May 3, 2018

Management's Discussion and Analysis

For the Three Months Ended March 31, 2018

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1 Introduction

This Management's Discussion and Analysis ("MD&A") for Information Services Corporation ("ISC") discusses our financial and operating performance, business indicators and outlook from management's viewpoint.

This document should be read in its entirety and is intended to complement and supplement ISC's unaudited condensed consolidated interim financial statements ("Financial Statements") for the three months ended March 31, 2018, and 2017. Additional information, including our Annual Information Form for the year ended December 31, 2017, is available on the Company's website at www.company.isc.ca and in the Company's profile on SEDAR at www.sedar.com.

This MD&A contains information from our Financial Statements, prepared in accordance with International Accounting Standard 34 — Interim Financial Reporting, using accounting policies that are consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The financial information that appears throughout our MD&A is consistent with the Financial Statements.

Unless otherwise noted, or unless the context indicates otherwise, "ISC", the "Company", "we", "us" and "our" refer to Information Services Corporation, its subsidiaries and its predecessors. Any statements in this MD&A made by, or on behalf of, management are made in such persons' capacities as officers of ISC and not in their personal capacities.

ISC presents its Financial Statements in Canadian dollars ("CAD"). In this MD&A, all references to "$" or "dollars" are to Canadian dollars and amounts are stated in Canadian dollars unless otherwise indicated.

This MD&A contains forward-looking information and should be read in conjunction with the "Caution Regarding Forward-Looking Information" section below.

This MD&A is current as of May 3, 2018.

2 Responsibility for Disclosure

The ISC Board of Directors ("Board") carries out its responsibility for review of this disclosure primarily through the Audit Committee ("Audit Committee") of the Board, which is comprised exclusively of independent directors.

The Audit Committee reviews and approves the fiscal year-end MD&A and recommends it to the Board for approval. Interim MD&As are reviewed and approved by the Audit Committee. Other key responsibilities of the Audit Committee include reviewing our existing internal control procedures and planned revisions to those procedures and advising the directors on auditing matters and financial reporting issues.

3 Caution Regarding Forward-Looking Information

Certain statements in this MD&A and certain information incorporated by reference herein contain forward-looking information within the meaning of applicable Canadian securities legislation. The purpose of the forward-looking information is to provide a description of management's expectations regarding future events or developments and may not be appropriate for other purposes.

Forward-looking information which may be found in this MD&A includes, without limitation, those contained in the "Outlook" section hereof, and management's expectations, intentions and beliefs concerning the industries in which we operate, business strategy and strategic direction, growth opportunities, integration, contingent consideration, development and completion of projects, the competitive landscape, seasonality, our future financial position and results, capital and operating expectations, projected costs, the impact of certain payments to the Government of Saskatchewan, access to financing, debt levels, free cash flow, expectations for meeting future cash requirements, the economy and the real estate market, reporting currency and currency fluctuations, dividend expectations, and other plans and objectives of or involving ISC. The words "may", "will", "would", "should", "could", "expect", "plan", "intend", "trend", "indicate", "anticipate", "believe", "estimate", "predict", "project", "targets", "strive", "strategy", "continue", "likely", "potential" or the negative or other variations of these words or other comparable words or phrases are intended to identify forward-looking information.

Forward-looking information is based on estimates and assumptions made by us in light of ISC's experience and perception of historical trends, current conditions and expected future developments, as well as other factors that ISC believes are appropriate and reasonable in the circumstances. There can be no assurance that such estimates and assumptions will prove to be correct. Certain assumptions with respect to our ability to implement our business strategy, compete for business (other than our exclusive service offerings to the Government of Saskatchewan), market our technology assets and capabilities, as well as business and economic conditions, availability of financing, the value of the Canadian dollar, consumer confidence, interest rates, level of unemployment, inflation, the real estate market in Saskatchewan, liabilities, income taxes, our ability to attract and retain skilled staff, the extent of any labour, equipment or other disruptions, goodwill and intangibles are material factors in preparing forward-looking information.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those expressed or implied by such forward-looking information. Factors that could cause our actual results or events to differ materially from those expressed or implied by such forward-looking information, include, without limitation, the following: changes to or loss of the MSA (as that term is defined herein) and potential disagreements with the Government of Saskatchewan; limitations on our ability to increase fees under the MSA; reliance on key customers and licences; dependence on key projects and clients, securing new business and fixed-price contracts; changes in economic, market and other conditions; reliance on information technology systems; ability to realize growth opportunities, including the ability to complete and integrate new acquisitions and to secure contracts to provide new service offerings; ability to manage our foreign operations; competition for service offerings (other than our exclusive service offerings to the Government of Saskatchewan); undisclosed liabilities acquired pursuant to past or future acquisitions; ability to attract and retain qualified personnel; ability to obtain future financing; failure to protect our intellectual property rights; legislative changes; changes in anticipated tax liabilities; risk of litigation; adequacy of our insurance coverage; reliance on third-party suppliers or other contractors; adverse changes in labour relations; liability to the Government of Saskatchewan; any compromise to the integrity or security of our information assets; any failure in our financial reporting safeguards or internal controls; ownership restrictions and director appointment rights and restrictions under *The Information Services Corporation Act* (Saskatchewan); and our ability to continue to pay dividends. You should consider these factors carefully. We caution that the foregoing list is not exhaustive. Other events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by, this forward-looking information. See "Business Risks and Risk Management".

Furthermore, unless otherwise stated, the forward-looking information contained in this MD&A is made as of the date of this MD&A. We have no intention and undertake no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

You should not place undue reliance on forward-looking information contained herein.

4 Consolidated Highlights

4.1 First quarter consolidated highlights

- Revenue was $26.9 million for the three months ended March 31, 2018, an increase of $5.4 million compared to $21.5 million for the three months ended March 31, 2017.

- EBITDA (earnings before interest, taxes, depreciation and amortization expense) for the first quarter of 2018 was $6.6 million compared to $5.8 million in the same quarter last year, an increase of $0.8 million.

- The EBITDA margin for the first quarter of 2018 was 24.7 per cent compared to 26.8 per cent in the same quarter in 2017.

- Adjusted EBITDA was $7.0 million for the first quarter compared to $6.2 million in the same quarter last year, with an adjusted EBITDA margin of 25.9 per cent for the quarter compared to 28.9 per cent in the first quarter of 2017. EBITDA was adjusted for stock-based compensation expense or income, stock option expense, transactional gains and losses on assets, and acquisition and integration costs.

- Net income for the three months ended March 31, 2018, was $2.6 million or $0.15 per basic and diluted share. In the first quarter of 2017, net income was $2.4 million or $0.14 per basic and diluted share.
- During the quarter the Company announced the signing of agreements to implement its proprietary corporate registry technology to support the Province of Nova Scotia's Registry of Joint Stock Companies and the Companies Registration Office in Ireland.
- On March 13, 2018, our Board declared a quarterly cash dividend of $0.20 per Class A Limited Voting Share ("Class A Share"), paid on April 15, 2018, to shareholders of record as of March 31, 2018.

4.2 Subsequent events

- On April 4, 2018, the Company announced that it had signed an agreement with the Government of Yukon to provide its proprietary land registry technology and transition Yukon's paper-based land title registration processes to an electronic land titles registry system.
- On May 3, 2018, our Board declared a quarterly cash dividend of $0.20 per Class A Share, payable on or before July 15, 2018, to shareholders of record as of June 30, 2018.

4.3 Select consolidated financial information

The select consolidated quarterly financial information set out for the three months ended March 31, 2018, and 2017, is derived from ISC's Financial Statements and has been prepared on a consistent basis. In the opinion of the Company's management, such financial data reflects all adjustments necessary for a fair presentation of the results for those periods. It should be noted that the 2018 results include the results from our acquisition of AVS Systems Inc. ("AVS") on December 21, 2017, and exclude the Company's share of profit in Dye & Durham Corporation ("Dye & Durham"), our investment which was sold in 2017.

(thousands of CAD dollars)	2018	2017
Revenue	$ 26,872	$ 21,496
Net income	2,585	2,426
EBITDA[1, 2]	$ 6,639	$ 5,767
Adjusted EBITDA[1, 2]	6,961	6,221
EBITDA margin (% of revenue)[1, 2]	24.7%	26.8%
Adjusted EBITDA margin (% of revenue)[1, 2]	25.9%	28.9%
Free cash flow[1]	$ 5,802	$ 5,696
Dividend declared per share	$ 0.20	$ 0.20
Earnings per share, basic[3]	0.15	0.14
Earnings per share, diluted[3]	0.15	0.14
	As at March 31, 2018	December 31, 2017
Total assets	$ 166,960	$ 171,825
Total non-current liabilities	$ 45,462	$ 45,202

[1] EBITDA, EBITDA margin, adjusted EBITDA and adjusted EBITDA margin and free cash flow are not recognized as measures under IFRS and do not have a standardized meaning prescribed by IFRS and, therefore, they may not be comparable to similar measures reported by other corporations. Refer to section 21 "Non-IFRS Financial Measures". Refer to section 9 "Financial Measures and Key Performance Indicators" for a reconciliation of EBITDA and adjusted EBITDA to net income.

[2] The 2017 EBITDA figure does not include the gain from our sale of ownership in D&D.

[3] The calculation of earnings per share was based on net income after tax and the weighted average number of shares outstanding during the period.

5 Business Overview

Headquartered in Canada, ISC is the leading provider of registry and information management services for public data and records. Throughout our history, we have delivered value to our clients by providing solutions to manage, secure and administer information.

We continue to examine and pursue growth initiatives in Canada and internationally, including other potential strategic acquisitions and opportunities to provide registry and other services in additional jurisdictions.

5.1 Segment Information

Operating segments are identified as components of a company where separate discrete financial information is available for evaluation by the chief operating decision maker regarding allocation of resources and assessment of performance.

Effective January 1, 2018, we redefined our reportable segments as a result of recent acquisitions and an increased emphasis on technology solutions to complement existing registry operations and services businesses, as well as how we allocate resources amongst, and the general management of, our reportable segments. Effective January 1, 2018, the results of our technology solutions, including our subsidiary Enterprise Registry Solutions Limited ("ERS"), are presented within the Technology Solutions segment. These results were previously reported in Corporate. We have retrospectively amended our 2017 comparative segment results to account for this redefinition. A functional summary of these three segments is as follows:

- Registry Operations focuses on the delivery of registry services on behalf of governments and private sector organizations. Currently, through this segment, ISC provides registry and information services on behalf of the Province of Saskatchewan under a 20-year Master Service Agreement ("MSA").
- Services continues to deliver products and services that utilize public records and data to provide value to customers in the financial and legal sectors.
- Technology Solutions provides the development, delivery and support of registry (and related) technology solutions.

The balance of our corporate activities and shared services functions are reported as Corporate.

5.2 Registry Operations Segment

Our Registry Operations segment involves the provision of registry and information services and software solutions to governments and private sector organizations. We work with our clients to support their policies and execute procedures to ensure the integrity of the data, and manage the information technology, data management and authentication processes.

Currently, ISC provides registry and information services on behalf of the Province of Saskatchewan under a 20-year Master Service Agreement ("MSA") and is the exclusive full-service solution provider of the Saskatchewan Land Registry, the Saskatchewan Personal Property Registry, the Saskatchewan Corporate Registry, the Saskatchewan Common Business Identifier Program and the Business Registration Saskatchewan Program in Saskatchewan (collectively, the "Saskatchewan Registries"). Additional information about the MSA is available in the Company's Annual Information Form for the year ended December 31, 2017, on the Company's website at www.company.isc.ca and in the Company's profile on SEDAR at www.sedar.com.

For all services in this segment, competitors include infrastructure funds and private equity firms as well as information services companies, registry software providers and other such information-based companies that develop and provide software platforms to manage registry and related information services. These types of companies may compete with ISC by acting as, or partnering with, businesses that can provide other required processes, such as customer service and delivery, in conjunction with software platforms to provide full-service solutions.

5.3 Services Segment

Our Services segment delivers solutions uniting public record data, customer authentication, corporate legal services and collateral management to support lending practices of clients with business across Canada. These solutions are provided through our wholly-owned subsidiary, ESC Corporate Services Ltd. ("ESC").

Key drivers for this segment include increased regulatory and compliance requirements for financial institutions, as well as the growing trend to outsource business processes and services to realize cost savings and focus on core business. Economic activity can affect credit lending, mergers, acquisitions, incorporations and various new business startup activities, which also impacts activity for our Services segment.

Following the acquisition of AVS in December 2017, our Services segment broadened its existing market share in collateral management with the addition of large financial institutions and auto and equipment finance company customers across Canada. We now distinguish ourselves further from our competitors through a technology platform that provides a fully automated workflow for our clients.

This segment currently has two revenue components: transactional fees and per unit charges. We earn revenue through transaction fees for search and registration services, as well as Know-Your-Customer ("KYC") services. All government fees associated with the service are either embedded in the search fee or charged in addition to the service transaction fee. Corporate supplies are charged a per unit fee in the same manner as a product in a retail transaction.

Effective January 1, 2018, we simplified the way in which we classify and describe revenue for our Services segment. Formerly, we reported revenue in three categories: Search and registration services, KYC services and corporate supplies. With the addition of AVS, we have simplified that to two revenue categories, namely Legal Support Services and Financial Support Services. This allows us to better reflect the business by the industries and customers we serve. Legal Support Services revenue consists of revenue from the corporate supplies business, as well as search and registration services provided to our legal customers. Financial Support Services consists of search and registration, KYC and other services ESC provides to non-legal customers, such as financial institutions and auto and equipment finance companies.

Our Services segment is diversified with little seasonality to its revenue performance.

Legal Support Services

This category captures revenue from nationwide search and registration services to legal professionals directly or indirectly. We provide search services, including corporate, business name, personal property, real property, corporate name search reports (also known as NUANS reports), trademark and the *Bank Act* (Canada). We also provide registration and filing services such as personal property, trademark, business incorporations, amendments and amalgamations to legal professionals.

The Company has an online workflow platform to service legal customers through a team of experienced law clerks in both Ontario and Quebec. We hold an official service licence under the Ontario Business Information System from the Government of Ontario's Ministry of Government Services, which is currently renewed on a three-year term until January 2020 with an optional two-year extension. ESC also holds licences from the Government of Ontario to distribute and register *Personal Property Security Act* searches and registrations, as well as the Government of Quebec's Corporate Registry and Corporations Canada for registering corporations directly within each of these two registry systems.

Our corporate supplies business helps companies to organize and maintain their corporate legal documents and include customized corporate minute books, corporate seals, share certificates, legal supplies and related ancillary accessories for businesses and corporations. We also service the consumer market through direct supply relationships with office products providers.

Our competitors vary by market and geography. They primarily include other intermediaries and suppliers to legal professionals that provide value through convenience and intermediation of various public registries. There is a small number of competitors supplying the legal market with customized products, while the consumer market is typically serviced by big box office supply retailers.

Financial Support Services

We support financial and credit institutions' due diligence activities for compliance purposes and credit service solutions through the verification, storage and retrieval of corporate and business information compiled and obtained from public registry sources such as corporate registry, personal property registry, land registry, litigation, bankruptcy and *Bank Act* (Canada) searches.

We use our proprietary platform for financial institutions and companies in the financial services sector to on-board new commercial accounts while remaining compliant with Canadian KYC and Anti-Money Laundering regulations captured under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada). The customer on-boarding verification reports we generate leverage our search service to provide our clients with a process and system to verify, retrieve and store information about corporate clients to meet these regulatory requirements.

In addition, we provide automation software technology services to serve lending, leasing, and credit issuing businesses and institutions in Canada. With the addition of AVS, we now serve the full credit-lending cycle and deliver proven credit due diligence, protection and default solutions to the Canadian financing industry.

In the financial support services marketplace, we compete against a small number of distinctly different service providers, all of whom offer additional services beyond our KYC programs.

5.4 Technology Solutions Segment

Our Technology Solutions segment provides the development, delivery and support of registry (and related) technology solutions.

We generate revenue through the following:

- Sale of software licences and accompanying ongoing annual subscription fees related to the technology platform;
- Provision of technology solution definition and implementation services; and
- Provision of monthly hosting, support and maintenance services.

Through our wholly owned subsidiary ERS, we offer RegSys — a complete registry solution that provides a readily transferable technology platform capable of serving a wide range of registry needs. RegSys is a multi-register platform that delivers the flexibility, scalability and features that enable public sector organizations to deliver enhanced services to businesses and citizens.

With a full suite of integrated modules which provide core functionality for submission, enforcement and enquiry processing, RegSys delivers solutions enabling the provision of core services to citizens in a user-friendly, efficient manner across multiple access points. The RegSys solution has also been used to manage other legal registers such as intellectual property, securities, licenses, charities, Uniform Commercial Code ("UCC") and pension schemes.

Our customers include governments and regulatory organizations, such as chambers of commerce, that have responsibility to authorize, licence, maintain and revoke the function of a registry.

Competitors include other registry software providers that develop and provide software platforms to manage registries. On the technology services side, our competitors include all technology services organizations that provide application development, systems integration and/or application management services. This includes large multinationals or local niche players, both of which we often partner with to complement our offering depending on the clients' needs.

6 Business Strategy

Strategic Priorities

ISC's goal is to deliver value to shareholders through the consistent performance of its existing business and the execution of appropriate growth opportunities. The Company has identified the following key strategic priorities to support the achievement of this goal:

- To be the global leader in registry operations and solutions and the Canadian leader in the provision of value-add services utilizing public data and records;
- To deliver organic revenue growth with continued emphasis on EBITDA growth, and increasing revenue from our products, registry expertise and advisory services; and
- To provide enhanced customer experience for those interacting with ISC, registry systems and registry information.

7 Results of Operations

Consolidated statements of comprehensive income

(thousands of CAD dollars)	Three Months Ended March 31, 2018	2017
Revenue	$ 26,872	$ 21,496
Expenses		
Wages and salaries	9,296	8,311
Cost of goods sold	4,981	915
Depreciation and amortization	2,403	2,032
Information technology services	1,883	2,388
Occupancy costs	1,391	1,308
Professional and consulting services	938	1,080
Financial services	787	676
Project initiatives	333	418
Other	624	455
Total expenses	22,636	17,583
Net income before items noted below	4,236	3,913
Finance (expense) income		
Interest income	90	52
Interest expense	(499)	(164)
Net finance expense	(409)	(112)
Share of profit (loss) in associate	-	(177)
Income before tax	3,827	3,624
Income tax expense	(1,242)	(1,198)
Net income	2,585	2,426
Other comprehensive income (loss)		
Unrealized gain (loss) on translation of financial statements of foreign operations	361	(51)
Change in fair value of marketable securities, net of tax	(24)	(45)
Other comprehensive income (loss) for the period	337	(96)
Total comprehensive income	$ 2,922	$ 2,330

First quarter results

Consolidated revenue

Revenue was $26.9 million for the three months ended March 31, 2018, an increase of $5.4 million compared to the same period in 2017.

	Three Months Ended March 31,	
(thousands of CAD dollars)	**2018**	2017
Land Registry (Land Titles Registry, Land Surveys, and Geomatics)	**$ 11,835**	$ 11,754
Personal Property Registry	**2,371**	2,347
Corporate Registry	**2,704**	2,817
Registry Operations revenue	**16,910**	16,918
Services revenue	**8,872**	3,754
Technology Solutions revenue	**4,887**	4,505
Corporate and elimination	**(3,797)**	(3,681)
Total revenue	**$ 26,872**	$ 21,496

Registry Operations

Overall

Revenue for our Registry Operations segment was $16.9 million for the three months ended March 31, 2018, flat compared to the first quarter in 2017.

The Company's top five customers for the Registry Operations segment represent 18.7 per cent of the total Registry Operations segment revenue for the quarter ended March 31, 2018. Of those customers, no single customer represented more than 10.0 per cent of total Registry Operations segment revenue.

Saskatchewan Land Registry

Revenue for the Land Registry was $11.8 million for the quarter ended March 31, 2018, a modest increase of 0.7 per cent compared to the same period in 2017.

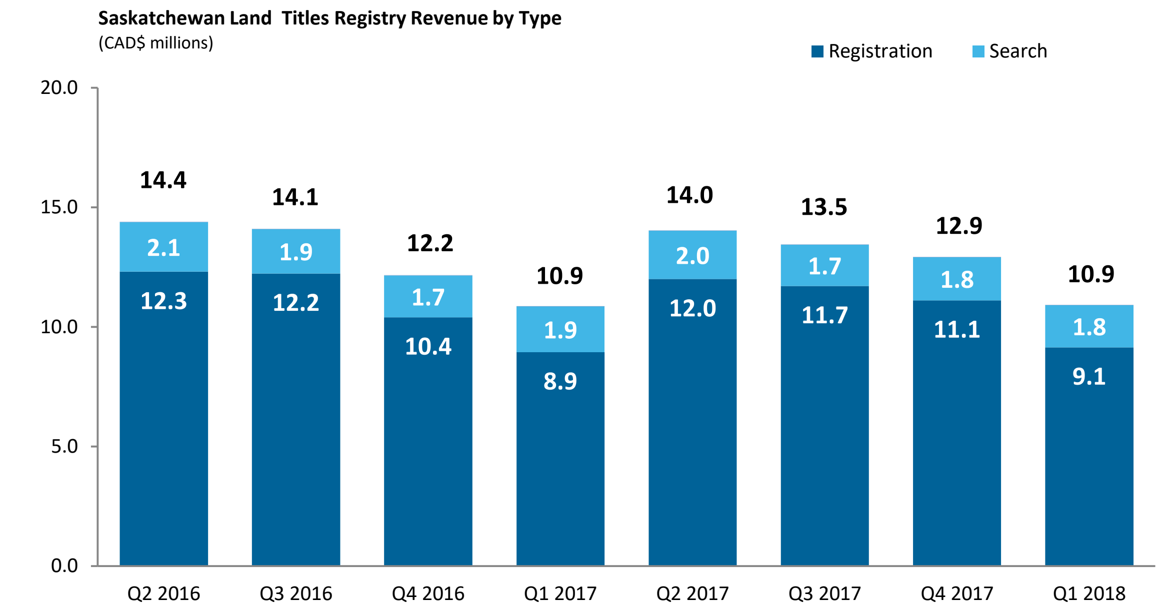
(i) Saskatchewan Land Titles Registry

Land Titles Registry revenue for the first quarter of 2018 was $10.9 million, an improvement of $0.1 million or 0.6 per cent compared to the same period in 2017. This was mainly due to stronger high-value property registration revenue, which offset revenue declines due to lower transaction volumes. Each high-value registration generated revenue of $10,000 or more, and revenue from these types of registrations was a record $1.2 million for the quarter.

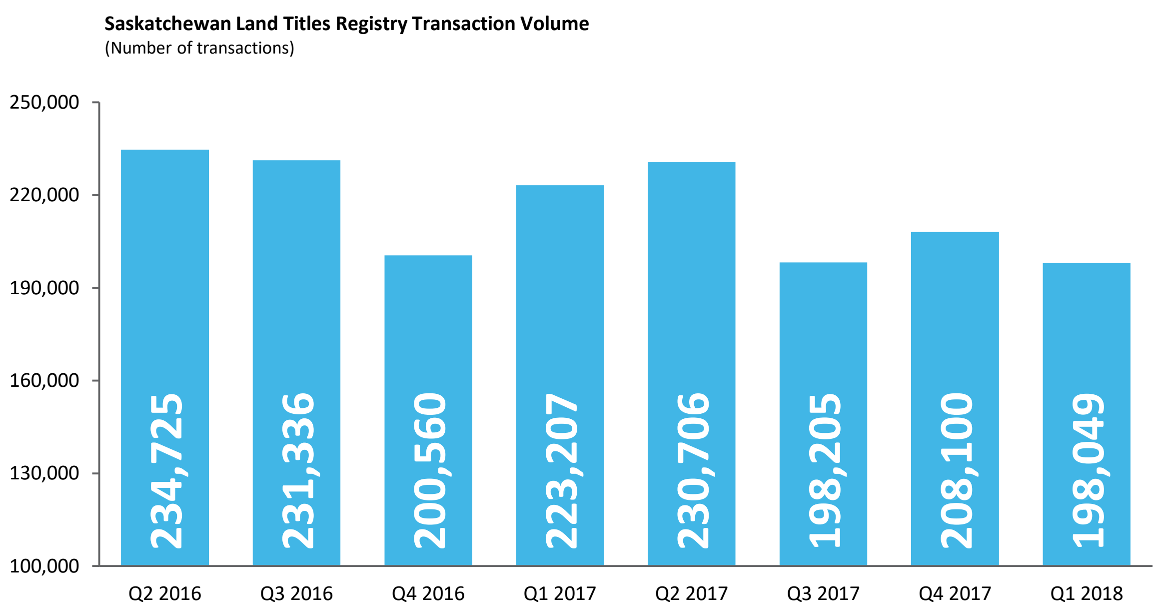
Overall transaction volumes fell by 11.3 per cent for the first quarter of 2018 compared to the same period last year, partly due to a decrease in resource sector interest transactions when compared to the first quarter of 2017. The volume of regular land transfers, mortgage registrations and title searches declined by 3.6 per cent, 5.5 per cent and 8.7 per cent, respectively, compared to the same period in 2017. We expect the combination of new mortgage qualification guidelines and the rise in interest rates may have contributed to declines in these areas.

Most of the revenue in the Land Titles Registry is derived from value-based fees.

The graphs on the following page show the Land Titles Registry revenue by type of transaction and the overall transaction volume, respectively. Seasonality remains consistent year-over-year with the first quarter typically generating less revenue than the other quarters. For more information on seasonality, please refer to section 8 "Summary of Consolidated Quarterly Results".



Note: Values may not add up due to rounding from minor Maintenance transactions not displayed.

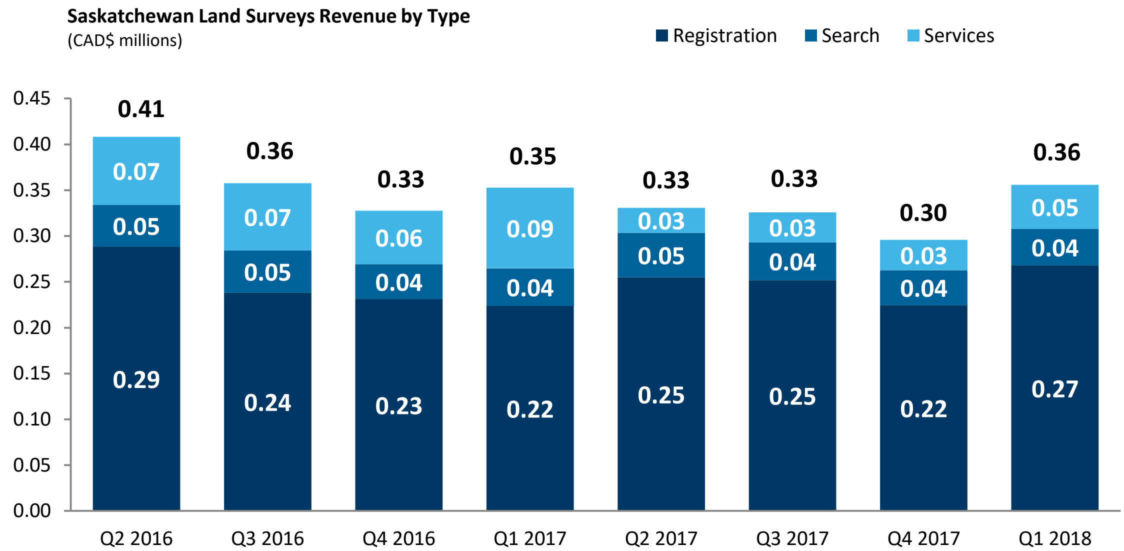


The primary customers of the Land Titles Registry are law firms, financial institutions, developers and resource companies. For the quarter ended March 31, 2018, our top 20 Land Titles Registry customers represented 39.8 per cent of revenue, and our top 100 Land Titles Registry customers represented 77.5 per cent of revenue.

(ii) Saskatchewan Land Surveys and Geomatics

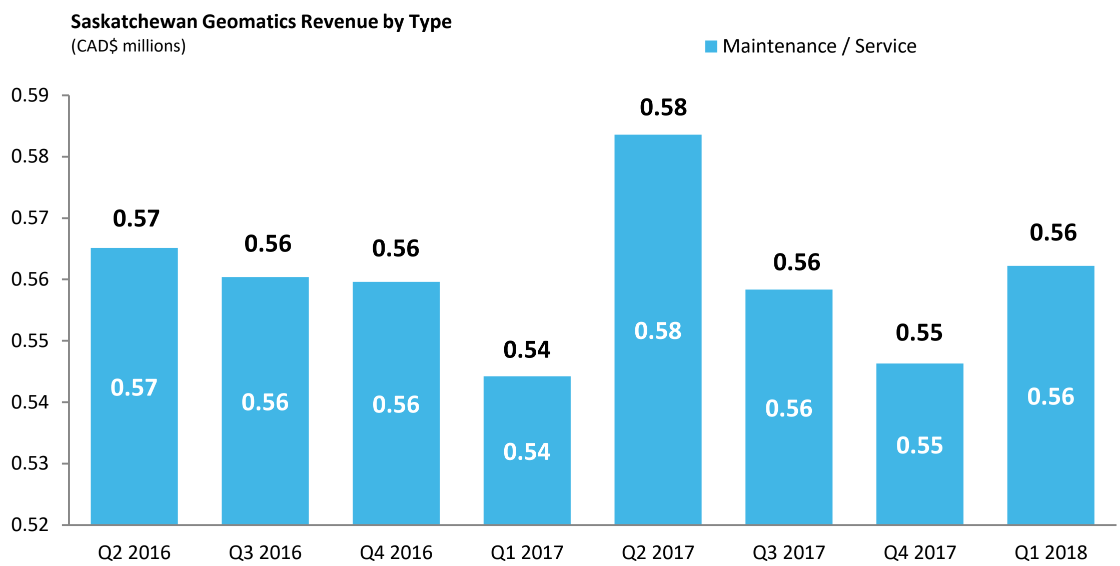
Collectively, the revenue from Land Surveys and Geomatics was $0.9 million for the first quarter of 2018, a rise of $21 thousand, or 2.4 per cent, compared to last year.

Revenue from Land Surveys was up 1.0 per cent for the first quarter, or $3 thousand, compared to the same period in 2017. This was primarily due to an improvement in registration revenue, up 19.8 per cent, which offset lower revenue from search and services in the quarter.



Land Surveys customers include surveyors, developers, resource companies, governments and other businesses that access our mapping systems and survey plans to support their development plans. For the quarter ended March 31, 2018, our top 20 Land Surveys customers represented 92.2 per cent of revenue and the top 100 customers accounted for 96.7 per cent.

Geomatics revenue was up 3.3 per cent, or $18 thousand, compared to the same quarter in 2017 due to higher requests for geomatics services.



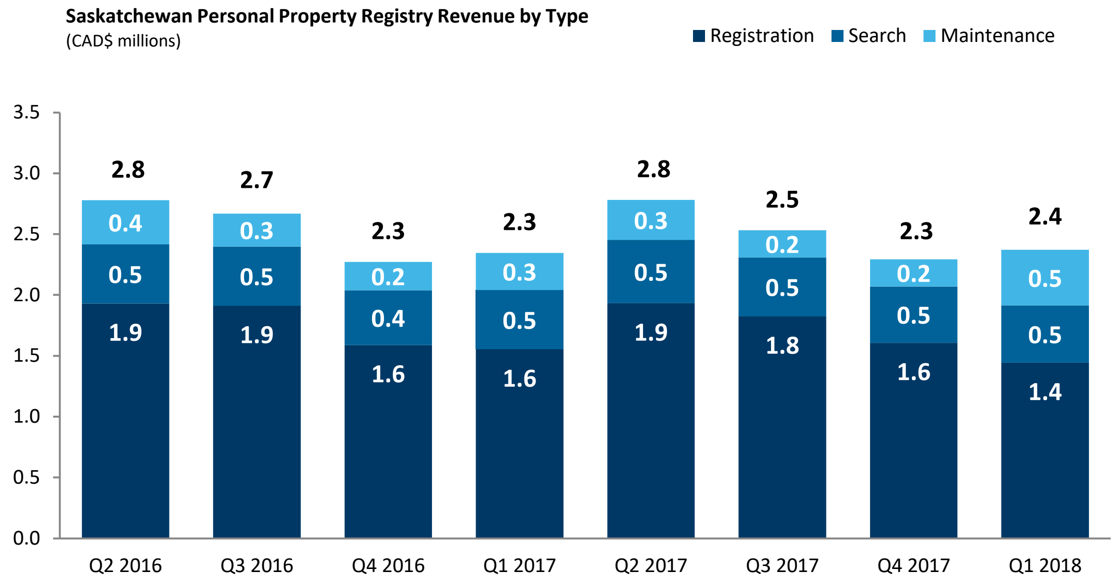
Geomatics customers include government departments (provincial and municipal), resource companies, land developers, other businesses and the general public. They also include utility, pipeline and transportation companies. For the quarter ended March 31, 2018, the top 20 Geomatics customers comprised 87.0 per cent of revenue, while the top 100 customers represented 99.2 per cent of revenue.

Saskatchewan Personal Property Registry

Revenue for the Personal Property Registry for the first quarter of 2018 was $2.4 million, an increase of 1.0 per cent compared with the same period in 2017, due to additional revenue from a one-time contract for a system enhancement, which offset revenue declines due to lower volumes.

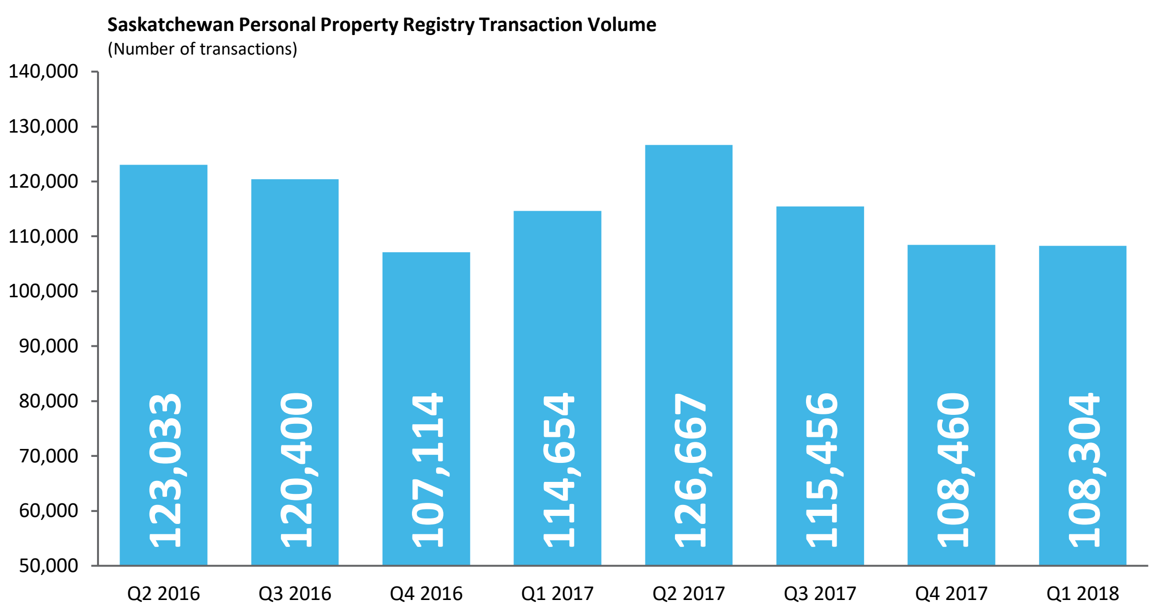
Personal property security registration setups saw volumes decline by 7.4 per cent compared to the same period in 2017. Revenue for the same transaction type decreased by 7.0 per cent compared to the same period last year.

The graph on the following page depicts the Personal Property Registry revenue by type of transaction. Compared to the same period last year, first quarter 2018 registration and search revenue was 7.1 per cent and 3.5 per cent lower, respectively. Maintenance revenue was 49.4 per cent higher due to the previously mentioned one-time contract. Revenue results for the first quarter are similar to the preceding fourth quarter, reflecting the typical pattern of seasonality.



Note: Values may not add due to rounding.

Transaction volumes for the first quarter of 2018 decreased by 5.5 per cent compared to the same period last year. Specifically, registration volumes fell by 6.6 per cent, search transactions by dropped 4.0 per cent, and maintenance volumes declined by 11.2 per cent.



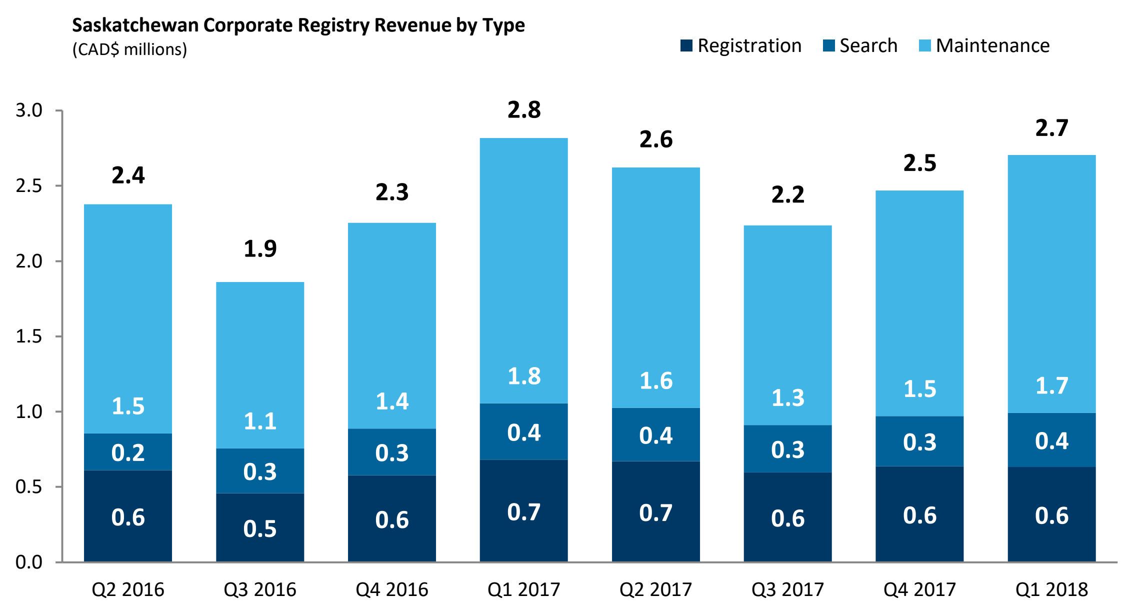
Customers of the Personal Property Registry are primarily in the financial sector as well as law firms. The top 20 Personal Property Registry customers generated 82.9 per cent of the revenue for the first quarter of 2018, while the top 100 signified 94.4 per cent of revenue.

Saskatchewan Corporate Registry

Revenue for the Corporate Registry for the quarter ended March 31, 2018, was $2.7 million, a decrease of 4.0 per cent, or $0.1 million, compared to the same period in 2017. This quarterly variance is largely explained by lower volumes across most transaction types.

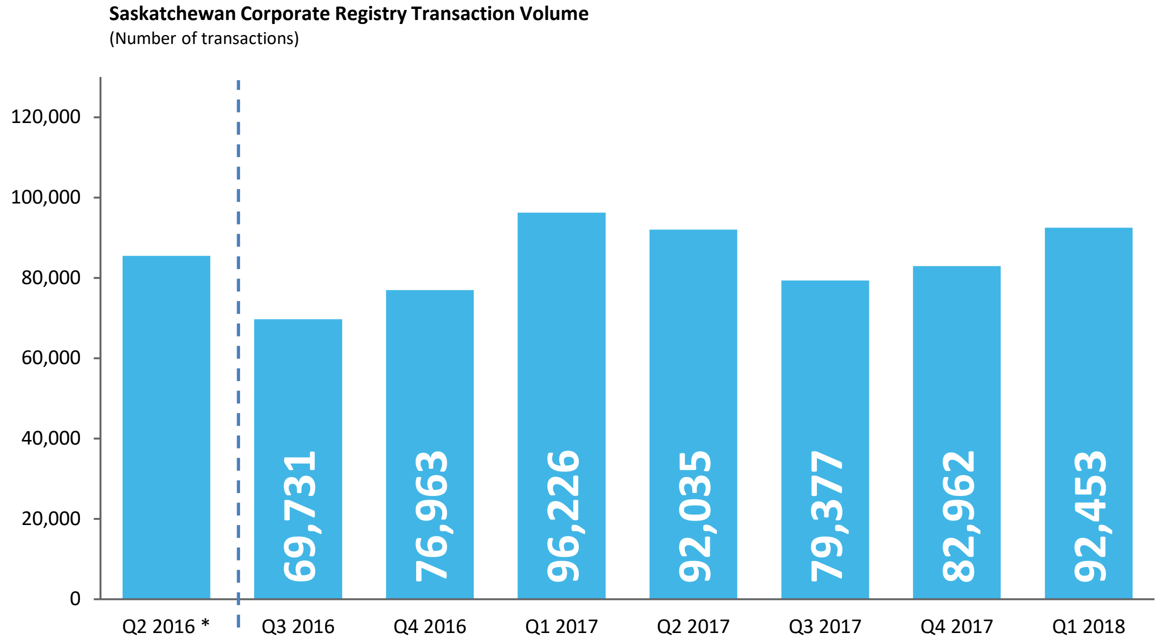
Revenue from the filing of annual returns and renewals decreased by 3.5 per cent in the quarter compared to the same period in 2017. Revenue from the incorporation and registration of new business entities also declined by 8.2 per cent compared to the first quarter last year. Search revenue dropped by 4.1 per cent compared to the first quarter in 2017. Improved service delivery for manually processed submissions has resulted in less demand for paid priority services, contributing to the decline in maintenance revenue, down 2.8 per cent.

The following graph illustrates revenue by type of transaction. As noted above, Corporate Registry revenue for the first quarter of 2018 decreased compared to the same period in 2017 due to declines across maintenance, registration and search transaction types. Quarterly revenue continues to mirror the Company's typical pattern of seasonality.



Note: Values may not add due to rounding.

The following graph shows the transaction volumes for the Corporate Registry for the first quarter of 2018. The Corporate Registry system implementation and the new fee schedule (both implemented in July 2016), changed the way we record volumes for fee generating transactions. We have adjusted the historical trending in the graph below to approximate expected comparative volumes under the current system.



**Note: As noted above, we adjusted historical trending to approximate expected comparative volumes under the current structure.*

Transaction volumes for the first quarter decreased by 3.9 per cent compared to the same period last year. Specifically, registration volumes fell by 3.0 per cent, search transactions by 4.2 per cent, and maintenance volumes by 3.7 per cent compared to the same period in 2017.

As of March 31, 2018, there were approximately 73,329 active Saskatchewan Business Corporations registered with the Corporate Registry compared to 72,713 as at March 31, 2017.

For the Corporate Registry, customers include law firms, companies in the financial sector, as well as the Government of Saskatchewan. They also include businesses such as corporations, non-profit corporations, co-operatives and sole proprietorships that were, or will be, registered in the Corporate Registry. The top 20 Corporate Registry customers accounted for nearly 31.8 per cent of revenue for the first quarter of 2018 and the top 100 customers made up about 49.7 per cent.

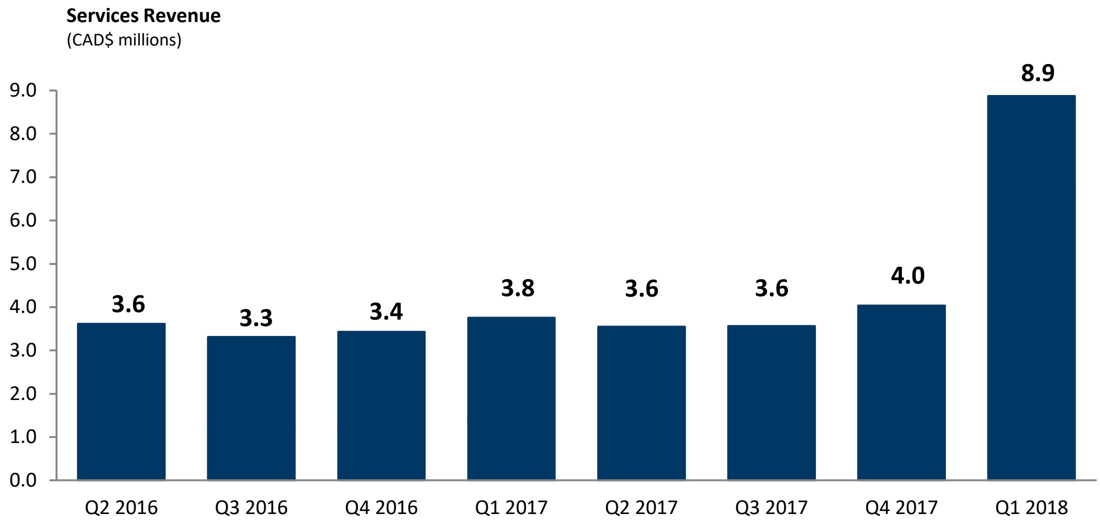
Services

Revenue in our Services segment for the three months ended March 31, 2018, was $8.9 million, an increase of $5.1 million compared to the first quarter of 2017. This is primarily due to a full quarter of incremental revenue from our AVS acquisition.

Our Legal Support Services consists of revenue from nationwide search and registration services, as well as corporate supplies provided to legal professionals, which declined slightly as corporate supply sales were lower this quarter compared to a strong first quarter in 2017. We also support financial and credit institutions' due diligence activities for compliance purposes and credit service solutions through our

Financial Support Services which increased this quarter due to additional revenue from our acquisition of AVS.

Our Services revenue for the last eight quarters is shown below.



The top 20 Services customers comprised about 71.8 per cent of the revenue for the quarter ended March 31, 2018, while the top 100 Services customers made up nearly 85.2 per cent of revenue. No single customer accounted for more than 25.0 per cent of Services revenue in the same period.

Technology Solutions

Revenue in our Technology Solutions segment was $4.9 million for the three months ended March 31, 2018, compared to $4.5 million for the same period in 2017. We generate revenue through the sale of software licences and accompanying ongoing annual subscription fees related to the technology platform and the provision of technology solution definition and implementation services and monthly hosting, support and maintenance services. Our Technology Solutions segment records revenue from both external third parties and internal related parties, such as our Registry Operations segment.

Inter-segment services and revenue provided in the first quarter of 2018 remained largely consistent with the same period in 2017. The increase in total revenue was due to new solution definition and implementation services provided externally as a result of contracts announced in the quarter.

Consolidated expenses

For the three months ended March 31, 2018, consolidated expenses (all segments) were $22.6 million, an increase of 28.7 per cent, compared to $17.6 million for the same period in 2017, as shown below.

	Three Months Ended March 31,	
(thousands of CAD dollars)	**2018**	2017
Expenses		
Wages and salaries	**$ 9,296**	$ 8,311
Cost of goods sold	**4,981**	915
Depreciation and amortization	**2,403**	2,032
Information technology services	**1,883**	2,388
Occupancy costs	**1,391**	1,308
Professional and consulting services	**938**	1,080
Financial services	**787**	676
Project initiatives	**333**	418
Other	**624**	455
Total expenses	**$ 22,636**	$ 17,583

The increase in expenses was due to a combination of the following:

- Wages and salaries were $9.3 million, up $1.0 million, for the three months ended March 31, 2018, compared to the same period in 2017. The increase was due to:
  - In our Services segment, additional wages and salaries for new positions and the acquisition of AVS;
  - In our Technology Solutions segment, the inclusion of our subsidiary ERS for a full three months in the first quarter this year as compared to just over two months for the same period in 2017 and the addition of salaries from employees who were formerly with DXC Technology Company ("DXC") (formerly Hewlett-Packard (Canada) Co.); and
  - Across all our segments, annual merit increases for our employees.

- Information technology service costs were $1.9 million, down $0.5 million for the quarter compared to the first quarter of 2017. The decrease in the quarter reflects savings associated with the termination of our technology services contract with DXC, which were partially offset by additional wages and salaries in our Technology Solutions segment, as mentioned above, as the Company consolidated support and development functions internally.

- Depreciation and amortization costs were $2.4 million for the three months ended March 31, 2018, compared to $2.0 million in the same period in 2017. The increase is due to the depreciation of new assets and depreciation in our Services segment with the acquisition of AVS and Alliance Online Ltd. in 2017 which was partially offset by a reduction in our Registry Operations segment from the full amortization of certain land assets in 2017.

- Professional and consulting services were $0.9 million for the three months ended March 31, 2018, compared to $1.1 million for the same period in 2017. Professional and consulting services encompasses a wide range of activities and the reduction in 2017 is due to different corporate initiatives year-over-year.

- Cost of goods sold was $5.0 million for the first quarter of 2018, an increase of $4.1 million compared to the first quarter of 2017. The rise in the quarter was due to the acquisition of AVS in our Services segment.

Net finance expense (income)

Net finance expense was $0.4 million for the three months ended March 31, 2018, up from $0.1 million for the same period in 2017. The increase was due to the accretion expense for the contingent consideration in relation to AVS.

Net income and earnings per share

Net income for the three months ended March 31, 2018, was $2.6 million or $0.15 per basic and diluted share, compared to $2.4 million or $0.14 per basic and diluted share for the same period in 2017.

Adjusted EBITDA

Adjusted EBITDA was $7.0 million, a 25.9 per cent margin, for the three months ended March 31, 2018, compared to $6.2 million, a 28.9 per cent margin, for the same period in 2017. Refer to section 9 "Financial Measures and Key Performance Indicators" for a reconciliation of EBITDA to adjusted EBITDA.

8 Summary of Consolidated Quarterly Results

The following table sets out select quarterly results for the past eight quarters. Our Registry Operations segment experiences moderate seasonality, primarily because Land Titles revenue fluctuates in line with real estate transaction activity in Saskatchewan. Typically, our second and third quarters generate higher revenue during the fiscal year when real estate activity is traditionally highest.

Our Services segment is sufficiently diversified with little seasonality to its revenue performance.

Our Technology Solutions segment does not experience seasonality but can fluctuate due to project related revenue.

The balance of our corporate activities and shared services functions, do not experience seasonality. Expenses are generally consistent from quarter to quarter but can fluctuate due to the timing of project-related or acquisition activities.

As a result, our EBITDA margin fluctuates in line with the above factors.

	2018	2017				2016		
(thousands of CAD dollars)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	$ 26,872	$ 23,589	$ 23,862	$ 24,646	$ 21,496	$ 21,201	$ 22,894	$ 24,674
Expenses	22,636	17,539	18,168	18,406	17,583	18,248	16,854	16,468
Net income before items noted below	4,236	6,050	5,694	6,240	3,913	2,953	6,040	8,206
Net finance income (expense)	(409)	(75)	(215)	(105)	(112)	(74)	(78)	(83)
Share of profit (loss) in associate	-	-	200	587	(177)	925	479	263
Gain on sale of associate	-	15,438	-	-	-	-	-	-
Change in contingent consideration	-	-	-	-	-	-	(1,000)	-
Income before tax	3,827	21,414	5,679	6,722	3,624	3,804	5,441	8,386
Income tax expense	(1,242)	(2,640)	(3,823)	(1,989)	(1,198)	(885)	(1,631)	(1,808)
Net income	$ 2,585	$ 18,774	$ 1,856	$ 4,733	$ 2,426	$ 2,919	$ 3,810	$ 6,578
Other comprehensive income (loss)	337	191	(29)	306	(96)	-	-	-
Total comprehensive income	$ 2,922	$ 18,965	$ 1,827	$ 5,039	$ 2,330	$ 2,919	$ 3,810	$ 6,578
EBITDA margin (% of revenue)[1]	24.7%	33.2%	31.8%	35.8%	26.8%	32.2%	32.1%	41.7%
Adjusted EBITDA margin (% of revenue)[1]	25.9%	38.0%	36.4%	38.8%	28.9%	34.6%	41.5%	45.1%
Earnings per share, basic	$ 0.15	$ 1.07	$ 0.11	$ 0.27	$ 0.14	$ 0.17	$ 0.22	$ 0.38
Earnings per share, diluted	$ 0.15	$ 1.07	$ 0.11	$ 0.27	$ 0.14	$ 0.17	$ 0.22	$ 0.37

[1] EBITDA, EBITDA margin, adjusted EBITDA and adjusted EBITDA margin are not recognized as measures under IFRS and do not have a standardized meaning prescribed by IFRS and, therefore, they may not be comparable to similar measures by other corporations. Refer to section 21 "Non-IFRS Financial Measures".

9 Financial Measures and Key Performance Indicators

Revenue, expenses and net income are key performance indicators the Company uses to manage its business and evaluate its financial results and operating performance. In addition to these results, which are reported in accordance with IFRS, certain non-IFRS measures are supplemental indicators of operating performance and financial position as well as for internal planning purposes. The Company evaluates its performance against these metrics by comparing actual results to management budgets, forecasts and prior period results. These non-IFRS financial measures include EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin and free cash flow. Refer to section 21 "Non-IFRS Financial Measures".

Consolidated earnings before interest, taxes, depreciation and amortization

	Three Months Ended March 31,	
(thousands of CAD dollars)	**2018**	2017
Net income	**$ 2,585**	$ 2,426
Depreciation and amortization	**2,403**	2,032
Net finance expense	**409**	112
Income tax expense	**1,242**	1,198
EBITDA[1]	**6,639**	5,768
Adjustments		
Stock-based compensation expense (income)	**(36)**	74
Stock option expense	**118**	79
Acquisition and integration costs	**240**	300
Gain on disposal of property, plant and equipment assets	**-**	-
Adjusted EBITDA[1]	**$ 6,961**	$ 6,221
EBITDA margin (% of revenue)[1]	**24.7%**	26.8%
Adjusted EBITDA margin (% of revenue)[1]	**25.9%**	28.9%

[1] EBITDA, EBITDA margin, adjusted EBITDA and adjusted EBITDA margin are not recognized as measures under IFRS and do not have a standardized meaning prescribed by IFRS and, therefore, they may not be comparable to similar measures reported by other corporations. Refer to section 21 "Non-IFRS Financial Measures".

Earnings before interest, taxes, depreciation and amortization by segment

(thousands of CAD dollars)	Three Months Ended March 31, 2018	2017
Registry Operations	**$ 6,666**	$ 7,181
Services	**1,061**	824
Technology Solutions	**637**	(219)
Corporate and elimination	**(1,725)**	(2,019)
Consolidated EBITDA	**$ 6,639**	$ 5,767

EBITDA for our Registry Operations segment for the first quarter of 2018 was down 7.7 per cent at $6.7 million compared to $7.2 million for the same period last year. This is consistent with the overall flat revenue in the segment combined with moderately increasing costs year over year, primarily related to wages and salaries.

EBITDA for our Services segment was up 29 per cent to $1.1 million for the three months ended March 31, 2018, as compared to $0.8 million for the same period last year. The increase is due to continued organic growth in the segment, combined with the acquisition of AVS in December 2017. It should be noted that the acquisition of AVS, with a high revenue, lower margin profile, changes the EBITDA margin profile for both the Services segment and ISC consolidated as compared to previous years.

EBITDA for our new Technology Solutions segment increased year-over-year as a result of additional revenue from the signing of new implementation and delivery contracts, combined with savings associated with the termination of our technology services contract with DXC, which were partially offset by additional wages and salaries.

Consolidated free cash flow

(thousands of CAD dollars)	Three Months Ended March 31, 2018	2017
Net cash flow provided by operating activities	**$ 100**	$ 4,565
Net change in non-cash working capital[1]	**6,100**	1,167
Cash provided by operating activities excluding working capital	**6,200**	5,732
Cash additions to property, plant and equipment	**(82)**	(15)
Cash additions to intangible assets	**(316)**	(21)
Consolidated free cash flow[2]	**$ 5,802**	$ 5,696

[1] Refer to Note 25 of the Financial Statements for reconciliation.

[2] Free cash flow is not recognized as a measure under IFRS and does not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures by other corporations. Refer to section 21 "Non-IFRS Financial Measures".

Consolidated free cash flow for the three months ended March 31, 2018, was $5.8 million compared to $5.7 million for the same period of 2017. The increase in the three months ended March 31, 2018, compared to the same period in 2017 is due to differences in income taxes and changes in working capital driven by the timing of sales contracts as well as increased additions to intangible assets.

10 Outlook

The following section includes forward-looking information, including statements related to the industries in which we operate, growth opportunities and our future financial position and results including expected revenue, EBITDA and capital expenditures. Refer to section 3 "Caution Regarding Forward-Looking Information".

On a consolidated basis, ISC continues to expect total revenue of between $124.0 and $130.0 million with an EBITDA margin of between 24.0 per cent and 26.0 per cent. Our Adjusted EBITDA margin, which adjusts for stock-based compensation expense or income, stock option expense, transactional gains and losses on assets, and acquisition and integration costs, is expected to be between 26.0 and 28.0 percent, in line with historical adjustments. It should be noted that the acquisition of AVS in December 2017, with a high revenue, lower margin profile, changes ISC's consolidated revenue and EBITDA margin profile compared to previous years. Capital expenditures are expected to range between $4.0 million and $6.0 million and will be funded through operating cash flow.

We see two factors influencing the outlook for our Registry Operations segment, specifically the Saskatchewan Land Registry, those being changes to the mortgage rules and an increase in overnight lending rates. The Office of the Superintendent of Financial Institutions (Canada) implemented revisions to its mortgage rules effective on January 1, 2018[1], which now include a requirement to "stress test" borrowers with uninsured loans to ensure they could withstand increases in interest rates. Interest rate changes often influence consumer behaviour and, as such, may affect ISC's business. Given these factors, along with our observed first quarter transaction levels, we expect that softening in the Saskatchewan market may continue. This may impact the overall results from our Registry Operations segment in 2018, absent any additional high value transactions beyond the historical average currently incorporated into our forecast.

In our Services segment, we expect to see further customer growth in Financial Support Services in 2018, due to onboarding of new customers in our Services segment and our recent acquisition of AVS. We will continue to invest in our core Services technology platforms to enable integrated solutions in conjunction with its AVS technology in the year ahead.

Following the addition of new business during the quarter in the Company's newest reporting segment, Technology Solutions, the Company expects to see modest revenue growth in this segment, largely made up of implementation fees associated with new contracts. Following each implementation, revenue will be based on service fees over the life of the contracts. We will continue to pursue new business opportunities in this segment in 2018, while simultaneously investing in RegSys to enhance the platform.

The key drivers of our expenses will continue to be wages and salaries, information technology costs as well as the pursuit of new business opportunities.

11 Liquidity and Capital Resources

11.1 Cash flow

Our primary source of operating cash flow is generated from revenue related to the Registry Operations and Services segments. Our primary uses of funds are operational expenses, capital expenditures and dividends.

Historically, ISC has financed its operations and met its capital and finance expenditure requirements through cash provided from operating activities. Most recently, the Company has also utilized borrowing to supplement cash generated from operations to finance acquisition activities. The Company believes that internally generated cash flow, supplemented by additional borrowing that may be available to us (refer to Note 17 of the Financial Statements for our existing Credit Facilities), will be sufficient to meet cash requirements, capital expenditures and anticipated dividend payments.

Liquidity risk is managed based on financial forecasts and anticipated cash flow. The majority of cash is

[1] Office of the Superintendent of Financial Institutions Canada (OSFI) – News Release "OSFI is reinforcing a strong and prudent regulatory regime for residential mortgage underwriting", October 17, 2017.

held with Canadian chartered banks and the risk of loss is believed to be minimal. As at March 31, 2018, the Company held $27.2 million in cash, compared to $31.3 million as at December 31, 2017, a decrease of $4.1 million.

The Company expects to be able to meet its cash requirements, including being able to settle current liabilities of $18.0 million (December 31, 2017 – $22.7 million) and meet any unanticipated cash requirements due to changes in working capital commitments. Such changes that would affect our liquidity may arise from, among other factors, general economic conditions and the failure of one or more customers to pay their obligations. Deficiencies arising from short-term working capital requirements and capital expenditures may be financed on a short-term basis with bank indebtedness or on a permanent basis with offerings of securities.

The following table summarizes our sources and uses of funds for the three months ended March 31, 2018, and 2017:

	Three Months Ended March 31,	
(thousands of CAD dollars)	**2018**	2017
Net cash flow provided by operating activities	**$ 100**	$ 4,565
Net cash flow used in investing activities	**(558)**	(16,096)
Net cash flow used in financing activities	**(3,683)**	5,967
Effects of exchange rate changes on cash held in foreign currencies	**26**	2
Decrease in cash	**(4,115)**	(5,562)
Cash, beginning of period	**31,265**	33,533
Cash, end of period	**$ 27,150**	$ 27,971

Net cash flow provided by operating activities

Net cash flow provided by operating activities for the three months ended March 31, 2018, was $0.1 million compared to $4.6 million for the same period in 2017. The decrease in the quarter, compared to the same period last year, was mainly due to payment of taxes on the gain of our share in Dye & Durham, taxes in relation to the AVS acquisition and changes in working capital driven by the timing of sales contracts.

Net cash flow used in investing activities

Net cash flow used in investing activities for the three months ended March 31, 2018, was $0.6 million compared to $16.1 million in the same period last year. The decrease was due to the acquisition of ERS and the additional investments in Dye & Durham during 2017.

Net cash flow used in financing activities

Net cash flow used in financing activities for the three months ended March 31, 2018, was $3.7 million an increase of $9.6 million compared to the three months ended March 31, 2017. The change in the quarter was mainly due to proceeds from our debt facility in 2017, related to the purchase of ERS.

11.2 Capital expenditures

Capital expenditures for the three months ended March 31, 2018, were $0.4 million, compared to $0.1 million for the same period in 2017. The increase in the first quarter of 2018 is mainly due to system development work to enhance our RegSys platform in our Technology Solutions segment.

	Three Months Ended March 31,	
(thousands of CAD dollars)	**2018**	2017
Registry Operations	**$ 59**	$ -
Services	**19**	19
Technology Solutions	**315**	90
Corporate - other	**9**	5
Total capital expenditures	**$ 402**	$ 115

11.3 Debt

Debt for the three months ended March 31, 2018, remained at $21.6 million compared to December 31, 2017.

In September 2017, we extended our credit agreement to October 1, 2019. At March 31, 2018, the aggregate amount available under the Credit Facilities is $31.560 million comprised of (i) a $9.935 million committed revolving term loan facility along with; (ii) a $10.0 million uncommitted revolving credit facility to be used for general corporate purposes (March 31, 2018 and December 31, 2017 had nil drawings); and (iii) a $11.625 million committed non-revolving reducing credit facility.

The Revolving Term Facility of $9.935 million consists of a three-year, committed revolving term loan facility that matures on October 1, 2019, unless renewed prior to that time. It is currently held in a bankers' acceptance note bearing interest at 1.6975 per cent that matures on June 14, 2018, (December 31, 2017 – bankers' acceptance note, due March 16, 2018, bearing interest at 1.658 per cent per annum).

The Non-Revolving Term Facility had $11.6 million outstanding as of March 31, 2018, and is repayable through quarterly payments of $375 thousand maturing on October 1, 2019. This facility currently consists of a prime based loan with interest at 4.15 per cent per annum (December 31, 2017 – prime based loan with interest at 3.9 per cent per annum).

11.4 Total assets

Total assets decreased to $167.0 million at March 31, 2018, compared to $171.8 million at December 31, 2017, primarily due to the tax paid related to the gain on sale of our interest in Dye & Durham.

					As at March 31,
(thousands of CAD dollars)	Registry Operations	Services	Technology Solutions	Corporate and elimination	**2018**
Total assets excluding intangibles, goodwill and cash	$ 26,872	$ 6,288	$ 2,561	$ 13,955	**$ 49,676**
Intangibles	5,112	35,010	5,295	23	**45,440**
Goodwill	5,800	34,513	4,381	-	**44,694**
Cash	253	3,262	1,052	22,583	**27,150**
Total assets	$ 38,037	$ 79,073	$ 13,289	$ 36,561	**$ 166,960**

					As at December 31,
(thousands of CAD dollars)	Registry Operations	Services	Technology Solutions	Corporate and elimination	2017
Total assets excluding intangibles, goodwill and cash	$ 27,133	$ 5,340	$ 1,572	$ 15,020	$ 49,065
Intangibles	5,516	36,488	4,992	26	47,022
Goodwill	5,800	34,513	4,160	-	44,473
Cash	7,798	4,229	1,264	17,974	$ 31,265
Total assets	$ 46,247	$ 80,570	$ 11,988	$ 33,020	$ 171,825

11.5 Working capital

As at March 31, 2018, working capital was $20.8 million, compared to $18.3 million at December 31, 2017. The change in working capital is mainly the result of continuing cash from operations offset by increased income taxes paid due to the taxes associated with the sale of our interest in Dye & Durham.

(thousands of CAD dollars)	As at March 31, **2018**	As at December 31, 2017
Current assets	**$ 38,782**	$ 40,989
Current liabilities	**(17,987)**	(22,652)
Working capital	**$ 20,795**	$ 18,337

11.6 Outstanding share data

The number of basic issued and outstanding Class A Shares as at March 31, 2018, was 17.5 million and the number of fully diluted shares was 17.6 million. On March 13, 2018, the Board declared a quarterly cash dividend of $0.20 per Class A Share, to be paid on or before April 15, 2018, to shareholders of record as of March 31, 2018.

12 Share-Based Compensation Plan

12.1 Deferred share unit plan

The Company has established a Deferred Share Unit ("DSU") plan to provide directors and senior officers of ISC with the opportunity to participate in the long-term success of ISC and to promote a greater alignment of interests between our directors, senior officers and shareholders. Refer to Note 16 of the Financial Statements for information pertaining to the share-based compensation plan.

Share-based compensation, related to DSUs, for the three months ended March 31, 2018, totalled income of $36 thousand (March 31, 2017 – $74 thousand expense). The total carrying amount of the liability arising from the DSUs as of March 31, 2018, totalled $1.0 million (December 31, 2017 – $1.1 million).

As at March 31, 2018, the DSU plan balance was 58,704.60 (December 31, 2017 – 52,610.60) with a weighted average award price of $17.36 per DSU.

12.2 Stock option plan

The Company established a stock option plan that was approved by shareholders in 2014 and subsequently amended and restated with the approval of shareholders on May 17, 2017. Refer to Note 16 of the Financial Statements for information pertaining to the share-based compensation plan.

Compensation expense is recognized in proportion to the amount of stock options vested. Share-based compensation related to the stock option plan for the three months ended March 31, 2018, totalled $118 thousand (March 31, 2017 – $79 thousand). The total carrying amount of the equity settled employee benefit reserve arising from these stock options as at March 31, 2018, totalled $1.2 million (December 31, 2017 – $1.1 million).

As at March 31, 2018, a total of 1,076,600 (December 31, 2017 – 1,076,600) stock options had been granted. The outstanding share options at the end of the period had a weighted average exercise price of $17.01 (December 31, 2017 – $17.01). The number of options exercisable at the end of the period was 318,700 and had a weighted average exercise price of $16.08 based on a range of exercise prices from $15.04 to $18.85.

13 Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as at March 31, 2018.

14 Related Party Transactions

Routine operating transactions with related parties are settled at agreed upon exchange amounts under normal trade terms. Refer to Note 20 in our December 31, 2017, Financial Statements which are available on the Company's website at www.company.isc.ca and in the Company's profile on SEDAR at www.sedar.com, for information pertaining to transactions with related parties.

15 Critical Accounting Estimates

ISC's critical accounting estimates are contained in Note 2 of the Financial Statements under the summary of use of estimates and judgments and include references to:

- the carrying value, impairment and estimated useful lives of property, plant and equipment;
- the carrying value, impairment and estimated useful lives of intangible assets and goodwill;
- the recoverability of deferred tax assets; and
- the measurement of the contingent consideration to be paid in conjunction with the ERS and AVS acquisitions.

The preparation of the Financial Statements, in conformity with IFRS, requires management to make estimates and underlying assumptions and judgments that affect the accounting policies and reported amounts of assets, liabilities, revenue and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

16 Changes in Accounting Policies

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2018, or on such date as they became applicable. These changes were made in accordance with the applicable transitional provisions. Refer to Note 3 of the Financial Statements for further information pertaining to the adoption and changes in these policies.

Standard	Description
Amendment to IFRS 2 – *Share-based Payment*	The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The adoption of the new standard did not have a material impact on the financial statements of the Company.
IFRS 9 — *Financial Instruments*	The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classifications: amortized cost and fair value. Under IFRS 9, where the fair value option is applied to financial liabilities, any change in fair value resulting from an entity's own credit risk is recorded through other comprehensive income (loss) rather than net income (loss). The new standard also introduces a credit loss model for evaluating impairment of financial assets. The adoption of the new standard did not require any adjustments to the values recorded in the Company's consolidated financial statements in the period of initial application (January 1, 2018). However, the Company has adjusted its disclosure. See Note 3 and Note 21 of the Financial Statements.
IFRS 15 — *Revenue from Contracts with Customers*	The standard provides for a single model that applies to contracts with customers as well as two revenue recognition approaches: at a point in time or over time. The model features a contract-based, five-step analysis of transactions to determine whether, when and how much revenue is recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or leases, which are within the scope of other IFRS standards. The new revenue standard permits either a full retrospective method of adoption with restatement of all prior periods presented, or a modified retrospective method with the cumulative effect of applying the new standard recognized as an adjustment to opening retained earnings in the period of adoption. The Company has decided to adopt the new revenue standard using the modified retrospective method, with no impact to opening retained earnings. See Note 3, Note 7, Note 15 and Note 22 of the Financial Statements for disclosures relating to this new standard.

The IASB and International Financial Reporting Interpretations Committee issued the following new standards and amendments to standards and interpretations, which become effective for future periods.

Proposed standard	Description	Effective Date
IFRS 16 — *Leases*	"IFRS 16 — *Leases*" replaces "IAS 17 — *Leases*" and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., the customer ('lessee') and the supplier ('lessor')). The Company is currently assessing the impact on our consolidated Financial Statements along with the timing of our adoption of IFRS 16. The Company believes that, on adoption of the standard, there will be an increase to assets and liabilities, as the Company will be required to record a right-of-use asset and a corresponding lease liability on the consolidated statements of financial position, as well as a decrease to operating costs, an increase to finance costs (due to accretion of the lease liability) and an increase to depreciation and amortization (due to amortization of the right-of-use asset).	January 1, 2019

17 Financial Instruments and Financial Risks

Financial instruments held in the normal course of business included in our consolidated statement of financial position as at March 31, 2018, consist of cash, short-term investments, trade and other receivables, accounts payable and accrued liabilities, long-term debt and other long-term liabilities.

The Company does not use any form of derivative financial instruments to manage our exposure to credit risk, interest rate risk, market risk or foreign currency exchange risk. Refer to Note 21 of the Financial Statements for information pertaining to financial instruments and related risk management.

18 Business Risks and Risk Management

ISC faces certain risks which can impact its business and its financial and operational performance. For the information on the risk management approach, business risks and risk management, refer to the Management's Discussion and Analysis and Annual Information Form for the year ended December 31, 2017, which are available on SEDAR at www.sedar.com. The main risks and uncertainties that could affect our future business results and associated risk mitigation activities have not materially changed since December 31, 2017.

Field Cod

19 Internal Controls over Financial Reporting

The Company's management, including the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer, is responsible for establishing and maintaining appropriate internal controls over financial reporting. Internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

The design scope of internal controls over financial reporting has been limited to exclude controls, policies and procedures of AVS, having been acquired less than 365 days prior to March 31, 2018.

No changes in our internal controls over financial reporting that have occurred during the period have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

It should be noted that all internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

20 Disclosure Controls and Procedures

The Company's management, including the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer, is responsible for establishing and maintaining appropriate disclosure controls and procedures. Disclosure controls and procedures are designed to provide reasonable assurance that relevant information is gathered and reported to senior management, including the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosures.

The design scope of disclosure controls and procedures has been limited to exclude controls, policies and procedures of AVS, having been acquired less than 365 days prior to March 31, 2018.

The contribution of AVS to ISC's Financial Statements for the three months ended March 31, 2018, was approximately 6.0 per cent of revenue and 7.0 per cent of expenses. AVS contributed 9.0 per cent of current assets, 33.0 per cent of non-current assets, 1.0 per cent of current liabilities and 46.0 per cent of non-current liabilities.

21 Non-IFRS Financial Measures

21.1 Non-IFRS financial measures

This MD&A includes certain measures, which have not been prepared in accordance with IFRS, such as EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin and free cash flow. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective, to provide investors with supplemental measures of our operating performance and, thus, highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures.

Management also uses non-IFRS measures to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess our ability to meet our future capital expenditure and working capital requirements.

Accordingly, these non-IFRS measures should not be considered in isolation or as a substitute for analysis of our financial information reported under IFRS. Such measures do not have any standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other corporations.

21.2 Non-IFRS financial measures definition

EBITDA is defined as earnings before interest, taxes, depreciation and amortization expense. Adjusted EBITDA adjusts EBITDA for stock-based compensation expense or income, stock option expense, transactional gains or losses on assets, asset impairment charges, and acquisition and integration costs. These measures, in addition to net income and income from operations, measure business performance and cash flow generation because it removes cash flow fluctuations caused by the above adjustments. Furthermore, we use adjusted EBITDA for business planning purposes and to evaluate and price potential acquisitions. In addition to its use by management, we also believe these measures are widely used by securities analysts, investors and others to evaluate the financial performance of our Company and for comparing our results with those of other companies. EBITDA margin and adjusted EBITDA margin are calculated as a percentage of overall revenue.

Free cash flow is used as a financial measure in our evaluation of liquidity and financial strength. Adjusting for the swings in non-cash working capital items due to seasonality or other timing issues and cash additions to property, plant and equipment and intangible assets, free cash flow assists in the long-term assessment of liquidity and financial strength. This measurement is useful as an indicator of our ability to service our debt, meet other payment obligations and make strategic investments. Free cash flow does not represent residual cash flow available for discretionary expenditures.