



IBI Group 2022 First-Quarter Financial Statements

THREE MONTHS ENDED
March 31, 2022

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF

IBI GROUP INC.

THREE MONTHS ENDED MARCH 31, 2022

IBI GROUP INC.
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(unaudited)

<i>(thousands of Canadian dollars)</i>	NOTES	MARCH 31, 2022	DECEMBER 31, 2021
ASSETS			
Current Assets			
Cash	4(c)	\$ 12,820	\$ 21,473
Accounts receivable	4(c),7(b)	150,553	140,064
Contract assets		61,968	60,281
Prepaid expenses and other current assets		21,244	19,181
Lease receivable	4(c),7(b)	2,079	2,115
Income taxes recoverable		1,456	1,884
Total Current Assets		\$ 250,120	\$ 244,998
Restricted cash	4(c),7(c)	2,927	2,958
Property and equipment		18,590	17,705
Goodwill		7,986	4,792
Intangible assets		15,613	11,488
Lease receivable	4(c),7(b)	971	1,344
Right-of-use assets		49,416	52,138
Investment	4(c),7(e)	583	335
Deferred tax assets		5,593	5,645
TOTAL ASSETS		\$ 351,799	\$ 341,403
LIABILITIES AND DEFICIT			
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	4(c)	50,770	53,712
Bank indebtedness		10,663	2,318
Contract liabilities		70,960	69,684
Income taxes payable		1,533	4,467
Lease liability		13,565	13,871
Deferred consideration	4(c)	2,811	1,727
Total Current Liabilities		\$ 150,302	\$ 145,779
Senior unsecured debentures	4(b)	43,788	43,663
Lease liability		50,189	53,266
Deferred consideration	4(c)	3,325	1,437
Deferred tax liabilities		3,790	3,508
TOTAL LIABILITIES		\$ 251,394	\$ 247,653
EQUITY			
Shareholders' Equity			
Share capital	6	279,908	279,980
Capital reserve	6	6,004	5,757
Contributed surplus	6	7,958	7,958
Deficit		(206,525)	(213,158)
Accumulated other comprehensive loss		(8,542)	(7,305)
Total Shareholders' Equity		\$ 78,803	\$ 73,232
Non-controlling interest	6	21,602	20,518
TOTAL EQUITY		\$ 100,405	\$ 93,750
TOTAL LIABILITIES AND EQUITY		\$ 351,799	\$ 341,403

See accompanying notes to the interim condensed consolidated financial statements.

IBI GROUP INC.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

(unaudited)

THREE MONTHS ENDED MARCH 31

(thousands of Canadian dollars, except per share amounts)

	NOTES	2022	2021
Revenue			
Gross Revenue	\$	140,454 \$	132,932
Less: Subconsultants and direct costs		19,698	24,030
NET REVENUE	\$	120,756 \$	108,902
Expenses			
Salaries, fees and employee benefits	5,11	86,987	79,108
Variable lease expense		2,252	2,774
Other operating expenses		11,968	10,415
Foreign exchange (gain) loss	7(a)	180	494
Amortization of intangible assets		1,214	869
Depreciation of property and equipment		1,322	1,398
Depreciation of right-of-use assets		2,988	3,027
Change in fair value of other financial liabilities	4(b)	-	908
Impairment of financial assets	7(b)	701	819
		107,612	99,812
OPERATING INCOME	\$	13,144 \$	9,090
Interest expense, net	7(a),9	1,729	1,983
Other finance costs	9	225	235
FINANCE COSTS	\$	1,954 \$	2,218
NET INCOME BEFORE TAX	\$	11,190 \$	6,872
Current tax expense		2,933	1,228
Deferred tax expense		291	1,347
INCOME TAXES	\$	3,224 \$	2,575
NET INCOME	\$	7,966 \$	4,297
Items that are or may be reclassified to profit or loss			
Gain (loss) on translating financial statements of foreign operations		(1,485)	(984)
OTHER COMPREHENSIVE INCOME (LOSS)		(1,485)	(984)
TOTAL COMPREHENSIVE INCOME	\$	6,481 \$	3,313
NET INCOME ATTRIBUTABLE TO:			
Common shareholders		6,633	3,578
Non-controlling interests	6	1,333	719
NET INCOME	\$	7,966 \$	4,297
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Common shareholders		5,397	2,759
Non-controlling interests	6	1,084	554
TOTAL COMPREHENSIVE INCOME	\$	6,481 \$	3,313
EARNINGS PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS			
Basic earnings per share	6 \$	0.21 \$	0.11
Diluted earnings per share	6 \$	0.21 \$	0.11

See accompanying notes to the interim condensed consolidated financial statements.

IBI GROUP INC.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

THREE MONTHS ENDED MARCH 31 (thousands of Canadian dollars)	NOTES	2022	2021
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES			
Net income		\$ 7,966	\$ 4,297
Items not affecting cash:			
Depreciation of property, equipment, and other assets		1,322	1,398
Amortization of intangible assets		1,214	869
Depreciation of right of use assets		2,988	3,027
Amortization of deferred financing costs	9	116	129
Impairment of financial assets	7(b)	701	819
Foreign exchange loss	7(a)	180	494
Interest expense, net	9	1,729	1,983
Income tax expense		3,224	2,575
Share based compensation	11	388	261
Deferred share units issued		115	95
Change in fair value of deferred share units		138	808
Change in fair value of other financial liabilities	4(b)	-	908
Interest paid		(867)	(1,092)
Income taxes received (paid)		(5,321)	(248)
Change in non-cash operating working capital net of acquisition	8	(14,155)	(4,315)
NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES		\$ (262)	\$ 12,008
CASH FLOWS USED IN FINANCING ACTIVITIES			
Bank indebtedness		8,345	-
Draws (Payments) on principal of credit facilities	4(a)	-	35,000
Redemption of convertible debentures	4(b)	-	(47,638)
Deferred financing costs	4(a)	(188)	-
Payment of lease liabilities		(3,221)	(2,759)
Purchase and cancellation of shares under NCIB		(457)	-
Proceeds from shares issued	6	244	13
NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES		\$ 4,723	\$ (15,384)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of property and equipment		(1,367)	(689)
Purchase of intangible assets		(1,276)	(940)
Earnout payments for acquisitions		(338)	(447)
Acquisitions		(6,237)	(507)
Increase in investment		(250)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		\$ (9,468)	\$ (2,583)
Effects of currency translation on cash and cash equivalents	7(b)	(3,646)	(1,863)
NET INCREASE (DECREASE) IN CASH		\$ (8,653)	\$ (7,822)
Cash, beginning of period		21,473	32,728
CASH, END OF PERIOD		\$ 12,820	\$ 24,906

See accompanying notes to the interim condensed consolidated financial statements.

IBI GROUP INC.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIT)

(unaudited)

THREE MONTHS ENDED MARCH 31

(thousands of Canadian dollars)

	NOTES	2022	2021
SHARE CAPITAL			
Share capital, beginning of period		\$ 279,980	\$ 280,080
Shares issued	6	385	21
Cancellation of shares under NCIB	6	(457)	-
SHARE CAPITAL, END OF PERIOD		\$ 279,908	\$ 280,101
CAPITAL RESERVE			
Capital reserve, beginning of period		\$ 5,757	\$ 4,913
Stock options granted	11	276	155
Stock options exercised	11	(141)	(8)
Performance share units granted	11	112	106
Performance share units redeemed	11	-	-
CAPITAL RESERVE, END OF PERIOD		\$ 6,004	\$ 5,166
CONTRIBUTED SURPLUS			
Contributed surplus, beginning of period		\$ 7,958	\$ 7,958
CONTRIBUTED SURPLUS, END OF PERIOD		\$ 7,958	\$ 7,958
DEFICIT			
Deficit, beginning of period, as reported		\$ (213,158)	\$ (234,184)
Net income attributable to common shareholders		6,633	3,578
DEFICIT, END OF PERIOD		\$ (206,525)	\$ (230,606)
ACCUMULATED OTHER COMPREHENSIVE LOSS			
Accumulated other comprehensive loss, beginning of period		\$ (7,305)	\$ (6,059)
Other comprehensive income (loss) attributable to common shareholders		(1,237)	(819)
ACCUMULATED OTHER COMPREHENSIVE LOSS, END OF PERIOD		\$ (8,542)	\$ (6,878)
TOTAL SHAREHOLDERS' EQUITY		\$ 78,803	\$ 55,741
NON-CONTROLLING INTEREST			
Non-controlling interest, beginning of period		\$ 20,518	\$ 16,547
Total comprehensive income attributable to non-controlling interests	6	1,084	554
NON-CONTROLLING INTEREST, END OF PERIOD		\$ 21,602	\$ 17,101
TOTAL EQUITY, END OF PERIOD		\$ 100,405	\$ 72,842

See accompanying notes to the interim condensed consolidated financial statements.

IBI GROUP INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***(in thousands of Canadian dollars, except per share and share amounts)*

NOTE 1: ORGANIZATION AND DESCRIPTION OF THE BUSINESS

IBI Group Inc. (the “Company”) is a company incorporated pursuant to the provisions of the Canada Business Corporations Act (the “CBCA”) on September 30, 2010 and is the successor to IBI Income Fund (the “Fund”), an unincorporated, open-ended limited purpose trust established under the laws of Ontario.

The Fund was created on July 23, 2004, to indirectly acquire the outstanding Class A partnership units of IBI Group Partnership (“IBI Group”), a general partnership formed and carrying on business under the laws of the Province of Ontario. As at March 31, 2022, the Company’s common share capital consisted of 31,306,528 (December 31, 2021 – 31,288,649) issued and outstanding shares. Each common share entitles the holder to one vote at all meetings of shareholders.

IBI Group also issued Class B partnership units to IBI Group Management Partnership (the “Management Partnership”), the entity that carried on the operations of the Fund prior to its acquisition by the Fund. The Class B partnership units of IBI Group are indirectly exchangeable for common shares on the basis of one share of the Company for each Class B partnership unit. The holders of the Class B partnership units hold an equal number of non-participating voting shares which entitle the holder to voting rights at the meetings of shareholders of the Company.

If all of the outstanding Class B partnership units were converted to common shares, the number of outstanding common shares as at March 31, 2022 would be 37,588,750 (December 31, 2021 – 37,570,871). If the Class B partnership units were converted, the Management Partnership and affiliated partnerships would hold 32.8% of the voting shares as at March 31, 2022 (December 31, 2021 – 32.8%).

The table below summarizes the ownership of the Company by the Management Partnership and affiliated partnerships as at March 31, 2022:

	NUMBER OF UNITS HELD	PERCENTAGE OF TOTAL OWNERSHIP
Class B partnership units and non-participating voting shares held by the Management Partnership	6,282,222	16.71%
Common shares held by the Management Partnership and affiliated partnerships	6,027,746	16.04%

Through IBI Group, the Company is a global design and technology firm, who provides of a broad range of professional services focused on the physical development of cities. IBI Group's business is concentrated in three main areas of development, being intelligence, buildings and infrastructure. The professional services provided by IBI Group include planning, design, implementation, analysis of operations and other consulting and technology services related to these three main areas of development.

IBI GROUP INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(in thousands of Canadian dollars, except per share and share amounts)

The table below summarizes the trading symbols of the Company's securities which are listed on the Toronto Stock Exchange ("TSX") as at March 31, 2022:

SECURITY	TRADING SYMBOL
Common shares	"IBG"
6.5% listed senior unsecured debentures, \$46,000 principal, matures on December 31, 2025 ("6.5% Debentures")	"IBG.DB.E"

The Company's registered head office is 55 St. Clair Ave. West, 7th Floor, Toronto, Ontario, M4V 2Y7.

NOTE 2: BASIS OF PREPARATION**(a) STATEMENT OF COMPLIANCE**

These unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (the "consolidated group") have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board and accounting policies described in the Company's audited consolidated financial statements as at and for the year ended December 31, 2021 other than those described in (c) below. Certain information and footnote disclosures which are considered material to the understanding of the Company's interim financial statements and which are normally included in annual financial statements prepared in accordance with IFRS are provided in these notes. The interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Corporation's audited annual consolidated financial statements for the year ended December 31, 2021.

These consolidated financial statements were approved and authorized for issuance by the Company's Board of Directors on May 4, 2022.

(b) USE OF ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The significant judgements made by management in applying the Company's policies and key sources of estimation uncertainty were the same as those described in the last annual financial statements.

(c) FUTURE ACCOUNTING POLICIES*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:

IBI GROUP INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(in thousands of Canadian dollars, except per share and share amounts)

– 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.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

On May 7, 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier adoption is permitted. The extent of the impact of the change has not yet been determined.

NOTE 3: SEGMENT INFORMATION

The Company is a global design and technology firm, multi-disciplinary provider of a broad range of professional services focused on the physical development of cities. The Company considers the basis on which it is organized, including geographic areas and service offerings, in identifying its reportable segments.

(a) OPERATING SEGMENTS

Operating segments of the Company are defined as components for which separate financial information is available that is evaluated regularly in allocating resources and assessing performance.

IBI GROUP INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***(in thousands of Canadian dollars, except per share and share amounts)***(b) GEOGRAPHIC SEGMENTS**

The following table demonstrates certain information contained in the consolidated statement of financial position segmented geographically as at March 31, 2022, with comparatives as at December 31, 2021:

	AS AT MARCH 31, 2022				
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	TOTAL
Property and equipment	\$ 12,945	\$ 4,393	\$ 665	\$ 587	\$ 18,590
Goodwill	4,792	3,194	-	-	7,986
Intangible assets	11,430	4,183	-	-	15,613
Contract assets	32,554	17,275	3,436	8,703	61,968
Contract liabilities	32,106	26,941	5,532	6,381	70,960
Total assets	208,200	82,080	21,311	40,208	351,799

	AS AT DECEMBER 31, 2021				
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	TOTAL
Property and equipment	\$ 12,879	\$ 3,630	\$ 583	\$ 613	\$ 17,705
Goodwill	4,792	-	-	-	4,792
Intangible assets	11,291	197	-	-	11,488
Contract assets	30,781	15,818	3,439	10,243	60,281
Contract liabilities	36,828	24,922	4,605	3,329	69,684
Total assets	201,368	81,694	18,698	39,643	341,403

The following table demonstrates certain information contained in the unaudited interim condensed consolidated statement of income and comprehensive income segmented geographically for the three months ended March 31, 2022 and 2021. The unallocated amounts pertain to interest on debentures, accretion expense on debentures, amortization of deferred financing cost, long term debt interest, change in fair value of other financial liabilities, changes in fair value of deferred share units and payout of deferred share units.

IBI GROUP INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***(in thousands of Canadian dollars, except per share and share amounts)*

	THREE MONTHS ENDED MARCH 31, 2022					
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS ¹	TOTAL
Gross Revenues	\$ 85,903	\$ 38,627	\$ 8,884	\$ 7,040	\$ -	\$ 140,454
Less: subconsultants and direct expenses	8,166	7,815	1,718	1,999	-	19,698
Net revenue	\$ 77,737	\$ 30,812	\$ 7,166	\$ 5,041	\$ -	\$ 120,756
Adjusted EBITDA ²	\$ 11,000	\$ 3,983	\$ 316	\$ (345)	\$ -	\$ 14,954
Items excluded in calculation of Adjusted EBITDA ² :						
Interest expense, net	571	172	34	12	940	1,729
Amortization and depreciation	3,349	1,548	350	277	-	5,524
Foreign exchange (gain) loss	(176)	11	200	145	-	180
Change in fair value of deferred share units	-	-	-	-	138	138
Payment of DSP	-	-	-	-	(380)	(380)
Stock based compensation	244	17	9	6	-	276
Performance share units	112	-	-	-	-	112
Deferred financing charges	-	-	-	-	116	116
IFRS 16 lease accounting adjustment	(2,196)	(1,383)	(233)	(119)	-	(3,931)
Net income (loss) before tax	\$ 9,096	\$ 3,618	\$ (44)	\$ (666)	\$ (814)	\$ 11,190

	THREE MONTHS ENDED MARCH 31, 2021					
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS ¹	TOTAL
Gross revenues	\$ 76,387	\$ 41,008	\$ 8,951	\$ 6,586	\$ -	\$ 132,932
Less: subconsultants and direct expenses	7,985	12,780	1,363	1,902	-	24,030
Net revenue	\$ 68,402	\$ 28,228	\$ 7,588	\$ 4,684	\$ -	\$ 108,902
Adjusted EBITDA ²	\$ 8,463	\$ 3,637	\$ 638	\$ 147	\$ -	\$ 12,885
Items excluded in calculation of Adjusted EBITDA ² :						
Interest expense, net	634	224	28	17	1,080	1,983
Amortization and depreciation	2,944	1,652	391	307	-	5,294
Foreign exchange (gain) loss	386	(61)	(24)	193	-	494
Change in fair value of other financial liabilities	-	-	-	-	908	908
Change in fair value of deferred share units	-	-	-	-	808	808
Payment of DSP	-	-	-	-	(380)	(380)
Stock based compensation	83	33	11	28	-	155
Performance share units	106	-	-	-	-	106
Deferred financing charges	-	-	-	-	129	129
IFRS 16 lease accounting adjustment	(1,637)	(1,388)	(316)	(143)	-	(3,484)
Net income (loss) before tax	\$ 5,947	\$ 3,177	\$ 548	\$ (255)	\$ (2,545)	\$ 6,872

¹ Unallocated corporate costs represent costs not associated with a particular operating segment and are borne by IBI Group as a whole. These costs include interest on credit facility, interest and accretion on convertible debentures, the change in fair value on other financial liabilities, the change in fair value in deferred share units, and the amortization of deferred financing costs associated with the credit facilities.

² As defined in the credit facilities agreement, references to "Adjusted EBITDA" is to earnings before interest, income taxes, depreciation and amortization; adjusted for gain/loss arising from extraordinary, unusual or non-recurring items; acquisition costs and deferred consideration revenue; non-cash expenses; gain/loss realized upon the disposal of capital property; gain/loss on foreign exchange translation; gain/loss on purchase or redemption of securities issued; gain/loss on fair valuation of financial instruments; amounts attributable to minority equity investments; IFRS lease accounting adjustments; and interest income.

IBI GROUP INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***(in thousands of Canadian dollars, except per share and share amounts)***(d) BUSINESS UNIT SEGMENTS**

The following table demonstrates certain information contained in the consolidated statement of income and comprehensive income segmented by business unit for the three months ended March 31, 2022 and 2021

<i>(in thousands of Canadian dollars)</i>	THREE MONTHS ENDED MARCH 31, 2022					
<i>(unaudited)</i>	INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL	
Gross revenues	\$ 25,649	\$ 71,229	\$ 43,105	\$ 471	\$ 140,454	
Less: subconsultants and direct expenses	4,680	9,272	5,740	6	19,698	
Net revenue	\$ 20,969	\$ 61,957	\$ 37,365	\$ 465	\$ 120,756	
Adjusted EBITDA ¹	\$ 3,572	\$ 12,229	\$ 3,873	\$ (4,720)	\$ 14,954	
Items excluded in calculation of Adjusted EBITDA ¹ :						
Interest expense, net	125	388	275	941	1,729	
Amortization and depreciation	1,515	2,309	1,694	6	5,524	
Foreign exchange (gain) loss	167	691	(143)	(535)	180	
Change in fair value of deferred share units	-	-	-	138	138	
Payment of DSP	-	-	-	(380)	(380)	
Stock based compensation	35	49	83	109	276	
Performance share units	-	-	-	112	112	
Deferred financing charges	-	-	-	116	116	
IFRS 16 lease accounting adjustment	(660)	(1,958)	(1,306)	(7)	(3,931)	
Net income before tax	\$ 2,390	\$ 10,750	\$ 3,270	\$ (5,220)	\$ 11,190	

¹ As defined in the credit facilities agreement, references to "Adjusted EBITDA" is to earnings before interest, income taxes, depreciation and amortization; adjusted for gain/loss arising from extraordinary, unusual or non-recurring items; acquisition costs and deferred consideration revenue; non-cash expenses; gain/loss realized upon the disposal of capital property; gain/loss on foreign exchange translation; gain/loss on purchase or redemption of securities issued; gain/loss on fair valuation of financial instruments; amounts attributable to minority equity investments; IFRS lease accounting adjustments; and interest income. Adjusted EBITDA is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS, and IBI Group's method of calculating Adjusted EBITDA may differ from the methods used by other similar entities.

IBI GROUP INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***(in thousands of Canadian dollars, except per share and share amounts)*

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

NOTE 4: FINANCIAL INSTRUMENTS**(a) INDEBTEDNESS**

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 swing line facility maximum available amount at \$20,000. The total revolver facility also remains unchanged at \$130,000. As at March 31, 2022, the interest rate on Canadian dollar borrowings was 2.70% (March 31, 2021 –2.45%).

As at March 31, 2022, IBI Group has borrowings of \$nil (December 31, 2021 - \$nil) under the credit facilities, which has been recorded on the balance sheet net of deferred financing costs of \$nil (December 31, 2021 - \$nil).

As at March 31, 2022, IBI Group has borrowed to \$10,663 (December 31, 2021 - \$2,318) on the overdraft facility.

¹ As defined in the credit facilities agreement, references to "Adjusted EBITDA" is to earnings before interest, income taxes, depreciation and amortization; adjusted for gain/loss arising from extraordinary, unusual or non-recurring items; acquisition costs and deferred consideration revenue; non-cash expenses; gain/loss realized upon the disposal of capital property; gain/loss on foreign exchange translation; gain/loss on purchase or redemption of securities issued; gain/loss on fair valuation of financial instruments; amounts attributable to minority equity investments; IFRS lease accounting adjustments; and interest income. Adjusted EBITDA is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS, and IBI Group's method of calculating Adjusted EBITDA may differ from the methods used by other similar entities.

IBI GROUP INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except per share and share amounts)

As at March 31, 2022, IBI Group has letters of credit outstanding of \$9,924 (December 31, 2021 – \$8,960), of which \$8,779 (December 31, 2021 - \$8,114) is issued under a \$20,000 facility which matures on June 30, 2022 and supports letters of credit back stopped by Export Development Canada. Advances under the revolver facility bear interest at a rate based on the Canadian dollar prime rate, CDOR, SOFR or Banker's Acceptance rates plus, in each case, an applicable margin. As at March 31, 2022, \$nil was outstanding under Bankers' Acceptance (December 31, 2021 - \$nil).

As at March 31, 2022, IBI Group has surety bonds outstanding of \$4,554 (December 31, 2021 - \$4,554), with Liberty Mutual Insurance. These bonds are security agreements necessary to backstop certain Intelligence projects in the U.S segment.

This facility is subject to compliance with certain financial, reporting and other covenants. The financial covenants under the agreement include a leverage ratio, interest coverage ratio, and restrictions on distributions, if certain conditions are not met. IBI Group was in compliance with its credit facility covenants as at March 31, 2022.

Continued compliance with the covenants under the amended credit facilities is dependent on IBI Group achieving revenue forecasts, continued profitability, executing contracts for clients and continued monitoring of working capital. Market conditions are difficult to predict and there is no assurance that IBI Group will achieve its forecasts. In the event of non-compliance, IBI Group's lenders have the right to demand repayment of the amounts outstanding under the lending agreements or pursue other remedies if IBI Group cannot reach an agreement with its lenders to amend or waive the financial covenants. As in the past, IBI Group will carefully monitor its compliance with the covenants and will seek waivers, subject to lender approval, as may become necessary from time to time. No waivers were requested for the three months ended March 31, 2022. The following table demonstrates the activity on the credit facilities for the three months ended March 31, 2022 and 2021:

IBI GROUP INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, except per share and share amounts)

	AS AT	
	MARCH 31, 2022	MARCH 31, 2021
Opening Balance	\$ -	\$ -
Draws on credit facilities	-	35,000
Payment of deferred financing costs	(188)	-
Cash movement	\$ (188)	\$ 35,000
Deferred financing capitalization	-	(919)
Amortization of deferred financing costs	116	129
Transfer to prepaid expenses and other current assets	72	-
Non-cash movement	188	\$ 790
Ending Balance	\$ -	\$ 34,210

(b) DEBENTURES

	LIABILITY COMPONENT	TOTAL
6.5% Debentures (matures on December 31, 2025)		
Balance at December 31, 2021	\$ 43,663	\$ 43,663
Accretion of 6.5% Debentures	125	125
BALANCE, MARCH 31, 2022	\$ 43,788	\$ 43,788

IBI GROUP INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(in thousands of Canadian dollars, except per share and share amounts)

6.5% DEBENTURES (\$46,000 PRINCIPAL, MATURES ON DECEMBER 31, 2025)

On October 02, 2020, the Company issued 6.5% senior, unsecured Debentures of \$46,000 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 intended use of the net proceeds was to repay the previously issued 5.5% Debentures.

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

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

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

Each embedded feature was evaluated separately and it was determined that the economic and risk characteristics are not closely related to the host contract. It has been assessed that the identified embedded derivative as at the date of issuance and March 31, 2022 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 \$46,000 net of deferred financing costs of \$2,921 at 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.

The fair value of the convertible debentures as at March 31, 2022, based on a Level 1 quoted market price, is as follows:

	Carrying Value	Fair Value
6.5% Debentures	43,788	48,415
BALANCE, MARCH 31, 2022	\$ 43,788 \$	48,415

IBI GROUP INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***(in thousands of Canadian dollars, except per share and share amounts)*

The fair value of the convertible debentures as at December 31, 2021, based on a Level 1 quoted market price, is as follows:

	Carrying Value	Fair Value
6.5% Debentures	43,663	49,220
BALANCE, DECEMBER 31, 2021	\$ 43,663 \$	49,220

(c) FINANCIAL ASSETS AND LIABILITIES

The fair values of accounts receivable, current and non-current lease receivable, accounts payable and accrued liabilities approximate their carrying amounts due to their short-term maturity. The fair value of the credit facilities approximate its carrying amount due to the variable rate of interest.

The carrying amount of the Company's financial instruments as at March 31, 2022 are as follows:

	FINANCIAL ASSETS AND LIABILITIES AT FVTPL	AMORTIZED COST	TOTAL
FINANCIAL ASSETS			
Cash	\$ 12,820	\$ -	12,820
Restricted cash	2,927	-	2,927
Accounts receivable	-	150,553	150,553
Investment	583	-	583
TOTAL	\$ 16,330	\$ 150,553	\$ 166,883
FINANCIAL LIABILITIES			
Accounts payable and accrued liabilities	\$ -	\$ 46,250	46,250
Deferred share plan liability	4,520	-	4,520
Debentures	-	43,788	43,788
Deferred consideration	6,136	-	6,136
TOTAL	\$ 10,656	\$ 90,038	\$ 100,694

IBI GROUP INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***(in thousands of Canadian dollars, except per share and share amounts)*

The carrying amount of the Company's financial instruments as at December 31, 2021 are as follows:

	FINANCIAL ASSETS AND LIABILITIES AT FVTPL	AMORTIZED COST	TOTAL
FINANCIAL ASSETS			
Cash	\$ 21,473	\$ -	21,473
Restricted cash	2,958	-	2,958
Accounts receivable	-	140,064	140,064
Investment	335	-	335
TOTAL	\$ 24,766	\$ 140,064	\$ 164,830
FINANCIAL LIABILITIES			
Accounts payable and accrued liabilities	\$ -	\$ 49,060	49,060
Deferred share plan liability	4,652	-	4,652
Debentures	-	43,663	43,663
Deferred consideration	3,164	-	3,164
TOTAL	\$ 7,816	\$ 92,723	\$ 100,539

IBI GROUP INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***(in thousands of Canadian dollars, except per share and share amounts)*

The following tables summarize the Company's fair value hierarchy for those assets and liabilities that are measured at fair value on a recurring basis as at March 31, 2022 and December 31, 2021:

	AS AT MARCH 31, 2022		
	LEVEL 1	LEVEL 2	LEVEL 3
Cash	\$ 12,820	\$ -	-
Restricted cash	2,927	-	-
Investment	-	-	583
Deferred share plan liability	-	(4,520)	-
Other Financial Liabilities	-	-	-
Deferred consideration	-	-	(6,136)
	\$ 15,747	\$ (4,520)	\$ (5,553)

	AS AT DECEMBER 31, 2021		
	LEVEL 1	LEVEL 2	LEVEL 3
Cash	\$ 21,473	\$ -	-
Restricted cash	2,958	-	-
Investment	-	-	335
Deferred share plan liability	-	(4,652)	-
Other Financial Liabilities	-	-	-
Deferred consideration	-	-	(3,164)
	\$ 24,431	\$ (4,652)	\$ (2,829)

NOTE 5: RELATED PARTY TRANSACTIONS

Pursuant to the Administration Agreement, IBI Group and certain of its subsidiaries are paying to the Management Partnership an amount representing the base compensation for the services of the partners of the Management Partnership. The amount paid for such services during the three months ended March 31, 2022 was \$2,567 (three months ended March 31, 2021 - \$3,343). As at March 31, 2022, there were 36 partners (March 31, 2021 – 41 partners). As at March 31, 2022, the amount payable to the Management Partnership was \$nil (December 31, 2021 - \$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.

IBI GROUP INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***(in thousands of Canadian dollars, except per share and share amounts)*

NOTE 6: EQUITY**(a) SHAREHOLDERS' EQUITY**

The Company is authorized to issue an unlimited number of common shares. As at March 31, 2022, the Company's common share capital consisted of 31,306,528 shares issued and outstanding (December 31, 2021 – 31,288,649 shares).

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

The 6,282,222 Class B partnership units of IBI Group are indirectly exchangeable for common shares of the Company on the basis of one share of the Company for each Class B partnership unit. If all such Class B partnership units of IBI Group had been exchanged for shares on March 31, 2022, the units issued on such exchange would have represented a 16.73% interest in the Company.

The holders of the Class B partnership units hold an equal number of non-participating voting shares which entitle the holder to voting rights at the meetings of shareholders of the Company. The Class B partnership units have been recorded as a non-controlling interest in these unaudited interim condensed consolidated financial statements as at March 31, 2022.

On June 14, 2021 The Company received approval from the TSX for a normal course issuer bid (NCIB) to purchase up to 750,000 of its issued and outstanding shares during the period of June 21, 2021 to June 20, 2022. During the three months ended March 31, 2022, the Company repurchased 34,921 common shares for cancellation pursuant to the NCIB at a cost of \$457.

SHARE ISSUANCES

During the three months ended March 31, 2022, the Company issued 52,800 common shares as a result of exercises of stock options. Proceeds to the Company were \$244.

EARNINGS PER SHARE

For the purposes of calculating diluted earnings per share, any impact of the stock options are included in the calculation of net income per common share or weighted average number of common shares outstanding.

	THREE MONTHS ENDED	
	MARCH 31,	
	2022	2021
Net income	\$ 7,966	\$ 4,297
Net income attributable to common shareholders	\$ 6,633	\$ 3,578

IBI GROUP INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***(in thousands of Canadian dollars, except per share and share amounts)*

Weighted average common shares outstanding	31,280	31,266
Dilutive effect of Class B partnership units	6,282	6,282
Dilutive effect of stock options granted	1,170	862
Diluted weighted average common shares outstanding	38,732	38,410
Basic earnings per common share	\$ 0.21	\$ 0.11
Diluted earnings per common share	\$ 0.21	\$ 0.11

(b) NON-CONTROLLING INTEREST

Non-controlling interest in the Company's subsidiaries is exchangeable into the common shares of the Company on a one for one basis, subject to certain conditions. The movement in non-controlling interest is shown in the consolidated statement of changes in equity (deficit) for the three months ended March 31, 2022.

The calculation of net income and total comprehensive income attributable to non-controlling interest is set out below:

	THREE MONTHS ENDED	
	MARCH 31,	
	2022	2021
Net income	\$ 7,966	\$ 4,297
Non-controlling interest share of ownership	16.73%	16.73%
Net income attributable to non-controlling interest	\$ 1,333	\$ 719

	THREE MONTHS ENDED	
	MARCH 31,	
	2022	2021
Total comprehensive income	\$ 6,481	\$ 3,313
Non-controlling interest share of ownership	16.73%	16.73%
Total comprehensive income attributable to non-controlling interest	\$ 1,084	\$ 554

NOTE 7: FINANCIAL RISK MANAGEMENT

The Company has exposure to market, credit and liquidity risk. The Company's primary risk management objective is to protect the Company's consolidated statement of financial position, income and comprehensive income 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.

(a) 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 Company's 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 IBI Group, the Company's 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 the Company's 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, CDOR, SOFR or banker's acceptance rates, plus, in each case, an applicable margin.

If the interest rate on the Company's variable rate loan balance as at March 31, 2022, had been 50 basis points higher or lower, with all other variables held constant, net income for the three months ended March 31, 2022 would have decreased or increased by approximately \$nil

CURRENCY RISK

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

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

If the exchange rates had been 100 basis points higher or lower as at March 31, 2022, with all other variables held constant, total comprehensive income would have increased or decreased by \$13 for the three months ended March 31, 2022. If the exchange rates had been 100 basis points higher or lower as at March 31, 2022, with all other variables held constant, net income would have increased or decreased by \$14 for the three months ended March 31, 2022.

(b) 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). As at March 31, 2022 there were 62 working days of revenue in accounts receivable, one day less than December 31, 2021. 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.

IBI GROUP INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***(in thousands of Canadian dollars, except per share and share amounts)*

The aging of the accounts receivable are detailed below:

		AS AT	
		MARCH 31, 2022	DECEMBER 31, 2021
Current	\$	54,103 \$	57,571
30 to 90 days		42,211	36,368
Over 90 days		59,245	50,759
Gross accounts receivable		155,559	144,698
Allowance for impairment losses		(5,006)	(4,634)
Total	\$	150,553 \$	140,064

Changes in the allowance for impairment losses were as follows:

		AS AT	
		MARCH 31, 2022	DECEMBER 31, 2021
Balance at beginning of period	\$	(4,634)\$	(6,622)
Provision for doubtful accounts		(701)	(3,355)
Amounts written-off		308	5,293
Effect of foreign currency exchange rate changes		21	50
Total	\$	(5,006)\$	(4,634)

Impairment loss provision of contract assets is determined by applying a weighted average loss rate based on the Company's historical experience and informed credit assessment. The weighted average loss rate as at March 31, 2022 was 3.34% on contract assets for impairment loss of \$2,140 (December 31, 2021 – loss rate of 3.15% and impairment loss of \$1,961).

The Company, upon entering into 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 months ended March 31, 2022, no changes in credit risk were identified.

(c) 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 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 Note 4 – Financial Instruments).

As at March 31, 2022, a foreign subsidiary of the Company issued letters of credit in the amount of U.S \$2,300, which is equal to CAD \$2,916 (December 31, 2021 – CAD \$2,947). The Company has pledged U.S \$2,300 (December 31, 2021 – U.S \$2,300) of cash as security for these letters of credit issued by a foreign financial institution on behalf of the foreign subsidiary.

As at March 31, 2022, a foreign subsidiary of the Company issued letters of credit in the amount of INR 650,000 which is equal to CAD \$11 (December 31, 2021 – CAD \$11). The Company has pledged INR 650,000 (December 31, 2021 – INR 650,000) of cash as security for these letters of credit issued by a foreign financial institution on behalf of the foreign subsidiary.

As at March 31, 2022, the Company has letters of credit outstanding of \$9,924 (December 31, 2021 - \$8,960), of which \$1,145 (December 31, 2021 - \$846) are outstanding with foreign institutions with the remaining \$8,779 (December 31, 2021 - \$8,114) being issued under a \$20,000 facility which matures on June 30, 2022 and supports letters of credit back stopped by Export Development Canada.

As at March 31, 2022, IBI Group has surety bonds outstanding of \$4,554 (December 31, 2021 - \$4,554), with Liberty Mutual Insurance. These bonds are security agreements necessary to backstop certain Intelligence projects in the U.S segment.

(d) CAPITAL MANAGEMENT

The Company's objective in managing capital is to maintain a strong capital base so as to 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, debentures and equity.

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 has used the credit facilities to fund working capital. The credit facilities contain financial covenants including a leverage ratio, interest coverage ratio, minimum Adjusted EBITDA¹ threshold,

¹ As defined in the credit facilities agreement, references to "Adjusted EBITDA" is to earnings before interest, income taxes, depreciation and amortization; adjusted for gain/loss arising from extraordinary, unusual or non-recurring items; acquisition costs and deferred consideration revenue; non-cash expenses; gain/loss realized upon the disposal of capital property; gain/loss on foreign exchange translation; gain/loss on purchase or redemption of securities issued; gain/loss on fair valuation of financial instruments; amounts attributable to minority equity investments; IFRS lease accounting adjustments; and interest income. Adjusted EBITDA is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS, and IBI Group's method of calculating Adjusted EBITDA may differ from the methods used by other similar entities.

IBI GROUP INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***(in thousands of Canadian dollars, except per share and share amounts)*

and restrictions on distributions, if certain conditions are not met. The Company was in compliance with the credit facility covenants as at March 31, 2022.

(e) FAIR VALUE MEASUREMENTS

The fair values of accounts receivable, accounts payable and accrued liabilities, and investments approximate their carrying amounts due to their short-term maturity.

The fair value of the Company's credit facilities (net of deferred financing costs) approximate carrying value due to the variable rate of interest of the debt.

IFRS 7 *Financial Instruments – Disclosures*, requires disclosure of all financial instruments at fair value other than short term and carried at amortized cost, grouped in Levels 1 to 3, in the fair value hierarchy, based on the degree to which the fair value is observable. The three levels of the fair value hierarchy are:

- Level 1 – inputs derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – fair value derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For financial instruments recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization at the end of each reporting period. There were no transfers between Level 1 and Level 2 for the three months ended March 31, 2022.

NOTE 8: CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	THREE MONTHS ENDED	
	MARCH 31,	
	2022	2021
Accounts receivable	\$ (9,018)	\$ (7,159)
Contract assets	(2,244)	(1,509)
Prepaid expenses and other assets	(2,082)	(957)
Accounts payable and accrued liabilities	(5,362)	284
Contract liabilities	1,898	3,802
Net income taxes payable	2,653	1,224
Change in non-cash operating working capital	\$ (14,155)	\$ (4,315)

IBI GROUP INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***(in thousands of Canadian dollars, except per share and share amounts)***NOTE 9: FINANCE COSTS**

	THREE MONTHS ENDED	
	MARCH 31,	
	2022	2021
Interest on credit facilities	\$ 79	\$ 84
Interest on debentures	737	880
Non-cash accretion of debentures	125	115
Interest on lease liability	719	882
Interest on lease receivable	(37)	(60)
Other	106	82
INTEREST EXPENSE	\$ 1,729	\$ 1,983
Amortization of deferred financing costs	\$ 116	\$ 129
Other	109	106
OTHER FINANCE COSTS	\$ 225	\$ 235
FINANCE COSTS	\$ 1,954	\$ 2,218

NOTE 10: CONTINGENCIES**(a) LEGAL MATTERS**

In the normal course of business, the Company is a defendant in a number of lawsuits. The potential liability, if any, is not determinable and in management's opinion, it would not have a material effect on these unaudited interim condensed consolidated financial statements, therefore no provisions have been recorded.

(b) INDEMNIFICATIONS

The Company provides indemnifications and, in very limited circumstances, bonds, which are often standard contractual terms, to counterparties in transactions such as purchase and sale contracts for assets or shares, service agreements, and leasing transactions. The Company also indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. These indemnifications may require the Company to compensate the counterparty for costs incurred as a result of various events, including changes in or in the interpretation of laws and regulations, or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnifications will vary based upon the contract, the nature of which prevents the Company from making a reasonable estimate of the maximum potential amount that it could be required to pay to counterparties. The Company carries liability insurance, subject to certain deductibles and policy limits that provides protection against certain insurable indemnifications. Historically, the Company has not

IBI GROUP INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(in thousands of Canadian dollars, except per share and share amounts)

made any significant payments under such indemnifications, and no provisions have been accrued in the accompanying unaudited interim condensed consolidated financial statements with respect to these indemnifications as it is not probable that there will be an outflow of resources.

NOTE 11: SHARE-BASED COMPENSATION**EQUITY SETTLED TRANSACTIONS***Stock Options*

The Company has an equity-settled stock option plan. The grant-date fair value of the stock options is recognized as salaries, fees and employee expenses, with a corresponding increase to capital reserve over the vesting period of the stock options. Market conditions are reflected in the initial measurement of fair-value, with no subsequent true-up for differences between expected and actual outcomes.

Under the terms of the Company's stock option plan, the options vest evenly over a three year period on each of the first, second and third anniversary dates of the grant, and expire on the tenth anniversary of the date of the grant, and are measured using the Black-Scholes model.

IBI GROUP INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***(in thousands of Canadian dollars, except per share and share amounts)*

The following inputs were used in the measurement of the fair values at the grant date of the options:

Grant date	Options issued	Fair value at grant date	Share price at grant date	Exercise price	Expected volatility (weighted average)	Expected life (weighted average)	Expected dividends	Risk-free interest rate
January 15, 2016	535,000	\$ 1.14 - 1.17	\$ 2.13	\$ 2.33	60.2 - 64.2%	5.5 - 6.5 years	0%	0.64 - 0.81%
May 25, 2016	99,213	\$ 2.63 - 6.67	\$ 4.53	\$ 4.49	62.3 - 66.9%	5.5 - 6.5 years	0%	0.86 - 0.99%
May 12, 2017	69,107	\$ 4.31 - 4.39	\$ 7.30	\$ 7.01	62.8 - 67.1%	5.5 - 6.5 years	0%	1.07 - 1.20%
July 17, 2017	316,500	\$ 3.88 - 3.97	\$ 6.63	\$ 6.63	62.8 - 67.0%	5.5 - 6.5 years	0%	1.55 - 1.64%
August 9, 2017	77,315	\$ 3.97 - 4.05	\$ 6.77	\$ 6.79	62.8 - 67.0%	5.5 - 6.5 years	0%	1.57 - 1.66%
March 20, 2018	71,942	\$ 4.26 - 4.37	\$ 7.24	\$ 7.24	62.7 - 66.6%	5.5 - 6.5 years	0%	2.00 - 2.03%
May 9, 2018	69,500	\$ 4.56 - 4.66	\$ 7.65	\$ 7.49	62.4 - 66.6%	5.5 - 6.5 years	0%	2.22 - 2.26%
March 6, 2019	156,464	\$ 2.47 - 2.70	\$ 4.41	\$ 4.49	61.2 - 63.7%	5.5 - 6.5 years	0%	1.70 - 1.72%
May 9, 2019	90,500	\$ 2.68 - 2.97	\$ 4.96	\$ 4.98	60.3 - 63.1%	5.5 - 6.5 years	0%	1.56 - 1.59%
March 4, 2020	131,485	\$ 2.49	\$ 5.12	\$ 5.16	50.3%	6 years	0%	1.28%
May 6, 2020	139,000	\$ 1.79 - 2.25	\$ 4.00	\$ 4.11	48.3 - 58.2%	5.5 - 6.5 years	0%	0.43 - 0.44%
May 13, 2020	15,000	\$ 1.72 - 2.19	\$ 3.76	\$ 4.00	47.6 - 58.2%	5.5 - 6.5 years	0%	0.38 - 0.39%
March 10, 2021	86,096	\$ 3.51 - 4.29	\$ 9.42	\$ 9.07	41.1 - 47.4%	5.5 - 6.5 years	0%	0.97 - 1.08%
May 12, 2021	281,500	\$ 3.86 - 4.75	\$ 10.05	\$ 10.14	40.2 - 46.5%	5.5 - 6.5 years	0%	1.04 - 1.19%
March 9, 2022	121,743	\$ 4.89 - 5.85	\$ 14.66	\$ 14.07	34.7 - 39.1%	5.5 - 6.5 years	0%	1.66 - 1.68%

IBI GROUP INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***(in thousands of Canadian dollars, except per share and share amounts)*

Expected volatility is based on an evaluation of the historical volatility of the Company's share price over the historical period commensurate with the expected term. The expected term of the instruments has been based on general option-holder behavior.

For the three months ended March 31, 2022, the Company has recognized an expense of \$276 (three months ended March 31, 2021 - \$155) in salaries, fees and employee benefits for stock options in the consolidated statement of income and comprehensive income.

The following stock option arrangements were in existence as at March 31, 2022:

Grant date	Expiry date	Options issued	Options exercised	Options cancelled/ forfeited	Options outstanding	Options exercisable	Exercise price	Fair value at grant date
15-Jan-16	15-Jan-26	535,000	106,667	35,000	393,333	393,333	\$ 2.33	\$ 618,816
25-May-16	25-May-26	99,213	-	-	99,213	99,213	\$ 4.49	\$ 262,253
16-May-17	16-May-27	69,107	-	-	69,107	69,107	\$ 7.01	\$ 300,846
17-Jul-17	17-Jul-27	316,500	51,000	26,500	239,000	239,000	\$ 6.63	\$ 1,245,954
9-Aug-17	9-Aug-27	77,315	-	-	77,315	77,315	\$ 6.79	\$ 310,550
20-Mar-18	20-Mar-28	71,942	-	-	71,942	71,942	\$ 7.24	\$ 310,550
9-May-18	9-May-28	69,500	8,300.00	-	61,200	61,200	\$ 7.49	\$ 320,627
6-Mar-19	6-Mar-29	156,464	-	-	156,464	156,464	\$ 4.49	\$ 406,650
9-May-19	9-May-29	90,500	6,500	-	84,000	56,000	\$ 4.98	\$ 257,110
4-Mar-20	4-Mar-30	131,485	-	-	131,485	87,657	\$ 5.16	\$ 327,398
6-May-20	6-May-30	139,000	4,833	-	134,167	44,722	\$ 4.11	\$ 278,371
13-May-20	13-May-30	15,000	1,000	-	14,000	4,667	\$ 4.00	\$ 29,050
10-Mar-21	10-Mar-31	86,096	-	-	86,096	28,699	\$ 9.07	\$ 336,721
12-May-21	12-May-31	281,500	-	35,000	246,500	-	\$ 10.14	\$ 1,207,541
9-Mar-22	9-Mar-32	121,743	-	-	121,743	-	\$ 14.07	\$ 647,997
		2,260,365	178,300	96,500	1,985,565	1,389,319	\$ 6.21	\$ 6,860,434

Performance share units

On August 9, 2017, the Company adopted a PSU plan for senior executives. Under that plan, the Board of Directors may grant PSUs to participants which entitles them to receive one common share for each PSU. The vesting and performance conditions are determined by the Board of Directors at the time of each grant.

The Company has recognized for the three months ended March 31, 2022 an expense of \$112 (three months ended March 31, 2021 – \$106 in salaries, fees and employee benefits for PSUs in the consolidated statement of income and comprehensive income.

NOTE 12: ACQUISITIONS**2022 TRANSACTIONS****RLC Architects**

On March 31, 2022, the Company acquired 100% of the issued and outstanding shares in RLC Architects (RLC). The consideration paid was \$9,548, with \$6,237 paid in cash on closing and an estimated \$3,311 to be paid through a deferred payment structure in the form of vendor notes payable over the next two years after transaction. RLC complements the Company's existing industrial engineering and architectural business, expanding its U.S. market presence. The Company recognizes identifiable assets acquired and liabilities assumed in a business combination. Assets acquired and liabilities assumed are generally measured at their acquisition date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the fair value of consideration transferred over the acquisition date fair values of identifiable net assets. The assessment of the purchase price and the accounting for this acquisition has not yet been finalized and certain IFRS 3 disclosures have not been included due to the timing of the acquisition. The preliminary purchase equation and the preliminary fair value of net assets recognised as a result of the acquisition are as follows:

Amount settled in cash	6,237
Deferred consideration	<u>3,311</u>
Total Purchase consideration	9,548

Recognized amounts of identifiable net assets

Property, plant & equipment	838
Prepaid expenses	149
Intangible assets	4,064
Trade & other receivables	3,185
Trade & other payables	1,882
Net Identifiable assets acquired	<u>6,354</u>
Goodwill	3,194

DEFERRED CONSIDERATION

The purchase agreement included deferred consideration of an additional of \$3,311. This deferred consideration liability was recognized on the acquisition date.

IDENTIFIABLE NET ASSETS

As at March 31, 2022, the fair values of the acquired intangible assets amounted to \$4,064. The preliminary fair value of the trade and other receivables acquired as part of the business combination amounted to \$3,185.

IBI GROUP INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(in thousands of Canadian dollars, except per share and share amounts)

GOODWILL

Goodwill recognized on the acquisition relates to the expected growth, synergies and value of RLC's workforce which cannot be separately recognized as an intangible asset. The goodwill is not expected to be deducted for tax purposes.

2021 TRANSACTIONS**Telenium Inc.**

On December 10, 2021, the Company acquired the assets of Telenium Inc (Telenium), including all intellectual property and technology assets. The consideration paid was \$775, with \$475 paid in cash on closing and an estimated \$300 to be paid as contingent consideration via a performance based earn out payable over two-year period. Telenium specializes in telecommunications that integrate telephone, computer, and web technologies. The acquisition bolsters the Company's existing software products through access to new markets and increases the firm's SaaS portfolio and recurring revenue profile.

The Company recognizes identifiable assets acquired and liabilities assumed in a business combination. Assets acquired and liabilities assumed are generally measured at their acquisition date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the fair value of consideration transferred over the acquisition date fair values of identifiable net assets.

Goodwill recognized on the acquisition of \$294 relates to the expected growth, synergies, and value of Telenium's workforce which cannot be separately recognized as an intangible asset. The goodwill is not expected to be deducted for tax purposes. The Company recognized \$441 in intangible assets on the acquisition. Telenium contributed an immaterial amount to the Company's net revenue and net income from the acquisition date to December 31, 2021.

Teranis Consulting Inc.

On December 1, 2021, the Company acquired 100% of the issued and outstanding shares in Teranis Consulting Ltd. (Teranis). The consideration paid was \$1,655, with \$1,255 paid in cash on closing and an estimated \$400 to be paid as contingent consideration via a performance based earn out payable over a two-year period. Teranis is a scientific and environmental consulting firm specializing in environmental investigation, remediation, and risk assessment, with a focus on supporting First Nations communities. The acquisition complements the Company's existing sustainability and environmental management business and supports the Company's goal of fostering improved relations with Indigenous communities in Canada and across North America.

The Company recognizes identifiable assets acquired and liabilities assumed in a business combination. Assets acquired and liabilities assumed are generally measured at their acquisition date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the fair value of consideration transferred over the acquisition date fair values of identifiable net assets.

Goodwill recognized on the acquisition of \$466 relates to the expected growth, synergies and value of Teranis' workforce which cannot be separately recognized as an intangible asset. The goodwill is not expected to be deducted for tax purposes. The Company recognized \$699 in intangible assets on the acquisition. Teranis contributed an immaterial amount to the Company's net revenue and net income from the acquisition date to December 31, 2021.

IBI GROUP INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(in thousands of Canadian dollars, except per share and share amounts)

Peter's Energy Solutions Inc.

On February 2, 2021, the Company acquired 100% of the issued and outstanding shares in Peter's Energy Solutions Inc. (Peter's Energy) for consideration of \$737, with \$507 paid in cash on closing and an estimated \$230 to be paid as contingent consideration via a performance based earn out payable over a three- year period. Peter's Energy is a consulting firm focused on renewable energy solutions including solar, wind and energy storage, and the environmental, regulatory, and economic considerations of planning, designing, and delivering green energy solutions. The acquisition complements the Company's existing energy management business and augments the firm's work in sustainable community development.

The Company recognizes identifiable assets acquired and liabilities assumed in a business combination. Assets acquired and liabilities assumed are generally measured at their acquisition date fair values. Goodwill is calculated as the excess of the fair value of consideration transferred over the acquisition date fair values of identifiable net assets.

Goodwill recognized on the acquisition of \$648 relates to the expected growth, synergies and value of Peter's Energy workforce which cannot be separately recognized as an intangible asset. The goodwill is not expected to be deducted for tax purposes.

Since the acquisition date, Peter's Energy has contributed \$448 and \$129 to the Company's net revenue and net income respectively for the year ended December 31, 2021. Had the acquisition taken place on January 1, 2021, it is estimated Peter's Energy would have contributed \$489 and \$141 respectively.

NOTE 13: INCOME TAXES

Income taxes for the three months ended March 31, 2022 was \$3,224 (three months ended March 31, 2021 - \$2,575). The effective income tax rate for the three months ended March 31, 2022 was 28.8% (three months ended March 31, 2021 – 37.5%). The change in the effective income tax rate was primarily due to the redemption of the 5.5% debentures in January 2021 where the cash premium paid on settlement was non-deductible. This was a one-time occurrence in 2021 and is not applicable in 2022. Another factor is a higher amount of non-deductible deferred share plan expense in 2021 in comparison to 2022.

NOTE 14: SUBSEQUENT EVENTS

On April 4, 2022, the Company increased their investment in Switch Energy Inc for an additional \$1,251 in exchange for rights in future equity. Changes in the fair value of the investment will be recognized through profit and loss.