IBI Group 2021 Third-Quarter Management Discussion and Analysis

THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2021

IBI GROUP INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021

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 nine months ended September 30, 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 46 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 November 4, 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 over 60 offices in major urban centres across the globe.

IBI's one operating segment, consulting services, is concentrated in three practice areas:

INTELLIGENCE
- Software
- Systems design
- Systems integration
- Operations
- End-user services

BUILDINGS
- Architecture
- Interior design
- Mechanical, Structural & Electrical engineering

INFRASTRUCTURE
- 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 TravelIQ) 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 $435 million in total net revenue for the year ended December 31, 2021. The Company currently has $596 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 September 30, 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 their results in relation to their 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 SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2021	**2020**	**2021**	**2020**
Number of working days	**63**	63	**188**	189
Gross revenue	**$ 136,350**	$ 124,355	**$ 410,638**	$ 369,436
Less: Subconsultants and direct costs	**26,748**	26,307	**78,925**	74,809
Net revenue	**$ 109,602**	$ 98,048	**$ 331,713**	$ 294,627
Net income	**$ 8,176**	$ 6,270	**$ 20,774**	$ 18,610
Basic earnings per share	**$ 0.22**	$ 0.17	**$ 0.55**	$ 0.50
Diluted earnings per share	**$ 0.21**	$ 0.17	**$ 0.54**	$ 0.49
Adjusted EBITDA[1] net IFRS 16 impacts	**$ 18,722**	$ 16,219	**$ 53,092**	$ 47,347
Adjusted EBITDA[1] net of IFRS 16 impacts as a percentage of net revenue	**17.1%**	16.5%	**16.0%**	16.1%
Cash flows (used in) provided by operating activities	**$ 18,066**	$ 19,965	**$ 44,947**	$ 36,549

OVERVIEW

KEY EVENTS

- Net revenue increased to $109.6 million for the three months ended September 30, 2021 compared to $98.0 million for the same period in 2020, which reflects an increase of $11.6 million or 11.8%. Net revenue increased to $331.7 million for the nine months ended September 30, 2021 compared to $294.6 million for the same period in 2020, which reflects an increase of $37.1 million or 12.6%.
- Revenue increased by $11.6 million in the three months ended September 30, 2021 compared to the same period in 2020, of which $6.4 million was organic growth, representing an increase of

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

6.5%. Revenue increased by $37.1 million in the nine months ended September 30, 2021 for the same period in 2020, of which $20.5 million was organic growth, representing an increase of 7.0%.

- Adjusted EBITDA[1] net of IFRS 16 impacts increased to $18.7 million (or 17.1% of revenue) for the three months ended September 30, 2021 compared to $16.2 million (or 16.5% of revenue) for the same period in 2020, which reflects an increase of $2.5 million or 15.4%. Adjusted EBITDA[1] net of IFRS 16 impacts increased to $53.1 million (or 16.0% of revenue) for the nine months ended September 30, 2021 compared to $47.3 million (or 16.1% of revenue) for the same period in 2020, which reflects an increase of $5.8 million or 12.3%. The following tables represent the revenue and Adjusted EBITDA[1] net of IFRS 16 impacts by sector for the three and nine months ended September 30, 2021 and 2020. Cole Engineering Ltd. represents 14.8% and 15.4% of the Infrastructure net revenue for the three and nine months ended September 30, 2021:

(in thousands of Canadian dollars)	**THREE MONTHS ENDED SEPTEMBER 30, 2021**				
(unaudited)	**INTELLIGENCE**	**BUILDINGS**	**INFRASTRUCTURE**	**CORPORATE**	**TOTAL**
Gross revenues	$ 23,117	71,640	$ 41,362	$ 231	$ 136,350
Less: subconsultants and direct expenses	3,499	17,037	6,201	11	26,748
Net revenue	$ 19,618	$ 54,603	$ 35,161	$ 220	$ 109,602
Percentage of total revenue	17.9%	49.8%	32.1%	0.2%	100.0%
Adjusted EBITDA[1] net of IFRS 16 impacts	$ 4,270	$ 9,303	$ 5,039	$ 110	$ 18,722
Adjusted EBITDA[1] net of IFRS 16 impacts as a percentage of revenue	21.8%	17.0%	14.3%		17.1%

(in thousands of Canadian dollars)	**THREE MONTHS ENDED SEPTEMBER 30, 2020**				
(unaudited)	**INTELLIGENCE**	**BUILDINGS**	**INFRASTRUCTURE**	**CORPORATE**	**TOTAL**
Gross revenues	$ 22,465	67,434	$ 34,160	$ 296	$ 124,355
Less: subconsultants and direct expenses	3,018	17,384	5,905	-	26,307
Net revenue	$ 19,447	$ 50,050	$ 28,255	$ 296	$ 98,048
Percentage of total revenue	19.8%	51.0%	28.8%	0.3%	100.0%
Adjusted EBITDA[1] net of IFRS 16 impacts	$ 3,668	$ 10,780	$ 4,575	$ (2,804)	$ 16,219
Adjusted EBITDA[1] net of IFRS 16 impacts as a percentage of revenue	18.9%	21.5%	16.2%		16.5%

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

(in thousands of Canadian dollars)	NINE MONTHS ENDED SEPTEMBER 30, 2021				
(unaudited)	**INTELLIGENCE**	**BUILDINGS**	**INFRASTRUCTURE**	**CORPORATE**	**TOTAL**
Gross revenues	$ 71,768	$ 210,322	$ 127,486	$ 1,062	$ 410,638
Less: subconsultants and direct expenses	13,063	45,905	19,883	74	78,925
Net revenue	$ 58,705	$ 164,417	$ 107,603	$ 988	$ 331,713
Percentage of total revenue	17.7%	49.6%	32.4%	0.3%	100.0%
Adjusted EBITDA[1] net of IFRS 16 impacts	$ 12,982	$ 32,433	$ 17,515	$ (9,838)	$ 53,092
Adjusted EBITDA[1] net of IFRS 16 impacts as a percentage of revenue	22.1%	19.7%	16.3%		16.0%

(in thousands of Canadian dollars)	NINE MONTHS ENDED SEPTEMBER 30, 2020				
(unaudited)	**INTELLIGENCE**	**BUILDINGS**	**INFRASTRUCTURE**	**CORPORATE**	**TOTAL**
Gross revenues	$ 71,564	192,804	$ 104,526	$ 542	$ 369,436
Less: subconsultants and direct expenses	11,129	42,805	20,851	24	74,808
Net revenue	$ 60,435	$ 149,999	$ 83,675	$ 518	$ 294,627
Percentage of total revenue	20.5%	50.9%	28.4%	0.2%	100.0%
Adjusted EBITDA[1] net of IFRS 16 impacts	$ 12,903	$ 29,114	$ 12,074	$ (6,744)	$ 47,347
Adjusted EBITDA[1] net of IFRS 16 impacts as a percentage of revenue	21.4%	19.4%	14.4%		16.1%

- Net income for the three months ended September 30, 2021 was $8.2 million, an increase of $1.9 million compared to the same period in 2020. Net income for the nine months ended September 30, 2021 was $20.8 million, an increase of $2.2 million compared to the same period in 2020.
- For the three and nine months ended September 30, 2021, net revenue in the Intelligence sector was $19.6 million and $58.7 million.
- The impact of the acquisition of Cole Engineering Ltd. on net revenue for the three and nine months ended September 30, 2021 is $5.2 million and $16.7 million, respectively. This represents 4.7% and 5.0% of the total net revenue for the three and nine months ended September 31, 2021.
- As a result of an improved pace of securing future work, the Company has an increase in backlog to be completed relative to September 30, 2020 of 11% across the firm. Backlog at September 30, 2021 was $596 million or 17 months.

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

- 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 EBITDA[1].
- For the three months ended September 30, 2021 the Company billed $5.2 million to clients relating to recurring software support and maintenance[1]. For the same period in 2020, the Company billed $5.1 million. The impact of foreign exchange resulted in a decrease of $0.2 million or 4.0%. For the nine months ended September 30, 2021 and 2020 the Company billed $15.6 million to clients relating to recurring software support and maintenance. The impact of foreign exchange resulted in a decrease of $0.8 million or 5.0%.

STATEMENT OF COMPREHENSIVE INCOME (LOSS)

Net revenue for the three months ended September 30, 2021 was $109.6 million, compared with $98.0 million in the same period in 2020, an increase of $11.6 million or 11.8%. The increase in revenue for the three months ended September 30, 2021 is a result of improved performance within Intelligence, Buildings and Infrastructure business units with an increase in revenue of $0.2 million, $4.5 million and $6.9 million respectively. Revenues in the Corporate business unit decreased by $0.1 million compared to the same period in 2020.

Net revenue for the nine months ended September 30, 2021 was $331.7 million, compared with $294.6 million in the same period in 2020, an increase of $37.1 million or 12.6%. The increase in revenue for the nine months ended September 30, 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 $14.4 million, $23.9 million, and $0.5 million respectively. Revenues in the Intelligence business unit decreased by $1.7 million when compared to the same period in 2020.

As a result of an improved pace of securing future work, the Company has an increase in backlog to be completed relative to September 30, 2020 of 11% across the firm.

Basic and diluted earnings per share is $0.55 and $0.54 respectively, for the nine months ended September 30, 2021, compared to $0.50 and $0.49 per share for the same period in 2020. Basic and diluted earnings per share increased primarily due to an increase in net income of $2.2 million offset slightly by an increase in the weighted average number of common shares outstanding which totaled 31,304,067 as at September 30, 2021 compared to 31,242,254 for the same period in 2020. The increase in common shares outstanding is a result of the exercise of stock options subsequent to September 30, 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.

(thousands of Canadian dollars, except per share amounts)	THREE MONTHS ENDED SEPTEMBER 30, 2021	2020	NINE MONTHS ENDED SEPTEMBER 30, 2021	2020
Revenue				
Gross Revenue	$ **136,350**	$ 124,355	$ **410,638**	$ 369,436
Less: Subconsultants and direct costs	**26,748**	26,307	**78,925**	74,809
NET REVENUE	$ **109,602**	$ 98,048	$ **331,713**	$ 294,627
Expenses				
Salaries, fees and employee benefits	**77,637**	69,503	**237,474**	208,178
Variable lease expense	**1,741**	2,474	**6,522**	7,762
Other operating expenses	**10,442**	9,775	**31,924**	29,823
Foreign exchange loss	**(188)**	367	**496**	1,273
Amortization of intangible assets	**1,068**	714	**3,000**	1,997
Depreciation of property, equipment, and other assets	**1,381**	1,454	**4,216**	4,282
Depreciation of right of use assets	**3,012**	3,180	**8,990**	9,805
Change in fair value of other financial liabilities	**-**	(999)	**908**	(2,577)
Impairment of financial assets	**1,089**	895	**2,881**	1,855
	96,182	87,363	**296,411**	262,398
OPERATING INCOME	$ **13,420**	$ 10,685	$ **35,302**	$ 32,229
Interest expense, net	**1,932**	2,512	**5,957**	7,898
Other finance costs	**274**	264	**739**	652
FINANCE COSTS	$ **2,206**	$ 2,776	$ **6,696**	$ 8,550
Gain on sale of investment	**-**	-	**(866)**	-
NET INCOME BEFORE TAX	$ **11,214**	$ 7,909	$ **29,472**	$ 23,679
Current tax expense	**3,005**	1,735	**7,242**	3,639
Deferred tax expense	**33**	(96)	**1,456**	1,430
INCOME TAX EXPENSE	$ **3,038**	$ 1,639	$ **8,698**	$ 5,069
NET INCOME	$ **8,176**	$ 6,270	$ **20,774**	$ 18,610
OTHER COMPREHENSIVE INCOME				
Items that are or may be reclassified to profit or loss				
Gain on translating financial statements of foreign operations	**1,698**	(1,268)	**(607)**	1,971
OTHER COMPREHENSIVE INCOME	**1,698**	(1,268)	**(607)**	1,971
TOTAL COMPREHENSIVE INCOME	$ **9,874**	$ 5,002	$ **20,167**	$ 20,581
NET INCOME ATTRIBUTABLE TO:				
Common shareholders	**6,810**	5,220	**17,303**	15,494
Non-controlling interests	**1,366**	1,050	**3,471**	3,116
NET INCOME	$ **8,176**	$ 6,270	$ **20,774**	$ 18,610
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Common shareholders	**8,224**	4,165	**16,797**	17,136
Non-controlling interests	**1,650**	837	**3,370**	3,445
TOTAL COMPREHENSIVE INCOME	$ **9,874**	$ 5,002	$ **20,167**	$ 20,581
EARNINGS PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS				
Basic earnings per share	$ **0.22**	$ 0.17	$ **0.55**	$ 0.50
Diluted earnings per share	$ **0.21**	$ 0.17	$ **0.54**	$ 0.49

DESCRIPTION OF VARIANCES IN OPERATING RESULTS

i) REVENUE

The Company presents revenue on a gross basis as it represents the contract values earned during the period.

Net revenue for the three months ended September 30, 2021 was $109.6 million, compared with $98.0 million in the same period in 2020, an increase of $11.6 million or 11.8%. The increase in revenue for the three months ended September 30, 2021 compared to the same period in 2020 is a result of improved performance within the Intelligence, Buildings and Infrastructure business units with increase of revenue of $0.2 million, $4.5 million, and $6.9 million, respectively. Revenues in the Corporate business unit decreased by $0.1 million compared to the same period in 2020.

Net revenue for the nine months ended September 30, 2021 was $331.7 million, compared with $294.6 million in the same period in 2020, an increase of $37.1 million or 12.6%. The increase in revenue for the nine months ended September 30, 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 $14.4 million, $23.9 million, and $0.5 million respectively. Revenues in the Intelligence business unit decreased by $1.7 million when compared to the same period in 2020.

As a result of an improved pace of securing future work, the Company has an increase in backlog to be completed relative to September 30, 2020 of 11% across the firm.

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

(unaudited)	**SEPTEMBER 30, 2021**	**JUNE 30, 2021**	**MARCH 31, 2021**	**DECEMBER 31, 2020**	**SEPTEMBER 30, 2020**	**JUNE 30, 2020**	**MARCH 31, 2020**	**DECEMBER 31, 2019**
Number of working days	63	63	62	63	63	63	63	63

ii) SALARIES, FEES, AND EMPLOYEE BENEFITS

Salaries, fees, and employee benefits for the three months ended September 30, 2021 was $77.6 million compared to $69.5 million in the same period in 2020. As a percentage of net revenues, salaries, fees and employee benefits for the three months ended September 30, 2021 was 70.8% compared to 70.9% for the same period.

The impact of foreign exchange on salaries, fees and employee benefits for the three months ended September 30, 2021 was a decrease in expense of $1.2 million compared to the same period in 2020

Salaries, fees, and employee benefits for the nine months ended September 30, 2021 was $237.5 million compared to $208.2 million in the same period in 2020. As a percentage of net revenues, salaries, fees and employee benefits for the nine months ended September 30, 2021 was 71.7% compared to 70.7% for the same period.

The impact of foreign exchange on salaries, fees and employee benefits for the nine months ended September 30, 2021 was a decrease in expense of $4.7 million compared to the same period in 2020

The following table is a summary of salaries, fees and employee benefits for the three and nine months ended September 30, 2021.

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2021	**2020**	**2021**	**2020**
Salaries and wages	69,884	61,859	211,620	185,528
Benefits	7,202	6,492	23,889	21,432
Performance share units	104	98	320	291
Change in fair value of deferred share units	153	897	969	356
Stock options expense	294	157	676	571
TOTAL SALARIES , FEES AND EMPLOYEE BENEFITS	**$ 77,637**	**$ 69,503**	**$ 237,474**	**$ 208,178**

iii) VARIABLE LEASE EXPENSE

Variable lease expenses for the three months ended September 30, 2021 was $1.7 million compared to $2.5 million in the same period in 2020. Variable lease expenses for the nine months ended September 30, 2021 was $6.5 million compared to $7.8 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 September 30, 2021 totaled $10.4 million compared with $9.8 million in the same period in 2020, an increase of $0.6 million or 6.1%. As a percentage of net revenues, operating expenses for the three months ended September 30, 2021 were 9.5% compared to 10.0% for the same period in 2020.

The impact of foreign exchange on other operating expenses for the three months ended September 30, 2021 was a decrease in expenses of 0.4 million compared to the same period in 2020

Other operating expenses for the nine months ended September 30, 2021 totaled $31.9 million compared with $29.8 million in the same period in 2020, an increase of $2.1 million or 7.0%. As a percentage of net revenues, operating expenses for the nine months ended September 30, 2021 were 9.6% compared to 10.1% for the same period in 2020.

The impact of foreign exchange on other operating expenses for the nine months ended September 30, 2021 was an increase in expense of $0.8 million compared to the same period in 2020

v) FOREIGN EXCHANGE GAIN & LOSS

Foreign exchange gain for the three months ended September 30, 2021 was $0.2 million compared to a loss of $0.4 million for the same period in 2020. Foreign exchange loss for the nine months ended September 30, 2021 was $0.5 million compared to $1.3 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 September 30, 2021 was $nil compared to a gain of $1.0 million for the same period in 2020. The change in fair value of other financial liabilities for the nine months ended September 30, 2021 was a loss of $0.9 million compared to a gain of $2.6 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 September 30, 2021 was $1.1 million compared to $0.7 million for the same period in 2020. Amortization of intangible assets for the nine months ended September 30, 2021 was $3.0 million compared to $2.0 million for the same period in 2020. The increase in amortization of intangible assets for the three and nine months ended September 30, 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 September 30, 2021 was $1.4 million compared to $1.5 million for the same period in 2020. Depreciation of property and equipment for the nine months ended September 30, 2021 was $4.2 million compared to $4.3 million for the same period in 2020.

ix) IMPAIRMENT OF FINANCIAL ASSETS

Impairment of financial assets for the three months ended September 30, 2021 was $1.1 million compared to $0.9 million for the same period in 2020. Impairment of financial assets for the nine months ended September 30, 2021 was $2.9 million compared to $1.9 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 September 30, 2021 was $3.0 million compared to $3.2 million for the same period in 2020. Depreciation of right-of-use assets for the nine months ended September 30, 2021 was $9.0 million compared to $9.8 million for the same period in 2020. The decrease is due to a number of leases whose lease term ended subsequent to September 30, 2020.

xi) INTEREST EXPENSE & OTHER FINANCE COSTS

Interest expense for the three months ended September 30, 2021 was $1.9 million compared to $2.5 million for the same period in 2020. Interest expense for the nine months ended September 30, 2021 was $6.0 million compared to $7.9 million for the same period in 2020. Relative to the same period in 2020 for the three and nine months ended, interest on credit facilities decreased by $0.1 million and $0.5 million respectively. The decrease is a result of a lower average amount borrowed and reduced interest rates under the facility for the three and nine months ended September 30, 2021 compared to the same period in 2020. Non-cash accretion of debentures decreased by $0.6 million and $1.7 million respectively for the three and nine months ended September 30, 2021. 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 and $0.4 million on interest on debentures for the three and nine months ended September 30, 2021 related to the higher rate of interest on the 6.5% debentures for the same period

Other finance costs for the three and nine months ended September 30, 2021 were $0.3 million and $0.7 million, respectively, compared to $0.3 million and $0.7 million for the same periods in 2020.

Following is a summary of finance costs for the three and nine months ended September 30, 2021 and 2020:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2021	**2020**	**2021**	**2020**
Interest on credit facilities	$ 176	$ 275	496	$ 1,048
Interest on debentures	754	638	2,379	1,899
Non-cash accretion of debentures	120	735	354	2,147
Interest on lease liability	792	942	2,503	2,995
Interest on lease receivable	(46)	(80)	(156)	(240)
Other	136	2	381	49
INTEREST EXPENSE	$ 1,932	$ 2,512	$ 5,957	$ 7,898
Amortization of deferred financing costs	$ 132	$ 114	$ 393	$ 339
Other	142	150	346	313
OTHER FINANCE COSTS	$ 274	$ 264	$ 739	$ 652
FINANCE COSTS	$ 2,206	$ 2,776	$ 6,696	$ 8,550

xii) INCOME TAXES

Income taxes for the three and nine months ended September 30, 2021 was $3,038 and $8,698, respectively (three and nine months ended September 30, 2020 - $1,639 and $5,069 respectively). The effective income tax rate for the three and nine months ended September 30, 2021 was 27.1% and 29.5%, respectively (three and nine months ended September 30, 2020 – 20.7% and 21.4% respectively). The change in the effective income tax rate was primarily due to a non-taxable gain related to the change in fair value of other financial liabilities for the three and nine months ended September 30, 2020 that was deducted for tax purposes, reducing the effective tax rate. 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.

NET INCOME

Net income for the three and nine months ended September 30, 2021 was $8.2 million and $20.8 million, respectively, compared to $6.3 million and $18.6 million, respectively, for the same periods in 2020. The factors impacting this have been set out in the description of individual line items above.

Adjusted EBITDA[1] for bank covenant purposes for the three and nine months ended September 30, 2021 increased by $1.9 million and $6.8 million, respectively when compared to the same period in 2020 (see table for Adjusted EBITDA[1] 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 and nine months ended September 30, 2021 and 2020:

(in thousands of Canadian dollars) *(unaudited)*	**THREE MONTHS ENDED SEPTEMBER 30, 2021**	**2020**	**CHANGE**	**FOREIGN EXCHANGE IMPACT**	**OPERATING CHANGE**
Gross revenue	136,350	124,355	11,995	(2,583)	14,578
Less: Subconsultants and direct costs	26,748	26,307	441	812	(371)
Net revenue	109,602	98,048	11,554	(3,395)	14,949
Total operating expenses, net of foreign exchange gain & loss	96,370	86,996	9,374	(1,524)	10,898

(in thousands of Canadian dollars)	**NINE MONTHS ENDED SEPTEMBER 30, 2021**	**2020**	**CHANGE**	**FOREIGN EXCHANGE IMPACT**	**OPERATING CHANGE**
Gross revenue	410,638	369,436	41,202	(10,417)	51,619
Less: Subconsultants and direct costs	78,925	74,809	4,116	3,248	868
Net revenue	331,713	294,627	37,086	(13,665)	50,751
Total operating expenses, net of foreign exchange gain & loss	295,915	261,125	34,790	(5,787)	40,577

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

ADJUSTED EBITDA[1] FOR BANK COVENANT PURPOSES

All of the factors outlined above have been adjusted for the discussion in the non-IFRS measure, Adjusted EBITDA[1] for bank covenant purposes. The following tables provide revenue and Adjusted EBITDA[1] for bank covenant purposes by Business unit for the three and nine months ended September 30, 2021 and 2020

(in thousands of Canadian dollars)	THREE MONTHS ENDED SEPTEMBER 30, 2021				
(unaudited)	INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL
Gross revenues	$ 23,117	71,640	41,362	231	$ 136,350
Less: subconsultants and direct expenses	3,499	17,037	6,201	11	26,748
Net revenue	$ 19,618	$ 54,603	$ 35,161	$ 220	$ 109,602
Adjusted EBITDA[1]	$ 3,591	$ 7,196	$ 3,541	279	$ 14,607
Items excluded in calculation of Adjusted EBITDA[1]:					
Interest expense, net	137	430	317	1,048	1,932
Amortization and depreciation	1,116	2,396	1,940	9	5,461
Foreign exchange (gain) loss	15	(931)	103	625	(188)
Gain on sale of investment	-	-	-	-	-
Change in fair value of deferred share units	-	-	-	153	153
Payment of DSP	-	-	-	(380)	(380)
Stock based compensation	40	56	97	101	294
Performance share units	-	-	-	104	104
Payment of performance share units	-	-	-	-	-
Deferred financing charges	-	-	-	132	132
IFRS 16 lease accounting adjustment	(679)	(2,107)	(1,498)	169	(4,115)
Net income before tax	2,962	7,352	2,582	(1,682)	11,214

(in thousands of Canadian dollars)	THREE MONTHS ENDED SEPTEMBER 30, 2020				
(unaudited)	INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL
Gross revenues	$ 22,465	$ 67,434	$ 34,160	$ 296	$ 124,355
Less: subconsultants and direct expenses	3,018	17,384	5,905	-	26,307
Net revenue	$ 19,447	$ 50,050	$ 28,255	$ 296	$ 98,048
Adjusted EBITDA[1]	$ 3,211	$ 8,987	$ 3,576	$ (3,047)	$ 12,727
Items excluded in calculation of Adjusted EBITDA[1]:					
Interest expense, net	106	434	266	1,706	2,512
Amortization and depreciation	628	2,848	1,538	334	5,348
Foreign exchange (gain) loss	19	453	73	(178)	367
Change in fair value of other financial liabilities	-	-	-	(999)	(999)
Change in fair value of deferred share units	-	-	-	897	897
Stock based compensation	18	21	18	100	157
Performance share units	-	-	-	98	98
Payment of performance share units	-	-	-	-	-
Deferred financing charges	-	-	-	114	114
IFRS 16 lease accounting adjustment	(457)	(1,793)	(999)	(243)	(3,492)
Net income before tax	$ 2,897	$ 7,024	$ 2,680	$ (4,692)	$ 7,909

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

(in thousands of Canadian dollars)	**NINE MONTHS ENDED SEPTEMBER 30, 2021**				
(unaudited)	**INTELLIGENCE**	**BUILDINGS**	**INFRASTRUCTURE**	**CORPORATE**	**TOTAL**
Gross revenues	$ 71,768	210,322	127,486	1,062	$ 410,638
Less: subconsultants and direct expenses	13,063	45,905	19,883	74	78,925
Net revenue	$ 58,705	$ 164,417	$ 107,603	$ 988	$ 331,713
Adjusted EBITDA[1]	$ 11,124	26,669	13,616	(9,519)	$ 41,890
Items excluded in calculation of Adjusted EBITDA[1]:					
Interest expense, net	415	1,329	984	3,229	5,957
Amortization and depreciation	3,196	7,295	5,695	20	16,206
Foreign exchange (gain) loss	30	58	384	24	496
Gain on sale of investment	-	-	-	(866)	(866)
Change in fair value of other financial liabilities	-	-	-	908	908
Change in fair value of deferred share units	-	-	-	969	969
Payment of DSP	-	-	-	(1,140)	(1,140)
Stock based compensation	89	118	179	290	676
Performance share units	-	-	-	320	320
Payment of performance share units	-	-	-	(299)	(299)
Deferred financing charges	-	-	-	393	393
IFRS 16 lease accounting adjustment	(1,858)	(5,764)	(3,899)	319	(11,202)
Net income before tax	$ 9,252	$ 23,633	$ 10,273	$ (13,686)	$ 29,472

(in thousands of Canadian dollars)	**NINE MONTHS ENDED SEPTEMBER 30, 2020**				
(unaudited)	**INTELLIGENCE**	**BUILDINGS**	**INFRASTRUCTURE**	**CORPORATE**	**TOTAL**
Gross revenues	$ 71,564	$ 192,804	$ 104,526	$ 542	$ 369,436
Less: subconsultants and direct expenses	11,129	42,805	20,851	24	74,809
Net revenue	$ 60,435	$ 149,999	$ 83,675	$ 518	$ 294,627
Adjusted EBITDA[1]	$ 10,972	$ 23,001	$ 8,444	$ (7,323)	$ 35,094
Items excluded in calculation of Adjusted EBITDA[1]:					
Interest expense, net	413	1,356	857	5,272	7,898
Amortization and depreciation	3,245	7,100	4,845	894	16,084
Foreign exchange (gain) loss	(56)	43	277	1,009	1,273
Change in fair value of other financial liabilities	-	-	-	(2,577)	(2,577)
Change in fair value of deferred share units	-	-	-	356	356
Payment of DSP	-	-	-	(184)	(184)
Stock based compensation	71	69	90	341	571
Performance share units	-	-	-	291	291
Payment of performance share units	-	-	-	(383)	(383)
Deferred financing charges	-	-	-	339	339
IFRS 16 lease accounting adjustment	(1,931)	(6,113)	(3,630)	(579)	(12,253)
Net income before tax	$ 9,230	$ 20,546	$ 6,005	$ (12,102)	$ 23,679

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

ADJUSTED EBITDA[1] 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 EBITDA[1] and as a percentage of net revenue for the previous eight quarters.

(in thousands of Canadian dollars (unaudited)	**SEPTEMBER 30, 2021**	**JUNE 30, 2021**	**MARCH 31, 2021**	**DECEMBER 31, 2020**	**SEPTEMBER 30, 2020**	**JUNE 30, 2020**	**MARCH 31, 2020**	**DECEMBER 31, 2019**
Adjusted EBITDA[1] for bank covenant purposes	14,607	14,398	12,885	10,640	12,727	13,148	9,219	6,809
Adjusted EBITDA[1] for bank covenant purposes as a percentage of revenue	13.3%	12.7%	11.8%	10.8%	13.0%	13.2%	9.5%	7.4%
IFRS 16 lease accounting adjustment	4,115	3,603	3,484	3,039	3,492	3,945	4,816	4,015
Adjusted EBITDA[1] net of IFRS 16 impacts	18,722	18,001	16,369	13,679	16,219	17,093	14,035	10,824
Adjusted EBITDA[1] net of IFRS 16 impacts as a percentage of revenue	17.1%	15.9%	15.0%	13.9%	16.5%	17.1%	14.5%	11.8%

[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 EBITDA[1] 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)	SEPTEMBER 30, 2021	JUNE 30, 2021	MARCH 31, 2021	DECEMBER 31, 2020	SEPTEMBER 30, 2020	JUNE 30, 2020	MARCH 31, 2020	DECEMBER 31, 2019
Gross revenue	136,350	141,356	132,932	135,641	124,355	123,915	121,166	114,203
Less: Subconsultants and direct costs	26,748	28,147	24,030	37,058	26,307	24,017	24,485	22,523
Net revenue	109,602	113,209	108,902	98,583	98,048	99,898	96,681	91,680
Net Income	8,176	8,301	4,297	(929)	6,270	6,756	5,584	1,892
Add:								
Interest expense, net	1,932	2,042	1,983	6,986	2,512	2,547	2,839	3,030
Current and deferred tax expense (recovery)	3,038	3,085	2,575	776	1,639	2,008	1,422	1,022
Amortization and Depreciation	5,461	5,451	5,294	5,322	5,348	5,445	5,291	4,862
	10,431	10,578	9,852	13,084	9,499	10,000	9,552	8,914
EBITDA	**18,607**	**18,879**	**14,149**	**12,155**	**15,769**	**16,756**	**15,136**	**10,806**
EBITDA as a percentage of revenue	**17.0%**	**16.7%**	**13.0%**	**12.3%**	**16.1%**	**16.8%**	**15.7%**	**11.8%**
Items excluded in calculation of Adjusted EBITDA[1] for bank covenant purposes								
Foreign exchange loss	(188)	190	494	(77)	367	(628)	1,534	(75)
Gain on sale of investment	-	(866)						
Change in fair value of other financial liabilities	-	-	908	465	(999)	484	(2,062)	(705)
Change in fair value of deferred share units	153	8	808	803	897	440	(981)	383
Stock based compensation expenses	294	227	155	161	157	215	199	190
Performance share units expenses	104	110	106	97	98	96	97	111
Payment of deferred share units expenses	(380)	(380)	(380)	-	(184)	-	-	-
Payment of performance share units expenses	-	(299)	-	-	-	(383)	-	-
Deferred financing charges	132	132	129	75	114	113	112	114
IFRS 16 lease accounting adjustment	(4,115)	(3,603)	(3,484)	(3,039)	(3,492)	(3,945)	(4,816)	(4,015)
	(4,000)	(4,481)	(1,264)	(1,515)	(3,042)	(3,608)	(5,917)	(3,997)
Adjusted EBITDA[1] for bank covenant purposes	**14,607**	**14,398**	**12,885**	**10,640**	**12,727**	**13,148**	**9,219**	**6,809**
Adjusted EBITDA[1] for bank covenant purposes as a percentage of revenue	**13.3%**	**12.7%**	**11.8%**	**10.8%**	**13.0%**	**13.2%**	**9.5%**	**7.4%**
Adjusted EBITDA[1] net of IFRS 16 impacts	**18,722**	**18,001**	**16,369**	**13,679**	**16,219**	**17,093**	**14,035**	**10,824**
Adjusted EBITDA[1] net of IFRS 16 impacts as a percentage of revenue	**17.1%**	**15.9%**	**15.0%**	**13.9%**	**16.5%**	**17.1%**	**14.5%**	**11.8%**
Basic and diluted earnings per share attributed to common shareholders	0.22	0.22	0.11	(0.02)	0.17	0.18	0.15	0.05
Diluted earnings per share attributed to common shareholders	0.21	0.22	0.11	(0.02)	0.17	0.18	0.15	0.05
Weighted average share outstanding	31,295,588	31,298,280	31,265,733	31,257,544	31,246,674	31,240,044	31,240,044	31,238,359

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

IMPACT OF TRENDS ON QUARTERLY RESULTS

i) REVENUE

Consolidated quarterly revenue is impacted by the available chargeable hours which are typically lowest in the third quarter 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 nine months ended September 30, 2021 compared to the same period in 2020 while the number of working days for the three months ended September 30, 2021 remained consistent 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)	**SEPTEMBER 30, 2021**	**JUNE 30, 2021**	**MARCH 31, 2021**	**DECEMBER 31, 2020**	**SEPTEMBER 30, 2020**	**JUNE 30, 2020**	**MARCH 31, 2020**	**DECEMBER 31, 2019**
Gain (loss) of foreign exchange on gross revenue	(2,583)	(5,413)	(2,421)	(379)	2,807	1,879	482	76
Loss (gain) of foreign exchange on subconsultants and direct costs	812	1,647	789	82	(766)	(519)	(124)	155
Gain (loss) of foreign exchange on net revenue	(3,395)	(7,060)	(3,210)	(461)	3,573	2,398	606	(79)

ii) NET INCOME (LOSS)

Net income (loss) is impacted by the fluctuations of foreign exchange and the fair value in other financial liabilities. The impact of these gains (losses) are noted in the adjusted EBITDA[1] for bank covenant purposes table.

iii) ADJUSTED EBITDA[1] FOR BANK COVENANT PURPOSES

Adjusted EBITDA[1] for bank covenant purposes was $14.6 million for the three months ended September 30, 2021 compared to $12.7 million for the same period in 2020.
Adjusted EBITDA[1] for bank covenant purposes was $41.9 million for the nine months ended September 30, 2021 compared to $35.1 million for the same period in 2020. Refer to the adjusted EBITDA[1] 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 EBITDA[1] FOR BANK COVENANT PURPOSES

The following tables provide financial data for the three and nine months ended September 30, 2021 and 2020 for the following geographic segments of the Company: Canada, U.S., U.K., and Other International.

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

	THREE MONTHS ENDED SEPTEMBER 30, 2021					
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS	TOTAL
Gross revenues	$ 77,947	$ 43,981	$ 8,626	$ 5,796	$ -	$ 136,350
Less: subconsultants and direct expenses	9,265	14,528	1,376	1,579	-	26,748
Net revenue	$ 68,682	$ 29,453	$ 7,250	$ 4,217	$ -	$ 109,602
Adjusted EBITDA[1]	$ 10,817	$ 4,027	$ 337	$ (574)	$ -	$ 14,607
Items excluded in calculation of Adjusted EBITDA[1]:						
Interest expense, net	651	190	27	15	1,049	1,932
Amortization and depreciation	3,260	1,487	404	310	-	5,461
Foreign exchange (gain) loss	(77)	64	(60)	(115)	-	(188)
Gain on sale of investment	-	-	-	-	-	-
Change in fair value of deferred share units	-	-	-	-	153	153
Payment of DSP	-	-	-	-	(380)	(380)
Stock based compensation	258	21	8	7	-	294
Performance share units	104	-	-	-	-	104
Payment of performance share units	-	-	-	-	-	-
Deferred financing charges	-	-	-	-	132	132
IFRS 16 lease accounting adjustment	(2,354)	(1,387)	(232)	(142)	-	(4,115)
Net income (loss) before tax	$ 8,975	$ 3,652	$ 190	$ (649)	$ (954)	$ 11,214

	THREE MONTHS ENDED SEPTEMBER 30, 2020					
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS	TOTAL
Gross revenues	$ 65,713	$ 43,650	$ 8,819	$ 6,173	$ -	$ 124,355
Less: subconsultants and direct expenses	8,031	14,178	2,012	2,086	-	26,307
Net revenue	$ 57,682	$ 29,472	$ 6,807	$ 4,087	$ -	$ 98,048
Adjusted EBITDA[1]	$ 7,316	$ 5,591	$ 685	$ (864)	$ (1)	$ 12,727
Items excluded in calculation of Adjusted EBITDA[1]:						
Interest expense, net	565	253	25	22	1,647	2,512
Amortization and depreciation	2,847	1,856	378	267	-	5,348
Foreign exchange (gain) loss	294	(178)	49	202	-	367
Change in fair value of other financial liabilities	-	-	-	-	(999)	(999)
Change in fair value of deferred share units	-	-	-	-	897	897
Payment of DSP	-	-	-	-	(184)	(184)
Stock based compensation	144	5	3	5	-	157
Performance share units	98	-	-	-	-	98
Payment of performance share units	-	-	-	-	-	-
Deferred financing charges	-	-	-	-	114	114
IFRS 16 lease accounting adjustment	(1,909)	(1,138)	(280)	(165)	-	(3,492)
Net income (loss) before tax	$ 5,277	$ 4,793	$ 510	$ (1,195)	$ (1,476)	$ 7,909

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

	NINE MONTHS ENDED SEPTEMBER 30, 2021					
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS	TOTAL
Gross Revenues	$ 235,745	$ 127,198	$ 28,817	$ 18,878	$ -	$ 410,638
Less: subconsultants and direct expenses	26,997	40,214	6,451	5,263	-	78,925
Net revenue	$ 208,748	$ 86,984	$ 22,366	$ 13,615	$ -	$ 331,713
Adjusted EBITDA[1]	$ 27,469	$ 12,882	$ 1,975	$ (436)	$ -	$ 41,890
Items excluded in calculation of Adjusted EBITDA[1]:						
Interest expense, net	1,973	628	81	46	3,229	5,957
Amortization and depreciation	9,340	4,754	1,191	921	-	16,206
Foreign exchange (gain) loss	391	(60)	(59)	224	-	496
Gain on sale of investment	(866)	-	-	-	-	(866)
Change in fair value of other financial liabilities	-	-	-	-	908	908
Change in fair value of deferred share units	-	-	-	-	969	969
Payment of DSP	-	-	-	-	(1,140)	(1,140)
Stock based compensation	597	42	17	20	-	676
Performance share units	320	-	-	-	-	320
Payment of performance share units	(299)	-	-	-	-	(299)
Deferred financing charges	-	-	-	-	393	393
IFRS 16 lease accounting adjustment	(5,783)	(4,137)	(859)	(423)	-	(11,202)
Net income (loss) before tax	$ 21,797	$ 11,655	$ 1,604	$ (1,224)	$ (4,360)	$ 29,472

	NINE MONTHS ENDED SEPTEMBER 30, 2020					
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS	TOTAL
Gross revenues	$ 200,449	$ 121,982	$ 24,913	$ 22,092	$ -	$ 369,436
Less: subconsultants and direct expenses	28,563	33,869	4,877	7,500	-	74,809
Net revenue	$ 171,886	$ 88,113	$ 20,036	$ 14,592	$ -	$ 294,627
Adjusted EBITDA[1]	$ 22,085	$ 11,615	$ 1,366	$ 28	$ -	$ 35,094
Items excluded in calculation of Adjusted EBITDA[1]:						
Interest expense, net	1,790	855	85	73	5,095	7,898
Amortization and depreciation	8,139	5,681	1,200	1,064	-	16,084
Foreign exchange (gain) loss	934	370	92	(123)	-	1,273
Change in fair value of other financial liabilities	-	-	-	-	(2,577)	(2,577)
Change in fair value of deferred share units	-	-	-	-	356	356
Payment of DSP	-	-	-	-	(184)	(184)
Stock based compensation	515	26	8	22	-	571
Performance share units	291	-	-	-	-	291
Payment of performance share units	(383)	-	-	-	-	(383)
Deferred financing charges	-	-	-	-	339	339
IFRS 16 lease accounting adjustment	(6,606)	(4,178)	(959)	(510)	-	(12,253)
Net income (loss) before tax	$ 17,405	$ 8,861	$ 940	$ (498)	$ (3,029)	$ 23,679

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

Adjusted EBITDA[1] for bank covenant purposes in the U.S segment for the three and nine months ended September 30, 2021 was $4.0 million and $12.9 million, respectively, compared to $5.6 million and $11.6 million, respectively, for the same periods in 2020. The increase in Adjusted EBITDA[1] for bank covenant purposes for the three and nine months ended September 30, 2021 for the U.S segment compared to the same period in 2020 is a result of 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 September 30, 2020 of 11% across the firm.

LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL

The following table represents the working capital information:

(in thousands of Canadian dollars)		**SEPTEMBER 30, 2021**		**DECEMBER 31, 2020**		**CHANGE**
Current assets	**$**	**268,362**	$	253,771	$	14,591
Current liabilities		**(136,377)**		(182,403)		46,026
WORKING CAPITAL	**$**	**131,985**	$	71,368	$	60,617

Current assets increased by $14.6 million as at September 30, 2021 when compared with December 31, 2020. This was due to an increase in cash of $11.5 million, an increase in account receivables of $5.4 million and an increase in income tax receivable of $0.4 million. This is offset by a decrease in contract assets of $1.5 million and a decrease in prepaid expenses and other assets of $1.0.

There was a decrease in current assets due to foreign exchange as at September 30, 2021 of $1.4 million.

Current liabilities decreased by $46.0 million as at September 30, 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, a decrease in lease liabilities of $0.7 million and a decrease in accounts payable and accrued liabilities of $7.9 million. This is offset by an increase of $6.3 million in contract liabilities and an increase of $3.3 million in income taxes payable.

There was a decrease in current liabilities due to foreign exchange as at September 30, 2021 of $0.9 million.

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

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

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

The table below calculates working days on a trailing twelve-month basis, measured as days outstanding on gross billings.

WORKING DAYS OF GROSS BILLINGS OUTSTANDING[1] (unaudited)	***SEPTEMBER 30, 2021***	***JUNE 30, 2021***	***MARCH 31, 2021***	***DECEMBER 31, 2020***	***SEPTEMBER 30, 2020***
Accounts receivable	*57*	*55*	*61*	*60*	*56*
Contract assets	*29*	*31*	*32*	*32*	*32*
Contract liabilities	*(29)*	*(28)*	*(30)*	*(29)*	*(23)*
	57	*58*	*63*	*63*	*65*

The days sales outstanding as at September 30, 2021 has decreased by eight days compared to September 30, 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)	***SEPTEMBER 30, 2021*** *(unaudited)*	***JUNE 30, 2021*** *(unaudited)*	***MARCH 31, 2021*** *(unaudited)*	***DECEMBER 31, 2020***	***SEPTEMBER 30, 2020*** *(unaudited)*
Accounts receivable	*132.7*	*124.7*	*132.9*	*127.3*	*120.9*
Contract assets	*66.6*	*69.6*	*68.9*	*68.1*	*68.6*
Contract liabilities	*(67.3)*	*(63.1)*	*(64.4)*	*(61.0)*	*(50.0)*
	132.0	*131.2*	*137.4*	*134.4*	*139.5*

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

i) Accounts Receivable

The table below demonstrates the aging of receivables:

Accounts receivable aging (net of allowance)	***SEPTEMBER 30, 2021***	***%***	***JUNE 30, 2021***	***%***	***MARCH 30, 2021***	***%***	***DECEMBER 31, 2020***	***%***	***SEPTEMBER 30, 2020***	***%***
(in thousands of Canadian dollars)	*(unaudited)*		*(unaudited)*		*(unaudited)*				*(unaudited)*	
Current	55,812	41	50,964	39	56,734	40	56,843	42	49,196	39
30 to 90 days	33,726	25	32,746	25	37,238	27	36,241	27	34,010	27
Over 90 days	47,475	34	48,408	36	45,992	33	40,885	31	42,632	34
Gross Accounts Receivable	137,013	100	132,118	100	139,964	100	133,969	100	125,838	100
Allowance for impairment losses	(4,279)		(7,420)		(7,114)		(6,622)		(4,994)	
TOTAL	132,734		124,698		132,850		127,347		120,894	

The table below demonstrates the impact of foreign exchange on the change in gross receivables from December 31, 2020 to September 30, 2021

(in thousands of Canadian dollars)	***CURRENT***	***30 TO 90 DAYS***	***OVER 90 DAYS***	***TOTAL***
September 30, 2021 gross accounts receivable	55,812	33,726	47,475	137,013
December 31, 2020 gross accounts receivable	56,843	36,241	40,885	133,969
Change in gross accounts receivable in period	(1,031)	(2,515)	6,590	3,044
September 30, 2021 impact of foreign exchange	(431)	(117)	(252)	(800)
December 31, 2020 impact of foreign exchange	(503)	(115)	(194)	(812)
Increase (decrease) due to foreign exchange in period	72	(2)	(58)	12
Increase (decrease) due to operations in period	(1,103)	(2,513)	6,648	3,032

Gross accounts receivable has increased by $3.0 million since December 31, 2020. There was a decrease in accounts receivable due to foreign exchange as at September 30, 2021 of $0.8 million compared to a decrease due to foreign exchange of $0.8 million as at December 31, 2020. As at September 30, 2021, the Company had $24.2 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 $16.3 million.

ii) Contract Assets

Contract assets decreased by $1.5 million since December 31, 2020. There was a decrease of $0.4 million in contract assets due to foreign exchange as at September 30, 2021 compared to an increase due to foreign exchange of $0.2 million as at December 31, 2020. As at September 30, 2021, the Company had

$12.8 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 $19.3 million.

iii) Contract Liabilities

Contract liabilities has increased by $6.3 million since December 31, 2020. There was a decrease in contract liabilities due to foreign exchange as at September 30, 2021 of $0.3 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 increased by $2.0 million since December 31, 2020. This is primarily due to an increase in current assets of $14.6 million which is described above in working capital, a decrease in right of use assets of $6.8 million, a decrease in property, plant and equipment of $2.6 million, a decrease in lease receivable of $1.4 million, a decrease in intangible assets of $1.1 million and a decrease in deferred tax assets of $1.2 million. 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 $19.0 million since December 31, 2020. This is primarily due to a decrease in current liabilities of $46.0 million which is described above in working capital, a decrease in lease liability of $7.5 million, offset by an increase in credit facilities of $33.8 million and an increase of $0.2 million in deferred tax liabilities, an increase of $0.3 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 SEPTEMBER 30,		
(unaudited)	**2021**	2020	***CHANGE***
Cash flows provided by operating activities	**18,066**	19,965	(1,899)
Cash flows used in financing activities	***(4,249)***	*(20,962)*	*16,713*
Cash flows used in investing activities	***(987)***	*(719)*	*(268)*

(in thousands of Canadian dollars)	NINE MONTHS ENDED SEPTEMBER 30,		
	2021	2020	***CHANGE***
Cash flows (used in) provided by operating activities	**44,947**	36,549	8,398
Cash flows used in financing activities	***(22,360)***	*(33,306)*	*10,946*
Cash flows used in investing activities	***(3,601)***	*(5,026)*	*1,425*

OPERATING ACTIVITIES

Cash flows provided by operating activities for the three months ended September 30, 2021 were $18.1 million, a decrease of $1.9 million compared to cash flows provided by operating activities of $20.0 million for the same period in 2020. The decrease in operating cash flows provided is mainly attributable to a decrease in non-cash operating working capital of $3.3 million, an increase in taxes paid of $1.5 million and an increase in the change in fair value of other financial liabilities of $1.0 million

Cash flows provided by operating activities for the nine months ended September 30, 2021 were $44.9 million, an increase of $8.4 million compared to cash flows provided by operating activities of $36.5 million for the same period in 2020. The increase in operating cash flows provided is mainly attributable to a decrease in non-cash operating working capital of $2.0 million, an increase in gain on sale of investment of $0.9 million, an increase in taxes paid of $1.3 million and a decrease in interest paid of $0.2 million and an increase in the change in fair value of other financial liabilities of $3.5 million

FINANCING ACTIVITIES

Cash flows used in financing activities for the three months ended September 30, 2021 were $4.2 million, a decrease of $16.7 million compared with cash flows used in financing activities of $21.0 million for the same period in 2020. The decrease in cash flows used in financing activities is mainly attributable to the decrease in payments of credit facilities of $18.4 million, an increase in payment of lease liabilities of $0.9 million and an increase in the deferred financing costs of $0.6 million related to the amendment of the credit facility agreement.

Cash flows used in financing activities for the nine months ended September 30, 2021 were $22.4 million, a decrease of $10.9 million compared with cash flows used in financing activities of $33.3 million for the same period in 2020. The decrease in cash flows used in financing activities is mainly attributable the decrease in payments of credit facilities of $58.4 million and a decrease in payments on lease liabilities of $0.7 million. This is offset by the redemption of the 5.5% debentures in January 2021 of $47.6 million, an increase in the deferred financing costs of $0.6 million related to the amendment of the credit facility agreement and an increase in the proceeds from shares issued of $0.2 million.

INVESTING ACTIVITIES

Cash flows used in investing activities for the three months ended September 30, 2021 were $1.0 million, an increase of $0.3 million compared to cash flows used in investing activities $0.7 million for the same period in 2020. The increase in cash flows used in investing activities is mainly attributable to an increase in capital expenditure of intangible assets of $0.3 million offset by a decrease in capital expenditure of property and equipment of $0.1 million.

Cash flows used in investing activities for the nine months ended September 30, 2021 were $3.6 million, a decrease of $1.4 million compared to cash flows used in investing activities $5.0 million for the same period in 2020. The decrease in cash flows used in investing activities is mainly attributable to the proceeds from sale of investment of $0.9 million, a decrease in capital expenditure of property and equipment of $2.3 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 $0.9 million.

CREDIT FACILITY

On September 29, 2021, IBI Group entered into an amended agreement on its credit facilities extending the maturity date to September 29, 2025 maintaining the maximum amount available on the swing line facility to $20 million. The total revolver facility remains unchanged at $130 million. As at September 30, 2021, the interest on Canadian borrowings was 2.45% (September 30, 2020 – 2.45%).

The definitions and financial covenants under the new facility are substantially the same.

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%	+1.45%	+0.29%
II	1.00:1 < R ≤ 1.50:1	+0.75%	+1.70%	+0.34%
III	1.50:1 < R ≤ 2.00:1	+1.00%	+2.00%	+0.45%
IV	2.00:1 < R ≤ 2.50:1	+1.25%	+2.25%	+0.50625%
V	R > 2.50:1	+1.50%	+2.50%	+0.5625%

As at September 30, 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 $1.2 million (December 31, 2020 - $nil).

As at September 30, 2021, IBI Group has letters of credit outstanding of $12.6 million (December 31, 2020 - $10.8 million), of which $10.7 million are issued under a $20.0 million facility which matures on June 30, 2022 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, US dollar base rate, CDOR, SOFR or Banker’s Acceptance rates plus, in each case, an applicable margin. At September 30, 2021 $35.0 million was outstanding under Bankers’ Acceptance (December 31, 2020 - $nil).

As at September 30, 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 September 30, 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 September 30, 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
Accretion of 5.5% Debentures	-	-	-
Change in fair value of other financial liabilities	-	908	908
Redemption of 5.5% Debentures	(46,000)	(1,638)	(47,638)
BALANCE, SEPTEMBER 30, 2021	$ -	$ -	$ -
6.5% Debentures (matures on December 31, 2025)			
Balance at December 31, 2020	$ 43,186	$ -	$ 43,186
Accretion of 6.5% Debentures	354	-	354
BALANCE, SEPTEMBER 30, 2021	$ 43,540	$ -	$ 43,540

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 September 30, 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 were 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 September 30, 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, US dollar base rate, CDOR, SOFR 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 September 30, 2021, had been 50 basis points higher or lower, with all other variables held constant, net income for the nine months ended September 30, 2021 would have decreased or increased by a nominal amount.

CURRENCY RISK

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

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

If the exchange rates had been 100 basis points higher or lower as at September 30, 2021, with all other variables held constant, total comprehensive income would have increased or decreased by $0.1 million for the nine months ended September 30, 2021. If the exchange rates had been 100 basis points higher or lower as at September 30, 2021, with all other variables held constant, net income would also have increased or decreased by $0.1 million for the nine months ended September 30, 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 September 30, 2021 there were 63 working days of revenue in accounts receivable, which remained unchanged from December 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 nine months ended September 30, 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 29, 2021, 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 September 30, 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 September 30, 2021, a foreign subsidiary of the Company issued letters of credit in the amount of INR 0.7 million INR, which is equal to 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 September 30, 2021, the Company has letters of credit outstanding of $12.6 million (December 31, 2020 - $10.8 million), of which $1.9 million (December 31, 2019 - $0.7 million) are outstanding to foreign institutions with the remaining $10.7 million (December 31, 2019 – $10.1 million) being issued under a $20.0 million facility which matures on June 30, 2022 and supports letters of credit backed by Export Development Canada.

As at September 30, 2021, IBI Group has surety bonds outstanding of $4.6 million (December 31, 2019 - $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 September 30, 2021:

Contractual Obligations	*Payment Due by Period*				
(in millions of Canadian dollars) (unaudited)	***TOTAL***	***LESS THAN 1 YEAR***	***1-3 YEARS***	***4-5 YEARS***	***AFTER 5 YEARS***
Accounts payable and accrued liabilities	$ 50.1	$ 50.1	$ -	$ -	$ -
Credit facilities[1]	35.0	-	-	35.0	-
Interest on credit facilities[1,2]	3.5	0.9	1.7	0.9	-
Senior unsecured debentures	46.0	-	-	46.0	-
Interest on senior unsecured debentures[3]	12.0	3.0	6.0	3.0	-
Lease liabilities	73.1	15.7	24.2	18.1	15.1
IFRS 16 exempt obligations	3.6	1.9	1.6	0.1	-
TOTAL CONTRACTUAL OBLIGATIONS	$ 223.3	$ 71.6	$ 33.5	$ 103.1	$ 15.1

[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, CDOR, SOFR 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

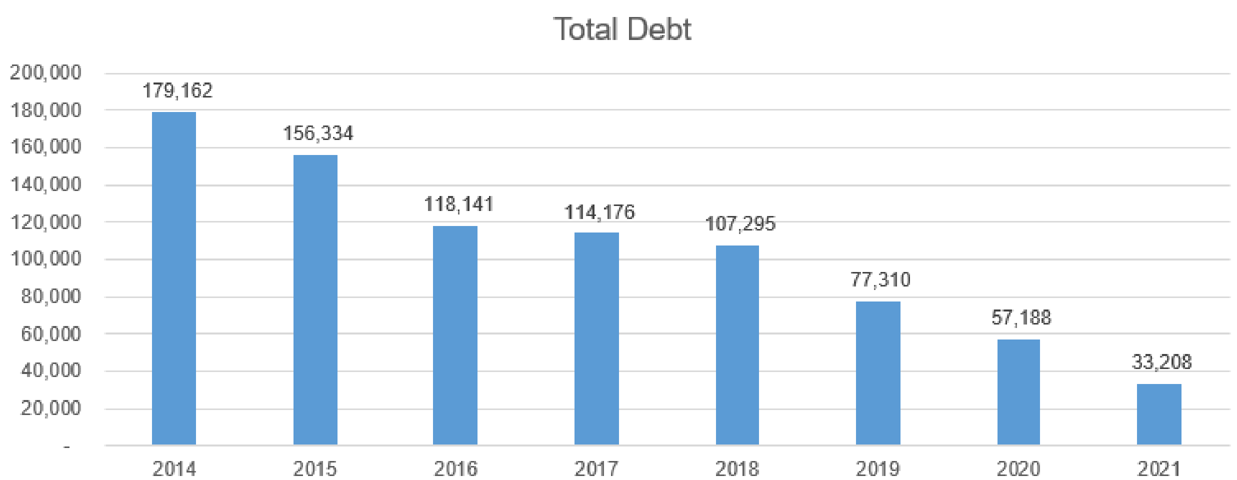
The Company's objective in managing capital is to maintain a capital base that will maintain investor, creditor, and market confidence and to sustain future growth within the business. The Company defines its capital as the aggregate of credit facilities, convertible debentures, and equity.

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 their 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 EBITDA[1] 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.

(in thousands of Canadian dollars)	**SEPTEMBER 30, 2021**	**JUNE 30, 2021**	**MARCH 31, 2021**	**DECEMBER 31, 2020**	**SEPTEMBER 30, 2020**	**JUNE 30, 2020**	**MARCH 31, 2020**	**DECEMBER 31, 2019**
Credit facilities	33,836	34,342	34,210	-	28,206	46,492	50,486	50,328
Debentures	43,540	43,419	43,301	89,186	41,915	41,180	40,462	39,768
Other financial liabilities	-	-	-	730	265	1,264	780	2,842
Less: unrestricted cash	(44,168)	(33,607)	(24,906)	(32,728)	(9,343)	(13,491)	(7,172)	(15,628)
Net debt	33,208	44,154	52,605	57,188	61,043	75,445	84,556	77,310
Adjusted EBITDA[1] for bank covenant purposes (Trailing 12 months)	52,530	50,650	49,400	45,734	41,903	41,474	40,501	42,028
Net debt as a multiple of adjusted EBITDA[1] for bank covenant purposes	0.6	0.9	1.1	1.3	1.5	1.8	2.1	1.8

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	0.6

[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 29, 2021, 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 September 30, 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 November 4, 2021, the Company's common share capital consisted of 31,322,006 shares issued and outstanding.

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

The 6,282,222 Class B partnership units of IBI Group are indirectly exchangeable for common shares of the Company on the basis of one share of the Company for each Class B partnership unit. If all such Class B partnership units of IBI Group had been exchanged for shares on September 30, 2021 the units issued on such exchange would have represented a 16.71% 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 September 30, 2021.

SHARE ISSUANCES

During the three and nine months ended September 30, 2021, 12,000 and 70,000 shares, respectively, were issued as a result of exercises of stock options.

ACCUMULATED OTHER COMPREHENSIVE LOSS

During the three and nine months ended September 30, 2021, the Company incurred a $1.7 million gain and $0.6 million loss, respectively, related to the translation of financial statements of foreign operations, of which 83.29% is attributable to common shareholders.

TRANSACTIONS WITH RELATED PARTIES

Pursuant to the Administration Agreement, IBI Group and certain of its subsidiaries are paying to the Management Partnership an amount representing the base compensation for the services of the partners of the Management Partnership. The amount paid for such services during the three months ended September 30, 2021 was $3.3 million and $9.9 million, respectively (three months ended September 30, 2020 - $3.4 million and $10.6 million respectively). As at September 30, 2021, there were 41 partners (September 30, 2020 – 44 partners). As at September 30, 2021, the amount payable to the Management Partnership was $nil (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.

Reference to the Conceptual Framework (Amendments to IFRS 3)

On May 14, 2020, the IASB issued References to the Conceptual Framework (Amendments to IFRS 3). The announcements update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments are effective for 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 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. The extent of the impact of the change has not yet been determined.

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

On February 12, 2021, the IASB issued Disclosure Initiative-Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements).

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. The extent of the impact of the change has not yet been determined.

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. The extent of the impact of the change has not yet been determined.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

The Company’s CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company’s ICFR and disclosure controls and DC&P as at September 30, 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 September 30, 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 AND 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 accounts receivable and contract assets balances in the statement of financial position.