IBI Group 2017 Fourth-Quarter Management Discussion and Analysis

THREE AND TWELVE MONTHS ENDED
DECEMBER 31, 2017

IBI GROUP INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 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 and twelve months ended December 31, 2017 should be read in conjunction with the accompanying audited consolidated financial statements for the year ended December 31, 2017, including the notes thereto. Additional information relating to the Company, including its Annual Information Form for the year ended December 31, 2017 is or will be 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 33 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, 2017. 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 March 8, 2018.

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 $366 million in total revenue for the year ended December 31, 2018. The Company currently has $331 million of work that is committed and under contract for the next three years. This committed workload is a material factor and assumption used to develop revenue forecasts. The Company continues to see an increase in committed work to be delivered in 2018. The Company has approximately ten months of backlog (calculated on the basis of the current pace of work that the Company has achieved during the 12 months ended December 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%.

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

FINANCIAL HIGHLIGHTS

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

	THREE MONTHS ENDED DECEMBER 31,		YEAR ENDED DECEMBER 31,	
	2017 *(unaudited)*	**2016** *(unaudited)*	**2017**	**2016**
Number of working days *(unaudited)*	**62**	63	**253**	251
Revenue	**$ 86,886**	$ 86,841	**$ 361,408**	$ 354,140
Net income (loss)	**$ (2,891)**	$ 7,594	**$ 11,372**	$ 3,494
Cash flows provided by operating activities	**$ 3,305**	$ 17,247	**$ 15,139**	$ 32,047
Basic and diluted earnings (loss) per share	**$ (0.08)**	$ 0.24	**$ 0.30**	$ 0.11
Adjusted EBITDA[1] *(unaudited)*	**$ 7,643**	$ 7,480	**$ 40,615**	$ 39,247
Adjusted EBITDA[1] as a percentage of revenue *(unaudited)*	**8.8%**	8.6%	**11.2%**	11.1%

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

OVERVIEW

KEY EVENTS

- Revenue increased to $86.9 million for the three months ended December 31, 2017 compared to $86.8 million for the same period in 2016, which reflects an increase of $0.1 million or 0.1%. Revenue increased to $361.4 million for the year ended December 31, 2017 compared to $354.1 million for the same period in 2016, which reflects an increase of $7.3 million or 2.1%.
- Adjusted EBITDA[1] increased to $7.6 million (or 8.8% of revenue) for the three months ended December 31, 2017 compared to $7.5 million (or 8.6% of revenue) for the same period in 2016, which reflects an increase of $0.1 million or 1.3%. Adjusted EBITDA increased to $40.6 million (or 11.2% of revenue) for the year ended December 31, 2017 compared to $39.2 million (or 11.1% of revenue) for the same period in 2016, which reflects an increase of $1.4 million or 3.6%. The increase in Adjusted EBITDA[1] is a result of stronger operating performance.
- Days sales outstanding was 80 days as at December 31, 2017 and 2016.
- Interest expense decreased to $2.6 million for the three months ended December 31, 2017 compared with $3.1 million for the same period in 2016, and decreased to $10.3 million for the year ended December 31, 2017 compared with $25.6 million for the same period in 2016 as a result of the redemption of Convertible Debentures in October 2016.
- The Company renegotiated the sub-lease agreement for one of its office spaces, which resulted in an increase to the onerous lease provision to $5.3 million (December 31, 2016 - $3.3 million) and an increase to rent expense of $3.0 million during the quarter. This and other factors, including the loss from the fair value of the derivative liability of $2.0 million and the change in the US tax rate on previously recognized deferred tax assets of $1.4 million, reduced net earnings for the three months ended December 31, 2017, but had no impact to adjusted EBITDA[1]. The impact is a reduction in basic and diluted earnings per share in the quarter of $0.17.

STATEMENT OF COMPREHENSIVE INCOME (LOSS)

Revenue for the three months ended December 31, 2017 was $86.9 million, compared with $86.8 million in the same period in 2016, an increase of 0.1%. Revenue for the year ended December 31, 2017 was $361.4 million, compared with $354.1 million for the same period in 2016, an increase of 2.1%. The increase in revenue is due to growth in the Canadian geographical segment, including continuing work on significant transit projects.

For the three months ended December 31, 2017, the Company had net losses of $2.9 million compared with net income of $7.6 million for the same period in 2016. Net losses for the three months ended December 31, 2017 is inclusive of foreign exchange losses of $0.3 million, compared with foreign exchange gains of $1.2 million for the same period in 2016. The foreign exchange loss during the three months ended December 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 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

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

receivables balances more frequently, which is expected to reduce the amount of foreign exchange gains and losses recorded in net income.

Basic and diluted loss per share was $0.08 per share for the three months ended December 31, 2017, compared to a basic and diluted earnings per share of $0.24 per share for the same period in 2016. Basic and diluted earnings per share decreased primarily due to the decrease in net income of $10.5 million, which is due to the $3.7 million increase in losses from the change in the fair value of the derivative liability and $3.0 million increase in rent expense due to the renegotiation of the sublease associated with the onerous lease. Net income was further reduced due to the $3.3 million increase in tax expenses as a result of reduced availability of tax losses, particularly in the Canadian business.

For the year ended December 31, 2017, the Company had net income of $11.4 million compared with net income of $3.5 million for the same period in 2016. Net income for the year ended December 31, 2017 is inclusive of foreign exchange gains of $1.0 million, compared with foreign exchange losses of $7.4 million for the same period in 2016. The foreign exchange gain for the year ended December 31, 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 $0.30 per share for the year ended December 31, 2017, compared to basic and diluted earnings per share of $0.11 for the same period in 2016. Basic and diluted earnings per share increased primarily due to the increase in net income of $7.9 million, which is due to the $15.2 million decrease in interest expense, offset by the $10.0 million increase in income tax expense. 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. The increase in tax expense is a result of reduced availability of tax losses, particularly in the Canadian business.

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 DECEMBER 31,		YEAR ENDED DECEMBER 31,	
	2017	2016	2017	2016
(thousands of Canadian dollars, except per share amounts)	*(unaudited)*	*(unaudited)*		
Revenue	$ 86,886	$ 86,841	$ 361,408	$ 354,140
Expenses				
Salaries, fees and employee benefits	63,903	61,914	255,915	248,869
Rent	8,550	5,947	25,702	22,740
Other operating expenses	9,873	10,502	39,688	41,781
Foreign exchange (gain) loss	256	(1,215)	(989)	7,363
Amortization of intangible assets	333	293	1,231	1,002
Depreciation of property and equipment	164	1,168	3,229	4,323
Loss (gain) in fair value of other financial liabilities	1,953	(1,819)	3,922	(1,819)
Impairment of financial assets	148	558	1,680	1,653
	85,180	77,348	330,378	325,912
OPERATING INCOME	$ 1,706	$ 9,493	$ 31,030	$ 28,228
Interest expense, net	2,602	3,064	10,326	25,553
Other finance costs	259	414	1,466	1,642
FINANCE COSTS	$ 2,861	$ 3,478	$ 11,792	$ 27,195
Share of loss of equity accounted investee, net of tax	(0)	-	348	32
NET INCOME (LOSS) BEFORE TAX	$ (1,155)	$ 6,015	$ 18,890	$ 1,001
Current tax expense	959	1,147	1,963	2,908
Deferred tax expense (recovery)	777	(2,727)	5,555	(5,401)
INCOME TAX EXPENSE (RECOVERY)	$ 1,736	$ (1,580)	$ 7,518	$ (2,493)
NET INCOME (LOSS)	$ (2,891)	$ 7,595	$ 11,372	$ 3,494
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	1,051	(1,265)	(3,518)	(105)
OTHER COMPREHENSIVE INCOME (LOSS)	1,051	(1,265)	(3,518)	(105)
TOTAL COMPREHENSIVE INCOME (LOSS)	$ (1,840)	$ 6,330	$ 7,854	$ 3,389
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Common shareholders	(2,407)	6,090	9,465	2,814
Non-controlling interests	(484)	1,505	1,907	680
NET INCOME (LOSS)	$ (2,891)	$ 7,595	$ 11,372	$ 3,494
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Common shareholders	(1,532)	5,080	6,537	2,730
Non-controlling interests	(308)	1,250	1,317	659
TOTAL COMPREHENSIVE INCOME (LOSS)	$ (1,840)	$ 6,330	$ 7,854	$ 3,389
EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS				
Basic and diluted earnings (loss) per share	$ (0.08)	$ 0.24	$ 0.30	$ 0.11

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 December 31, 2017 remained consistent when compared to the same period in 2016.

Revenue for the year ended December 31, 2017 increased by $7.3 million or 2.1% compared to the same period in 2016. The increase in revenue is due to growth in the Canadian Geographical segment, including continuing work on significant transit projects.

The impact of foreign exchange on revenue for the three months ended December 31, 2017 was a decrease in revenue of $1.8 million compared to the same period in 2016, and for the year ended December 31, 2017 was a decrease in revenue of $3.9 million when compared to 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:

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

ii) SALARIES, FEES, AND EMPLOYEE BENEFITS

Salaries, fees, and employee benefits for the three months ended December 31, 2017 was $63.9 million compared with $61.9 million in the same period in 2016. As a percentage of revenues, salaries, fees and employee benefits for the three months ended December 31, 2017 was 73.5% compared to 71.3% 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 year ended December 31, 2017 was $255.9 million, compared with $248.9 million for the same period in 2016. As a percentage of revenues, salaries, fees and employee benefits for the year ended December 31, 2017 was 70.8% compared to 70.3% 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 three months ended December 31, 2017 was a decrease in expense of $1.4 million compared to the same period in 2016, and for the year ended December 31, 2017 was a decrease in expense of $2.9 million compared with the same period in 2016.

iii) RENT

Rent for the three months ended December 31, 2017 was $8.6 million compared with $5.9 million in the same period in 2016. Rent for the year ended December 31, 2017 was $25.7 million, compared with $22.7 million for the same period in 2016. The increase in rent for both periods is a result of the renegotiation of the sublease associated with the Company’s onerous lease causing an additional expense of $3.0 million.

iv) OTHER OPERATING EXPENSES

Other operating expenses for the three months ended December 31, 2017 was $9.9 million, compared with $10.5 million for the same period in 2016. As a percentage of revenues, operating expenses for the three months ended December 31, 2017 were 11.4% compared to 12.1% for the same period in 2016.

Other operating expenses for the year ended December 31, 2017 was $39.7 million, compared to $41.8 million for the same period in 2016. As a percentage of revenues, operating expenses for the year ended December 31, 2017 were 11.0% compared to 11.8% for the same period in 2016.

The impact of foreign exchange on other operating expenses for the three months ended December 31, 2017 was a decrease in expense of $0.1 million compared to the same period in 2016, and for the year ended December 31, 2017 was a decrease $0.2 million of expense compared to the same period in 2016.

A reduction in overhead expenses as a percentage of revenues has been a continued area of focus for the Company as we look to improve overall efficiency.

v) FOREIGN EXCHANGE GAIN & LOSS

Foreign exchange loss for the three months ended December 31, 2017 was $0.3 million compared to a foreign exchange gain of $1.2 million in the same period in 2016. Foreign exchange gain for the year ended December 31, 2017 was $1.0 million compared to a foreign exchange loss of $7.4 million for the same period in 2016. The foreign exchange gain for the year ended December 31, 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.

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) GAIN & LOSS IN FAIR VALUE OF OTHER FINANCIAL LIABILITIES

Loss in fair value of other financial liabilities for the three months ended December 31, 2017 was $2.0 million compared to a gain of $1.8 million for the same period in 2016. Loss in fair value of other financial liabilities for the year ended December 31, 2017 was $3.9 million compared to a gain of $1.8 million for the same period in 2016. The movement is related to the revaluation of the derivative liability, which was set up in September 2016 as a result of the issuance of the 5.5% Debentures. The movement in fair value is impacted by several factors, which include IBI share price, the Canadian risk free rate, and IBI's credit risk.

vii) IMPAIRMENT OF FINANCIAL ASSETS

Impairment of financial assets for the three months ended December 31, 2017 was $0.1 million compared to $0.6 million in the same period in 2016. Impairment of financial assets for the year ended December 31, 2017 was $1.7 million compared to $1.7 million for the same period in 2016. Overall, the company continues to manage its billings & collections process to minimize impact of any impairment of financial assets.

viii) INTEREST EXPENSE

Interest expense for the three months ended December 31, 2017 was $2.6 million compared to $3.1 million for the same period in 2016. The interest expense decreased due to the redemption of the 7% and 6% Convertible Debentures in 2016 as well as 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 year ended December 31, 2017 was $10.3 million compared with $25.6 million for the same period in 2016. The interest expense decreased due to the redemption of the 7% and 6% Convertible Debentures in 2016 as well as 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.

ix) OTHER FINANCE COSTS

Other finance costs for the three months ended December 31, 2017 was $0.3 million compared to $0.4 million for the same period in 2016. Other finance costs for the year ended December 31, 2017 were $1.5 million compared to $1.6 million for the same period in 2016.

x) INCOME TAXES

Income taxes for the three months ended December 31, 2017 was an expense of $1.7 million with an effective income tax rate of 150.0% compared to a recovery of $1.6 million with an effective income tax rate of (26.3%) for the same period in 2016. The increase in the effective tax rate for the three months ended December 31, 2017 was primarily a result of non-deductible expenses arising from accounting loss on revaluation of a financial instrument, accretion expense and the U.S operations recognizing previously unrecognized deferred tax assets during 2017. In addition, the impact of the U.S tax reform also had a significant impact as our deferred tax assets that were set up on December 31, 2016 needed to be revalued from the 35% Federal Tax rate to the newly enacted tax rate of 21%.

Income taxes for the year ended December 31, 2017 was an expense of $7.5 million with an effective tax rate of 39.8% compared to a recovery of $2.5 million with an effective tax rate of (249.0%) for the same period in 2016. The increase in the effective tax rate was primarily a result of non-deductible expenses arising from loss on revaluation of financial instrument, and due to accretion expense offset by a decrease due to the U.S operations recognizing previously unrecognized deferred tax assets. In addition, the US tax reform also had an impact of $1,430 as our deferred tax assets needed to be revalued from the 35% Federal Tax rate to the newly enacted tax rate of 21%.

xi) NET INCOME

Net loss for the three months ended December 31, 2017 was $2.9 million compared to net income of $7.6 million for the same period in 2016. The factors impacting this are set out in the description of individual line items above.

Net income for the year ended December 31, 2017 was $11.4 million compared to $3.5 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 December 31, 2017 has increased by $0.2 million compared to the same period in 2016 (see table for adjusted EBITDA[1] for the previous eight quarters in this MD&A), and for the year ended December 31, 2017 has increased by $1.4 million compared to the same period in 2016.

Following is a summary of finance costs for the year ended December 31, 2017 and December 31, 2016:

	YEAR ENDED DECEMBER 31, 2017	YEAR ENDED DECEMBER 31, 2016
Interest on credit facilities	$ 3,149	$ 3,057
Interest on convertible debentures	3,563	5,872
Interest on consent fee notes payable	-	255
Non-cash accretion of convertible debentures	3,281	15,403
Non-cash accretion of consent fee notes payable	-	479
Other	333	487
INTEREST EXPENSE	**$ 10,326**	**$ 25,553**
Amortization of deferred financing costs	775	1,041
Other	691	601
OTHER FINANCE COSTS	**$ 1,466**	**$ 1,642**
FINANCE COSTS	**$ 11,792**	**$ 27,195**

SUMMARY OF FOREIGN EXCHANGE IMPACT

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

(in thousands of Canadian dollars) (unaudited)	**THREE MONTHS ENDED DECEMBER 31, 2017**	**THREE MONTHS ENDED DECEMBER 31, 2016**	**CHANGE**	**FOREIGN EXCHANGE IMPACT**	**OPERATING CHANGE**
Revenue	86,886	86,841	45	(1,813)	1,858
Total operating expenses, net of foreign exchange gain & loss	84,924	78,455	6,469	(1,826)	8,295

(in thousands of Canadian dollars) (unaudited)	**YEAR ENDED DECEMBER 31, 2017**	**YEAR ENDED DECEMBER 31, 2016**	**CHANGE**	**FOREIGN EXCHANGE IMPACT**	**OPERATING CHANGE**
Revenue	361,408	354,140	7,268	(3,854)	11,122
Total operating expenses, net of foreign exchange gain & loss	331,367	318,440	12,927	(3,879)	16,806

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

SELECTED ANNUAL INFORMATION

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

(in thousands of Canadian dollars, except per share amounts)	YEAR ENDED DECEMBER 31, 2017	 DECEMBER 31, 2016	 DECEMBER 31, 2015
Revenue	$ 361,408	$ 354,140	$ 327,092
Net income from continuing operations	$ 11,372	$ 3,494	$ 11,336
Net loss from discontinued operations	$ -	$ -	$ (1,873)
NET INCOME	$ 11,372	$ 3,494	$ 9,463
Basic and diluted earnings per share	$ 0.30	$ 0.11	$ 0.41
Basic and diluted earnings per share from continuing operations	$ 0.30	$ 0.11	$ 0.49
Basic and diluted loss per share from discontinued operations	$ -	$ -	$ (0.08)

(in thousands of Canadian dollars)	DECEMBER 31, 2017	DECEMBER 31, 2016	DECEMBER 31, 2015
TOTAL ASSETS	$ 256,316	$ 261,810	$ 255,240
Onerous lease provisions	$ 1,082	$ 2,270	$ 3,244
Finance lease obligation	$ 31	$ 67	$ 104
Credit facilities	$ 63,842	$ 73,184	$ 72,277
Convertible debentures	$ 47,157	$ 43,876	$ 84,720
Other financial liabilities	$ 13,011	$ 9,089	$ -
Deferred tax liabilities	$ 4,525	$ 4,176	$ 6,660
TOTAL LONG-TERM LIABILITIES	$ 129,648	$ 132,662	$ 167,005

xii) ADJUSTED EBITDA[1]

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] 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)	DECEMBER 31, 2017	SEPTEMBER 30, 2017	JUNE 30, 2017	MARCH 31, 2017	DECEMBER 31, 2016	SEPTEMBER 30, 2016	JUNE 30, 2016	MARCH 31, 2016
Revenue	86,886	89,828	93,328	91,366	86,841	88,211	90,443	88,645
Net Income (Loss)	(2,891)	5,495	4,850	3,918	7,594	(4,728)	4,465	(3,837)
Add:								
Interest expense, net	2,602	2,505	2,538	2,681	3,064	14,384	4,054	4,051
Current and deferred tax expense (recovery)	1,736	1,986	2,046	1,750	(1,580)	(873)	234	(274)
Amortization and Depreciation	497	1,394	1,285	1,284	1,461	1,345	1,242	1,277
	4,835	5,885	5,869	5,715	2,945	14,856	5,530	5,054
EBITDA	**1,944**	**11,380**	**10,719**	**9,633**	**10,539**	**10,128**	**9,995**	**1,217**
EBITDA as a percentage of revenue	**2.2%**	**12.7%**	**11.5%**	**10.5%**	**12.1%**	**11.5%**	**11.1%**	**1.4%**
Items excluded in calculation of Adjusted EBITDA[1]								
Foreign exchange (gain)/loss	256	(2,269)	1,120	(96)	(1,215)	(392)	1,723	7,247
Loss (gain) in fair value of other financial liabilities	1,953	1,527	174	268	(1,819)	-	-	-
Change in fair value of DSP	252	251	27	298	(85)	365	349	620
Payment of DSP	-	-	(846)	-	-	-	-	-
Stock based compensation	344	282	115	65	133	132	109	79
Performance share units	26	77	-	-	-	-	-	-
Deferred financing charges	144	117	259	256	261	262	259	259
Onerous lease provision	2,724	(304)	(165)	(264)	(334)	(275)	(119)	(223)
Share of loss of equity accounted investee, net of tax	-	-	348	-	-	-	-	32
	5,699	(319)	1,032	527	(3,059)	92	2,321	8,014
Adjusted EBITDA[1]	**7,643**	**11,061**	**11,751**	**10,160**	**7,480**	**10,220**	**12,316**	**9,231**
Adjusted EBITDA[1] as a percentage of revenue	**8.8%**	**12.3%**	**12.6%**	**11.1%**	**8.6%**	**11.6%**	**13.6%**	**10.4%**
Earnings per share attributed to common shareholders	(0.08)	0.15	0.13	0.10	0.24	(0.15)	0.14	(0.12)
Earnings per share attributed to common shareholders from continuing operations	**(0.08)**	**0.15**	**0.13**	**0.10**	**0.24**	**(0.15)**	**0.14**	**(0.12)**
Weighted average share outstanding	31,189,736	31,190,153	31,190,153	31,188,486	26,020,418	24,966,744	24,966,744	24,966,744

1 See "Definition of Non-IFRS Measures".

[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 and fourth quarters as a result of staff ensuring that they use their vacation hours prior to the year end. Chargeable hours are also impacted by the number of working days in the quarter (See historical working days table in the Description of Variances in Operating Results section of this MD&A).

In addition, revenue is impacted by the movement in foreign exchange rates. The following table provides the impact of foreign exchange on revenue when compared to the same period in the previous year for each of the eight most recently completed quarters:

(in thousands of Canadian dollars)	DECEMBER 31, 2017	SEPTEMBER 30, 2017	JUNE 30, 2017	MARCH 31, 2017	DECEMBER 31, 2016	SEPTEMBER 30, 2016	JUNE 30, 2016	MARCH 31, 2016
Gain (loss) of foreign exchange on revenue	(1,813)	(448)	(1,072)	(521)	318	(314)	(119)	2,359

ii) NET INCOME (LOSS)

Net loss in the fourth quarter of 2017 was negatively impacted by an increase in rent expense of $3.0 million as a result of the renegotiation of a sublease agreement during the period. The net loss in the third quarter of 2016 was negatively impacted by the accelerated accretion of $10.3 million resulting from the redemption of the Convertible Debentures.

Net income (loss) is impacted by the fluctuations of foreign exchange and the fair value of other financial liabilities. The impact of these gains (loss) are noted in the above adjusted EBITDA table.

iii) ADJUSTED EBITDA[1]

For the three months ended December 31, 2017, adjusted EBITDA was $7.6 million (three months ended December 31, 2016 - $7.5 million). For the year ended December 31, 2017, adjusted EBITDA was $40.6 million (year ended December 31, 2016 - $39.2 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 for the year ended December 31, 2017.

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

LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL

The following table represents the working capital information:

(in thousands of Canadian dollars)	DECEMBER 31, 2017	DECEMBER 31, 2016	CHANGE
Current assets	**$ 218,862**	$ 217,002	$ 1,860
Current liabilities	**(97,687)**	(108,942)	11,255
WORKING CAPITAL	**121,175**	108,060	13,115

Current assets increased by $1.9 million as at December 31, 2017 when compared with December 31, 2016. This was due to a $8.0 million decrease in work in progress, offset by a $1.8 million increase in cash, a $2.6 million increase in accounts receivable, a $3.6 million increase in prepaid expenses and other current assets, and a $1.8 million increase in income taxes recoverable. Consistent with the continued increase in revenue and improvements made in the billing and collection cycle, on a combined basis accounts receivable and Work in Process ("WIP") has decreased by $8.0 million.

There was a decrease in current assets due to foreign exchange as at December 31, 2017 of $2.4 million.

Current liabilities decreased by $11.2 million as at December 31, 2017 when compared with December 31, 2016. This was due to a $6.7 million decrease in accounts payable and accrued liabilities, a $7.3 million decrease in deferred revenue, a $0.4 million decrease in income taxes payable, offset by an increase in onerous lease provisions of $3.2 million. The decrease in deferred revenue is a result of the Company recognizing revenue on projects upon completion of significant milestones during the year. The decrease in accounts payable is due to the Company reducing the payment cycle to vendors. The increase in onerous lease provision is a result of the renegotiation of the sublease related to the onerous lease.

There was a decrease in current liabilities due to foreign exchange as at December 31, 2017 of $3.6 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.

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

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)	**DECEMBER 31, 2017**	**SEPTEMBER 30, 2017**	**JUNE 30, 2017**	**MARCH 31, 2017**	**DECEMBER 31, 2016**
Accounts receivable	*61*	*51*	*51*	*58*	*60*
WIP	*43*	*48*	*51*	*46*	*49*
Deferred revenue	*(24)*	*(21)*	*(22)*	*(24)*	*(29)*
	80	*78*	*80*	*80*	*80*

The days sales outstanding as at December 31, 2017 remained at 80 days when compared to December 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. Monitoring the days outstanding in WIP and accounts receivable is a significant area of focus for the Company.

COMPONENTS OF WORKING CAPITAL

(in millions of Canadian dollars)	**DECEMBER 31, 2017**	**SEPTEMBER 30, 2017** *(unaudited)*	**JUNE 30, 2017** *(unaudited)*	**MARCH 31, 2017** *(unaudited)*	**DECEMBER 31, 2016**
Accounts receivable	*111.2*	*91.7*	*92.8*	*105.2*	*108.6*
WIP	*79.0*	*86.4*	*93.5*	*84.6*	*87.0*
Deferred revenue	(43.2)	*(38.2)*	*(40.6)*	*(44.6)*	*(50.5)*
	147.00	*139.9*	*145.7*	*145.2*	*145.1*

i) Accounts Receivable

The table below demonstrates the aging of receivables:

Accounts receivable aging (net of allowance) *(in thousands of Canadian dollars)*	***DECEMBER 31, 2017***	***%***	***SEPTEMBER 30, 2017*** *(unaudited)*	***%***	***JUNE 30, 2017*** *(unaudited)*	***%***	***MARCH 31, 2017*** *(unaudited)*	***%***	***DECEMBER 31, 2016***	***%***
Current	42,780	38	38,253	42	32,416	35	47,630	45	46,057	42
30 to 90 days	38,405	35	23,165	25	28,487	31	25,434	24	29,315	27
Over 90 days	30,034	27	30,289	33	31,913	34	32,132	31	33,221	31
TOTAL	111,219	100	91,707	100	92,816	100	105,196	100	108,593	100

Accounts receivable has increased by $2.6 million since December 31, 2017. There was a $1.6 million decrease in accounts receivable due to foreign exchange during the year ended December 31, 2017 compared to a $3.4 million decrease due to foreign exchange for the same period in 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. The Company focused on ensuring that the overall days sales outstanding during the three and twelve month periods maintained stability to minimize the risk to the working capital of the firm. It is an 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 $8.0 million since December 31, 2016. There was a decrease in WIP due to foreign exchange during the year ended December 31, 2017 of $1.4 million compared to a decrease due to foreign exchange of $3.0 million for the same period in 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. The Company focused on ensuring that the overall days sales outstanding during the three and twelve 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 $7.3 million since December 31, 2016. There was a decrease in deferred revenue due to foreign exchange during the year ended December 31, 2017 of $1.5 million, compared to a decrease due to foreign exchange of $1.2 million for the same period in 2016. This decrease is a result of the Company recognizing revenue on projects upon completion of significant milestones during the year. 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 tables:

(in thousands of Canadian dollars)	**THREE MONTHS ENDED DECEMBER 31,**		
(unaudited)	**2017**	2016	***CHANGE***
Cash flows provided by operating activities	**3,305**	17,247	(13,942)
Cash flows used in financing activities	***(4,548)***	*(24,329)*	*19,781*
Cash flows used in investing activities	***(2,419)***	*7,420*	*(9,839)*

(in thousands of Canadian dollars)	**YEAR ENDED DECEMBER 31,**		
(unaudited)	**2017**	2016	***CHANGE***
Cash flows provided by operating activities	**15,139**	32,047	(16,908)
Cash flows used in financing activities	***(9,270)***	*(23,126)*	*13,856*
Cash flows used in investing activities	***(4,234)***	*(8,167)*	*3,933*

OPERATING ACTIVITIES

Cash flows from operating activities for the three months ended December 31, 2017 were $3.3 million, a decrease of $13.9 million compared to cash flows provided by operating activities of $17.2 million for the same period in 2016. The decrease in operating cash flows is primarily the result of an increase in income taxes paid of $5.1 million, and a decrease in non-cash operating working capital of $9.6 million, offset by an increase in net income adjusted for non-cash items of $0.4 million, and a decrease in interest paid of $0.2 million.

Cash flows from operating activities for the year ended December 31, 2017 were $15.1 million, a decrease of $16.9 million compared to cash flows provided by operating activities of $32.0 million for the same period in 2016. The decrease in operating cash flows is primarily a result of an increase in income taxes paid of

$2.5 million, and a decrease in non-cash operating working capital of $19.3 million, offset by an increase in net income adjusted for non-cash items of $3.4 million, and a decrease in interest paid of $1.5 million.

FINANCING ACTIVITIES

Cash flows used in financing activities for the three months ended December 31, 2017 were $4.5 million compared with $24.3 million for the same period last year. During the three months ended December 31, 2017, the Company repaid $3.5 million towards its credit facility. During the same period in 2016, the Company took advances of $36.7 million from its credit facilities offset by $57.5 million from redemption of Convertible Debentures and $3.5 million from settling the consent fee payable.

Cash flows used in financing activities for the year ended December 31, 2017 were $9.3 million compared to $23.1 million for the same period last year. During the year ended December 31, 2017, the Company repaid $8.2 million towards its credit facilities and incurred $1.0 million in deferred financing costs related to the refinancing of the credit facilities in June 2017. During the same period in 2016, the Company repaid advances of $1.3 million on its credit facilities, repaid vendor notes of $4.1 million and consent fee of $3.5 million, and used $14.1 million in cash related to activities on convertible debentures during the year.

INVESTING ACTIVITIES

Cash flows used in investing activities for the three months ended December 31, 2017 were $2.4 million compared to $6.2 million in cash flows provided by investing activities for the same period in 2016. During the three months ended December 31, 2017, the company invested $1.8 million in property and equipment, and $0.6 million in intangible assets, and $nil contributions towards restricted cash. For the same period in 2016, the Company invested $3.8 million in property and equipment, $0.4 million in intangible assets, and advances of $10.4 million was drawn from the restricted cash sinking fund and was used to redeem the convertible debentures.

Cash flows used in investing activities for the year ended December 31, 2017 were $4.2 million compared to $8.2 million for the same period last year. During the year ended December 31, 2017, the Company gained access to $1.4 million of restricted cash, $3.9 million was invested in property and equipment, and $1.3 million invested in intangible assets. For the year ended December 31, 2016, $5.5 million was invested in property and equipment, $2.1 million invested in intangible assets, and advances of $0.6 million was drawn from restricted cash sinking fund.

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 $130.0 million revolver facility, of which a maximum of $10.0 million is available under a swing line facility and will mature on June 30, 2021. The commitment under the swing line facility will reduce availability under the revolver facility on a dollar-for-dollar basis. As at December 31, 2017, the interest rate on Canadian dollar borrowings was 4.45% (December 31, 2016 – 4.95%) and 5.75% on U.S dollar borrowings (December 31, 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, $1.4 million, 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 December 31, 2017, IBI Group has borrowings of $65.7 million (December 31, 2016 - $74.7 million) under the credit facilities, which has been recognized net of deferred financing costs of $1.8 million (December 31, 2016 - $1.6 million). As at December 31, 2017, IBI Group has letters of credit outstanding of $6.5 million (December 31, 2016 - $8.0 million), of which $6.0 million (December 31, 2016 - $5.8 million) is issued under a $30.0 million 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 December 31, 2017, $65.7 million was outstanding under Bankers' Acceptance.

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 December 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.

CONVERTIBLE DEBENTURES

The Company had the following series of convertible debentures outstanding as at year ended December 31, 2017 and 2016.

(in thousands of Canadian dollars)		LIABILITY COMPONENT	EQUITY COMPONENT	OTHER FINANCIAL LIABILITY COMPONENT	TOTAL
7.0% Debentures (matures on June 30, 2019)					
Balance at January 1, 2016		29,618	1,750	-	31,368
Accretion of 7.0% Debentures		12,486	-	-	12,486
Redemption of 7.0% Debentures		(31,245)	(1,189)	-	(32,434)
Balance at January 1, 2017		10,859	561	-	11,420
Accretion of 7.0% Debentures		1,323	-	-	1,323
Balance at December 31, 2017		12,182	561	-	12,743
5.5% Debentures (matures on December 31, 2021)					
Balance at January 1, 2016		-	-	-	-
Issuance of 5.5% Debentures		32,498	-	10,908	43,406
Accretion of 5.5% Debentures		519	-	-	519
Gain in fair value of other financial liabilities		-	-	(1,819)	(1,819)
Balance at January 1, 2017		33,017	-	9,089	42,106
Accretion of 5.5% Debentures		1,958	-	-	1,958
Loss in fair value of other financial liabilities		-	-	3,922	3,922
Balance at December 31, 2017		34,975	-	13,011	47,986
BALANCE, DECEMBER 31, 2017	$	47,157 $	561 $	13,011 $	60,729

7.0% DEBENTURES ($46.0 MILLION PRINCIPAL, OPTION A MATURES ON JUNE 30, 2019 AND OPTIONS B AND C REDEEMED ON OCTOBER 31, 2016)

On July 23, 2014, the Company entered into a supplemental trust indenture with CIBC Mellon Trust Company, the trustee for the 7.0% convertible unsecured subordinated debentures (“Debentures”) which were originally scheduled to mature on December 31, 2014, to give effect to the amendments approved at a special meeting of the Debenture holders to extend the maturity of the Debentures to June 30, 2019. In exchange for the extension of the maturity, Debenture holders that delivered and did not withdraw a valid proxy voting for the extension received either; a reduced conversion price to $5.00 per share from $19.17 per share with a consent fee note equal to $86.96 per $1,000 principal amount of Debentures (“Option B”) or the Debenture holders retained the conversion price of $19.17 per share and received a consent fee note equal to $195.65 per $1,000 principal amount of Debentures (“Option A”). The conversion price was also reduced to $5.00 per share from $19.17 per share for Debenture holders who did not deposit a proxy, abstained from voting or voted against the Debenture amendments (“Option C”). The Debentures bear interest from the date of issue at 7.0% per annum, payable in equal semi-annual payments in arrears on June 30th and December 31st of each year. The consent fee notes are unsecured, non-convertible, mature on December 31, 2016 and bear interest at the rate of 7.0% per annum which is payable on maturity.

The amendments to the Debentures resulted in them being accounted for as extinguishments for accounting purposes. Consequently, the original Debentures were derecognized and the new Debentures (under Option A, B and C) were recognized at fair value.

On October 31, 2016, the Company redeemed the 7.0% Debentures under Options B and C ("IBG.DB"). The holders of $30.0 million principal of the 7.0% Debentures had exercised the $5 share conversion option and received 5,997,600 shares. For the balance of $1.3 million principal of the 7.0% Debentures, the Company issued 222,476 shares. The financial liability being redeemed under Options B and C were accreted to the full principal value, resulting in total accretion expense of $12.5 million being recognized in the consolidated statement of comprehensive income (loss) during the year ended December 31, 2016. See Note 15 – Finance Costs for further detail regarding the accretion expense for the period. The Company recorded $31.2 million in common shares and reclassified the equity component of the portion redeemed of $1.2 million to contributed surplus.

The fair value of the remaining 7.0% Debentures under Option A is $15.2 million(December 31, 2016 - $15.0 million) with a face value of $14.8 million should they be redeemed for cash prior to or at maturity. The consent fee notes issued under Option A and B were paid in full upon maturity as at December 31, 2016.

5.5% DEBENTURES ($46.0 MILLION PRINCIPAL, MATURES ON DECEMBER 31, 2021)

In September 2016, the Company issued 5.5% Debentures of $46.0 million with a maturity date of December 31, 2021. The 5.5% Debentures are convertible into common shares of the Company at the option of the holder at a conversion price of $8.35 per common share. The 5.5% Debentures are not redeemable at the option of the Company before December 31, 2019. The 5.5% Debentures are redeemable by the Company at a price of $1,000 per 5.5% Debenture, plus accrued and unpaid interest, on or after December 31, 2019 and prior to December 31, 2020 (provided that the volume weighted average trading price of the shares of the Company on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given, is not less than 125% of the conversion price of $8.35 per share). On or after December 31, 2020 and prior to the maturity date, the 5.5% Debentures are redeemable by the Company at a price of $1,000 per 5.5% Debenture, plus accrued and unpaid interest. The 5.5% Debentures bear interest from the date of issue at 5.5% per annum, payable in equal semi-annual payments in arrears on June 30th and December 31st of each year, commencing June 30, 2017.

The 5.5% Debentures are recorded as a hybrid financial instrument. The non-derivative debt (interest and principal portion) was recorded at fair value on the date of issue and was recognized at $32.5 million which was net of deferred financing costs of $2.6 million, estimated using discounted future cash flows at an estimated discount rate discount rate of 11.5%. Subsequently the non-derivative debt component is measured at amortized cost using the effective interest method over the life of the debenture.

The derivative component of this hybrid financial instrument representing the conversion feature of the 5.5% Debentures was measured at fair value of $10.9 million at the date of issuance, and recorded as part of Other financial liabilities in the statement of financial position. This conversion feature is unique to this issuance of convertible debt given IBI has the right to settle any request to convert debentures to IBI shares by the Debenture holders for an equivalent amount of cash. As at December 31, 2017, the fair value of the derivative component was $13.0 million (December 31, 2016 - $9.1 million).

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 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 December 31, 2017, had been 50 basis points higher or lower, with all other variables held constant, net income for the year ended December 31, 2017 would have decreased or increased by approximately $0.2 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 year ended and as at December 31, 2017, with all other variables held constant, total comprehensive income would have increased or decreased by $0.2 million for the year ended December 31, 2017. If the exchange rates had been 100 basis points higher or lower during the year ended December 31, 2017, with all other variables held constant, net income would have been $nil. for the year ended December 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 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 contractual obligations due on financial liabilities and commitments as of December 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	$ 48.8	$ 48.8	$ -	$ -	$ -
Credit facilities[1]	63.8	-	-	65.7	-
Interest on credit facilities[1,2]	-	3.1	6.2	1.5	-
Convertible debentures	47.2	-	14.8	46.0	-
Interest on convertible debentures[3]	-	3.6	5.6	2.5	-
Operating leases	141.3	23.8	48.5	27.6	41.3
TOTAL CONTRACTUAL OBLIGATIONS	$ 301.1	$ 79.3	$ 75.1	$ 143.3	$ 41.3

[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 fund growth 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

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 March 8, 2018, the Company's common share capital consisted of 31,219,211 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 subordinated partnership unit. If all such Class B partnership units of IBI Group had been exchanged for shares on December 31, 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 consolidated financial statements as at December 31, 2017.

SHARE ISSUANCES

During the year ended December 31, 2017, the Company issued 3,334 common shares as a result of an exercise of stock options granted in January 2016.

ACCUMULATED OTHER COMPREHENSIVE LOSS

During the year ended December 31, 2017, the Company incurred a $3.5 million loss 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 year ended December 31, 2017 was $12.7 million (2016 - $15.5 million). As at December 31, 2017, there were 60 partners (December 31, 2016 – 64 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 December 31, 2017 and 2016, the amount of distributions payable to the Management Partnership were nil.

As noted in Note 18 of the Consolidated Financial Statements – Share Based Compensation, during the year the Company issued stock options to management under the terms of the Company's stock option plan.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements 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 consolidated statement of financial position, and the reported amounts of revenue and expenses for the period covered by the consolidated statement of comprehensive income (loss). Actual amounts may differ from these estimates.

Within the context of these consolidated financial statements, a judgment is a decision made by management in respect of the application of an accounting policy, a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Management continually evaluates the estimates and judgments it uses.

Information about judgments made in applying accounting policies that have the most significant impact on the amounts recognized in the consolidated financial statements are as follows:

RECOVERABILITY OF ACCOUNTS RECEIVABLE

The Company records accounts receivable net of impairment losses determined based on the age of the outstanding receivables, factors specific to individual clients and its historical collection and loss experience.

Information about assumptions and estimation uncertainties that have a significant impact on the amounts recognized in the consolidated financial statements for the year ended December 31, 2017 are as follows:

REVENUE RECOGNITION

The Company also enters into contracts that require multiple deliverables, which can include software and hardware elements. Management applies judgment when assessing whether certain deliverables in a customer arrangement should be included or excluded from a unit of account to which contract accounting is applied. The judgment is typically related to the sale and inclusion of third party hardware and licenses in a customer arrangement, and involves an assessment that principally addresses whether the deliverable has stand-alone value to the customer that is not dependent upon other components of the arrangement.

The Company accounts for certain of its revenue in accordance with IAS 11 Construction Contracts, ("IAS 11") which requires estimates to be made for contract costs and revenues and IAS 18 Revenue ("IAS 18"). Revenue from fixed-fee and variable-fee-with-ceiling contracts is recognized using the percentage of completion method based on the ratio of professional costs incurred to total estimated professional costs. Estimating total professional costs is subjective and requires the use of management's best estimate based on the information available at that point in time. The Company also provides for estimated losses on contracts in-progress in the period in which such losses are determined. Deferred revenue is recorded when billings to the clients exceeds the revenue that has been earned based on effort completed at the date of the consolidated statement of financial position. Changes in the estimates are reflected in the period in which they are made and would affect the Company's revenue and work in process.

ACCURACY OF WORK IN PROCESS AND DEFERRED REVENUE

The Company records its work in process based on the time and materials charged into each project. Deferred revenue is recorded when billings to the clients exceeds the revenue that has been earned based on effort completed at the date of the consolidated statement of financial position. The work in process for each project is reviewed on a monthly basis to determine whether the amounts recorded are recoverable. Where the review determines that the value of work in process exceeds the amount that can be invoiced, review of project budgets is performed to determine whether an adjustment is required to the percentage of completion to accurately reflect revenue earned to date. The percentage complete is determined by estimating the professional costs to be incurred to complete the project.

ONEROUS LEASE PROVISIONS

The Company recognizes provisions when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Management has recorded a provision related to lease exit liabilities which requires estimation of the expected sublease income and discount rate reflective of the risk specific to the obligation.

DETERMINING PROBABLE FUTURE UTILIZATION OF TAX LOSS CARRYFORWARDS

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and the level of future taxable profits, together with future tax-planning strategies.

REVALUATION OF DERIVATIVE LIABILITY

The Company has recognized a convertible debenture as a hybrid financial instrument which includes a derivative liability component. The derivative liability requires a remeasurement at each reporting period to its fair value. Factors and assumptions which affect the fair value remeasurement of the derivative include the bond market price, risk free interest rate, credit spread and IBI share price.

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. With the exception of additional note disclosures in Note 6 of the Financial statements, the adoption of these amendments did not have a material impact on the Company's 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 NOT YET ADOPTED

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– *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 will 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 second phase of the project plan involved review of 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. The third and final phase of the project plan involves finalizing the assessment and quantifying the impacts to revenue recognized on contracts in accordance with IFRS 15.

Management's assessment determined that the standardization of contracts in 2015 and the implementation of key system functionalities in 2016, streamlined the review of financial information for contracts entered into in 2015 and beyond. It was concluded that the revenue recognized on these contracts will not result in a significant change.

The guidance permits two methods of adoption: retrospectively to each reporting period presented (full retrospective method), or retrospectively with mixed requirements in the prior reporting period (partial retrospective). The Company plans to adopt the standard using the full retrospective method to restate each prior reporting period presented.

The extent of the impact of adoption of the standard on the amounts and timing of revenue recognized is estimated to be a decrease in the range of $10 million - $15 million. Any adjustment will impact the timing of the revenue recognized, and will result in an adjustment through equity at time of adoption.

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 will 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. Accounts Receivable and Work in Progress will be called Contract Assets under the new standard. Based on preliminary scoping, the Company expects the standard to have an immaterial impact on loss provisions against Accounts Receivable and Work in Progress.

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 will 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 Company does not expect the Interpretation to have a material impact on the financial statements.

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 will adopt these amendments in its financial statements for the annual period beginning on January 1, 2018. The Company does not expect the amendments to have a material impact on the financial statements.

Annual Improvements to IFRS (2015-2017) Cycles

On December 12, 2017 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. The amendments are effective on or after January 1, 2019, with early application permitted. Each of the amendments has its own specific transition requirements.

IFRS 3 *Business Combinations and* IFRS 11 *Joint Arrangements* - to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business;

IAS 12 *Income Taxes* – to clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI, or equity; and

IAS 23 *Borrowing Costs* – to clarify that specific borrowings – i.e. funds borrowed specifically to finance the construction of a qualifying asset – should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed.

The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2019. 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 December 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 December 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 net income 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.