



IBI Group 2021 First-Quarter Management Discussion and Analysis

THREE MONTHS ENDED
MARCH 31, 2021

IBI GROUP INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2021

FORWARD-LOOKING STATEMENTS	2
FORWARD-LOOKING STATEMENTS AND RISK FACTORS	2
COMPANY PROFILE.....	3
CORE BUSINESS OVERVIEW	4
OUTLOOK	5
FINANCIAL HIGHLIGHTS	6
OVERVIEW.....	6
KEY EVENTS.....	6
STATEMENT OF COMPREHENSIVE INCOME (LOSS).....	8
RESULTS OF OPERATIONS	9
DESCRIPTION OF VARIANCES IN OPERATING RESULTS	11
SUMMARY OF FOREIGN EXCHANGE IMPACT	15
ADJUSTED EBITDA FOR BANK COVENANT PURPOSES	16
ADJUSTED EBITDA FOR BANK COVENANT PURPOSES AND NET OF IFRS 16 IMPACTS FOR THE PREVIOUS EIGHT QUARTERS	18
IMPACT OF TRENDS ON QUARTERLY RESULTS	21
LIQUIDITY AND CAPITAL RESOURCES	23
WORKING CAPITAL.....	23
WORKING CAPITAL MEASURED IN NUMBER OF DAYS OF GROSS BILLINGS.....	24
TOTAL ASSETS AND LIABILITIES	26
TOTAL ASSETS	26
TOTAL LIABILITIES	26
CASH FLOWS	27
OPERATING ACTIVITIES.....	27
FINANCING ACTIVITIES.....	27
INVESTING ACTIVITIES	27
CREDIT FACILITY	27
SECURITY INTEREST OF SENIOR LENDERS.....	29
DEBENTURES.....	29
FINANCIAL RISK MANAGEMENT	31
MARKET RISK.....	31
CREDIT RISK	32
LIQUIDITY RISK	33
CONTRACTUAL OBLIGATIONS	35
CAPITAL MANAGEMENT	35
FUTURE CASH GENERATION	37
SHARE CAPITAL.....	38
TRANSACTIONS WITH RELATED PARTIES	38
CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS	38
ACCOUNTING DEVELOPMENTS.....	39
DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING....	40
DEFINITION OF NON-IFRS MEASURES	41

The following Management Discussion and Analysis (“MD&A”) of operating results and financial position of IBI Group Inc. and its subsidiaries (the “Company”) for the three months ended March 31, 2021 should be read in conjunction with the accompanying audited consolidated financial statements for the year ended December 31, 2020, including the notes thereto. Additional information relating to the Company, including its Annual Information Form for the year ended December 31, 2020 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 41 of this MD&A.

FORWARD-LOOKING STATEMENTS

This report includes certain forward-looking statements that are based on the available information and management’s judgements 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, 2020. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be

materially different from those contained in forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of May 13, 2021.

The factors used to develop the Company’s 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 which it 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 technology-driven design firm providing clients globally with architecture, engineering, planning, systems and technology services operating out of 63 offices in 11 countries across the world.

IBI’s business segment, consulting services, is concentrated in three practice areas:

INTELLIGENCE	BUILDINGS	INFRASTRUCTURE
<ul style="list-style-type: none"> • Software • Systems design • Systems integration • Operations • End-user services 	<ul style="list-style-type: none"> • Architecture • Interior design • Mechanical, Structural & Electrical engineering 	<ul style="list-style-type: none"> • Civil engineering • Landscape architecture • Planning • Transportation • Urban design

By integrating productivity tools, processes and technology innovations developed through IBI’s Intelligence practice, the Company has been able to drive incremental growth in its traditional Buildings and Infrastructures practices, while generating more efficient results for IBI clients. IBI’s track record of delivering premium, technology-driven results is a key firm differentiator and when combined with rising urbanization, is expected to contribute to the Company’s continued growth across all three practice areas.

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, as well as other business areas.

CORE BUSINESS OVERVIEW

IBI markets its services and technologies through the three practice areas outlined above and manages business operations both by geographic region, in Canada and international locations, and by sector in the United States and the United Kingdom.

Intelligence

The skills and solutions within IBI's Intelligence practice are key elements that support IBI's position as a technology-driven design firm. The consulting practice includes advisory services, the design of systems, strategic advice on systems operation, deployment and assistance through to the implementation of industry solutions. IBI provides complete systems solutions in tolling, traffic and transit management, airport groundside management, lighting, and Supervisory Control And Data Acquisition (SCADA) applications for control of water and waste-water systems. Work to deliver new solutions that can be introduced to clients is underway in the areas of smart cities, asset management (including the InForm by IBI Group solution), energy optimization (including BlueIQ), traveller information systems (including TravellIQ) and data analytics.

Buildings

The Company's expertise in architecture, interior design and mechanical, structural & electrical engineering support IBI's Buildings sector, which includes projects across a variety of building types, including social infrastructure in health care, design for education, including schools, colleges, and universities; high density, high rise residential and mixed-use developments, low-rise buildings; industrial facilities, high-rise office buildings, retail space, institutional buildings, recreation, hotel and resort facilities. While the IBI Buildings practice covers a wide range of projects, the majority of the Company's practice is focused on four building types: mixed-use and residential development, healthcare, education and transportation facilities. Continued urbanization in global centres is expected to provide a growing portfolio of potential projects.

Infrastructure

The Company's expertise in civil engineering, landscape architecture, planning, transportation and urban design support IBI's Infrastructure practice. Services provided within the Infrastructure practice support transportation development, deployment and management - within and between urban areas - including all modes of private and public transportation for passengers (bus, light rail transit, heavy commuter rail, subway, heavy rail, high-speed rail, airports, marine transportation, and highway and road systems) and for freight transportation (trucks, rail, air, and marine). While the Infrastructure business is quite diverse, the majority of the Company's practice is focused on three core areas: land engineering covering all municipal utilities (sewer, power, water, and roads); placemaking services related to brownfield redevelopment in major metropolitan areas; and transportation planning and engineering.

OUTLOOK

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

Management is forecasting approximately \$422 million in total net revenue for the year ended December 31, 2021. The Company currently has \$586 million of work that is committed and under contract for the next five years, and at the same date has 17 months of backlog (calculated on the basis of the current pace of work that the Company has achieved during the 12 months ended March 31, 2021). The Company is also in a strong position to meet its current and future working capital needs with its current cash reserves and available credit facility borrowings.

The Company bases its view of industry performance on its results in relation to its direct competitors and by reports published by market analysts.

Ongoing efforts to improve the monitoring of financial results, identify synergies and implement cost management initiatives, as well as strengthen the billings and collections process continue to be an area of focus as the Company continues to seek out opportunities to enhance profitability. In addition, the Company remains committed to strengthening its balance sheet by directing free cash flow to ongoing debt reduction, with the ultimate goal of increasing capital allocation flexibility.

FINANCIAL HIGHLIGHTS

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

	THREE MONTHS ENDED	
	MARCH 31,	
	2021	2020
Number of working days	62	63
Gross revenue	\$ 132,932	\$ 121,166
Less: Subconsultants and direct costs	24,030	24,485
Net revenue	\$ 108,902	\$ 96,681
Net income	\$ 4,297	\$ 5,584
Basic & diluted earnings per share	\$ 0.11	\$ 0.15
Adjusted EBITDA ¹ net IFRS 16 impacts	\$ 16,369	\$ 14,035
Adjusted EBITDA ¹ net of IFRS 16 impacts as a percentage of net revenue	15.0%	14.5%
Cash flows (used in) provided by operating activities	\$ 10,780	\$ (393)

OVERVIEW

KEY EVENTS

- Net revenue increased to \$108.9 million for the three months ended March 31, 2021 compared to \$96.7 million for the same period in 2020, which reflects an increase of \$12.2 million or 12.6%.
- As a result of an improved pace of securing future work, the Company has an increase in backlog to be completed relative to March 31, 2020 of 20% across the firm.
- Adjusted EBITDA¹ net of IFRS 16 impacts increased to \$16.4 million (15.0% of net revenue) for the three months ended March 31, 2021 compared to \$14.0 million (14.5% of net revenue) for the same period in 2020, which represents an increase of \$2.3 million or 16.6%. The following tables

¹ See "Definition of Non-IFRS Measures".

represent the revenue and Adjusted EBITDA¹ net of IFRS 16 impacts by sector for the three months ended March 31, 2021 and 2020:

<i>(in thousands of Canadian dollars)</i> <i>(unaudited)</i>	THREE MONTHS ENDED MARCH 31, 2021				
	INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL
Gross revenues	\$ 23,652	\$ 67,716	\$ 41,020	\$ 544	\$ 132,932
Less: subconsultants and direct expenses	3,761	14,424	5,778	67	24,030
Net revenue	\$ 19,891	\$ 53,292	\$ 35,242	\$ 477	\$ 108,902
Percentage of total revenue	18.3%	48.9%	32.4%	0.4%	100.0%
Adjusted EBITDA ¹ net of IFRS 16 impacts	\$ 4,463	\$ 10,850	\$ 5,290	\$ (4,234)	\$ 16,369
Adjusted EBITDA ¹ net of IFRS 16 impacts as a percentage of revenue	22.4%	20.4%	15.0%		15.0%

<i>(in thousands of Canadian dollars)</i> <i>(unaudited)</i>	THREE MONTHS ENDED MARCH 31, 2020				
	INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL
Gross revenues	\$ 23,672	\$ 61,583	\$ 35,704	\$ 207	\$ 121,166
Less: subconsultants and direct expenses	3,386	12,553	8,533	13	24,485
Net revenue	\$ 20,286	\$ 49,030	\$ 27,171	\$ 194	\$ 96,681
Percentage of total revenue	21.0%	50.7%	28.1%	0.2%	100.0%
Adjusted EBITDA ¹ net of IFRS 16 impacts	\$ 4,582	\$ 8,266	\$ 3,363	\$ (2,176)	\$ 14,035
Adjusted EBITDA ¹ net of IFRS 16 impacts as a percentage of revenue	22.6%	16.9%	12.4%		14.5%

- Net income for the three months ended March 31, 2021 was \$4.3 million, a decrease of \$1.3 million compared to the same period in 2020. This is primarily due to the change in the fair value of other financial liabilities from a gain of \$2.1 million in the prior period to a loss of \$0.9 million in the current period as a result of the redemption of the 5.5% debentures.
- On January 15, 2021, the Company redeemed the 5.5% debentures for total consideration of \$47.6 million.
- On February 02, 2021, the Company acquired all the issued and outstanding shares of Peter's Energy Solutions Inc. for total consideration of \$0.7 million. Included in the total consideration is an estimated amount of deferred consideration over a three-year period based on a percentage of Adjusted EBITDA¹ for bank covenant purposes.

¹ See "Definition of Non-IFRS Measures".

- For the three months ended March 31, 2021 the Company billed \$5.3 million to clients relating to recurring software support and maintenance¹, an increase of \$nil compared to \$5.3 million for the same period in 2020. The impact of foreign exchange was a decrease of \$0.2 million or 3.8% in the current period.

STATEMENT OF COMPREHENSIVE INCOME (LOSS)

Net revenue for the three months ended March 31, 2021 was \$108.9 million, compared with \$96.7 million in the same period in 2020, an increase of \$12.2 million or 12.6%. The increase in revenue for the three months ended March 31, 2021 compared to the same period in 2020 is a result of improved performance within the Buildings, Infrastructure, and Corporate business units with increase of revenue of \$4.3 million, \$8.1 million, and \$0.3 million respectively. Revenues in the Intelligence business unit decreased by \$0.4 million when comparing the same periods.

As a result of an improved pace of securing future work, the Company has an increase in backlog to be completed relative to March 31, 2020 of 20% across the firm.

Basic and diluted earnings per share is \$0.11 for the three months ended March 31, 2021, compared to \$0.15 per share for the same period in 2020. Basic and diluted earnings per share decreased primarily due to a decrease in net income of \$1.3 million and an increase in the weighted average number of common shares outstanding which totaled 31,265,733 as at March 31, 2021 compared to 31,240,044 for the same period in 2020. A decrease in net income resulted from a pre-tax loss in the fair value of other financial liabilities of \$0.9 million in the current period compared to a pre-tax gain of \$2.1 million in the same period in 2020 as a result of the redemption of the 5.5% debentures in January 2021. There was also a change in the fair value of deferred share units from a gain of \$1.0 million in the prior period to a loss of \$0.8 million in the current period which contributed to the decrease in net income. The increase in common shares outstanding is a result of the exercise of stock options subsequent to March 31, 2020.

¹ See “*Definition of Non-IFRS Measures*”.

RESULTS OF OPERATIONS

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

	THREE MONTHS ENDED MARCH 31,	
	2021	2020
<i>(thousands of Canadian dollars, except per share amounts)</i>		
Revenue		
Gross Revenue	\$ 132,932	\$ 121,166
Less: Subconsultants and direct costs	24,030	24,485
NET REVENUE	\$ 108,902	\$ 96,681
Expenses		
Salaries, fees and employee benefits	79,108	68,006
Variable lease expense	2,774	2,738
Other operating expenses	10,415	10,820
Foreign exchange loss	494	1,534
Amortization of intangible assets	869	617
Depreciation of property, equipment, and other assets	1,398	1,335
Depreciation of right of use assets	3,027	3,339
Change in fair value of other financial liabilities	908	(2,062)
Impairment of financial assets	819	317
	99,812	86,644
OPERATING INCOME	\$ 9,090	\$ 10,037
Interest expense, net	1,983	2,839
Other finance costs	235	192
FINANCE COSTS	\$ 2,218	\$ 3,031
NET INCOME BEFORE TAX	\$ 6,872	\$ 7,006
Current tax expense	1,228	383
Deferred tax expense	1,347	1,039
INCOME TAX EXPENSE	\$ 2,575	\$ 1,422
NET INCOME	\$ 4,297	\$ 5,584
OTHER COMPREHENSIVE INCOME		
Items that are or may be reclassified to profit or loss		
Gain on translating financial statements of foreign operations	(984)	6,332
OTHER COMPREHENSIVE INCOME (LOSS)	(984)	6,332
TOTAL COMPREHENSIVE INCOME	\$ 3,313	\$ 11,916
NET INCOME ATTRIBUTABLE TO:		
Common shareholders	3,578	4,649
Non-controlling interests	719	935
NET INCOME	\$ 4,297	\$ 5,584
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Common shareholders	2,759	9,921
Non-controlling interests	554	1,995
TOTAL COMPREHENSIVE INCOME	\$ 3,313	\$ 11,916
EARNINGS PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS		
Basic & diluted earnings per share	\$ 0.11	\$ 0.15

DESCRIPTION OF VARIANCES IN OPERATING RESULTS

i) REVENUE

Net revenue for the three months ended March 31, 2021 was \$108.9 million, compared with \$96.7 million in the same period in 2020, an increase of \$12.2 million or 12.6%. The increase in revenue for the three months ended March 31, 2021 compared to the same period in 2020 is a result of improved performance within the Buildings, Infrastructure, and Corporate business units with increase of revenue of \$4.3 million, \$8.1 million, and \$0.3 million respectively. Revenues in the Intelligence business unit decreased by \$0.4 million when comparing the same periods.

As a result of an improved pace of securing future work, the Company has an increase in backlog to be completed relative to March 31, 2020 of 20% across the firm.

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

	MARCH 31, 2021	DECEMBER 31, 2020	SEPTEMBER 30, 2020	JUNE 30, 2020	MARCH 31, 2020	DECEMBER 31, 2019	SEPTEMBER 30, 2019	JUNE 30, 2019
<i>(unaudited)</i>								
Number of working days	62	63	63	63	63	63	63	63

ii) SALARIES, FEES, AND EMPLOYEE BENEFITS

Salaries, fees, and employee benefits for the three months ended March 31, 2021 was \$79.1 million compared to \$68.0 million in the same period in 2020. This includes an increase in expense related to the fair value of the deferred share units of \$0.8 million for the three months ended March 31, 2021 compared to a decrease in expense of \$1.0 million in the same period in 2020. As a percentage of net revenues, salaries, fees and employee benefits for the three months ended March 31, 2021 was 72.6% compared to 70.3% for the same period.

The impact of foreign exchange on salaries, fees and employee benefits for the three months ended March 31, 2021 was a decrease in expense of \$1.1 million compared to the same period in 2020

The following table is a summary of salaries, fees and employee benefits for the three months ended March 31, 2021.

	THREE MONTHS ENDED	
	MARCH 31,	
	2021	2020
Salaries and wages	\$ 69,886	\$ 61,151
Benefits	8,011	7,331
Performance share units	106	97
Change in fair value of deferred share units	808	(981)
Stock options expense	297	408
TOTAL SALARIES, FEES AND EMPLOYEE BENEFITS	\$ 79,108	\$ 68,006

iii) VARIABLE LEASE EXPENSE

Variable lease expenses for the three months ended March 31, 2021 was \$2.8 million compared to \$2.7 million in the same period in 2020. Variable lease expenses include items such as utilities, property taxes, and other common area maintenance costs on real estate contracts, as well as any real estate contracts where the practical expedient was applied under IFRS 16 (short-term leases or low-dollar value leases).

iv) OTHER OPERATING EXPENSES

Other operating expenses for the three months ended March 31, 2021 totaled \$10.4 million compared with \$10.8 million in the same period in 2020, a decrease of \$0.4 million or 3.7%. As a percentage of net revenues, operating expenses for the three months ended March 31, 2021 were 9.6% compared to 11.2% for the same period in 2020.

The impact of foreign exchange on other operating expenses for the three months ended March 31, 2021 was a decrease in expense of \$1.3 million compared to the same period in 2020

v) FOREIGN EXCHANGE GAIN & LOSS

Foreign exchange loss for the three months ended March 31, 2021 was \$0.5 million compared to \$1.5 million for the same period in 2020.

The foreign exchange loss 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 are not considered part of the permanent investment in those foreign subsidiaries as well as the exchange impact of its U.S dollar drawings on its credit facilities in 2020.

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 the available liquidity of its credit facilities which is impacted by foreign exchange rate fluctuations between the Canadian and U.S dollar, and strives to ensure that tax efficiencies continue to exist in order to meet its short and long-term cash obligations.

vi) CHANGE IN FAIR VALUE OF OTHER FINANCIAL LIABILITIES

The change in fair value of other financial liabilities for the three months ended March 31, 2021 was a loss of \$0.9 million compared to a gain of \$2.1 million for the same period in 2020. 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. These Debentures were redeemed on January 15, 2021.

vii) AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intangible assets for the three months ended March 31, 2021 was \$0.9 million compared to \$0.6 million for the same period in 2020. The increase in amortization of intangible assets for the three months ended March 31, 2021 is due to additions to intangible assets and bringing new processes and assets into use subsequent to the prior period and additions on the acquisition of Cole Engineering Group Ltd.

viii) DEPRECIATION OF PROPERTY AND EQUIPMENT

Depreciation of property and equipment for the three months ended March 31, 2021 was \$1.4 million compared to \$1.3 million for the same period in 2020.

ix) IMPAIRMENT OF FINANCIAL ASSETS

Impairment of financial assets for the three months ended March 31, 2021 was \$0.8 million compared to \$0.3 million for the same period in 2020. This is based on the Company's historical collection and loss experience and incorporates forward looking factors, where appropriate.

x) DEPRECIATION OF RIGHT-OF-USE ASSET

Depreciation of right-of-use assets for the three months ended March 31, 2021 was \$3.0 million compared to \$3.3 million for the same period in 2020. The decrease is due to a number of leases whose lease term ended subsequent to March 31, 2020.

xi) INTEREST EXPENSE & OTHER FINANCE COSTS

Interest expense for the three months ended March 31, 2021 was \$2.0 million compared to \$2.8 million for the same period in 2020. Relative to the same period in 2020, interest on credit facilities decreased by \$0.4 million. The decrease is a result of a lower average amount borrowed and reduced interest rates under the facility for the three months ended March 31, 2021 compared to the same period in 2020. Non-cash accretion of debentures decreased by \$0.6 million. The decrease is due to the redemption of the 5.5% convertible debentures in January 2021, which had a higher accretion rate than the 6.5% debentures. This was offset slightly by the increase of \$0.2 million on interest on debentures, related to the higher rate of interest on the 6.5% debentures.

Other finance costs for the three months ended March 31, 2021 were \$0.2 million compared to \$0.2 million for the same period in 2020.

Following is a summary of finance costs for the three and three months ended March 31, 2021 and 2020:

	THREE MONTHS ENDED	
	MARCH 31,	
	2021	2020
Interest on credit facilities	\$ 84	\$ 510
Interest on debentures	880	631
Non-cash accretion of debentures	115	694
Interest on lease liability	882	1,070
Interest on lease receivable	(60)	(90)
Other	82	24
INTEREST EXPENSE	\$ 1,983	\$ 2,839
Amortization of deferred financing costs	\$ 129	\$ 112
Other	106	80
OTHER FINANCE COSTS	\$ 235	\$ 192
FINANCE COSTS	\$ 2,218	\$ 3,031

xii) INCOME TAXES

Income taxes for the three months ended March 31, 2021 was \$2.6 million (three months ended March 31, 2020 - \$1.4 million). The effective income tax rate for the three months ended March 31, 2021 was 37.5% (three months ended March 31, 2020 – 20.3%). The change in the effective income tax rate was primarily due to non-taxable gain related to the change in the fair value of other financial liabilities for the three months ended March 31, 2020 that was deducted for tax purposes, reducing the effective tax rate in the prior period. This same deduction is not applicable in the current period as the 5.5% debentures were redeemed in January 2021. The cash premium paid on the settlement of the conversion option on the 5.5% debentures is non-deductible and therefore increased the effective tax rate in the current period. This is considered a one-time occurrence.

xiii) NET INCOME

Net income for the three months ended March 31, 2021 was \$4.3 million compared to \$5.6 million for the same period in 2020. The factors impacting this have been set out in the description of individual line items above.

Adjusted EBITDA¹ for bank covenant purposes for the three months ended March 31, 2021 increased by \$3.7 million when compared to the same period in 2020 (see table for Adjusted EBITDA¹ for bank covenant purposes and net of IFRS 16 impacts for the previous eight quarters in this MDA).

SUMMARY OF FOREIGN EXCHANGE IMPACT

The following is a summary of the foreign exchange impact on revenue and total expenses for the three months ended March 31, 2021 and 2020:

<i>(in thousands of Canadian dollars)</i>	THREE MONTHS ENDED			FOREIGN	
	MARCH 31,		CHANGE	EXCHANGE OPERATING	
	2021	2020		IMPACT	CHANGE
Gross revenue	132,932	121,166	11,766	(2,421)	14,187
Less: Subconsultants and direct costs	24,030	24,485	(455)	789	(1,244)
Net revenue	108,902	96,681	12,221	(3,210)	15,431
Total operating expenses, net of foreign exchange gain & loss	99,318	85,024	14,208	(1,313)	15,521

¹ See "Definition of Non-IFRS Measures".

ADJUSTED EBITDA¹ FOR BANK COVENANT PURPOSES

All of the factors outlined above have been adjusted for the discussion in the non-IFRS measure, Adjusted EBITDA¹ for bank covenant purposes. The following tables provide revenue and Adjusted EBITDA¹ for bank covenant purposes by Business unit for the three months ended March 31, 2021 and 2020

<i>(in thousands of Canadian dollars)</i>	THREE MONTHS ENDED MARCH 31, 2021					
	INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL	
<i>(unaudited)</i>						
Gross revenues	\$ 23,652	67,716	41,020	544	\$	132,932
Less: subconsultants and direct expenses	3,761	14,424	5,778	67		24,030
Net revenue	\$ 19,891	\$ 53,292	\$ 35,242	\$ 477	\$	108,902
Adjusted EBITDA ¹ for bank covenant purposes	\$ 3,909	9,195	4,239	(4,458)	\$	12,885
Items excluded in calculation of Adjusted EBITDA ¹ for bank covenant purposes:						
Interest expense, net	132	412	306	1,133		1,983
Amortization and depreciation	1,013	2,332	1,697	252		5,294
Foreign exchange (gain) loss	(60)	683	201	(330)		494
Change in fair value of other financial liabilities	-	-	-	908		908
Change in fair value of deferred share units	-	-	-	808		808
Payment of DSP	-	-	-	(380)		(380)
Stock based compensation	19	22	21	93		155
Performance share units	-	-	-	106		106
Deferred financing charges	-	-	-	129		129
IFRS 16 lease accounting adjustment	(554)	(1,655)	(1,051)	(224)		(3,484)
Net income before tax	\$ 3,359	\$ 7,401	\$ 3,065	\$ (6,953)	\$	6,872

<i>(in thousands of Canadian dollars)</i>	THREE MONTHS ENDED MARCH 31, 2020					
	INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL	
<i>(unaudited)</i>						
Gross revenues	\$ 23,672	\$ 61,583	\$ 35,704	\$ 207	\$	121,166
Less: subconsultants and direct expenses	3,386	12,553	8,533	13		24,485
Net revenue	\$ 20,286	\$ 49,030	\$ 27,171	\$ 194	\$	96,681
Adjusted EBITDA ¹ for bank covenant purposes	\$ 3,808	\$ 5,939	\$ 1,972	\$ (2,500)	\$	9,219
Items excluded in calculation of Adjusted EBITDA ¹ for bank covenant purposes:						
Interest expense, net	159	483	302	1,895		2,839
Amortization and depreciation	1,116	2,319	1,583	273		5,291
Foreign exchange (gain) loss	34	(355)	385	1,470		1,534
Change in fair value of other financial liabilities	-	-	-	(2,062)		(2,062)
Change in fair value of deferred share units	-	-	-	(981)		(981)
Payment of DSP	-	-	-	-		-
Stock based compensation	26	22	36	115		199
Performance share units	-	-	-	97		97
Deferred financing charges	-	-	-	112		112
IFRS 16 lease accounting adjustment	(774)	(2,327)	(1,391)	(324)		(4,816)
Net income before tax	\$ 3,247	\$ 5,797	\$ 1,057	\$ (3,095)	\$	7,006

¹ See "Definition of Non-IFRS Measures".

ADJUSTED EBITDA¹ FOR BANK COVENANT PURPOSES AND NET OF IFRS 16 IMPACTS FOR THE PREVIOUS EIGHT QUARTERS

The following table summarizes the impact of the IFRS 16 adjustment on Adjusted EBITDA¹ for bank covenant purposes and as a percentage of net revenue for the previous eight quarters.

<i>(in thousands of Canadian dollars (unaudited))</i>	MARCH 31, 2021	DECEMBER 31, 2020	SEPTEMBER 30, 2020	JUNE 30, 2020	MARCH 31, 2020	DECEMBER 31, 2019	SEPTEMBER 30, 2019	JUNE 30, 2019
Adjusted EBITDA ¹ for bank covenant purposes	12,885	10,640	12,727	13,148	9,219	6,809	12,297	12,176
Adjusted EBITDA ¹ for bank covenant purposes as a percentage of revenue	11.8%	10.8%	13.0%	13.2%	9.5%	7.4%	13.0%	12.6%
IFRS 16 lease accounting adjustment	3,484	3,039	3,492	3,945	4,816	4,015	4,434	3,616
Adjusted EBITDA ¹ net of IFRS 16 impacts	16,369	13,679	16,219	17,093	14,035	10,824	16,731	15,792
Adjusted EBITDA ¹ net of IFRS 16 impacts as a percentage of revenue	15.0%	13.9%	16.5%	17.1%	14.5%	11.8%	17.7%	16.3%

¹ See "Definition of Non-IFRS Measures".

The following table summarizes quarterly historical financial results for the Company for each of the eight most recently completed quarters and outlines the items which comprise the difference between net income (loss) and Adjusted EBITDA¹ for bank covenant purposes. This information should be read in conjunction with the applicable unaudited and annual audited consolidated financial statements and related notes thereto, prepared in accordance with IFRS.

¹ See “*Definition of Non-IFRS Measures*”.

(in thousands of Canadian dollars)

except for per share amounts)

(unaudited)

	MARCH	DECEMBER	SEPTEMBER	JUNE	MARCH	DECEMBER	SEPTEMBER	JUNE
	31, 2021	31, 2020	30, 2020	30, 2020	31, 2020	31, 2019	30, 2019	30, 2019
Gross revenue	132,932	135,641	124,355	123,915	121,166	114,203	114,821	117,760
Less: Subconsultants and direct costs	24,030	37,058	26,307	24,017	24,485	22,523	20,201	20,940
Net revenue	108,902	98,583	98,048	99,898	96,681	91,680	94,620	96,820
Net Income	4,297	(929)	6,270	6,756	5,584	1,892	8,690	3,917
Add:								
Interest expense, net	1,983	6,986	2,512	2,547	2,839	3,030	3,177	3,133
Current and deferred tax expense (recovery)	2,575	776	1,639	2,008	1,422	1,022	1,544	2,082
Amortization and Depreciation	5,294	5,322	5,348	5,445	5,291	4,862	5,045	4,886
	9,852	13,084	9,499	10,000	9,552	8,914	9,766	10,101
EBITDA	14,149	12,155	15,769	16,756	15,136	10,806	18,456	14,018
EBITDA as a percentage of revenue	13.0%	12.3%	16.1%	16.8%	15.7%	11.8%	19.5%	14.5%
Items excluded in calculation of Adjusted EBITDA ¹ for bank covenant purposes								
Foreign exchange loss	494	(77)	367	(628)	1,534	(75)	72	467
Change in fair value of other financial liabilities	908	465	(999)	484	(2,062)	(705)	(2,171)	851
Change in fair value of deferred share units	808	803	897	440	(981)	383	(61)	(33)
Stock based compensation expenses	155	161	157	215	199	190	210	260
Performance share units expenses	106	97	98	96	97	111	111	116
Payment of deferred share units expenses	(380)	-	(184)	-	-	-	-	-
Payment of performance share units expenses	-	-	-	(383)	-	-	-	-
Deferred financing charges	129	75	114	113	112	114	114	113
IFRS 16 lease accounting adjustment	(3,484)	(3,039)	(3,492)	(3,945)	(4,816)	(4,015)	(4,434)	(3,616)
	(1,264)	(1,515)	(3,042)	(3,608)	(5,917)	(3,997)	(6,159)	(1,842)
Adjusted EBITDA¹ for bank covenant purposes	12,885	10,640	12,727	13,148	9,219	6,809	12,297	12,176
Adjusted EBITDA¹ for bank covenant purposes as a percentage of revenue	11.8%	10.8%	13.0%	13.2%	9.5%	7.4%	13.0%	12.6%
Adjusted EBITDA¹ net of IFRS 16 impacts	16,369	13,679	16,219	17,093	14,035	10,824	16,731	15,792
Adjusted EBITDA¹ net of IFRS 16 impacts as a percentage of revenue	15.0%	13.9%	16.5%	17.1%	14.5%	11.8%	17.7%	16.3%
Earnings per share attributed to common shareholders	0.11	(0.02)	0.17	0.18	0.15	0.05	0.23	0.10
Weighted average share outstanding	31,265,733	31,257,544	31,246,674	31,240,044	31,240,044	31,238,359	31,225,220	31,225,044

IMPACT OF TRENDS ON QUARTERLY RESULTS

i) REVENUE

Consolidated quarterly revenue is impacted by the available chargeable hours which are typically lowest in the third quarter due to staff taking vacation during the summer months. 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). There was one less working day for the three months ended March 31, 2021 compared to the same period in 2020.

Net revenue is also impacted by the movement in foreign exchange rates. For the eight most recently completed quarters, the following table provides the impact foreign exchange on net revenue when compared to the same period in the previous year:

(in thousands of Canadian dollars) (unaudited)	MARCH 31, 2021	DECEMBER 31, 2020	SEPTEMBER 30, 2020	JUNE 30, 2020	MARCH 31, 2020	DECEMBER 31, 2019	SEPTEMBER 30, 2019	JUNE 30, 2019
Gain (loss) of foreign exchange on gross revenue	(2,421)	(379)	2,807	1,879	482	76	124	1,169
Loss (gain) of foreign exchange on subconsultants and direct costs	789	82	(766)	(519)	(124)	155	(92)	(345)
Gain (loss) of foreign exchange on net revenue	(3,210)	(461)	3,573	2,398	606	(79)	216	1,514

ii) NET INCOME (LOSS)

Net income (loss) is impacted by the fluctuations of foreign exchange and the fair value in other financial liabilities and deferred share units. The impact of these gains (losses) are noted in the adjusted EBITDA¹ table for bank covenant purposes.

iii) ADJUSTED EBITDA¹ FOR BANK COVENANT PURPOSES

Adjusted EBITDA¹ for bank covenant purposes was \$12.9 million for the three months ended March 31, 2021 compared to \$9.2 million for the same period in 2020. Refer to the adjusted EBITDA¹ for bank covenant purposes table above for the changes in the factors which affect the balance period over period.

¹ See "Definition of Non-IFRS Measures".

SEGMENTED ADJUSTED EBITDA¹ FOR BANK COVENANT PURPOSES

The following tables provide financial data for the three months ended March 31, 2021 and 2020 for the following geographic segments of the Company: Canada, U.S, U.K, and Other International.

THREE MONTHS ENDED MARCH 31, 2021						
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS ²	TOTAL
Gross revenues	\$ 76,387	\$ 41,008	\$ 8,951	\$ 6,586	\$ -	\$ 132,932
Less: subconsultants and direct expenses	7,985	12,780	1,363	1,902	-	24,030
Net revenue	\$ 68,402	\$ 28,228	\$ 7,588	\$ 4,684	\$ -	\$ 108,902
Adjusted EBITDA ¹ for bank covenant purposes	\$ 8,463	\$ 3,637	\$ 638	\$ 147	\$ -	\$ 12,885
Items excluded in calculation of Adjusted EBITDA ¹ for bank covenant purposes:						
Interest expense, net	634	224	28	17	1,080	1,983
Amortization and depreciation	2,944	1,652	391	307	-	5,294
Foreign exchange (gain) loss	386	(61)	(24)	193	-	494
Change in fair value of other financial liabilities	-	-	-	-	908	908
Change in fair value of deferred share units	-	-	-	-	808	808
Payment of DSP	-	-	-	-	(380)	(380)
Stock based compensation	83	33	11	28	-	155
Performance share units	106	-	-	-	-	106
Deferred financing charges	-	-	-	-	129	129
IFRS 16 lease accounting adjustment	(1,637)	(1,388)	(316)	(143)	-	(3,484)
Net income (loss) before tax	\$ 5,947	\$ 3,177	\$ 548	\$ (255)	\$ (2,545)	\$ 6,872
THREE MONTHS ENDED MARCH 31, 2020						
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS ²	TOTAL
Gross revenues	\$ 68,422	\$ 37,422	\$ 7,879	\$ 7,443	\$ -	\$ 121,166
Less: subconsultants and direct expenses	11,674	9,641	1,086	2,084	-	24,485
Net revenue	\$ 56,748	\$ 27,781	\$ 6,793	\$ 5,359	\$ -	\$ 96,681
Adjusted EBITDA ¹ for bank covenant purposes	\$ 6,969	\$ 1,567	\$ 263	\$ 420	\$ -	\$ 9,219
Items excluded in calculation of Adjusted EBITDA ¹ for bank covenant purposes:						
Interest expense, net	625	320	32	26	1,836	2,839
Amortization and depreciation	2,631	1,869	414	377	-	5,291
Foreign exchange (gain) loss	1,020	852	20	(358)	-	1,534
Change in fair value of other financial liabilities	-	-	-	-	(2,062)	(2,062)
Change in fair value of deferred share units	-	-	-	-	(981)	(981)
Payment of DSP	-	-	-	-	-	-
Stock based compensation	178	10	2	9	-	199
Performance share units	97	-	-	-	-	97
Deferred financing charges	-	-	-	-	112	112
IFRS 16 lease accounting adjustment	(2,816)	(1,492)	(339)	(169)	-	(4,816)
Net income (loss) before tax	\$ 5,234	\$ 8	\$ 134	\$ 535	\$ 1,095	\$ 7,006

¹ See "Definition of Non-IFRS Measures".

² Unallocated corporate costs represent costs not associated with a particular operating segment and are borne by the Company as a whole. These costs include interest on credit facility, interest and accretion on convertible debentures, the change in fair value on other financial liabilities, the change in fair value in deferred share units, and the amortization of deferred financing costs associated with the credit facilities.

Adjusted EBITDA¹ in the U.S segment for the three months ended March 31, 2021 was \$3.6 million compared to \$1.6 million for the same period in 2020. The increase in Adjusted EBITDA¹ for the three months ended March 31, 2021 for the U.S segment compared to the same period in 2020 is a result of increased revenues and improved operating performance.

As a result of an improved pace of securing future work, the Company has an increase in backlog to be completed relative to March 31, 2020 of 20% across the firm.

LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL

The following table represents the working capital information:

<i>(in thousands of Canadian dollars)</i>	MARCH 31,		DECEMBER 31,	
		2021	2020	CHANGE
Current assets	\$	251,677 \$	253,771 \$	(2,094)
Current liabilities		(140,841)	(182,403)	41,562
WORKING CAPITAL	\$	110,836 \$	71,368 \$	39,468

Current assets decreased by \$2.1 million as at March 31, 2021 when compared with December 31, 2020. This was due to a decrease of \$7.8 million in cash, a decrease of \$0.3 million in income taxes recoverable and a decrease of \$0.2 million in prepaid and other assets. This is offset by an increase of \$5.5 million in accounts receivable and an increase of \$0.8 million in contract assets.

There was a decrease in current assets due to foreign exchange as at March 31, 2021 of \$2.0 million.

Current liabilities decreased by \$41.6 million as at March 31, 2021 when compared with December 31, 2020. This was due to a decrease in the convertible debentures of \$46.0 million and a decrease in other financial liabilities of \$0.7 million, both of which are related to the redemption of the 5.5% debentures in January 2021. There was also a decrease in deferred consideration of \$0.4 million. This is offset by an increase of \$3.4 million in contract liabilities, an increase in accounts payable and accrued liabilities of \$1.1 million, an increase in lease liabilities of \$0.3 million and an increase of \$0.7 million in income taxes payable.

There was a decrease in current liabilities due to foreign exchange as at March 31, 2021 of \$1.4 million.

¹ See "Definition of Non-IFRS Measures".

WORKING CAPITAL MEASURED IN NUMBER OF DAYS OF GROSS BILLINGS¹

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.

WORKING DAYS OF GROSS BILLINGS OUTSTANDING ¹ (unaudited)	MARCH 31, 2021	DECEMBER 31, 2020	SEPTEMBER 30, 2020	JUNE 30, 2020	MARCH 31, 2020
<i>Accounts receivable</i>	61	60	56	55	57
<i>Contract assets</i>	32	32	32	33	33
<i>Contract liabilities</i>	(30)	(29)	(23)	(23)	(23)
	63	63	65	65	67

The days sales outstanding as at March 31, 2021 has decreased by four days compared to March 31, 2020. The Company continues to carry out regular comprehensive reviews of its contract assets and accounts receivable. Improving the days outstanding in contract assets and accounts receivable is a significant area of focus for the Company. There are ongoing programs and initiatives to accelerate billings and to reduce days outstanding.

COMPONENTS OF WORKING CAPITAL

(in millions of Canadian dollars)	MARCH 31, 2021 (unaudited)	DECEMBER 31, 2020	SEPTEMBER 30, 2020 (unaudited)	JUNE 30, 2020 (unaudited)	MARCH 31, 2020 (unaudited)
<i>Accounts receivable</i>	132.9	127.3	120.9	117.1	120.6
<i>Contract assets</i>	68.9	68.1	68.6	70.6	69.2
<i>Contract liabilities</i>	(64.4)	(61.0)	(50.0)	(48.2)	(48.2)
	137.4	134.4	139.5	139.5	141.6

¹ See "Definition of Non-IFRS Measures".

i) *Accounts Receivable*

The table below demonstrates the aging of receivables:

<i>Accounts receivable aging (net of allowance)</i>	<i>MARCH</i>		<i>DECEMBER</i>		<i>SEPTEMBER</i>		<i>JUNE</i>		<i>MARCH</i>	
	<i>30, 2021</i>	<i>%</i>	<i>31, 2020</i>	<i>%</i>	<i>30, 2020</i>	<i>%</i>	<i>30, 2020</i>	<i>%</i>	<i>31, 2020</i>	<i>%</i>
<i>(in thousands of Canadian dollars)</i>	<i>(unaudited)</i>				<i>(unaudited)</i>		<i>(unaudited)</i>		<i>(unaudited)</i>	
Current	56,734	41	56,843	42	49,196	39	46,413	38	49,186	39
30 to 90 days	37,238	27	36,241	27	34,010	27	32,038	27	35,713	29
Over 90 days	45,992	33	40,885	31	42,632	34	43,039	35	40,200	32
Gross Accounts Receivable	139,964	100	133,969	100	125,838	100	121,490	100	125,099	100
Allowance for impairment losses	(7,114)		(6,622)		(4,944)		(4,358)		(4,548)	
TOTAL	132,850		127,347		120,894		117,132		120,551	

The table below demonstrates the impact of foreign exchange on the change in gross receivables from December 31, 2020 to March 31, 2021

<i>(in thousands of Canadian dollars)</i>	<i>CURRENT</i>	<i>30 TO 90 DAYS</i>	<i>OVER 90 DAYS</i>	<i>TOTAL</i>
March 31, 2021 gross accounts receivable	56,734	37,238	45,992	139,964
December 31, 2020 gross accounts receivable	56,843	36,241	40,885	133,969
Change in gross accounts receivable in period	(109)	997	5,107	5,995
March 31, 2021 impact of foreign exchange	(469)	(236)	(310)	(1,015)
December 31, 2020 impact of foreign exchange	(503)	(115)	(194)	(812)
Increase (decrease) due to foreign exchange in period	34	(121)	(116)	(203)
Increase (decrease) due to operations in period	(143)	1,118	5,223	6,198

Gross accounts receivable has increased by \$6.0 million since December 31, 2020. There was a decrease in accounts receivable due to foreign exchange as at March 31, 2021 of \$1.0 million compared to a decrease due to foreign exchange of \$0.8 million as at December 31, 2020. As at March 31, 2021, the Company had \$14.2 million in accounts receivable outstanding on large transit projects which are expected to be collected in the normal course of business. The accounts receivable outstanding on the same projects as at December 31, 2020 was \$16.2 million.

ii) *Contract Assets*

Contract assets increased by \$0.8 million since December 31, 2020. There was a decrease of \$0.8 million in contract assets due to foreign exchange as at March 31, 2021 compared to an increase due to foreign

exchange of \$0.2 million as at December 31, 2020. As at March 31, 2021, the Company had \$10.7 million in contract assets outstanding on large transit projects which are expected to be billed and collected in the normal course of business. The contract assets outstanding on the same projects as at December 31, 2020 totaled \$13.5 million.

iii) Contract Liabilities

Contract liabilities has increased by \$3.4 million since December 31, 2020. There was a decrease in contract liabilities due to foreign exchange as at March 31, 2021 of \$0.4 million compared to a decrease due to foreign exchange of \$0.9 million as at December 31, 2020. The balance is monitored on a regular basis to ensure that amounts are appropriately recognized in fee revenue.

TOTAL ASSETS AND LIABILITIES

TOTAL ASSETS

Total assets have decreased by \$6.5 million since December 31, 2020. This is primarily due to a decrease in current assets of \$2.1 million which is described above in working capital, a decrease in right of use assets of \$3.1 million, a decrease of \$0.7 million in property, plant and equipment, a decrease of \$0.9 million and a decrease of \$0.4 million in lease receivable. This is offset by an increase in goodwill of \$0.6 million related to the acquisition of Peter's Energy Solutions Inc.

TOTAL LIABILITIES

Total liabilities have decreased by \$10.1 million since December 31, 2020. This is primarily due to a decrease in current liabilities of \$41.6 million which is described above in working capital, a decrease in lease liability of \$3.6 million, offset by an increase in credit facilities of \$34.2 million, an increase of \$0.5 million in deferred tax liabilities and an increase of \$0.1 million in senior unsecured debentures.

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)	THREE MONTHS ENDED		
	MARCH 31,		
	2021	2020	CHANGE
<i>Cash flows (used in) provided by operating activities</i>	10,780	(393)	11,173
<i>Cash flows used in financing activities</i>	(15,384)	(4,737)	(10,647)
<i>Cash flows used in investing activities</i>	(2,583)	(2,819)	236

OPERATING ACTIVITIES

Cash flows provided by operating activities for the three months ended March 31, 2021 were \$10.8 million, an increase of \$11.2 million compared to cash flows used in operating activities of \$0.4 million for the same period in 2020. The increase in operating cash flows is mainly attributable to a decrease in non-cash operating working capital of \$6.7 million, a decrease in taxes paid of \$1.7 million and a decrease in interest paid of \$0.4 million and an increase in the change in fair value of other financial liabilities of \$3.0 million

FINANCING ACTIVITIES

Cash flows used in financing activities for the three months ended March 31, 2021 were \$15.4 million, an increase of \$10.6 million compared with cash flows used in financing activities of \$4.7 million for the same period in 2020. The increase in cash flows used in financing activities is mainly attributable the redemption of the 5.5% debentures in January 2021 of \$47.6 million, offset by the decrease in payments of credit facilities of \$36.0 million and a decrease of \$1.0 million in payment of lease liabilities.

INVESTING ACTIVITIES

Cash flows used in investing activities for the three months ended March 31, 2021 were \$2.6 million, a decrease of \$0.2 million compared to cash flows used in investing activities \$2.8 million for the same period in 2020. The decrease in cash flows used in investing activities is mainly attributable to a decrease in capital expenditure of property and equipment of \$1.7 million, offset by cashflows used in the purchase of a Peter's Energy Solutions Inc. of \$0.5 million, an increase in earnout payments of \$0.4 million and an increase in capital expenditure of intangible assets of \$0.5 million.

CREDIT FACILITY

On September 27, 2018, IBI Group entered into an amended agreement on its credit facilities extending the maturity date to September 27, 2022 and increasing the maximum amount available on the swing line facility to \$20 million. The total revolver facility remains unchanged at \$130 million. As at March 31, 2021, the interest on Canadian borrowings was 2.45% (March 31, 2020 – 3.20%). As at March 31, 2021, the Company had no U.S dollar borrowings (March 31, 2020 – 4.00%).

The definitions under the new facility are substantially the same. The financial covenants outlined in the new facility are also substantially the same except for the references to the 7% Convertible Debentures which have now been redeemed.

Facility interest margins:

Level	R is the Leverage Ratio	Applicable Margin		
		for Floating Rate Loans is	for Libor Loans, Acceptances and Standby Instruments is	for the Commitment Fee is
I	$R \leq 1.00:1$	0%	+1.45%	+0.29%
II	$1.00:1 < R \leq 1.50:1$	+0.75%	+1.70%	+0.34%
III	$1.50:1 < R \leq 2.00:1$	+1.00%	+2.00%	+0.45%
IV	$2.00:1 < R \leq 2.50:1$	+1.25%	+2.25%	+0.50625%
V	$R > 2.50:1$	+1.50%	+2.50%	+0.5625%

As at March 31, 2021, IBI Group has borrowings of \$35.0 million (December 31, 2020 - \$nil) under the credit facilities, which has been recognized net of deferred financing costs of \$0.8 million (December 31, 2020 - \$nil).

As at March 31, 2021, IBI Group has letters of credit outstanding of \$10.6 million (December 31, 2020 - \$10.8 million), of which \$9.8 million (December 31, 2018 - \$10.1 million) are issued under a \$20 million facility which matures on June 30, 2021 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, LIBOR or Banker's Acceptance rates plus, in each case, an applicable margin. At March 31, 2021 \$35.0 million was outstanding under Bankers' Acceptance (December 31, 2020 - \$nil).

As at March 31, 2021, IBI Group has surety bonds outstanding of \$4.6 million (December 31, 2020 - \$4.6 million), with Liberty Mutual Insurance. These bonds are security agreements necessary to backstop certain Intelligence projects in the U.S segment.

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 March 31, 2021.

Continued compliance with the covenants under the amended credit facilities is dependent on IBI Group achieving revenue forecasts, profitability, reducing costs and continued improvements in 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, the Company 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.

DEBENTURES

The carrying value of the convertible debentures as at March 31, 2021 is as follows:

	LIABILITY COMPONENT	OTHER FINANCIAL LIABILITY COMPONENT	TOTAL
5.5% Debentures (Redeemed on January 15, 2021)			
Balance at December 31, 2020	\$ 46,000	\$ 730	\$ 46,730
Change in fair value of other financial liabilities	-	908	908
Redemption of 5.5% Debentures	(46,000)	(1,638)	(47,638)
BALANCE, MARCH 31, 2021	\$ -	\$ -	\$ -
6.5% Debentures (matures on December 31, 2025)			
Balance at December 31, 2020	\$ 43,186	\$ -	\$ 43,186
Accretion of 6.5% Debentures	115	-	115
BALANCE, MARCH 31, 2021	\$ 43,301	\$ -	\$ 43,301

5.5% DEBENTURES (\$46.0 MILLION PRINCIPAL, REDEEMED ON JANUARY 15, 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 were 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 were not redeemable at the option of the Company before December 31, 2019. The 5.5% Debentures were 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 was 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 were redeemable by the Company at a price of \$1,000 per 5.5% Debenture, plus accrued and unpaid interest. The 5.5% Debentures bore 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 were 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 of 11.5%. Subsequently the non-derivative debt component was 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 consolidated statement of financial position. This conversion feature was unique to this issuance of convertible debt given IBI had the right to settle any request to convert debentures to IBI shares by the Debenture holders for an equivalent amount of cash. As at March 31, 2021, the fair value of the derivative component was \$nil (December 31, 2020 - \$0.7 million).

On December 15, 2020, the Company issued a redemption notice pursuant to the convertible debenture indenture dated September 2016 (the "Indenture") to redeem the entire aggregate principle amount of \$46.0 million of its outstanding 5.5% convertible unsecured subordinated debentures due December 31, 2021 and having a conversion price of \$8.35 per common share, which are listed for trading on the Toronto Stock Exchange under symbol "IBG.DB.D" in accordance with the terms of the Debentures. The Company satisfied its obligation to pay to the holders of the Debentures the Redemption Price in cash through available funds. The Debentures were redeemed on January 15, 2021 (Redemption Date). The total redemption amount paid for the Debentures was \$47.6 million.

6.5% DEBENTURES (\$46.0 MILLION PRINCIPAL, MATURES ON DECEMBER 31, 2025)

On October 02, 2020, the Company issued 6.5% senior, unsecured Debentures of \$46.0 million with a maturity date of December 31, 2025. The Debentures bear interest at the rate of 6.5% per annum, payable semi-annually in arrears on June 30 and December 31 of each year, commencing December 31, 2020. The use of the net proceeds was to repay the 5.5% Debentures.

On or after December 31 2023, but prior to December 31, 2024, the 6.5% Debentures are redeemable, in whole or in part from time to time at the option of the Company at a price equal to 103.25% of the principal amount of the Debentures redeemed plus accrued and unpaid interest . On or after December 31, 2024 but prior to the maturity date of December 31, 2025, the Debentures are redeemable at a price equal to their principal amount plus accrued and unpaid interest.

On redemption or at maturity on December 31, 2025, the Company has the option to repay the debentures in either cash or freely tradable voting shares of the Company obtained by dividing \$1 by 95% of the current market price of the share on the date fixed for redemption or the maturity date.

In the event of a change in control, as defined in the indenture, on or after December 31, 2023 but before December 31, 2024, the Company will be required to make an offer to the holders of the debentures to repurchase the debentures at a price equal to 103.25% of the principal amount plus accrued and unpaid interest. On or after December 31, 2024 the price is equal to the principal plus accrued and unpaid interest.

Each embedded feature was evaluated separately, and it was determined that the economic and risk characteristics are not closely related to the host contract. It has been assessed that the identified embedded derivative as at the date of issuance and March 31, 2021 had nominal value and therefore were not accounted for as separate financial instruments.

The 6.5% Debentures were therefore recorded as a financial instrument. The debt was recorded at carrying value of \$46.0 million net of deferred financing costs of \$2.9 million on the date of issuance.

The 6.5% Debentures are measured subsequently at amortized cost using the effective interest method over the life of the debenture.

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

In December 2019, a novel coronavirus disease ("COVID-19") was reported and in January 2020, the World Health Organization ("WHO") declared it as a Public Health Emergency of International Concern. On February 28, 2020 the WHO raised its assessment of the COVID-19 threat from high to very high at a global

level due to the continued increase in the number of cases and affected countries, on March 11, 2020, the WHO characterized COVID-19 as a pandemic.

To date, the Company has been able to operate under normal business conditions, however the broader implications of COVID-19 on the results of operations and overall financial performance remain uncertain. The COVID-19 pandemic and its adverse effects have become more prevalent in the locations where the Company, our customers, suppliers, and third-party business partners conduct business. The Company may experience curtailed customer demand that could have a material adverse impact the business, results of operations, and overall financial performance of future periods, specifically the Company may experience impacts from customers delaying consulting services and reduced market spending.

The duration and extent of the impact from the COVID-19 pandemic depends on future developments that cannot be accurately predicted at this time, such as the severity and transmission rate of the virus, the extent and effectiveness of containment actions, and the impact of these and other factors on our employees, customers, partners, and vendors.

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, LIBOR or banker's acceptance rates, plus, in each case, an applicable margin.

In response to the COVID-19 pandemic the Canadian dollar and US dollar prime rates were drastically decreased by the respective governing bodies.

If the interest rate on the Company's variable rate loan balance as at March 31, 2021, had been 50 basis points higher or lower, with all other variables held constant, net income for the three months ended March 31, 2021 would have decreased or increased by approximately \$0.1 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 March 31, 2021, with all other variables held constant, total comprehensive income would have increased or decreased by a nominal amount for the three months ended March 31, 2021. If the exchange rates had been 100 basis points higher or lower as at March 31, 2021, with all other variables held constant, net income would also have increased or decreased by a nominal amount for the three months ended March 31, 2021.

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.

The Company provides services to diverse clients in various industries and sectors of the economy, and its credit risk is not concentrated in any particular client, industry, economic or geographic sector. In addition, management reviews accounts receivable past due on an ongoing basis with the objective of identifying matters that could potentially delay the collection of funds (at an early stage). The Company monitors accounts receivable with an internal target of working days of revenue in accounts receivable (a non-IFRS measure). At March 31, 2021 there were 62 working days of revenue in accounts receivable, which was one day less than March 31, 2020. The maximum exposure to credit risk, at the date of the consolidated statement of financial position to recognized financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the consolidated statement of financial position.

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 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.

As a result of the COVID-19 pandemic the Company is closely monitoring its outstanding receivables and unbilled effort and working with our customers to assess whether additional impairments and reserves are required. The Company has not identified any increased risk in collections at this time.

The Company, upon entering in a contract as the lessor assesses the credit risk of the lease receivable balance at the inception of the contract. The impact of the credit risk is included as part of the discount rate upon recording the asset on the statement of financial position. The Company assesses the asset for changes in the credit risk at each reporting period, with the impact of any gains and losses recognized on the statement of financial position. For the three and three months ended March 31, 2021, no changes in credit risk were identified.

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 (as described in the condensed consolidated interim financial statements Note 4 – Financial Instruments) and access to capital markets.

As a result of COVID-19 the Company's existing cash and cash equivalents may fluctuate as a result of increased collection risk and the risk of a slowdown in work to be completed and billed. However, based on the Company's current business plan and revenue prospects, the Company believes that the existing cash and cash equivalents, anticipated cash flows from operations, and available credit facility will be sufficient to meet the working capital and operating resource expenditure requirements.

On September 27, 2018, IBI Group signed an amendment to refinance its credit facilities with its senior lenders (refer to the condensed consolidated interim financial statements Note 4 – Financial Instruments).

As at March 31, 2021, a foreign subsidiary of the Company had issued letters of credit in the amount of U.S \$2.3 million, which is equal to CAD \$2.9 million (December 31, 2020 – CAD \$3.0 million). The Company has pledged U.S \$2.3 million (December 31, 2020 – U.S \$2.3 million) of cash as security for these letters of credit issued by a foreign financial institution on behalf of the foreign subsidiary.

As at March 31, 2021, a foreign subsidiary of the Company issued letters of credit in the amount of INR 0.7 million, which is equal a nominal CAD amount (December 31, 2020 – nominal CAD amount). The Company has pledged INR 0.7 million (December 31, 2020 – INR 0.7 million) of cash as security for these letters of credit issued by a foreign financial institution on behalf of the foreign subsidiary.

As at March 31, 2021, the Company has letters of credit outstanding of \$10.6 million (December 31, 2020 - \$10.8 million), of which \$0.8 million (December 31, 2020 - \$0.7 million) are outstanding to foreign institutions with the remaining \$9.8 million (December 31, 2020 – \$10.1 million) being issued under a \$20.0 million facility which matures on June 30, 2021 and supports letters of credit backed by Export Development Canada.

As at March 31, 2021, IBI Group has surety bonds outstanding of \$4.6 million (December 31, 2020 - \$4.6 million), with Liberty Mutual Insurance. These bonds are security agreements necessary to backstop certain Intelligence projects in the U.S segment.

CONTRACTUAL OBLIGATIONS

As part of continuing operations, the Company enters into contractual obligations from time to time. The table below summarizes the material changes to the contractual obligations due on financial liabilities and commitments as of March 31, 2021:

<i>Contractual Obligations</i>	<i>Payment Due by Period</i>				
	<i>TOTAL</i>	<i>LESS THAN 1 YEAR</i>	<i>1-3 YEARS</i>	<i>4-5 YEARS</i>	<i>AFTER 5 YEARS</i>
<i>(in millions of Canadian dollars) (unaudited)</i>					
<i>Accounts payable and accrued</i>	\$ 59.1	\$ 59.1	\$ -	\$ -	\$ -
<i>Credit facilities¹</i>	34.0	-	34.0	-	-
<i>Interest on credit facilities^{1,2}</i>	1.2	0.8	0.4	-	-
<i>Senior unsecured Debentures</i>	46.0	-	-	46.0	-
<i>Interest on senior unsecured</i>	14.2	3.0	6.0	5.2	-
<i>Lease liabilities</i>	79.4	16.7	26.3	18.3	18.1
<i>IFRS 16 exempt obligations</i>	3.5	2.1	1.4	-	-
TOTAL CONTRACTUAL OBLIGATIONS	\$ 237.4	\$ 81.7	\$ 68.1	\$ 69.5	18.1

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

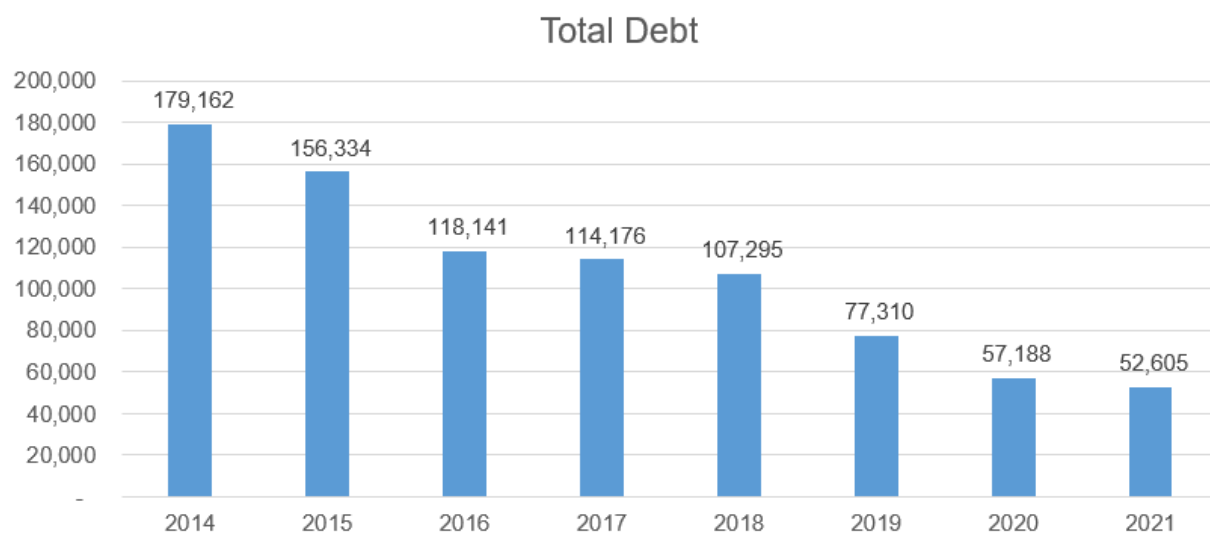
The Company's objective in managing capital is to maintain a capital base that will maintain investor, creditor, and market confidence and to sustain future growth within the business. The Company defines its capital as the aggregate of credit facilities, convertible debentures, and equity.

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.

The Company continues to improve its processes and procedures to maximize liquidity and minimize operational debt. The following table presents the Company's debt as a ratio of the trailing twelve months Adjusted EBITDA¹ for bank covenant purposes in each of the last eight quarters which demonstrates the improvements made to maximize value and returns to stakeholders while minimizing debt held.

<i>(in thousands of Canadian dollars)</i>	MARCH	DECEMBER	SEPTEMBER	JUNE	MARCH	DECEMBER	SEPTEMBER	JUNE
	31, 2021	31, 2020	30, 2020	30, 2020	31, 2020	31, 2019	30, 2019	30, 2019
Credit facilities	34,210	-	28,206	46,492	50,486	50,328	72,386	74,241
Debentures	43,301	89,186	41,915	41,180	40,462	39,768	39,102	38,458
Other financial liabilities	-	730	265	1,264	780	2,842	3,547	5,718
Less: unrestricted cash	(24,906)	(32,728)	(9,343)	(13,491)	(7,172)	(15,628)	(11,093)	(11,169)
Net debt	52,605	57,188	61,043	75,445	84,556	77,310	103,942	107,248
Adjusted EBITDA ¹ for bank covenant purposes (Trailing 12 months)	49,400	45,734	41,903	41,474	40,501	42,028	43,381	41,237
Net debt as a multiple of adjusted EBITDA ¹ for bank covenant purposes	1.1	1.3	1.5	1.8	2.1	1.8	2.4	2.6

The following graph represents the Company's debt at the end of each of the last seven complete annual fiscal periods.



	2014	2015	2016	2017	2018	2019	2020	2021
Debt as a multiple of Adjusted EBITDA ¹ for bank covenant purposes (trailing 12 months)	7.6	4.5	3.0	2.8	2.9	1.8	1.3	1.1

¹ See "Definition of Non-IFRS Measures".

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. Procedures and systems are being implemented that are expected to assist management in achieving 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 September 27, 2018, IBI Group entered into an amended agreement to its Credit Facilities under the existing banking arrangement with its senior lenders. See liquidity risk section of this MD&A.

8. DEBENTURES

As outlined above, the Company has one series of debentures as at March 31, 2021 that provides a basis of capital which requires repayment or refinancing on December 2025. On January 15, 2021, the 5.5% debentures were redeemed for a total of \$47.6 million.

SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares. As at May 12, 2021, the Company's common share capital consisted of 31,267,044 shares issued and outstanding.

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

The 6,282,222 Class B partnership units of IBI Group are indirectly exchangeable for common shares of the Company on the basis of one share of the Company for each Class B partnership unit. If all such Class B partnership units of IBI Group had been exchanged for shares on March 31, 2021 the units issued on such exchange would have represented a 16.73% 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 these consolidated financial statements as at March 31, 2021.

SHARE ISSUANCES

During the three months ended March 31, 2021, 2,000 shares were issued as a result of exercises of stock options granted in July 2017.

ACCUMULATED OTHER COMPREHENSIVE LOSS

During the three months ended March 31, 2021, the Company incurred a \$1.0 million loss related to the translation of financial statements of foreign operations, of which 83.27% is attributable to common shareholders.

TRANSACTIONS WITH RELATED PARTIES

Pursuant to the Administration Agreement, IBI Group and certain of its subsidiaries are paying to the Management Partnership an amount representing the base compensation for the services of the partners of the Management Partnership. The amount paid for such services during the three months ended March 31, 2021 was \$3.3 million (three months ended March 31, 2020 - \$3.7 million). As at March 31, 2021, there were 41 partners (March 31, 2020 – 45 partners). As at March 31, 2021, the amount payable to the Management Partnership was \$84 (December 31, 2020 - \$nil).

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.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these consolidated financial statements in accordance with IFRS requires management to exercise judgement 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.

ACCOUNTING DEVELOPMENTS

FUTURE ACCOUNTING POLICY CHANGES

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

On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify the classification of liabilities as current or non-current. The amendments are effective for annual periods on or after January 1, 2023, with early adoption permitted. The extent of the impact of the change has not yet been determined.

Definition of Accounting Estimates (Amendments to IAS 8)

On February 12, 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8). The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measure uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted.

Disclosure initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The amendments help companies provide useful accounting policy disclosures. The key amendments include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;

- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted.

Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

An entity shall apply the amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by *Amendments to References to the Conceptual Framework in IFRS Standards*, issued in March 2018.

Annual Improvements to IFRS Standards 2018–2020

On May 14, 2020, the IASB issued Annual Improvements to IFRS Standards 2018–2020.

The amendments relate to the following:

– IFRS 1 First-time Adoption of International Financial Reporting Standards

Simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS later than its parent.

– IFRS 9 Financial Instruments

Clarifies which fees are included for the purpose of performing the ‘10 per cent test’ for derecognition of financial liabilities.

– IFRS 16 Leases

Removes the illustration of payments from the lessor relating to leasehold improvements in the Illustrative Example 13.

The amendments are effective for annual periods beginning on or after January 1, 2022. Early adoption is permitted.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

The Company’s CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company’s ICFR and disclosure controls and DC&P as at March 31, 2021 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, 2021, and ended March 31, 2021 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 FOR BANK COVENANT PURPOSES

The Company believes that Adjusted EBITDA for bank covenant purposes, 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 for bank covenant purposes 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 Adjusted EBITDA for bank covenant purposes 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 for bank covenant purposes in accordance with what is required in its lending agreements with its senior lenders.

References in this MD&A to Adjusted EBITDA for bank covenant purposes 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 for bank covenant purposes 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 for bank covenant purposes may differ from the methods used by other similar entities. Accordingly, Adjusted EBITDA for bank covenant purposes may not be comparable to similar measures used by such entities. Reconciliations of net income (loss) to adjusted EBITDA for bank covenant purposes 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 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, contract assets and contract liabilities 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.

3. BILLING FROM RECURRING SOFTWARE SUPPORT AND MAINTENANCE

The amount of recurring software support and maintenance gross billings represents the annualized invoice amount the Company is able to charge clients and is recognized to revenue in accordance with the Company's accounting policy through the movement in the lock-up balances in the statement of financial position.