTAL ASSETS		$ 150,290	$ 133,554
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		$ 36,850	$ 32,584
Unearned contract revenue		14,824	8,831
Derivative liabilities	8	398	360
Total current liabilities		52,072	41,775
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,927	2,292
Total non-current liabilities		1,927	2,292
TOTAL LIABILITIES		53,999	44,067
SHAREHOLDERS' EQUITY			
Issued capital	5	28,407	26,240
Contributed surplus		967	541
Retained earnings		68,100	62,776
Accumulated other comprehensive loss		(1,183)	(70)
TOTAL SHAREHOLDERS' EQUITY		96,291	89,487
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 150,290	$ 133,554

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, 2018 and 2017
(Canadian dollars in thousands, except per share data)

	NOTES	Three months ended June 30, 2018	Three months ended June 30, 2017	Nine months ended June 30, 2018	Nine months ended June 30, 2017
Revenues		$ 73,379	$ 67,332	$ 226,231	$ 203,102
Cost of revenues		58,389	54,398	181,826	164,407
Gross profit		14,990	12,934	44,405	38,695
Selling and marketing		1,390	1,099	3,890	3,317
General and administration		6,374	5,166	18,562	15,330
Facilities		1,195	1,165	3,525	3,149
Depreciation		442	376	1,268	1,083
Amortization		271	265	869	750
Profit before interest income and income tax expense		5,318	4,863	16,291	15,066
Interest income		46	37	135	102
Profit before income tax expense		5,364	4,900	16,426	15,168
Income tax expense – current		1,579	1,374	4,971	4,018
Income tax expense – deferred		(88)	28	(351)	87
Total income tax expense		1,491	1,402	4,620	4,105
NET PROFIT FOR THE PERIOD		**$ 3,873**	**$ 3,498**	**$ 11,806**	**$ 11,063**
NET PROFIT PER SHARE:					
Basic	6	$ 0.50	$ 0.46	$ 1.53	$ 1.46
Diluted	6	$ 0.50	$ 0.45	$ 1.52	$ 1.45

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, 2018 and 2017
(Canadian dollars in thousands)

	NOTES	Three-months ended June 30, 2018	Three-months ended June 30, 2017	Nine- months ended June 30, 2018	Nine-months ended June 30, 2017
NET PROFIT FOR THE PERIOD		$ 3,873	$ 3,498	$ 11,806	$ 11,063
Other comprehensive income, net of tax					
Change in deferred gain or loss on derivatives designated as cash flow hedges, net of tax of $94 and $417 (2017 - $62 and $225)		(259)	(190)	(1,113)	624
Other comprehensive income (loss), net of tax		(259)	(190)	(1,113)	624
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**$ 3,614**	**$ 3,308**	**$ 10,693**	**$ 11,687**

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 three and nine-month periods ended June 30, 2018 and 2017
(Canadian dollars in thousands, except per share data)

	Notes	Issued capital	Contributed surplus	Retained earnings	Cash flow hedging reserve	Total
Balance October 1, 2017		$ 26,240	$ 541	$ 62,776	$ (70)	$ 89,487
Total comprehensive income		-	-	11,806	(1,113)	10,693
Dividends ($0.84 per share)		-	-	(6,482)	-	(6,482)
Issue of shares under the employee share purchase plan	5	551	-	-	-	551
Issue of shares under the employee share option plan	5	1,616	(182)	-	-	1,434
Share based compensation expense	5	-	608	-	-	608
Balance June 30, 2018		**$ 28,407**	**$ 967**	**$ 68,100**	**$ (1,183)**	**$ 96,291**

	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**

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, 2018 and 2017
(Canadian dollars in thousands)

	NOTES	Nine-months ended June 30, 2018	Nine-months ended June 30, 2017
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Net profit for the period		$ 11,806	$ 11,063
Items not affecting cash:			
Interest income		(135)	(102)
Income tax expense		4,620	4,105
Employee share plans compensation expense		677	191
Depreciation and amortization		2,137	1,833
		19,105	17,090
Change in non-cash working capital			
Accounts receivable		(17,423)	9,240
Work in process		(1,402)	676
Prepaid expenses		(211)	(245)
Accounts payable and accrued liabilities		1,605	(231)
Unearned contract revenue		4,442	2,862
		6,116	29,392
Interest received		204	118
Income tax paid		(5,230)	(3,685)
		1,090	25,825
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Issuance of shares	5	1,896	3,115
Dividends		(6,482)	(6,364)
		(4,586)	(3,249)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Investment	10	(150)	(250)
Business acquisitions	11	(3,700)	(5,344)
Equipment and application software		(3,023)	(1,882)
		(6,873)	(7,476)
NET CASH INFLOW (OUTFLOW)		**$ (10,369)**	**$ 15,100**
CASH, BEGINNING OF PERIOD		28,639	16,761
CASH, END OF PERIOD		$ 18,270	$ 31,861

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, 2018 and 2017
(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 are diverse and 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, 2017 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, 2017. 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 9, 2018.

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. The core principle of the new guidance is that an entity should recognize revenue for the transfer of goods and services equal to an amount it expects to be entitled to receive for those goods and services. IFRS 15 is effective for the Company's annual periods beginning on October 1, 2018. The new guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application.

The Company has compared the current standard to the new standard, has identified the key differences and is currently completing its assessment of how these differences could potentially impact the Company. The Company has developed an implementation plan, which includes a review of changes to internal controls and processes to manage the new standard on a go forward basis as contracts are signed, and revenue is recognized. As well, the Company has not yet determined which transition method it will apply or whether it will use the optional exemptions or practical expedients available under the new standard. Management of the Company reports its findings and progress to the Audit Committee on a frequent basis. The Company will provide further updates as it progresses in its assessment.

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 with the Company's annual periods beginning on October 1, 2018.

The Company has compared the current standard to the new standard, has identified the key differences and is currently completing its assessment of how these differences could potentially impact the Company. The Company has developed an implementation plan, which includes a review of changes to internal controls and processes to manage the new standard on a go forward basis. As well, the Company has not yet determined which transition method it will apply or whether it will use the optional exemptions or practical expedients available under the new standard. Management of the Company reports its findings and progress to the Audit Committee on a frequent basis. The Company will provide further updates as it progresses in its assessment.

2. FUTURE CHANGES IN ACCOUNTING POLICIES (Continued)

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 with the Company's annual periods beginning on October 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, 2017.

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 nine-month periods ended June 30, 2018 (2017), the Company issued 21,508 (31,214) shares under the Company’s Employee Share Purchase Plan at an average price of $21.50 ($12.73) for cash of $462 ($398) and non-cash of $89 ($78).

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, 2018 (2017), 264,900 (244,600) options were outstanding of which 200,900 (200,600) are exercisable. During the nine-month period ended June 30, 2018 (2017), 96,600 (Nil) options were granted.

The weighted average fair value of options granted during the nine-month period ending June 30, 2018 was $4.52 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 behavioral 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 2 years after vesting. The following assumptions were used to determine the fair value of the options granted between October 1, 2017 and June 30, 2018:

	Nov 2017	March 2018
Grant date share price	$ 34.58	$31.54
Exercise price	$ 34.58	$31.54
Expected price volatility	24.0%	22.7%
Expected option life	4.25 yrs	4.25 yrs
Expected dividend yield	4.07%	3.54%
Risk-free interest rate	1.62%	2.09%
Forfeiture rate	0%	0%

5. ISSUED CAPITAL (continued)

Restricted Stock Units

The Company has established a restricted stock unit ("RSU") plan. 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. The following table depicts the activity for the RSU's during the quarter and year to date ended June 30, 2018 (2017).

	Three-months ended June 30		Nine-months ended June 30	
	2018	**2017**	**2018**	**2017**
Beginning balance	21,961	-	11,345	-
Vested	-	-	(3,741)	-
Cancelled	(66)	-	(216)	-
Issued	-	11,345	14,507	11,345
Closing balance	21,895	11,345	21,895	11,345

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	
	2018	**2017**	**2018**	**2017**
Weighted average number of shares – basic	7,737,429	7,629,630	7,711,746	7,564,184
Addition to reflect the dilutive effect of employee stock options and RSU's	69,101	67,787	54,120	71,126
Weighted average number of shares – diluted	7,806,530	7,697,417	7,765,865	7,635,309

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, 2018 (2017), 96,600 (30,000) options and NIL (2,000) RSU's were excluded from the above computation. For the nine-month period ending June 30, 2018 (2017), 96,600 (30,000) options and 4,100 (11,345) 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 and solutions 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, 2017.

7. SEGMENTED INFORMATION (Continued)

Three-months ended June 30, 2018	Systems Engineering	Business and Technology Services	Corporate	Total
Revenues	$ 16,538	$ 56,841	$ -	$ 73,379
Profit before interest income and income tax expense	2,731	3,595	(1,008)	5,318
Interest income				46
Income tax expense				(1,491)
Net profit for the period				$ 3,873

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	2,760	2,913	(810)	4,863
Interest income				37
Income tax expense				(1,402)
Net profit for the period				$ 3,498

Nine-months ended June 30, 2018	Systems Engineering	Business and Technology Services	Corporate	Total
Revenues	$ 57,636	$ 168,595	$ -	$ 226,231
Profit before interest income and income tax expense	8,541	10,789	(3,039)	16,291
Interest income				135
Income tax expense				(4,620)
Net profit for the period				$ 11,806
Equipment and intangible expenditures	$ 1,750	$ 1,273	$ -	$ 3,023
Business acquisitions	$ -	$ 3,700	$ -	$ 3,700

Total assets other than cash and goodwill	$ 44,476	$ 69,261	$ 199	$ 113,936
Goodwill	-	18,084	-	18,084
Cash	-	-	18,270	18,270
Total assets	$ 44,476	$ 87,345	$ 18,469	$ 150,290

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
Business acquisitions	$ -	$ 5,344	$ -	$ 5,344

7. SEGMENTED INFORMATION (Continued)

As at September 30, 2017	Systems Engineering	Business and Technology Services	Corporate	Total
Total assets other than cash and goodwill	$ 35,257	$ 54,145	$ 130	$ 89,532
Goodwill	-	15,383	-	15,383
Cash	-	-	28,639	28,639
Total assets	$ 35,257	$ 69,528	$ 28,769	$ 133,554

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, 2018, the Company had the following forward foreign exchange contracts:

Type	Notional	Currency	Maturity	Equivalent Cdn. Dollars	Fair Value June 30, 2018
SELL	121,650	USD	July 2018	$ 160,189	645
SELL	8,129	EURO	July 2018	12,486	89
SELL	74	CHF	July 2018	98	1
Derivative assets					$ 735
BUY	67,914	USD	July 2018	$ 89,429	$ 360
BUY	1,461	EURO	July 2018	2,224	16
BUY	1,524	CHF	July 2018	2,023	22
Derivative liabilities					$ 398

A 10% strengthening of the Canadian dollar against the following currencies at June 30, 2018 would have decreased other comprehensive income as related to the forward foreign exchange contracts by the amounts shown below.

	June 30, 2018
USD	$ 6,433
EURO	931
CHF	175
	$ 7,539

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 June 6, 2018, 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 6, 2021. 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.

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. During the nine-month period ended June 30, 2018; the Company paid the full $1,640 related to the first year earn-out. There are no changes in management's assessment that ISR can achieve its earn-out target in its second year based on the level of contracts and market share expectations. 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 Services operating segment.

On February 22, 2018, Calian acquired the remaining 51% of International Safety Research Europe B.V. ("ISRE") for $166. The initial investment in ISRE was accounted for as an equity investment. With 100% ownership of ISRE, it is now fully consolidated.

(D.T.) Secure Technologies International Inc. ("Secure Tech.")
On May 31, 2018, the Company acquired all of the outstanding shares of Secure Technologies for a purchase price of up to $4,179. Of this amount, $2,200 was paid on the date of closing, $200 was placed in escrow, $179 will be paid upon settlement of final net equity and $1,600 is payable contingently.

Under the contingent consideration arrangement, the Company is required to pay the former shareholders of Secure Tech an additional $800 and $800 if Secure Tech attains specified levels of earnings before interest, taxes, depreciation and amortization ("EBITDA") for the years ending May 31, 2019 and 2020, respectively. With the current level of contracts signed by Secure Tech and the ability to grow in its selected market segment, management believes that Secure Tech can achieve its earn-out target in both years. Therefore, the amount of $1,600 represents the estimated fair value of the Company's obligation at the acquisition date. Secure Tech is a dedicated partner in IT and Information Security. Secure Tech was acquired to expand the Company's information technology cyber 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, 2018, 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	$ 2,400
Liability	179
Contingent payments	1,600
Consideration to allocate	$ 4,179

11. ACQUISITION (Continued)

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

Current assets:	
Cash	$ 506
Accounts receivable and tax receivable	177
Prepaid expenses and other	1,330
	$ 2,013
Non-current assets:	
Equipment	$ 47
Intangible assets	1,495
	$ 3,555
Current Liabilities:	
Accounts payable and accrued liabilities	$ 130
Deferred income	1,551
Deferred tax liability	396
	$ 2,077
Net assets acquired	$ 1,478
Goodwill arising on acquisition:	
Total consideration allocated	$ 4,179
Net assets acquired	1,478
	$ 2,701

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	$ 2,400
Less- cash balance acquired	(506)
	$ 1,894

Impact of the acquisitions on the consolidated results of the Company:
Had the business combinations been effected at October 1, 2017, the revenue and net profit of the Company for the nine-month period ended June 30, 2018 would have been higher by $4,344 and $318 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, 2018. Future periods will be impacted by seasonality as Secure Tech activities are impacted by the timing of product deliveries.

12. SUBSEQUENT EVENT

On August 8, 2018, the Company acquired William Barker Clinical Psychologist Ltd. and PriorityOne Workplace Health Inc., (together "**Priority One**") for total cash consideration of $850.

Management Discussion and Analysis – June 30, 2018:

(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 2018, revenues were $73,379 compared to $67,332 reported for the same period in 2017 representing a 9% increase from the prior year. For the nine-month period ending June 30, 2018 revenues were $226,231 compared to $203,102 for 2017, an increase of 11%.

Systems Engineering's (SED) revenues were $16,538 in the quarter and $57,636 on a year-to-date basis representing a 2% decrease and 9% increase, respectively, when compared to the $16,850 and $53,090 recorded for the same periods in the previous year. All of SED's business units continue to be busy in a range of activities including RF system projects, product developments and contract manufacturing for commercial and defence customers. Product sales continue to provide solid recurring revenues and interest continues to grow with some of our newer products with new customers entering the mix. SED signed a major contract and the largest in its history for RF ground systems contributing to the large increase in the Q3 backlog.

Business and Technology Services (BTS) revenues were $56,841 in the quarter and $168,595 on a year-to-date basis representing a 13% and 12% increase, respectively, when compared to the $50,482 and $150,012 recorded for the same periods in the previous year. The revenue increase for the quarter and year-to-date was achieved almost all organically. All services lines showed significant increase in demand for their services with existing customers and also saw the benefit of various new wins.

Management expects that the marketplace for the near term will continue to be competitive and the timing of new contract awards is always difficult to predict. Our backlog provides a strong 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 20.4% for the third quarter of 2018 and 19.6% on a year-to-date basis compared to the 19.2% and 19.1% recorded for the same periods in the previous year.

Gross margin in Systems Engineering was 30.7% in the third quarter of 2018 and 26.3% on a year-to-date basis compared to the 28.4% and 27.8% recorded for the same periods in the previous year. Gross margin in the quarter reflects the greater proportion of labour compounded by certain RF system projects nearing completion where the retirement of project risks allowed the realization of higher margin. The gross margin in for the nine-month period ended June 30, 2018 was impacted by newer customer driven development projects that, until fully developed, result in lower margins. In addition, the influx of new resources to fulfill our project requirements resulted in lower utilization during the year as these resources were trained and ramped up on projects. 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 17.4% for the three and nine-month periods ending June 30, 2018 compared to the 16.1% and 16.0% recorded for the same periods in the previous year. The inclusion of the ISR acquisition accounts for approximately 0.1% of the 0.9% improvement with the remaining uplift being attributed to solid execution on existing contracts. 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, 2018, selling and marketing, general and administration and facilities totalled $25,997 or 11.5% of revenues compared to $21,796 or 10.7% of revenues reported in 2017. Operating costs increased over the prior year due to the inclusion of operating costs related to the ISR acquisition, continued focus on selling and marketing efforts and service line evolution capabilities, improvements and expansion of our facilities, the expensing of share-based compensation in addition to certain one-time costs. 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 $6,031 compared to $5,504 in the same quarter of the previous year. For the nine-month period ended June 30, 2018, EBITDA(1) was $18,428 compared to $16,899 in the same period of the previous year.

Depreciation:

For the nine-month period ended June 30, 2018, depreciation was $1,268 which is slightly higher than the $1,083 recorded in fiscal 2017.

Amortization of intangibles:

For the nine-month period ended June 30, 2018, amortization of intangibles increased slightly to $869 compared to $750 in the same period of fiscal 2017.

Income taxes:

The provision for income taxes was $4,620 or 28.1% of earnings before tax compared to $4,105 in 2017 or 27.0% of earnings before tax. The difference in effective tax rates is primarily due to the increase in share based compensation which is not tax deductible. The effective tax rate for 2018, prior to considering the impact of non-taxable transactions and adjustments to reflect actual tax provision as filed, is expected to be approximately 27.0%.

Net profit:

As a result of the foregoing, in the third quarter of 2018 the Company recorded net profit of $3,873 or $0.50 per share basic and diluted, compared to $3,498 or $0.46 per share basic and $0.45 diluted in the same quarter of the prior year. For the nine-month period ended June 30, 2018 the Company recorded net profit of $11,806 or $1.53 per share basic and $1.52 per share diluted, compared to $11,063 or $1.46 per share basic and $1.45 per share in the same period of the prior 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 EBITDA	Third Quarter 2018	Third Quarter 2017	YTD 2018	YTD 2017
Profit before interest income and income tax expense	$ 5,318	$ 4,863	$ 16,291	$ 15,066
Depreciation	442	376	1,268	1,083
Amortization	271	265	869	750
EBITDA	$ 6,031	$ 5,504	$ 18,428	$ 16,899

BACKLOG

The Company's backlog at June 30, 2018 was $1,242 million with terms extended to fiscal 2030. This compares to $1,261 million reported at September 30, 2017. 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 2018, 2019 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 2018	Fiscal 2019	Beyond 2019	Estimated realizable portion of Backlog	Excess over estimated realizable portion	TOTAL
Contracted Backlog	$ 73	$ 195	$ 237	$ 505	$ 65	$ 570
Option Renewals	-	13	638	651	21	672
TOTAL	$ 73	$ 208	$ 875	$ 1,156	$ 86	$ 1,242
Business and Technology Services	$ 51	$ 161	$ 785	$ 997	$ 86	$ 1,083
Systems Engineering	22	47	90	159	-	159
TOTAL	$ 73	$ 208	$ 875	$ 1,156	$ 86	$ 1,242

FINANCIAL CONDITION AND CASHFLOWS

Operating activities:

Cash outflows from operating activities for the period ended June 30, 2018 were $1,090 compared to cash inflows of $25,825 in 2017. Cash flows have been negatively impacted by the increase in accounts receivable, work in process commensurate with the status of large projects at SED. The aging of the accounts receivable remain in excellent health and overdue accounts remain stable and are usually delays for administrative reasons rather than due to the inability to collect. 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, 2018, the Company's total unearned revenue amounted to $14,824 compared to $8,831 at September 30, 2017.

Financing activities:

During the nine-month periods ended June 30, 2018 (2017), 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 ended June 30, 2018, the Company invested $3,023 in capital assets compared to $1,882 in the prior period. The increase is attributable to additional manufacturing equipment purchased at SED and the preparation of the new Calian head office in Ottawa..

During the nine-month period ended June 30, 2018, Calian also acquired the remaining 51% of ISRE in the period ended for $166, and provided $150 to Cliniconex Inc. in the form of a convertible loan.

The Company also acquired Secure Tech as explained in Note 11 to the financial statements.

Capital resources:

At June 31, 2018 the Company had a short-term credit facility of $40,000 with a Canadian chartered bank that bears interest at prime and is secured by assets of the Company. An amount of $50 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

	Q3/18	Q2/18	Q1/18	Q4/17	Q3/17	Q2/17	Q1/17	Q4/16
REVENUES	$ 73,379	$ 77,103	$ 75,549	$ 72,321	$ 67,332	$ 67,063	$ 68,707	$ 68,758
EBITDA(1)	$ 6,031	$ 5,990	$ 6,407	$ 6,572	$ 5,504	$ 6,190	$ 5,205	$ 5,318
Net profit	$ 3,873	$ 3,862	$ 4,071	$ 4,327	$ 3,498	$ 4,186	$ 3,379	$ 3,380
Net profit per share								
Basic	$ 0.50	$ 0.50	$ 0.53	$ 0.57	$ 0.46	$ 0.55	$ 0.45	$ 0.45
Diluted	$ 0.50	$ 0.50	$ 0.52	$ 0.56	$ 0.45	$ 0.55	$ 0.45	$ 0.45

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 services 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 four pillar growth strategy:

- Customer retention: through continued delivery excellence, maintain a valued relationship with current customer base;
- 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;
- Service Line Evolution: continue investment in service offerings to increase differentiation and improve gross margin attainment;
- 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.

The company has completed six acquisitions in the past 6 years, and will proactively look for companies that can accelerate its growth strategy with a focus on customer diversification and service line evolution.

Calian's 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 and is diversifying its customer base in the agriculture, cable and defence sectors. 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. The delays, deferrals and cancellations 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 professional services are adaptable to many different markets. Currently, its strength lies in providing professional services, solutions, and delivery services across Canada with a significant portion of this work currently with the Department of National Defence. Recently the division has been successful in 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, training and engineering services from private enterprise to achieve their business outcomes. Looking at the current outlook, the federal government continues to spend on priority programs and while there is general uncertainty as to the extent of demand from this customer, at least in the short term spending seems to have stabilized. With recent investments in sales, marketing, acquisitions and success in new markets outside of the federal government, the division is better positioned to manage through any potential government spending downturns. Recent acquisitions have also bolstered the division's performance and it is expected that overall, the acquired companies will continue to meet and exceed the financial targets established as part of the acquisitions.

GUIDANCE

Management 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 2018 to be in the range of $300 million to $315 million, net profit in the range of $1.95 to $2.20 per share.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the most recent interim quarter ended June 30, 2018, 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, 2017 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 9, 2018