IBI Group 2017 Third-Quarter Management Discussion and Analysis

THREE MONTHS ENDED
SEPTEMBER 30, 2017

IBI GROUP INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED *SEPTEMBER 30, 2017*

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 and nine months ended September 30, 2017 should be read in conjunction with the accompanying unaudited interim condensed consolidated financial statements ("interim financial statements") for the three and nine months ended September 30, 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 30 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 Common 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 November 8, 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 $360 million in total revenue for the year ended December 31, 2017. The Company has approximately 10 months of backlog (calculated on the basis of the current pace of work that the Company has achieved during the 12 months ended September 30, 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 SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2017 *(unaudited)*	**2016** *(unaudited)*	**2017** *(unaudited)*	**2016** *(unaudited)*
Number of working days	**64**	63	**190**	189
Revenue	**$ 89,828**	$ 88,211	**$ 274,522**	$ 267,299
Net income (loss)	**$ 5,495**	$ (4,728)	**$ 14,263**	$ (4,101)
Cash flows provided by operating activities	**$ 10,829**	$ 13,895	**$ 11,835**	$ 13,601
Basic and diluted earnings (loss) per share	**$ 0.15**	$ (0.15)	**$ 0.38**	$ (0.13)
Adjusted EBITDA[1]	**$ 11,061**	$ 10,220	**$ 32,972**	$ 31,767
Adjusted EBITDA[1] as a percentage of revenue	**12.3%**	11.6%	**12.0%**	11.9%

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

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

OVERVIEW

KEY EVENTS

- Revenue increased to $89.8 million for the three months ended September 30, 2017 compared to $88.2 million for the same period in 2016, which reflects an increase of $1.6 million or 1.8%. Revenue increased to $274.5 million for the nine months ended September 30, 2017 compared to $267.3 million for the same period in 2016, which reflects an increase of $7.2 million or 2.7%.
- Adjusted EBITDA[1] increased to $11.1 million (or 12.3% of revenue) for the three months ended September 30, 2017 compared to $10.2 million (or 11.6% of revenue) for the same period in 2016, which reflects an increase of $0.9 million or 8.8%. Adjusted EBITDA increased to $33.0 million (or 12.0% of revenue) for the nine months ended September 30, 2017 compared to $31.8 million (or 11.9% of revenue) for the same period in 2016, which reflects an increase of $1.2 million or 3.8%. The increase in Adjusted EBITDA is a result of stronger operating performance.
- Days sales outstanding decreased to 78 days as at September 30, 2017 compared to 80 days as at December 31, 2016.
- Interest expense decreased to $2.5 million for the three months ended September 30, 2017 compared with $14.4 million for the same period in 2016, and decreased to $7.7 million for the nine months ended September 30, 2017 compared with $22.5 million for the same period in 2016.

STATEMENT OF COMPREHENSIVE INCOME (LOSS)

Revenue for the three months ended September 30, 2017 was $89.8 million, compared with $88.2 million in the same period in 2016, an increase of 1.8%. Revenue for the nine months ended September 30, 2017 was $274.5 million, compared with $267.3 million for the same period in 2016, an increase of 2.7%.The increase in revenue is due to growth in the Canadian geographic segment, including continuing work on significant transit projects.

For the three months ended September 30, 2017, the Company had net income of $5.5 million compared with net loss of $4.7 million for the same period in 2016. Net income for the three months ended September 30, 2017 is inclusive of foreign exchange gains of $2.3 million, compared with foreign exchange gains of $0.4 million for the same period in 2016. The foreign exchange gain during the three months ended September 30, 2017 reflects the positive trend in the Canadian dollar currency, as the Canadian dollar strengthened against the U.S. dollar and British pound compared with the same period in 2016. During the third quarter of 2017, management completed an initiative to convert foreign denominated inter-company receivables to investments in equity of its foreign subsidiaries. As a result of this initiative, the impacts of the foreign exchange gains and losses on the investment balances will be recorded in other comprehensive income. Subject to cash availability in the foreign jurisdictions, the Company intends to settle inter-company receivables balances more frequently, which is expected to reduce the amount of foreign exchange gains and losses recorded in net income.

For the nine months ended September 30, 2017, the Company had net income of $14.3 million compared with net loss of $4.1 million for the same period in 2016. Net income for the nine months ended September 30, 2017 is inclusive of foreign exchange gains of $1.2 million, compared with foreign exchange losses of $8.6 million for the same period in 2016. The foreign exchange gain for the nine months ended

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

September 30, 2017 reflects the positive trend in the Canadian dollar currency, as the Canadian dollar strengthened against the U.S. dollar and British pound compared to the same period in 2016. During the third quarter of 2017, management completed an initiative to convert foreign denominated inter-company receivables to investments in equity of its foreign subsidiaries. As a result of this initiative, the impacts of the foreign exchange gains and losses on the investment balances will be recorded in other comprehensive income. Subject to cash availability in the foreign jurisdictions, the Company intends to settle inter-company receivables balances more frequently, which is expected to reduce the amount of foreign exchange gains and losses recorded in net income.

Basic and diluted earnings per share were $0.15 per share for the three months ended September 30, 2017, compared to a basic and diluted loss per share of $0.15 per share for the same period in 2016. Basic and diluted earnings per share increased compared to the three months ended September 30, 2016. The number of common shares outstanding increased by the issuance of 6,220,076 common shares as part of the redemption of the 7% Debentures under Options B and C on October 31, 2016. Also, net income increased by $10.2 million, income tax expense increased by $2.9 million, offset by a reduction in interest expense of $11.9 million. The increase in tax expense is a result of reduced availability of tax losses, particularly in Canada. The decrease in interest expense is a result of decreased interest and accretion on debentures after the redemption of the 7% and 6% Convertible Debentures in 2016.

Basic and diluted earnings per share were $0.38 per share for the nine months ended September 30, 2017, compared to a basic and diluted loss per share of $0.13 per share for the same period in 2016. Basic and diluted earnings per share increased when compared to the nine months ended September 30, 2016. The number of common shares outstanding increased by the issuance of 6,220,076 common shares as part of the redemption of the 7% Debentures under Options B and C on October 31, 2016. Also, net income increased by $18.4 million, income tax expense increased by $6.7 million, offset by a reduction in interest expense of $14.8 million. The increase in tax expense is a result of reduced availability of tax losses, particularly in Canada. The decrease in interest expense is a result of decreased interest and accretion on debentures after the redemption of the 7% and 6% Convertible Debentures in 2016.

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.

(thousands of Canadian dollars, except per share amounts) *(unaudited)*		THREE MONTHS ENDED SEPTEMBER 30, 2017	THREE MONTHS ENDED SEPTEMBER 30, 2016	NINE MONTHS ENDED SEPTEMBER 30, 2017	NINE MONTHS ENDED SEPTEMBER 30, 2016
Revenue	$	89,828 $	88,211 $	274,522 $	267,299
Expenses					
Salaries, fees and employee benefits		64,474	62,241	192,012	186,955
Rent		5,478	5,364	17,152	16,793
Other operating expenses		8,646	10,403	29,815	31,279
Foreign exchange loss (gain)		(2,269)	(392)	(1,245)	8,578
Amortization of intangible assets		315	316	898	709
Depreciation of property and equipment		1,079	1,029	3,065	3,155
Increase in fair value of other financial liabilities		1,527	-	1,969	-
Impairment of financial assets		282	15	1,532	1,095
		79,532	78,976	245,198	248,564
OPERATING INCOME	$	10,296 $	9,235 $	29,324 $	18,735
Interest expense, net		2,505	14,384	7,724	22,489
Other finance costs		310	452	1,207	1,228
FINANCE COSTS	$	2,815 $	14,836 $	8,931 $	23,717
Share of loss of equity accounted investee, net of tax		-	-	348	32
NET INCOME (LOSS) BEFORE TAX	$	7,481 $	(5,601)$	20,045 $	(5,014)
Current tax expense		(835)	546	1,004	1,760
Deferred tax expense (recovery)		2,821	(1,419)	4,778	(2,673)
INCOME TAXES	$	1,986 $	(873)$	5,782 $	(913)
NET INCOME (LOSS)	$	5,495 $	(4,728)$	14,263 $	(4,101)
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that are or may be reclassified to profit or loss					
Gain (loss) on translating financial statements of foreign operations, from continuing operations, net of tax		(5,031)	304	(4,569)	1,160
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		(5,031)	304	(4,569)	1,160
TOTAL COMPREHENSIVE INCOME (LOSS)	$	464 $	(4,424)$	9,694 $	(2,941)
NET INCOME (LOSS) ATTRIBUTABLE TO:					
Common shareholders		4,574	(3,777)	11,872	(3,276)
Non-controlling interests		921	(951)	2,391	(825)
NET INCOME (LOSS)	$	5,495 $	(4,728)$	14,263 $	(4,101)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:					
Common shareholders		386	(3,535)	8,069	(2,350)
Non-controlling interests		78	(889)	1,625	(591)
TOTAL COMPREHENSIVE INCOME (LOSS)	$	464 $	(4,424)$	9,694 $	(2,941)
EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS					
Basic and diluted earnings (loss) per share	$	0.15 $	(0.15)$	0.38 $	(0.13)

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 September 30, 2017 increased by $1.6 million or 1.8% compared to the same period in 2016. The increase in revenue is due to growth in the Canada geographic segment, including work on significant transit projects.

Revenue for the nine months ended September 30, 2017 increased by $7.2 million and 2.7% for the same period in 2016. The increase in revenue is due to the growth in the Canada geographic segment, including work on significant transit projects.

The impact of foreign exchange on revenue for the three months ended September 30, 2017 was a decrease in revenue of $0.4 million compared with the same period in 2016, and for the nine months ended September 30, 2017 was a decrease in revenue of $2.0 million compared with the same period in 2016.

The following table provides quarterly historical financial working days for the Company for each of the eight most recently completed quarters:

	SEPTEMBER 30, 2017	JUNE 30, 2017	MARCH 31, 2017	DECEMBER 31, 2016	SEPTEMBER 30, 2016	JUNE 30, 2016	MARCH 31, 2016	DECEMBER 31, 2015
Number of working days	64	63	63	63	63	64	62	63

ii) SALARIES, FEES, AND EMPLOYEE BENEFITS

Salaries, fees, and employee benefits for the three months ended September 30, 2017 was $64.5 million compared with $62.2 million in the same period in 2016. As a percentage of revenues, salaries, fees and employee benefits for the three months ended September 30, 2017 was 71.8% compared with 70.5% for the same period in 2016 which is consistent with the budgeted compensation target of 70% of revenue.

Salaries, fees, and employee benefits for the nine months ended September 30, 2017 was $192.0 million compared with $187.0 million in the same period in 2016. As a percentage of revenues, salaries, fees and employee benefits for the nine months ended September 30, 2017 was 69.9% compared with 70.0% for the same period in 2016 which is consistent with the budgeted compensation target of 70% of revenue.

The impact of foreign exchange on salaries, fees and employee benefits for the three months ended September 30, 2017 was a decrease in expense of $0.3 million compared with the same period in 2016, and for the nine months ended September 30, 2017 was a decrease in expense of $1.6 million compared with the same period in 2016.

iii) RENT

Rent for the three months ended September 30, 2017 was $5.5 million compared with $5.4 million in the same period in 2016. Rent for the nine months ended September 30, 2017 was $17.2 million compared with $16.8 million in the same period in 2016.

iv) OTHER OPERATING EXPENSES

Other operating expenses for the three months ended September 30, 2017 was $8.6 million compared with $10.4 million in the same period in 2016. As a percentage of revenues, operating expenses for the three months ended September 30, 2017 were 9.6% compared with 11.8% for the same period in 2016. Included in other operating expenses for the three months ended September 30, 2017 is an expense of $0.3 related to the change in fair value of the deferred shares compared to an expense of $0.4 million for the same period in 2016, due to market movement in share price.

Other operating expenses for the nine months ended September 30, 2017 was $29.8 million compared with $31.3 million in the same period of 2016. As a percentage of revenues, operating expenses for the nine months ended September 30, 2017 was 10.9% compared with 11.7% for the same period in 2016. Included in other operating expenses for the nine months ended September 30, 2017 is an expense of $0.6 million related to the change in fair value of the deferred shares compared to an expense of $1.3 million for the same period in 2016, due to market movement in share price.

The impact of foreign exchange on other operating expenses for the three months ended September 30, 2017 was a decrease in expense of $0.1 million compared with the same period in 2016, and for the nine months ended September 30, 2017 was a decrease in expense of $0.4 million compared with the same period in 2016.

v) FOREIGN EXCHANGE GAIN & LOSS

Foreign exchange gain for the three months ended September 30, 2017 was $2.3 million compared with $0.4 million in the same period in 2016. Foreign exchange gain for the nine months ended September 30, 2017 was $1.2 million compared with foreign exchange loss of $8.6 million for the same period in 2016. The foreign exchange gain when comparing like periods in 2017 and 2016 reflects the positive trend in the Canadian dollar currency, as the Canadian dollar strengthened 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.

During the third quarter of 2017, management completed an initiative to convert foreign denominated inter-company receivables to investments in equity of its foreign subsidiaries. As a result of this initiative, the impacts of the foreign exchange gains and losses on the investment balances will be recorded in other comprehensive income. Subject to cash availability in the foreign jurisdictions, the Company intends to settle inter-company receivables balances more frequently, which is expected to reduce the amount of foreign exchange gains and losses recorded in net income.

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 September 30, 2017 compared with $0.3 million for the same period in 2016. Amortization of intangible assets for the nine months ended September 30, 2017 was $0.9 million compared with $0.7 million for the same period in 2016.

vii) DEPRECIATION OF PROPERTY AND EQUIPMENT

Depreciation of property and equipment for the three months ended September 30, 2017 was $1.1 million compared with $1.0 million for the same period in 2016. Depreciation of property and equipment for the nine months ended September 30, 2017 was $3.1 million compared with $3.2 million for the same period in 2016.

viii) INCREASE IN FAIR VALUE OF OTHER LIABILITIES

Increase in fair value of other financial liabilities for the three months and nine months ended September 30, 2017 was $1.5 million and $2.0 million compared with $nil for the same period in 2016.

ix) IMPAIRMENT OF FINANCIAL ASSETS

Impairment of financial assets for the three months ended September 30, 2017 was $0.3 million compared with $nil for the same period in 2016. Impairment of financial assets for the nine months ended September 30, 2017 was $1.5 million compared with $1.1 million for the same period in 2016.

x) INTEREST EXPENSE

Interest expense for the three months ended September 30, 2017 was $2.5 million compared with $14.4 million for the same period in 2016. The interest expense decreased by $11.9 million due to accelerated accretion expense of $10.3 million recognized in September 2016 on the redemption of the 7% and 6% Convertible Debentures in 2016. Interest was further decreased as a result of more favourable terms on the amended credit facilities secured on June 30, 2017, see discussion in the liquidity risk section of this MD&A for further details.

Interest expense for the nine months ended September 30, 2017 was $7.7 million compared with $22.5 million for the same period in 2016. The interest expense decreased by $14.8 million primarily due to a decrease in interest on and accretion of the 7% and 6% Convertible Debentures in 2016 of $12.7 million, and a decrease in interest on and accretion of consent fee notes of $0.5 million. Interest was further decreased as a result of more favourable terms on the amended credit facilities secured on June 30, 2017, see discussion in the liquidity risk section of this MD&A for further details.

xi) OTHER FINANCE COSTS

Other finance costs for the three months ended September 30, 2017 was $0.3 million compared to $0.5 million for the same period in 2016, and was $1.2 million for the nine months ended September 30, 2017 and 2016.

xii) INCOME TAXES

Income taxes for the three months ended September 30, 2017 was $2.0 million with an effective tax rate of 26.5% compared to a recovery of $0.9 million with an effective income tax rate of 15.6% for the same period in 2016. The increase in the effective income tax rate was primarily due to non-deductible items and results of operations in various jurisdictions. The increase in the Company's effective tax rate was primarily due to non-deductible items and result of operations in various jurisdictions.

Income taxes for the nine months ended September 30, 2017 was $5.8 million with an effective tax rate of 28.8% compared to a recovery of $0.9 million with an effective rate of 18.21% 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. The increase in the Company's effective tax rate was primarily due to non-deductible items and result of operations in various jurisdictions.

xiii) NET INCOME

Net income for the three months ended September 30, 2017 was $5.5 million compared to net loss of $4.7 million for the same period in 2016. Net income for the nine months ended September 30, 2017was $14.3 million compared to net loss of $4.1 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 September 30, 2017 has increased by $0.9 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), and for the nine months ended September 30, 2017 has increased by $1.2 million compared to the same period in 2016.

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

Following is a summary of finance costs for the three and nine months ended September 30, 2017 and 2016:

(in thousands of Canadian dollars) *(unaudited)*	**THREE MONTHS SEPTEMBER 30,**		**NINE MONTHS SEPTEMBER 30,**	
	2017	**2016**	**2017**	**2016**
Interest on credit facilities	730	760	2,490	2,340
Interest on convertible debentures	896	1,764	2,667	5,099
Interest on consent fee notes payable	-	63	-	186
Non-cash accretion of convertible debentures	840	11,602	2,414	14,247
Non-cash accretion of consent fee notes payable	-	121	-	355
Other	39	74	153	262
INTEREST EXPENSE, NET	**2,505**	**14,384**	**7,724**	**22,489**
Amortization of deferred financing costs	117	262	632	780
Other	193	190	575	448
OTHER FINANCE COSTS	**310**	**452**	**1,207**	**1,228**
FINANCE COSTS	**2,815**	**14,836**	**8,931**	**23,717**

The following is a summary of the foreign exchange impact on revenue and total expenses for the three and nine months ended September 30, 2017 and 2016:

(in thousands of Canadian dollars) *(unaudited)*	**THREE MONTHS ENDED SEPTEMBER 30,**			**FOREIGN EXCHANGE**	**OPERATING**
	2017	**2016**	**CHANGE**	**IMPACT**	**CHANGE**
Revenue	89,828	88,211	1,617	(448)	2,065
Total operating expenses, net of foreign exchange gain & loss	81,801	79,368	2,433	(318)	2,751

(in thousands of Canadian dollars) *(unaudited)*	**NINE MONTHS ENDED SEPTEMBER 30,**			**FOREIGN EXCHANGE**	**OPERATING**
	2017	**2016**	**CHANGE**	**IMPACT**	**CHANGE**
Revenue	274,522	267,299	7,223	(2,041)	9,264
Total operating expenses, net of foreign exchange gain & loss	246,443	239,986	6,457	(2,052)	8,509

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.

(in thousands of Canadian dollars except for per share amounts) (unaudited)	**SEPTEMBER 30, 2017**	**JUNE 30, 2017**	**MARCH 31, 2017**	**DECEMBER 31, 2016**	**SEPTEMBER 30, 2016**	**JUNE 30, 2016**	**MARCH 31, 2016**	**DECEMBER 31, 2015**
Revenue	89,828	93,328	91,366	86,841	88,211	90,443	88,645	84,913
Net Income (Loss)	5,495	4,850	3,918	7,594	(4,728)	4,465	(3,837)	528
Net Income (Loss) from continuing operations	5,495	4,850	3,918	7,594	(4,728)	4,465	(3,837)	990
Add:								
Interest expense, net	2,505	2,538	2,681	3,064	14,384	4,054	4,051	5,651
Current and deferred tax expense (recovery)	1,986	2,046	1,750	(1,580)	(873)	234	(274)	1,762
Amortization and Depreciation	1,394	1,285	1,284	1,461	1,345	1,242	1,277	1,399
	5,885	5,869	5,715	2,945	14,856	5,530	5,054	8,812
EBITDA	**11,380**	**10,719**	**9,633**	**10,539**	**10,128**	**9,995**	**1,217**	**9,802**
EBITDA as a percentage of revenue	**12.7%**	**11.5%**	**10.5%**	**12.1%**	**11.5%**	**11.1%**	**1.4%**	**11.5%**
Items excluded in calculation of Adjusted EBITDA[1]								
Foreign exchange (gain)/loss	(2,269)	1,120	(96)	(1,215)	(392)	1,723	7,247	(1,812)
Increase / (Decrease) in fair value of other financial liabilities	1,527	174	268	(1,819)	-	-	-	-
Change in fair value of DSP	251	27	298	(85)	365	349	620	63
Payment of DSP	-	(846)	-	-	-	-	-	-
Stock based compensation expenses	282	115	65	133	132	109	79	-
Performance share units expenses	77	-	-	-	-	-	-	-
Deferred financing charges	117	259	256	261	262	259	259	298
Onerous lease provision	(304)	(167)	(264)	(334)	(275)	(119)	(223)	(222)
Share of loss of equity accounted investee, net of tax	-	348	-	-	-	-	32	150
	(319)	1,030	527	(3,059)	92	2,321	8,014	(1,523)
Adjusted EBITDA[1]	**11,061**	**11,751**	**10,160**	**7,480**	**10,220**	**12,316**	**9,231**	**8,279**
Adjusted EBITDA[1] as a percentage of revenue	**12.3%**	**12.6%**	**11.1%**	**8.6%**	**11.6%**	**13.6%**	**10.4%**	**9.7%**
Earnings per share attributed to common shareholders	0.15	0.13	0.10	0.24	(0.15)	0.14	(0.12)	0.02
Earnings per share attributed to common shareholders from continuing operations	**0.15**	**0.13**	**0.10**	**0.24**	**(0.15)**	**0.14**	**(0.12)**	**0.04**
Weighted average share outstanding	31,190,153	31,190,153	31,188,486	26,020,418	24,966,744	24,966,744	24,966,744	17,985,213

[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 highest in the second quarter. Revenue was positively impacted in the fourth 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 fourth quarter of 2015 and again in the fourth quarter of 2016 as a result of foreign exchange gains of $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.

iii) ADJUSTED EBITDA[1]

For the three months ended September 30, 2017, adjusted EBITDA[1] was $11.1 million (three months ended September 30, 2016 - $10.2 million). For the nine months ended September 30, 2017, adjusted EBITDA[1] was $33.0 million (nine months ended September 30, 2016 - $31.8 million)

During the second quarter of 2017 two members of the Board of Directors settled 123,641 deferred share units for $846 (2016 – $nil) upon leaving the Board. This reduced the adjusted EBITDA[1] for the three months ended September 30, 2017.

LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL

The following table represents the working capital information:

(in thousands of Canadian dollars)	**SEPTEMBER 30, 2017** *(unaudited)*	**DECEMBER 31, 2016**	**CHANGE**
Current assets	**$ 209,529**	$ 217,002	$ (7,473)
Current liabilities	**(84,393)**	(108,942)	24,549
WORKING CAPITAL	**125,136**	108,060	17,076

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

Current assets decreased by $7.5 million as at September 30, 2017 when compared with December 31, 2016. This was due to a $16.9 million decrease in accounts receivable, a $0.6 million decrease in work in progress ("WIP"), offset by a $5.3 million increase in cash, a $4.0 million increase in prepaid expenses and other assets, and a $0.7 million increase in income taxes recoverable. Although there has been a continued increase in revenue, on a combined basis accounts receivable and WIP has decreased by $17.5 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 the renewal of the Company's insurance contracts.

There was a $0.3 million impact on current assets due to foreign exchange as at September 30, 2017.

Current liabilities decreased by $24.5 million as at September 30, 2017 when compared with December 31, 2016. This was primarily due to a decrease of $12.3 million in deferred revenue, a decrease of $12.1 million in accounts payable and accrued liabilities, a decrease of $0.2 million in onerous lease provisions, and an offsetting increase of $0.1 million in income taxes payable. Deferred revenue decreased as a result of the Company recognizing revenue on projects upon completion of significant milestones during the quarter. The Company has made a decision to actively reduce their accounts payable balance with improved cash liquidity when compared to December 31, 2016.

There was an increase in current liabilities due to foreign exchange as at September 30, 2017 of $5.6 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] (unaudited)	***SEPTEMBER 30, 2017***	***JUNE 30, 2017***	***MARCH 31, 2017***	***DECEMBER 31, 2016***	***SEPTEMBER 30, 2016***
Accounts receivable	*51*	*51*	*58*	*60*	*57*
WIP	*48*	*51*	*46*	*49*	*50*
Deferred revenue	*(21)*	*(22)*	*(24)*	*(29)*	*(25)*
	78	*80*	*80*	*80*	*82*

The days sales outstanding as at September 30, 2017 has decreased by 4 days compared to September 30, 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.

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

COMPONENTS OF WORKING CAPITAL

(in millions of Canadian dollars)	***SEPTEMBER 30, 2017*** *(unaudited)*	***JUNE 30, 2017*** *(unaudited)*	***MARCH 31, 2017*** *(unaudited)*	***DECEMBER 31, 2016***	***SEPTEMBER 30, 2016*** *(unaudited)*
Accounts receivable	*91.7*	*92.8*	*105.2*	*108.6*	*106.0*
WIP	*86.4*	*93.5*	*84.6*	*87.0*	*93.5*
Deferred revenue	*(38.2)*	*(40.6)*	*(44.6)*	*(50.5)*	*(46.3)*
	139.9	*145.7*	*145.2*	*145.1*	*153.2*

i) Accounts Receivable

The table below demonstrates the aging of receivables:

Accounts receivable aging (net of allowance) *(in thousands of Canadian dollars)*	***SEPTEMBER 30, 2017*** *(unaudited)*	***%***	***JUNE 30, 2017*** *(unaudited)*	***%***	***MARCH 31, 2017*** *(unaudited)*	***%***	***DECEMBER 31, 2016***	***%***	***SEPTEMBER 31, 2016*** *(unaudited)*	***%***
Current	38,253	42	32,416	35	47,630	45	46,057	42	43,196	41
30 to 90 days	23,165	25	28,487	31	25,434	24	29,315	27	32,340	30
Over 90 days	30,289	33	31,913	34	32,132	31	33,221	31	30,470	29
TOTAL	91,707	100	92,816	100	105,196	100	108,593	100	106,006	100

Accounts receivable has decreased by $16.9 million since December 31, 2016 and decreased by $14.3 million since September 30, 2016. There was an increase in accounts receivable due to foreign exchange as at September 30, 2017 of $1.9 million compared to a decrease due to foreign exchange of $3.5 million as at December 31, 2016. As a result of successful implementation of the Enterprise Resource Planning ("ERP") system, the Company has improved operational efficiencies as it experienced an increase in billings and collections with a corresponding increase in cash, and a decrease in WIP and deferred revenue. The Company focused on ensuring that the overall days sales outstanding during the three and nine month periods 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 $0.6 million since December 31, 2016 and decreased by $7.1 million since September 30, 2017. There was a decrease of $0.4 million in WIP due to foreign exchange as at September 30, 2017 compared to a decrease due to foreign exchange of $2.7 million as at December 31, 2016. As a result of successful implementation of the ERP system, the Company has improved operational efficiencies as it experienced an increase in billings and collections with a corresponding increase in cash, and a decrease in WIP and deferred revenue. The Company focused on ensuring that the overall days sales outstanding during the three and nine month periods 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 $12.3 million since December 31, 2016 and decreased by $8.1 million since September 30, 2016. There was a decrease in deferred revenue due to foreign exchange as at September 30, 2016 of $2.7 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 Consolidated Statement of Cash Flows, are summarized in the following table:

(in thousands of Canadian dollars) (unaudited)	**THREE MONTHS ENDED SEPTEMBER 30, 2017**	2016	***CHANGE***
Cash flows provided by operating activities	***10,829***	*13,895*	*(3,066)*
Cash flows used in financing activities	***(1,750)***	*(4,584)*	*2,834*
Cash flows used in investing activities	***(1,154)***	*(4,538)*	*3,384*

(in thousands of Canadian dollars) (unaudited)	**NINE MONTHS ENDED SEPTEMBER 30, 2017**	2016	***CHANGE***
Cash flows provided by operating activities	***11,835***	*13,601*	*(1,766)*
Cash flows (used in) provided by financing activities	***(4,722)***	*1,204*	*(5,926)*
Cash flows used in investing activities	***(1,815)***	*(14,389)*	*12,574*

OPERATING ACTIVITIES

Cash flows provided by operating activities for the three months ended September 30, 2017 were $10.8 million, a decrease of $3.1 million compared to cash flows provided by operating activities of $13.9 million for the same period in 2016. The decrease in operating cash flows is mainly attributable to an increase in net income of $10.2 million, increase in deferred tax expense of $4.2 million, increase in income taxes refunded of $1.3 million, offset by a decrease in non-cash operating working capital of $6.8 million, a decrease of interest expense of $11.9 million, and a decrease in interest paid of $0.1 million.

Cash flows provided by operating activities for the nine months ended September 30, 2017 were $11.8 million, a decrease of $1.8 million compared to cash flows provided by operating activities of $13.6 million for the same period in 2016. The decrease in operating cash flows is mainly attributable to an increase in net income of $18.4 million, an increase in stock option expense of $0.2 million, an increase in amortization of intangible assets of $0.2 million, an increase in interest paid of $1.3 million, an increase in income taxes refunded of $2.6 million, offset by a decrease in interest expense of $14.8 million, and a decrease in change in non-cash operating working capital of $9.7 million.

FINANCING ACTIVITIES

Cash flows used in financing activities for the three months ended September 30, 2017 were $1.8 million compared with cash flows used in financing activities of $4.6 million for the same period in 2016. During the three months ended September 30, 2017, the Company incurred costs of $nil towards issuance of new convertible debentures and repaid $1.7 million towards its Credit Facilities compared to $2.6 million and $1.9 million respectively during the same period in 2016.

Cash flows used in financing activities for the nine months ended September 30, 2017 were $4.7 million compared with cash flows provided by financing activities of $1.2 million for the same period in 2016. During the nine months ended September 30, 2017, the Company repaid $4.7 million towards its Credit Facility, compared to a $2.6 million payment towards its Credit Facility, $8.0 million in borrowings, and $4.1 million payment towards its principal on notes payable during the same period in 2016.

INVESTING ACTIVITIES

Cash flows used in investing activities for the three months ended September 30, 2017 were $1.2 million compared to cash flows used in investing activities of $4.5 million for the same period in 2016. For the three months ended September 30, 2017, the Company made $nil contributions towards restricted cash compared with $3.3 million in contributions for the same period last year.

Cash flows used in investing activities for the nine months ended September 30, 2017 were $1.8 million compared to cash flows used in investing activities of $14.4 million for the same period in 2016. For the nine months ended September 30, 2017 the Company gained access to $1.4 million of restricted cash compared to $9.8 million in contributions for the same period in 2016. For the nine months ended September 30, 2017 the Company invested in $2.1 million in property plant and equipment and $0.7 million in intangible assets compared to $2.9 million and $1.7 million respectively for the same period in 2016.

CREDIT FACILITY

On June 30, 2017, IBI Group secured an agreement to refinance its credit facilities under the existing banking agreement with its senior lenders. The arrangement consists of a $130 million revolver facility (increased from $90 million under the previous facility), of which a maximum of $10 million is available under a swing line facility and will mature on June 30, 2021. The commitment under the swing line facility will reduce availability under the revolver facility on a dollar-for-dollar basis. As at September 30, 2017, the interest rate on Canadian dollar borrowings was 4.45% (September 30, 2016 – 4.95%) and 6.50% on U.S dollar borrowings (September 30, 2016 – 6.25%). The terms of the amended and restated credit facilities exclude the requirement to maintain a segregated cash collateral account (“Sinking Fund”). As a result of this amendment the balance of the Sinking Fund, $3,624, has been reclassified from Restricted Cash to Cash. Under the previous agreement, the Company was required to make additional deposits each quarter to the Sinking Fund for pre-defined amounts, these deposits are no longer required.

The definitions under the new facility are substantially the same. The financial covenants outlined in the new facility are substantially the same except for the removal of the minimum EBITDA requirement.

New facility interest margins:

		Applicable Margin		
Level	**R is the Leverage Ratio**	**for Floating Rate Loans is**	**for Libor Loans, Acceptances and Standby Instruments is**	**for the Commitment Fee is**
I	R ≤ 1.00:1	0%	+1.50%	+0.30%
II	1.00:1 < R ≤ 1.50:1	+1.00%	+2.00%	+0.40%
III	1.50:1 < R ≤ 2.00:1	+1.25%	+2.25%	+0.50625%
IV	2.00:1 < R ≤ 2.50:1	+1.50%	+2.50%	+0.5625%
V	R > 2.50:1	+1.75%	+2.75%	+0.61875%

Previous facility interest margins:

		Applicable Margin		
Level	**R is the Leverage Ratio**	**for Floating Rate Loans is**	**for Libor Loans, Acceptances and Standby Instruments is**	**for the Commitment Fee is**
I	R ≤ 1.00:1	+1.50%	+2.50%	+0.56250%
II	1.00:1 < R ≤ 1.50:1	+2.00%	+3.00%	+0.67500%
III	1.50:1 < R ≤ 2.00:1	+2.25%	+3.25%	+0.73125%
IV	2.00:1 < R ≤ 2.50:1	+2.50%	+3.50%	+0.78750%
V	R > 2.50:1	+2.875%	+3.875%	+0.871875%

As at September 30, 2017, IBI Group has borrowings of $69,897 (December 31, 2016 - $74,737) under the credit facilities, which has been recognized net of deferred financing costs of $1,745 (December 31, 2016 - $1,553). As at September 30, 2017, IBI Group has letters of credit outstanding of $7,083 (December 31, 2016 - $8,034), of which $5,646 (December 31, 2016 - $5,816) is issued under a $30,000 facility which matures on June 30, 2018 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 September 30, 2017, $69,755 was outstanding under Bankers' Acceptance with the remainder borrowed as prime rate debt (December 31, 2016 - $32,117).

As at September 30, 2017, a foreign subsidiary of the Company had issued letters of credit in the amount of U.S $2,300, which is equal to CAD $2,916 (December 31, 2016 – CAD $3,141). The Company has pledged U.S $2,300 (December 31, 2016 – U.S $2,300) of cash as security for these letters of credit issued by a foreign financial institution on behalf of the foreign subsidiary. As at September 30, 2017, the Company has letters of credit outstanding to foreign institutions of $1,437 (December 31, 2016 – $2,217).

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, and restrictions on distributions, if certain conditions are not met. IBI Group was in compliance with its credit facility covenants as at September 30, 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.

CONVERTIBLE DEBENTURES

The Company has two series of convertible debentures outstanding as at September 30, 2017. The carrying value of the convertible debentures as at September 30, 2017 is as follows:

(in thousands of Canadian dollars) *(unaudited)*	LIABILITY COMPONENT	EQUITY COMPONENT	OTHER FINANCIAL LIABILITY COMPONENT	TOTAL
7.0% Debentures				
Balance at January 1, 2017	10,859	561	-	11,420
Accretion of 7.0% Debentures 2017	965	-	-	965
Balance at September 30, 2017	11,824	561	-	12,385
5.5% Debentures				
Balance at January 1, 2017	33,017	-	9,089	42,106
Accretion of 5.5% Debentures 2017	1,449	-	-	1,449
Increase in fair value of other financial liabilities 2017	-	-	1,969	1,969
Balance at September 30, 2017	34,466	-	11,058	45,524
BALANCE, SEPTEMBER 30, 2017	$ 46,290	$ 561	$ 11,058	$ 57,909

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 September 30, 2017, had been 50 basis points higher or lower, with all other variables held constant, net income for the three and nine months ended September 30, 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 as at September 30, 2017, with all other variables held constant, total comprehensive income would have increased or decreased by $0.2 million for the nine months ended September 30, 2017. If the exchange rates had been 100 basis points higher or lower as at September 30, 2017, with all other variables held constant, net income would have increased or decreased by a nominal amount for the nine months ended September 30, 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.

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 September 30, 2017:

Contractual Obligations	*Payment Due by Period*				
(in millions of Canadian dollars) (unaudited)	***TOTAL***	***LESS THAN 1 YEAR***	***1-3 YEARS***	***4-5 YEARS***	***AFTER 5 YEARS***
Accounts payable and accrued liabilities	$ 43.4	$ 43.4	$ -	$ -	$ -
Credit facilities[1]	68.2	-	-	71.9	-
Interest on credit facilities[1,2]	-	3.1	6.2	2.3	-
Convertible debentures	46.3	-	14.8	46.0	-
Interest on convertible debentures[3]	-	3.6	5.1	3.2	-
Finance lease obligation	0.1	-	-	-	-
Operating leases	125.8	22.3	32.9	17.7	53.0
TOTAL CONTRACTUAL OBLIGATIONS	$ 283.8	$ 72.4	$ 59.0	$ 141.1	$ 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 June 30, 2017, IBI Group secured an agreement to refinance its Credit Facilities under the existing banking arrangement with its senior lenders. See liquidity risk 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 2019 to December 2021.

SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares. As at October 31, 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 September 30, 2017, the units issued on such exchange would have represented a 16.77% 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 September 30, 2017.

SHARE ISSUANCES

During the nine months ended September 30, 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 nine months ended September 30, 2017, the Company incurred a $4.6 million gain related to the translation of financial statements of foreign operations, of which 83.2% 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 September 30, 2017 was $5,179 (three months ended September 30, 2016 - $5,867) and $15,866 for the nine months ended September 30, 2017 (nine months ended September 30, 2016 - $17,742). As at September 30, 2017, there were 80 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 September 30, 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 statement of 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). 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 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 project plan to determine the impact of the standard. The first phase was to review contracts in the different practice areas that may be impacted by the adoption of this standard given contracting practices. The Company is in the second phase of the project plan where its review of contracts is focused on contracts where the terms and conditions of the contract may impact the timing of the revenue recognized under the new standard. In 2015, the Company standardized its contract template to include terms and conditions that considered the criteria set out to recognize revenue in accordance with IFRS 15. As a result, the Company expects that the effort to complete contract reviews for those entered into in 2015 and beyond will be more streamlined and will not result in a significant change to the revenue recognized.

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. Any adjustment will impact the timing of the revenue recognized, and will result in an adjustment through equity at time of adoption.

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 Company has adopted a transition plan and timeline to review the impact of the standard. Based on preliminary scoping, the Company expects the standard to impact loss provisions against Accounts Receivable and Work in Progress which will be called Contract Assets under the new standards.

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 Company has established a transition plan to collect the necessary information on all of the operating leases in the spring of 2018 to begin the process to quantify the impact of adopting the standard. The Company will evaluate the transition elections at that time. The extent of the impact of adoption of the interpretation 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. Currently, the Company's share based awards are all equity settled awards and do not contain cash-settled share-based payment features. To the extent an award is offered in the future with such features, the Company will evaluate the effect of these changes.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

On December 8, 2016 the IASB issued IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration ("IFRIC 22"). 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.

IFRIC 23 *Uncertainty over Income Tax Treatments*

On June 7, 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. The extent of the impact of adoption of the interpretation has not yet been determined.

Annual Improvements to IFRS (2014 - 2016) Cycles

On December 8, 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 September 30, 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 September 30, 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 calculations

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.