IBI Group 2017 First-Quarter Management Discussion and Analysis

THREE MONTHS ENDED
MARCH 31, 2017

IBI GROUP INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2017

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The following Management Discussion and Analysis ("MD&A") of operating results and financial position of IBI Group Inc. and its subsidiaries (the "Company") for the three months ended March 31, 2017 should be read in conjunction with the accompanying unaudited interim condensed consolidated financial statements ("interim financial statements") for the three months ended March 31, 2017, including the notes thereto, as well as the audited consolidated financial statements for the year ended December 31, 2016 and related notes thereto. Additional information relating to the Company, including its Annual Information Form for the year ended December 31, 2016 is available on SEDAR at www.sedar.com.

The financial information and tables presented herein have been prepared on the basis of International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), for financial statements and are expressed in thousands of Canadian dollars except for per share amounts. Certain information in this MD&A are based on non-IFRS measures, which have been defined on page 25 of this MD&A.

FORWARD-LOOKING STATEMENTS

This report includes certain forward-looking statements that are based on the available information and management's judgments as at the date of this report. The forward-looking statements are subject to risks and uncertainties that may cause the actual results to differ materially from those anticipated in the discussion. See "Forward Looking Statements and Risk Factors" below for more information.

FORWARD LOOKING STATEMENTS AND RISK FACTORS

Certain statements in this MD&A may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and its subsidiary entities, including IBI Group Partnership ("IBI Group") or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this MD&A, such statements use words such as "may", "will", "expect", "believe", "plan" and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks and uncertainties, including those related to: (i) the Company's ability to maintain profitability and manage its growth; (ii) the Company's reliance on its key professionals; (iii) competition in the industry in which the Company operates; (iv) timely completion by the Company of projects and performance by the Company of its obligations; (v) fixed-price contracts; (vi) the general state of the economy; (vii) risk of future legal proceedings against the Company; (viii) the international operations of the Company; (ix) reduction in the Company's backlog; (x) fluctuations in interest rates; (xi) fluctuations in currency exchange rates; (xii) upfront risk of time invested in participating in consortia bidding on large projects and projects being contracted through private finance initiatives; (xiii) limits under the Company's insurance policies; (xiv) the Company's reliance on distributions from its subsidiary entities and, as a result, its susceptibility to fluctuations in their performance; (xv) unpredictability and volatility in the price of Shares (defined below); (xvi) the degree to which the Company is leveraged and the effect of the restrictive and financial covenants in the Company's credit facilities; (xvii) the possibility that the Company may issue additional Common Shares (defined below) diluting existing Shareholders' interests; (xviii) income tax matters. These risk factors are discussed in detail under the heading "Risk Factors" in the Company's Annual Information Form for the year ended December 31, 2016. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or

combination of factors may cause actual results, performance or achievements of the Company to be materially different from those contained in forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of May 9, 2017.

The factors used to develop revenue forecast in this MD&A include the total amount of work the Company has signed an agreement with its clients to complete, the timeline in which that work will be completed based on the current pace of work the company achieved over the last 12 months and expects to achieve over the next 12 months. The Company updates these assumptions at each reporting period and adjusts its forward looking information as necessary.

COMPANY PROFILE

The business of the Company is conducted through IBI Group, a global architecture, engineering, planning and technology entity, which operates 63 offices in 11 countries across the world.

IBI Group has one operating segment, consulting services, which is concentrated in three practice areas:

- Intelligence
- Buildings
- Infrastructure

IBI Group's professionals have a broad range of professional backgrounds and experience in urban design and planning, architecture, civil engineering, transportation engineering, traffic engineering, systems engineering, urban geography, real estate analysis, landscape architecture, communications engineering, software development, and many other areas of expertise, all contributing to the three areas in which IBI Group practices.

The firm's clients include national, provincial, state, and local government agencies and public institutions, as well as leading companies in the real estate building, land and infrastructure development, transportation and communication industries, and in other business areas.

OUTLOOK

The following represents forward looking information and users are cautioned that actual results may vary.

Management is forecasting approximately $363 million in total revenue for the year ended December 31, 2017. The Company has approximately 9 months of backlog (calculated on the basis of the current pace of work that the Company has achieved during the 12 months ended March 31, 2017).

The Company bases its view of industry performance on:

1. Annual survey completed by The Environmental Financial Consulting Group, Inc ("EFCG") which focuses on architecture and engineering industries.
2. The reported performance of the Company's direct competitors.
3. The reports published by market analysts covering firms in the Company's business sectors.

The Company has returned to Adjusted EBITDA[1] margins in line with industry averages. Based on the most recent review of this information, EBITDA margins in the industry average 8-12%.

Ongoing efforts are underway to improve the monitoring of financial results, identify synergies and implement cost management initiatives, as well as strengthen the billings and collections process. The Company continues to seek out opportunities to enhance profitability.

FINANCIAL HIGHLIGHTS

(in thousands of Canadian dollars except for per share amounts)

	THREE MONTHS ENDED March 31,			
	2017 *(unaudited)*		**2016** *(unaudited)*	
Number of working days		**63**		62
Revenue	**$**	**91,366**	$	88,645
Net income (loss)	**$**	**3,918**	$	(3,837)
Cash flows provided by operating activities	**$**	**2,198**	$	5,807
Basic and diluted earnings (loss) per share	**$**	**0.10**	$	(0.12)
Adjusted EBITDA[1]	**$**	**10,160**	$	9,231
Adjusted EBITDA[1] as a percentage of revenue		**11.1%**		10.4%

1- See "Definition of Non-IFRS Measures".

[1] *See "Definition of Non-IFRS Measures".*

OVERVIEW

KEY EVENTS

- Revenue increased to $91.4 million for the three months ended March 31, 2017 compared to $88.6 million for the same period in 2016, which reflects an increase of $2.8 million or 3.2%
- Adjusted EBITDA[1] increased to $10.2 million (or 11.1% of revenue) for the three months ended March 31, 2017 compared to $9.2 million (or 10.4% of revenue) for the same period in 2016, which reflects an increase of $1.0 million or 10.9% as a result of stronger operating performance
- Days sales outstanding remained unchanged at 80 days as at March 31, 2017 compared to December 31, 2016
- Cash flows provided by operating activities decreased to $2.2 million for the three months ended March 31, 2017 compared to $5.8 million for the same period in 2016, which reflects a decrease of $3.6 million or 62%
- The Company made the required deposit toward the Sinking Fund for $2.2 million during the three months ended March 31, 2017
- Interest expense decreased to $2.7 million for the three months ended March 31, 2017 compared to $4.1 million for the same period in 2016.

STATEMENT OF COMPREHENSIVE INCOME (LOSS)

Revenue for the three months ended March 31, 2017 was $91.4 million, compared with $88.6 million in the same period in 2016, an increase of 3.2%. The increase in revenue is due to growth in Canada and United States geographical segments, including continuing work on significant transit projects.

For the three months ended March 31, 2017, the Company had net income of $3.9 million compared to a loss of $3.8 million for the same period in 2016. Net income for the three months ended March 31, 2017 is inclusive of foreign exchange gain of $0.1 million, compared to foreign exchange loss of $7.2 million which was included in net loss for the same period in 2016. The foreign exchange gain during the three months ended March 31, 2017 reflects the negative trend in the Canadian dollar currency, as the Canadian dollar weakened against the U.S. dollar and British pound compared to the same period in 2016.

Basic and diluted earnings per share was $0.10 per share for the three months ended March 31, 2017, compared to a basic and diluted loss per share of $0.12 for the same period in 2016.

[1] *See "Definition of Non-IFRS Measures".*

RESULTS OF OPERATIONS

The results of operations presented below should be read in conjunction with the applicable annual audited consolidated financial statements and related notes thereto, prepared in accordance with IFRS.

	THREE MONTHS ENDED MARCH 31,	
	2017	2016
(thousands of Canadian dollars, except per share amounts)	*(unaudited)*	*(unaudited)*
Revenue	$ 91,366	$ 88,645
Expenses		
Salaries, fees and employee benefits	63,840	63,279
Rent	5,814	5,588
Other operating expenses	10,906	10,299
Foreign exchange (gain) loss	(96)	7,247
Amortization of intangible assets	290	208
Depreciation of property and equipment	994	1,069
Increase in fair value of other financial liabilities	268	-
Impairment of financial assets	580	574
	$ 82,596	$ 88,264
OPERATING INCOME	$ 8,770	$ 381
Interest expense, net	2,681	4,051
Other finance costs	421	409
FINANCE COSTS	$ 3,102	$ 4,460
Share of loss of equity-accounted investee, net of tax	-	32
NET INCOME (LOSS) BEFORE TAX	$ 5,668	$ (4,111)
Current tax expense	647	647
Deferred tax expense (recovery)	1,103	(921)
INCOME TAXES	$ 1,750	$ (274)
NET INCOME (LOSS)	$ 3,918	$ (3,837)
OTHER COMPREHENSIVE INCOME		
Items that are or may be reclassified to profit or loss		
Gain on translating financial statements of foreign operations	$ 35	$ 1,925
OTHER COMPREHENSIVE INCOME	35	1,925
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 3,953	$ (1,912)
NET INCOME (LOSS) ATTRIBUTABLE TO:		
Common shareholders	$ 3,261	$ (3,066)
Non-controlling interests	657	(771)
NET INCOME (LOSS)	$ 3,918	$ (3,837)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:		
Common shareholders	$ 3,290	$ (1,528)
Non-controlling interests	663	(384)
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 3,953	$ (1,912)
EARNINGS PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS		
Basic and diluted earnings (loss) per share	$ 0.10	$ (0.12)

DESCRIPTION OF VARIANCES IN OPERATING RESULTS

i) REVENUE

The Company reports revenue net of direct recoverable costs, as these costs can vary significantly from contract to contract and are not indicative of its professional services business.

Revenue for the three months ended March 31, 2017 was an increase of $2.8 million or 3.2% compared to the same period in 2016. The increase in revenue is due to the growth in Canada and United States geographical segments, including work on significant transit projects.

The impact of foreign exchange on revenue for the three months ended March 31, 2017 was an additional $0.5 million of revenue compared to the same period in 2016.

ii) SALARIES, FEES, AND EMPLOYEE BENEFITS

Salaries, fees, and employee benefits for the three months ended March 31, 2017 was $63.8 million compared with $63.3 million in the same period in 2016. As a percentage of revenues, salaries, fees and employee benefits for the three months ended March 31, 2017 was 69.9% compared to 71.4% for the same period in 2016, which is consistent with the budgeted compensation target of 70%.

The impact of foreign exchange on salaries, fees and employee benefits for the three months ended March 31, 2017 was an additional $0.3 million of expense compared to the same period in 2016.

iii) RENT

Rent for the three months ended March 31, 2017 was $5.8 million compared to $5.6 million in the same period in 2016.

iv) OTHER OPERATING EXPENSES

Other operating expenses for the three months ended March 31, 2017 was $10.9 million compared to $10.3 million in the same period in 2016. As a percentage of revenues, operating expenses for the three months ended March 31, 2017 were 11.9% compared to 11.6% for the same period in 2016. Included in other operating expenses for the three months ended March 31, 2017, is an expense of $0.7 million related to new strategic initiatives of business development in the U.S. market compared to an expense of $nil for the same period in 2016.

The impact of foreign exchange on other operating expenses for the three months ended March 31, 2017 was an additional $0.1 million of expense compared to the same period in 2016.

v) FOREIGN EXCHANGE LOSS (GAIN)

Foreign exchange gain for the three months ended March 31, 2017 was $0.1 million compared to a loss of $7.2 million in the same period in 2016. The foreign exchange gain during the three months ended March 31, 2017 reflects the negative trend in the Canadian dollar currency, as the Canadian dollar weakened against the U.S. dollar and British pound compared to the same period in 2016.

The foreign exchange loss (gain) is primarily attributable to foreign exchange rate movements between the Canadian dollar, U.S dollar and British pound as functional currencies of the Company's subsidiaries and other local currencies of international subsidiaries, intercompany loans made by the Canadian parent

company in the functional currencies of foreign subsidiaries that is not considered part of the permanent investment in the foreign subsidiaries, offset by the foreign exchange impact of its U.S dollar drawings on its credit facilities.

Although the Company strives to minimize its exposure to foreign exchange fluctuations on the translation of foreign-denominated intercompany loans held in the Company's Canadian operations by matching U.S dollar liabilities when possible, the Company's primary objective is to ensure it has sufficient cash flow to meet its short and long-term obligations. As such, the Company closely monitors its availability in its credit facilities based on foreign exchange rate fluctuations between the Canadian and U.S dollar, as well as ensures that tax efficiencies continue to exist in order to meet its short and long-term cash obligations.

vi) AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intangible assets was $0.3 million for the three months ended March 31, 2017 compared to $0.2 million for the same period in 2016.

vii) AMORTIZATION OF PROPERTY AND EQUIPMENT

Amortization of property and equipment for the three months ended March 31, 2017 was $1.0 million compared to $1.1 million for the same period in 2016.

viii) IMPAIRMENT OF FINANCIAL ASSETS

Impairment of financial assets for the three months ended March 31, 2017 was $0.6 million, which is consistent with the respective comparative period in 2016.

ix) INTEREST EXPENSE

Interest expense for the three months ended March 31, 2017 was $2.7 million compared to $4.1 million for the same period in 2016. The interest expense decreased by $1.4 million primarily due to a decrease in interest on convertible debentures of $0.8 million, a decrease in interest on consent fee notes, and a decrease in accretion of convertible debentures. See discussion in the liquidity risk section of this MD&A for further details.

x) OTHER FINANCE COSTS

Other finance costs for the three months ended March 31, 2017 were $0.4 million, which is consistent with the respective comparative period in 2016.

xi) INCOME TAXES

Income taxes for the three months ended March 31, 2017 was $1.8 million with an effective tax rate of 30.9% compared to a recovery of $0.3 million with an effective income tax rate of 6.7% for the same period in 2016. The increase in the effective income tax rate was primarily due to non-deductible items and result of operations in various jurisdictions.

xii) NET INCOME (LOSS)

Net income for the three months ended March 31, 2017 was $3.9 million compared to a loss of $3.8 million for the same period in 2016. The factors impacting this are set out in the description of individual line items above.

Adjusted EBITDA[1] for the three months ended March 31, 2017 has increased by $1.0 million compared to the same period in 2016 (see table for adjusted EBITDA from continuing operations for the previous eight quarters in this MD&A).

Following is a summary of finance costs for the three months ended March 31, 2017 and 2016:

	THREE MONTHS ENDED March 31,	
(in thousands of Canadian dollars)	**2017** *(unaudited)*	**2016** *(unaudited)*
Interest on credit facilities	970	821
Interest on convertible debentures	882	1,668
Interest on consent fee notes payable	-	62
Non-cash accretion of convertible debentures	767	1,315
Non-cash accretion of consent fee notes payable	-	115
Other	62	70
INTEREST EXPENSE, NET	**2,681**	**4,051**
Amortization of deferred financing costs	255	259
Other	166	150
OTHER FINANCE COSTS	**421**	**409**
FINANCE COSTS	**3,102**	**4,460**

The following is a summary of the foreign exchange impact on revenue and total expenses for the three months ended March 31, 2017 and 2016:

(unaudited)	**THREE MONTHS ENDED MARCH 31,**			**FOREIGN EXCHANGE**	**OPERATING**
(in thousands of Canadian dollars)	**2017**	**2016**	**CHANGE**	**IMPACT**	**CHANGE**
Revenue	91,366	88,645	2,721	520	2,201
Total expenses, net of foreign exchange gain	82,692	81,017	1,675	495	1,180

[1] *See "Definition of Non-IFRS Measures".*

ADJUSTED EBITDA[1] FROM CONTINUING OPERATIONS

All of the factors outlined above have been adjusted for the discussion in the non-IFRS measure, Adjusted EBITDA[1]. The following summary of quarterly results outlines all the items which comprise the difference between net income (loss) from continuing operations in each of the following quarters.

[1] *See "Definition of Non-IFRS Measures".*

ADJUSTED EBITDA[1] FROM CONTINUING OPERATIONS FOR THE PREVIOUS EIGHT QUARTERS

The following table provides quarterly historical financial data for the Company for each of the eight most recently completed quarters. This information should be read in conjunction with the applicable interim unaudited and annual audited consolidated financial statements and related notes thereto, prepared in accordance with IFRS.

(unaudited) (in thousands of Canadian except for per share amounts)	MARCH 31, 2017	DECEMBER 2016	SEPTEMBER 2016	JUNE 30, 2016	MARCH 31, 2016	DECEMBER 2015	SEPTEMBER 2015	JUNE 30, 2015
Revenue	91,366	86,841	88,211	90,443	88,645	84,913	83,819	80,879
Net Income (Loss)	3,918	7,594	(4,728)	4,465	(3,837)	528	4,815	1,594
Net Income (Loss) from continuing operations	3,918	7,594	(4,728)	4,465	(3,837)	990	6,226	1,594
Add:								
Interest expense, net	2,681	3,064	14,384	4,054	4,051	5,651	5,286	5,741
Current and deferred tax expense (recovery)	1,750	(1,580)	(873)	234	(274)	1,762	695	966
Amortization and Depreciation	1,284	1,461	1,345	1,242	1,277	1,399	1,247	1,168
	5,715	2,945	14,856	5,530	5,054	8,812	7,228	7,875
EBITDA	**9,633**	**10,539**	**10,128**	**9,995**	**1,217**	**9,802**	**13,454**	**9,469**
EBITDA as a percentage of revenue	**10.5%**	**12.1%**	**11.5%**	**11.1%**	**1.4%**	**11.5%**	**16.1%**	**11.7%**
Items excluded in calculation of Adjusted EBITDA[1]								
Foreign exchange (gain)/loss	(96)	(1,215)	(392)	1,723	7,247	(1,812)	(3,908)	303
Increase / (Decrease) in fair value of other financial liabilities	268	(1,819)	-	-	-	-	-	-
Change in fair value of DSP	298	(85)	365	349	620	63	(82)	231
Stock based compensation expenses	65	133	132	109	79	-	-	-
Deferred financing charges	255	261	262	259	259	298	2	87
Onerous lease provision	(263)	(334)	(275)	(119)	(223)	(222)	(236)	(196)
Share of loss of equity accounted investee, net of tax	-	-	-	-	32	150	226	212
	527	(3,059)	92	2,321	8,014	(1,523)	(3,998)	637
Adjusted EBITDA[1]	**10,160**	**7,480**	**10,220**	**12,316**	**9,231**	**8,279**	**9,456**	**10,106**
Adjusted EBITDA[1] as a percentage of revenue	**11.1%**	**8.6%**	**11.6%**	**13.6%**	**10.4%**	**9.7%**	**11.3%**	**12.5%**
Earnings per share attributed to common shareholders	0.10	0.24	(0.15)	0.14	(0.12)	0.02	0.21	0.07
Earnings per share attributed to common shareholders from continuing operations	**0.10**	**0.24**	**(0.15)**	**0.14**	**(0.12)**	**0.04**	**0.27**	**0.07**
Weighted average share outstanding	31,188,486	26,020,418	24,966,744	24,966,744	24,966,744	17,985,213	17,808,484	17,808,484

[1] *See "Definition of Non-IFRS Measures".*

IMPACT OF TRENDS ON QUARTERLY RESULTS

i) REVENUE

Consolidated quarterly revenue is impacted by the available chargeable hours which are typically lowest in the third quarter following the summer as a result of staff taking vacations during the summer. Revenue was positively impacted in the third quarter of 2015 through the third quarter of 2016 as a result of continuing work on significant transit projects.

In addition, revenue is impacted by foreign exchange rates.

ii) NET INCOME (LOSS) FROM CONTINUING OPERATIONS

Net income (loss) from continuing operations was negatively impacted in the first and second quarters of 2016 as a result of a foreign exchange loss of $7.2 million and $1.7 million, respectively. Net income from continuing operations was positively impacted in the third and fourth quarters of 2015 and again in the fourth quarter of 2016 as a result of foreign exchange gains of $3.9 million, $1.8 million and $1.2 million, respectively.

Net income (loss) from continuing operations was positively impacted in the fourth quarter of 2016 as a result from a gain on the fair value of other financial liabilities of $1.8 million.

LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL

The following table represents the working capital information:

(unaudited) *(in thousands of Canadian dollars)*	**MARCH 31, 2017**	**DECEMBER 31, 2016**	**CHANGE**
Current assets	**$ 213,627**	$ 217,002	$ (3,375)
Current liabilities	**(100,054)**	(108,942)	8,888
WORKING CAPITAL	**113,573**	108,060	5,513

Current assets decreased by $3.4 million as at March 31, 2017 when compared with December 31, 2016. This was due to a $3.4 million decrease in accounts receivable, a $2.5 million decrease in work in process ("WIP"), offset by a $0.6 million increase in cash, a nominal increase in income taxes recoverable and a $1.9 million increase in prepaid expenses and other current assets. Although there has been a continued increase in revenue, on a combined basis accounts receivable and WIP has decreased by $5.9 million as the Company continues to improve on its billings and collections cycle. The increase in prepaid expenses and other current assets is primarily due to prepayment for memberships.

There was an increase in current assets due to foreign exchange as at March 31, 2017 of $0.8 million.

Current liabilities decreased by $8.9 million as at March 31, 2017 when compared with December 31, 2016. This was primarily due to a decrease of $5.9 million in deferred revenue, and a decrease of $3.3 million in accounts payable and accrued liabilities, offset by a $0.3 million increase in income taxes payable and a

nominal increase in onerous lease provisions. Deferred revenue decreased as a result of the Company recognizing revenue on projects upon completion of significant milestones during the quarter.

There was an increase in current liabilities due to foreign exchange as at March 31, 2016 of $0.5 million.

WORKING CAPITAL MEASURED IN NUMBER OF DAYS OF GROSS BILLINGS[1]

Included in working capital of the Company are amounts reflecting project costs and sub-consultant expenses. The Company only reports its net fee volume as revenue, which would not include the billings for the recovery of these incurred costs. Therefore, to measure number of days outstanding of working capital, the gross billings, which include the billings for recovery of project expenses, would result in a more consistent calculation.

The table below calculates working days on a trailing twelve month basis, measured as days outstanding on gross billings, which is estimated to be approximately 30% greater than net fee volume.

WORKING DAYS OF GROSS BILLINGS OUTSTANDING[1]	***MARCH 31, 2017*** *(unaudited)*	***DECEMBER 31, 2016*** *(unaudited)*	***SEPTEMBER 30, 2016*** *(unaudited)*	***JUNE 30, 2016*** *(unaudited)*	***MARCH 31, 2016*** *(unaudited)*
Accounts receivable	*58*	*60*	*57*	*55*	*58*
WIP	*46*	*49*	*50*	*49*	*48*
Deferred revenue	*(24)*	*(29)*	*(25)*	*(21)*	*(24)*
	80	*80*	*82*	*83*	*82*

The days sales outstanding as at March 31, 2017 has decreased by 2 days compared to March 31, 2016. The Company continues to carry out regular comprehensive reviews of its WIP and accounts receivable and has achieved significant improvements in the results of the billings and collections process. Improving the days outstanding in WIP and accounts receivable is a significant area of focus for the Company. There are ongoing programs and initiatives to accelerate billings and to reduce days outstanding.

COMPONENTS OF WORKING CAPITAL

(in millions of Canadian dollars)	***MARCH 31, 2017*** *(unaudited)*	***DECEMBER 31, 2016***	***SEPTEMBER 30, 2016*** *(unaudited)*	***JUNE 30, 2016*** *(unaudited)*	***MARCH 31, 2016*** *(unaudited)*
Accounts receivable	*105.2*	*108.6*	*106.0*	*102.5*	*104.2*
WIP	*84.6*	*87.0*	*93.5*	*90.4*	*86.5*
Deferred revenue	*(44.6)*	*(50.5)*	*(46.3)*	*(39.3)*	*(42.1)*
	145.2	*145.1*	*153.2*	*153.6*	*148.6*

[1] *See "Definition of Non-IFRS Measures".*

i) Accounts Receivable

The table below demonstrates the aging of receivables:

Accounts receivable aging (net of allowance)	*MARCH 31, 2017*	*%*	*DECEMBER 31, 2016*	*%*	*SEPTEMBER 30, 2016*	*%*	*JUNE 30, 2016*	*%*	*MARCH 31, 2016*	*%*
	(unaudited)				*(unaudited)*		*(unaudited)*		*(unaudited)*	
(in thousands of Canadian dollars)										
Current	47,630	45	46,057	42	43,196	41	38,580	38	40,145	38
30 to 90 days	25,434	24	29,315	27	32,340	30	34,350	33	30,847	30
Over 90 days	32,132	31	33,221	31	30,470	29	29,524	29	33,228	32
TOTAL	105,196	100	108,593	100	106,006	100	102,454	100	104,220	100

Accounts receivable has decreased by $3.4 million since December 31, 2016 and increased by $1.0 million since March 31, 2016. There was an increase in accounts receivable due to foreign exchange as at March 31, 2017 of $0.3 million compared to a decrease due to foreign exchange of $3.5 million as at December 31, 2016. As a result of continued progress on implementing the Enterprise Resource Planning (“ERP”) system, the Company has improved operational efficiencies as it experienced an increase in billings and collections, and a decrease in WIP and deferred revenue with a corresponding increase in revenue. The Company focused on ensuring that the overall days sales outstanding during the three month period maintained stability to minimize the risk to the working capital of the firm. It is a major initiative of senior management to improve the timeliness of billings so that outstanding invoices can be collected sooner.

ii) Work In Process

WIP has decreased by $2.4 million since December 31, 2016 and decreased by $1.9 million since March 31, 2016. There was an increase in WIP due to foreign exchange as at March 31, 2017 of $0.4 million compared to a decrease due to foreign exchange of $2.7 million as at December 31, 2016. As a result of continued progress on implementing the ERP system, the Company has improved operational efficiencies as it experienced an increase in billings and collections, and a decrease in WIP and deferred revenue with a corresponding increase in revenue. The Company focused on ensuring that the overall days sales outstanding during the three month period maintained stability to minimize the risk to the working capital of the firm. The Company monitors WIP to ensure that any accounts where billing may be an issue are being dealt with in a timely manner.

iii) Deferred Revenue

Deferred revenue has decreased by $5.9 million since December 31, 2016 and increased by $2.5 million since March 31, 2016. There was an increase in deferred revenue due to foreign exchange as at March 31, 2017 of $0.2 million compared to a decrease due to foreign exchange of $0.7 million as at December 31, 2016. This decrease is a result of the Company recognizing revenue on projects upon completion of significant milestones during the quarter. The balance is monitored on a regular basis to ensure that amounts are recognized in fee revenue appropriately.

CASH FLOWS

Cash flows from operating, financing, and investing activities, as reflected in the interim condensed consolidated statement of cash flows, are summarized in the following table:

(in thousands of Canadian dollars) (unaudited)	THREE MONTHS ENDED MARCH 31, 2017	2016	CHANGE
Cash flows provided by operating activities	***$ 2,198***	*$ 5,807*	*$ (3,609)*
Cash flows (used in) provided by financing activities	***1,047***	*(4,411)*	*5,458*
Cash flows used in investing activities	***(2,904)***	*(5,021)*	*2,117*

OPERATING ACTIVITIES

Cash flows from operating activities for the three months ended March 31, 2017 were $2.2 million, a decrease of $3.6 million compared to cash flows provided by operating activities of $5.8 million for the same period last year. The decrease in operating cash flows is mainly attributable to a decrease in foreign exchange gain of $7.3 million, a decrease in change in non-cash operating working capital of $6.5 million, offset by an increase in net income of $7.7 million.

FINANCING ACTIVITIES

Cash flows provided by financing activities for the three months ended March 31, 2017 were $1.1 million compared with cash flows used in financing activities of $4.4 million for the same period last year. During the three months ended March 31, 2017, the Company repaid $4.0 million less towards its credit facility compared to the same period in 2016.

INVESTING ACTIVITIES

Cash flows used in investing activities for the three months ended March 31, 2017 were $2.9 million compared to $5.0 million for the same period last year. During the three months ended March 31, 2017, $0.4 million was used for capital expenditures related to property and equipment, $0.3 million was used for expenditures related to capitalized costs incurred in the continued progress on the Company's new ERP system and $2.2 million was used to fund the sinking fund contribution required by the credit facility and presented as restricted cash. During the three months ended March 31, 2016, $1.0 million was used for capitalized expenditures related to property and equipment and $0.8 million was used for expenditures related to capitalized costs incurred in the continued progress on the Company's new ERP system and $3.3 million was used to fund the sinking fund contribution required by the credit facility and presented as restricted cash.

CREDIT FACILITY

On October 5, 2015, IBI Group secured an agreement to refinance its credit facilities under the existing banking agreement with its senior lenders. The arrangement consists of a $90.0 million revolver facility, of which a maximum of $10.0 million is available under a swing line facility and will mature on June 30, 2018. The commitment under the swing line facility will reduce availability under the revolver facility on a dollar-

for-dollar basis. As at March 31, 2017, the interest rate on Canadian dollar borrowings was 4.95% (March 31, 2016 – 4.95%) and 6.25% on U.S dollar borrowings (March 31, 2016 – 6.25%).

The additional deposits in the Sinking Fund are pledged to repay the credit facilities or convertible debentures, and as security in the event of default. IBI Group made the required deposit to the Sinking Fund of $2.2 million for the three months ended March 31, 2017, which has been recognized in restricted cash in the interim statement of financial position. As at March 31, 2017, the Company's Sinking Fund balance is $3.6 million. IBI Group will earn interest on the deposits in the Sinking Fund based on the Canadian dollar prime rate less an applicable margin. Deposits to the Sinking Fund have been recognized inclusive of interest earned as an investing activity in the interim condensed consolidated statement of cash flows.

As at March 31, 2017, IBI Group has borrowings of $75.7 million (December 31, 2016 - $74.7 million) under the credit facilities, which have been recognized net of deferred financing costs of $1.3 million (December 31, 2016 - $1.5 million). As at March 31, 2017, IBI Group has letters of credit outstanding of $8.5 million (December 31, 2016 - $8.0 million), of which $6.9 million (December 31, 2016 - $5.8 million) were issued under a $7.5 million facility which matures on June 30, 2017 and supports letters of credit backstopped by Export Development Canada. Advances under the revolver facility bear interest at a rate based on the Canadian dollar prime rate or U.S dollar base rate, LIBOR or Banker's Acceptance rates plus, in each case, an applicable margin. At March 31, 2017, $72.2 million was outstanding under Bankers' Acceptance with the remainder borrowed as prime rate debt (December 31, 2016 - $32.1 million).

This facility is subject to compliance with certain financial, reporting and other covenants. The financial covenants under the agreement include a leverage ratio, interest coverage ratio, minimum Adjusted EBITDA[1] threshold, and restrictions on distributions, if certain conditions are not met. IBI Group was in compliance with its credit facility covenants as at March 31, 2017.

Continued compliance with the covenants under the amended credit facilities is dependent on IBI Group achieving revenue forecasts, profitability, reducing costs and the continued improvement of working capital. Market conditions are difficult to predict and there is no assurance that IBI Group will achieve its forecasts. In the event of non-compliance, IBI Group's lenders have the right to demand repayment of the amounts outstanding under the lending agreements or pursue other remedies if IBI Group cannot reach an agreement with its lenders to amend or waive the financial covenants. As in the past, IBI Group will carefully monitor its compliance with the covenants and will seek waivers, subject to lender approval, as may become necessary from time to time.

SECURITY INTEREST OF SENIOR LENDERS

Guarantees from certain subsidiaries of IBI Group as well as IBI Group Architects (Ontario), and a first ranking security interest in all of the assets of IBI Group and the guarantors, subject to certain permitted encumbrances, have been pledged as security for the indebtedness and obligations of IBI Group under the credit facilities. The indebtedness secured by these security interests will rank senior to all other security over the assets of IBI Group and the guarantors, subject to certain permitted encumbrances.

[1] *See "Definition of Non-IFRS Measures".*

CONVERTIBLE DEBENTURES

The Company has two series of convertible debentures outstanding as at March 31, 2017. The carrying value of the convertible debentures as at March 31, 2017 is as follows:

	LIABILITY COMPONENT	EQUITY COMPONENT	OTHER FINANCIAL LIABILITY COMPONENT	TOTAL
7.0% Debentures (matures on June 30, 2019)				
Balance at January 1, 2017	10,858	561	-	11,419
Accretion of 7.0% Debentures	301	-	-	301
Balance at March 31, 2017	11,159	561	-	11,720
5.5% Debentures (matures on December 31, 2021)				
Balance at January 1, 2017	33,018	-	9,089	42,107
Accretion of 5.5% Debentures	466	-	-	466
Increase in fair value of other financial liabilities	-	-	268	268
Balance at March 31, 2017	33,484	-	9,357	42,841
BALANCE, MARCH 31, 2017	$ 44,643	$ 561	$ 9,357	$ 54,561

FINANCIAL RISK MANAGEMENT

The Company has exposure to market, credit and liquidity risk. The Company's primary risk management objective is to protect the Company's audited consolidated statement of financial position, comprehensive income (loss) and cash flow in support of sustainable growth and earnings. The Company's financial risk management activities are governed by financial policies that cover risk identification, tolerance, measurement, authorization levels, and reporting.

MARKET RISK

INTEREST RATE RISK

The Company's credit facilities have floating-rate debt, which subjects it to interest rate cash flow risk. Advances under these credit facilities bear interest at a rate based on the Canadian dollar or U.S dollar prime rate, LIBOR or banker's acceptance rates, plus, in each case, an applicable margin.

If the interest rate on the Company's variable rate loan balance as at March 31, 2017, had been 50 basis points higher or lower, with all other variables held constant, net loss for the three months ended March 31, 2017 would have increased or decreased by approximately $0.3 million.

CURRENCY RISK

The Company's foreign exchange risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Company's policy has been to economically hedge foreign exchange exposures rather than purchasing currency swaps and forward foreign exchange contracts.

Foreign exchange gains or losses in the Company's net income arise on the translation of foreign-denominated intercompany loans held in the Company's Canadian operations and financial assets and liabilities held in the Company's foreign operations. The Company minimizes its exposure to foreign exchange fluctuations on these items by matching U.S dollar liabilities when possible.

If the exchange rates had been 100 basis points higher or lower during the three months ended and as at March 31, 2017, with all other variables held constant, total comprehensive loss would have increased or decreased by $0.1 million for the three months ended March 31, 2017. If the exchange rates had been 100 basis points higher or lower during the three months ended March 31, 2017, with all other variables held constant, net loss would have increased or decreased by a nominal amount for the three months ended March 31, 2017.

CREDIT RISK

Financial instruments that subject the Company to credit risk consist primarily of accounts receivable. The Company maintains an allowance for estimated credit losses on accounts receivable. The estimate is based on the best assessment of the ultimate collection of the related accounts receivable balance based, in part, on the age of the outstanding accounts receivable and on its historical impairment loss experience.

A significant portion of the accounts receivable are due from government and public institutions. Receivables that are neither past due nor impaired are considered by management to have no significant collection risk. The liquidity of customers and their ability to pay receivables are considered by management to have no significant collection risk. The liquidity of customers and their ability to pay receivables are considered in assessing the impairment of such assets. No collateral is held in respect of impaired assets or assets that are past due but not impaired.

LIQUIDITY RISK

The Company strives to maintain sufficient financial liquidity to withstand sudden adverse changes in economic circumstances. Management forecasts cash flows for its current and subsequent fiscal years to identify financing requirements. These requirements are then addressed through a combination of committed credit facilities and access to capital markets.

On October 5, 2015, IBI Group signed an amendment to refinance its credit facilities with its senior lenders.

See liquidity and capital resources section of this MD&A for more details.

As at March 31, 2017, a foreign subsidiary of the Company had issued letters of credit in the amount of U.S $2.3 million. The Company has pledged U.S $2.3 million (December 31, 2016 – U.S $2.3 million) of cash as security for these letters of credit issued by a foreign financial institution on behalf of the foreign subsidiary. As at March 31, 2017, the Company has letters of credit outstanding to foreign institutions of $1.6 million (December 31, 2016 – $2.2 million).

CONTRACTUAL OBLIGATIONS

As part of continuing operations, the Company enters into contractual obligations from time to time. The table below summarizes the material changes to the contractual obligations due on financial liabilities and commitments as of March 31, 2017:

Contractual Obligations	*Payment Due by Period*				
(in millions of Canadian dollars)	***TOTAL***	***LESS THAN 1 YEAR***	***1-3 YEARS***	***4-5 YEARS***	***AFTER 5 YEARS***
Accounts payable and accrued liabilities	$ 52.2	$ 52.2	$ -	$ -	$ -
Credit facilities[1]	74.4	-	75.7	-	-
Interest on credit facilities[1,2]	-	3.9	2.0	-	-
Convertible debentures	44.6	-	14.8	46.0	-
Interest on convertible debentures[3]	-	3.6	6.4	4.4	-
Finance lease obligation	0.1	-	0.1	-	-
Operating leases	139.1	25.2	36.0	25.0	53.0
TOTAL CONTRACTUAL OBLIGATIONS	$ 310.5	$ 84.9	$ 134.9	$ 75.4	$ 53.0

[1] See liquidity risk section of this MD&A.

[2] Advances under the revolver facility bear interest at a rate based on the Canadian dollar prime rate or U.S dollar base rate, LIBOR or Banker's Acceptance rates plus, in each case, an applicable margin.

[3] Includes the amount of cash interest due on the convertible debentures and does not include non-cash accretion.

CAPITAL MANAGEMENT

The Company's objective in managing capital is to maintain a capital base that will maintain investor, creditor, and market confidence and to sustain future growth within the business. The Company defines its capital as the aggregate of credit facilities, convertible debentures, and equity.

The Company has reviewed its anticipated revenues and costs over future years and has determined that the business has the ability to generate sufficient cash resources to fund its activities. A downturn in the economy or other unfavourable events may cause this situation to change. In conjunction with this analysis, the Company's financing strategy is to access capital markets to raise debt and equity financing and utilize the banking market to provide committed term and operating credit facilities to support its short-term and long-term cash flow needs.

FUTURE CASH GENERATION

Specific items of consideration in future cash generation are as follows:

1. **ABILITY TO GENERATE SUFFICIENT CASH**

   The Company's existing business plan indicates that future earnings and cash flow generated will be sufficient to pay down and re-finance existing amounts outstanding within current thresholds acceptable to lenders. Reference should be made to commentary on forward looking statements in this document.

2. **CIRCUMSTANCES THAT COULD AFFECT FUNDING**

   In the event that capital markets deteriorate or the Company does not execute on its business plan this will affect ability to attract and / or generate sufficient funds.

3. **WORKING CAPITAL REQUIREMENTS**

   In the short term the business has sufficient financing to fund its working capital requirements. Management is implementing procedures and systems that are expected to assist management with their objective to reduce the level of working capital on the balance sheet. If achieved, this will reduce existing borrowing amounts.

4. **SITUATIONS INVOLVING EXTENDED PAYMENT**

   There are situations where arrangements with clients result in extended payment arrangements on projects. Management is implementing procedures and systems to improve cash flow forecasting before contracts are signed with clients to continue to ensure that sufficient cash flow is generated from each project.

5. **CIRCUMSTANCES THAT IMPACT ESSENTIAL TRANSACTIONS**

   Certain larger projects in the architecture and engineering marketplace require capital investment to participate in the business opportunity. While the Company will continue to participate in these activities it will continue to do so only where probability of sufficient cash flow generation is determined at the beginning of the project.

6. **SOURCES OF FUNDS TO MEET CAPITAL EXPENDITURE REQUIREMENTS**

   With the exception of 2014, where new leases were signed on two major offices, the Company does not have significant capital needs in relation to its cash generating ability. In the event that capital markets deteriorate or the Company does not execute on its business plan this situation may change. Reference should be made to commentary on forward looking statements in this document.

7. **CREDIT FACILITY**

   On October 5, 2015, IBI Group secured an agreement to refinance its Credit Facilities under the existing banking arrangement with its senior lenders. See credit facility section of this MD&A.

8. **CONVERTIBLE DEBENTURES**

   As outlined above, the Company has two series of debentures that provide a basis of capital which requires repayment or refinancing over the period from June 2018 to December 2021.

SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares. As at April 30, 2017, the Company's common share capital consisted of 31,190,153 shares issued and outstanding.

Each share entitles the holder to one vote at all meetings of shareholders.

The 6,282,222 Class B partnership units of IBI Group are indirectly exchangeable for common shares of the Company on the basis of one share of the Company for each Class B partnership unit. If all such Class B partnership units of IBI Group had been exchanged for shares on March 31, 2017, the units issued on such exchange would have represented a 16.8% interest in the Company.

Class B partnership units do not entitle the holder to voting rights at the meetings of shareholders. The Class B partnership units have been recorded as a non-controlling interest in the interim financial statements as at March 31, 2017.

SHARE ISSUANCES

During the three months ended March 31, 2017, the Company issued 3,334 common shares as a result of exercises of stock options granted in January 2016.

ACCUMULATED OTHER COMPREHENSIVE LOSS

During the three months ended March 31, 2017, the Company incurred a nominal gain related to the translation of financial statements of foreign operations, of which 79.9% is attributable to common shareholders.

TRANSACTIONS WITH RELATED PARTIES

Pursuant to the Administration Agreement, IBI Group and certain of its subsidiaries are paying to the Management Partnership an amount representing the base compensation for the services of the partners of the Management Partnership. The amount paid for such services during the three months ended March 31, 2017 was $5.5 million (three months ended March 31, 2016 - $6.2 million). As at March 31, 2017, the Company advanced $1.3 million to the Management Partnership for payment of future compensation for the services of the partners (March 31, 2016 – $nil). As at March 31, 2017, there were 87 partners (December 31, 2016 – 87 partners)

IBI Group from time to time makes a monthly distribution to each Class B partnership unit holder equal to the dividend per share (on a pre-tax basis) declared to each shareholder. All of the Class B partnership units are held by the Management Partnership. As at March 31, 2017 and December 31, 2016, the amount of distributions payable to the Management Partnership were $nil.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the interim financial statements in accordance with IFRS requires management to exercise judgment and make estimates and assumptions that affect the application of accounting policies on reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the interim statement of financial position, and the reported amounts of revenue and expenses for the period covered by the interim condensed consolidated statement of income (loss) and comprehensive income (loss). Actual amounts may differ from these estimates.

ACCOUNTING DEVELOPMENTS

Amendments to IAS 7 *Statement of Cash Flows*

In January 2016, the IASB issued Disclosure Initiative (*Amendments to IAS 7*) ("IAS 7"). The amendments apply prospectively for annual periods beginning on or after January 1, 2017.

The Company adopted the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. The adoption of these amendments did not have a material impact on the interim financial statements.

Amendments to IAS 12 *Income Taxes*

In January 2016, the IASB issued Amendments to IAS 12 *Income Taxes* ("IAS 12") to provide clarification on the requirements relating to the recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value.

The Company adopted the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. The adoption of these amendments did not have a material impact on the Company's financial statements as the Company does not have any debt instruments measured at fair value through profit and loss.

a) FUTURE ACCOUNTING POLICY CHANGES

IFRS 15 *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"). The new standard is effective for annual periods beginning on or after January 1, 2018 and is available for early adoption.

IFRS 15 will replace IAS 11, IAS 18, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*.

The new standard contains a single model that applies to contracts with customers and two approaches for recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of individual transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

In April 2016, the IASB issued *Clarifications to IFRS 15*, which is effective at the same time as IFRS 15.

The clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the standard to licenses of intellectual property.

The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning January 1, 2018. The Company has set out a plan to review contracts in multiple operating segments that may be impacted by the adoption of this standard. The Company is in the initial phase of the project plan as it has identified a sample of significant contracts within each operating segment for initial review in accordance with IFRS 15. The extent of the impact of adoption of the standard has not yet been determined, but management expects the contracts that are accounted for as multiple-element

arrangements will have the most complexity. The Company has not yet determined which transition method it will apply or whether it will use the optional exemptions or practical expedients available under the standard.

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* ("IFRS 9"), with a mandatory effective date for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

The new standard brings together the classification and measurements, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. In addition to the new requirements for classification and measurement of financial assets, a new general hedge accounting model and other amendments issued in previous versions of IFRS 9, the standard also introduces new impairment requirements that are based on a forward-looking expected credit loss model.

The Company intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of the adoption of IFRS 9 has not yet been determined.

IFRS 16 *Leases*

In January 2016, the IASB issued IFRS 16 *Leases* ("IFRS 16"). The new standard is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 has been adopted.

IFRS 16 will replace IAS 17 *Leases.* The new standard requires all leases to be reported on the balance sheet unless certain criteria for exclusion are met. The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

Amendments to IFRS 2 *Classification and Measurement of Share-Based Payment Transactions*

In June 2016, the IASB issued Amendments to IFRS 2 *Share-Based Payments* ("IFRS 2"), clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively or retrospectively, with early application permitted if information is available without the use of hindsight.

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Company intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of the adoption of the standard has not yet been determined.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

In December 2016, the IASB issued IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration. The Interpretation clarifies which date should be used for translation when a foreign currency

transaction involves an advance payment or receipt. The Interpretation is applicable for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the interpretation has not yet been determined.

Annual Improvements to IFRS (2014 - 2016) Cycles

In December 2016, the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. The IASB uses the annual improvements process to make non-urgent but necessary amendments to IFRS.

The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the amendments has not yet been determined.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

As required by National Instrument 52-109 of the Canadian Securities Administrators, the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") will be making certifications related to the information contained in the Company's quarterly filings. As part of certification, the CEO and CFO must certify as to the design of disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR").

DC&P are designed to provide reasonable assurance that information required to be disclosed by the Company is processed and reported on a timely basis to the Company's management, including the CEO and CFO, as appropriate, to allow timely decisions with respect to required disclosure. The Company has adopted or formalized such controls as it believes are necessary and consistent with its business and internal management and supervisory practices. ICFR is a process designed to provide reasonable assurances regarding the reliability of the Company's financial reporting and of the preparation of financial statements for external purposes in compliance with generally accepted accounting principles. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of the financial reporting and of the preparation of the financial statements.

The Company's CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's ICFR and disclosure controls and DC&P as at March 31, 2017, and have concluded that such controls and procedures are effective. There have been no changes in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2017, and ended on March 31, 2017, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

DEFINITION OF NON-IFRS MEASURES

Non-IFRS measures do not have a standardized meaning within IFRS and are therefore unlikely to be comparable to additional measures presented by other issuers. In commentary and tables within this document IFRS measures are presented along with non-IFRS measures. Where non-IFRS measures are used, there is a reconciliation to IFRS amounts provided. Any changes in the definition of non-IFRS are disclosed and quantified.

1. ADJUSTED EBITDA

The Company believes that Adjusted EBITDA, defined below, is an important measure for investors to understand the Company's ability to generate cash to honour its obligations. Management of the Company believes that in addition to net income (loss), Adjusted EBITDA is a useful supplemental measure as it provides readers with an indication of cash available for debt service, capital expenditures, income taxes and dividends. Readers should be cautioned, however, that EBITDA should not be construed as an alternative to net income (loss) determined in accordance with IFRS as an indicator of the Company's performance or to cash flows from operating activities as a measure of liquidity and cash flows.

The Company defines Adjusted EBITDA in accordance with what is required in its lending agreements with its senior lenders.

References in this MD&A to Adjusted EBITDA are based on EBITDA adjusted for the following items:

- Gain/loss arising from extraordinary, unusual or non-recurring items, such as debt extinguishments
- Acquisition costs and deferred consideration revenue (i.e. restructuring costs, integration costs, compensation expenses, transaction fees and expenses)
- Non-cash expenses (i.e. grant of stock options, restricted share units or Capital stock to employees as compensation)
- Gain/Loss realized upon the disposal of capital property
- Gain/loss on foreign exchange translation
- Gain/loss on purchase or redemption of securities issued by that person or any subsidiary
- Gain/loss on fair valuation of financial instruments
- Amounts attributable to minority equity investments
- Interest income

Adjusted EBITDA is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS, and the Company's method of calculating Adjusted EBITDA may differ from the methods used by other similar entities. Accordingly, Adjusted EBITDA may not be comparable to similar measures used by such entities. Reconciliations of net income (loss) to adjusted EBITDA have been provided under the heading "Results of Operations".

2. WORKING CAPITAL MEASURED IN NUMBER OF DAYS OF GROSS BILLINGS

Included in working capital of the Company are amounts reflecting project costs and sub-consultant expenses. The Company only reports its net fee volume as revenue, which would not include the billings for the recovery of these incurred costs. Therefore, to measure number of days outstanding of working capital, the gross billings, which include the billings for recovery of project expenses, would result in a more consistent calculation.

The information included is calculated based on working days on a twelve month trailing basis, measured as days outstanding on gross billings, which is estimated to be approximately 30% greater than net fee volume.

The Company believes that informing investors of its progress in managing its accounts receivable, work-in-process and deferred revenue is important for investors to anticipate cash flows from the business and to compare the Company with other businesses that operate in the same industry.