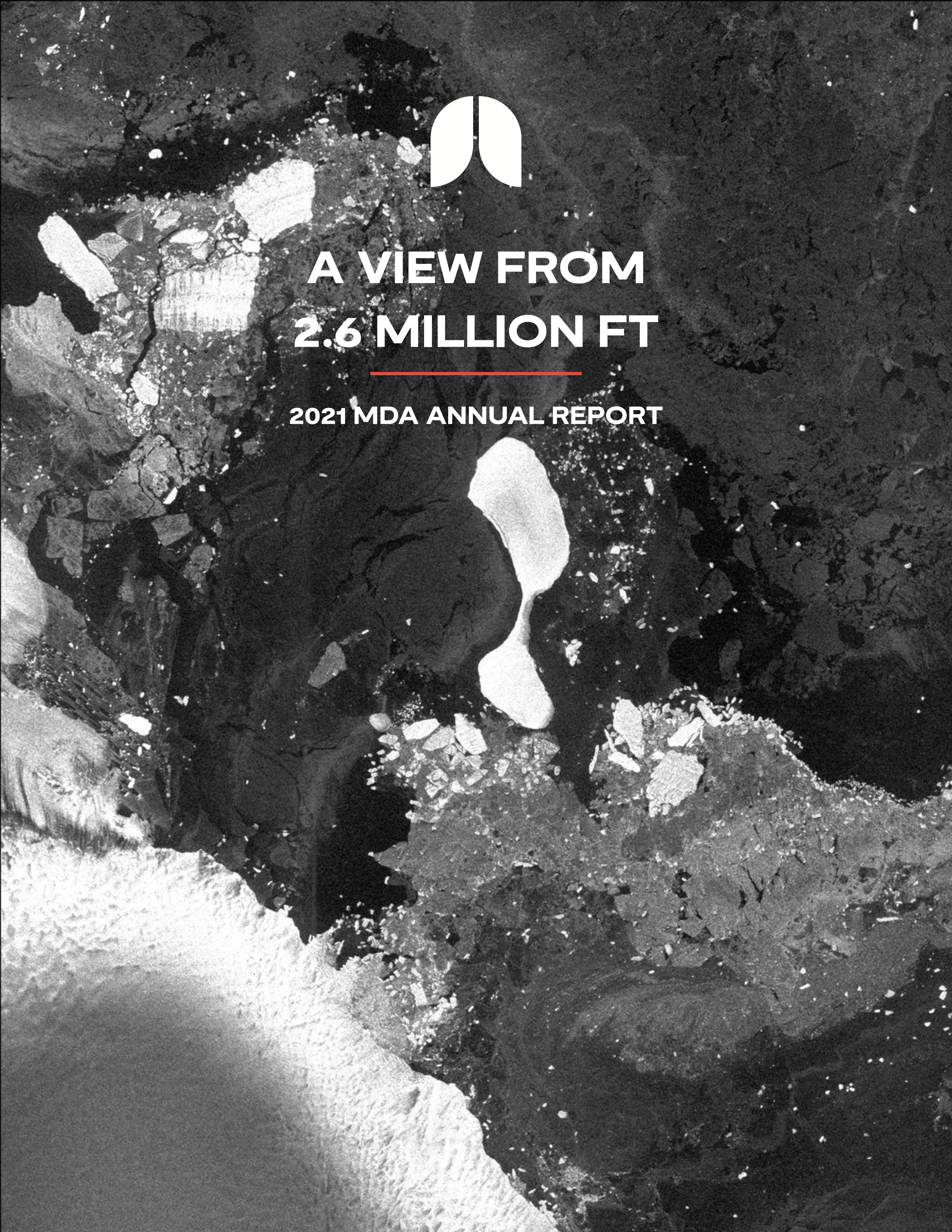


A VIEW FROM 2.6 MILLION FT

2021 MDA ANNUAL REPORT

CONTENTS

COVER IMAGE: Conger Ice Shelf, East Antarctica:

2022-04-22 13:06:17, SCWA, HH-HV, 64°42'57" S 103°56'15" E

On EarthDay 2022, MDA's RADARSAT2 satellite captured imagery of the Conger ice shelf. This 1,200 square kilometre sheet of glacial ice in East Antarctica collapsed in March 2022, as shown in this stunning image.

MDA AT A GLANCE

	2021	2020	±
ORDER BOOKINGS	$768M	$512M	50%
BACKLOG	$864M	$563M	54%
REVENUES	$477M	$412M	16%
GROSS PROFIT	$168M (gross margin 35%)	$117M (gross margin 29%)	43%
ADJUSTED EBITDA[1,2]	$112M (adjusted EBITDA margin 24%)	$85M (adjusted EBITDA margin 21%)	32%
OPERATING CASH FLOW	$72M	$70M	2%
STAFF	2,400	2,000	20%

1. Non-IFRS measure; refer to latest Management Discussion & Analysis for reconciliation of non-IFRS to IFRS measures
2. Adjusted EBITDA excluding Canada Emergency Wage Subsidy (CEW) program income

BUILDING MOMENTUM

Over consecutive quarters, we saw strong momentum building across our business areas as we actively converted opportunities in our sizeable funnel and established ourselves as a leading space technology provider.

$36M

CONTRACT AWARDED

Jan. 29, 2021
MDA awarded $36.6M contract by the Canadian Space Agency to provide satellite flight operations and data management services for its Earth observation and space situational awareness satellite missions

Feb. 02, 2021
MDA announces RADARSAT-2 continuity mission, extending the company's market-leading geospatial data, products and analytics services business well into the future

Feb. 18, 2021
MDA selected to provide one of the critical technology subsystems on Telesat Lightspeed, the Low Earth Orbit satellite broadband network being developed by Telesat

$60M

INITIAL CONTRACT AWARDED

Feb. 23, 2021
MDA awarded initial contract with an expected production value of more than $60M on the Canadian Surface Combatant project, developing systems that will protect ships against laser and optical guided threats

3 YEAR

CONTRACT AWARDED

Feb. 24, 2021
MDA awarded three-year contract with the Government of Canada Department of Fisheries and Oceans and Defence Research and Development Canada to use satellite technology to detect vessels engaging in illegal, unreported and unregulated fishing

TSX:MDA

TICKER SYMBOL

Apr. 07, 2021
MDA completes its Initial Public Offering (IPO) on the TSX Exchange

May 20, 2021
MDA wins contract with the European Space Agency to help shape the infrastructure for future lunar exploration

Jun. 18, 2021
MDA announces collaboration with Australian Remote Operations for Space and Earth and QUT robotics researchers to develop a logistics robot prototype for use inside the International Space Station and/or the Lunar Gateway

$35M

CONTRACT AWARDED

Jul. 26, 2021
MDA awarded $35.3M contract by the Canadian Space Agency for next phase of the flagship Canadarm3 program

Aug. 23, 2021
Intuitive Machines selects MDA lunar landing sensors to support US mission to the Moon

Sep. 14, 2021
MDA awarded contract for Japan Aerospace Exploration Agency's Martian moons exploration mission

Sep. 27, 2021
MDA unveils first details of its next generation commercial Earth observation mission, including a large C-band Synthetic Aperture Radar satellite capable of covering a 700 km swath in a single pass

Nov. 11, 2021
MDA awarded initial design phase contract by the Canadian Space Agency for lunar rover

CHORUS

Dec. 14, 2021
MDA announces CHORUS™ as the name of its next market-leading commercial Earth observation mission

Dec. 15, 2021
MDA and ICEYE sign agreement to integrate X-band SAR satellite into MDA's CHORUS™ constellation

Jan. 13, 2022
MDA awarded another contract to provide lunar landing sensors as the number of planned Moon missions ramps up

$415M

CONTRACT AWARDED

Feb. 24, 2022
MDA awarded contract valued at approximately $415M for the design, manufacture, assembly and test of 17 satellites for Globalstar Inc.

Mar. 08, 2022
MDA announces support for international efforts in Ukraine, commits to using its satellite technology to help develop comprehensive near real-time intelligence reports for Ukrainian government officials

$269M

CONTRACT AWARDED

Mar. 10, 2022
MDA awarded $269M contract by the Canadian Space Agency for the next phase of Canadarm3 program

Mar. 10, 2022
MDA unveils plans for new global headquarters and Centre of Excellence for Space Robotics in Brampton, Ontario

Apr. 05, 2022
MDA joins Lockheed Martin and General Motors on next generation lunar rover development

May 03, 2022
MDA completes first commercial sale of Canadarm3 technology to Axiom Space

LETTER TO SHAREHOLDERS

Mike Greenley
CHIEF EXECUTIVE OFFICER

AT MDA, WE TAKE YOU THERE

$370B

SIZE OF GLOBAL SPACE ECONOMY TODAY[1]

Those are the words we live by, because at the core of everything we do is the fundamental belief that we are taking our customers, our team, our industry partners and our investors where they want to go in the expanding and evolving space economy.

With innovative technologies and services that address opportunities across this burgeoning economy, which is forecast to reach US$1 trillion+ by 2040[2], we are taking our commercial and space agency clients to low Earth orbit, to the moons of Earth and Mars, to faraway asteroids, to deep space, and wherever else their missions require.

We are taking the highly-skilled members of our fast-growing MDA team to a place where they can find their dream jobs in the space industry, turning inspiration into innovations that can change the world for the better on the ground and among the stars.

We are taking the partners we work with – from new entrants like Rocket Lab to long-established players like Lockheed Martin – to where their businesses need to go, using our unique position at the centre of the industry as a base for collaboration.

And in doing so, we are taking our investors on a journey to build long-term value by extending our leadership as an innovative space technology provider. One that is connected to opportunities across the US$370 billion global space economy. One that is bringing in new business and meaningfully growing its backlog as we execute on our opportunity funnel. One that is generating sustainable profitability and operating cash flow by executing on that backlog with a focus on responsible management.

And one that is helping to solve some of humanity's most pressing problems – from monitoring climate change to bringing worldwide internet connectivity through space-based networks to helping Ukraine defend itself against aggression by providing critical images of our planet.

1 Source: Euroconsult
2 Source: Morgan Stanley & U.S. Chamber of Commerce

SPACE: A MARKET WITH GROWTH

The soaring activity in space, particularly over the past year, has further illustrated the strength and depth of the market, and the growing opportunity for MDA.

Last year alone we saw government investment in space rise to approaching $92 billion, growing at a high-single-digit pace year over year. We also saw a record US$14.5 billion invested in commercial space infrastructure companies, up 50% from 2020. There were a record 146 launch attempts, surpassing the earliest space exploration heyday of the 1960s and 70s. That means more satellites, more space exploration, and more opportunity for MDA.

We serve nearly every sector of the space economy. With our leadership in Geointelligence, Robotics & Space Operations, and Satellite Systems, we participate directly in some of its fastest growing areas. Our proven ability to deliver successfully positions us as a partner of choice for leading commercial space companies, prime contractors, and government agencies worldwide.

1,200
FLIGHT PRODUCTS DELIVERED IN 2021 (APPROX.), INCLUDING:

913
ANTENNAS

208
ELECTRONIC UNITS

42
ROBOTIC INTERFACES

3
PAYLOADS

SPACE: A MARKET WITH PURPOSE

Our satellites monitor climate change by tracking factors such as ice cap fluctuations and deforestation. We can see immigration and illegal fishing patterns, and help our partners, governments and people understand what these images mean through our analytics.

Our work on low Earth orbit constellations, including GlobalStar, Telesat and OneWeb, hold the potential to bring the internet everywhere on the globe and deliver what the United Nations has deemed a basic human right, empowering people who previously lacked access to the internet to get an education, start a small business and be connected to the world.

We are providing images captured by our Synthetic Aperture Radar (SAR) technology, which is unique for its ability to see through darkness and all weather and cloud conditions, to help international efforts in Ukraine. Since March 2022, images captured by MDA are being merged and analyzed with other sources of imagery from commercial Earth observation companies to develop comprehensive, near real-time intelligence reports to enable Ukrainian government officials to help protect their people.

Our work leads to new technologies we can use here on Earth, and it inspires people across Canada and around the world to specialize in science, technology, engineering, and math – skills that will drive our economy in the years to come.

The work we do in space matters on Earth. We are proud of that.

6.8B
KM2 SCANNED BY RADARSAT-2 IN 2021 – 12 TIMES THE SURFACE AREA OF THE EARTH

BUILDING LONG-TERM VALUE

Our goal at MDA is to create long-term, sustainable value for our customers, our employees and our investors.

We start from a great place of growing end-markets, coupled with the benefit of a 50-year track record of success and innovation, broad customer relationships, a world-class portfolio of patents and technologies, and a stellar team that makes it all work.

We are well-positioned to capture our share of the big opportunity ahead of us. To work towards this goal, we concentrate on serving our customers, growing our backlog, executing well, managing responsibly, constantly innovating, and providing our people a great place to work.

Our 2021 revenues were $477 million, up 16% year over year, and we continue to deliver contract wins and mature new business opportunities that broaden our customer set.

We have a clearly articulated plan to capitalize on the tremendous market opportunity ahead of us, both from a revenue and profitability perspective. We are on track.

Since the beginning of 2021 we have accomplished a vast amount. Just some of the highlights include:

MDA LANDING SENSORS

GOING TO MOONS OF EARTH AND MARS

$477M

2021 REVENUES (+16%)

670

NEW HIRES IN 2021 TO SUPPORT GROWTH

- Being selected as the prime contractor on a 17-satellite constellation for Globalstar Inc.
- Moving ahead with two phases of the Canadarm3 program
- Advancing the next generation Earth observation mission now known as CHORUS, which we announced last year and is now well underway
- Being selected to provide one of the critical technology subsystems on Telesat Lightspeed
- Completing the first commercial sale of our Canadarm3 technology to Axiom Space
- Winning the initial contract to develop systems for the new Canadian Surface Combatant ships
- Being awarded a three-year contract with the Government of Canada Department of Fisheries and Oceans and Defence Research and Development Canada to use satellite technology to detect vessels engaging in illegal, unreported and unregulated (IUU) fishing
- Multiple contracts to provide lunar landing sensors, including a contract for Japan Aerospace Exploration Agency's Martian moons exploration mission, and an initial design phase contract from the Canadian Space Agency for a lunar rover
- Completing our initial public offering on April 7 of last year, and setting off on a path to build value as a publicly-traded company

In all, we ended 2021 with a backlog of $864 million, up 54% over the year prior. In the first quarter of 2022, we expanded our backlog further to $1,517 million, representing an impressive 122% increase over our backlog in the first quarter of 2021.

We are building our capacity to execute on that business by hiring and successfully onboarding about 670 new people last year, with plans to bring on more this year.

We're also scaling up facilities. Earlier this year, we announced the construction of our new purpose-built headquarters and Centre of Excellence for Space Robotics in Brampton, with mission control facilities to support commercialization of our robotics projects.

We said we would generate revenue growth and strong profitability while being responsible stewards of the business. Our margins set us apart from our peers, and our healthy balance sheet gives us the flexibility to deploy growth capital into the business.

We said we'd be a great employer. To keep our employees safe, we administered 25,000 rapid COVID-19 screenings last year. And our employees did their part by getting the COVID-19 vaccines, leading to a 99% vaccination rate.

Our ambition is to transform MDA into the leading space technology provider, building on a multi-decade legacy of successfully solving complex mission problems. Where we are today demonstrates that transformation is well underway.

A NEW PLACE

We are at a new place in space, and a new place for MDA.

What we have accomplished over the past year has meaningfully improved our positioning in the marketplace. Across MDA, we are building on the legacy of pioneering programs such as RADARSAT and Canadarm to win new business – at home and abroad.

In Satellite Systems, we are investing in new technologies and capabilities and building up our high-volume satellite manufacturing capacity to strengthen our position as more low Earth orbit (LEO) constellation opportunities emerge.

In Robotics & Space Operations, we're winning follow-on space agency work and working with a wide variety of new and exciting commercial opportunities to provide both proven technology solutions and on-orbit operational services.

Recently we announced that the Axiom Station, a commercial space station, will leverage MDA robotics technologies, as well as that we are working with Lockheed Martin and General Motors to integrate space robotic arm technology into planned lunar mobility vehicles slated to be permanently stationed on the Moon's surface for use by commercial and space agency astronauts.

In GeoIntelligence, we continue to see strong demand for our Earth observation data and analytics, and we get regular inquiries from customers about expanding their engagement with us. To consolidate and extend our lead in this area, we are building CHORUS, our next generation multi-sensor commercial Earth observation constellation that we expect will provide extensive coverage for tasks such as maritime surveillance, land intelligence and disaster response

None of this would be possible without the incredible team at MDA, which includes experienced and committed long-tenured members of the space community in partnership with the talented and motivated new members who are joining us every day as we scale up.

Ours is an increasingly diverse, young and engaged team. It's an awesome team and I am incredibly honoured to lead it. It is one that you can be proud of and confident in. I'd like to close by saying thank you to everyone on the MDA team for all they have done – and all they will do – to drive innovation at MDA and in the global space economy.

I'd also like to thank our customers, our partners, and our investors for their support on this incredible journey. Together, we will continue to reach new horizons.

Off we go.

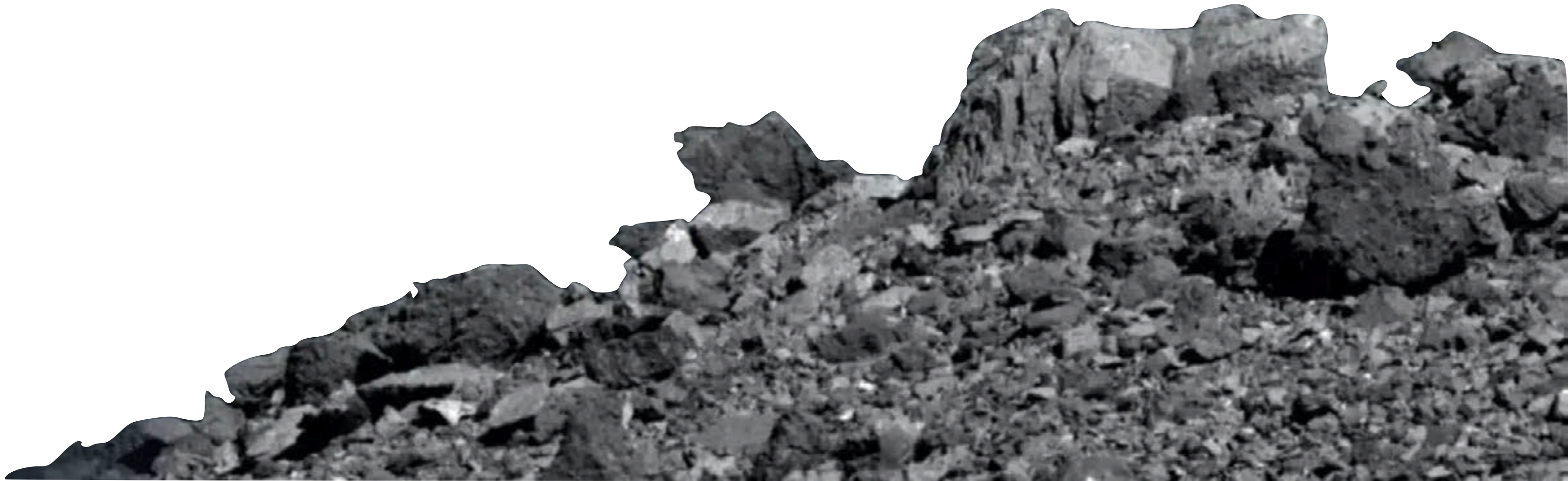
Sincerely,

Mike Greenley
CEO

$768M
ORDER BOOKINGS (+50%)

$864M
BACKLOG (+54%)

$477M
REVENUE (+16%)



WHY PEOPLE CHOOSE MDA

A CULTURE OF DIVERSITY, INTEGRITY, OPPORTUNITY AND COLLABORATION

The space sector has entered a new era of exploration and development, and MDA welcomes all who yearn to suit up and be part of it. We are engineers, technicians, program managers and much more, all committed to continually pushing boundaries, tackling big challenges, and imagining solutions that inspire and endure.

Uma Trivedi

Senior Quality and Product Assurance Engineer | Hired July 2021

“MDA is involved in a wide range of innovative space projects. The opportunity to work with like-minded people who are equally passionate about space was once in a lifetime. I knew working at MDA would give me the opportunity to apply my expertise to challenging and meaningful projects that will make a real difference.”

Lucas Poon

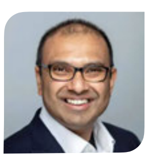
Software Engineer | Hired August 2019

“Working at MDA has allowed me to contribute to space projects that make an impact on the world. It's inspiring to see what MDA employees have accomplished in the past, and I'm looking forward to what we can do with newer programs like Canadarm3. I love having the chance to work on something I'm passionate about and improve and challenge my skills every day.”

Lochana Ponnambalam

Electrical Operations Lead | Hired February 2022

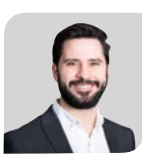
“Managing and delivering key programs that will have a global impact for future generations is extremely inspiring. I am thrilled to be a part of such a diverse organization filled with like-minded big thinkers.”



Shane Regunath

Director of Engineering | Hired July 2021

“MDA's vision and the projects we're involved in to make Canada and the world a better and safer place resonate strongly with my personal values and purpose. Joining MDA was a no-brainer for me!”



Jeremy Niro

Production Supervisor | Hired November 2021

“After my first interview with MDA, I knew I wanted to join the team. I was blown away by everyone's friendliness and their dedication and commitment to their work. Hearing about MDA's long history in the space industry and the exciting projects they're working on now - I knew this was the place I wanted to be!”

Ololade Sanusi

Satellite Systems Designer | Hired January 2021

“As a new recruit, my interactions with MDA employees have been positive and friendly from the beginning, and a dynamic workplace culture was evident right from the start. Working on exciting and impactful projects that align with my expertise is very rewarding.”

WORKING TOGETHER TO CHANGE OUR WORLD FOR THE BETTER

We take the partners we work with wherever they want to go – and we do it by listening and adapting, solving problems, staying a step ahead, and using our unique position at the centre of the industry as a base for collaboration.

Kirk Shireman

Vice President of Lunar Exploration Campaigns, Lockheed Martin Space

“The Lunar Mobility Vehicle enables exploration of the surface of the Moon in multiple scales and in unprecedented fashion, both for human and robotic exploration and utilization. Bringing on MDA’s world-renowned robotics to this vehicle is a major enabler in its capability. Our industry-led commercial development, now with MDA, brings down the cost of access to the Moon for not just NASA, but for international and commercial customers and adds to a truly global Artemis program.”

Lisa Campbell

President, Canadian Space Agency

“Driven by Canada’s strategic investments in space robotics, Canadarm3 will fuel incredible opportunities for our space sector. Within a growing global space economy, MDA will work with Canadian companies from coast to coast, strengthening a robust industrial supply chain primed for leadership and success as humanity returns to the Moon and ventures farther than ever before.”

David Kagan

CEO, Globalstar

“After running a competitive process with multiple bidders, we are very pleased to announce the selection of MDA in partnership with Rocket Lab for the construction of our new satellites. The combination of these vendors offered us the best overall balance of innovation, technical capability, schedule reliability and cost. These new satellites will ensure Globalstar’s ability to provide the highest quality Mobile Satellite Services to its customer over the long-term.”

Michael Suffredini

President and CEO, Axiom Space

“Canadarm technology has been a mainstay in human spaceflight and will continue to be a pivotal part in this next chapter in human exploration as we build a robust economy in low Earth orbit that benefits all of humanity, in space and on Earth. We are proud to work with MDA as we build the next-generation microgravity platform Axiom Station, the world’s first commercial space station, with leading robotic technologies like Canadarm3 technology that will enable limitless innovation and ensure a seamless transition in low Earth orbit.”

Rafal Modrzewski

Chief Executive Officer and Co-founder, ICEYE

"With these pivotal agreements, we recognize an excellent opportunity to showcase the very best of ICEYE's capabilities and expertise with MDA. ICEYE will ensure the latest high-performance X-band SAR satellite technology and data are seamlessly integrated and always available as part of MDA's CHORUS constellation. We are very proud to strengthen our relationship with MDA and we look forward to delivering them with best-in-class SAR capability for many years to come."

Elim Sritaba

Chief Sustainability Office, Asia Pulp & Paper (APP)

“APP is committed to long-term and impactful forest protection through our Forest Conservation Policy. Partnering with MDA has allowed us to deploy innovative technology solutions to help protect forests and ensure a safe and sustainable supply chain.”

NEW GLOBAL HEADQUARTERS

ROOM TO GROW

Over the next 16 months, MDA is scheduled to move into its new, purpose-built global headquarters and Centre of Excellence for Space Robotics in Brampton, Ontario.

The facility will be home to more than 700 staff and to Canadarm3, the next generation of MDA's iconic robotic arm technology that has been a crucial part of space exploration since the first Canadarm flew on the U.S. Space Shuttle over 40 years ago.

The 200,000 square foot building will feature state of the art labs, manufacturing, R&D and assembly, integration and test facilities. The new facility is an important aspect of MDA's plan to expand over the coming years to support its growth strategy.

The Centre of Excellence for Space Robotics will house a unique Space Robotics Mission Control Centre that will enable MDA to provide vital on-orbit operations capabilities to commercial and government customers worldwide.

200,000
SQUARE FEET

700
STAFF

FALL 2023
TARGET OPENING

"With this facility, we are laying the groundwork for long-term success in the evolving commercial space robotics market. By utilizing the most modern and cutting-edge technology, we are able to turn imagination into innovation for customers seeking robotics for their missions, as well as to control those robotics once they are in space from our new mission control centre. This is all about building on the success of Canadarm and taking our proven robotics capabilities to commercial customers."

– MIKE GREENLEY, CEO

MDA is making strides to capture its share of this opportunity, having announced its first commercial sale of Canadarm3 technology to Axiom Space for external robotic interfaces for the Axiom Space Station.

CRITICAL TO THE INDUSTRY

MDA's industry-leading end-to-end design and operations capabilities are critical for advanced space applications such as space station robotic operations, in-space manufacturing and assembly, space tourism and space mining.

The steady rise in the number of satellites and other spacecraft being launched worldwide is generating demand for on-orbit servicing solutions – including the ability to upgrade, repair, relocate and refuel satellites that are already in space or fix anomalies following launch.

"Our new headquarters and Centre of Excellence for Space Robotics creates an unmatched facility for our team to be part of. There is intense competition for the best talent and for those looking for a career and adventure, MDA offers a compelling and unique opportunity to join a company with a space-oriented mission and purpose."

– MIKE GREENLEY, CEO

GEOINTELLIGENCE

THE PROBLEMS WE SOLVE

For more than a quarter of a century, MDA has been observing our world from space, using advanced satellite imagery and data analytics to deliver critically important insights into some of the most pressing problems on Earth.

As the owner and operator of RADARSAT-2, a sophisticated, taskable, wide area commercial Synthetic Aperture Radar (SAR) satellite, we are one of the largest space-based radar information providers worldwide.

Our advanced Earth observation and defence intelligence systems see through all weather and cloud conditions – day or night. Our technology and analytics turn raw data into usable information and actionable insight in minutes, enabling governments and industries to monitor and respond to issues ranging from national security to climate change.

We do so by detecting change, identifying objects, classifying events, and examining trends. We can measure climate change and track ice floes, monitor crops for farmers, map wetlands for ecologists, detect pollution for environmental scientists, spot illegal deforestation and illegal fishing and keep an eye on military mobilization.

The largest market for our data and services is maritime surveillance. Government and commercial organizations rely on MDA for near real-time data to track maritime activity, visualize maritime crime patterns, track shorelines and ocean winds, detect oil spills, monitor vessels, and identify and monitor illegal, unreported, and unregulated (IUU) fishing. Our customers are global. MDA provides timely and critical information to the European Maritime Safety Agency (EMSA) to support maritime safety, law enforcement, border security, fisheries control, and marine pollution monitoring, including its CleanSeaNet program. MDA also supports the Canadian Department of National Defence on its Operation DRIFTNET program in support of Fisheries and Oceans Canada to protect wild fish stocks worldwide from the threat of IUU fishing. MDA's imagery and analytics have also assisted in disaster clean-up efforts, including recent oil spills off the coasts of Venezuela, Nigeria and Iran, and are regularly used as part of the International Charter that sources satellite imagery for disaster response.

We also provide geospatial services that combine imagery, contextual information, analytics expertise, and innovative technology to deliver integrated intelligence solutions that document change and enable geospatial modeling and analysis to predict where events will occur.

Over the past 12 months, MDA has:

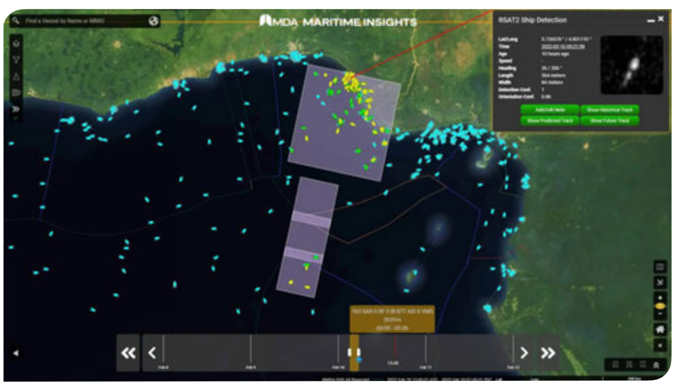
- Delivered 65M km2 of RADARSAT-2 images to track changes to the Antarctic ice sheet (an important climate change indicator)
- Delivered 600 RADARSAT-2 images for oil spill / pollution monitoring in European waters
- Provided 885 total Earth observation analytics products (change monitoring products)
  - Forest Alert Service (FAS) information products – 340+
  - Pipeline analytics information products – 260+
  - Urban change information products – 15+
  - Interferometric (Earth surface elevation change) information products – 265+
  - Total Illegal, Unreported and Unregulated (IUU) Fishing reports – 1,800+

COMMITTED TO CONTINUOUS RESEARCH, DEVELOPMENT, INNOVATION AND INVESTMENT

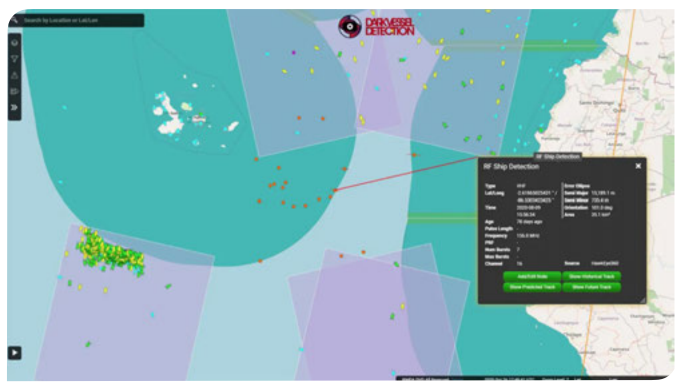
We are currently developing CHORUS, a next-generation radar satellite constellation to enhance our Earth observation solutions and ensure that our RADARSAT-2 customers have data and information product continuity moving forward. CHORUS brings together diverse and unique imagery and data sources, changing how and when we see the world by leveraging artificial intelligence to manage large volumes of data and providing a new level of real-time insights and innovative earth observation services, including our cloud-based ground station solution.

As part of our Geointelligence business area, we provide a number of defence information solutions for customers. These include:

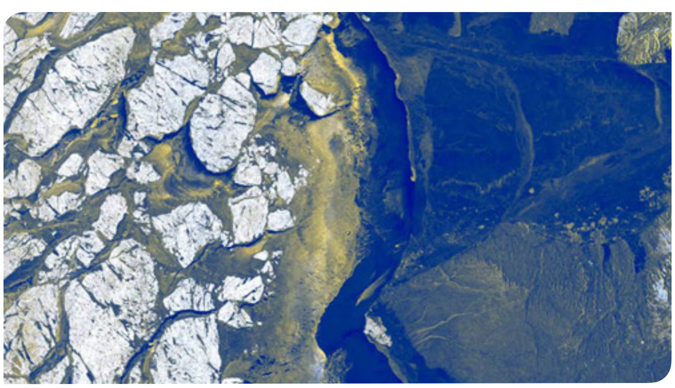
- Design and integration of the electronic warfare integrated product system including laser warning, radar sensor, jamming and communication subsystems for the Royal Canadian Navy's new fleet of surface combatants
- Piloted and unpiloted control systems and airborne surveillance solutions
- Advanced aeronautical navigation information solutions that increase safety and efficiency of aircraft landings and departures, supporting the next generation of air traffic management



MDA's Maritime Insights analytics platform tracking ships around Nigeria.



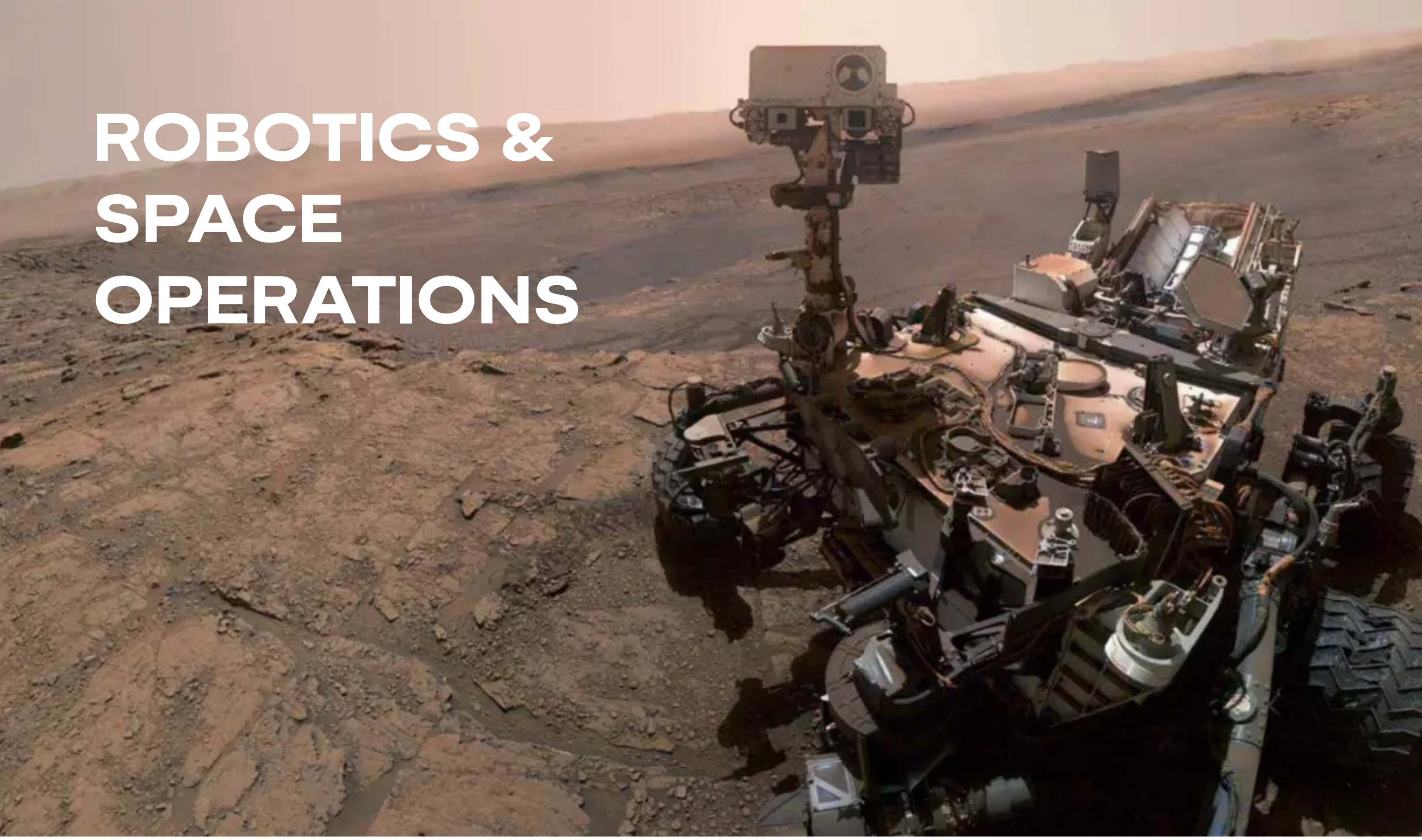
MDA's Maritime Insights analytics platform tracking illegal fishing activity in the Galapagos Islands.



Monitoring climate change: MDA technology is capable of measuring and tracking ice floes.

Monitoring climate change: A glacier breaks away from the Brunt Ice Shelf off Antarctica.

ROBOTICS & SPACE OPERATIONS



AT THE FOREFRONT OF HUMANITY'S EXPLORATION OF SPACE

As the designer and developer of the iconic Canadarm family of space robotics for the Canadian Space Agency (CSA) and NASA, MDA robotic technology and services have helped enable space exploration, space science and space safety for decades.

Our original Canadarm robotic technology first launched aboard Space Shuttle Columbia in 1981 and flew on 90 missions until the end of the program in 2011. The next generation of this technology followed in 2001 with the installation of Canadarm2 on the International Space Station (ISS) and in 2008 with the launch of Dextre, the world's most sophisticated space robot.

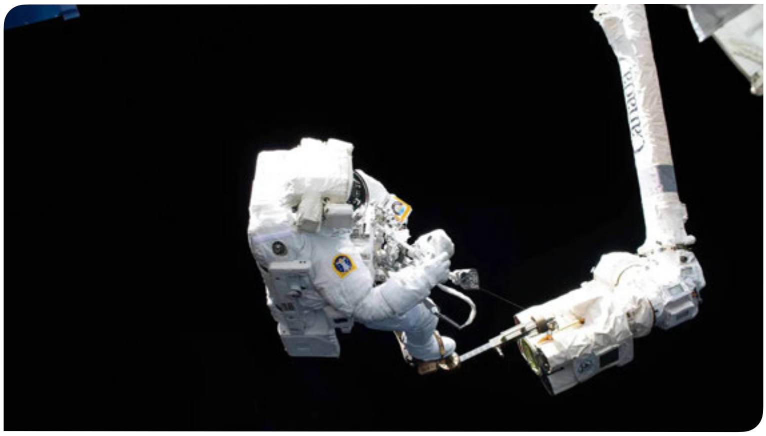
MDA robotic systems continue to perform maintenance and inspection, relocate assets, help capture and berth arriving spacecraft, and support astronaut spacewalks today. With the flexibility to be controlled by astronauts on board the ISS or by Earth-based ground operators, the mobile robotic servicing system also helps to reduce the frequency of required spacewalks allowing astronauts more time to spend on mission-related duties inside the space station.

In recent years, the CSA and MDA have undertaken our most ambitious space exploration project yet. Canadarm3 is destined to operate aboard "Gateway", a deep space outpost that will orbit the Moon beginning in the mid-2020s, supporting both human and robotic missions to the lunar surface, serving as a science laboratory, and acting as a proving ground for exploration missions into deeper space. With

5,844
NUMBER OF TIMES THE ISS ORBITED THE EARTH

6,650
ROBOTICS COMMANDS EXECUTED

128
DAYS THAT THAT ROBOTIC OPERATIONS WERE PERFORMED



An astronaut carried by Canadarm2 on a spacewalk extremely limited connectivity and significant latency due to the Gateway's location some 400,000 km from Earth, Canadarm3 will be designed to be highly autonomous, using its advanced AI-enabled sensors and systems to make decisions when astronauts are not present.

We are leveraging our work on Canadarm3 into commercial opportunities in the space exploration segment of the growing global space economy, including satellite servicing, space debris monitoring and removal, space tourism and space manufacturing.

In addition to robotic arms, our suite of robotics and space operations solutions includes electro-optic and LiDAR sensors, robotic interfaces, robotic ground operations and engineering, vision systems, guidance/navigation/control subsystems, and rover locomotion subsystems. With a full suite of modern, advanced and autonomous robotics and vision sensors capable of operating in space and on the surfaces of the Moon, Mars and beyond, MDA remains at the forefront during a new era of space agency and commercial innovation and exploration.

Canadarm2 capturing Cygnus, a Northrop Grumman spacecraft that has sensor technology on it built by MDA's team in Kanata.

A MISSION CRITICAL PARTNER FOR CUSTOMERS AROUND THE GLOBE

MDA's broad range of innovative technologies are used by international space agencies, commercial partners, and astronauts for exploration mobility, manipulation, control and autonomy, and docking and landing.

- We have provided key sensors and robotics to missions such as NASA's Mars Phoenix lander and Mars Curiosity rover, as well as critical locomotion and vision systems for the European Space Agency's ExoMars rover mission.
- MDA robotics and sensors are routinely used to capture and berth visiting spacecraft to the ISS and to assist in docking operations – and next-generation versions will be used to land spacecraft on the Moon and Mars.
- Our LiDAR sensors, critical to rendezvous, docking, inspection, and landing activities as part of on-orbit and planetary missions, helped the OSIRIS-REx mission scan the asteroid Bennu from 300 kilometres away, conducting the world's first 3D scan of an asteroid from an orbiting spacecraft.
- MDA has been servicing space infrastructure for over 40 years. We designed and built the robotic system on the Orbital Express mission, which enabled the world's first autonomous on-orbit servicing demonstration proving that a robotic spacecraft could safely and cost-effectively service a satellite while in orbit.
- The Space Shuttle's original Canadarm participated in five servicing missions to extend the life and upgrade the Hubble Space Telescope. Meanwhile, Canadarm2 on the ISS is evolving to perform operations with greater autonomy, paving the way for AI-enabled autonomous operations in deeper space.

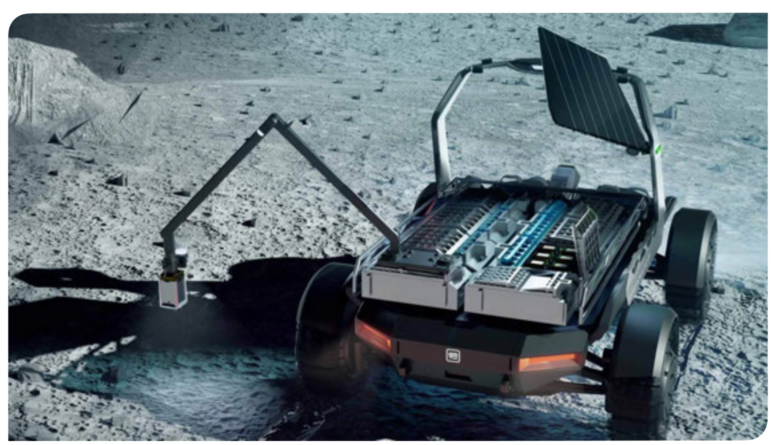
MDA is now enabling multiple next generation space missions where our technology and on-orbit experience provides the foundation for new and innovative developments – such as advancing space infrastructure servicing, assembly and maintenance; the construction of commercial human habitats in space; and exploring the lunar surface and beyond.

15
PAYLOADS GRABBED BY DEXTRE

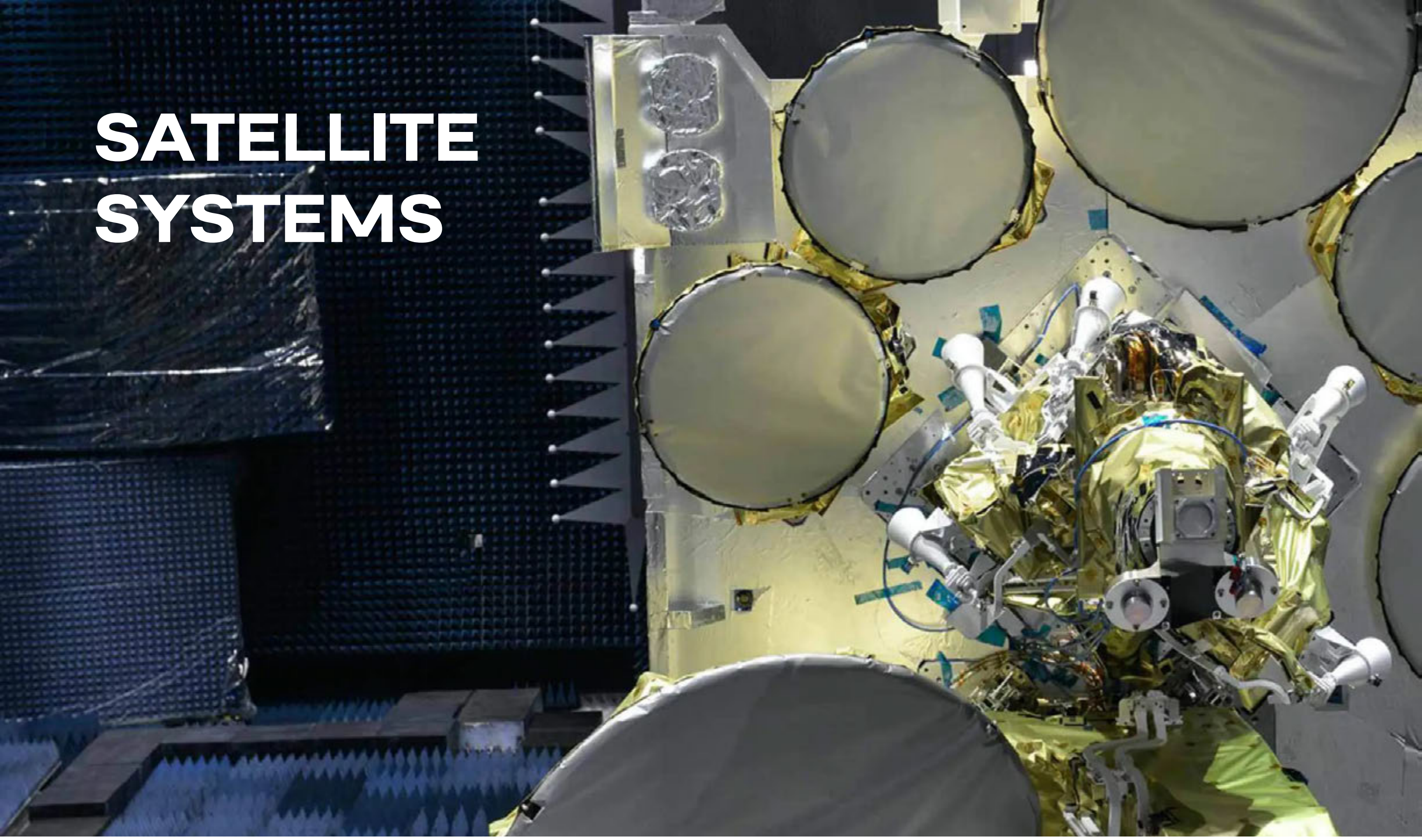
5
CAPTURE AND RELEASE OF VISITING FREE-FLYING SPACECRAFT

9
SPACEWALKS SUPPORTED BY MDA-BUILT ROBOTICS

4
PAYLOADS GRABBED BY CANADARM2



Rendering of a new human-rated lunar mobility vehicle to be developed by Lockheed Martin and General Motors, using an MDA robotic arm.



REACHING MORE OF THE WORLD WITH ADVANCED SATELLITE SYSTEMS AND CONSTELLATIONS

MDA has been providing advanced satellite systems to support civil, commercial, and military missions for more than 50 years. We have unique expertise designing, manufacturing, and testing antennas, electronics, and payloads for communication satellite missions, and our world-leading work on satellite constellations, systems and subsystems helps provide enhanced and expansive communications on Earth. Whether it is extending broadband to rural areas or parts of the planet without adequate coverage, enabling the Internet of Things (IoT), or deploying the benefits of 5G technology, our interconnected world increasingly depends on satellite systems.

As one of the largest independent providers of satellite subsystems used in low Earth orbit (LEO), medium Earth orbit (MEO) and geostationary orbit (GEO), MDA technology has been integrated into more than 350 satellite missions covering over 850 satellites and containing thousands of antenna and electronic subsystems.

Our complete range of satellite solutions are critical for satellites and space systems to operate and perform their intended mission. Our antenna products cover all frequency bands and are used in spacecraft in every orbit. Our electronics products can be used in almost every part of a satellite or spacecraft. Our payload products and services include communications systems, Earth observation systems, manufacturing, integration and verification solutions for customers.

MDA currently has:

- More than 2,000 antenna subsystems and 3,000 electronic subsystems on approximately 850 satellites in various orbits

In 2021 alone, our flight products delivered:

- 900+ MDA antennas
- 200+ MDA electronic units
- 3 MDA payloads

Over the past year, MDA:

- Kitted over half a million parts
- Received approximately 9,000 purchase orders
- Launched close to 8,000 production orders to the floor
- Had hardware on 254 spacecraft that were launched

A LEADER IN HIGH-VOLUME ADVANCED MANUFACTURING FOR LARGE SATELLITE CONSTELLATIONS

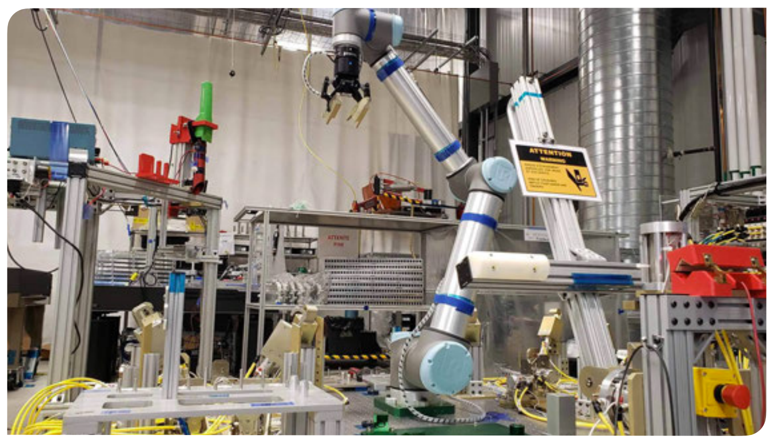
In 2021, MDA was selected by Telesat, one of the world's largest satellite operators, to develop and deliver the Direct Radiating Array (DRA), a revolutionary phased array, electronically-steered multi-beam antenna that will provide enhanced coverage flexibility and agility through advanced beam-forming technology. With this new innovation, achieving any-beam, anytime, anywhere coverage over the entire visible Earth becomes possible.

In 2022, MDA was selected by Globalstar, a leading provider of Mobile Satellite Services including customizable satellite IoT solutions for individuals and businesses globally, as the prime contractor to design, manufacture, assemble and test 17 satellites (with an option for up to an additional nine). The satellites built by MDA will be designed to integrate with Globalstar's existing constellation, ensuring service continuity for customers.

This work will be done at our state-of-the-art production facility in Quebec which contains one of the largest compact ranges for satellite testing in the world, one of the largest near field ranges in the world, and a wide range of thermal, environmental, PIM, and vibration test facilities. The facility also contains a manufacturing 4.0 environment employing robotic assembly to produce high volume LEO satellite systems.

We are further developing our digital satellite technologies to support the transition from analog to digital payloads for LEO, MEO and GEO satellites by providing customized digital payload solutions for specific applications, including 5G backhaul and rural broadband. This will enable us to offer critical solutions to satellite manufacturers that lack digital payload capabilities.

A satellite under construction at MDA's high-tech industrial facility in Montreal.

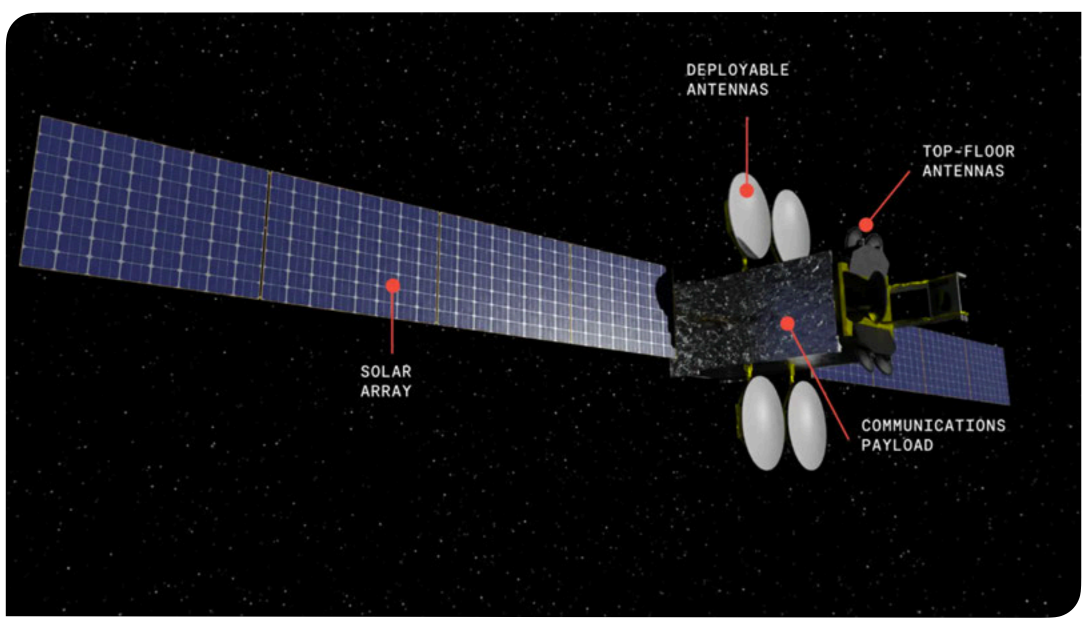


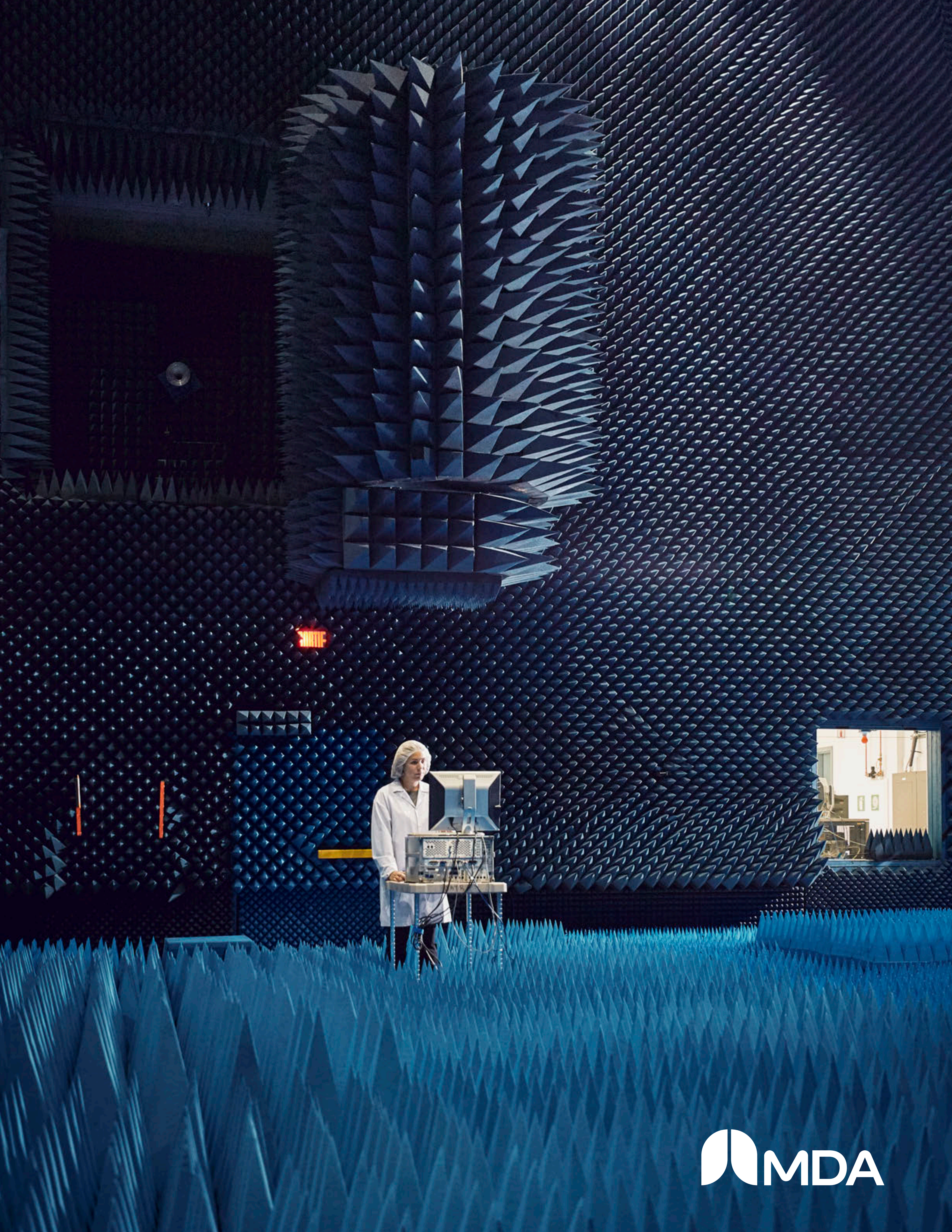
A robot used in MDA's industry 4.0 advanced manufacturing areas for constellations.

Antennas are required on every space system. They are responsible for transmitting and receiving data to and from the satellite. This is the only way a satellite can communicate to Earth or other orbiting satellites.

Space electronics control, process and manage the entire spacecraft and the data flowing through it.

Payloads combine all of these parts and enable specific missions based on customer requirements, function and purpose.




MDA

MDA LTD.

Management's Discussion and Analysis

For the Fourth Quarter and Year Ended December 31, 2021

Table Of Contents

Management's Discussion And Analysis

March 17, 2022

*The following Management's Discussion and Analysis ("**MD&A**") provides information management believes is relevant to an assessment and understanding of the consolidated operating results and consolidated financial condition of MDA Ltd. (the "Company", "we", or "MDA") as at and for the year ended December 31, 2021. The MD&A should be read in conjunction with the cautionary statement regarding forward-looking information below, as well as the Company's audited consolidated financial statements as at and for the year ended December 31, 2021 ("**2021 Audited Financial Statements**") filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. All dollar amounts are expressed in Canadian Dollars ("**CAD**") except where otherwise specified and all numbers are in millions, unless otherwise specified or for per share amounts or ratios. References to "Q4 2021", "this quarter", or "the quarter" are to the unaudited fiscal quarter ended December 31, 2021 and references to "Q4 2020" are to the unaudited fiscal quarter ended December 31, 2020. References to "2020", "prior year", or "comparative year" includes activity of the Predecessor (as defined the glossary of terms) for the period from January 1, 2020 to April 7, 2020. These figures were not included in the 2021 Audited Financial Statements. The construction of the December 31, 2020 figures is presented in the section entitled "Calendar 2020 Construction".*

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws. Such forward-looking information includes, but is not limited to, information with respect to the Company's objectives and strategies to achieve these objectives, as well as information with respect to the Company's beliefs, plans, expectations, anticipations, estimates, intentions and views of future events. Discussions containing forward-looking information may be found, among other places, under the headings "Industry Trends", "Outlook", "Growth Strategies" and "Financial Overview" in this MD&A. In some cases, forward-looking information can be identified by words or phrases such as "forecast", "target", "goal", "may", "might", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "predict", or "likely", or the negative of these terms, or other similar expressions intended to identify forward-looking information. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts. The Company has based the forward-looking information on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs.

Statements containing forward-looking information are based on certain assumptions and analyses made by the Company in light of management's experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate, and are subject to risks and uncertainties. These assumptions include, among others, our ability to maintain and expand the scope of our business; our ability to execute on our growth strategies; assumptions relating to government support and funding levels for space programs and missions; continued and accelerated growth in the global space economy; the impact of competition; our ability to retain key personnel; our ability to obtain and maintain existing financing on acceptable terms; changes and trends in our industry or the global economy; currency exchange and interest rates; and changes in laws, rules, regulations.

Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect and there can be no assurance that actual results will be consistent with the forward-looking information. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors. For additional information with respect to certain of these risks or factors, reference should be made to those described in this MD&A and listed under the heading "Risk Factors" and to the 2021 Audited Financial Statements, as well as those described in the Company's Annual Information Form (AIF) available on SEDAR at www.sedar.com.

The Company cautions investors that statements containing forward-looking information are not guarantees of future performance and that its actual results of operations, financial condition and liquidity and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking information contained in this MD&A. In addition, even if the Company's results of operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward-looking information contained in this MD&A, those results or developments may not be indicative of results or developments in subsequent periods.

Given these risks and uncertainties, investors are cautioned not to place undue reliance on the forward-looking information. Any forward-looking information that is made in this MD&A speaks only as of the date of such statement, and the Company undertakes no obligation to update any forward-looking information or to publicly announce the results of any revisions to any of those statements to reflect future events or developments, except as required by applicable securities laws. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

NON-IFRS FINANCIAL MEASURES

This MD&A refers to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, the measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures, including EBITDA, Adjusted EBITDA, Order Bookings, and Net Debt to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors, and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Our management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation.

EBITDA and Adjusted EBITDA

We define EBITDA as net income (loss) before: i) depreciation of property, plant and equipment and amortization of intangible assets, ii) provision for (recovery of) income taxes, and iii) interest expense and financing costs. Adjusted EBITDA is a supplemental measure used by management and other users of our financial statements including our lenders and investors, to assess the financial performance of our business without regard to financing methods or capital structure. Adjusted EBITDA is also a key metric that management uses to assess the impact of potential strategic investing or financing opportunities. For example, management uses Adjusted EBITDA as a measure in determining the value of acquisitions, expansion opportunities, and dispositions. In addition, Adjusted EBITDA is used by financial institutions to measure borrowing capacity.

Adjusted EBITDA is calculated by adding and deducting, as applicable, certain expenses, costs, charges or benefits incurred in such period which in management's view are either not indicative of underlying business performance or impact the ability to assess the operating performance of our business, including i) unrealized foreign exchange gain or loss ii) unrealized gain or loss on financial instruments iii) restructuring costs iv) impairment loss, and vi) share-based compensation. We use Adjusted EBITDA to facilitate a comparison of our operating performance on a consistent basis reflecting factors and trends affecting our business. Adjusted EBITDA is not an IFRS measure.

Adjusted EBITDA margin represents Adjusted EBITDA divided by revenue. We use Adjusted EBITDA margin to facilitate a comparison of the operating performance on a consistent basis reflecting factors and trends affecting our business.

For a reconciliation of Adjusted EBITDA to the most directly comparable measure calculated in accordance with IFRS see the section entitled "Reconciliation of Non-IFRS Measures" below.

Order Bookings

Order Bookings is the dollar sum of contract values of firm customer contracts. Order Bookings is indicative of firm future revenues; however, it does not provide a guarantee of future net income and provides no information about the timing of future revenue.

Net Debt

Net Debt is the total carrying amount of long-term debt, as presented in the 2021 Audited Financial Statements, less cash. Net Debt is a liquidity metric used to determine how well the Company can pay all of its debts if they were due immediately.

COMPANY OVERVIEW

We are an advanced technology and service provider to the burgeoning global space industry and play a critical role in enabling space-based connectivity, enhanced earth observation and exploration and habitation of space. With world-class engineering capabilities, space mission expertise, and a portfolio of cutting-edge, next generation space technologies, we are the partner of choice for government agencies, prime contractors, and emerging space companies worldwide.

Today we employ over 2,400 staff spread across Canada, the UK, and the USA. We are differentiated by factors including our long track record of success and innovation in space; our profitable operations; the breadth of our customer relationships; our experienced team of engineers averaging over 9 years of tenure with the Company; some of the highest quality equipment and resources in the industry; and MDA's world class portfolio of successful projects, technologies, and patents.

Through our three business areas, **Geointelligence**, **Robotics & Space Operations**, and **Satellite Systems,** we serve nearly every sector of the rapidly growing space economy, with mission expertise and technology tailored to new space applications.

In **Geointelligence**, we provide end-to-end solutions and services related to Earth Observation (EO) and defence intelligence systems. We use satellite-generated imagery and analytic services to deliver critical and value-added insights for a wide range of use cases, including in the areas of national security, climate change monitoring, and maritime surveillance. We own and operate worldwide commercial data distribution for MDA's own satellite (RADARSAT-2) and act as a distributor for many other third party missions. We also derive revenue from products and services related to defence intelligence systems.

In **Robotics & Space Operations**, we enable humanity's exploration of space by providing autonomous robotics and vision sensors that operate in space and on the surfaces of the Moon and Mars. Our innovative technologies are used for exploration mobility, space manipulation, control and autonomy, perception, robotic interfaces, vision and landing sensor systems, and on-orbit servicing.

In **Satellite Systems**, we provide systems and subsystems (including antennas, payloads and electronics) used in LEO (low earth orbit), MEO (medium earth orbit), and GEO (geosynchronous orbit) satellites for commercial and government customers worldwide. Our robotics based manufacturing environment enables us to offer high volume production capabilities for satellite constellations. Our solutions enable space-based services, including next generation communication technologies designed to deliver broadband Internet connectivity from LEO satellite constellations.

Our focus on technological innovation, coupled with mission-tested solutions has contributed to many of humanity's landmark achievements in space, and we expect to continue to play a major role in leading the space industry into the future.

COMPETITIVE STRENGTHS

As a leader in the space economy with a proven track record, we are well positioned to provide innovative, mission critical solutions to a wide range of customers. Our key competitive strengths include:

Full Mission Expertise and Advanced Technologies Tailored for the New Space Economy

We provide a cutting edge, end-to-end offering of technologies and solutions in each of our business areas. This differentiated full mission expertise enables us to deliver a seamless solution to customers in the fast-paced new space economy.

- In Geointelligence, we own and operate one of the world's most technologically sophisticated, taskable wide area SAR satellites (RADARSAT-2) and have developed one of the world's largest multi-sensor ground station networks. Our ability to provide actionable information in near real-time through this integrated solution offering differentiates us from competitors who lack a fully integrated solution.

- In Robotics & Space Operations, we possess industry leading and end-to-end technological capabilities underscored by a rich patent portfolio and extensive on-orbit operational expertise. These technological capabilities enable us to provide mission critical solutions for advanced space applications including space station operations, on-orbit servicing, in-space manufacturing and assembly, space tourism, and space mining.
- In Satellite Systems, we have high volume assembly, integration, and testing facilities with differentiated technologies and expertise across the full spectrum of electromagnetic bands. These facilities, technologies, and expertise enable us to deliver customized solutions and aftermarket and replacement services at a pace that we believe is faster than our competitors. They are also critical in enabling us to address next generation space-based missions for broadband communications, IoT applications and 5G mobile services.

Many of our competitors possess expertise for a portion of a mission, but lack full end-to-end capabilities. Emerging space companies with new business models seek out MDA as a development partner because our technology and solutions offerings seamlessly enable their mission from early engineering, construction, and launch to servicing and replacement.

Scalable Organizational Infrastructure

Our organizational structure and entrepreneurial culture enable us to respond rapidly to customer needs and market trends across all our business areas. We have significant scale with over 500,000 square feet of design, laboratories, manufacturing, and test facilities and the support of a supply chain of over 500 proven contractors. This provides us with the engineering capabilities necessary to deliver on large and complex missions, in a way that smaller emerging space companies may be unable to manage. The combination of our agility and scale positions us to service both emerging space companies that require fast and cost-efficient solutions as well as large commercial and government customers that require customization and high volume capabilities.

Trusted Partner with a Strong Track Record of Execution

Our reputation and track record for delivering mission critical solutions provides customers with confidence that we will enable the successful completion of their mission. The confidence we instill in our customers drives new business wins, and represents a powerful advantage that would take years for less experienced competitors to develop. Our reputational advantage is illustrated by our work for OneWeb on its 648 satellite LEO constellation. OneWeb sought out our assistance to develop the design requirements and then manufacture the components for their constellation due to our exemplary performance on the O3B communications constellation we completed for SES.

GROWTH STRATEGIES

We are executing on specific growth strategies and leveraging our competitive strengths to capitalize on the fastest growing areas of the space economy. To maximize our growth opportunities, we are investing in research and development, manufacturing, product development, and in scaling the business. Our primary strategic initiatives include:

- **Expanding Market Leadership in Geointelligence** – we are currently developing our next industry leading EO mission named CHORUS that is expected to provide the broadest SAR area coverage on the market with cloud-enabled ground infrastructure to provide best in class download times. The mission is expected to also include a trailing high-resolution X-band SAR satellite which enhances target monitoring performance and unlocks new use cases, including tipping and cueing techniques that allow MDA’s leading broad area sensor to monitor an area of interest (the “tip”) and to zoom in on the objects of interest (the “cue”) using the trailing high-resolution sensor;

- **Deepening Constellation Market Share** – we are expanding our high volume production capacity by investing in new satellite manufacturing facilities and modernizing existing facilities with-state-of-the-art digital capability to enable us to better service the expanding LEO satellite market. In addition to supporting high volume requirements, these modernized and scaled capabilities give us the capacity to capture incremental aftermarket and replacement services revenues, driven by the short lifespan of LEO satellites;
- **Developing Digital Solutions for Satellite Communications Industry** – we are further developing our digital satellite technologies to support the transition from analog to digital payloads for both LEO and GEO satellites by providing customized digital payload solutions for specific applications, including 5G backhaul and rural broadband. This will enable us to offer critical solutions to satellite manufactures that lack digital payload capabilities;
- **Maximizing Robotics & Space Mission Participation** – we are investing to maintain our global leadership in space robotics and exploration mission solutions and leveraging our technologies and capabilities for emerging commercial on-orbit servicing applications. We intend to develop a portfolio of pre-qualified and multipurpose space robotics components, including sensors, autonomous robotics, and space manipulators to be used in debris removal, on-orbit satellite servicing, and in-space assembly applications; and
- **Utilizing Strategic M&A to Complement Organic Growth** – we are continuously evaluating acquisition opportunities that can complement our organic growth strategy and enhance our offering. Our M&A strategy has three pillars: (i) deepen existing capabilities and our domain expertise; (ii) accelerate our technology roadmap to support strategic initiatives and our expansion into market adjacencies; and (iii) deepen and expand our presence in international geographies to access new market sectors and customers.

BUSINESS AREAS

We sell our products and services into three end markets which include Geointelligence, Robotics & Space Operations and Satellite Systems. Below is a brief description of each business area.

GEOINTELLIGENCE

In Geointelligence, we provide end-to-end solutions and services related to EO and intelligence systems. We use satellite-generated imagery and data to deliver critical and value-added insights for a wide range of end uses, including in the areas of national security, climate change monitoring and global commerce.

Our EO business includes the collection, processing and dissemination of Earth imagery data from space. As the operator and owner of global commercial data distribution for the RADARSAT-2 satellite, we are one of the largest radar information providers worldwide. Our extensive data archive is comprised of approximately 70 billion square kilometers of Earth imagery data. We also distribute high resolution optical imagery and satellite-based Automatic Identification System (AIS) data from many other third party missions. Our imagery solutions provide customers with timely, accurate and mission-critical information about our changing planet and support a wide variety of uses and sectors, including defence and intelligence, energy and natural resources, industrials, agriculture and forestry, public authorities, services and weather.

We also provide geospatial services that combine imagery, contextual information, analytic expertise and innovative technology to deliver integrated intelligence solutions to customers. MDA provides analytic solutions that document change and enable geospatial modeling and analysis that is intended to predict where events will occur to help customers protect lives and make resource allocation decisions.

The largest market for our EO data and services is maritime surveillance. Government and commercial organizations rely on us for mission critical real-time data to track maritime activity, visualize maritime crime patterns, identify and monitor illegal, unreported and unregulated fishing, track ice floes, shorelines and ocean winds, detect possible oil spills and monitor vessels. We have been a leading provider of these mission critical services for over 25 years and play an integral role in our customers' surveillance strategies.

Our end-to-end solutions include a full range of multi-satellite ground stations that receive, process, distribute, archive, and exploit imagery from RADARSAT-2 and other satellites. We have installed more than 70 receiving ground stations in more than 25 different countries, which process data from over 20 different satellites. The intelligence provided through our ground stations supports a broad range of applications, including national security, maritime transportation, urban development, land use, resource management, environmental monitoring, defence operations, law enforcement and mapping.

MDA also provides a number of defence information solutions, including command and control systems and airborne surveillance solutions. We are the original solution provider of many of these systems. The Company provides advanced aeronautical navigation information solutions that increase safety and efficiency of aircraft landings and departures, supporting the next generation of air traffic management. We also operate a long endurance unmanned aerial vehicle (UAV) surveillance service that provides real-time, multi-sensor intelligence to support critical operations.

We are currently developing CHORUS (formerly known as SARnext), a next-generation radar satellite system that will provide data continuity for RADARSAT-2 and is expected to enhance our EO solutions offering. CHORUS will fuse data from multiple sensors and will leverage artificial intelligence in order to manage larger volumes of data and provide enhanced analytics services. We also intend to launch our cloud-based ground station solution as part of our CHORUS offering. These expanded capabilities will grow our customer base and drive increased revenue from existing customers by providing additional services.

- **Key Program – Canadian Surface Combatant (CSC):** One of our key defence intelligence programs is our execution on the Canadian Surface Combatant (CSC) project. We are designing and integrating the Electronic Warfare suite system for 15 Royal Canadian Navy warships. The ships are scheduled to be built over the next 20 years and are expected to serve the Royal Canadian Navy for decades. This program represents over $1.5 billion of potential revenue for MDA. We plan to leverage the Canadian Surface Combatant's sensor, laser warning, and electronic system technologies to serve international defence customers as they upgrade their naval fleets over time.

ROBOTICS & SPACE OPERATIONS

In Robotics & Space Operations, we enable humanity's exploration of space by providing autonomous robotics and vision sensors that operate in space and on the surfaces of the Moon and Mars. Our industry leading, end-to-end design and operations capabilities are critical for advanced space applications including space station operations, on-orbit servicing, manufacturing and assembly, space tourism and space mining.

Our products include: electro-optic and LiDAR sensors, robotic interfaces, robotic arms, tooling, robotic ground stations, vision and targeting systems, guidance/navigation/control subsystems, and rover locomotion subsystems.

Demand for space robotics and mission-support services is primarily driven by International Space Station (ISS) activities and lunar and deep space exploration. The increase in the number of satellites and other spacecraft is driving demand for emerging solutions in on-orbit servicing (e.g., the upgrade and repair, relocation and refueling of satellites in orbit) and manufacturing. We have a long history in space robotics, having developed the Canadarms for NASA's Space Shuttle program, and Canadarm2, which is currently in service on the ISS. We have provided robotics on over 100 space shuttle missions and sensors, which supported 49 space shuttle and ISS missions, and have supported Canadarm, Canadarm2 and Dextre (a space robotic system also known as the Special Purpose Dexterous Manipulator) operations on the ISS for the past 20 years.

We designed and built Orbital Express, the robotics system that enabled the world's first autonomous on-orbit servicing demonstration and have developed full interface solutions for on-orbit refueling for most western nation satellites in GEO. We are now engaging in future missions for on-orbit assembly where our technology and on-orbit experience provide the foundation to deliver innovative solutions for space infrastructure assembly and maintenance, including the autonomous construction of human habitats in space.

Our LiDAR sensors are critical to rendezvous, docking, inspection, and landing activities as part of on-orbit and planetary missions. These sensors are used today to dock spacecraft with the ISS and next generation versions will be used to land spacecraft on the Moon and Mars. Our sensors and robotics, including the ExoMars Rover, the Phoenix Lander and the Curiosity Rover, have been operational on Mars for over 12 years. We built the LiDAR instrument for the OSIRIS-Rex mission that completed the world's first 3D scan of an asteroid from an orbiting spacecraft.

We also develop commercial space robotic solutions that serve the needs of the new space market. Our products and services support logistics delivery, satellite servicing, debris removal, relocation of assets and infrastructure maintenance. We have developed integrated space robotic systems, technologies, interfaces, tools, operational techniques, and control algorithms to enable the commercial space opportunity of on-orbit servicing using strategic intellectual property developed through years of R&D activities.

- **Key Program – Canadarm3:** The Canadarm3, the third generation robotic technology developed by MDA, will be designed and built over a five-year period and is expected to generate estimated total revenue to the Company of $1.4 billion, including 15 years of ongoing service and support revenue. This advanced AI-enabled robotic system will be highly-autonomous, allowing the robotic elements to perform operations and make decisions during long periods when there is no contact with the Canada-based ground control operations centre. We also plan to commercialize our Canadarm3 robotic arm capabilities for applications in the growing on-orbit servicing and in-space manufacturing and assembly markets.

SATELLITE SYSTEMS

In Satellite Systems, we provide components and spacecraft to enable space-based services, including next generation communication technologies that will deliver space-based broadband Internet connectivity from LEO satellite constellations and solutions across the full communication frequency band.

We are a prime contractor and a supplier of satellite systems and sub-systems used in LEO, MEO and GEO satellites for commercial and government customers worldwide, including antennas, electronics and payloads. Our antenna products include L-band arrays, C and Ku reflector antennas, Ka band multi-beam antennas, steerable antennas, and LEO/MEO constellation antennas. Our electronics products include command and control, onboard signal processing, single board computers, frequency generation, frequency convertors, amplifiers, and power conditioners. Our payload products and services include communication payload design, manufacturing, integration and verification solutions for customers.

Payloads are the core business functionality of a satellite. For example, in an EO satellite, the payload is its cameras or radar system that will observe the Earth. In a communications satellite, the payload is its communication solution. The payload enables the satellite to fulfill its objectives. MDA delivers full payload systems, together with antennas and electronic products, and provides engineering support and services in connection with the integration and operation of the satellite.

We have provided satellite subsystems to enable next generation communication constellations such as O3B, Iridium Next, and OneWeb. To support our customers, MDA has continually adapted its satellite manufacturing base, which now includes fourth generation robotics-based technologies capable of manufacturing dozens of small satellites and satellite sub-systems each month. MDA technology has been integrated into more than 350 satellite missions to date, with more than 2,000 antenna subsystems and 3,000 electronic subsystems on approximately 850 satellites currently in orbit.

We have high-volume production capability for large satellite constellations. Our Satellite Systems facility in Sainte-Anne-de-Bellevue, Quebec, contains one of the largest compact ranges for satellite testing in the world, one of the largest near field ranges in the world, a wide range of thermal, environmental, PIM, and vibration test facilities, and a recently established fourth generation manufacturing environment employing robotic assembly to produce high volume LEO satellite systems.

We are also developing a range of digital payload components (e.g., channelizer, on-board processor, active antennas) to address the industry transition from analog satellites to digital satellites. MDA has a proven Software Defined Radio (SDR) capability for space based communication solutions, with current contracts including the Power and Propulsion Element (PPE) module on the Lunar Gateway.

- **Key Program – Telesat Lightspeed:** In February 2021, Telesat announced that MDA has been selected for a major role on its upcoming Telesat Lightspeed LEO constellation program. MDA will develop the Direct Radiating Array (DRA). Additionally, we are in discussions to provide Telesat with gateway antennas as well as spacecraft assembly, integration and test (AI&T) services for the 300 initial LEO satellites. The work scope to conduct AI&T or final assembly of these satellites will enable MDA to produce one satellite per day, a new global benchmark for high performance satellite production. Telesat is expected to build and launch these 300 satellites over the next five years, which represents an estimated $800 million of potential revenue to MDA. Telesat also has a registered license for an additional 1,300 LEO satellites, which could potentially represent a multi-billion dollar future opportunity to MDA. In November, 2021, Telesat announced delays to the Lightspeed program resulting from supply chain disruptions; Telesat is currently working with its suppliers including MDA to finalize the program schedule.
- **Key Program – Globalstar LEO Constellation Expansion:** In February 2022, Globalstar Inc. (Globalstar) announced that MDA has been selected as the prime contractor for Globalstar's new LEO satellites. Globalstar is a leading provider of Mobile Satellite Services including customizable satellite IoT solutions for individuals and businesses globally. The contract, valued at $327 million USD (~$415 million CAD) includes the design, manufacture, assembly and test of 17 satellites, with options for Globalstar to purchase up to nine additional satellites. The satellites built by MDA will integrate with Globalstar's existing constellation, ensuring service continuity for Globalstar customers. The contract will be added to MDA's backlog in the first quarter of fiscal 2022.

INDUSTRY TRENDS

Key industry trends that directly influence our business are summarized below.

New Space Business Opportunities Are Increasing

2021 marked a record year for investment in the space industry, with $14.5 billion invested in commercial space infrastructure companies, a 50% increase compared to 2020. Additionally, numerous government programs have recently been established in countries such as Canada, the United States, France, the United Kingdom, Australia, New Zealand, and across the European Union to invest in space start-ups and create early-stage contracting opportunities. As space becomes more accessible and capital investment in space companies is increasing, the opportunity set for MDA is expanding. Our Geointelligence business activity increasingly involves engagement with EO start-up companies, providing the opportunity for MDA to offer RADARSAT-2 satellite imagery and analytic services through additional channels for advanced analytics and to partner with other satellite operators to obtain a greater range of source data for our analytics products and services. Our Robotics & Space Operations business is now engaged with multiple parties to provide advanced sensors to their spacecraft and lunar landing systems, as well as to provide robotics to commercial space stations and space tourism and on-orbit servicing spacecraft. Our Satellite Systems business is responding to multiple requests for communication satellite solutions for a growing number of commercial constellation projects. We see this specifically in key program wins such as the new Telesat and Globalstar LEO constellation programs.

Government Agencies are Seeking Increased Commercial Collaboration

The growing commercial space economy has resulted in government customers, including civilian space agencies and defence departments, seeking commercial collaboration in business activities. MDA has responded, and continues to respond, to several future government initiatives regarding co-investment by industry, and/or an industry services model to provide EO as-a-service, on-orbit robotics operations as-a-service, and space based communications as-a-service. We see this on Government of Canada engagements on projects such as the Earth Observation Service Continuity (EOSC) program, Defence Enhanced Surveillance from Space program (DESSP), the Enhanced Satellite Communication Project - Polar, and Canadarm3.

The Pace and Density of Space Missions are Increasing

The intensity of new business development is rapidly increasing across MDA. Government agencies have increased demand for space based initiatives for EO, space exploration, and space based communication, while commercial customers are exhibiting similar needs as they obtain record levels of financing. MDA is focused on staffing, financing new business development efforts and increasing the scale of the overall business in order to maximize our position in this growing market with increasing product and services volumes.

OUTLOOK

As a leading space technology provider, we are leveraging our capabilities and expertise to execute on specific growth strategies across our end markets and business areas. Underlying industry trends for space continue to be strong and market activity remains robust. We believe our long term future growth pipeline is significant and underpinned by the existing contract awards of our key programs. With Telesat Lightspeed, Canadarm3, the Canadian Surface Combatant (CSC) programs already under initial contracts, in Q4 we made and are continuing to make significant progress on next-phase contract negotiations, program definition and development, and risk reduction activities. We believe our backlog and recent awards announced in the first quarter of 2022, including Globalstar's LEO satellite constellation (~$415 million contract) and Canadarm3 phase B ($269 million contract), provide us with revenue visibility and a strong business foundation for 2022 and beyond.

We continue to monitor developments related to the Covid-19 pandemic and supply chain disruptions which can impact the timing of programs, our overall productivity and ability to engage directly with our customers. We are taking pro-active measures across our three business areas to mitigate the impact on our operations to the extent possible.

Consistent with the outlook provided in Q3 2021, we expect our 2022 revenues to be $750 – $800 million, representing robust year-over-year growth of approximately 55% – 65%, and expect 2022 adjusted EBITDA to be $140 – $160 million. Our 2022 forecasts are predicated on continued backlog growth in the first half of 2022, with year over year revenue inflection commencing in the second quarter of 2022 and accelerating throughout the balance of the year. We expect capital expenditures in 2022 to be $180 - $220 million, primarily comprising growth investments to support CHORUS and the previously outlined growth initiatives across our three business areas.

KEY EVENTS

FOURTH QUARTER

In the fourth quarter, MDA continued to execute on its growth initiatives:

- Our Robotics & Space Operations business was awarded a contract by the Canadian Space Agency (CSA) to undertake the initial design study for a Canadian Lunar Rover mission to the Moon;

- CHORUS (formerly SARnext) was formally announced as the name of our next generation EO commercial mission. MDA also announced that CHORUS will include C-band and X-band Synthetic Aperture Radar (SAR) satellites. A collaborative multi-sensor constellation, CHORUS builds on the strong heritage of the RADARSAT program and brings forward innovative new technologies and operations concepts to deliver a significantly enhanced capability; and
- We entered into an agreement with ICEYE for the latter to supply an X-band Synthetic Aperture Radar (SAR) spacecraft for CHORUS. This revolutionary approach will provide the most extensive radar imaging capacity available on the market and significantly enhance existing services and enable new applications not feasible with existing SAR satellites.

Subsequent to the quarter, we added two significant wins to our backlog:

- We were selected as the prime contractor for Globalstar's new LEO satellites. The satellites built by MDA will integrate with Globalstar's existing constellation, ensuring service continuity for Globalstar customers. The contract includes the design, manufacture, assembly and test of 17 satellites, with options for Globalstar to purchase up to nine additional satellites. The satellites will be built, assembled and tested at MDA's new state-of-the art high volume satellite production facility in Montreal.
- We were awarded Phase B of the Canadarm3 program, valued at $269 million, from the Canadian Space Agency (CSA). Phase B of the program will see MDA complete the preliminary design of the Canadarm3 robotics system that will be used aboard the Lunar Gateway. This builds upon MDA's completed Phase 0 and subsequent Phase A, which established the technical requirements needed for the design and manufacturing of the Canadarm3 Artificial Intelligence (AI)-based robotic system. The design work is expected to be completed over the next 17 months.

FULL YEAR

2021 marked a pivotal year for MDA, with the Company successfully completing its Initial Public Offering in April, marking its return to the public markets. MDA also raised $460 million in gross proceeds allowing it to accelerate growth momentum across its business areas. Key wins and accomplishments of each business area throughout the year are highlighted below.

Geointelligence

- Awarded a three-year contract under the Dark Vessel Detection program from the Government of Canada Department of Fisheries and Oceans and Defence Research and Development Canada.
- MDA announced the initial CSC contract with an expected value of more than $60 million which was followed by a series of additional orders contributing to 2021 backlog. Progress on the program is in line with management's expectations. Work on the requirements analysis phase of the program continues and MDA continues to finalize a number of additional Electronic Warfare suite sensor contracts.
- Awarded a contract by the Canadian Space Agency (CSA) to provide satellite flight operations and data management services for the CSA's EO and space situational awareness satellite missions, with an estimated contract price valued at more than $35 million over a three-year period plus an option to renew for up to two additional years.

Robotics and Space Operations

- Continues to receive awards for sensors to support flight to the lunar surface, cumulatively to date providing sensor solutions for five lunar missions.
- Awarded a $35.3 million contract on Canadarm3 from the Canadian Space Agency (CSA) for the design of GERI (Gateway External Robotics Interfaces).

- Awarded the full contract from MELCO (Mitsubishi Electric Corporation) in Japan to provide a Laser Rangefinder (LRF) altimeter for the JAXA (Japan Aerospace Exploration Agency) MMX (Martian Moons eXploration) mission.

Satellite Systems

- Selected by Telesat to provide the Direct Radiating Array technology on the Telesat Lightspeed program.
- Entered into a long-term supply agreement to provide satellite subsystems for Airbus's OneSat digital satellite platform.
- Returned to full volume production activities for OneWeb's first generation constellation, which will consist of 648 LEO satellites and will deliver high-speed, low-latency global connectivity.
- Awarded contracts with L3Harris Technologies and Lockheed Martin for the provision of LEO Antenna products for Space Development Agency's Wide Field of View Tracking Tranche 0.
- Awarded a contract to design and build the X-Band Antenna for the Space Weather Follow On-Lagrange 1 (SWFO-L1) program.

Simultaneous to winning in the market, MDA focused on talent recruitment and deployment. In 2021 MDA hosted its largest ever career fair, attracting more than 800 attendees to a successful virtual recruiting event. In 2021, MDA added 670 staff to its workforce.

FINANCIAL OVERVIEW

KEY INDICATORS SUMMARY

	Fourth Quarters Ended		Years Ended	
(in millions of Canadian dollars, except for ratios)	**December 31, 2021**	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Revenues	$ 115.5	$ 100.2	$ 476.9	$ 411.5
Gross profit	$ 45.4	$ 28.6	$ 167.8	$ 117.3
Gross margin	39%	29%	35%	29%
EBITDA	$ 22.9	$ 11.6	$ 123.3	$ 65.7
Adjusted EBITDA	$ 26.8	$ 30.1	$ 137.1	$ 126.8
Adjusted EBITDA margin	23%	30%	29%	31%

As at	**December 31, 2021**	**December 31, 2020**
Backlog	$ 864.3	$ 562.5
Net debt to Adjusted EBITDA ratio	0.4x	3.8x

REVENUES BY BUSINESS AREA

	Fourth Quarters Ended		Years Ended	
(in millions of Canadian dollars)	**December 31, 2021**	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Geointelligence	$ 52.8	$ 47.6	$ 190.7	$ 184.5
Robotics & Space Operations	29.9	25.7	132.9	115.3
Satellite Systems	32.8	26.9	153.3	111.7
Consolidated revenues	$ 115.5	$ 100.2	$ 476.9	$ 411.5

Revenues

Consolidated revenues for the fourth quarter in 2021 were $115.5 million, representing an increase of $15.3 million (or 15%) compared to the same quarter in 2020. The higher revenues in the quarter were driven by improved program performance and continued execution on our backlog, primarily in Satellite Systems and Robotics & Space Operations. Program performance improvements reflect operational excellence and strong cost control throughout the programs lifecycle. By business area, revenues in Geointelligence of $52.8 million represents a $5.2 million (or 11%) increase from 2020 to 2021 driven by higher sales of satellite imagery and analytic services along with higher volume from the Canadian Surface Combatant (CSC) program. Revenues in Robotics & Space Operations of $29.9 million represents a $4.2 million (or 16%) increase year over year, largely driven by the higher volume of work performed on the Canadarm3 program. Revenues in Satellite Systems of $32.8 million were $5.9 million (or 22%) higher compared to the fourth quarter in 2020, representing increased execution against our growing backlog.

For the full year, revenues were $476.9 million in 2021 which were $65.4 million (or 16%) higher than 2020 revenues. The increase in revenues was driven by improved program performance and execution on our backlog, primarily in the Satellite Systems and Robotics & Space Operations businesses.

By business area, full year revenues in Geointelligence of $190.7 million represents a $6.2 million (or 3%) increase from 2020 to 2021. While Geointelligence experienced growth in sales of satellite imagery and analytic services along with increased volume for the CSC program, this growth was partially offset by the ramp down of completed programs and a temporary interruption in activity on certain service contracts experienced in the third quarter of 2021. In Robotics & Space Operations, full year revenue of $132.9 million represents a $17.6 million (or 15%) increase year over year. This increase is largely driven by the ramp up of work performed on the Canadarm3 program throughout the year. In Satellite Systems, full year revenue of $153.3 million represents a $41.6 million (or 37%) increase from 2020 to 2021. This increase is primarily attributable to ramp up of work performed on contracts awarded in the back half of 2020 and first half 2021, amplified by improved program performance in 2021.

Gross Profit and Gross Margin

Gross profit reflects our revenues less cost of revenues. Fourth quarter gross profit of $45.4 million represents a $16.8 million (or 59%) increase over 2020. Fourth quarter gross margin of 39% represents a 1,076 bps improvement compared to the same period in 2020. This increase reflects improved program execution and management of costs across all three business areas, coupled with increased investment tax credits (ITC's) earned in Q4 2021 as compared to Q4 2020.

Full year gross profit of $167.8 million represents a $50.5 million (or 43%) increase from 2020 to 2021. Full year gross margin of 35% represents a 677 bps improvement compared to 2020. This increase is attributable to our ability to manage program costs and mitigate execution risks throughout the year across all three business areas, coupled with increased ITC's earned over 2020.

Adjusted EBITDA and Adjusted EBITDA Margin

For the fourth quarter, adjusted EBITDA of $26.8 million in 2021 represents a decrease of $3.3 million compared to $30.1 million in 2020. Adjusted EBITDA margin declined to 23% in 2021 from 30% in 2020. The Canada Emergency Wage Subsidy (CEWS) program ended in early Q4 of 2021, resulting in a CEWS contribution of only $0.8 million in the fourth quarter of 2021 compared to $8.4 million in the fourth quarter of 2020. Excluding the impact of CEWS, which we believe provides a better gauge of the underlying business performance, fourth quarter adjusted EBITDA increased by $4.3 million (or 20%) year over year, and adjusted EBITDA margin, excluding CEWS, increased to 23% from 22% in the prior year.

For the full year, adjusted EBITDA of $137.1 million in 2021 represents an increase of $10.3 million (or 8%) compared to $126.8 million in 2020. Adjusted EBITDA margin declined slightly to 29% in 2021 from 31% in 2020. While the Company achieved higher volumes of revenue and improved its realization of revenue into gross profit in 2021, these positive contributions to adjusted EBITDA were partially offset by a decrease in CEWS income of $16.8 million and higher R&D expenses in 2021. Excluding the impact of CEWS, adjusted EBITDA increased by $27.1 million (or 32%) year over year, and adjusted EBITDA margin increased to 24% from 21% in the prior year.

Adjusted EBITDA, excluding CEWS income, is summarized in the table below.

	Fourth Quarters Ended		**Years Ended**	
(in millions of Canadian dollars)	**December 31, 2021**	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Adjusted EBITDA	$ 26.8	$ 30.1	$ 137.1	$ 126.8
CEWS income	0.8	8.4	24.8	41.6
Adjusted EBITDA, excluding CEWS	$ 26.0	$ 21.7	$ 112.3	$ 85.2
Adjusted EBITDA margin, excluding CEWS	23%	22%	24%	21%

Backlog

The backlog as at December 31, 2021 was $864.3 million, an increase of $301.8 million compared to the backlog at December 31, 2020. We expect our backlog to continue to build in 2022 as we secure awards across our three businesses. The following table shows the build up of backlog over 2020.

	Fourth Quarters Ended		**Years Ended**	
(in millions of Canadian dollars)	**December 31, 2021**	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Opening Backlog	$ 828.9	$ 503.8	$ 562.5	$ 462.1
Less: Revenue recognized	(115.5)	(100.2)	(476.9)	(411.5)
Add: Order Bookings	140.1	158.9	767.9	511.9
Adjustments(1)	10.8	—	10.8	—
Ending Backlog	$ 864.3	$ 562.5	$ 864.3	$ 562.5

(1) Adjustments in 2021 include reassessments of the values on certain customer contracts and effects of foreign exchange.

RESULTS OF OPERATIONS

(in millions of Canadian dollars, except per share data)	Fourth Quarters Ended		Years Ended	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Revenues	$ 115.5	$ 100.2	$ 476.9	$ 411.5
Materials, labour and subcontractors costs	64.0	66.5	285.6	271.4
Depreciation and amortization of assets	6.1	5.1	23.5	22.8
Gross profit	$ 45.4	$ 28.6	$ 167.8	$ 117.3
Operating expenses:				
Selling, general & administration	$ 17.1	$ 19.3	$ 58.3	$ 66.3
Research & development, net	8.3	2.8	21.1	7.4
Amortization of intangible assets	14.0	14.0	56.3	42.5
Share-based compensation	3.9	4.9	13.5	5.9
Total operating expenses	$ 43.3	$ 41.0	$ 149.2	$ 122.1
Operating income	2.1	(12.4)	18.6	(4.8)
Other (income) expense	(0.7)	(4.9)	(24.9)	(5.2)
Finance costs	2.2	8.7	32.2	31.4
Income (loss) before income taxes	$ 0.6	$ (16.2)	$ 11.3	$ (31.0)
Income tax expense (recovery)	—	(3.6)	8.4	5.2
Net income (loss)	$ 0.6	$ (12.6)	$ 2.9	$ (36.2)
Basic earnings per share (1)	$ 0.01	$ (0.16)	$ 0.03	$ (0.61)
Diluted earnings per share(1)	0.00	(0.16)	0.02	(0.61)

(1)Earnings per share data for the year ended December, 31 2020 is calculated using weighted average shares outstanding information for the period from January 1, 2020 to December 31, 2020.

Revenues

Consolidated revenues for the fourth quarter in 2021 were $115.5 million, representing an increase of $15.3 million (or 15%) compared to the same quarter in 2020. On a full year basis, 2021 revenues were $476.9 million which were $65.4 million (or 16%) higher than 2020 revenues. Please refer to ‘Financial Overview’ for a detailed discussion of revenue drivers for the fourth quarter and fiscal year.

Materials, labour and subcontractors costs

Materials, labour and subcontractor costs for the fourth quarter of 2021 were $64.0 million, representing a $2.5 million (or 4%) decrease compared to the same period in of 2020. The decline is primarily driven by improved management of cost overruns in Q4 2021 compared to Q4 2020, coupled with increased ITC’s earned in Q4 2021 as compared to Q4 2020.

On a full year basis, materials, labour and subcontractor costs were $285.6 million, representing a $14.2 million (or 5%) increase year over year. The overall increased costs are driven by revenue growth offset by improved program performance and increased ITC’s earned over 2020.

Depreciation and amortization of assets

Included in this line item are the depreciation and amortization costs of those assets directly used to support our revenues. These assets are depreciated and amortized on a straight-line basis over their useful lives. Fourth quarter costs of $6.1 million represents an increase of $1.0 million (or 20%) from the same quarter in 2020, resulting from more revenue-generating assets in Q4 2021 as compared to Q4 2020.

Full year costs of $23.5 million represents an increase of $0.7 million (or 3%) over 2020, reflecting our progressive investments in revenue-generating assets throughout 2021 to support our growth.

Selling, general and administration (SG&A)

SG&A expenses include administrative support functions, as well as, business development and bids and proposals costs. In addition, audit fees, public company expenses, recruitment and other consulting fees are included in this line item.

SG&A expenses for the fourth quarter were $17.1 million, representing a decrease of $2.2 million (or 11%) over the same quarter in 2020. Full year SG&A expenses were $58.3 million, representing a decrease of $8.0 million (12%) over 2020. The decreases, on both a fourth quarter and a full year basis, are due to decreases in professional fees related to the one-year of post-Acquisition transition services we obtained from Maxar that ended in April 2021.

Research and development (R&D)

MDA's net R&D expenses comprise costs incurred on R&D activities that are charged to the income statement in the period, offset by funding received on certain R&D programs. The Company expenses research costs as they are incurred. Development costs are expensed when they do not meet the asset capitalization criteria (e.g. when technical feasibility and/or a market has not yet been established), or the costs are not directly attributable to developing the asset.

Net R&D expense for the fourth quarter was $8.3 million, representing an increase of $5.5 million (or 196%) from the same quarter in 2020. This increase is due to higher activity on the development of CHORUS and other proprietary technologies. The development of CHORUS commenced in Q4 2020 and gained momentum in 2021. Full year net R&D expense was $21.1 million, representing an increase of $13.7 million (or 185%) year over year, reflecting increased R&D expenses recognized on the development of CHORUS and other proprietary technologies.

Amortization of intangible assets

This line item includes the straight-line amortization expensed on intangible assets recognized as part of the Acquisition at April 8, 2020, which comprise contractual backlog, customer relationships, proprietary technologies, and the MDA trademark. The amount expensed in the fourth quarter of 2021 and 2020 was the same, at $14.0 million. On a full year basis, the amortization in 2021 was higher by $13.8 million (or 32%) over 2020 due to the amortization recognized in 2021 including twelve months of amortization expense, while the timing of the Acquisition in April resulted in only approximately nine months of amortization expense in 2020. The aggregate fair value of these intangible assets on the date of acquisition was $604.7 million. These intangible assets are amortized over various useful lives, ranging from 2 to 20 years.

Share-based compensation

The Company introduced its new stock option plan subsequent to the April 2020 Acquisition, with the commencement of grants awarded in the fourth quarter of 2020. The pre-existing stock option plan was terminated, with $1.0 million of expenses recognized prior to the Acquisition. The 2021 full year expense of $13.5 million includes twelve months of share-based compensation expense, while the 2020 full year expense of $5.9

million only includes approximately three months, primarily driving the full year increase of $7.6 million (or 129%) year over year.

Share-based compensation expense for the fourth quarter was $3.9 million, representing a decrease of $1.0 million (or 20%) from 2020 to 2021. The fourth quarter expense in 2020 was higher because certain awards had vested by December 2020, with the full value of those awards recognized in the fourth quarter of 2020.

Other income

We recognized other income of $0.7 million in the fourth quarter of 2021, compared to $24.9 million in the fourth quarter of 2020. Other income in both fourth quarters comprise largely of CEWS income. The completion of the CEWS program in the beginning of the fourth quarter of 2021 is driving the decrease in other income.

On a full year basis, other income in 2021 was $24.9 million, compared to $5.2 million in 2020. The 2021 amount is primarily comprised of CEWS income of $24.8 million. Other income in 2020 included $41.6 million of CEWS income offset by other one-time expenses totalling $36.4 million. Other one-time expenses primarily comprised an impairment expense for the OneWeb investment of $16.4 million, transaction costs incurred of $12.3 million on the Acquisition, and restructuring and enterprise improvement costs of $5.3 million.

Finance costs

In 2020, the Company obtained debt financing, comprising a term loan facility and a second lien note, as part of the Acquisition in April 2020. Prior to the Acquisition, the Company did not incur any interest expense for the first three months of the year. In the second quarter of 2021, the Company used a portion of the net proceeds from the initial public offering and over-allotment option of common shares to repay in full the $418.7 of outstanding principal under its term loan facility. Concurrent with the repayment, the Company converted the term loan to a reducing revolving credit facility. The Company accounted for the conversion from the term loan to the reducing revolving credit facility as a non-substantial debt modification and recognized an accelerated amortization of deferred financing costs of $5.4 million that is included in finance costs.

Finance costs for the fourth quarter ended December 31, 2021 was $2.2 million, representing a decrease of $6.5 million (or 75%) as compared to $8.7 million in the same quarter of 2020. This decrease largely resulted from the reduction of interest expense after repayment of the term loan facility.

Finance costs for the year ended December 31, 2021 was $32.2 million, representing an increase of $0.8 (or 3%) as compared to $31.4 million in 2020. The slight increase largely resulted from recognition of the accelerated amortization of deferred financing costs of $5.4 million in 2021, offset by lower interest expense pursuant to repayment of the term loan facility.

RECONCILIATON OF NON-IFRS MEASURES

The following table provides a reconciliation of net income or loss to EBITDA and adjusted EBITDA:

(in millions of Canadian dollars)	**Fourth Quarters Ended**		**Years Ended**	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Net loss (income)	$ 0.6	$ (12.6)	$ 2.9	$ (36.2)
Depreciation and amortization	6.1	5.1	23.5	22.8
Amortization of intangible assets	14.0	14.0	56.3	42.5
Income tax expense (recovery)	—	(3.6)	8.4	5.2
Finance costs	2.2	8.7	32.2	31.4
EBITDA	$ 22.9	$ 11.6	$ 123.3	$ 65.7
Unrealized foreign exchange loss (gain)	(0.5)	(0.5)	2.0	1.0
Unrealized loss (gain) on embedded derivatives	0.5	(3.9)	(0.8)	(7.0)
Restructuring costs	—	5.3	(0.9)	9.5
Acquisition costs	—	—	—	12.3
Loss related to Jupiter 3	—	12.7	—	23.0
Impairment	—	—	—	16.4
Share based compensation	3.9	4.9	13.5	5.9
Adjusted EBITDA	$ 26.8	$ 30.1	$ 137.1	$ 126.8
Adjusted EBITDA margin	23%	30%	29%	31%

FINANCIAL CONDITION, LIQUIDITY & CAPITAL RESOURCES

Financial Condition

Total assets of the Company as at December 31, 2021 was $1,534.6 million, representing a $79.2 million increase from $1,455.4 million as at December 31, 2020. A large portion of this increase is explained by the following items:

- an increase in current assets of $14.4 million;
- a net increase in capital assets of $15.6 million, where capital assets include property, plant, and equipment, right-of-use assets, and intangible assets, and the net increase reflects additions made in 2021 offset by periodic depreciation and amortization;
- an increase in deferred tax asset of $8.1 million;
- an increase in non-current portion of ITC receivable of $19.3 million;
- a number of our defined benefit pension plans ending in net asset positions totalling $12.5 million in 2021 while our defined benefit plans were all in net liability positions in 2020; and
- the addition of an investment in equity securities made in 2021 that had a carrying amount of $7.7 million as at December 31, 2021.

Total liabilities of the Company as at December 31, 2021 was $572.9 million, representing a $425.1 million decrease from $998.0 million as at December 31, 2020. The decrease is largely attributable to the repayment in full the $418.7 of outstanding principal under its term loan facility and decrease in provisions of $14.4 million. The decrease in provisions is due to settlement of restructuring costs that were incurred in 2020 pursuant to the Acquisition and completion of onerous contracts recognized in 2020.

The following table represents our working capital position as at December 31, 2021 and December 31, 2020:

As at *(in millions of Canadian dollars)*	**December 31, 2021**	**December 31, 2020**
Non-cash current assets	$ 210.2	$ 200.8
Current liabilities	225.9	242.6
Net Working Capital	$ (15.7)	$ (41.8)

Non-cash current assets increased by $9.4 million from 2020 to 2021. A significant contribution to this increase is the increase in trade and other receivables of $12.8 million.

Current liabilities decreased by $16.7 million from 2020 to 2021. The decrease is largely driven by the repayment of the term loan facility, of which $22.0 million was current as at December 31, 2020. The balance of the change was due to fluctuations, within the normal course of operations, in items such as short-term payables and contract liabilities.

Cash Flows

The Company's consolidated cash flows are summarized in the table below.

	Fourth Quarters Ended		**Years Ended**	
(in millions of Canadian dollars)	**December 31, 2021**	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Cash, beginning of period	$ 88.0	$ 76.3	$ 78.6	$ 62.0
Total cash provided by (used in):				
Operating activities	$ 34.5	$ 15.9	$ 72.1	$ 70.4
Investing activities	(37.0)	(6.6)	(98.8)	(1,012.9)
Financing activities	(1.9)	(7.3)	30.6	961.1
Net foreign exchange difference	—	0.3	1.1	(2.0)
Increase (decrease) in cash	$ (4.4)	$ 2.3	$ 5.0	$ 16.6
Cash, end of period	$ 83.6	$ 78.6	$ 83.6	$ 78.6

The net cash decreased by $4.4 million in the fourth quarter ended December 31, 2021 which compares to a net cash increase of $2.3 million over the same period in 2020. Cash provided by operating activities of $34.5 million in the fourth quarter of 2021 was $18.6 million higher versus the same period in 2020, largely due to the improvement of earnings before income taxes of $16.8 million. Cash consumed by investing activities totaled $37.0 million in the latest quarter, an increase of $30.4 million over the same period in 2020, reflecting higher R&D spend on CHORUS, Telesat Lightspeed and other technological developments. Cash used in financing activities totaled $1.9 million in the quarter, representing a $5.4 million decline compared to the same period in 2020 as a result of $5.4 million of principal repayments on the term loan facility that was made in Q4, 2020.

For the full year, net cash increased by $5.0 million for the year ended December 31, 2021 compared to a net cash increase of $16.6 million for the prior year. Cash provided by operating activities remained relatively consistent year over year, largely resulting from improved earnings in 2021 offset by fluctuations of working capital changes within the normal course of operations arising from timing of recognition of receivables, payables, and contract liabilities relative to cash collection and cash payment. In 2020, $996.0 million of the cash used in investing activities was used to close the Acquisition, with the balance used for capital expenditures. Similarly, cash provided by financing activities reflect the debt and equity raised to effect the Acquisition. In 2021, the cash provided by financing activities results from proceeds received from issuance of shares (inclusive of an equity issuance of $30.0 million to a private investor and net IPO proceeds of $432.3 million) offset by debt principal repayments of $424.1 million and lease principal payments of $7.9 million. When removing the effects of these transactions, the remaining key driver of the higher cash use in 2021 as compared to 2020 relates to capital expenditures incurred on the development of CHORUS and Telesat Lightspeed along with other internally generated proprietary technology.

The Company has ample liquidity to fund working capital requirements of its operations, capital expenditures, debt service costs, and general corporate costs at December 31, 2021, subsequently reinforced by the Offering. The Company also has funds available through its senior secured revolving term facility (RT Credit Facility) of $418.1 million as a source of liquidity.

Capital Management

The Company defines its capital as the aggregate of long-term debt and shareholder’s equity. The Company’s primary capital management objectives are to provide an appropriate return to shareholders, safeguard working capital over the annual operating cycle, provide financial resources to grow operations to meet long-term customer demand, and comply with financial covenants under credit facilities.

The Company’s strategy to managing its capital structure is to utilize its borrowing arrangements to obtain committed term and operating credit facilities in support of its working capital and planned capital expenditures. When needed, the Company also has access to capital markets to raise equity financing. At December 31, 2021, the Company’s outstanding debt stood at $144.7 million as compared to $559.7 million at December 31, 2020. Equity was $961.7 million as at December 31, 2021 compared to $457.4 million as at December 31, 2020. The Company’s increase in equity is primarily attributable to the funds raised in the Company’s IPO, of which a substantial portion was used to repay $418.7 million of outstanding principal under its term loan facility in the second quarter of 2021.

The Company ended the year with a strong balance sheet position. Net debt was $61.1 million representing a net debt to adjusted EBITDA ratio of 0.4x. The ratio is significantly lower than 3.8x as at December 31, 2020, mainly due to term loan repayment in the second quarter of 2021.

	As at	
(in millions of Canadian dollars, except for ratios)	**December 31, 2021**	**December 31, 2020**
Long-term debt	$ 144.7	$ 559.7
Less: Cash	(83.6)	(78.6)
Net Debt	$ 61.1	$ 481.1

	Years Ended	
	December 31, 2021	**December 31, 2020**
Adjusted EBITDA	$ 137.1	$ 126.8
Net Debt to Adjusted EBITDA	0.4x	3.8x

As at December 31, 2021, in addition to its outstanding long-term debt and equity, the Company also had $418.1 million of available liquidity under its revolving credit facility. The Company continually assesses the adequacy of its capital structure and capacity and make adjustments within the context of the Company's strategy, economic conditions, and the risk characteristics of the business.

There have been no breaches of the financial covenants under the Company's credit facilities throughout the year-ended December 31, 2021.

The maturities of the contractual cash flows of the Company's financial liabilities as at December 31, 2021 are shown in the following table:

	Total	Maturing in less than 1 year	Maturing in 1 to 5 years	Maturing beyond 5 years
Trade and other payables	$ 72.5	$ 71.8	$ 0.6	$ 0.1
Long-term debt	150.0	—	—	150.0
Lease liabilities	15.7	9.5	6.2	—
Other liabilities	0.9	0.7	0.2	—
	$ 239.1	$ 82.0	$ 7.0	$ 150.1

As of December 31, 2021, the Company had commitments of $13.9 million (December 31, 2020: $4.7 million) relating to purchase of property, plant and equipment, and intangible assets.

FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial risks: interest rate risk, liquidity risk, foreign exchange risk, and credit risk. Risk management is carried out by the Company by identifying and evaluating the financial risks inherent within its operations. The Company's overall risk management activities seek to minimize potential adverse effects on the Company's financial performance.

Interest Rate Risk

The Company is exposed to interest rate risk from fluctuations in interest rates on its floating rate debt prior to the repayment of its term loan facility. Following the repayment, the Company had no drawings under its revolving credit facility. The Company manages interest rate risk by monitoring the respective mix of fixed and floating rate debt and by taking action as necessary to maintain an appropriate balance considering current market conditions. As at December 31, 2021, the Company had no outstanding floating rate debt. Based on the outstanding borrowings under the term loan facility during the year ended December 31, 2021, a 1.0% increase (decrease) in the average interest rate on our borrowings would have decreased (increased) income (loss) before taxes by $1.7 million in the year. The impact on future interest expense as a result of future changes in interest rates will depend largely on the gross amount of our borrowings at the time.

Liquidity Risk

The Company's liquidity risk is the risk it may not be able to meet its contractual obligations associated with financial liabilities as they come due. The Company's principal sources of liquidity are cash provided by operations and access to credit facilities. The Company's short-term cash requirements are primarily to fund working capital, with medium term requirements to service and repay debt, invest in capital and intangible assets, and research and development for growth initiatives. Cash is also used to finance other long-term strategic initiatives. For the foreseeable future, the Company believes that these principal sources of liquidity are sufficient to maintain the Company's capacity and to meet planned growth and development activities.

Foreign currency exchange risk

The Company is exposed to foreign exchange risk on sales and purchase contracts as well as cash, receivable and payable balances denominated in currencies other than the functional currency of the Company's contracting entity. The currencies in which these transactions are primarily denominated are USD and euro, with USD representing the more significant exposure. The Company is also exposed to foreign currency risk on the net assets of its foreign operations.

The Company mitigates its foreign exchange risk through reducing mismatches between currencies in its foreign currency revenue contracts and the related purchase contracts. The Company also utilizes foreign exchange forward contracts to economically hedge a portion of the exposure arising from expected foreign currency denominated cash flows. The term of the foreign exchange forward contracts can range from less than one month to several years. The Company does not enter into foreign exchange forward contracts for trading or speculative purposes and does not have any qualifying hedges for accounting purposes.

Credit risk

The Company is exposed to credit risk resulting from the possibility that counterparties may default on their financial obligations to the Company. The Company is primarily exposed to credit risk through its trade, unbilled and other receivables. Historically, the Company has had low credit losses.

The Company's credit exposure through receivables relates to a diverse group of customers, including government customers, in multiple geographic regions purchasing a wide variety of products and services from the Company, and is therefore mitigated by a reduced concentration of risk. The due date of these amounts can vary by agreement but in general balances over 90 days are considered past due. Customers are assessed for credit risk based on the customer organization's financial health, and credit history with the Company. Credit limits or maximum exposures under revenue contracts are identified, approved and monitored.

The carrying amounts presented in notes 8 and 9 of our 2021 Audited Financial Statements represent the maximum credit exposures for each respective financial asset as at each reporting date. A summary of our allowance for credit losses is presented in note 19 of our 2021 Audited Financial Statements.

OFF-BALANCE SHEET ARRANGEMENTS

Off-balance sheet arrangements are made up of standby and documentary letters of credit used mainly in connection with obligations relating to performance and payment guarantees of customer contracts. As at December 31, 2021, the aggregate gross potential liability related to the Company's letters of credit was approximately $15.6 million (December 31, 2020: $15.5 million).

As at December 31, 2021 and December 31, 2020, the Company had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

TRANSACTIONS BETWEEN RELATED PARTIES

The Company's key management personnel have authority and responsibility for overseeing, planning, directing, and controlling its activities and consist of the members of the board and the senior members of the management team. For the fourth quarter and year ended December 31, 2021, the Company's compensation paid to its key management personnel was $4.5 million and $17.8 million, which consisted of short-term and post-employment benefits and share-based compensation.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements include the following:

- *Revenue*: The Company recognizes revenues from fixed-price contracts and cost-plus contracts with ceilings using a percentage of completion method based on the ratio of contract costs incurred to date to total estimated costs. On a monthly basis, the Company reviews the costs incurred to date and the estimated costs to complete for each project to determine whether the percentage of completion remains appropriate. Estimating total costs requires judgments to be made around items including, but not limited to, labour productivity, complexity and scope of work to be performed, cost of materials, the length of time to complete the work, and execution by subcontractors. This estimate directly affects revenue recognized in each reporting period as well as the balances of unbilled receivables and contract liabilities at the reporting date. Changes in estimates are recognized on a cumulative catch-up basis and could lead to reversals to revenues.
- *Impairment of non-financial assets:* The value in use (VIU) of cash generating units at which goodwill and intangible assets are tested for impairment has been estimated using the forecasts prepared by management for the next five years. In preparing the forecasts, management uses significant assumptions about revenue growth, earnings before interest, taxes, depreciation and amortization, the discount rate and terminal growth rate. These estimates are based on past experience and management's expectations of future changes in the market and planned growth initiatives. Actual results could vary from these estimated future cash flows which may cause significant adjustments to the assets in subsequent reporting periods. Estimation uncertainty in calculating the VIU also include application of an appropriate discount rate.
- *Income taxes:* The calculation of current and deferred income taxes requires management to make certain judgments in interpreting tax rules and regulations. The application of judgment is also required to evaluate whether the Company can recover a deferred tax asset based on management's assessment of existing tax laws, estimates of future profitability, and tax planning strategies.
- *Investment tax credits:* Investment tax credits, whether or not recognized in the consolidated financial statements, may be carried forward to reduce future Canadian Federal and Provincial income taxes payable. The Company applies judgment when determining whether the reasonable assurance threshold has been met to recognize investment tax credits in the consolidated financial statements. The Company must interpret eligibility requirements in accordance with Canadian income tax laws and must assess whether future taxable income will be available against which the investment tax credits can be utilized. For investment tax credits that have not met the criteria to be recognized in the consolidated financial statements, management continually reviews these interpretations and assessments and recognizes the investment tax credits relating to prior period expenses in the period when the reasonable assurance criteria have been met. Any changes in the interpretations and assessments could have an impact on the amount and timing of investment tax credits recognized in the consolidated financial statements.
- *Share-based compensation:* In determining the fair value on grant dates of the Company's share-based compensation arrangements, management uses judgment to determine the inputs to the Black-Scholes option pricing model including the expected plan life, underlying share price volatility over similar periods to the expected life of the awards under consideration.

RECENT ACCOUNTING PRONOUNCEMENTS

New standards and interpretations not yet adopted:

(a) Onerous Contracts – Costs of Fulfilling a Contract (Amendment to IAS 37)

In May 2020, the IASB issued an amendment to IAS 37, Provisions, Contingent Liabilities and Contingent Assets, (IAS 37) to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendment clarifies that the costs relating directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. The amendment is effective for annual reporting periods beginning on or after January 1, 2022.

The Company has substantially completed its assessment in applying the amendment to contracts for which it has not yet fulfilled all its obligations at January 1, 2022. The Company has determined the impact of this amendment to be immaterial as at January 1, 2022.

(b) Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments to IAS 1, which are intended to clarify requirements for the classification of liabilities as non-current, become effective for the Company on January 1, 2023. Earlier application is permitted. The Company is assessing the potential impact of these amendments.

SUMMARY OF QUARTERLY RESULTS

The following table provides select unaudited quarterly financial results for the eight most recently completed quarters.

	2021				2020			
(in millions of Canadian dollars, except per share data)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenues	$ 115.5	$ 111.3	$ 126.7	$ 123.4	$ 100.2	$ 98.4	$ 109.7	$ 103.2
Gross profit	45.4	39.4	44.6	38.4	28.6	30.5	35.0	23.2
Net income	0.6	4.0	(0.1)	(1.6)	(12.6)	(1.9)	(9.1)	(12.6)
Basic earnings per share[(1)]	0.01	0.03	0.00	0.00	(0.16)	(0.06)	(0.12)	N/A
Diluted earnings per share[(1)]	0.00	0.03	0.00	0.00	(0.16)	(0.06)	(0.12)	N/A
EBITDA	22.9	33.8	37.1	29.5	11.6	31.9	29.4	(7.2)
Adjusted EBITDA	26.8	31.8	39.4	39.1	30.1	35.1	44.6	17.0
Backlog	864.3	828.9	640.1	683.9	562.5	503.8	549.2	476.7

[(1)]Earnings per share data is not presented for Q1 2020 as the Company was formed upon the close of the Acquisition on April 8, 2020. Financial results for Q1 2020 pertained to Predecessor activity. Earnings per share data for Q2 2020 is calculated using weighted average shares outstanding information for the period from April 1, 2020 to June 30, 2020.

The Company's operations historically have not experienced pronounced seasonality. The Company's revenues, gross profit, EBITDA and adjusted EBITDA period over period are affected by the stages of work on its programs and timing of Backlog execution. The fluctuations in net income experienced in 2020 primarily resulted from the timing of the one-time expenses that were discussed in 'Results of Operations' and fluctuations in CEWS income received period over period.

CONTROLS AND PROCEDURES

As at December 31, 2021, the Company's management, under the supervision of its CEO and CFO, had designed Disclosure Controls and Procedures (DC&P) to provide reasonable assurance that information required to be disclosed by the Company in annual filings, interim filings or other reports filed or submitted under applicable securities legislation is recorded, processed, summarized and reported within the time periods specified in such securities legislation. DC&P are designed to ensure that information required to be disclosed by the Company in annual filings, interim filings or other reports filed or submitted under applicable securities legislation is accumulated and communicated to the Company's management, including its CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

As at December 31, 2021, the Company's management, under the supervision of its CEO and CFO, had designed Internal Control over Financial Reporting (ICFR) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Our ICFR includes policies and procedures that pertain to the maintenance of records that provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS. Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. In completing the design, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its 2013 version of Internal Control – Integrated Framework.

During the year, the Company's management, under the supervision of its CEO and CFO, evaluated the effectiveness and operation of its DC&P and ICFR. This evaluation included a risk evaluation, documentation of key processes and tests of effectiveness conducted on a sample basis throughout the year. Due to the inherent limitations in all control systems, an evaluation of the DC&P and ICFR can only provide reasonable assurance over the effectiveness of the controls. As a result, DC&P and ICFR are not expected to prevent and detect all misstatements due to error or fraud. The CEO and CFO have concluded that the Company's DC&P and ICFR were effective as at December 31, 2021.

RISK FACTORS

We believe our performance and future success depend on a number of factors that present significant opportunities for us. These factors are also subject to a number of inherent risks and special considerations. For additional information with respect to certain of these risks or factors, reference should be made to those described and listed under the heading "Risk Factors", in the Company's AIF available on SEDAR at www.sedar.com, which are incorporated by reference into this MD&A.

OUTSTANDING SHARE INFORMATION

MDA is authorized to issue an unlimited number of common shares. As of the date of this MD&A, 118,691,628 common shares, 547,292 trustee shares and 9,025,431 options are issued and outstanding, presented in notes 18 and 21 of our 2021 Audited Financial Statements.

ADDITIONAL INFORMATION

Additional information about the Company is available on SEDAR at www.sedar.com.

CALENDAR 2020 CONSTRUCTION

Presented below are the Company's construction of the figures used in this document for the calendar year ended December 31, 2020. Construction of figures for the calendar quarters ended March 31, 2020 and June 30, 2020 for certain financial information are also presented below. To obtain these figures, management used the Predecessor Annual Financial Statements as a starting point, and then added the activity recorded between April 8, 2020 to December 31, 2020 in order to arrive at the aforementioned figures. All periods presented below, except for the period from January 1 to April 7, 2020 and the period from April 8 to December 31, 2020, are unaudited.

Select Financial Information

(in millions of Canadian dollars)	**January 1 – April 7, 2020**	**April 8 – December 31, 2020**	**January 1 – December 31, 2020**	**April 1 – April 7, 2020**	**January 1 – March 31, 2020**	**April 8 – June 30, 2020**	**April 1 – June 30, 2020**
Revenues	$ 115.9	$ 295.6	$ 411.5	$ 12.7	$ 103.2	$ 97.0	$ 109.7
Gross profit	28.2	89.1	117.3	5.0	23.2	30.0	35.0
Net income	(18.9)	(17.3)	(36.2)	(6.3)	(12.6)	(2.8)	(9.1)
EBITDA	(4.2)	69.9	65.7	3.0	(7.2)	26.4	29.4
Adjusted EBITDA	18.7	108.1	126.8	1.5	17.0	43.1	44.6

Revenues by Business Area

(in millions of Canadian dollars)	**January 1 – April 7, 2020**	**April 8 – December 31, 2020**	**January 1 – December 31, 2020**
Geointelligence	$ 49.8	$ 134.7	$ 184.5
Robotics & Space Operations	30.0	85.3	115.3
Satellite Systems	36.1	75.6	111.7
Consolidated revenues	$ 115.9	$ 295.6	$ 411.5

Results of operations

(in millions of Canadian dollars)	**January 1 – April 7, 2020**	**April 8 – December 31, 2020**	**January 1 – December 31, 2020**
Revenues	$ 115.9	$ 295.6	$ 411.5
Direct materials, labour and others	81.0	190.4	271.4
Depreciation and amortization	6.7	16.1	22.8
Gross profit	$ 28.2	$ 89.1	$ 117.3
Operating expenses:			
Selling, general & administration	$ 16.2	$ 50.1	$ 66.3
Research & development	1.4	6.0	7.4
Amortization of intangible assets	0.3	42.2	42.5
Share based compensation	1.0	4.9	5.9
Total operating expenses	$ 18.9	$ 103.2	$ 122.1
Operating income (loss)	9.3	(14.1)	(4.8)

(in millions of Canadian dollars)	January 1 – April 7, 2020	April 8 – December 31, 2020	January 1 – December 31, 2020
Other expense (income), net	20.5	(25.7)	(5.2)
Finance costs	2.0	29.4	31.4
Income (loss) before income taxes	(13.2)	(17.8)	(31.0)
Income tax expense (recovery)	5.7	(0.5)	5.2
Net income (loss)	$ (18.9)	$ (17.3)	$ (36.2)

Statement of cash flows

(in millions of Canadian dollars)	January 1 – April 7, 2020	April 8 – December 31, 2020	January 1 – December 31, 2020
Cash, beginning of period	$ 62.0	$ —	$ 62.0
Total cash provided by (used in):			
Operating activities	14.0	56.4	70.4
Investing activities	(3.6)	(1,009.3)	(1,012.9)
Financing activities	(72.4)	1,033.5	961.1
Net foreign exchange difference	—	(2.0)	(2.0)
Increase (decrease) in cash	$ (62.0)	$ 78.6	$ 16.6
Cash, end of period	$ —	$ 78.6	$ 78.6

Adjusted EBITDA

(in millions of Canadian dollars)	January 1 – April 7, 2020	April 8 – December 31, 2020	January 1 – December 31, 2020
Net Income (loss)	$ (18.9)	$ (17.3)	$ (36.2)
Depreciation and amortization	7.0	16.1	22.8
Amortization of intangible assets	—	42.2	42.5
Income tax expense (recovery)	5.7	(0.5)	5.2
Interest	2.0	29.4	31.4
EBITDA	$ (4.2)	$ 69.9	$ 65.7
Unrealized foreign exchange loss (gain)	5.1	(4.1)	1.0
Unrealized gain on embedded derivatives	—	(7.0)	(7.0)
Restructuring costs	0.4	9.1	9.5
Acquisition costs	—	12.3	12.3
Loss related to Jupiter 3		23.0	23.0
Impairment	16.4	—	16.4
Share based compensation	1.0	4.9	5.9
Adjusted EBITDA	$ 18.7	$ 108.1	$ 126.8

GLOSSARY OF TERMS

This glossary defines certain business, industry, technical and legal terms used in this MD&A for the convenience of the reader. It is not a comprehensive list of all defined terms used in this MD&A.

All references to the "Company", "MDA", "we", "us" or "our" refer to MDA Ltd. together with its subsidiaries or its predecessors, as the context requires.

"**Acquisition**" means the April 2020 acquisition of the Predecessor as described in Note 1 and Note 5 of the MDA Annual Financial Statements that are included in the Prospectus

"**Backlog**" means the dollar sum of revenue that is expected to be recognized from firm customer contracts and is equivalent to remaining performance obligations as disclosed in our 2021 Audited Financial Statements

"**CHORUS**" (formerly SARnext) means the Company's initiative to build our next generation commercial EO satellite mission providing Synthetic Aperture Radar (**SAR**)-based imagery, analytics, and information services

"**CSA**" means Canadian Space Agency

"**CSC**" means Canadian Surface Combatant

"**DRA**" means Direct Radiating Array

"**EO**" means earth observation

"**GEO**" means geosynchronous orbit

"**IFRS**" means International Financial Reporting Standards as issued by the International Accounting Standards Board.

"**IPO**" means the Company's initial public offering that was completed on April 7, 2021

"**LEO**" means low Earth orbit

"**Maxar**" means Maxar Technologies Inc.

"**MD&A**" means Management's Discussion and Analysis

"**MDA**" means MDA Ltd., its subsidiaries or its predecessors, as the context requires.

"**2021 Audited Financial Statements**" means the audited consolidated financial statements of the Company for the year ended December 31, 2021 and the accompanying notes filed on SEDAR.

"**MEO**" means medium Earth orbit

"**Net Debt**" means the sum of the total carrying amount of long-term debt, as presented in the 2021 Audited Financial Statements, less cash.

"**NRT Credit Facility**" means the Company's non-revolving term credit facility

"**Order Bookings**" means the dollar sum of contract values of firm customer contracts.

"**Predecessor**" means the predecessor MDA Canada, comprising of the Canadian, U.K. and certain U.S. operations of Maxar – namely MDA GP Holdings Ltd., MDA Systems Inc., and Maxar Technologies ULC – prior to the Acquisition

"**Predecessor Annual Financial Statements**" means the audited combined carve-out financial statements of the MDA Canada business of the Predecessor for the period ended April 7, 2020 and for the years ended December 31, 2019 and December 31, 2018 and the accompanying notes

"**Prospectus**" means final prospectus dated April 1, 2021 that was filed on SEDAR in connection with the Company's initial public offering

"**R&D**" means research and development

"**RT Credit Facility**" means the Company's senior secured revolving term facility

"**SAR**" means Synthetic Aperture Radar

"**TAM**" means total addressable market

"**Telesat Lightspeed**" means the Telesat LEO Constellation program

MDA LTD.

Consolidated Financial Statements

For the year ended December 31, 2021 and
period from April 8, 2020 to December 31, 2020

KPMG LLP
100 New Park Place, Suite 1400
Vaughan, ON L4K 0J3
Telephone (905) 265-5900
Fax (905) 265-6390
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of MDA Ltd.

Opinion

We have audited the consolidated financial statements of MDA Ltd. (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2021 and December 31, 2020
- the consolidated statement of comprehensive income for the year ended December 31, 2021 and period from April 8, 2020 to December 31, 2020
- the consolidated statement of changes in shareholders' equity for the year ended December 31, 2021 and period from April 8, 2020 to December 31, 2020
- the consolidated statement of cash flows for the for the year ended December 31, 2021 and period from April 8, 2020 to December 31, 2020
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the periods then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Evaluation of total estimated costs to complete contracts for revenue recognition

Description of the matter

We draw attention to notes 2(d), 3(c), and 5 to the financial statements. The Entity recorded revenue from contracts with customers for the year ended December 31, 2021 of $476.9 million. The Entity recognizes revenues from fixed-price contracts and cost-plus contracts with ceilings using a percentage of completion method based on the ratio of contract costs incurred to date to total estimated costs.

Estimating total costs requires judgments to be made around items including, but not limited to, labour productivity, complexity and scope of work to be performed, cost of materials, the length of time to complete the work, and execution by subcontractors.

Why the matter is a key audit matter

We identified the evaluation of total estimated costs to complete contracts for revenue recognition as a key audit matter. This matter represented an area of significant risk of material misstatement due to the magnitude of the balance and the high degree of subjectivity and estimation uncertainty in determining the total estimated costs to be incurred for each performance obligation. Significant auditor judgment was required in evaluating the results of our audit procedures.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We evaluated the design and tested the operating effectiveness of certain controls over the Entity's review of total expected costs to complete contracts for revenue recognition. These controls included management review controls over the set-up and monitoring of costs to complete.

We compared the Entity's original and prior period estimate of total costs to be incurred to the actual costs incurred for completed contracts to assess the Entity's ability to accurately estimate costs.

For a selection of revenue contracts, we interviewed operational personnel of the Entity in charge of the project about the project status to evaluate progress to date and inspected source documentation such as contracts, change orders and correspondences to assess the total expected costs by performance obligation with respect to the contract.

For a selection of revenue contracts, we evaluated the total expected costs to be incurred on the remaining performance obligations by comparing the costs incurred subsequent to year-end to the total expected costs.

Evaluation of the impairment assessment of goodwill

Description of the matter

We draw attention to Notes 2(d), 3(j), 3(k), and 14 to the financial statements. The Entity has goodwill of $419.9 million which is allocated to its cash generating units. Impairment testing of goodwill is performed at least annually, as at December 31, and is conducted at the level of the minimum grouping of cash generating units to which goodwill relates.

When an impairment test is performed, the recoverable amount of each cash generating unit is assessed by reference to the higher of i) the value-in-use and ii) the fair value less costs of disposal. The value in use of cash generating units at which goodwill and intangible assets are tested for impairment has been estimated using the forecasts prepared by the Entity for the next five years. In preparing the forecasts, the Entity uses significant assumptions about revenue growth, earnings before interest, taxes, depreciation and amortization, the discount rate and terminal growth rate.

Why the matter is a key audit matter

We identified the evaluation of the impairment assessment of goodwill as a key audit matter. This matter represents a significant risk of material misstatement given the magnitude of the asset value and the high degree of estimation uncertainty in assessing the Entity's significant assumptions. As a result, significant auditor judgment and the involvement of professionals with specialized skill and knowledge was required in evaluating the results of our audit procedures for each of the Entity's cash generating units.

How the matter was addressed in our audit

The following are the primary procedures we performed to address this key audit matter:

For each of the Entity's cash generating units,

We compared the expected revenue growth and earnings before interest, taxes, depreciation and amortization assumptions to the actual historical revenue growth and earnings before interest, taxes, depreciation and amortization of the cash generating units to assess the Entity's ability to accurately predict these cash flow assumptions.

We considered changes in conditions and events to assess the assumptions made in arriving at the expected future revenue estimates.

We evaluated the terminal growth rate assumptions by comparing to published reports of industry analysts.

We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the discounted cash flow methodology adopted by the Entity to determine the value-in-use amounts used in the determination of the recoverable amounts and evaluating the appropriateness of the discount rate assumptions by comparing to discount rate ranges that were independently developed using publicly available market data including available data for comparable entities.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Tammy L. Brown.

Vaughan, Canada
March 16, 2022

MDA Ltd.
Consolidated Statement of Comprehensive Income (Loss)
For the year ended December 31, 2021 and period from April 8, 2020 to December 31, 2020
(In millions of Canadian dollars except per share figures)

	Note	Year ended December 31, 2021	April 8, 2020 to December 31, 2020
Revenue	5	$ 476.9	$ 295.6
Cost of revenue			
Materials, labour and subcontractors	7	(285.6)	(190.4)
Depreciation and amortization of assets	11,12,13	(23.5)	(16.1)
Gross profit		**167.8**	**89.1**
Operating expenses			
Selling, general and administration	7	(58.3)	(50.1)
Research and development, net	7	(21.1)	(6.0)
Amortization of intangible assets	13	(56.3)	(42.2)
Share-based compensation	18	(13.5)	(4.9)
Operating income (loss)		**18.6**	**(14.1)**
Other income (expenses)			
Government grant income	24	24.8	41.6
Unrealized gain on financial instruments	19	0.8	7.0
Foreign exchange loss		(1.5)	(1.5)
Finance costs		(32.2)	(29.4)
Other		0.8	(21.4)
Income (loss) before taxes		**11.3**	**(17.8)**
Income tax recovery (expense)	22	(8.4)	0.5
Net income (loss)		**2.9**	**(17.3)**
Other comprehensive income (loss)			
Gain (loss) on translation of foreign operations		1.1	(2.0)
Remeasurement gain (loss) on defined benefit plans	17	18.0	(8.6)
Total comprehensive income (loss)		**$ 22.0**	**$ (27.9)**
Earnings (loss) per share:			
Basic	23	$ 0.03	$ (0.21)
Diluted	23	0.02	(0.21)
Weighted-average common shares outstanding:			
Basic	23	109,301,909	80,660,028
Diluted	23	116,301,584	81,772,027

The accompanying notes are an integral part of these consolidated financial statements

MDA Ltd.
Consolidated Statement of Financial Position
(In millions of Canadian dollars)

As at	Note	December 31, 2021	December 31, 2020
Assets			
Current assets:			
Cash		$ 83.6	$ 78.6
Trade and other receivables	8	92.6	79.8
Unbilled receivables	9	83.7	78.2
Inventories		8.0	6.5
Income taxes receivable	24(a)	13.1	24.1
Other current assets	10	12.8	12.2
		293.8	**279.4**
Non-current assets:			
Property, plant and equipment	11	109.9	69.3
Right-of-use assets	12	14.8	22.0
Intangible assets	13	571.2	589.0
Goodwill	14	419.9	419.9
Deferred income tax assets	22	19.3	11.2
Other non-current assets	10, 24(a)	105.7	64.6
Total assets		**$ 1,534.6**	**$ 1,455.4**
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued liabilities		$ 71.3	$ 65.7
Income taxes payable		11.8	22.9
Contract liabilities	5	91.5	73.3
Provisions	16	3.4	17.8
Current portion of net employee benefit payable	17	38.8	32.0
Current portion of lease liabilities	12	7.9	7.8
Current portion of long-term debt	15	—	22.0
Other current liabilities		1.2	1.1
		225.9	**242.6**
Non-current liabilities:			
Provisions	16	1.4	1.4
Net employee defined benefit payable	17	33.8	43.6
Lease liabilities	12	7.8	12.7
Long-term debt	15	144.7	537.7
Deferred income tax liabilities	22	158.4	158.7
Other non-current liabilities		0.9	1.3
Total liabilities		**572.9**	**998.0**
Shareholders' equity			
Common shares	21	950.7	480.4
Contributed surplus		16.9	4.9
Accumulated other comprehensive income (loss)		8.5	(10.6)
Deficit		(14.4)	(17.3)
Total equity		**961.7**	**457.4**
Total liabilities and equity		**$ 1,534.6**	**$ 1,455.4**

The accompanying notes are an integral part of these consolidated financial statements

MDA Ltd.
Consolidated Statement of Changes in Shareholders' Equity
For the year ended December 31, 2021 and period from April 8, 2020 to December 31, 2020
(In millions of Canadian dollars)

	Note	Common shares Number[1]	Common shares Amount	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
As at January 1, 2021		80,735,983	$ 480.4	$ 4.9	$ (10.6)	$ (17.3)	$ 457.4
Share capital issued	21	37,955,645	470.3	—	—	—	470.3
Net income		—	—	—	—	2.9	2.9
Other comprehensive income		—	—	—	19.1	—	19.1
Share-based compensation	18	—	—	13.5	—	—	13.5
Other		—	—	(1.5)	—	—	(1.5)
As at December 31, 2021		118,691,628	**$ 950.7**	**$ 16.9**	**$ 8.5**	**$ (14.4)**	**$ 961.7**
As at April 8, 2020		80,620,000	$ 479.7	$ —	$ —	$ —	$ 479.7
Share capital issued		115,983	0.7	—	—	—	0.7
Net loss		—	—	—	—	(17.3)	(17.3)
Other comprehensive loss		—	—	—	(10.6)	—	(10.6)
Share-based compensation		—	—	4.9	—	—	4.9
As at December 31, 2020		80,735,983	**$ 480.4**	**$ 4.9**	**$ (10.6)**	**$ (17.3)**	**$ 457.4**

[1] Number of common shares reflect the six-to-one share consolidation described in note 21.

The accompanying notes are an integral part of the consolidated financial statements

MDA Ltd.
Consolidated Statement of Cash Flows
For the year ended December 31, 2021 and period from April 8, 2020 to December 31, 2020
(In millions of Canadian dollars)

	Note	Year ended December 31, 2021	April 8, 2020 to December 31, 2020
Cash flows from operating activities			
Income (loss) before taxes		$ 11.3	$ (17.8)
Adjustments:			
Depreciation of property, plant and equipment	11	8.5	5.3
Depreciation of right-of-use assets	12	10.3	6.9
Amortization of intangible assets	13	61.0	46.1
Share-based compensation expense	18	13.5	4.9
Investment tax credits accrued during the period	24	(25.6)	(13.1)
Finance costs		32.2	20.4
Unrealized (gain) loss on financial instruments		(0.8)	(7.0)
Changes in operating assets and liabilities			
Trade and other receivables		(12.5)	7.9
Unbilled receivables		(5.5)	19.8
Inventories		(1.5)	(1.4)
Other assets		(4.0)	(3.7)
Trade and other payables		(1.6)	(25.8)
Contract liabilities		18.2	24.8
Employee benefits		8.0	7.5
Provisions		(14.4)	—
Other liabilities		(0.3)	7.7
		96.8	82.5
Interest paid		(24.1)	(23.2)
Income tax paid		(0.6)	(2.9)
Net cash from operating activities		**72.1**	**56.4**
Cash flows from investing activities			
Purchases of property and equipment	11	(52.5)	(2.8)
Purchases/development of intangible assets	13	(42.1)	(10.5)
Proceeds from sale of intangible assets	13	2.0	—
Investment in equity securities		(6.2)	—
Acquisitions, net of cash acquired		—	(996.0)
Net cash used in investing activities		**(98.8)**	**(1,009.3)**
Cash flows from financing activities			
Repayments of long-term debt	15	(424.1)	(10.9)
Payment of lease liability (principal portion)	12	(7.9)	(5.6)
Proceeds from issuance of shares, net of costs	21	462.6	480.4
Proceeds from long-term debt, net of issuance costs		—	569.6
Net cash provided by financing activities		**30.6**	**1,033.5**
Net increase in cash		**3.9**	**80.6**
Net foreign exchange difference		1.1	(2.0)
Cash, beginning of period		78.6	—
Cash, end of period		**$ 83.6**	**$ 78.6**

The accompanying notes are an integral part of these consolidated financial statements

1. Nature of operations

MDA Ltd. and its subsidiaries (collectively “MDA” or the “Company”) design, manufacture, and service space robotics, satellite systems and components, and intelligence systems. MDA also provides geointelligence and earth observation solutions that incorporate data from the Company’s owned and operated satellite, RADARSAT-2, as well as third party satellite missions. MDA operates across three business areas: Geointelligence, Robotics & Space Operations, and Satellite Systems, with facilities and sites in Canada, the United Kingdom, and United States. The Company collaborates and partners with government agencies, prime contractors and emerging space companies. Notable MDA programs include the Canadarm family of space robotics for the U.S. Space Shuttle program and the International Space Station and three generations of RADARSAT Earth observation satellites for the Canadian Government.

MDA Ltd. is a limited liability company incorporated and domiciled in Canada, with its head office located at 9445 Airport Road, Brampton, Ontario L6S4J3, Canada. MDA’s common shares are traded on the Toronto Stock Exchange under the symbol “MDA”.

MDA Ltd. was incorporated pursuant to a series of legal entity restructuring. On April 8, 2020, Neptune Acquisition Inc. (“NAI”), an affiliate of Northern Private Capital Ltd. purchased 100% of the equity interest in MDA GP Holdings Ltd., MDA Systems Inc., and Maxar Technologies ULC from Maxar Technologies Inc. The consideration for this transaction was $1 billion. Immediately after closing, NAI amalgamated with Maxar Technologies ULC, and changed its name to Neptune Operations Ltd. (“NOL”). On June 2, 2020, Neptune Acquisition Holdings Inc. (“NAHI”) was formed under the laws of the Province of Ontario and became the parent of its wholly owned subsidiary NOL. In March 2021, NAHI changed its name to MDA Ltd.

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

As the Company commenced operations on April 8, 2020, the consolidated financial statements (other than the consolidated statement of financial position) include comparative information for the period from April 8, 2020 to December 31, 2020.

The consolidated financial statements were approved by the Company’s Board of Directors on March 16, 2022.

(b) Basis of measurement

The consolidated financial statements of the Company have been prepared on the historical cost basis except for pension plan assets and liabilities and the following assets and liabilities which are measured at fair value: financial instruments at fair value through profit or loss (“FVTPL”), derivative financial instruments, and initial recognition of assets acquired and liabilities assumed in a business combination. Pension plan assets and liabilities are recognized as the present value of the defined benefit obligation net of the fair value of the plan assets.

(c) Impact of COVID-19 pandemic

COVID-19 was declared a global pandemic by the World Health Organization on March 11, 2020 and has created disruptions and uncertainties in the global economy. In 2021, the roll-out of vaccines helped alleviate some of the social distancing restrictions and measures implemented by various governments and health authorities, allowing the Company’s workforce to return to work under a hybrid model at various points throughout the year. The Company continues to prioritize the health and safety of employees, adhering to government officials’ guidelines in devising and implementing its hybrid workforce model. As part of its commitment to keeping everyone safe, the Company provided on-site rapid COVID-19 testing to its employees and implemented a vaccination mandate in December 2021 applicable to all employees and visitors entering the Company's premises.

While the Company experienced recoveries in revenues and productivity as customers advanced work and physical distancing and other health restrictions were eased intermittently, the pandemic continued to disrupt supply chains impacting the timing of contract awards and inflating costs of some of the Company's programs in 2021.

For the year ended December 31, 2021, the Company recognized $24.8 of government grant income (April 8, 2020 to December 31, 2020 – $41.6) related to Canada Emergency Wage Subsidy ("CEWS") from the Canadian government, of which $0.7 is receivable as at December 31, 2021.

(d) Critical accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements included the following:

- *Revenue*: The Company recognizes revenues from fixed-price contracts and cost-plus contracts with ceilings using a percentage of completion method based on the ratio of contract costs incurred to date to total estimated costs. On a monthly basis, the Company reviews the costs incurred to date and the estimated costs to complete for each project to determine whether the percentage of completion remains appropriate. Estimating total costs requires judgments to be made around items including, but not limited to, labour productivity, complexity and scope of work to be performed, cost of materials, the length of time to complete the work, and execution by subcontractors. This estimate directly affects revenue recognized in each reporting period as well as the balances of unbilled receivables and contract liabilities at the reporting date. Changes in estimates are recognized on a cumulative catch-up basis and could lead to reversals to revenues.
- *Impairment of non-financial assets*: The value in use ("VIU") of cash generating units at which goodwill and intangible assets are tested for impairment has been estimated using the forecasts prepared by management for the next five years. In preparing the forecasts, management uses significant assumptions about revenue growth, earnings before interest, taxes, depreciation and amortization, the discount rate and terminal growth rate. These estimates are based on past experience and management's expectations of future changes in the market and planned growth initiatives. Actual results could vary from these estimated future cash flows which may cause significant adjustments to the assets in subsequent reporting periods. Estimation uncertainty in calculating the VIU also include application of an appropriate discount rate.
- *Income taxes*: The calculation of current and deferred income taxes requires management to make certain judgments in interpreting tax rules and regulations. The application of judgment is also required to evaluate whether the Company can recover a deferred tax asset based on management's assessment of existing tax laws, estimates of future profitability, and tax planning strategies.
- *Investment tax credits*: Investment tax credits, whether or not recognized in the consolidated financial statements, may be carried forward to reduce future Canadian Federal and Provincial income taxes payable. The Company applies judgment when determining whether the reasonable assurance threshold has been met to recognize investment tax credits in the consolidated financial statements. The Company must interpret eligibility requirements in accordance with Canadian income tax laws and must assess whether future taxable income will be available against which the investment tax credits can be utilized. For investment tax credits that have not met the criteria to be

recognized in the consolidated financial statements, management continually reviews these interpretations and assessments and recognizes the investment tax credits relating to prior period expenses in the period when the reasonable assurance criteria have been met. Any changes in the interpretations and assessments could have an impact on the amount and timing of investment tax credits recognized in the consolidated financial statements.

- *Share-based compensation*: In determining the fair value on grant dates of the Company's share-based compensation arrangements, management uses judgment to determine the inputs to the Black-Scholes option pricing model including the expected plan life, underlying share price volatility over similar periods to the expected life of the awards under consideration.

3. Summary of significant accounting policies

(a) Principles of consolidation

The consolidated financial statements comprise the accounts of the Company and entities controlled by the Company. The Company controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All subsidiaries of the Company are wholly owned. The financial results of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intercompany balances and transactions are eliminated upon consolidation.

The table below lists the Company's most significant subsidiaries for the year ended December 31, 2021 and period from April 8, 2020 to December 31, 2020 based on revenues. The Company held 100% of the interest in all the subsidiaries listed below.

Entity	Country of incorporation
MacDonald, Dettwiler and Associates Inc.	Canada
MacDonald, Dettwiler and Associates Corporation	Canada
MDA Geospatial Services Inc.	Canada
MDA Systems Ltd.	Canada
MDA Space and Robotics Limited	United Kingdom
MDA Systems Inc.	US

(b) Translation of foreign operations and foreign currency transactions

The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

(i) Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rate at the reporting date. Non-monetary assets and liabilities, and revenue and expense items denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing at the dates of the respective transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in net income.

(ii) Foreign operations translation

Assets and liabilities of subsidiaries that have a functional currency other than Canadian dollars are translated into Canadian dollars at exchange rates in effect at the reporting date. Revenue and expenses are translated at the average exchange rates. The resulting translation adjustments are included in other comprehensive income ("OCI").

(c) Revenue recognition

The Company enters into contracts with customers to provide development of customized systems, construction of robotics and satellite components, satellite imagery data and related analyses, and maintenance and support services.

The Company accounts for a contract when enforceable rights and obligations between the Company and its customer are present, the contract has commercial substance, the rights of the parties and payment terms are identified, collectability of consideration is probable, and both parties have approved the contract. Two or more contracts with the same customer entered into at or near the same time are combined for revenue recognition accounting when the contracts are negotiated as a package with a single commercial objective or when the goods or services in the contracts are a single performance obligation.

A performance obligation is a promise in the contract to transfer a distinct good or service to the customer. Most of the Company's contracts have a single performance obligation, as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts and therefore, are not distinct. An amendment made to an existing contract is accounted for in combination with the existing contract unless it adds goods or services distinct from the goods or services promised in the existing contract.

Revenue is measured based on the consideration specified in the contract. The Company recognizes revenue as it fulfills its performance obligations by transferring control of the promised goods or services to the customer.

The Company's revenues are derived mainly from the following types of contracts:

- Revenues from fixed-price contracts and cost-plus contracts with ceilings are generally recognized over time using a percentage of completion method based on the ratio of contract costs incurred to date to total estimated costs. These contracts generally consist of a single performance obligation due to the integrated nature of the goods or services. The consideration in these contracts include the stated contractual price and the expected variable amounts related to incentive payments and liquidated damages using a probability-weighted average calculation. Variable amounts are included in the consideration to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable amounts is subsequently resolved. The Company typically bills milestone payments to its customers under these types of contracts.

- Revenues from time and materials contracts are recognized overtime as the Company incurs the labour hours and material costs at the contractual billing rates for each unit of labour and material incurred.

- Revenue from unit of delivery contracts are recognized at the point in time the Company delivers the product to the customer.

- Revenue from contracts whereby the Company stands ready to provide services are recognized on a straight-line basis over the enforceable term of the contract, as the Company's provides the access evenly over the period.

Contract costs include direct costs such as materials, labor, and subcontract costs as well as indirect costs such as overhead costs that relate directly to satisfying the performance obligations under the contract. Costs are expensed as incurred.

(d) Unbilled receivables and contract liabilities

Unbilled receivables represent the Company's right to consideration for goods or services transferred to the customer but not billed at the reporting date. Unbilled receivables are transferred to trade receivables when the rights to the amounts become unconditional. This usually occurs when the Company issues an invoice to the customer. Unbilled receivables are adjusted for expected credit losses.

Contract liabilities relate to advance consideration received from customers in excess of revenue recognized under the contract.

(e) Cash

Cash consist of cash on hand and deposits held with banks.

(f) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes any amounts incurred in constructing and testing the asset as well as any other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation expense is recognized on a straight-line basis over the estimated useful life of the related asset to its residual value. Expected useful lives and depreciation methods are reviewed annually.

The estimated useful lives of the Company's various classes of property, plant and equipment are as follows:

	Estimated useful life
Buildings	50 years
Building improvements	10 to 12 years
Leasehold improvements	Lesser of useful life or lease term
Equipment	2 to 12 years
Furniture and fixtures	2 to 10 years
Computer hardware	3 to 5 years

(g) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes right-of-use assets and lease liabilities for all leases, except for leases of low-value assets and short-term leases with a term of 12 months or less. The Company recognizes the lease payments associated with low-value and short-term leases as an expense on a straight-line basis over the lease term.

(i) Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease and initially measured at cost, which is comprised of the amount of the initial lease liability recognized less any incentives received from the lessor. The initial cost also includes any initial direct costs incurred, lease payments made before the commencement date, and estimated restoration costs. The right-of-use asset is subsequently depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the asset. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(ii) Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term, discounted using the Company's incremental discount rate. The lease term includes all contractual non-cancellable periods of the lease plus periods covered by an option to renew if the Company is reasonably certain to exercise that option. The lease term includes the periods covered up to an option to terminate the lease if the Company is reasonably certain to exercise that option.

Lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. If applicable, the lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

The Company also has certain leases which include payments that do not relate to the transfer of goods or services by the lessor to the Company (e.g. cleaning the common areas of a building, fees or other administrative costs) and are considered non-lease components. These amounts are not included in lease payments.

Subsequent to initial measurement, the Company measures lease liabilities at amortized cost using the effective interest method. Lease liabilities are remeasured when there is a change in the lease term, change in the future lease payments resulting from a change in an index or rate, or a change in the assessment of an option to purchase the underlying asset.

(h) Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management.

Amortization is calculated over the estimated useful lives of the assets on a straight-line basis as follows:

Intangible asset	Estimated useful life
Proprietary technologies	5 to 20 years
Customer relationships	13 to 18 years
Contractual backlog	2 to 4 years
Software	3 to 10 years
MDA trademark	20 years

Amortization methods and useful lives are reviewed annually.

(i) Research and development

Research costs are expensed as incurred. Development costs are also expensed as incurred unless they meet all of the capitalization criteria established in IAS 38, *Intangible Assets*. Amortization of capitalized development costs commences when the asset is available for use.

(j) Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any.

Goodwill arises on the acquisition of subsidiaries. Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquiree at the acquisition date.

(k) Impairment of non-financial assets

At each reporting date, the Company assesses for any indication of impairment of its property, plant and equipment, intangible assets, right-of-use assets and goodwill. If any indication exists, the Company tests the assets for impairment. Impairment testing of goodwill is performed at least annually, as at December 31, regardless of any indications of impairment.

Impairment testing is conducted at the level of the asset, a cash generating unit (“CGU”) or group of CGUs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment testing of goodwill is conducted at the level of the minimum grouping of CGUs to which goodwill relates.

The Company tests for impairment by comparing the carrying amount of an asset, CGU or group of CGUs to its recoverable amount. The recoverable amount of each CGU is assessed by reference to the higher of i) the VIU and ii) the fair value less costs of disposal (“FVLCD”). If the carrying amount exceeds the recoverable amount, an impairment loss in the amount of the excess is recognized in the consolidated statement of comprehensive income (loss). Impairment losses are first allocated to reduce the carrying amount of any goodwill related to the CGU or group of CGUs, the remaining amount of an impairment loss is allocated pro rata to other assets in the CGU or group of CGUs, without reducing the carrying amount of the assets below the highest of their FVLCD, their VIU, and zero.

Except for goodwill, any reversal of an impairment loss is recognized immediately in the consolidated statement of comprehensive income (loss). A reversal of an impairment loss for a CGU or group of CGUs is allocated pro rata to the assets of the CGU or group of CGUs. The recoverable amount of an asset increased by reversal of an impairment loss may not exceed the carrying amount that would have been determined, net of depreciation and amortization to date, if no impairment loss had been recognized for the asset in prior years.

(l) Business combinations

Business combinations are accounted for using the acquisition method. Under this method, the identifiable assets acquired and liabilities assumed are recognized in the consolidated statement of financial position at their respective acquisition-date fair values. The results of operations after the date of acquisition are included in the consolidated statement of comprehensive income (loss). Acquisition-related costs are expensed as incurred.

(m) Provisions

Provisions are recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources will be required to settle the obligation.

(i) Restructuring costs

A provision for restructuring costs is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are excluded from the provision.

(ii) Onerous contracts

Provisions for estimated contract losses are recognized as an onerous contract provision in the period in which the loss is determined. Contract losses are measured at the amount by which the estimated costs of fulfilling the contract exceed the estimated total revenue from the contract. Estimated costs of fulfilling the contract, for the purposes of measuring onerous contract provisions, include direct labour, materials, and subcontractor costs.

(n) Employee benefits

(i) Defined benefit pension plans and other post-retirement benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The defined benefit obligations are actuarially determined for each plan using the projected unit credit method, which takes into account the expected salary increases as the basis for future benefit increases for the pension plans. The discount rate is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. Actuarial assumptions for discount rates, expected salary increases and the projected age of employees upon retirement reflect historical experience and the Company's assessment of future expectations.

When the calculation results in a benefit to the Company, the employee benefit asset recognized is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. Minimum funding requirements may give rise to an additional liability to the extent that they require the Company to pay contributions to cover an existing shortfall in that particular plan. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities. The fair value of plan assets is based on market price information.

The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense is recognized as a component of finance costs. The Company recognizes service cost and administrative expenses relating to defined benefit plans as a component of direct costs and selling, general and administration expense. Actuarial gains and losses from experience adjustments, changes in actuarial assumptions, return on plan assets (excluding amounts included in net interest expense) and effect of any asset ceilings (excluding interest) are recognized in other comprehensive income in the period in which they arise.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in the net benefit liability that relates to past service or the gain or loss on curtailment is recognized immediately in the consolidated statement of comprehensive income (loss).

(ii) Defined contribution pension plans

The Company maintains defined contribution plans for some of its employees whereby the Company pays contributions based on a percentage of the employees' annual salary. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the consolidated statement of comprehensive income (loss) as the services are provided.

(iii) Termination benefits

Termination benefits are expensed when the Company has demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are expensed if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(o) Income taxes

Income tax expense is comprised of current and deferred tax. An income tax expense is recognized in income except to the extent that it relates to items recognized in OCI or equity, in which case it is recognized in OCI or equity, respectively.

Current tax is the expected tax payable to or receivable from tax authorities on the taxable income or loss reflected in the consolidated statement of comprehensive income (loss) for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable consolidated statement of comprehensive income (loss). In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reserves are made to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

The Company recognizes uncertain tax positions when the Company believes that it is probable that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The Company makes adjustments to these recognized uncertain tax positions when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate. The provision for income taxes includes the effects of adjustments for uncertain tax positions, as well as any related interest and penalties.

(p) Government assistance

The Company’s government assistance includes funding from government bodies to support the Company’s research and development (“R&D”) activities and to acquire or develop assets, investment tax credits (“ITCs”), and the emergency wage subsidy. Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Other than CEWS, government grants are recognized net of the related costs they are intended to compensate on a systematic basis over the periods that the related costs are expensed. Government grants related to CEWS are recognized in Government grant income. Government grants related to the acquisition of assets are recognized as a reduction of the cost of the related asset.

If government assistance becomes repayable, the inception to date impact of assistance previously recognized in consolidated statement of comprehensive income (loss) is reversed immediately in the period that the assistance becomes repayable.

ITCs expected to be recovered beyond 12 months are classified in other non-current assets. ITCs are deemed to be equivalent to government assistance. This government assistance is claimed for eligible costs incurred in R&D projects.

(q) Share-based compensation

The Company grants stock-based awards to certain directors, officers and employees of the Company, providing such individuals the option to purchase common shares at predetermined prices. The Company's stock option awards vest gradually over the vesting term and each tranche is considered as a separate award.

All of the Company's stock-based awards are equity-settled and are measured based on the grant date fair value without subsequent remeasurement. The fair value of each tranche of options granted is estimated on the grant date using the Black-Scholes option-pricing model. The grant date fair value, net of estimated forfeitures, is recognized as an expense on a straight-line basis over the vesting period with a corresponding increase to contributed surplus. Forfeitures are estimated at the grant date and are revised to reflect changes in expected or actual forfeitures. Incremental fair value as a result of a modification that is beneficial to the employee is recognized over the remaining vesting period. Upon settlement of stock-based awards, the amount recognized in contributed surplus for the award plus any cash received upon settlement is recognized as an increase in share capital.

(r) Share capital

Common shares are classified as equity. Issuance costs directly attributable to the issuance of the shares are recognized as a deduction from equity, net of income tax effects.

(s) Financial instruments

(i) Initial recognition, classification, and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. All financial instruments are initially measured at fair value. Financial instruments are subsequently measured based on their classification as follows:

- Financial instruments measured at amortized cost;
- Financial instruments measured at FVTPL;
- Financial instruments measured at fair value through other comprehensive income ("FVOCI").

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in acquisition, transaction and integration costs on the consolidated statement of comprehensive income (loss).

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire. A financial liability is derecognized when it is extinguished, discharged, cancelled, or expires. Where a legally enforceable right to offset exists for recognized financial assets and financial liabilities and there is an intention to settle the liability and realize the asset simultaneously, or to settle on a net basis, such related financial assets and financial liabilities are offset.

On initial recognition, the Company classifies financial assets as measured at amortized cost when both of the following conditions are met:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment.

Financial assets are classified as held for trading if they are managed with the objective of realising cash flows through the sale. Derivatives, including separate embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of comprehensive income (loss).

Financial assets at FVOCI are equity investments the Company has irrevocably elected to classify at FVOCI. As at December 31, 2021, the Company does not carry any financial assets at FVOCI.

Financial liabilities are classified as financial liabilities at FVTPL or amortized cost as appropriate. The Company determines the classification of its financial liabilities at initial recognition. Subsequent to initial recognition, financial liabilities at amortized cost are measured using the effective interest method with the accretion of interest recognized in finance costs. Financial liabilities at FVTPL are carried in the consolidated statement of financial position at fair value with net changes net changes in fair value recognized in the consolidated statement of comprehensive income (loss).

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics and management intent as outlined below:

Financial asset or liability	IFRS 9 classification and measurement
Cash	Amortized cost
Trade and other receivables	Amortized cost
Investments in equity securities	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost
Derivative assets and liabilities	FVTPL

(ii) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses ("ECLs") on financial assets measured at amortized cost. The Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The carrying amount of these assets in the consolidated statement of financial position is stated net of any loss allowance.

A loss allowance is estimated from a review of the current and expected economic conditions and counterparty specific facts. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

(iii) Offsetting of financial assets and financial liabilities.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when the Company has an unconditional and legally enforceable right to offset the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

(iv) Fair value

Financial assets and financial liabilities are measured at fair value using a valuation hierarchy for disclosure of fair value measurements. The determination of the applicable level within the hierarchy of a particular asset or liability depends on the inputs used in the valuation as of the measurement date, notably the extent to which the inputs are market-based (observable) or internally derived (unobservable). Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs are inputs reflect the assumptions that market participants would use, and are based on the best information available in the circumstances.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities that a company has the ability to access at the measurement date.
- Level 2: Valuations based on quoted inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.
- Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

(t) Earnings (loss) per share

Basic earnings (loss) per share ("EPS") is calculated by dividing the net earnings (loss) for the period attributable to equity holders by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by dividing the net earnings (loss) attributable to equity holders by the weighted average number of common shares outstanding during the period plus the weighted average number of common shares that would be issued upon exercise of share-based compensation arrangements, to the extent they are considered dilutive.

4. New accounting pronouncements not yet adopted:

(a) Onerous Contracts – Costs of Fulfilling a Contract (Amendment to IAS 37)

In May 2020, the IASB issued an amendment to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, ("IAS 37") to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendment clarifies that the costs relating directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. The amendment is effective for annual reporting periods beginning on or after January 1, 2022.

The Company has substantially completed its assessment in applying the amendment to contracts for which it has not yet fulfilled all its obligations at January 1, 2022. The Company has determined the impact of this amendment to be immaterial as at January 1, 2022.

(b) Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments to IAS 1, which are intended to clarify requirements for the classification of liabilities as non-current, become effective for the Company on January 1, 2023. Earlier application is permitted. The Company is assessing the potential impact of these amendments.

5. Revenue from contracts with customers

(a) Disaggregation of revenue

All of the Company's revenue represents revenue from contracts with customers. Disaggregation of revenue by service lines are presented in the table below:

	Year ended December 31, 2021	April 8, 2020 to December 31, 2020
Geointelligence	$ 190.7	$ 134.7
Robotics and Space Operations	132.9	85.3
Satellite Systems	153.3	75.6
	$ 476.9	$ 295.6

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

(b) Revenue concentration

For the year ended December 31, 2021, there were 2 customers that individually comprised more than 10% of revenue and 26.3% in total. For the period from April 8, 2020 to December 31, 2020, there were 2 customers that individually comprised more than 10% of revenue and 32.2% in total.

(c) Remaining performance obligations

As at December 31, 2021, the Company had remaining performance obligations of $864.3, which represents the transaction price of firm orders less inception to date revenue recognized. Remaining performance obligations exclude unexercised contract options and indefinite delivery or indefinite quantity contracts. The Company expects to recognize approximately 41% of its remaining performance obligations as revenue in 2022, 22% in 2023, and the balance thereafter.

(d) Contract liabilities

Set out below are the movements in contract liabilities during each period:

	December 31, 2021	December 31, 2020
Opening contract liabilities	$ 73.3	$ 48.5
Add: Amounts invoiced for unsatisfied performance obligations	78.2	46.2
Minus: Revenue recognized in period that was included in the opening balance	(60.0)	(21.4)
Ending contract liabilities	$ 91.5	$ 73.3

6. Geographic information

Segmented information is reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"), and reflects the way the CODM evaluates performance of, and allocates resources within, the business. The Company operates substantially all of its activities in one reportable segment, which includes the Geointelligence, Robotics & Space Operations and Satellite Systems operating segments. The reportable segment earns revenue by providing space solutions to customers in a similar market and is managed by the CODM.

Revenues are attributed to geographical regions based on the location of customers as follows:

	Year ended December 31, 2021	April 8, 2020 to December 31, 2020
Canada	$ 232.7	$ 86.4
United States	129.7	123.6
Europe	88.9	71.0
Asia and Middle East	22.7	10.3
Other	2.9	4.3
	$ 476.9	$ 295.6

The Company's property, plant and equipment, right-of-use assets, intangible assets and goodwill are attributed to geographical regions based on the location of the assets as follows:

	December 31, 2021	December 31, 2020
Canada	$ 1,115.0	$ 1,093.1
Other	0.8	7.1
	$ 1,115.8	$ 1,100.2

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

7. Cost of revenue and operating expenses

The following table shows the breakdown of materials, labour and subcontractors costs included in cost of revenue:

	Year ended December 31, 2021	April 8, 2020 to December 31, 2020
Wages, salaries and other cost of revenues	$ 251.8	$ 172.6
Subcontractor costs	45.0	20.7
Investment tax credits recognized	(25.6)	(13.1)
Costs related to defined contribution plans	5.6	4.7
Costs related to defined benefit plans	7.0	4.5
Inventories used	1.8	1.0
	$ 285.6	$ 190.4

The following tables show the breakdowns of selling, general and administration expenses and research and development, net included in operating expenses:

	Year ended December 31, 2021	April 8, 2020 to December 31, 2020
Selling, general and administration		
General and administration	$ 32.4	$ 31.1
Selling and marketing	25.9	19.0
	$ 58.3	$ 50.1
Research and development, net		
Research and development expense	$ 25.7	$ 19.0
Research and development expense recovery	(4.6)	(13.0)
	$ 21.1	$ 6.0

8. Trade and other receivables

	December 31, 2021	December 31, 2020
Trade receivables, gross	$ 82.4	$ 48.7
Other receivables, gross	10.7	31.4
Credit loss allowance	(0.5)	(0.3)
	$ 92.6	$ 79.8

Trade receivables are non-interest bearing and are generally on terms of 15 to 60 days.

9. Unbilled receivables

	December 31, 2021	December 31, 2020
Unbilled receivables, gross	$ 85.4	$ 78.2
Credit loss allowance	(1.7)	—
	$ 83.7	$ 78.2

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

10. Other assets

	Note	December 31, 2021	December 31, 2020
Prepaid expenses		$ 13.2	$ 9.9
Advances to suppliers		1.8	1.5
Investment tax credits receivable	24(a)	67.8	48.5
Deferred financing fees on long-term debt		6.0	—
Investment in equity securities		7.7	—
Derivative financial assets		9.5	9.9
Pension plan asset		12.5	—
Other		—	7.0
		$ 118.5	$ 76.8
Current portion		$ 12.8	$ 12.2
Non-current portion		$ 105.7	$ 64.6

11. Property, plant and equipment

	Land, buildings and leasehold improvements	Equipment	Furniture, fixtures and computer hardware	Capital in progress	Total
Cost					
As at January 1, 2021	$ 57.4	$ 9.1	$ 5.3	$ 2.8	$ 74.6
Additions	0.8	2.2	3.9	39.9	46.8
Disposals	(0.2)	—	—	—	(0.2)
Transfers	0.1	2.1	0.2	(0.1)	2.3
As at December 31, 2021	$ 58.1	$ 13.4	$ 9.4	$ 42.6	$ 123.5
Accumulated depreciation					
As at January 1, 2021	$ (1.9)	$ (2.2)	$ (1.2)	$ —	$ (5.3)
Depreciation expense	(3.1)	(3.2)	(2.2)	—	(8.5)
Disposals	0.2	—	—	—	0.2
As at December 31, 2021	$ (4.8)	$ (5.4)	$ (3.4)	$ —	$ (13.6)
Net book value					
As at December 31, 2021	$ 53.3	$ 8.0	$ 6.0	$ 42.6	$ 109.9

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

	Land, buildings and leasehold improvements	Equipment	Furniture, fixtures and computer hardware	Capital in progress	Total
Cost					
As at April 8, 2020	$ 56.1	$ 7.8	$ 2.9	$ 5.0	$ 71.8
Additions	2.4	1.0	0.5	0.1	4.0
Transfers	(1.1)	0.3	1.9	(2.3)	(1.2)
As at December 31, 2020	$ 57.4	$ 9.1	$ 5.3	$ 2.8	$ 74.6
Accumulated depreciation					
As at April 8, 2020	$ —	$ —	$ —	$ —	$ —
Depreciation expense	(1.9)	(2.2)	(1.2)	—	(5.3)
As at December 31, 2020	$ (1.9)	$ (2.2)	$ (1.2)	$ —	$ (5.3)
Net book value					
As at December 31, 2020	$ 55.5	$ 6.9	$ 4.1	$ 2.8	$ 69.3

Depreciation expense included in cost of revenue for the year ended December 31, 2021 is $8.5 (April 8, 2020 to December 31, 2020 – $5.3).

12. Leases

The Company has lease contracts for buildings, equipment, furniture and fixtures and computer hardware used in its operations. Leases of buildings generally have lease terms between 5 and 10 years, while equipment, furniture and fixtures and computer hardware generally have lease terms between 1 and 5 years. Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	Buildings	Equipment	Furniture, fixtures and computer hardware	Total
As at January 1, 2021	$ 19.2	$ 0.1	$ 2.7	$ 22.0
Additions	3.0	—	0.1	3.1
Depreciation expense	(8.7)	(0.1)	(1.5)	(10.3)
As at December 31, 2021	$ 13.5	$ —	$ 1.3	$ 14.8

	Buildings	Equipment	Furniture, fixtures and computer hardware	Total
As at April 8, 2020	$ 19.4	$ —	$ 2.6	$ 22.0
Additions	5.4	0.1	1.4	6.9
Depreciation expense	(5.6)	—	(1.3)	(6.9)
As at December 31, 2020	$ 19.2	$ 0.1	$ 2.7	$ 22.0

The Company also has certain leases of small office and IT equipment such as laptops with lease terms of 12 months or less, some of which are also low value leases.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

The following are the amounts recognised in profit or loss for the leases:

	Year ended December 31, 2021	April 8, 2020 to December 31, 2020
Depreciation expense included in cost of revenue	$ 10.3	$ 6.9
Interest expense on lease liability	1.0	0.6
Expense relating to short-term lease	2.0	2.1
Expense relating to leases of low-value assets	0.4	0.8
	$ 13.7	$ 10.4

Set out below are the carrying amounts of lease liabilities and the movements:

	Year ended December 31, 2021	April 8, 2020 to December 31, 2020
Opening	$ 20.5	$ 19.9
Additions	3.1	6.2
Accretion of interest	1.0	0.6
Payments	(8.9)	(6.2)
Ending	$ 15.7	$ 20.5

The Company had total cash outflows for leases of $11.3 in the current period (April 8, 2020 – December 31, 2020: $9.1).

The maturity analysis of lease liabilities is disclosed in note 19, financial instruments and fair value disclosures.

13. Intangible assets

	Proprietary technologies	Contractual backlog	Customer relationships	MDA trademark	Software	Total
Cost						
As at January 1, 2021	$ 73.0	$ 41.2	$ 463.1	$ 25.6	$ 32.2	$ 635.1
Additions	34.8	—	—	—	12.7	47.5
Disposals	(0.2)	—	(3.2)	—	—	(3.4)
Transfers	4.0	—	—	—	(6.3)	(2.3)
As at December 31, 2021	$ 111.6	$ 41.2	$ 459.9	$ 25.6	$ 38.6	$ 676.9
Accumulated amortization						
As at January 1, 2021	$ (6.0)	$ (10.8)	$ (24.5)	$ (1.1)	$ (3.7)	$ (46.1)
Amortization expense	(7.7)	(14.1)	(33.2)	(1.3)	(4.7)	(61.0)
Disposals	0.1	—	1.3	—	—	1.4
As at December 31, 2021	$ (13.6)	$ (24.9)	$ (56.4)	$ (2.4)	$ (8.4)	$ (105.7)
Net book value						
As at December 31, 2021	$ 98.0	$ 16.3	$ 403.5	$ 23.2	$ 30.2	$ 571.2

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

	Proprietary technologies	Contractual backlog	Customer relationships	MDA trademark	Software	Total
Cost						
As at April 8, 2020	$ 73.0	$ 41.2	$ 463.1	$ 25.6	$ 21.7	$ 624.6
Additions	—	—	—	—	10.5	10.5
As at December 31, 2020	$ 73.0	$ 41.2	$ 463.1	$ 25.6	$ 32.2	$ 635.1
Accumulated amortization						
As at April 8, 2020	$ —	$ —	$ —	$ —	$ —	$ —
Amortization expense	(6.0)	(10.8)	(24.5)	(1.1)	(3.7)	(46.1)
As at December 31, 2020	$ (6.0)	$ (10.8)	$ (24.5)	$ (1.1)	$ (3.7)	$ (46.1)
Net book value						
As at December 31, 2020	$ 67.0	$ 30.4	$ 438.6	$ 24.5	$ 28.5	$ 589.0

For the year ended December 31, 2021, additions of proprietary technologies and software included $34.8 and $10.1 of development costs incurred on internally generated intangible assets, respectively. As at December 31, 2021, the assets are still under development, and therefore the amortization thereof has not commenced.

For the year ended December 31, 2021, the amortization expense related to software of $4.7 (April 8, 2020 to December 31, 2020 – $3.7) are included in cost of revenue. For the year ended December 31, 2021, the amortization expense related to all other intangible assets of $56.3 (April 8, 2020 to December 31, 2020 – $42.4) are included in operating expenses.

As at December 31, 2021, the Company did not identify any indicators of impairment. Accordingly, no impairment was recognized during this period.

14. Goodwill

The Company performed its annual goodwill impairment test as at December 31, 2021. Goodwill is monitored at the groups of CGUs level, which represents the lowest level within the Company for which information about goodwill is available and monitored for internal management purposes:

	December 31, 2021	December 31, 2020
Geointelligence	$ 285.9	$ 285.9
Robotics and Space Operations	25.1	25.1
Satellite Systems	108.9	108.9
	$ 419.9	$ 419.9

For each CGU, the recoverable amount was determined based on its value in use, calculated by discounting estimated future cash flows to their present value. Estimated cash flow projections are based on the Company's five-year strategic plan. Based on the impairment test performed, the recoverable amount of Geointelligence, Robotics and Space Operations and Satellite Systems were in excess of their carrying amounts. Accordingly, there is no impairment of the carrying value of goodwill.

The following key assumptions were used for the period in determining the recoverable amount for each CGU:

- Revenue and earnings before interest, taxes, depreciation and amortization over the forecast horizon are based on the expected timing of the Company's performance under enforceable contracts and anticipated future contracts, expected costs, as well as forecasted growth rate of the Company's recurring services and goods provided to its customers.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

- Pre-tax discount rates represent the current market assessment of the risks specific to each CGU taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The pre-tax discount rates used reflect each CGU's specific risks and market conditions and ranged from 10.0% to 10.5%.
- Terminal growth rate represents the cash flows beyond the five years included in the cash flow forecast. Rates are based on market and industry trends researched and identified by management. A terminal growth rate of 2.5% was used in the value in use calculation.

15. Long-term debt

The Company's long-term debt is comprised of the following:

	December 31, 2021	December 31, 2020	Maturity date
Term loan, interest rate of CDOR plus 3.5%, principal and interest payable quarterly	$ —	$ 411.9	April 8, 2025
Second lien notes, semi-annual interest commencing October 8, 2020, 10% paid in cash or 12% paid in-kind (6% cash, 6% in-kind)	144.7	147.8	April 8, 2027
	$ 144.7	$ 559.7	
Current	$ —	$ 22.0	
Non-current	$ 144.7	$ 537.7	

(a) Term loan facility and revolving credit facility

The Company, through its wholly owned subsidiary NOL, had a term loan facility totaling $435.0 of which the full amount was drawn at inception. In the second quarter, the Company used a portion of the net proceeds from the initial public offering and over-allotment option of common shares to repay in full the $418.7 of outstanding principal under the term loan facility.

Concurrent with the repayment in the second quarter, the Company converted the term loan to a reducing revolving credit facility, which was combined with the Company's existing revolving credit facility. Under the reducing revolving credit facility, the Company has available credit in the amount of $433.7, of which $15.6 was used as of December 31, 2021, (December 31, 2020 – $15.5), all in respect of the Company's gross potential liability related to letters of credit. The outstanding letters of credit at December 31, 2021 had an applicable margin of 97 basis points ("bps") plus a fronting fee of 25 bps.

The available credit under the revolving credit facility will reduce on a quarterly basis at a rate of $5.4 from March 31, 2022 to June 30, 2022, $8.2 from September 30, 2022 to June 30, 2024 and $10.9 from September 30, 2024 to March 31, 2025. The revolving credit facility matures on April 8, 2025. This facility bears interest at either the bank's prime rate or alternate base rate Canada plus an applicable margin of 45 to 175 bps or CDOR or LIBOR plus an applicable margin of 145 to 275 bps, based on the Company's total debt to EBITDA ratio.

Prior to the repayment and conversion that occurred in the second quarter, the term loan facility bore interest at either the bank's prime rate or alternate base rate Canada plus an applicable margin of 150 to 300 bps or CDOR or LIBOR plus an applicable margin of 250 to 400 bps, based on the Company's total debt to EBITDA ratio.

The Company accounted for the conversion from the term loan to the reducing revolving credit facility as a non-substantial debt modification. The Company recognized a loss on modification of $5.4 in finance costs in the consolidated statement of comprehensive income (loss).

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

(b) Second lien notes

The Company has second lien notes outstanding which bear interest at 10% per annum in cash, or 12% paid in-kind ("PIK") (6% cash, 6% in-kind) if the election is made by the Company. Interest is due semi-annually. If the PIK interest election is made by the Company, interest on the second lien notes for each interest period is payable by increasing the principal amount of the outstanding notes by the amount of interest then due and owing for such interest period. As at December 31, 2021, the PIK election was not made.

(c) Security and guarantees

The reducing revolving credit facility is guaranteed by all subsidiaries of NOL (other than certain excluded subsidiaries, including immaterial subsidiaries and non-wholly owned subsidiaries) and secured by all of the present and future assets, property and undertakings of NOL and its subsidiary guarantors, as well as a limited recourse guarantee and pledge of NOL from the Company.

The second lien notes are guaranteed by the same guarantors as the revolving credit facility and the term loan facility and secured by a second lien on the same collateral.

(d) Covenants

Under the reducing revolving credit facility, the Company must satisfy certain financial covenants as defined by the credit agreement, including the following:

- The Company is required to maintain an interest coverage ratio of at least 3.0 to 1 at all times
- The Company is required to maintain a specified total debt to EBITDA ratio of less than or equal to 4.0 to 1 at all times

As at December 31, 2021, the Company was in compliance with these covenants.

(e) Cash flows arising from long-term borrowings

The following table reconciles the changes in cash flows from financing activities for long-term borrowings:

	December 31, 2021	December 31, 2020
Opening	$ 559.7	$ —
Issuance of debt, net of issuance costs	—	585.0
Capitalized transaction costs	—	(20.4)
Principal repayments	(424.1)	(10.9)
Modification loss	5.4	—
Interest expense	23.2	23.8
Interest paid	(21.7)	(21.6)
Deferred financing fees reclassified to other assets	6.0	—
Other	(3.8)	3.8
Closing	$ 144.7	$ 559.7
Current portion	$ —	$ 22.0
Non-current portion	$ 144.7	$ 537.7

(f) Commitments related to long-term debt

The outstanding long-term debt principal as at December 31, 2021 relates entirely to the second lien notes. The principal is due in full upon its maturity date in 2027.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

16. Provisions

	Restructuring costs	Onerous Contracts	Decommissioning Liabilities	Other	Total
As at January 1, 2021	$ 6.2	$ 6.3	$ 1.4	$ 5.3	$ 19.2
Provision made	—	0.5	—	—	0.5
Provision used	(4.7)	(4.1)	—	(5.3)	(14.1)
Provision reversed	(0.8)	—	—	—	(0.8)
As at December 31, 2021	$ 0.7	$ 2.7	$ 1.4	$ —	$ 4.8
Current portion	$ 0.7	$ 2.7	$ —	$ —	$ 3.4
Non-current portion	$ —	$ —	$ 1.4	$ —	$ 1.4

	Restructuring costs	Onerous Contracts	Decommissioning Liabilities	Other	Total
As at April 8, 2020	$ 1.9	$ 3.6	$ 1.4	$ —	$ 6.9
Provision made	9.0	4.5	—	5.3	18.8
Provision used	(4.7)	(1.8)	—	—	(6.5)
As at December 31, 2020	$ 6.2	6.3	1.4	5.3	19.2
Current portion	$ 6.2	$ 6.3	$ —	$ 5.3	$ 17.8
Non-current portion	$ —	$ —	$ 1.4	$ —	$ 1.4

17. Employee benefits

(a) Employee benefits liabilities

Employee benefit liabilities	December 31, 2021	December 31, 2020
Salary and benefits payable	$ 33.3	$ 27.1
Pension plan liabilities	34.8	46.8
Other post-retirement benefits	4.5	1.7
	$ 72.6	$ 75.6
Current	$ 38.8	$ 32.0
Non-current	$ 33.8	$ 43.6

Excluded from the pension plan liabilities as at December 31, 2021 are pension plan assets totalling $12.5. Pension plan assets are recorded in other non-current asset as presented in note 10.

(b) Contribution costs

The Company maintains defined benefit pension plans, defined contribution pension plans and other post-retirement benefit plans. The Company's contributions are set out below:

	Year ended December 31, 2021	April 8, 2020 to December 31, 2020
Defined contribution pension plans	$ 6.5	$ 4.7
Defined benefit pension plans	5.6	5.2
Other post-retirement benefit plans	0.5	0.5
	$ 12.6	$ 10.4

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

(c) Defined benefit pension plans and other post-retirement benefit plans

Defined benefit pension plans

The Company's defined benefit plans provide pension benefits based on various factors including earnings and length of service.

The plans are funded and the Company's funding requirements are based on each of the plans' actuarial measurement frameworks as established by the plan agreements or applicable laws. Employees are required to contribute to some of the funded plans. The total estimated employer contributions expected to be paid to the plans in the year ending December 31, 2022 are $5.6.

The funded plan assets are legally separated from the Company and are held by an independent trustee. The trustee is responsible for ensuring that the funds are protected as per applicable laws.

Movement in net defined benefit liability for the year ended December 31, 2021 is set out below:

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Defined benefit obligation as at January 1, 2021	$ 135.2	$ (123.6)	$ 11.6
Recognized in net income			
Current service cost	5.6	—	5.6
Past service costs	0.1	—	0.1
Interest cost (income)	3.5	(2.6)	0.9
	$ 9.2	$ (2.6)	$ 6.6
Recognized in net equity			
Actuarial loss (gain) arising from:			
Financial assumptions	(10.9)	—	(10.9)
Experience adjustment	0.7	—	0.7
Return on plan assets excluding interest income	—	(14.3)	(14.3)
Administrative expenses paid from fund	—	0.9	0.9
	$ (10.2)	$ (13.4)	$ (23.6)
Other			
Employer contributions	—	(5.4)	(5.4)
Plan participant contributions	1.4	(1.4)	—
Benefit payments	(6.3)	6.3	—
	$ (4.9)	$ (0.5)	$ (5.4)
Effect of asset ceiling	—	2.7	2.7
Defined benefit obligation (asset) as at December 31, 2021	$ 129.3	$ (137.4)	$ (8.1)

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

Movement in net defined benefit liability for the period from April 8 to December 31, 2020 is set out below:

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Defined benefit obligation as at April 8, 2020	$ 111.6	$ (106.2)	$ 5.4
Recognized in net income			
Current service cost	2.7	—	2.7
Interest cost (income)	3.1	(3.0)	0.1
	$ 5.8	$ (3.0)	$ 2.8
Recognized in net equity			
Actuarial loss (gain) arising from:			
Financial assumptions	22.5	—	22.5
Experience adjustment	0.6	—	0.6
Return on plan assets excluding interest income	—	(16.3)	(16.3)
Administrative expenses paid from fund	—	0.4	0.4
	$ 23.1	$ (15.9)	$ 7.2
Other			
Employer contributions	—	(3.8)	(3.8)
Plan participant contributions	0.7	(0.7)	—
Benefit payments	(6.0)	6.0	—
	$ (5.3)	$ 1.5	$ (3.8)
Defined benefit obligation as at December 31, 2020	$ 135.2	$ (123.6)	$ 11.6

Plan assets comprise the following:

	December 31, 2021	December 31, 2020
Domestic equity	$ 30.3	$ 24.9
Foreign equity	25.6	37.8
Fixed income assets	50.1	38.4
Other	32.7	16.6
Cash and short-term investments	1.4	5.9
Total plan assets	$ 140.1	$ 123.6

Other post-retirement benefit plans

The Company provides other post-retirement benefits, including extended health benefits, dental care and life insurance covering a portion of its employees in Canada. The cost of these benefits is funded primarily out of general revenues. The total estimated contributions expected to be paid to the plans, including the net benefit payments to be made in respect to unfunded plans, for the year ending December 31, 2022 are $1.1.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

Movement in net defined benefit liability for the year ended December 31, 2021 is set out below:

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Defined benefit obligation as at January 1, 2021	$ 32.6	$ —	$ 32.6
Recognized in net income			
Current service cost	0.5	—	0.5
Interest cost (income)	0.8	—	0.8
	$ 1.3	$ —	$ 1.3
Recognized in net equity			
Actuarial loss (gain) arising from:			
Financial assumptions	(2.8)	—	(2.8)
Experience adjustment	—	—	—
	$ (2.8)	$ —	$ (2.8)
Other			
Employer contributions	—	(0.7)	(0.7)
Benefit payments	(0.7)	0.7	—
	$ (0.7)	$ —	$ (0.7)
Defined benefit obligation as at December 31, 2021	$ 30.4	$ —	$ 30.4

Movement in net defined benefit liability for the period of April 8 to December 31, 2020 is set out below:

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Defined benefit obligation as at April 8, 2020	$ 27.5	$ —	$ 27.5
Recognized in net income			
Current service cost	0.3	—	0.3
Interest cost (income)	0.8	—	0.8
	$ 1.1	$ —	$ 1.1
Recognized in net equity			
Actuarial loss (gain) arising from:			
Financial assumptions	4.4	—	4.4
Experience adjustment	0.1	—	0.1
	$ 4.5	$ —	$ 4.5
Other			
Employer contributions	—	(0.5)	(0.5)
Benefit payments	(0.5)	0.5	—
	$ (0.5)	$ —	$ (0.5)
Defined benefit obligation as at December 31, 2020	$ 32.6	$ —	$ 32.6

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

Actuarial assumptions

The following represents the weighted average of the principle actuarial assumptions used in calculating the defined benefit plans and other post-retirement plans at the reporting date.

	December 31, 2021	December 31, 2020
Discount rate	3.1%	2.6%
Future salary increases	3.5%	3.5%
Health care trend (Other Post Retirement Benefit Plans)	6.0%	5.9%
Longevity at age 65 for current pensioners:		
Males	22.0	21.9
Females	24.3	24.3
Longevity at age 65 for current pensioners aged 45:		
Males	23.0	22.9
Females	25.3	25.2

As at December 31, 2020, the weighted-average duration of the defined benefit obligation was 15.4 years (December 31, 2020 – 15.2).

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit plans and other post-retirement plans by the amounts shown below.

As at December 31, 2021	Increase of 1%	Decrease of 1%
Discount rate	$ (21.7)	$ 27.9
Future salary growth	$ 0.5	$ (0.7)
Health care trends rate	$ 4.5	$ (3.5)
Future mortality	$ (0.4)	$ 0.4

18. Share-based compensation

The Company's share-based compensation arrangements comprises an employee stock option plan and an Employee Share Trust Agreement arrangement ("Trustee Shares"). All of the arrangements are equity-settled.

Employee Stock Option Plan

The Company amended its pre-IPO stock option plan on April 7th, 2021 to an equity incentive plan (the "Plan"). Under the new Plan, the Company, at its discretion, may grant stock options, deferred share units, restricted share units, performance share units and other share-based awards to any director, officer or employee of the Company.

For the year ended December 31, 2021, the Company has granted stock options with an exercise price of $14.00 to $30.00. The stock options vest over 4 to 5 years in annual instalments from the grant date. Vesting is conditional on continuous employment from the grant date to the vesting date. The stock options have a maximum term of 10 years.

The stock options are measured at fair value using the Black-Scholes option pricing model on the grant date and subsequently expensed on a straight-line basis over the vesting period. The amount expensed for the year ended December 31, 2021 was $8.9 (April 8, 2020 to December 31, 2020 –$4.9).

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

The weighted average fair value of options granted during the year ended December 31, 2021 was $4.13. The fair value of these options granted were estimated on the date of grant using the following assumptions:

	Year ended December 31, 2021
Dividend yield	0.00%
Expected volatility	40.00%
Risk–free interest rate	0.45% - 1.27%
Expected life of share options	5.9 to 7.1 years
Weighted average share price	$12.48

The expected life of the stock options is based on current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility is based on the share price volatility observed for comparable publicly traded companies over a period similar to the life of the options.

The table below shows the movement in the number of stock options outstanding and the related weighted average exercise price.

	December 31, 2021		December 31, 2020	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Opening	7,237,325	$ 9.30	—	$ —
Granted	2,576,650	18.66	7,925,954	9.30
Forfeited	—	—	(688,629)	9.30
Exercised	(199,705)	9.31	—	—
Transferred to Trustee Shares	(547,292)	14.00	—	—
Closing	9,066,978	$ 11.40	7,237,325	$ 9.30
Stock options exercisable	4,444,721	$ 11.32	—	$ —

During the year ended December 31, 2021, the weighted average market share price for stock options exercised was $16.90.

The information regarding the stock options outstanding and exercisable as at December 31, 2021 is summarized below:

	Outstanding options			Exercisable options	
Range of exercise prices	Number of stock options	Weighted average remaining life (years)	Weighted average exercise price	Number of stock options	Weighted average exercise price
$6.00 - $9.60	5,630,098	5.9	$ 7.80	2,808,042	$ 7.80
$14.00 - $18.00	2,869,609	5.9	14.93	1,361,752	14.90
$22.00 - $30.00	567,271	5.8	29.35	274,927	29.56
	9,066,978	5.9	$ 11.40	4,444,721	$ 11.32

Concurrent with the Pre-IPO share consolidation described in note 21, the Pre-IPO outstanding stock options and weighted average exercise price reflect the six-to-one share consolidation.

Trustee Shares

Immediately prior to the IPO, the Company transferred from the Plan a total of 547,292 stock options to Trustee Shares for certain employees, which vest on the same basis as the originating stock options. No additional Trustee Shares have been granted subsequently. The amount expensed for the year ended December 31, 2021 was $4.6.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

The number of Trustee Shares outstanding and vested as at December 31, 2021 is 547,292 and 253,900 respectively.

19. Financial instruments and fair value disclosures

(a) Financial instruments by category:

The classification of financial instruments and their carrying amounts are as follows as at December 31, 2021:

Financial assets	Financial assets at fair value through profit or loss	Amortized cost
Current		
Cash	$ —	$ 83.6
Trade and other receivables	—	92.6
Derivative financial instruments	0.2	—
	$ 0.2	$ 176.2
Non-current		
Investment in equity securities	$ 7.7	$ —
Derivative financial instruments	9.3	—
	$ 17.0	$ —

Financial liabilities	Financial liabilities at fair value through profit or loss	Amortized cost
Current		
Accounts payable and accrued liabilities	$ —	$ 71.3
Lease liabilities	—	7.9
Derivative financial instruments	0.7	—
Non-trade payables		0.5
	$ 0.7	$ 79.7
Non-current		
Lease liabilities	$ —	$ 7.8
Second lien notes	—	144.7
Derivative financial instruments	0.2	—
Non-trade payables	—	0.7
	$ 0.2	$ 153.2

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

The classification of financial instruments and their carrying amounts are as follows as at December 31, 2020:

Financial assets	Financial assets at fair value through profit or loss	Amortized cost
Current		
Cash	$ —	$ 78.6
Trade and other receivables	—	79.8
Derivative financial instruments	0.8	—
	$ 0.8	$ 158.4
Non-current		
Derivative financial instruments	$ 9.1	$ —
	$ 9.1	$ —

Financial liabilities	Financial liabilities at fair value through profit or loss	Amortized cost
Current		
Accounts payable and accrued liabilities	$ —	$ 65.7
Non-trades payables	—	0.8
Lease liabilities	—	7.8
Term loan	—	22.0
Derivative financial instruments	0.3	—
	$ 0.3	$ 96.3
Non-current:		
Non-trades payables	$ —	$ 1.0
Lease liabilities	—	12.7
Term loan	—	390.0
Second lien notes	—	147.8
Derivative financial instruments	0.3	—
	$ 0.3	$ 551.5

(b) Fair value of financial instruments:

The table below shows the fair values of financial instruments along with their levels in the fair value hierarchy. It does not include fair values of those financial instruments measured at amortized cost for which the carrying amount is a reasonable approximation of fair value, which include cash, trade and other receivables, accounts payable and accrued liabilities, and non-trade payables.

	December 31, 2021				December 31, 2020			
	Level 1	*Level 2*	*Level 3*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets								
Derivative financial instruments	$ —	$ 1.4	$ 8.1	$ 9.5	$ —	$ 1.0	$ 8.9	$ 9.9
Investment in equity securities	7.7	—	—	7.7	—	—	—	—

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

	December 31, 2021				December 31, 2020			
	Level 1	*Level 2*	*Level 3*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
Liabilities								
Derivative financial instruments	$ —	$ 0.9	$ —	$ 0.9	$ —	$ 0.6	$ —	$ 0.6
Term loan	—	—	—	—	—	411.9	—	411.9
Second-lien notes	—	169.6	—	169.6	—	147.8	—	147.8

During the year, no transfers occurred between the different levels.

Level 2 derivative financial instruments comprises foreign exchange embedded derivatives within revenue and purchase contracts. The Company determines fair value of its derivative financial instruments based on management estimates and observable market-based inputs. Management estimates include assumptions concerning the amount and timing of estimated future cash flows. Observable market-based inputs are sourced from third parties and include currency spot and forward rates.

The fair value of the second lien notes is determined using a present value of future cash flows model. A key estimate used in this calculation is the market yield, which is derived from inputs such as corporate bond credit spread and risk free rate.

The embedded derivative redemption feature as part of the second lien notes is classified as a Level 3 security. The fair value decrease on this instrument was recorded in the consolidated statement of comprehensive income (loss). Below is the reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy:

	Embedded derivative asset (Level 3)
As at April 8, 2020	$ —
Additions	1.9
Unrealized gain recognized in the consolidated statement of comprehensive income (loss)	7.0
As at December 31, 2020	$ 8.9
Unrealized loss recognized in the consolidated statement of comprehensive income (loss)	(0.8)
As at December 31, 2021	$ 8.1

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at December 31, 2021 and December 31, 2020 are shown below:

Security	Valuation technique	Significant unobservable inputs	Input	Sensitivity analysis
Embedded derivative asset	Interest rate option pricing model	Credit spread	December 31, 2021: 5.57%	December 31, 2021: 0.5% increase (decrease) in the credit spread would result in a decrease in the fair value by: $2.2 and an increase in the fair value by $2.8.
			December 31, 2020: 6.17%	December 31, 2020: 0.5% increase (decrease) in the credit spread would result in a decrease in the fair value by 2.6 and an increase in the fair value by $3.0.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

(c) Interest Rate Risk

The Company was exposed to interest rate risk from fluctuations in interest rates on its floating rate debt prior to the repayment of its term loan facility. Following the repayment, the Company had no drawings under its revolving credit facility. The Company manages interest rate risk by monitoring the respective mix of fixed and floating rate debt and by taking action as necessary to maintain an appropriate balance considering current market conditions. As at December 31, 2021, the Company had no outstanding floating rate debt. Based on the outstanding borrowings under the term loan facility during the year ended December 31, 2021, a 1.0% increase (decrease) in the average interest rate on our borrowings would have decreased (increased) income (loss) before taxes by $1.7 for the year ended December 31, 2021 (period from April 8, 2020 to December 31, 2020 – $3.6). The impact on future interest expense as a result of future changes in interest rates will depend largely on the gross amount of our borrowings at the time.

(d) Credit risk:

The Company is exposed to credit risk resulting from the possibility that counterparties may default on their financial obligations to the Company. The Company is primarily exposed to credit risk through its trade and other receivables and unbilled receivables.

The Company's credit exposure through receivables relates to a diverse group of customers, including government customers, in multiple geographic regions purchasing a wide variety of products and services from the Company, and is therefore mitigated by a reduced concentration of risk. The due date of these amounts can vary by agreement but in general balances over 90 days are considered past due.

The Company applies the simplified model of recognizing lifetime expected credit losses for all trade, unbilled and other receivables. Customers are assessed for credit risk based on the customer organization's financial health, and credit history with the Company. Credit limits or maximum exposures under revenue contracts are identified, approved and monitored.

Set out below is the movement in the allowance for credit losses on trade and other receivables and unbilled receivables:

	Year ended December 31, 2021	April 8, 2020 to December 31, 2020
Opening	$ (0.3)	$ —
Provision for expected credit losses	(2.1)	(0.7)
Write-offs	0.2	0.4
Ending	$ (2.2)	$ (0.3)

The carrying amounts of trade and other receivables and unbilled receivables recognized on the balance sheet as at each reporting date represent their respective maximum credit exposures.

(e) Liquidity risk:

The Company's liquidity risk is the risk it may not be able to meet its contractual obligations associated with financial liabilities as they come due. The Company's principal sources of liquidity are cash provided by operations and access to credit facilities. The Company's short-term cash requirements are primarily to fund working capital, with medium term requirements to service and repay debt, and invest in capital and intangible assets, and research and development for growth initiatives. Cash is also used to finance other long-term strategic initiatives. For the foreseeable future, the Company believes that these principal sources of liquidity are sufficient to maintain the Company's capacity and to meet planned growth and development activities.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

The maturities of the contractual cash flows of the Company's financial liabilities as at December 31, 2021 are shown in the following table:

	Carrying amount	Contractual cash flows	Maturing in less than 1 year	Maturing in 1 to 5 years	Maturing beyond 5 years
Non-derivative financial liabilities:					
Trade and other payables	$ 71.3	$ 71.3	$ 71.3	$ —	$ —
Financial liabilities, other:					
Non-trades payables	1.2	1.2	0.5	0.6	0.1
Second lien notes	144.7	150.0	—	—	150.0
	$ 217.2	$ 222.5	$ 71.8	$ 0.6	$ 150.1
Lease liabilities	$ 15.7	$ 15.7	9.5	6.2	—
Other derivative instruments	0.9	0.9	0.7	0.2	—
	$ 16.6	$ 16.6	$ 10.2	$ 6.4	$ —
	$ 233.8	$ 239.1	$ 82.0	$ 7.0	$ 150.1

The maturities of the contractual cash flows of the Company's financial liabilities as at December 31, 2020 are shown in the following table:

	Carrying amount	Contractual cash flows	Maturing in less than 1 year	Maturing in 1 to 5 years	Maturing beyond 5 years
Non-derivative financial liabilities:					
Trade and other payables	$ 65.7	$ 65.7	$ 65.7	$ —	$ —
Financial liabilities, other:					
Non-trades payables	1.8	1.8	0.8	0.7	0.3
Term loan	411.9	424.2	21.8	402.4	—
Second lien notes	147.8	150.0	—	—	150.0
	$ 627.2	$ 641.7	$ 88.3	$ 403.1	$ 150.3
Lease liabilities	$ 20.5	$ 21.3	8.1	13.2	—
Other derivative instruments	0.6	0.6	0.3	0.3	—
	$ 21.1	$ 21.9	$ 8.4	$ 13.5	$ —
	$ 648.3	$ 663.6	$ 96.7	$ 416.6	$ 150.3

(f) Foreign exchange risk:

The Company is exposed to foreign exchange risk on sales contracts, purchase contracts as well as cash, receivable and payable balances denominated in currencies other than the functional currency of the Company's contracting entity. The currencies in which these transactions are primarily denominated are United States dollar ("USD") and euro, with USD representing the more significant exposure. The Company is also exposed to foreign currency risk on the net assets of its foreign operations.

The Company mitigates its foreign exchange risk through reducing mismatches between currencies in its foreign currency revenue contracts and the related purchase contracts. The Company also utilizes foreign exchange forward contracts to economically hedge a portion of the exposure arising from expected foreign currency denominated cash flows. The term of the foreign exchange forward contracts can range from less than one month to several years. The Company does not enter into foreign exchange forward contracts for trading or speculative purposes and does not have any qualifying hedges for accounting purposes.

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

As at December 31, 2021, the Company had Canadian dollar foreign exchange forward purchase contracts for $4.0. The notional amount on the forward contracts was $3.0 U.S. dollars, with an average exchange rate of 1.3092 and maturity dates between January 2022 and November 2022. The carrying value of the forward contract asset was $0.1.

Based on the Company's exposure to financial instruments in USD during the year ended December 31, 2021, if USD strengthened (weakened) against the Canadian dollar by 10.0%, income (loss) before taxes would have decreased (increased) by $0.2 (period from April 8, 2020 to December 31, 2020 – $0.8).

20. Capital management

The Company defines its capital as the aggregate of long-term debt and shareholder's equity. The Company's primary capital management objectives are to provide an appropriate return to shareholders, safeguard working capital over the annual operating cycle, provide financial resources to grow operations to meet long-term customer demand, and comply with financial covenants under credit facilities.

The Company's strategy to managing its capital structure is to utilize its borrowing arrangements to obtain committed term and operating credit facilities in support of its working capital and planned capital expenditures. When needed, the Company has also access to capital markets to raise equity financing. As at December 31, 2021, in addition to its outstanding long-term debt and equity, the Company also had $418.1 of available liquidity under its revolving credit facility. The Company continually assesses the adequacy of its capital structure and capacity and make adjustments within the context of the Company's strategy, economic conditions, and the risk characteristics of the business.

The Company's performance against its financial covenants is discussed in detail in note 15. There have been no breaches of the financial covenants under the Company's credit facilities throughout the year-ended December 31, 2021.

21. Share Capital

(a) Authorized

The Company is authorized to issue an unlimited number of common shares without par value. Each common share entitles the holder of record to one vote at shareholder meetings and to participate in dividends if declared.

(b) Pre-IPO share consolidation

Immediately prior to the closing of the IPO, all of the Company's issued and outstanding common shares were consolidated on a six-to-one basis. The number of common shares are presented on a post-share consolidation basis.

(c) Issued and outstanding

	Number of common shares		Amount
As at April 8, 2020	80,620,000	$	479.7
Issuance of common shares	115,983		0.7
As at December 31, 2020	80,735,983	$	480.4
Issuance to private investor and employees (i)	5,098,420		30.6
IPO, issuance of common shares net of issuance costs and tax (ii)	28,571,500		382.4
Exercise of over-allotment option (iii)	4,285,725		57.3
As at December 31, 2021	118,691,628	$	950.7

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

All issued common shares are fully paid.

(i) Issuance to private investor and employees

In the first quarter ended March 31, 2021, the Company issued 5,000,000 common shares for a subscription price of $30.0 to a private investor and 98,420 common shares with a value of $0.6 to employees.

(ii) Initial Public Offering (IPO)

On April 7, 2021, the Company completed its IPO and issued 28,571,500 common shares at $14 per share for total gross proceeds of $400.0. Share issuance costs amounted to $24.0 resulting in net cash proceeds of $376.0. The Company also recognized an income tax recovery of $6.4 on the share issuance costs resulting in net share capital increase of $382.4.

(iii) Exercise of over-allotment option

Following the close of the offering, on April 14, 2021 the over-allotment option granted to the underwriters to purchase up to an additional 4,285,725 common shares at a price of $14.00 per common share was exercised in full, generating additional gross proceeds to the Company of $60.0. Share issuance costs amounted to $3.7 resulting in net cash proceeds of $56.3. The Company also recognized an income tax recovery of $1.0 on the share issuance costs resulting in net share capital increase of $57.3.

22. Income taxes

(a) Income tax expense (recovery)

	Year ended December 31, 2021	April 8, 2020 to December 31, 2020
Current tax expense		
Current period	$ 14.9	$ 12.0
Change in estimate for prior periods	1.0	—
	$ 15.9	$ 12.0
Deferred tax expense:		
Origination and reversal of temporary differences	(7.5)	(12.5)
Income tax expense (recovery)	$ 8.4	$ (0.5)

(b) Income taxes recognized in OCI

	December 31, 2021	December 31, 2020
Opening	$ 3.1	$ —
Income tax expense (recovery) on remeasurement of defined benefit pension plans	(6.5)	3.1
Closing	$ (3.4)	$ 3.1

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

(c) Income tax rate reconciliation

A reconciliation of income taxes at statutory rates to actual income tax expense is as follows:

	Year ended December 31, 2021	April 8, 2020 to December 31, 2020
Statutory Federal and Provincial tax rate in Canada	26.5%	27%
Income tax expense (recovery) at statutory tax rates	$ 3.0	$ (4.9)
Earnings subject to different rates	—	0.1
Change in statutory rates	(0.2)	0.1
Change in unrecognized deferred tax assets	0.2	—
Change in uncertain tax positions	0.4	(0.3)
Share-based compensation	3.6	1.4
Non-deductible impairment	—	3.3
Change in estimate for prior periods	1.0	—
Other, including permanent differences	0.4	(0.2)
	$ 8.4	$ (0.5)

(d) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities as at December 31, 2021 are attributable to the following:

	Assets	Liabilities	Net
Unbilled receivables and contract liabilities	$ —	$ 5.0	$ (5.0)
Property, plant and equipment	—	16.7	(16.7)
Intangible assets and goodwill	—	132.6	(132.6)
Investment tax credits	6.6	18.4	(11.8)
Trade and other payables	1.9	—	1.9
Employee benefits	5.9	—	5.9
Tax loss carry forwards	14.0	—	14.0
Other items	7.8	2.6	5.2
Tax assets (liabilities)	$ 36.2	$ 175.3	$ (139.1)
Set off of tax	(16.9)	(16.9)	—
Net tax assets (liabilities)	$ 19.3	$ $158.4	$ (139.1)

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

Deferred tax assets and liabilities as at December 31, 2020 are attributable to the following:

	Assets	Liabilities	Net
Unbilled receivables and contract liabilities	$ —	$ 3.0	$ (3.0)
Property, plant and equipment	—	16.4	(16.4)
Intangible assets and goodwill	—	150.8	(150.8)
Investment tax credits	9.4	14.8	(5.4)
Trade and other payables	5.0	—	5.0
Employee benefits	11.9	—	11.9
Tax loss carry forwards	6.9	—	6.9
Other items	4.8	0.5	4.3
Tax assets (liabilities)	$ 38.0	$ 185.5	$ (147.5)
Set off of tax	(26.8)	(26.8)	—
Net tax assets (liabilities)	$ 11.2	$ 158.7	$ (147.5)

The Company has recognized deferred tax assets of $15.8 in respect of a subsidiary relating to tax loss carry forwards and deductible transaction fees. These deferred tax assets have been recognized based on an estimate of future taxable profits derived from the Company's financial projections.

(e) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of tax losses of $9.2 as at December 31, 2021 (December 31, 2020 – $7.7). These tax losses have no expiry date.

(f) Temporary differences

Movement in temporary differences for the year ended December 31, 2021 is set out below:

	As at January 1, 2021	Recognized in net income in year	Recognized in equity in year	As at December 31, 2021
Unbilled receivables and contract liabilities	$ (3.0)	$ (2.0)	$ —	$ (5.0)
Property, plant and equipment	(16.4)	(0.3)	—	(16.7)
Intangible assets and goodwill	(150.8)	18.2	—	(132.6)
Investment tax credits	(5.4)	(6.4)	—	(11.8)
Trade and other payables	5.0	(3.1)	—	1.9
Employee benefits	11.9	0.5	(6.5)	5.9
Tax loss carry forwards	6.9	7.1	—	14.0
Other items	4.3	(6.5)	7.4	5.2
	$ (147.5)	$ 7.5	$ 0.9	$ (139.1)

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

Movement in temporary differences for the period from April 8, 2020 to December 31, 2020 is set out below:

	April 8, 2020	Recognized in net income in year	Recognized in equity in year	Recognized in goodwill in year	December 31, 2020
Unbilled receivables and contract liabilities	$ (4.3)	$ 1.3	$ —	$ —	$ (3.0)
Property, plant and equipment	(9.2)	(6.7)	—	(0.5)	(16.4)
Intangible assets and goodwill	(168.6)	17.8	—	—	(150.8)
Investment tax credits	(6.2)	0.8	—	—	(5.4)
Trade and other payables	4.1	0.9	—	—	5.0
Employee benefits	8.7	0.1	3.1	—	11.9
Tax loss carry forwards	3.4	3.5	—	—	6.9
Other items	9.5	(5.2)	—	—	4.3
	$ (162.6)	$ 12.5	$ 3.1	$ (0.5)	$ (147.5)

As at December 31, 2021, the Company had no taxable temporary differences relating to investments in subsidiaries.

23. Earnings (loss) per share

The following table reflects the net income (loss) and share data used in the basic and diluted earnings (loss) per share calculations:

	Year ended December 31, 2021	April 8, 2020 to December 31, 2020
Net income (loss)	$ 2.9	$ (17.3)
Weighted average shares outstanding – basic	109,301,909	80,660,028
Adjustments for		
Employee stock options	6,593,329	1,077,054
Trustee shares	406,346	—
Weighted average shares outstanding – diluted	116,301,584	81,737,082
Basic earnings (loss) per share	$ 0.03	$ (0.21)
Diluted earnings (loss) per share	0.02	(0.21)

24. Government assistance

(a) Investment tax credits

During the year ended December 31, 2021, the Company recognized investment tax credits of $25.6 million (April 8, 2020 to December 31, 2020 – $13.3 million) as a reduction in cost of materials, labour and subcontractors on the consolidated statement of comprehensive income (loss), and $7.3 million as a reduction in the carrying amount of related assets on the consolidated statement of financial position. The Company has investment tax credits of approximately $69.5 million available to offset future Canadian Federal and Provincial income taxes payable which expire between 2029 and 2041. Investment tax credits are only recognized in the consolidated financial statements when the recognition criteria have been met as described in note 3(p).

Investment tax credits that are expected to be realized within 12 months are presented within current other assets; investment tax credits that are expected to be realized beyond 12 months are presented within non-current other assets (see note 10). This classification as at December 31, 2020 was adjusted resulting in current investment tax credits receivable decreasing from $52.1 to $3.8, and a corresponding adjustment to increase long-term investment taxes receivable from $nil to $48.5. The adjustment had no impact on total comprehensive income (loss) or on the statement of cash flows.

(b) CEWS

In response to the Covid-19 pandemic, the Government of Canada offered employers a wage subsidy to assist in retaining employees throughout the pandemic. For the year ended December 31, 2021, the Company recognized $24.8 (April 8, 2020 to December 31, 2020 – $41.6) of government grant income related to CEWS from the Canadian government, of which $0.7 is receivable as at December 31, 2021.

(c) Technology Demonstration Program:

On May 5, 2016, the Company was awarded a contribution agreement valued at $54.0 by Innovation, Science and Economic Development under the Technology Demonstration Program (“TDP”). The TDP program contributes funding towards large-scale research and development projects that typically require the integration of several different technologies and the coordination of activities of many partners. The Company will coordinate with a team of Canadian partners, both in industry and academia, to develop innovative technology for space communications and space surveillance. Under the agreement, the Company and its partners can claim 50% of eligible costs up to $108.0 for the period August 12, 2014 through to March 31, 2022. Of this total, the Company is eligible to receive a maximum contribution of $31.5 based on 50% of eligible costs up to $63.0. During the year ended December 31, 2021, the Company recorded a recovery against direct costs, selling, general and administration of $0.2 (April 8, 2020 to December 31, 2020 – $3.1) for its portion of 50% of eligible costs incurred. For the year ended December 31, 2021, the Company received proceeds of $0.4 (April 8, 2020 to December 31, 2020 – $5.2) in respect of its claim for 50% of eligible expenditures.

(d) Next Generation Manufacturing Canada (“NGen”):

In December 2020, the Company entered into a contribution agreement for a maximum of $5.0. NGen is dedicated to building up next generation manufacturing capabilities and promoting collaboration in advanced manufacturing and innovation by strengthening linkages across industry, academia and research institutes in Canada. The Company will coordinate with a team of Canadian partners to develop advanced manufacturing for highly adaptive manufacturing environments. Under the agreement, the Company and its partners can claim 44.4% of eligible costs up to $11.3 for the period January 1, 2021 through to March 21, 2023. Of this total, the Company is eligible to receive a maximum contribution of $3.4 based on 44.4% of eligible costs up to $7.7 and so far, has recorded a recovery against the related asset of $1.7. For the year ended December 31, 2021, the Company received proceeds of $1.4 (April 8, 2020 to December 31, 2020 – $0.3) in respect of its claim for 44.4% of eligible expenditures.

(e) Canadian Artificial Intelligence Supercluster (“Scale AI”)

In November 2021, the Company entered into a contribution agreement for a maximum of $2.8. Scale AI is a project led by Canada’s Minister of Innovation, Science and Economic Development, and is dedicated towards investing in industry-led artificial intelligence powered supply chain products. Under the agreement, MDA can claim up to 48.8% of eligible costs up to $5.7 for the period November 2021 through to March 2023, but maintain certain budgeted key performance indicators including revenue growth, cost reduction, jobs created and number of people trained. The Company has not yet recognized any recovery for the year ended December 31, 2021.

25. Related party transactions

For the year ended December 31, 2021 and period from April 8, 2020 to December 31, 2020, the Company was controlled by Northern Private Capital Ltd. The Company’s related parties include its subsidiaries, common shareholders, and key management personnel. The Company's related party transactions comprises compensation paid to its key management personnel, as summarized below:

(Amounts in millions of Canadian dollars, except share-based compensation awards and per share amounts)

	December 31, 2021	December 31, 2020
Short-term and post-employment benefits	$ 9.2	$ 7.7
Termination benefits	—	9.0
Share-based compensation expense	8.6	4.9
Total key management personnel compensation	$ 17.8	$ 21.6

26. Contingencies and commitments

(a) As at December 31, 2021, the Company is committed under legally enforceable agreements for purchases relating to property, plant and equipment and intangible assets of $13.7 in 2022 and $0.2 in 2025.

(b) The Company enters into agreements in the ordinary course of business with resellers and others. Most of these agreements require the Company to indemnify the other party against third-party claims alleging that one of its products infringes or misappropriates a patent, copyright, trademark, trade secret or other intellectual property right. Certain of these agreements require the Company to indemnify the other party against claims relating to property damage, personal injury or acts or omissions by the Company, its employees, agents or representatives.

(c) From time to time, the Company has made guarantees regarding the performance of its systems to its customers. Some of these agreements do not limit the maximum potential future payments the Company could be obligated to make. The Company evaluates and estimates potential losses from such indemnification based on the likelihood that the future event will occur. To date, the Company has not incurred any material costs as a result of such obligations and has not accrued any liabilities related to such indemnification and guarantees in the consolidated financial statements.

(d) The Company has entered into industrial cooperation agreements, sometimes referred to as offset agreements, as a condition to entering into contracts for its products and services from certain customers in foreign countries. These agreements are designed to return economic value to the foreign country and may be satisfied through activities that do not require a direct cash payment, including transferring technology, providing manufacturing, training and other consulting support to in-country projects. These agreements may provide for penalties in the event the Company fails to perform in accordance with offset requirements. The Company has historically not been required to pay any such penalties.

(e) The Company is a party to various other legal proceedings and claims that arise in the ordinary course of business as either a plaintiff or defendant. The Company analyzes all legal proceedings and the allegations therein. The outcome of any of these other proceedings, either individually or in the aggregate, is not expected to have a material adverse effect on the Company's financial position, results of operations or liquidity.

27. Changes to classification

Certain comparative amounts for the prior period have been reclassified to conform to current period presentation on the consolidated statement of financial position and consolidated statement of comprehensive income (loss). Such reclassifications had no effect on shareholders' equity.

ABOUT MDA

Serving the world from its Canadian home and global offices, MDA (TSX:MDA) is an international space mission partner and a robotics, satellite systems and geointelligence pioneer with a 50-year story of firsts on and above the Earth. With over 2,400 staff across Canada, the US and the UK, MDA is leading the charge towards viable Moon colonies, enhanced Earth observation, communication in a hyper-connected world, and more. With a track record of making space ambitions come true, MDA enables highly skilled people to continually push boundaries, tackle big challenges, and imagine solutions that inspire and endure to change the world for the better, on the ground and in the stars.

Please view the interactive version of this annual report at ar2021.mda.space

FORWARD LOOKING STATEMENTS

This Annual Report contains forward–looking information within the meaning of applicable securities legislation, which reflects the MDA's current expectations regarding future events. Forward–looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond MDA's control, which could cause actual results and events to differ materially from those that are disclosed in or implied by such forward–looking information Please review the cautionary language, beginning at p. M-3 of the Management Discussion & Analysis attached to this Annual Report regarding various factors, assumptions and risks that could cause actual results to differ. MDA does not undertake any obligation to update such forward–looking information, whether as a result of new information, future events or otherwise, except as expressly required by applicable law.