

**CALIAN TECHNOLOGIES LTD.  
MANAGEMENT PROXY CIRCULAR  
DECEMBER 2, 2011  
SOLICITATION OF PROXIES**

This Management Proxy Circular (this “Circular”) is furnished in connection with the solicitation by the management of CALIAN TECHNOLOGIES LTD. (the “Corporation”) of proxies to be used at the annual meeting of shareholders of the Corporation to be held on Friday February 10, 2012 at 2:00 p.m. (Ottawa time) at the Brookstreet Hotel, 525 Legget Drive, Kanata, Ontario for the purposes set forth in the enclosed notice of meeting or any adjournment thereof (the “Meeting”). It is expected that the solicitation will be primarily by mail, but employees of the Corporation may also solicit proxies personally. The cost of solicitation by management will be borne by the Corporation.

Except as otherwise stated, the information contained in this Circular is given as of December 2, 2011. All dollar amounts in this Circular are in Canadian dollars unless otherwise indicated.

**APPOINTMENT OF PROXYHOLDERS AND REVOCATION OF PROXIES**

A vote at all meetings of shareholders of the Corporation may be given in person or by proxy whether or not the proxy holder is a shareholder. The persons named in the Form of Proxy enclosed with this Circular are officers of the Corporation. **Each shareholder is entitled to appoint a person other than the individuals named in the Form of Proxy to represent such shareholder at the Meeting.** A registered shareholder desiring to appoint some other person to represent that shareholder at the Meeting may do so either by inserting such person’s name in the blank space provided in the appropriate Form of Proxy or by completing another proper Form of Proxy and, in either case, delivering the completed proxy to the Corporation’s transfer agent, CIBC Mellon Trust Company, P.O. Box 721, Agincourt, Ontario, M1S 0A1, in the addressed envelope enclosed or by fax to 1-866-781-3111, or to the Secretary of the Corporation no later than 5:00 p.m. (Ottawa time) on Wednesday, February 8, 2012.

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

Pursuant to Section 148(4) of the *Canada Business Corporations Act* (the “CBCA”), a proxy given pursuant to this solicitation may be revoked (1) by instrument in writing, executed by the shareholder or by the shareholder’s attorney authorized in writing and deposited (a) at the registered office of the Corporation at 340 Legget Drive, suite 101, Ottawa, Ontario, K2K 1Y6 at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or (b) prior to voting with the chair of the Meeting on the day of the Meeting, or any adjournment thereof or (3) in any other manner permitted by law. **If a shareholder appoints some person other than the officers named in the Form of Proxy to represent the shareholder, such person will vote the Common Shares in respect of which that person is appointed proxy holder in accordance with the direction of the shareholder who appointed that person. In the absence of such direction, that person may vote such shares at that person’s discretion. It is the responsibility of the shareholder appointing any other person to represent such shareholder to inform that person that that person has been so appointed.**

Only registered holders of Common Shares, or the persons that they appoint as proxies, are permitted to attend and vote at the Meeting. In many cases, however, Common Shares are beneficially owned by a shareholder (a “Non-Registered Holder”) and are registered either: (i) in the name of an intermediary (an “Intermediary”) that the Non-Registered Holder deals with in respect of the Common Shares, such as, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans; or (ii) in the name of a clearing agency (such as The Canadian Depository for Securities Limited (“CDS”) of which the Intermediary is a participant.

In accordance with the requirements of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators, the Corporation has distributed copies of the Notice, Form of Proxy and this Circular (the “Meeting Materials”) to CDS and all of the Intermediaries for delivery to Non-Registered Holders. Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Often, Intermediaries will use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive Meeting Materials will either:

- (a) be given a form of proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of Common Shares beneficially owned by the Non-Registered Holder but which is otherwise uncompleted – this form of proxy does not need to be signed by the Non-Registered Holder and, in this case, the Non-Registered Holder who wishes to submit a form of proxy should properly complete the form of proxy and deposit it with CIBC Mellon Trust Company as described above; or
- (b) more typically, be given a voting instruction form which must be completed and signed by the Non-Registered Holder in accordance with the directions on the voting instruction form.

The purpose of these procedures is to permit Non-Registered Holders to direct the voting of the Common Shares that they beneficially own. If a Non-Registered Holder who receives either a form of proxy or a voting instruction form wishes to attend and vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should insert the Non-Registered Holder’s (or such other person’s) name in the blank space provided or, in the case of a voting instruction form, follow the corresponding instructions on that form. **In either case, Non-Registered Holders should carefully follow the instructions of their Intermediaries and their service companies, including those regarding when and where the proxy or proxy authorization form is to be delivered.**

## VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

As of the date of this Circular, 7,628,483 Common Shares were issued and outstanding, the holders of which are entitled to one vote for each Common Share held. The board of directors of the Corporation (the “Board”) has fixed the close of business on December 12, 2011 as the record date for the purpose of determining shareholders entitled to receive notice of and to vote at the Meeting. The failure of any shareholder to receive notice of a meeting of the shareholders does not, however, deprive such shareholder of a vote at such meeting.

The following table sets forth information regarding the beneficial ownership of the Common Shares as of December 2, 2011 with respect to each person who, as of such date, is known to the directors or officers of the Corporation to be the beneficial owner of or exercise control or direction over more than 10% of the Common Shares:

Name of Beneficial Owner	Number of Common Shares Held	Percentage of Voting Common Shares
Bissett Investment Management, a division of Franklin Templeton Investments Corp.	1,135,100	14.9%
Fidelity Management & Research Company and Pyramis Global Advisors, LLC	778,000 <sup>(1)</sup>	10.2%

(1) As at September 30, 2009

## PRESENTATION OF FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

The Corporation’s audited financial statements for the year ended September 30, 2011 (the “Financial Statements”) and the auditors’ report on the Financial Statements will be presented to shareholders at the Meeting. The Financial Statements are included in the Corporation’s 2011 Annual Report which accompanies this Circular. In accordance with the provisions of the CBCA, the Financial Statements are merely presented at the Meeting and will not be voted on.

The Corporation has filed an Annual Information Form (the “AIF”) for its 2011 fiscal year and its 2011 Annual Report on SEDAR at [www.sedar.com](http://www.sedar.com) that contain, among other things, all of the financial disclosure (including copies of the Financial Statements and management’s discussion and analysis of the Financial Statements) required under National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators. In particular, the information that is required to be disclosed in Form 52-110F1 of National Instrument 52-110 may be found under the heading “Audit Committee” in the AIF. Upon request, the Corporation will promptly provide copies of the AIF to shareholders free of charge.

## ELECTION OF DIRECTORS

The Board is elected annually. The number of directors of the Corporation to be elected at the Meeting is set at seven (7). Each of the persons listed below is proposed to be nominated as a director of the Corporation to serve until the next annual meeting or until such person’s successor is elected or appointed, and each has agreed to serve as director if elected. Unless a shareholder directs that such shareholder’s Common Shares are to be withheld from voting for the election of directors, the persons designated in the enclosed proxy will vote FOR the election of each proposed nominee listed in the table below, all of whom are currently directors of the Corporation:

<u>Name and Present Principal Occupation</u>	<u>Period of Service as a Director</u>	<u>Number of Common Shares Held</u>
Kenneth J. Loeb <sup>(1)(2)(3)(4)(5)</sup> , Ontario, Canada Chief Executive Officer, Loeb Packaging Ltd.	2001 – 2011	3,239
Larry O'Brien <sup>(1)(2)(3)(4)</sup> , Ontario, Canada Director	1982 – 2011	183,000 <sup>(6)</sup>
Major Gen. (Ret'd) William Hewson <sup>(1)(2)(3)(4)</sup> Ontario, Canada, Consultant	2003 – 2011	3,961
Senator David Tkachuk <sup>(1)(2)(3)</sup> , Saskatchewan, Canada, Member of the Senate of Canada	2003 – 2011	2,446
Richard A. Vickers, FCA <sup>(1)(2)(3)</sup> , Ontario, Canada, Consultant, R. A. Vickers Management Inc.	2003 – 2011	4,161
Raymond Basler, Saskatchewan, Canada President and Chief Executive Officer of the Corporation	2005 – 2011	72,900
Paul Cellucci <sup>(1)(2)(3)</sup> , Massachusetts, United States of America, Special counsel to McCarter & English, LLP	2007 – 2011	356

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

(2) Member of the Compensation Committee of the Board

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

(4) Member of the Nominating Committee

(5) Chairman of the Board

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

Except as set forth below, the above-mentioned persons have held the principal occupations set below their names or other management functions within their respective organizations for the last five years.

LARRY O'BRIEN was Mayor of the City of Ottawa from December 1, 2006 to December 1, 2010.

RICHARD VICKERS was Chief Operating Officer of Borden Ladner Gervais LLP until December 31, 2009.

No director or executive officer of the Corporation and, to the knowledge of the Corporation, no shareholder holding a sufficient number of securities of the Corporation to materially affect its control is or was, in the 10 years preceding the date of this Circular, a director or executive officer of any company that was, while that person was acting in that capacity, (a) the subject of a cease trade or similar order or an order that denied any such company access to any exemption under securities legislation for a period of more than 30 consecutive days, (b) subject to an event that resulted, after such person ceased to be a director or executive officer, in such company being the subject of any such order or (c) and within a year of such person ceasing to act in that capacity, became bankrupt, made a proposal under any bankruptcy or insolvency related legislation or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No director or executive officer of the Corporation and, to the knowledge of the Corporation, no shareholder holding a sufficient number of securities of the Corporation to materially affect its control, within the 10 years

preceding the date of this Circular, has become bankrupt, made a proposal under any bankruptcy or insolvency related legislation or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

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

### **Directors' Attendance**

For the 12-month period ended September 30, 2011, the Board of Directors, the Audit Committee and the Compensation Committee met four times, the Governance Committee met twice and the Nominating committee met once. Compensation and governance issues are also discussed during the quarterly Board meetings with all of the Board members present. All of the directors were present at all Board and committee meetings either by phone or in person, with the exception of Mr. O'Brien who missed one Board meeting, one Audit Committee meeting, one Governance Committee meeting, one Compensation Committee meeting and one Nominating committee; and Mr. Cellucci who missed one Board meeting, one Audit Committee meeting and one Compensation Committee meeting.

## **STATEMENT OF EXECUTIVE COMPENSATION**

### **COMPENSATION DISCUSSION AND ANALYSIS**

This Compensation Discussion and Analysis and the following tables and narratives set forth below present information regarding the compensation of the Chief Executive Officer, Chief Financial Officer and the three other most highly compensated executive officers of the Corporation (the "named executive officers" or "NEOs") who earned more than \$150,000 in total compensation during the fiscal year ended September 30, 2011 in accordance with the National Instrument 51-102 of the Canadian Securities Administrators.

#### **Executive Summary**

The financial strength of the corporation that has been cultivated under the current executive team has enabled the Corporation to maintain sufficient liquidity and financial flexibility to continue delivering a high return to shareholders along with a healthy dividend. The performance of the Corporation measured by earnings performance was in line with the target for this year. Based on this performance, the Board of Directors approved compensation to NEOs as described below. Looking ahead to 2012, attraction and retention of critical talent, including executive expertise, remains a focus. The Board believes that the Corporation is well positioned to continue to execute on its plans.

#### **Objectives of the Compensation Program**

The Board of Directors has adopted a pay for performance philosophy and executive compensation program whereby executives receive compensation based upon the market value of the type of job they perform and their level of individual performance. The Corporation's policy with respect to the compensation of Named Executive Officers (NEOs) specifically is to:

- Seek to align management's interest with shareholder interest through both short and long-term incentives linking compensation to performance. The short-term incentive is in the form of cash incentives while the longer term incentive is in the form of stock options which creates a direct correlation between variations in the Corporation's stock price and the compensation of NEO.

- Ensure that overall compensation for NEOs is not only internally equitable, but also competitive in today’s market based on experience and length of service with the Corporation in order to attract, retain and motivate individuals with the qualifications and commitment needed to enhance shareholder value and maintain the Corporation’s competitiveness in its market segment.

**Compensation Committee**

The Compensation Committee is tasked with (i) reviewing and studying compensation and compensation policies for the Corporation, including the level of compensation paid to the Chief Executive Officer, and reporting on such matters to the Board; (ii) reviewing the goals and objectives of the Chief Executive Officer at the beginning of each year and providing an appraisal of the Chief Executive Officer’s performance for the most recently completed year; and (iii) reviewing the performance of the senior officers of the Corporation including the level of short-term and long-term incentives awarded to each. The compensation for all remaining executives (except for that contractually provided for is determined by the Chief Executive Officer.

**Summary of Compensation Elements**

The Corporation believes that the following elements of compensation, when combined, provide an appropriate mix of conventional and incentive-based compensation.

Element	Purpose
Base Salary	Provide a fixed level of compensation for performing day-to-day responsibilities, competency and for attraction and retention.
Short-term incentive plan	Provide a competitive, performance-based cash award based on earnings.
Option awards	Recognize longer-term contributions and align management and shareholder interests.

Base salaries are determined on the basis of outside market data as well as individual performance and experience level. The annual bonus paid to each of the Chief Executive Officer and the Chief Financial Officer is based on the overall financial profitability of the Corporation. Annual bonuses are also paid to the senior managers of the Corporation based on a percentage of divisional profitability and individual performance. Certain members of the executive team are primarily responsible for the financial performance of a specific division. During 2011, Mr. McConnell was responsible for the performance of the Corporation’s Systems Engineering division and Mr. Ford was responsible for the performance of the Corporation’s Business and Technology Services division. To date no specific formulas have been developed to assign a specific weighting to the elements of compensation used by the Corporation.

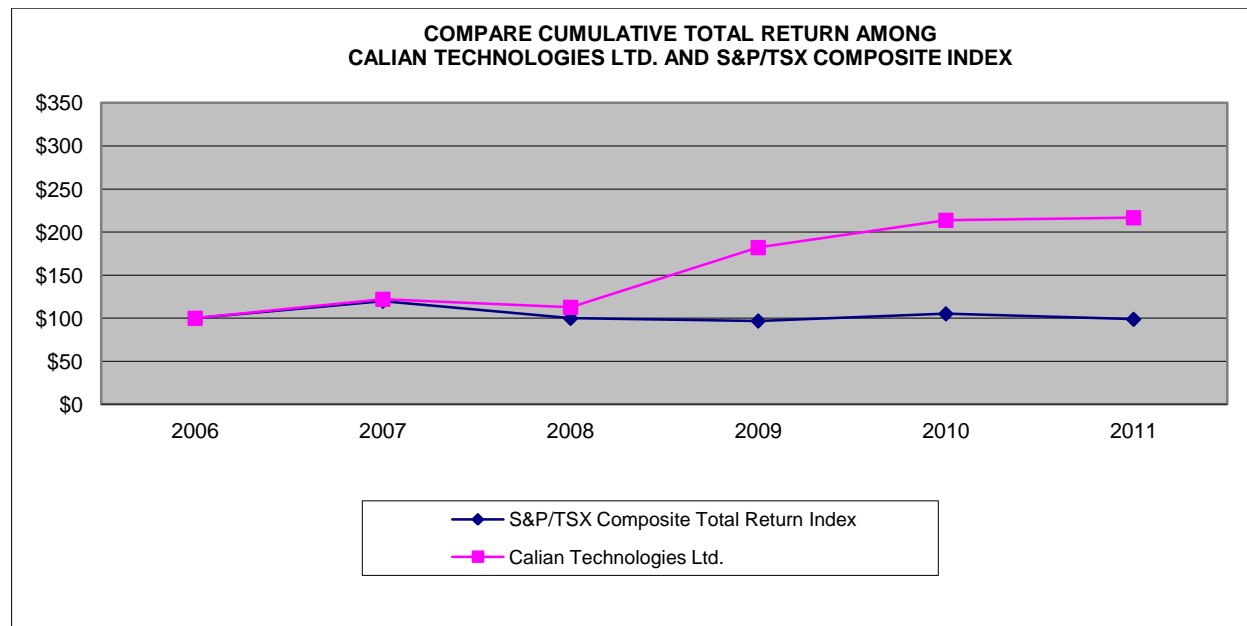
In establishing levels of compensation and granting stock options, the Board of Directors considers the executive’s performance, level of expertise, responsibilities and length of service to the Corporation. To date, a benchmarking exercise has not yet been undertaken in respect of compensation of Named Executive Officers.

Option-based Awards:

The Board of Directors through its compensation committee has the responsibility of designing Option-based award plans as incentive for senior managers to consider long-term sustainability of the Corporation. In establishing levels of stock option grants, the Board of Directors considers the executive’s performance, level of expertise, responsibilities and length of service to the Corporation. Stock options already granted to Named Executive Officers are considered in granting new options.

## Performance Graph

The following graph compares the percentage change in the cumulative total shareholder return on the Common Shares with the cumulative total return of the S&P/TSX Composite Index for the five year period ended September 30, 2011. The following graph assumes \$100 invested on September 30, 2006 and reinvestment of all dividends.



The trend shown by the performance graph above represents a growth of 116.74% in the cumulative shareholder return from 2006 to 2011. Over the same period the total compensation received by the NEOs in aggregate, increased by 40%.

## SUMMARY COMPENSATION TABLE

(all Canadian dollar amounts rounded to nearest dollar)

The following table sets forth all compensation earned by each named executive officer for each of the Corporation's three most recent completed financial years.

Name and Principal Position	Year	Salary	Share-based awards	Option-based awards (1)	Non-equity incentive plan compensation		Pension Value	All Other Compensation (2)	Total Compensation
					Annual incentive plan	Long-term incentive plan			
Raymond Basler President and Chief Executive Officer	2011	\$338,000	-	\$25,342	\$470,000	-	-	-	\$833,342
	2010	\$328,000	-	-	\$500,000	-	-	-	\$828,000
	2009	\$319,000	-	\$19,123	\$650,000	-	-	-	\$988,123
Jacqueline Gauthier Vice President, Chief Financial Officer and Corporate Secretary	2011	\$195,700	-	\$19,007	\$235,000	-	-	-	\$449,707
	2010	\$190,000	-	-	\$250,000	-	-	-	\$440,000
	2009	\$184,500	-	\$14,342	\$325,000	-	-	-	\$523,842
Tom Coates <sup>(3)</sup> Vice President and General Manager Business and Technology Services	2011	\$ 96,500	-	-	\$ 60,000	-	-	-	\$156,500
	2010	\$204,500	-	-	\$208,500	-	-	-	\$413,000
	2009	\$198,500	-	\$9,562	\$220,000	-	-	-	\$428,062
Kevin Ford <sup>(3)</sup> Vice President and General Manager Business and Technology Services	2011	\$226,150	-	\$19,007	\$176,000	-	-	-	\$421,157
Brent McConnell <sup>(4)</sup> Vice President and General Manager Systems Engineering	2011	\$196,150	-	-	\$310,000	-	-	-	\$506,150
	2010	\$190,500	-	-	\$355,000	-	-	-	\$545,500
	2009	\$185,000	-	\$9,562	\$420,000	-	-	-	\$614,562

(1) The compensation costs related to the issuance of options during 2011 (2009) were calculated using the Black-Scholes option pricing model using the following assumptions: Risk free interest rate of 1.8% (2.3%), expected dividend yield of 5.5% (7.2%), stock price volatility of 17.7% (26.7%) and expected life of options of 2.91 (3.47) years.

(2) Unless otherwise indicated, perquisites and other personal benefits do not exceed the lesser of \$50,000 and 10% of the total of the annual salary and bonus of the named executive officer. See disclosure in Pension Plan Benefits below.

(3) Mr. Coates retired March 31, 2011 and Mr. Ford was VP and General Manager of the business and Technology Services division since January 1, 2011.

(4) Mr. McConnell will retire from the Company effective December 2011.

## INCENTIVE PLAN AWARDS

### 1. Outstanding share-based and option-based awards

(all Canadian dollar amounts rounded to nearest dollar)

The following table sets out all of the option-based awards outstanding for each of the named executive officers as at September 30, 2011. There are no share-based awards.

Name	Option-based Awards			
	Number of securities underlying unexercised options	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)
Raymond Basler	20,000 20,000	\$ 18.65 \$ 13.00	Feb. 13, 2016 Aug. 22, 2012	Nil \$ 101,400
Jacqueline Gauthier	15,000	\$ 18.65	Feb. 13, 2016	Nil
Kevin Ford	15,000	\$ 18.65	Feb. 13, 2016	Nil
Brent McConnell	10,000 10,000	\$ 13.47 \$ 13.00	Feb. 5, 2012 Aug. 22, 2012	\$ 50,700 \$ 46,000

### 2. Incentive plan Awards – value vested or earned during the year

The following table sets out the value of incentives earned by the named executive officers or vested in their favour during the financial year ended September 30, 2011.

Name	Option-based awards – Value vested during the year (\$)	Share-based Awards – Value vested in the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Raymond Basler	\$ 62,900	N/A	\$ 470,000
Jacqueline Gauthier	\$ 46,250	N/A	\$ 235,000
Kevin Ford	NIL	N/A	\$ 176,000
Brent McConnell	\$ 31,450	N/A	\$ 310,000

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table summarizes the number of Common Shares authorized for issuance from treasury under the Corporation's equity compensation plans as at September 30, 2011.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	150,000 <sup>(1)</sup>	\$16.49	155,000

(1) These securities include Common Shares issuable under Stock Option Plan but do not include Common Shares authorized for issuance pursuant to the Purchase Plan. Under the Purchase Plan, the Corporation expects to issue approximately 24,627 Common Shares in February 2012 at a purchase price of approximately \$14.81 per share, following which approximately 164,000 Common Shares will be available for issuance under the Purchase Plan, all in accordance with the terms and conditions thereof as disclosed to and approved by the Company's shareholders on February 26, 2003.

### Stock Option Plans

On February 2, 2005, the Corporation established a Director and Employee Stock Option Plan (the "Stock Option Plan") administered by the Compensation Committee which has the authority to select those directors and employees to whom options are granted, the number of options to be granted to each director and employee and the price at which Common Shares under such options may be purchased, provided that such price is to be based upon the market price of the Common Shares on the date the option is granted. Options granted under the Plan are non-transferable and each option, unless terminated pursuant to the Stock Option Plan, expires on a date determined by the Compensation Committee, which date will not be later than 10 years from the date the option was granted.

Unless otherwise determined by the Compensation Committee, one-third of any option shall vest and may be exercised following each anniversary of the date of an option grant. The Compensation Committee may by written notice to any participant accelerate the vesting of all or any portion of any option.

The Compensation Committee may also accelerate the vesting of any or all outstanding options to provide that such options shall be fully vested and conditionally exercisable upon (or prior to) the completion of a change in control (as such term is defined in the Stock Option Plan). If the Compensation Committee elects to accelerate the vesting of any options and any such options are not exercised within ten (10) business days following the giving of the notice of the proposed change in control, such unexercised options shall terminate and expire upon the completion of the proposed change in control. Upon the occurrence of a change of control, the Compensation Committee may also instead provide for the conversion or exchange of any outstanding Options into or for options, rights or other securities in any entity participating in or resulting from such change in control.

Employees and directors of the Corporation are entitled to participate in the Stock Option Plan while they are engaged with the Corporation. If a participant under the Stock Option Plan dies or becomes disabled while engaged with the Corporation or retires from engagement with the Corporation, the right of that participant (or of that participant's legal representative) to participate in the Stock Option Plan terminates as of the date of death, disability or retirement, as may be applicable, but any vested options may be exercised within 180 days of that event (unless such options terminate earlier pursuant to their terms) and any unvested options terminate immediately on the date of that event. If a participant under the Stock Option Plan is terminated by the Corporation or voluntarily resigns from the Corporation, that participant may exercise any vested options may within 30 days of that event (unless such options terminate earlier pursuant to their terms) but any unvested options terminate immediately on the date of that event.

The maximum number of Common Shares that may be reserved for issuance to any one eligible person (together with such person's associates) pursuant to options granted under the Stock Option Plan is 5% of the number of Common Shares then issued and outstanding and no single participant (together with such participant's associates) shall be granted, within any twelve month period, options representing a number of Common Shares which exceeds 5% of the number of Common Shares then issued and outstanding. The maximum number of Common Shares that may be reserved for issuance to Related Persons pursuant to the Stock Option Plan (and any other security-based compensation arrangements) at any time, and the maximum number of Common Shares that may be issued to Related Persons under the Stock Option Plan (and any other security-based compensation arrangements) within any one-year period, is 10% of the Common Shares outstanding. Options granted under the Stock Option Plan may not be assigned in any manner whatsoever.

On February 6, 2009, the shareholders of the Corporation approved certain amendments to the Stock Option Plan which were made in part to comply with the Toronto Stock Exchange rules in the TSX Company Manual. The most significant amendments related to increasing the maximum number of Common Shares issuable under the Stock Option Plan, extending the expiry of stock options during a blackout period and permitting the granting of options during a blackout period, and amending the Stock Option Plan's amending procedures.

The maximum number of Common Shares issuable pursuant to the exercise of options is 500,000 Common Shares, which represents approximately 6.5% of the Corporation's issued and outstanding Common Shares as of September 30, 2011 and December 2, 2011 on a fully diluted basis. At September 30, 2011 and December 2, 2011, 345,000 options had been granted under the Stock Option Plan which represents approximately 4.5% of the Corporation's issued and outstanding Common Shares. During the fiscal year-ended September 30, 2011, the Corporation granted 95,000 options at an exercise price of \$18.65 to purchase Common Shares under the Stock Option Plan.

#### **Non-equity Incentive plan**

The Board of Directors has authorized an incentive plan based on earnings before taxes and interest. The amount of entitlement of the CEO and CFO combined traditionally represents 4% of consolidated earnings before interest and income tax, the amount for each divisional General Manager has traditionally represented approximately 1.5% - 2.5% of the respective division's earnings before interest and income tax.

#### **Employee Stock Purchase Plan**

The Corporation also has in place an employee stock purchase plan that has been approved by the shareholders of the Corporation (the "Purchase Plan"), pursuant to which the Corporation has reserved an aggregate of up to 500,000 Common Shares for issuance of which 311,665 Common Shares have been issued as of September 30, 2011 and there has been no change to this number as at December 2, 2011. The Purchase Plan is intended to promote the interests of the Corporation by providing eligible employees, directors and consultants an opportunity to acquire a proprietary interest in the Corporation. Under the Purchase Plan, active employees regularly employed by the Corporation or any of its subsidiaries, who have been employed for at least three months, may contribute a percentage of their total salary to purchase Common Shares.

No Common Shares may be issued under the Purchase Plan if, together with Common Shares issued under the Stock Option Plan and any other share compensation arrangement, such issuance would result in the issuance to insiders within a one year period of a number of Common Shares exceeding 10% of the issued and outstanding Common Shares or the issuance to any one insider or such insider's associates within a one year period of a number of Common shares exceeding 5% of the issued and outstanding Common Shares. Further, the number of Common Shares reserved for issuance to any eligible employee shall not exceed 5% of the issued and outstanding Common shares. Common Shares acquired pursuant to the Purchase Plan are not subject to any restrictions on transfer other than those prescribed by applicable securities laws.

Any employee electing to participate in the Purchase Plan may contribute up to a maximum of 5% of their total annual salary each year. For one twelve-month period commencing on February 1<sup>st</sup> of each year and ending on January 31<sup>st</sup> of the subsequent year (the “February Offering Period”) and for one six-month period commencing on August 1<sup>st</sup> and ending on January 31<sup>st</sup> of the subsequent year (the “August Offering Period” and each of the February Offering Period and the August Offering Period, an “Offering Period”), eligible employees will be given an opportunity to request that a percentage of their salary be deducted each pay period for the purpose of acquiring Common Shares. Such deductions shall commence on the first day of the applicable Offering Period following receipt of the election form and shall continue until the employee terminates his or her participation in the Purchase Plan of the Purchase Plan is terminated. The purchase price under the Purchase Plan for the February Offering Period shall be 80% of the fair market value of the Common shares on February 1<sup>st</sup> of such period and the purchase price for the August Offering Period shall be 90% of the fair market value of the Common Shares on August 1<sup>st</sup> of such period. The fair market value shall be determined by calculating the weighted average sale price for the board lots as posted on the TSX for the ten (10) trading days immediately preceding the first day of the Offering Period in which the purchase date falls.

An employee’s right to participate in the Purchase Plan terminates upon the termination of his or her employment for any reason. An employee is also entitled at any time to end his/her participation in the Purchase Plan. In either instance, payroll deductions under the Purchase Plan shall cease and any payroll deductions credited to such employee’s account shall be used to purchase Common Shares on the next purchase date. Any amendments to the Purchase Plan require TSX approval and may require shareholder approval.

## **PENSION PLAN BENEFITS**

The Corporation does not have a defined benefit pension plan or a defined contribution pension plan for executives. Certain officers receive five percent (5%) of their base salaries in lieu of participating in a pension plan.

## **TERMINATION AND CHANGE OF CONTROL BENEFITS**

### Raymond Basler

Pursuant to an employment agreement dated February 2, 2005, Raymond Basler is employed by the Corporation as President and Chief Executive Officer. As of the date of this Circular, the compensation payable to Mr. Basler under this agreement is comprised of salary in the amount of \$338,000 per year, an allowance equal to 5% of annual salary in lieu of participating in a defined contribution pension plan, a car allowance of \$860 per month and a cash bonus in such amount determined from time to time by the Compensation Committee or the Board based on the Corporation’s financial performance, but in any event not less than 2% of the Corporation’s Consolidated earnings before interest and income taxes. In the event Mr. Basler is terminated by the Corporation for convenience or in the event of a change of control, the Corporation is required to pay Mr. Basler an amount equal to two times the total remuneration Mr. Basler earned in the 12 months prior to his termination plus an amount equal to the outstanding bonus earned to the date of termination on the basis of the financial statements for the previous month.

### Kevin Ford

Pursuant to an employment agreement dated October 1, 2010, Kevin Ford is employed by the Corporation as Vice President and General Manager, Business and Technology Services. As of the date of this Circular, the compensation payable to Mr. Ford under this agreement is comprised of salary in the amount of \$240,000, an allowance equal to 5% of annual salary in lieu of participating in a defined contribution pension plan, a cash bonus in such amount determined from time to time by the Compensation Committee or the Board based on the Corporation’s financial performance and a car allowance of \$650 per month. In the event Mr. Ford is terminated by the Corporation for convenience, the Corporation is required to pay Mr. Ford an amount equal to 10 months’ salary and benefits, increased by one month for each year of services up to a maximum of 16 months plus an amount equal to the outstanding bonus earned to the date of termination on the basis of the financial statements for the previous month.

### Jacqueline Gauthier

Pursuant to an employment agreement dated February 22, 2005, Jacqueline Gauthier is employed by the Corporation as Vice President, Chief Financial Officer and Corporate Secretary. As of the date of this Circular, the compensation payable to Ms. Gauthier under this agreement is comprised of salary in the amount of \$195,700, a cash bonus in such amount determined from time to time by the Compensation Committee or the Board based on the Corporation's financial performance and a car allowance of \$650 per month. In the event Ms. Gauthier is terminated by the Corporation for convenience, the Corporation is required to pay Ms. Gauthier an amount equal to 18 months' salary and benefits plus an amount equal to the outstanding bonus earned to the date of termination on the basis of the financial statements for the previous month.

### **Termination benefits**

The following table provides details regarding the estimated incremental payments from the Corporation to each of the named executive officers assuming termination on September 30, 2011.

<b>Name</b>	<b>Termination benefits</b>
Ray Basler	\$1,680,440
Jacqueline Gauthier	\$312,750
Kevin Ford	\$208,500

The amounts above are payable upon termination for convenience. If termination for cause, no amounts would be payable. Termination for cause is defined as a wilful act of gross insubordination or a deliberate act that can be shown to have materially harmed the Company's interest or if the executive habitually fails to make himself or herself available for work without reasonable excuse.

### **COMPENSATION OF DIRECTORS**

During 2011, the Chairman of the Board of Directors is entitled to an annual retainer of \$45,000 and each director of the Corporation who is not an employee is entitled to an annual retainer in the amount of \$30,000 in addition to \$500 per special purpose meeting and reimbursement of out of pocket expenses. The directors of the Corporation are not required to hold a minimum number of Common Shares. For 2012, the Chairman of the Board of Directors is entitled to an annual retainer of \$45,000 and each director of the Corporation who is not an employee is entitled to an annual retainer in the amount of \$30,000 in addition to \$500 per special purpose meeting and reimbursement of out of pocket expenses.

To encourage the directors of the Corporation who are not employees of the Corporation to better align their interests with those of the shareholders by having an investment in the Corporation, a Deferred Share Unit Plan, or the DSU Plan was implemented on November 10, 2010. The DSU Plan provides that the directors of the Corporation who are not employees of the Corporation are required to receive a minimum of \$5,000 of their annual Board retainer fees in the form of Deferred Share Units.

DSUs have a value equal to the weighted average trading prices of the shares of the Corporation on the Toronto Stock Exchange for the five trading days immediately preceding the date when DSUs are credited to each director who is not an employee of the Corporation. DSUs take the form of a bookkeeping entry credited to his account which cannot be redeemed for cash for as long as he remains a member of the Board of Directors. All DSUs will, upon request by him, be redeemed for cash by the Corporation after he ceases to be a member of the Board of Directors; however, failing such request, the redemption of such DSUs for cash will occur automatically upon the expiry of a period as determined under the DSU Plan. The value of a DSU, when redeemed for cash, will be equivalent to the weighted average trading prices of the shares of the Corporation on the Toronto Stock Exchange for the five trading days immediately preceding the day of the redemption. DSUs confer the right to receive dividends paid in the form of additional DSUs at the same rate as the dividend paid on shares of the Corporation. The DSU plan is not dilutive.

### Director Compensation table

The following table provides information regarding compensation paid to the Corporation's non-executive directors during the financial year ended September 30, 2011, 2010 and 2009.

Name		Fees earned (\$ (1))	Share-based awards (\$)	Option- based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Kenneth J. Loeb	2011	\$32,500	\$11,250	\$6,336	Nil	Nil	Nil	\$50,086
	2010	\$37,500	Nil	Nil	Nil	Nil	Nil	\$37,500
	2009	\$37,500	Nil	\$4,781	Nil	Nil	Nil	\$42,281
Larry O'Brien	2011	\$25,000	\$3,750	\$6,336	Nil	Nil	Nil	\$35,086
	2010	\$25,000	Nil	Nil	Nil	Nil	Nil	\$25,000
	2009	\$25,000	Nil	\$4,781	Nil	Nil	Nil	\$29,781
Major General. (Ret'd) William Hewson	2011	\$21,250	\$7,500	\$6,336	Nil	Nil	Nil	\$35,086
	2010	\$25,000	Nil	Nil	Nil	Nil	Nil	\$25,000
	2009	\$25,000	Nil	\$4,781	Nil	Nil	Nil	\$29,781
Sen David Tkachuk	2011	\$21,250	\$7,500	\$6,336	Nil	Nil	Nil	\$35,086
	2010	\$25,000	Nil	Nil	Nil	Nil	Nil	\$25,000
	2009	\$25,000	Nil	\$4,781	Nil	Nil	Nil	\$29,781
Richard A. Vickers	2011	\$25,000	\$3,750	\$6,336	Nil	Nil	Nil	\$35,086
	2010	\$25,000	Nil	Nil	Nil	Nil	Nil	\$25,000
	2009	\$25,000	Nil	\$4,781	Nil	Nil	Nil	\$29,781
Paul Cellucci	2011	\$25,000	\$3,750	\$6,336	Nil	Nil	Nil	\$35,086
	2010	\$25,000	Nil	Nil	Nil	Nil	Nil	\$25,000
	2009	\$25,000	Nil	\$4,781	Nil	Nil	Nil	\$29,781

(1) Excluding fees paid in DSUs, which are listed under the heading Share-based Awards

## 1. Outstanding share-based awards and option-based awards

The following table sets out all of the option-based awards outstanding for each non-executive director as at September 30, 2011. During 2011, 95,000 options were issued at an exercise price of \$18.65.

Name	Option-based Awards			
	Number of securities underlying unexercised options	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)
Ken Loeb	5,000	\$ 18.65	Feb. 13, 2016	NIL
Larry O'Brien	5,000 5,000 5,000 5,000	\$ 13.47 \$ 13.00 \$ 9.05 \$ 18.65	Feb. 5, 2012 Aug. 22, 2012 Nov. 18, 2013 Feb. 13, 2016	\$ 23,000 \$ 25,350 \$ 45,100 NIL
Major General. (Ret'd) William Hewson	5,000	\$18.65	Feb. 13, 2016	NIL
Sen David Tkachuk	5,000	\$ 18.65	Feb. 13, 2016	NIL
Richard A. Vickers	5,000	\$ 18.65	Feb. 13, 2016	NIL
Paul Cellucci	5,000	\$ 18.65	Feb. 13, 2016	NIL

## 2. Incentive plan Awards – value vested or earned during the year

The following table sets out the value of incentives earned by the non-executive directors or vested in their favour during the financial year ended September 30, 2011.

Name	Option-based awards – Value vested during the year (\$)	Share-based Awards – Value vested in the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Kenneth J. Loeb	\$800	\$11,750	N/A
Larry O'Brien	\$800	\$3,750	N/A
C. William Hewson	\$800	\$7,500	N/A
Sen. David Tkachuk	\$800	\$7,500	N/A
Richard A. Vickers	\$800	\$3,750	N/A
Paul Cellucci	\$800	\$3,750	N/A

## **INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS**

There was no indebtedness owed to the Corporation during the fiscal year ended September 30, 2011 by any individual who was a director, executive officer and senior officer of the Corporation (and any associate of the foregoing).

## **DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

The Corporation maintains directors' and officers' liability insurance in the aggregate principal amount of \$50,000,000. The premium payable for such insurance during the period from October 26, 2011 to October 26, 2012 is \$171,000. The by-laws of the Corporation generally provide that the Corporation shall indemnify a director or officer of the Corporation against liability incurred in such capacity to the extent permitted or required by the CBCA. To the extent the Corporation is required to indemnify the directors or officers pursuant to its by-laws, the insurance policy provides that the Corporation is liable for the initial \$150,000 in the aggregate for each loss claimed.

## **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

There are no interests of any directors, officers or holders of over 10% of the Common Shares, or any directors or officers of any holders of over 10% of the Common Shares or any affiliates or associates of any of the foregoing, in any transactions of the Corporation since the Corporation's most recently completed financial year or in any proposed transaction that have materially affected or that would materially affect the Corporation or any of its subsidiaries.

## **APPOINTMENT OF AUDITORS**

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

## **STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

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

## **OTHER MATTERS**

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

## **DEADLINE FOR SHAREHOLDER PROPOSALS**

If any person entitled to vote at an annual meeting of the Corporation's shareholders wishes to propose any matter for consideration at the next annual meeting, in order for such proposal to be considered for inclusion in the materials mailed to shareholders in respect of such meeting, such proposal must be received by the Corporation no longer than 90 days before the anniversary date of this notice.

## **ADDITIONAL INFORMATION**

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

Additional information relating to the Corporation can also be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## **DIRECTORS' APPROVAL**

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

DATED: December 2, 2011



Jacqueline Gauthier, Secretary  
CALIAN Technologies Ltd.  
Ottawa, Ontario

## APPENDIX 1

### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

<b>1. Board of Directors</b>	
(a) Disclose the identity of directors who are independent	Kenneth Loeb, William Hewson, David Tkachuk, Paul Cellucci, Larry O'Brien and Richard Vickers are independent directors.
(b) Disclose the identity of directors who are not independent, and describe the basis for that determination	Raymond Basler is not independent because he is the President and Chief Executive Officer of the Corporation.
(c) Disclose whether or not a majority of directors are independent.	The Board is currently comprised of seven members, six of whom are independent directors.
(d) Identify any director who is presently a director of any other issuer that is a reporting issuer (or the equivalent) in an jurisdiction or a foreign jurisdiction and identify that issuer.	None of the members of the Board are directors of any other reporting issuer (or the equivalent), with the exception of Senator David Tkachuk who is a director of Cline Mining Corporation, a corporation listed on the TSX and of Passport Energy Ltd., a corporation listed on the CNSX.
(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year.	At each of its quarterly meetings, the Board meets without management present. In addition, at each of its quarterly meetings, a meeting comprised of only independent Board members is also held. During 2011, independent Board members met four times without management present.
(f) Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities.	The chair of the Board, Kenneth Loeb, is an independent member of the Board.
(g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.	Since the beginning of the Corporation's most recently completed financial year, all of the members of the Board were present at all Board and committee meetings either by phone or in person, with the with the exception of Mr. O'Brien who missed one Board meeting, one Audit Committee meeting, one Governance Committee meeting, one Compensation Committee meeting and one Nominating committee; and Mr. Cellucci who missed one Board meeting, one Audit Committee meeting and one Compensation Committee meeting.

<b>2. Board Mandate</b>	
Disclose the text of the board's written mandate.	The text of the Board's written mandate and those of its committees are set out in Appendix 2 to this Circular.
<b>3. Position Descriptions</b>	
(a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.	As part of the Board's mandate, the Board has developed a position description for the Chairman of the Board. The Board has not developed position descriptions for the Chairs of the Audit Committee, the Compensation Committee, the Nominating Committee and the Governance Committee, however, the Board has developed a mandate for each of these committees and, as such, the Chair of each committee is responsible to ensure that such mandates are followed.
(b) Disclose whether or not the board and CEO have developed a written position description for the CEO.	The Board has developed a position description for the Chief Executive Officer. In addition, the Board annually approves the strategic and operational plans, business objectives and key results for which the Chief Executive Officer is responsible.
<b>4. Orientation and Continuing Education</b>	
(a) Briefly describe what measures the board takes to orient new directors regarding <ul style="list-style-type: none"> <li>(i) the role of the board, its committees and its directors, and</li> <li>(ii) the nature and operation of the issuer's business</li> </ul>	The Board does not have a formal process of orienting new members of the Board. However, an informal orientation occurs at the first Board meeting following the election of new directors. It is the responsibility of the Chairman of the board to monitor the existing process in order to determine if a more formal orientation and education process is warranted.
(b) Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors	The Board has not developed a formal continuing education program. The Corporation's Corporate Secretary provides regular updates to the Board on new developments in corporate governance. Information on seminars and conferences are also passed along to directors but attendance at such events is not mandatory. Cost of attendance to seminars and conferences are paid by the Corporation.
<b>5. Ethical Business Conduct</b>	
(a) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code: <ul style="list-style-type: none"> <li>(i) disclose how a person or company may obtain a copy of the code;</li> <li>(ii) describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and</li> <li>(iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.</li> </ul>	The Board has adopted a written Guide to Ethical Business Practices (the "Guide"). In particular: <ul style="list-style-type: none"> <li>(i) The Guide is available on the Corporation's website and explains the mechanisms in place to report departures from the Guide.</li> <li>(ii) The Guide provides for a reporting mechanism to the Board. In addition, all of the Corporation's employees who do not work directly at a customer's premises must certify annually that they have read, understand and agree to comply with the Guide.</li> <li>(iii) There has been no material change report filed that pertains to any conduct of a director or an executive officer that constitutes a departure from the Guide.</li> </ul>

(b) Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.	The Board has adopted a policy on related party transactions which does not allow for any transactions to occur between the Corporation and a third party who has direct or indirect ties with the directors, officers or employees of the Corporation.
(c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.	The Board believes the Guide is sufficient to encourage and promote a culture of ethical business conduct.
<b>6. Nomination of Directors</b>	
(a) Describe the process by which the board identifies new candidates for board nomination.	The Nominating Committee mandate is set out in Appendix 2 to this Circular.
(b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.	The Nominating Committee is composed of Kenneth Loeb, William Hewson and, Larry O'Brien, each of whom is an independent director.
<b>7. Compensation</b>	
(a) Describe the process by which the board determines the compensation for the issuer's directors and officers	<p>The Compensation Committee is tasked with (i) reviewing and studying compensation and compensation policies for the Corporation, including the level of compensation paid to the Chief Executive Officer, and reporting on such matters to the Board; (ii) reviewing the goals and objectives of the Chief Executive Officer at the beginning of each year and providing an appraisal of the Chief Executive Officer's performance for the most recently completed year; and (iii) reviewing the performance of the senior officers of the Corporation including the level of short-term and long-term incentives awarded to each. The compensation for all remaining executives (except for that contractually provided for) is determined by the Chief Executive Officer.</p> <p>The Board of Directors has adopted a pay for performance philosophy and executive compensation program whereby executives receive compensation based upon the market value of the type of job they perform and their level of individual performance. The Corporation's policy with respect to the compensation of Named Executive Officers (NEOs) specifically is to:</p> <ul style="list-style-type: none"> <li>• Seek to align management's interest with shareholder interest through both short and long-term incentives linking compensation to performance. The short-term incentive is in the form of cash incentives while the longer term incentive is in the form of stock options which creates a direct correlation between variations in the Corporation's stock price and the compensation of NEO.</li> </ul>

<p>(a) Describe the process by which the board determines the compensation for the issuer's directors and officers (continued)</p>	<ul style="list-style-type: none"> <li>• Ensure that overall compensation for NEOs is not only internally equitable, but also competitive in today's market based on experience and length of service with the Corporation in order to attract, retain and motivate individuals with the qualifications and commitment needed to enhance shareholder value and maintain the Corporation's competitiveness in its market segment.</li> </ul> <p>Base salaries are determined on the basis of outside market data as well as individual performance and experience level.</p> <p>The annual bonus paid to each of the Chief Executive Officer and the Chief Financial Officer is based on the overall financial profitability of the Corporation. Annual bonuses are also paid to the senior managers of the Corporation based on a percentage of divisional profitability and individual performance. Certain members of the executive team are primarily responsible for the financial performance of a specific division. During 2011, Mr. McConnell was responsible for the performance of the Corporation's Systems Engineering division and Mr. Ford was responsible for the performance of the Corporation's Business and Technology Services division. To date no specific formulas have been developed to assign a specific weighting to the elements of compensation used by the Corporation.</p> <p>In establishing levels of compensation and granting stock options, the Board of Directors considers the executive's performance, level of expertise, responsibilities and length of service to the Corporation. To date, a benchmarking exercise has not yet been undertaken in respect of compensation of Named Executive Officers.</p> <p>During fiscal 2011, the annual base salary for the Chief Executive Officer and the annual bonuses for the top four executive officers were submitted to the Compensation Committee and to the Board for their review and approval. For the fiscal 2012 period, the Corporation expects that any changes to the base salary of the Chief Executive Officer and annual bonuses for the top four executive officers will continue to be submitted to the Compensation Committee and to the Board for review and approval.</p> <p>The Compensation committee is responsible to review the Directors' compensation in relation to current norms and recommend changes to the Board of Directors.</p> <p>Stock option grants to employees and directors must be approved by the Board.</p>
<p>(b) Disclose whether or not the board has a compensation committee composed entirely of independent directors.</p>	<p>The Compensation Committee is composed of Mr. David Tkachuk (Chairman), William Hewson, Richard Vickers, Paul Cellucci, Larry O'Brien and Kenneth Loeb, each of whom is an independent director.</p>

<p>(c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.</p>	<p>The mandate of the Compensation Committee is attached at Appendix 2 to this Circular.</p>
<p>(d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.</p>	<p>During fiscal 2011, the Board did not retain any compensation consultant.</p>
<p><b>8. Other Board Committees</b></p>	
<p>If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.</p>	<p>The Board has a Governance Committee, the mandate of which committee is attached at Appendix 2 to this Circular.</p>
<p><b>9. Assessments</b></p>	
<p>Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.</p>	<p>The Chairman of the Board has the ongoing responsibility of assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors. Evaluation criteria include such factors as the attendance record of individual Board members and the effectiveness of their participation at Board meetings. Annually, the Chairman of the Board prepares and approves the list of nominees to be presented at the Annual General Meetings of shareholders.</p>

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

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

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

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

**1. GENERAL PROCEDURES**

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

## **2. Specific Responsibilities and Duties**

### **2.1 Strategic Planning and Annual Operational Plans**

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

### **2.2 Risk Management**

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

### **2.3 Succession Planning and Senior Officers Performance**

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

### **2.4 Internal Controls**

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

### **2.5 Communication and Public Disclosure**

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

## **2.6 Governance**

- 2.6.1 Establish appropriate structures and procedures to allow the Board to function independently of management;
- 2.6.2 Evaluate the size and composition of the Board and establish Board committees. Define the committees mandates to assist the Board in carrying out its responsibilities;
- 2.6.3 Review periodically the Corporation's Guide to Ethical Business Practices;
- 2.6.4 Annually review and assess the adequacy of the Board's mandate and evaluate its effectiveness in fulfilling its responsibilities;
- 2.6.5 Review shareholder proposals and determine appropriate course of action.

### **ROLE OF THE CHAIRMAN**

The Chairman has primary responsibility for the Corporation's strategic direction. He, along with the CEO, will ensure that the Corporation's management and employees conduct their business with honesty and integrity with a view to creating sustainable, long term value and profitable growth. Along with the Board of Directors he assumes responsibility for the stewardship of the Corporation. He manages the affairs of the Board, ensuring that the Board is organized properly, functions effectively, operates independently from management, and meets its obligations and responsibilities relating to corporate governance matters.

#### **Specific Responsibilities**

- 1.1 Provide leadership to the Board in reviewing and deciding upon matters that exert major influence on the manner in which the Corporation's business is conducted, such as corporate strategic planning, policy formulation, and mergers and acquisitions;
- 1.2 Provide liaison between the Board and management of the Corporation;
- 1.3 Provide overall leadership to enhance the effectiveness of the Board. Chair meetings of the Board and attend committee meetings as appropriate;
- 1.4 In collaboration with the Nominating Committee support the director recruitment process and recommend to the Board of Directors nominees for election to the Board;
- 1.5 Support the orientation of new and the continued education of incumbent directors;
- 1.6 Periodically review the performance of Directors and the effectiveness of the Board and each of its committees;

**CALIAN TECHNOLOGIES LTD**  
**MANDATE OF THE CORPORATE GOVERNANCE COMMITTEE**

The Corporate Governance Committee (The Committee) will assist the Board of Directors in fulfilling its oversight responsibilities in relation to the corporate governance practices and policies of the Corporation.

**1. GENERAL PROCEDURES**

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

**2. Specific Responsibilities and Duties**

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

**CALIAN TECHNOLOGIES LTD**  
**MANDATE OF THE NOMINATING COMMITTEE**

The Nominating Committee (The Committee) will be responsible for identifying individuals qualified to become new Board members and recommending to the Board of directors nominees for each annual meeting of the shareholders of the Corporation.

**1. GENERAL PROCEDURES**

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

**2. Specific Responsibilities and Duties**

- 2.1 Review periodically the size and composition of the Board to ensure that the Board has the appropriate mix of competencies and skills to facilitate effective decision making as well as the capacity to effectively discharge its responsibilities;
- 2.2 Review from time to time the retirement plans of directors;
- 2.3 Develop plans for the orderly succession of directors to keep the Board appropriately balanced in terms of skills and experience;
- 2.4 Recommend to the Board addition or replacement of one or more directors as may be considered necessary or appropriate from time to time;
- 2.5 Be satisfied that the Corporation has effective plans for the orientation of new directors and the continued education of incumbent directors

**CALIAN TECHNOLOGIES LTD**  
**MANDATE OF THE COMPENSATION COMMITTEE**

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

**1. General Procedures**

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

**2. Specific Responsibilities and Duties**

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