PIVOT TECHNOLOGY SOLUTIONS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Quarter and Year Ended December 31, 2017

This Management's Discussion and Analysis (the "MD&A") for the three and twelve months ended December 31, 2017 and 2016 is as of March 27, 2018 and provides information on the operating activities, performance and financial condition of Pivot Technology Solutions, Inc. (TSX: PTG.TO) ("Pivot" or the "Company"). This MD&A should be read in conjunction with Pivot's consolidated financial statements and the related notes for the years ended December 31, 2017 and 2016, and the MD&A for the year ended December 31, 2016. Additional information relating to the Company, including the Annual Information Form ("AIF") to be filed for the year ended December 31, 2017, may be found on www.sedar.com. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and can be found at www.sedar.com and www.pivotts.com.

The three month period ended March 31 is referred herein as "Q1". The three month period ended June 30 is referred herein as "Q2". The three month period ended September 30 is referred herein as "Q3". The three month period ended December 31 is referred herein as "Q4". The Company's reporting currency is United States dollars. All dollar amounts, except per share amounts stated in this MD&A, are in thousands of dollars unless specified otherwise. Additional information is contained in the Company's filings with Canadian securities regulators, including its' AIF, found on SEDAR at www.sedar.com and on the Company's website at www.pivotts.com.

Forward-looking statements

Statements in this MD&A contain forward-looking information, including statements with respect to growth in information technology ("IT") spending in future periods, possible sources of funding for future growth, benefit of cost cutting efforts and other operational efficiencies, implementation of various initiatives as part of the advancement of its strategy, interest rates applicable to the Company's borrowings, the timeline to generating a return from its Smart Edge™ platform, and the declaration of a dividend in future periods. Forward-looking information is based on assumptions of future events and actual results could vary significantly from these estimates. The reader is cautioned that assumptions used in the preparation of such information may prove to be incorrect. These assumptions include estimates of the profitability of its operations and operations of certain acquired businesses; the availability of borrowings under the Company's credit facilities and access to other sources of capital; that its operational efficiency initiatives will result in improved results of operations; that the Company will successfully implement the initiatives identified in this MD&A as part of the advancement of its strategy; that the Company will be in a financial position to declare and pay a dividend in subsequent periods; or that the Company will be in a financial position to or that it will repurchase any additional shares for cancellation under the Normal Course Issuer Bid ("NCIB"). Events or circumstances may cause actual results to differ materially from those predicted as a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Company. Some of the important factors, but certainly not all, that could cause actual results to differ materially from those indicated by such forward-looking statements are: (i) that the information is based on estimated results, (ii) the possible unavailability of financing, (iii) start-up risks, (iv) general operating risks, (v) dependence on third parties, (vi) changes in government regulation, (vii) the effects of competition, (viii) dependence on senior management, (ix) the impact of Canadian and/or United States economic conditions, (x) fluctuations in currency exchange rates and interest rates, (xi) uncertainty with respect to the ability of the Company to pay a quarterly dividend in subsequent periods, (xii) delays in the licensing of its Smart Edge™ platform, and (xiii) uncertainty with respect to the number of shares to be repurchased for cancellation by the Company under the NCIB. The reader is cautioned not to place undue reliance on this forward-looking information. The Company expressly disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required in accordance with applicable securities laws.

Key performance indicators

Pivot measures the success of its strategies using a number of key performance indicators. These include revenues, gross profit and adjusted EBITDA. (*See Non-IFRS measures*). Pivot believes these are important measures as they allow the Company to evaluate its operating performance and identify financial and business trends relating to its financial condition and results of operations.

Business profile

Pivot is an industry-leading IT services and solutions provider to many of the world's most successful companies, including members of the Fortune 1000, as well as governments and educational institutions. By leveraging its extensive original equipment manufacturer ("OEM") partnerships and its own fulfillment, professional, deployment, workforce and managed services, Pivot supports the IT infrastructure needs of its customers.

The Company has offices across North America, as well as Europe. Pivot's business strategy emphasizes offering technology, multi-vendor sourcing and implementation solutions to support, plan and provide for the IT needs of customers through a consultative approach with innovative solutions. Pivot's approach helps customers improve their business performance, reduce capital and operating expenses and accelerates the delivery of new products and services to end users. Pivot provides its customers with IT solutions for their application infrastructure and networking needs along with providing the full lifecycle of services.

Traditional IT resellers provide OEM solutions and are often characterized as vendor-centric institutions. Resellers evolve to IT multi-vendor solutions providers by creating reference architectures for multiple vendor solutions, and implementing these solutions on their behalf. As a result of Pivot's relationships with many industry-leading technology OEMs, its sales professionals and engineers are able to recommend a wide range of solutions to its customers.

Strategy

Pivot's strategy is to create shareholder value by providing mission critical IT products and fully integrated services offerings to some of the world's leading companies. Pivot's operating strategy is designed to help customers optimize their IT operations, minimize their capital spend and reduce maintenance costs. To execute this strategy, Pivot maintains multi-vendor hardware, software and cloud solutions that it resells and leverages its own resources and expertise to offer end-to-end services. By employing this strategy, Pivot can provide a single point of contact and accountability, and a consistent delivery of customized and specialized IT services and lifecycle product support across any platform.

The Company operates with a continuous improvement approach to improve operational efficiencies and maximize the utilization of its service delivery capabilities, as well as expand its service portfolio and capabilities.

The Company's strategy is comprised of several initiatives: (i) continue to build on Pivot's core business of selling IT solutions, both products and services; (ii) enhance Pivot's service portfolio and capabilities, specifically related to services that Pivot delivers; (iii) drive a commercial transformation to improve sales processes and innovation selling; (iv) support customers as they expand internationally; (v) improve cost management; and (vi) address legacy issues. Management believes that the application of this strategy over time will deliver meaningful benefits for Pivot, its customers, shareholders and employees, including improved competitive differentiation in the marketplace and better financial performance.

Non-IFRS measures

Adjusted EBITDA and the exclusion of GTS Technology Solutions, Inc. (“GTS”), formerly known as Austin Ribbon & Computer Supplies, Inc. from the Company’s results of operations are non-IFRS measures.

Adjusted EBITDA

Adjusted EBITDA is defined as gross profit less selling and administrative expenses, and corresponds to income before income tax, depreciation and amortization, finance expense, change in fair value of liabilities, and other expense.

Management believes adjusted EBITDA is an important indicator as it excludes certain items that are either non-cash expenses, items that cannot be influenced by management in the short term, and items that do not impact core operating performance, demonstrating the Company’s ability to generate liquidity through operating cash flow to fund working capital needs, service outstanding debt and fund future capital expenditures. Adjusted EBITDA is used by some investors and analysts for the purposes of valuing an issuer. The intent of adjusted EBITDA is to provide additional useful information to investors and analysts and is also used by management as an internal performance measurement.

Adjusted EBITDA is a non-IFRS measure, reconciled to income (loss) before income taxes as follows:

	Three months ended December 31, *(unaudited)*				**Twelve months ended December 31,**			
	2017	2016	2017*	2016*	**2017**	2016	2017*	2016*
Income (loss) before income taxes	**6,109**	4,556	6,109	4,556	**2,800**	(4,171)	2,800	(3,080)
Depreciation and amortization	**2,843**	2,762	2,843	2,762	**11,257**	10,965	11,257	10,949
Finance costs	**1,450**	1,208	1,450	1,208	**5,450**	4,566	5,450	4,550
Change in fair value of liabilities	**203**	(482)	203	(482)	**209**	(265)	209	(265)
Other expense, net	**520**	413	520	413	**4,402**	14,253	4,402	12,982
Adjusted EBITDA	**11,125**	8,457	11,125	8,457	**24,118**	25,348	24,118	25,136

Notes: *Amounts presented are in thousands of U.S. dollars*

**Amounts exclude GTS results of operations*

Exclusion of GTS' results from operations

As described in the 2016 MD&A, the Company derecognized the assets and liabilities of GTS effective with the period ended June 30, 2016, and affiliates of the Company have filed a lawsuit against GTS and other related parties to recover damages arising from the termination of the GTS Agreements. Accordingly, management presents the Company's consolidated financial results from operations excluding the results of GTS for the three and twelve months ended December 31, 2016. Management believes this adjustment is important for management, investors and analysts to evaluate the Company's financial performance without consideration to the results of GTS which are no longer part of Pivot's operations and are not expected to contribute in the future.

The exclusion of GTS' results of operations can be reconciled to the Company's results of operations as follows:

	Three months ended December 31, *(unaudited)*					
	2017			**2016**		
	Pivot	GTS	Pivot, Excl. GTS	**Pivot**	GTS	Pivot, Excl. GTS
Revenue	**399,407**	-	399,407	**394,006**	-	394,006
Cost of sales	**350,529**	-	350,529	**345,548**	-	345,548
Gross profit	**48,878**	-	48,878	**48,458**	-	48,458
Employee compensation and benefits	**29,570**	-	29,570	**30,318**	-	30,318
Other selling, general and administrative expenses	**8,183**	-	8,183	**9,683**	-	9,683
Income before the following:	**11,125**	-	11,125	**8,457**	-	8,457
Depreciation and amortization	**2,843**	-	2,843	**2,762**	-	2,762
Finance expense	**1,450**	-	1,450	**1,208**	-	1,208
Change in fair value of liabilities	**203**	-	203	**(482)**	-	(482)
Other expense, net	**520**	-	520	**413**	-	413
Income before income taxes	**6,109**	-	6,109	**4,556**	-	4,556
Provision for income taxes	**8,695**	-	8,695	**1,668**	-	1,668
Income (loss) for the period	**(2,586)**	-	(2,586)	**2,888**	-	2,888

Note: *Amounts presented are in thousands of U.S. dollars, except per share amounts*

	Twelve months ended December 31,					
	2017			2016		
	Pivot	GTS	Pivot, Excl. GTS	**Pivot**	GTS	Pivot, Excl. GTS
		(unaudited)			*(unaudited)*	
Revenue	**1,511,641**	-	1,511,641	**1,465,974**	47,225	1,418,749
Cost of sales	**1,342,890**	-	1,342,890	**1,290,020**	42,327	1,247,693
Gross profit	**168,751**	-	168,751	**175,954**	4,898	171,056
Employee compensation and benefits	**116,249**	-	116,249	**117,347**	2,858	114,489
Other selling, general and administrative expenses	**28,384**	-	28,384	**33,259**	1,828	31,431
Income before the following:	**24,118**	-	24,118	**25,348**	212	25,136
Depreciation and amortization	**11,257**	-	11,257	**10,965**	16	10,949
Finance expense	**5,450**	-	5,450	**4,566**	16	4,550
Change in fair value of liabilities	**209**	-	209	**(265)**	-	(265)
Other expense, net	**4,402**	-	4,402	**14,253**	1,271	12,982
Income (loss) before income taxes	**2,800**	-	2,800	**(4,171)**	(1,091)	(3,080)
Provision for income taxes	**8,428**	-	8,428	**150**	36	114
Loss for the period	**(5,628)**	-	(5,628)	**(4,321)**	(1,127)	(3,194)

Note: *Amounts presented are in thousands of U.S. dollars, except per share amounts*

Neither adjusted EBITDA nor the exclusion of GTS results of operations are considered recognized measures under IFRS, have no standardized meaning and are therefore unlikely to be comparable to similar measures used by other companies. Readers are cautioned that adjusted EBITDA should not be construed as an alternative to net income determined in accordance with IFRS.

Annual overview

Operating results

- Revenues increased $45,667 or 3.1% in 2017 over the prior year as a result of increased revenue from major customers and the acquisition of TeraMach Technologies Inc. ("TeraMach") in Q4 2016. Product sales increased $36,480 or 2.8% and service revenues increased $9,187 or 5.9% over 2016. Excluding GTS, total revenues increased $92,892 or 6.5%, comprised of a $74,380 or 5.8% increase in product sales, and an $18,512 or 12.6% increase in service revenue.

- Gross profit decreased by 4.1% despite the overall growth in revenue compared to 2016 due to customer and product mix as well as lower vendor rebates. Excluding GTS, gross profit decreased by 1.3% over the prior year.

- General and administrative expenses decreased $5,973 or 4.0% over 2016 due to the loss of control over GTS and cost reduction measures put in place in the fourth quarter of 2016 and in the first quarter of 2017, partially offset by a full year of TeraMach expenses. Excluding GTS, general and administrative expenses decreased $1,287 or 0.9% over 2016.

- Adjusted EBITDA decreased $1,230 or 4.9% as compared to 2016, primarily driven by the reduction in gross profit, and partially offset by the results of the Company's cost reduction efforts. Excluding GTS, adjusted EBITDA decreased $1,018 or 4.0%.

- Pivot generated income before tax of $2,800 in 2017, compared to a loss before tax of $4,171 in 2016, primarily due to the impact of impairment and restructuring charges taken in 2016.

- Pivot incurred a net loss of $5,628 in 2017 compared to a net loss of $4,321 in 2016. In 2017, the Company recorded a non-cash deferred tax expense of $5,829 to reflect the impact of U.S. Tax Reform.

- Pivot generated a loss of $0.15 per share in 2017 compared to a loss of $0.12 per share in 2016. The prior year period was negatively impacted by impairment charges associated with the termination of certain agreements with GTS, while the current year was negatively impacted by non-cash tax charges associated with U.S. Tax Reform.

Growth and development

- On July 1, 2017, the Company acquired certain customer accounts, contracts, agreements, and other arrangements from Cloudscapes Consulting, Inc. ("Cloudscapes"). Pivot will pay up to $1,350 for the acquired assets based on the performance of the acquired assets and achievement of certain gross margin levels.

- Effective September 1, 2017, the Company acquired 40% of the issued and outstanding share capital of Applied Computer Solutions, Inc. ("Applied") for consideration of $14,202. This consideration was comprised of $40 in cash and $14,162 in intercompany receivables that now eliminate upon consolidation, and therefore are treated as part of the purchase price. The Company has been working closely with Applied for several years as their fulfilment and back office support. Through this acquisition, and continued contractual obligations with Applied, as a 40% shareholder, Pivot has been consolidating the results of Applied since the date of acquisition.

- The Company continues to invest in its growth and improvement strategies in advance of realizing benefits, which includes updating the portfolio with new service offerings and investing in a proprietary software driven solution called Smart Edge™, that addresses the growing multi-access edge computing market. The Company has expensed approximately $3.3 million in 2017 on the development of Smart Edge™, and expects to continue to invest in the platform in 2018 before it starts to generate revenue. Other investments include the addition of key resources to expand the Company's services capabilities and investments in products and tools to enhance the Company's offering to its customers.

- During 2017, the Company successfully integrated the operations of TeraMach into the Pivot group of companies. TeraMach was acquired on October 1, 2016.

Equity transactions

- On February 20, 2018, the Pivot Board of Directors ("BOD") declared a common share dividend of C$0.04 per common share, payable on March 15, 2018 to common shareholders of record on February 28, 2018.

- On November 13, 2017, the BOD declared a common share dividend of C$0.04 per common share, payable on December 15, 2017 to common shareholders of record on November 30, 2017.

- During 2017, the Company paid $4,973 in dividends, at C$0.04 per share per quarter.

- During 2017, the Company purchased and cancelled 1,551,113 shares for $2,053 through a combination of its NCIB program and repurchases from former directors.

Corporate governance / executive management

- Effective January 1, 2017, Warren Barnes stepped down from the BOD and Shaun Maine resigned as Chief Operating Officer of Pivot.

- In June 2017, Brian Kyle resigned from the Company as Chief Financial Officer. David Toews was hired as Interim CFO. Mr. Toews brought 25 years of experience in all aspects of financial management, including five years with TSX listed Leitch Technology Corporation.

- In June 2017, Matt Girardot and Lazane Smith were elected to the BOD. Mr. Girardot has served as Corporate Secretary and General Counsel of the Company since April 2016. Ms. Smith was the Chief Human Resources Officer for Ciox Health from February 2017 to October 2017, and held the position of Senior Vice President for Unisys Corp. from 2009 to 2015.

- In November 2017, Douglas M. Stuve passed away. Mr. Stuve was a member of the BOD from 2012 to 2017.

Outlook for fiscal 2018

The global economic environment has improved, but some customers remain cautious in their approach to IT investments. Further, the increased acceptance of cloud computing has created uncertainty in the products side of the industry, while creating opportunity for services. Despite the market and industry uncertainty, management believes Pivot's opportunities to create shareholder value through its product and services strategy are robust and the secular trends driving IT spending and particularly spending on solutions and services are positive and are expected to grow in line with the overall market's expected growth rate in 2018. The Company's sales organization is approximately a year into its commercial transformation, whereby it engages customers in a more strategic fashion to develop comprehensive relationships built on the value of Pivot's expanded portfolio. The execution of this strategy is expected to create higher value recurring revenue streams over time that offer greater predictability of performance by somewhat reducing the Company's exposure to the capital expenditure cycles of its customers.

The Company expects to incur less than $3 million in capital expenditures for the year ending December 31, 2018.

The Company seeks to continue to expand its position in the global IT market organically and through selected and accretive acquisitions. The Company's strong and diverse customer and vendor partner relationships provide the foundation to pursue its strategy. During 2017, the Company strengthened its customer base by acquiring certain customer relationships from Cloudscapes, and reinforced certain existing relationships through the acquisition of 40% of Applied.

The Company's objective in managing capital is to ensure that adequate resources are available to manage the Company's operations and fund organic growth while providing dividends to shareholders and acquiring shares under the NCIB. The BOD sets the dividend policy after giving consideration to these objectives and the Company's future prospects.

SELECTED FINANCIAL INFORMATION AND OPERATING RESULTS

For the years ended December 31,	**2017**	2016	2015
Revenue	**1,511,641**	1,465,974	1,488,960
Cost of sales	**1,342,890**	1,290,020	1,318,553
Gross profit	**168,751**	175,954	170,407
Employee compensation and benefits	**116,249**	117,347	112,727
Other selling, general and administrative expenses	**28,384**	33,259	26,232
Income before the following:	**24,118**	25,348	31,448
Depreciation and amortization	**11,257**	10,965	13,141
Finance expense	**5,450**	4,566	6,780
Change in fair value of liabilities	**209**	(265)	1,479
Other expense, net	**4,402**	14,253	3,593
Income (loss) before income taxes	**2,800**	(4,171)	6,455
Provision for income taxes	**8,428**	150	3,286
Income (loss) for the period	**(5,628)**	(4,321)	3,169
Income for the period attributable to non-controlling interests	**429**	616	173
Income (loss) for the period attributable to shareholders	**(6,057)**	(4,937)	2,996
Other comprehensive income			
Items that may be reclassified subsequently to income for the period:			
Exchange gain on translation of foreign operations	**35**	2	-
	35	2	-
Total comprehensive income (loss)	**(5,593)**	(4,319)	3,169
Total comprehensive income (loss) attributable to shareholders	**(6,022)**	(4,935)	2,996
Income (loss) per common share:			
Income (loss) available to common shareholders	**(6,057)**	(4,937)	2,535
Basic	**(0.15)**	$ (0.12)	$ 0.06
Diluted	**(0.15)**	$ (0.12)	$ 0.06
Total assets	**529,812**	496,966	500,650
Total current non-financial liabilities	**33,947**	39,643	38,934
Cash dividends declared on common shares	**4,973**	4,795	1,912

Note: *Amounts presented are in thousands of U.S. dollars, except per share amounts*

FINANCIAL AND OPERATING RESULTS

Following is an analysis of the Company's results for the three and twelve months ended December 31, 2017 compared to the three and twelve months ended December 31, 2016.

Revenue and gross profit

	Three months ended December 31, *(unaudited)*				Twelve months ended December 31,			
	2017	2016	2017*	2016*	**2017**	2016	2017*	2016*
Product sales	**357,749**	352,826	357,749	352,826	**1,346,523**	1,310,043	1,346,523	1,272,143
Service revenues	**41,658**	41,180	41,658	41,180	**165,118**	155,931	165,118	146,606
Total revenue	**399,407**	394,006	399,407	394,006	**1,511,641**	1,465,974	1,511,641	1,418,749
Cost of sales	**350,529**	345,548	350,529	345,548	**1,342,890**	1,290,020	1,342,890	1,247,693
Gross profit	**48,878**	48,458	48,878	48,458	**168,751**	175,954	168,751	171,056

Notes: Amounts presented are in thousands of U.S. dollars

**Amounts exclude GTS results of operations*

Total revenues of $399,407 increased 1.4%, or $5,401 for the three months ended December 31, 2017 as compared to the same period in the prior year. While sales to major customers declined $10,790 quarter over quarter sales to non-major customers increased by $16,191, which included a new customer win of $10,982.

Total revenues of $1,511,641 increased 3.1%, or $45,667 for the twelve months ended December 31, 2017 as compared to the same period in the prior year. GTS contributed $47,225 to consolidated revenue for the twelve months ended December 31, 2016 and nil for the twelve months ended December 31, 2017. Excluding GTS' results from operations, total revenue for the twelve months ended December 31, 2017 increased by 6.5% or $92,892 over the same period in the prior year, primarily due to increased revenues from major customers of $66,050 and non-major customers of $26,842. TeraMach contributed $61,757 to the year over year increase.

Product sales of $357,749 increased $4,923 or 1.4% for the three months ended December 31, 2017 over the same period in the prior year.

Product sales of $1,346,523 increased $36,480 or 2.8% for the twelve months ended December 31, 2017 over the same period in the prior year. GTS contributed $37,900 to product sales for the twelve months ended December 31, 2016 and nil for the twelve months ended December 31, 2017. Excluding GTS' results from operations, product sales increased $74,380 or 5.8% for the twelve months ended December 31, 2017 as compared to the same period in the prior year, primarily due to the acquisition of TeraMach which added $53,924 to product sales for the twelve months ended December 31, 2017.

Service revenues of $41,658 increased by $478 or 1.2% for the three months ended December 31, 2017 as compared to same period in the prior year.

Service revenues of $165,118 increased by $9,187 or 5.9% for the twelve months ended December 31, 2017 compared to the same period in the prior year. GTS contributed $9,325 to services revenue for the twelve months ended December 31, 2016 and nil for the twelve months ended December 31, 2017. Excluding GTS' results from operations, service revenues for the twelve months ended December 31, 2017 increased $18,512 or 12.6% as compared to the same period in the prior year. TeraMach contributed $7,833 or 42.3% to the year over year increase excluding GTS' results from operations.

In general, changes in revenue quarter over quarter are attributable to a number of factors, including, but not limited to, timing of major projects and replenishments, vendor incentive programs, competitive pressures in the market and timing of service delivery within our professional services category. Service revenues can also be impacted quarterly due to customer requirements relating to bundling of product and service offerings and the timing of their investment needs.

Major customers

The Company reviews and evaluates revenue and gross profit margin by major versus non-major customers. A major customer is defined as a customer that generates revenues 10% or greater of total revenues to the Company. Generally, the significance of the quantity of products sold or services provided to these customers provides major customers with additional buying power, and thus, the Company earns a decreased margin to generate increased revenues and maintain strong relationships.

Major customers represented $139,705 or 35.0%, and $150,495 or 38.2% of total revenues for the three months ended December 31, 2017 and 2016, respectively, and $584,392 or 38.7% and $518,342 or 35.4% for the twelve months ended December 31, 2017 and 2016, respectively.

Cost of sales and gross profit

Q4 2017 cost of sales of $350,529 increased by $4,981 or 1.4% over the same quarter in the prior year, and gross profit of $48,878 increased $420 or 0.9%.

Cost of sales for the twelve months ended December 31, 2017 of $1,342,890 increased by $52,870 or 4.1% over the same period in the prior year, while gross profit of $168,751 decreased $7,203 or 4.1%. GTS contributed $42,327 to cost of sales and $4,898 of gross profit for the year ended December 31, 2016 compared to nil and nil for the year ended December 31, 2017. Excluding

GTS' results from operations, cost of sales increased 7.6% or $95,197 for the year ended December 31, 2017 over the same period in the prior year, while gross profit decreased $2,305 or 1.3%.

Quarter over quarter, gross profit margins declined slightly to 12.2% in Q4 2017 from 12.3% in Q4 2016. The Company experienced a decrease in product margins, due primarily to pricing pressures and mix. This decrease was largely offset by increased rebates compared to the prior year period, and improved service margins, as the Company is seeing the benefits of its efforts to improve utilization of its service delivery capabilities.

Gross profit margins decreased to 11.2% for the twelve months ended December 31, 2017 from 12.0% over the same period in the prior year. Excluding GTS' results from operations, gross profit margin in the twelve months ended December 31, 2017 decreased to 11.2% from 12.1% over the same period in the prior year. The Company experienced a decrease in product margins, due primarily to pricing pressures and mix, combined with the increase in sales to major customers, who generally contribute lower margin percentages. This decrease was further impacted by lower rebates compared to the prior year. Partially offsetting these decreases was growth in service revenues, which generally have higher margins than product sales, as well as improved services margins compared to the prior year, as the Company saw the benefits of its efforts to improve utilization of its service delivery capabilities.

Selling and administrative expenses

	Three months ended December 31, *(unaudited)*				**Twelve months ended December 31,**			
	2017	**2016**	2017*	2016*	**2017**	**2016**	2017*	2016*
Employee compensation and benefits	**29,570**	30,318	29,570	30,318	**116,249**	117,347	116,249	114,489
Other selling and administrative expenses	**8,183**	9,683	8,183	9,683	**28,384**	33,259	28,384	31,431
	37,753	40,001	37,753	40,001	**144,633**	150,606	144,633	145,920

Notes: *Amounts presented are in thousands of U.S. dollars*
**Amounts exclude GTS results of operations*

Selling and administrative expenses ("SG&A") for the three months ended December 31, 2017 decreased $2,248 or 5.6% to $37,753 over the same period in the prior year. The Company continued its efforts to manage SG&A through headcount reductions, lower professional service fees, tighter controls over travel and marketing expenses, and benefitted from lower bad debt expense over the same period in the prior year.

SG&A for the twelve months ended December 31, 2017 decreased $5,973 or 4.0% to $144,633 over the same period in the prior year. The acquisition of TeraMach increased SG&A by $5,853 for the twelve months ended December 31, 2017, offset by lower SG&A from the Company's ARC Segment of $5,816. *See Interests in other entities for definition of ARC Segment.* The Company continued its cost reduction measures to reduce overall costs through headcount reductions, lower professional service fees, and bad debt recovery. In addition, the Company benefitted from a $2,000 signing bonus with one of its top vendors. Excluding GTS' results from operations, SG&A decreased $1,287 or 0.9% for the twelve months ended December 31, 2017 over the same period in the prior year.

Finance expenses

Finance expenses increased $242 or 20.0% and $884 or 19.4% for the three and twelve months ended December 31, 2017, respectively, over the same periods in the prior year.

Finance expenses, which consist primarily of interest rates on the Company's senior secured credit facility with JPMorgan Chase Bank, N.A. ("JPMC"), were impacted by higher overall interest, which increased on average 0.74% and 0.62% for the three and twelve months ended December 31, 2017, respectively, as compared to the same periods in the prior year. In addition to increases in U.S. LIBOR rates, the Company experienced higher interest costs due to the interest rate swap which went into effect in April 2016. Average borrowings on the JPMC facility were $134,446 and $115,226 for the three months ended December 31, 2017 and 2016, respectively. Average borrowings on the JPMC facility were $122,361 and $126,545 for the twelve months ended December 31, 2017 and 2016, respectively. Management is continually exploring alternatives to minimize the impact of future rate increases. *(See Interest rate forward swap agreements)*

Change in fair value of liabilities

	Three months ended December 31, *(unaudited)*		**Twelve months ended December 31,**	
	2017	2016	**2017**	2016
Interest rate swap	**(281)**	(662)	**(1,037)**	(445)
Contingent consideration	**484**	180	**1,246**	180
	203	(482)	**209**	(265)

Notes: *Amounts presented are in thousands of U.S. dollars*

For the three and twelve months ended December 31, 2017, the change in fair value of liabilities increased $685 or 142.1% and $474 or 178.9% over the same periods in the prior year.

On April 3, 2014 the Company entered into an interest rate forward swap agreement to mitigate the risk of fluctuating interest rates. The fair value of the swap liability represents the cost to exit the swap and was $505 and $1,542 for the years ended December 31, 2017 and 2016, respectively. The change in fair value of the swap liability increased $381 or 57.6% and decreased $592 or 133.0% for the three and twelve months ended December 31, 2017 over the same periods in the prior year, respectively. *(See Secured borrowings)*

The change in the fair value of contingent consideration relates to financial liabilities arising from the business acquisition of TeraMach on October 1, 2016, and the Cloudscapes asset acquisition on July 1, 2017. Both acquisitions met the requirements for full payment of their 2017 contingent consideration, and correspondingly, the Company recorded an increase of $304 or 168.9% and $1,066 and 592.2% for the three and twelve months ended December 31, 2017, respectively. *(See Contingent consideration)*

Other expense, net

	Three months ended December 31, *(unaudited)*				**Twelve months ended December 31,**			
	2017	**2016**	**2017***	**2016***	**2017**	**2016**	**2017***	**2016***
Loss of control	-	-	-	-	-	7,249	-	5,978
Restructuring costs	**256**	100	256	100	**357**	1,524	357	1,524
Transaction costs	**350**	275	350	275	**1,632**	977	1,632	977
Impairment	-	-	-	-	-	4,788	-	4,788
Other (income)/expense	**(86)**	38	(86)	38	**2,413**	(285)	2,413	(285)
	520	413	520	413	**4,402**	14,253	4,402	12,982

Notes: *Amounts presented are in thousands of U.S. dollars*
**Amounts exclude GTS results of operations*

Other expense increased $107 or 25.9% to $520 and decreased $9,851 or 69.1% to $4,402 for the three and twelve months ended December 31, 2017 over the comparable periods in the prior year, respectively. The primary reason for the decrease is due to loss of control and impairment charges associated with the notice of termination of certain agreements with GTS which occurred during Q2 2016.

Provision for income taxes

	Three months ended December 31, *(unaudited)*		Twelve months ended December 31,	
	2017	**2016**	2017	2016
Current tax expense	**2,887**	1,955	2,549	3,271
Deferred tax expense (benefit)	**5,808**	(287)	5,879	(3,121)
	8,695	1,668	8,428	150

Notes: *Amounts presented are in thousands of U.S. dollars*

The provision for income tax increased $7,027 or 421.3% and $8,278 or 5,518.7% for the three and twelve months ended December 31, 2017, respectively as compared to the same periods in the prior year. The increases were driven by a comprehensive U.S. tax reform bill originally known as the "Tax Cuts and Jobs Act" that was enacted into law on December 22, 2017. The Company is required to recognize the effect of the U.S. Tax Reform in its 2017 consolidated financial statements, even though the effective date of the law for most provisions is January 1, 2018. Based on information currently available, the Company's 2017 consolidated financial statements include a one-time charge to net earnings in the fourth quarter of 2017 of approximately $5,829 to reflect the re-measurement of the Company's deferred tax assets and liabilities, reflecting the lower U.S. corporate income tax rate which has been reduced from 35% to 21%.

SELECTED QUARTERLY FINANCIAL INFORMATION

	Three months ended, (unaudited)							
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Revenues	**399,407**	389,077	400,734	322,423	394,006	365,473	373,708	332,787
Gross profit	**48,878**	42,797	42,950	34,126	48,458	42,857	46,636	38,003
Adjusted EBITDA (2)	**11,125**	7,251	7,292	(1,550)	8,457	6,317	9,123	1,451
Net income (loss)	**(2,586)**	(813)	1,958	(4,187)	2,888	(3,239)	(215)	(3,755)
Income (loss) per share:								
Basic	**($0.07)**	($0.02)	$0.05	($0.10)	$0.06	($0.08)	($0.01)	($0.09)
Diluted	**($0.07)**	($0.02)	$0.05	($0.10)	$0.05	($0.08)	($0.01)	($0.09)
Cash dividends declared on common shares	**1,246**	1,288	1,194	1,245	1,242	1,292	1,312	949
Total assets (1)	**529,812**	478,347	519,117	449,972	496,966	447,121	501,875	453,458
Total current non-financial liabilities (1)	**33,632**	33,374	35,084	38,572	38,673	37,310	39,454	40,010

Notes: *Amounts presented are in thousands of U.S. dollars, except per share amounts*

(1) Amounts as at period date

(2) Non-IFRS measure (See Non-IFRS measures)

The table above shows selected financial information from the results of operations of the Company for the periods indicated. The financial results are not necessarily indicative of the results that may be expected for any other future comparative period.

In general, business volume tends to fluctuate quarter to quarter. This is driven by a variety of factors including timing of capital-related spending by large customers who often use budgeted funds before the end of their fiscal periods. Accordingly, a small number of large customers could periodically cause significant fluctuations in revenue and associated profits in any given quarter, depending on the timing of key projects. Additionally, OEM vendors tend to create higher sales activity at their own year ends as steeper discounts tend to be offered to incentivize higher volumes.

LIQUIDITY AND CAPITAL RESOURCES

Pivot's capital requirements consist primarily of working capital necessary to fund operations and capital to finance the cost of strategic acquisitions. Sources of funds available to meet these requirements include existing cash balances, cash flow from operations and secured borrowings. Pivot must generate sufficient earnings and cash flow from operations to satisfy its covenants in order to provide access to additional capital under its secured borrowings. Failure to do so would adversely impact Pivot's ability to pay current liabilities and comply with covenants applicable to its secured borrowings (see details of covenants in *"Secured borrowings"*).

As at December 31, 2017 and December 31, 2016, total cash on hand was $5,248 and $8,153, respectively. As at December 31, 2017 and December 31, 2016, amounts borrowed under existing credit facilities were $135,481 and $137,599, respectively. There were working capital deficiencies of $75,756 and $60,217 as at December 31, 2017 and December 31, 2016, respectively. The working capital deficiencies originate from bank financings obtained to fund business acquisitions in previous years. Due to the fact that the borrowing rate on the Company's secured credit facility is favorable compared to market terms on long-term debt, the Company continues to strategically finance the investments related to its business acquisitions using its short-term facility.

Average undrawn availability on existing, secured credit facilities was $69,762 and $63,430 for the years ended December 31, 2017 and 2016, respectively**.**

Cash flow analysis

	Three months ended December 31, *(unaudited)*		**Twelve months ended December 31,**	
	2017	2016	**2017**	2016
Cash provided (used in) by operating activities	**(1,910)**	(12,945)	**11,266**	24,741
Cash used in investing activities	**(1,794)**	(2,951)	**(3,337)**	(5,083)
Cash provided by (used in) financing activities	**3,264**	16,533	**(10,854)**	(19,462)
Net increase (decrease) in cash and cash equivalents	**(440)**	**637**	**(2,925)**	**196**
Cash and cash equivalents at the beginning of the period	**5,710**	7,537	**8,153**	7,978
Effect of foreign exchange fluctuations on cash held	**(22)**	(21)	**20**	(21)
Cash and cash equivalents at the end of the period	**5,248**	**8,153**	**5,248**	**8,153**

Note: *Amounts presented are in thousands of U.S. dollars*

Cash provided by operating activities increased $11,035 for the three months ended December 31, 2017, as compared to the same period in the prior year. The increase was primarily due to comparative decreases in accounts receivable and inventory, offset by a comparative increase in accounts payable. Cash provided by operating activities decreased $13,475 for the twelve months ended December 31, 2017, as compared to the same period in the prior year. The decrease was primarily due to a comparative increase in inventory, offset by a comparative decrease in accounts receivable. The Company finances its working capital through its revolving credit line, therefore fluctuations in cash from operations are normal, and are generally offset by changes in the credit line, which are captured in financing activities.

Cash used in investing activities decreased $1,157 and $1,746 for the three and twelve months ended December 31, 2017, respectively, as compared to the same periods in the prior year. Changes were driven by payments of contingent consideration for and related business combinations. *See Contingent consideration*

Cash used in financing activities is comprised of borrowings on secured and unsecured debt facilities, changes in banking overdrafts, dividend payments, proceeds from issuance of common shares related to the exercise of options, and stock repurchases. Cash used in financing activities increased by $13,269 and decreased by $8,608 for the three and twelve months ended December 31, 2017, respectively, as compared to the same periods in the prior year. The movement in financing cash outflows was primarily driven by movements in net borrowing associated with Pivot's secured borrowing arrangements and related banking overdrafts, which consist of checks that have been distributed, but have not yet been presented for payment, and dividends. As noted above, the revolving credit line tends to fluctuate inversely with the changes in working capital and cash from operations.

Days sales outstanding ("DSO") were 52 and 48 days at December 31, 2017 and 2016, respectively. Receivables and collections are closely monitored against expected cash flow. The increase in DSO is driven by larger customers demanding longer payment terms.

Days payables outstanding ("DPO") were 43 and 37 days at December 31, 2017 and 2016, respectively. The Company works closely with its vendors to share the cashflow implications of this trend, which partially contributed to the increase in DPO. In addition, the Company began utilizing a purchasing card ("PCard") with one of its major vendors in 2017. Previously, the vendor required prepayment when certain large volume orders were placed which could take up to four to six weeks to ship. Under the PCard facility, the vendor charges the card when the product is shipped, providing the Company an extended timeframe to pay for these purchases.

Secured borrowings

Flooring agreement

ARC Acquisition (US), Inc. ("ARC"), a wholly-owned subsidiary of the Company, entered into a secured flooring agreement with IBM Credit LLC ("IBM") on August 10, 2011, which provides short-term accounts payable financing. The IBM secured flooring agreement previously allowed up to $15,000 in advances on purchases from approved vendors. The agreement was amended and restated on July 6, 2017, and now allows for up to $2,500 in advances on purchases from approved vendors, which maximum advance amount may be changed by IBM in its discretion. Approved vendors send invoices directly to IBM for payment and IBM bills the Company monthly for vendor invoices received. Currently, the Company incurs interest on the outstanding balance at LIBOR plus 4.5% after a free financing period of 60 days, but the interest rate and free financing period may be changed at IBM's discretion. $648 and $1,348 were outstanding under the IBM secured flooring agreement as at December 31, 2017 and 2016, respectively. Under the original flooring agreement, the Company was required to maintain certain financial ratios, and was not in compliance as at June 30, 2017, March 31, 2017 or December 31, 2016. The Company received waivers from IBM after the balance sheet dates to cure each of the compliance related issues. The amended and restated agreement does not impose any financial covenants on the Company. All amounts under this arrangement are included in current liabilities.

Revolving credit facilities

JPMC credit facility

On September 21, 2015, the Company entered into a five year credit agreement with a lending group represented by JPMC, providing the Company a $200,000 senior secured asset based revolving credit facility ("JPMC Credit Facility"). The JPMC Credit Facility may be used for revolving loans, letters of credit, protective advances, over advances, and swing line loans. Advances under the JPMC Credit Facility accrue interest at rates that are equal to, based on certain conditions, at the Company's election either (a) JPMC's "prime rate" as announced from time to time plus 0.0% to 0.25%, or (b) LIBOR, or a comparable or successor rate that is approved by JPMC, for an interest period of one month plus 1.50% to 1.75%. The Company may also, upon the agreement of either the then existing lenders or additional lenders not currently parties to the agreement, increase the commitments under the credit facility by up to an additional $75,000. The lenders under the JPMC Credit Facility are not under any obligation to provide any such additional commitments, and any increase in commitments is subject to several conditions precedent and limitations. The JPMC Credit Facility is scheduled to expire on September 21, 2020. On January 14, 2016, the JPMC Credit Facility was amended, increasing the overall facility to $225,000. On September 30, 2016, a second amendment was completed, primarily to allow for the purchase of TeraMach which was completed on October 1, 2016. On December 9, 2016, a third amendment was completed, primarily to add TeraMach to the borrowing group. On July 20, 2017, a fourth amendment was completed, increasing the amount the Company can have outstanding in investments at any one time to $100.

Under the terms of the JPMC Credit Facility, the covenants require that the Company maintain a Fixed Charge Coverage Ratio of at least 1.1 to 1 on a trailing twelve month basis, triggered in the event that availability is less than 12.5% of the revolving commitment until such time that availability has been greater than 12.5% of the revolving commitment for thirty consecutive days.

Additional negative covenants place restrictions on additional indebtedness, liens, fundamental changes to the Company's legal structure, investments, asset sales, sale and leaseback transactions, swap agreements, restricted payments, transactions with affiliates, restrictive agreements, amendment of material documents, and distribution of loan proceeds amongst the Company's subsidiaries. The Company was in compliance with all applicable covenants at December 31, 2017 and 2016.

The Company had availability to borrow under its revolving credit facilities of $87,698 and $55,568 as at December 31, 2017 and 2016, respectively, after giving effect to borrowing base limitations, swing loans and letters of credit issued. Amounts owing under the Company's revolving credit facilities were $135,481 and $137,599 as at December 31, 2017 and 2016, respectively. In addition, a letter of credit for $250 was outstanding at both December 31, 2017 and December 31, 2016.

Interest rate forward swap agreements

The Company is subject to risks and losses resulting from fluctuations in interest rates on its bank indebtedness, loans and borrowings. Interest rates fluctuate in response to general economic conditions and policies imposed by governmental and regulatory agencies. The Company's principal interest bearing obligations are its borrowings under the JPMC Credit Facility. Amounts outstanding under the JPMC Credit Facility bear interest based on a floating rate. An increase of 100 basis points to the interest rate applicable to the Company's floating rate obligations under the JPMC Credit Facility would have resulted in an increase of $213 and $164 during the three months ended December 31, 2017 and 2016, respectively. An increase of 100 basis points to the interest rate applicable to the Company's floating rate obligations under the JPMC Credit Facility would have resulted in an increase of $724 and $909 during the twelve months ended December 31, 2017 and 2016, respectively. Sustained increases in interest rates could have a material adverse impact on the Company's financial condition and results of operations.

On April 3, 2014 the Company entered into an interest rate forward swap agreement ("Swap") with PNC Bank, N.A. ("PNC") to mitigate the risk of fluctuating interest rates. Under the terms of the Swap with PNC, the interest rate was to vary between 4.655% and 5.155% on $50,000 of the amount outstanding under the PNC credit facility then in place. On September 21, 2015, the Swap was novated to JPMC. Under the terms of the Swap with JPMC, the interest rate now varies between 4.305% and 4.555% on $50,000 of the amount outstanding under the JPMC Credit Facility. This range of rates is in effect from April 7, 2016 through November 13, 2018. The Swap with JPMC contains cross covenant restrictions, requiring that the Company be in compliance with the JPMC Credit Facility.

Interest incurred under the Swap totaled $198 and $899 for the three and twelve months ended December 31, 2017, respectively. The fair value of the Swap was determined to be $505 and $1,542 as at December 31, 2017 and 2016, respectively. The fair value represents the cost that would be incurred by the Company to exit the Swap, due to fluctuations in future interest rate expectations.

Contingent consideration

TeraMach

On October 1, 2016, the Company acquired all of the issued and outstanding share capital of TeraMach Systems Inc., 1955714 Ontario Inc., Infoptic Technology Inc., and TeraMach Technologies Inc., collectively "the TeraMach Group", for consideration of $7,346 (C$9,639). The purchase price for the TeraMach Group consists of up-front payments totalling $4,022, and contingent consideration to be paid in four future installments. The contingent consideration is dependent on the adjusted EBITDA of the acquired business during the four consecutive twelve month periods ending September 30, 2017 through September 30, 2020. At the date of acquisition, the fair value of the contingent liability was determined to be $3,324. The fair value of the contingent liability was determined to be $3,326 and $3,427 as at December 31, 2017 and 2016, respectively. The Company recorded a charge of $467 and $1,219 related to the change in fair value of the consideration during the three and twelve months ended December 31, 2017, respectively. This charge was impacted by a foreign currency translation adjustment of $(61) and $232 for the three and twelve month periods ended December 31, 2017, respectively. The undiscounted value of the remaining consideration to be paid is C$7,000. Payments of the remaining consideration are required to be made within five business days of BOD approval of the Company's annual financial statements. Payments of C$2,000 were made during the three and twelve months ended December 31, 2017.

Cloudscapes

On July 1, 2017, the Company executed an Asset Purchase Agreement in order to acquire certain customer accounts, contracts, agreements and other arrangements of Cloudscapes Consulting, Inc. ("Cloudscapes"). The agreed upon purchase price for the acquired Cloudscapes assets is up to $1,350. $100 was paid upon acquisition with the remaining $1,100 to be paid over eleven quarters at up to $100 per quarter, commencing on October 1, 2017 and ending on April 30, 2020. Additionally, if certain targets are achieved, a bonus of $150 could be paid. Payments of $100 and $200 were made during the three and twelve months ended December, 31, 2017, respectively. All remaining payments are based on the achievement of certain gross margin targets.

The fair value of the total contingent liability was $1,003 on the date of acquisition and $930 as at December 31, 2017. The Company recorded a charge of $27 related to the change in fair value of the consideration in 2017. The undiscounted value of the remaining consideration to be paid, assuming all contingencies are met, is $1,150.

The identified intangible assets as of the date of the purchase agreement consisted of customer relationships of $1,103 with an estimated useful life of ten years.

Contractual commitments

The following table summarizes Pivot's contractual obligations as at December 31, 2017:

	On demand	**Less than one year**	**One to two years**	**Two to five years**	**Greater than five years**	**Total**
Bank overdraft	23,049	-	-	-	-	**23,049**
Secured borrowings	135,481	-	-	-	-	**135,481**
Accounts payable and accrued liabilities	-	300,377	-	-	-	**300,377**
Operating leases	-	4,449	4,260	9,411	4,960	**23,080**
Contingent consideration	-	2,282	2,623	1,591	-	**6,496**
Interest rate swap	-	-	505	-	-	**505**
	158,530	**307,108**	**7,388**	**11,002**	**4,960**	**488,988**

Note: *Amounts presented are in thousands of U.S. dollars*

Future financing

Management is focused on exploring and executing strategic alternatives to enhance its existing financing structure with options that provide the necessary flexibility to grow the business and meet its future obligations in the normal course of business. In addition to the Company's available borrowings under its credit facilities, these options may include an equity raise or other permanent capital injection in the event the Company undertakes future acquisitions.

Share capital

Share consolidation

On June 21, 2016, the shareholders approved a plan to consolidate the common shares of the Company, where shareholders received one post-consolidated common share for every four pre-consolidated common shares held immediately prior to the effective date of the share consolidation. The share consolidation was completed on December 19, 2016. Fractional shares were rounded to the nearest whole share. All option and share amounts for all prior periods have been retroactively adjusted to reflect this reverse stock split, unless otherwise noted.

Authorized capital

The Company's authorized capital consists of an unlimited number of voting common shares and preferred shares, with no par value. As at March 26, 2018, the Company had 40,295,555 common shares issued and outstanding.

Cancellation of common shares

The Company has cancelled shares repurchased from former directors, and under the NCIB during 2017 as follows:

	Cancellation date	# of Shares cancelled	Average price per share	Total cost of shares
Shares repurchased under the NCIB	February 1, 2017	80,800	C$1.65	C$133
Shares repurchased under the NCIB	February 28, 2017	40,200	C$1.60	C$64
Shares repurchased under the NCIB	March 28, 2017	67,100	C$1.50	C$101
Shares repurchased under the NCIB	April 3, 2017	61,900	C$1.65	C$102
Shares repurchased from former directors	April 12, 2017	750,000	C$1.50	C$1,125
Shares repurchased from former directors	April 18, 2017	170,313	C$1.50	C$255
Shares repurchased under the NCIB	August 1, 2017	36,500	C$2.24	C$82
Shares repurchased under the NCIB	August 31, 2017	23,800	C$2.47	C$59
Shares repurchased under the NCIB	September 27, 2017	63,600	C$2.37	C$151
Shares repurchased under the NCIB	October 26, 2017	30,800	C$2.49	C$77
Shares repurchased under the NCIB	November 28, 2017	226,100	C$2.38	C$539
		1,551,113	C$1.73	C$2,688

Note: *Amounts presented are in thousands of Canadian dollars, except share amounts*

Stock options

On June 21, 2016, the shareholders approved the amended Incentive Stock Option Plan ("Plan") under which directors, officers, employees and consultants ("Participants") of the Company and its subsidiaries are eligible to receive incentive and non-qualified stock options. The Plan is a "10% rolling plan" in that it continuously provides for the reservation of a number of common shares under the Plan equal to 10% of the Company's issued and outstanding common shares less any common shares reserved for issuance pursuant to other security based compensation arrangements. The available pool of shares that can be currently issued under the Plan (including shares reserved in respect of options currently outstanding) as at March 26, 2018 is 3,772,893, assuming no shares are reserved for issuance pursuant to any other share compensation arrangement adopted by the Company. The exercise price of each option is subject to BOD approval but shall not be less than the market price at the time of grant.

The BOD has granted a total of 2,597,500 options to Participants as follows:

Grant date	Expiration date	Vesting period	# of Options	Exercise price
June 21, 2016	June 20, 2026	Over 2 years	1,987,500	C$1.60
August 31, 2016	August 30, 2026	Over 2 years	150,000	C$1.96
December 22, 2016	December 21, 2026	Over 1 year	25,000	C$1.73
June 30, 2017	June 29, 2022	Over 3 years	425,000	C$2.47
August 8, 2017	August 8, 2022	Over 3 years	10,000	C$2.61

Note: *Amounts presented are in thousands of Canadian dollars, except share and per share amounts*

The following table shows all option activity for 2017:

	# of options	Weighted average exercise price
Options outstanding at January 1, 2017	2,162,500	C$1.63
Options granted	435,000	C$2.47
Options forfeited	(332,915)	C$1.75
Options exercised	(317,710)	C$1.68
Options outstanding at December 31, 2017	**1,946,875**	**C$1.78**
Options exercisable at December 31, 2017	**1,080,219**	**C$1.60**

Note: *Amounts presented are in thousands of Canadian dollars, except share and per share amounts*

Restricted stock units

The Company has adopted a Restricted Stock Unit ("RSU") plan that allows the Company to award RSUs to Participants upon such conditions as the BOD may establish. The effective date of the plan was June 17, 2014. The plan was amended on May 16, 2016. Shares issued pursuant to any RSU award may be made subject to vesting conditions based upon the satisfaction of service requirements, restrictions, time periods or other conditions established by the BOD. The maximum aggregate number of shares that may be issued under the restated plan pursuant to the exercise of RSUs shall not exceed 1,250,000 shares. The maximum number of common shares which may be reserved and set aside for issuance upon the grant or exercise of RSU or stock option awards under the plan is 10% of the Company's common shares issued and outstanding from time to time on a non-diluted basis.

On June 30, 2017, the BOD granted 385,000 RSUs to Participants at a price of C$2.47, and 5,000 RSUs to Participants at a price of C$2.61 on August 8, 2017. These RSUs vest over a three year term. Within 60 days of the vesting date, the Participant shall have the right to receive, at the sole election of the Company, payment for the RSUs by any of the following methods or by a combination of such methods: (i) a cash payment equal in value to the number of RSUs recorded in the Participant's account multiplied by the weighted average trading price of the common shares for the five days preceding the vesting date; or (ii) one common share multiplied by the number of

RSUs recorded in the Participant’s account, issued from treasury and subject to the receipt of necessary approvals, less applicable withholdings in all cases.

The following table shows all RSU activity for 2017:

	# of RSU’s	Weighted average exercise price
Units outstanding at January 1, 2017	-	-
Units granted	390,000	C$2.47
Units vested	(30,000)	C$2.47
Units forfeited	(5,000)	C$2.47
Units outstanding at December 31, 2017	**355,000**	**C$2.47**

Note: *Amounts presented are in thousands of Canadian dollars, except share and per share amounts*

Normal course issuer bid

On March 30, 2016, the Company obtained the approval of the TSX-V to implement an NCIB for its common shares. On November 28, 2016, the TSX confirmed its acceptance of the Company’s existing NCIB upon the Company’s graduation to the TSX. The Company received approval to acquire up to 2,097,332 common shares under the NCIB, representing approximately 5% of the Company’s issued and outstanding common shares. The NCIB for the common shares of the Company terminated on March 31, 2017. The Company was able to repurchase a total of 1,160,574 common shares under this NCIB prior to its termination. All common shares acquired under the NCIB were acquired at the market price of the securities at the time of acquisition. The common shares so acquired were cancelled. Purchases pursuant to the NCIB were made by Cantor Fitzgerald Canada Corporation on behalf of the Company.

On June 8, 2016, the Company entered into an automatic share purchase plan with Cantor Fitzgerald for the purpose of permitting the purchase of common shares under the NCIB at times when the Company would not be permitted to purchase shares, including regularly scheduled quarterly blackout periods. Such purchases were determined by Cantor Fitzgerald in its sole discretion based on parameters established prior to any blackout period, in accordance with rules of the TSX-V and applicable securities laws.

On March 27, 2017, the BOD approved the implementation of a second NCIB, which allows Pivot to repurchase for cancellation up to 10% of the Company’s issued and outstanding common shares (excluding shares held by principal shareholders, directors and senior officers) during the twelve months ending June 21, 2018.

On May 12, 2017, the Company entered into an automatic share purchase plan with Echelon Wealth Partners, Inc. (“Echelon”), for the purpose of permitting the purchase of common shares under the 2017 NCIB at times when the Company would not be permitted to purchase shares, including regularly scheduled quarterly blackout periods. Such purchases will be determined by Echelon in its sole discretion based on parameters established prior to any blackout period, in accordance with rules of the TSX and applicable securities laws.

On June 19, 2017, the Company obtained the approval from the TSX to proceed with its second NCIB to repurchase up to 3,820,852, or approximately 10% of the Company's issued and outstanding common shares (excluding shares held by principal shareholders, directors and senior officers) at prevailing market prices during the twelve months ending June 21, 2018. The Company has repurchased 380,800 common shares under its second NCIB through March 27, 2018. The Company may repurchase up to 3,440,052 additional common shares prior to the expiration of its second NCIB.

Shares repurchased and subsequently cancelled under the Company's NCIB's are as follows:

NCIB	Cancellation date	# of Shares cancelled	Average price per share	Total cost of shares
2016 NCIB	October 3, 2016	56,000	C$1.86	C$104
2016 NCIB	November 1, 2016	323,750	C$1.79	C$580
2016 NCIB	December 1, 2016	431,874	C$1.68	C$727
2016 NCIB	December 20, 2016	74,750	C$1.67	C$125
2016 NCIB	December 28, 2016	24,200	C$1.70	C$41
2016 NCIB	February 1, 2017	80,800	C$1.65	C$133
2016 NCIB	February 28, 2017	40,200	C$1.60	C$64
2016 NCIB	March 28, 2017	67,100	C$1.50	C$101
2016 NCIB	April 3, 2017	61,900	C$1.65	C$102
2017 NCIB	August 1, 2017	36,500	C$2.24	C$82
2017 NCIB	August 31, 2017	23,800	C$2.47	C$59
2017 NCIB	September 27, 2017	63,600	C$2.37	C$151
2017 NCIB	October 26, 2017	30,800	C$2.49	C$77
2017 NCIB	November 28, 2017	226,100	C$2.38	C539
		1,541,374	**C$1.87**	**C$2,885**

Note: *Amounts presented are in thousands of Canadian dollars, except share and per share amounts*

Common share dividends

On February 25, 2015, the BOD approved the initiation of a quarterly common share dividend. Common share dividends were declared and paid as follows:

Declaration date	Record date	Distribution date	Per share amount	Total dividend
February 4, 2016	February 29, 2016	March 15, 2016	C$0.03	C$1,284
May 4, 2016	May 31, 2016	June 15, 2016	C$0.04	C$1,720
August 19, 2016	August 31, 2016	September 15, 2016	C$0.04	C$1,695
November 21, 2016	November 30, 2016	December 15, 2016	C$0.04	C$1,667
February 16, 2017	March 3, 2017	March 15, 2017	C$0.04	C$1,654
May 9, 2017	May 31, 2017	June 15, 2017	C$0.04	C$1,612
August 8, 2017	August 31, 2017	September 15, 2017	C$0.04	C$1,614
November 13, 2017	November 30, 2017	December 15, 2017	C$0.04	C$1,606
February 20, 2018	February 28, 2018	March 15, 2018	C$0.04	C$1,612

Note: *Amounts presented are in thousands of Canadian dollars, except share and per share amounts*

As at December 31, 2017, the issued share capital amounted to $85,523. The changes in issued shares for the period ended December 31, 2017 were as follows:

	# of Common shares
As at January 1, 2017	41,463,333
Stock options exercised	317,710
Share repurchases	(1,551,113)
As at December 31, 2017	**40,229,930**

Note: *Share amounts are unrounded*

Off-balance sheet arrangements and derivative financial instruments

Pivot's off-balance sheet arrangements are comprised of operating leases entered into in the normal course of business. Pivot has no other off-balance sheet arrangements. Pivot does not enter into the speculative use of derivatives.

Financial instruments and other instruments

Other than the Swap agreement described under *Liquidity and Capital Resources – Secured borrowings*, the Company is not a party to financial instruments.

INTERESTS IN OTHER ENTITIES

The following table includes the significant subsidiaries and affiliates of the Company:

Name	Jurisdiction	Equity Interest 2017	2016
ACS Holdings (Canada) Inc.	Canada	100%	100%
Pivot Acquisition Corporation	Canada	100%	100%
1955714 Ontario Inc.	Canada	100%	100%
Infoptic Technology Inc.	Canada	100%	100%
TeraMach Systems Inc.	Canada	100%	100%
TeraMach Technologies Inc.	Canada	100%	100%
Pivot of the Americas S.A. de C.V.	Mexico	100%	100%
Pivot Research Ltd.	Jersey	100%	100%
Pivot Shared Services Ltd.	Ireland	100%	100%
Pivot Technology Solutions Hong Kong Limited	Hong Kong	100%	100%
Pivot Technology Solutions Singapore PTE. LTD.	Singapore	100%	100%
Pivot Technology Solutions, Ltd.	United States	100%	100%
ACS (US) Inc.	United States	100%	100%
Applied Computer Solutions, Inc.	United States	40%	0%
New ProSys Corp.	United States	100%	100%
ProSys Information Systems, Inc.	United States	45%	45%
ARC Acquisition (US), Inc.	United States	100%	100%
GTS Technology Solutions, Inc., formerly known as Austin Ribbon & Computer Supplies, Inc. (1)	United States	-	0%
Sigma Technology Solutions, Inc.	United States	100%	100%

(1) GTS was not a subsidiary or affiliate of the Company at any time during 2017 or 2016. However, its results of operations were consolidated with those of the Company until June 30, 2016. See GTS Technology Solutions, Inc., below.

ProSys Information Systems, Inc. ("Old ProSys")

Old ProSys is a 45% owned affiliate of the Company, whose principal office is located in Norcross, Georgia, United States of America. Despite not owning a majority of the voting rights, management has determined that the Company controls this entity, based on the following facts and circumstances:

- Pivot has the right to acquire, at any time, the remaining shares of Old ProSys it does not already own.
- Any significant decision made at Old ProSys requires Pivot's agreement, including changes to its board of directors, payment of dividends, mergers or acquisitions, material changes to compensation, incurring debt in excess of $100, causing any material change in the business, and/or assigning or termination of any material agreement.
- Pivot receives the majority of the benefits from the activities of Old ProSys (95%+ of net income historically from Old ProSys).

The Company has certain contractual arrangements with Old ProSys which provide the Company the majority of the variable returns from Old ProSys activities. In addition, the Company holds a majority of the director and officer positions, which provide control on a de facto power basis.

The Company is deemed to have primary exposure for the significant risks and rewards associated with sales by Old ProSys to its third-party customers. Total sales attributable to the activities of Old ProSys were approximately $139,747 and $97,502 for the three months ended December 31, 2017 and 2016, respectively, and $403,198 and $289,631 for the twelve months ended December 31, 2017 and 2016, respectively. Amounts due from Old ProSys were $95,904 and $62,360 as at December 31, 2017 and December 31, 2016, respectively.

The following table summarizes the financial information of Old ProSys, as included in its own financial statements:

	Three months ended December 31, *(unaudited)*		Twelve months ended December 31,	
	2017	**2016**	**2017**	**2016**
Current assets	101,689	68,068	101,689	68,068
Non-current assets	-	-	-	-
Current liabilities	95,904	62,360	95,904	62,360
Non-current liabilities	-	-	-	-
Net assets	**5,785**	**5,708**	**5,785**	**5,708**
Revenue	139,747	97,502	403,198	289,631
Total comprehensive income	**111**	**918**	**77**	**1,120**
Cash used in operating activities	(43,512)	(33,720)	(33,544)	(32,689)
Cash used in investing activities	-	-	-	-
Cash provided by financing activities	43,512	33,720	33,544	32,689
Net increase (decrease) in cash and cash equivalents	-	-	-	-

Note: *Amounts presented are in thousands of U.S. dollars*

Applied Computer Solutions, Inc.

On September 1, 2017, the Company acquired 40% of the issued and outstanding share capital of Applied for consideration of $14,202. This consideration was comprised of $40 in cash and $14,162 in intercompany receivables due from Applied that now eliminate upon consolidation, and therefore are treated as part of the purchase price. Applied's principal office is located in Huntington Beach, California, United States of America.

The preliminary allocation of fair value to the identifiable assets acquired and liabilities assumed as at the date of acquisition were as follows:

	Fair value recognized on acquisition
Cash and cash equivalents	440
Inventories	205
Other current assets	62
Property, plant and equipment	34
Intangible assets (customer relationships)	5,102
Other non-current assets	83
	5,926
Accounts payable and accrued liabilities	3,767
Deferred revenue	20
Deferred tax liability	1,903
Taxes payable	3
	5,693
Total identifiable net assets at fair value	233
Non-controlling interest	(140)
Goodwill arising on acquisition	14,109
Purchase consideration transferred	14,202

Note: *Amounts presented are in thousands of U.S. dollars*

The operations from the acquisition have been included in the results of Pivot commencing September 1, 2017. From the date of acquisition, the acquired business contributed revenue of $50,166 and comprehensive net income of $645 to the Company in 2017.

Acquired intangible assets of $5,102 relate to existing customer relationships.

Non-controlling interest of ($140) represents the net assets of Applied attributable to the shareholders holding the remaining 60% of Applied.

The estimated goodwill of $14,109 is comprised of $5,109 related to the expected value of efficiencies to be achieved subsequent to the acquisition and $9,000 related to a contingent accounts receivable asset. Although management believes this receivable amount will ultimately be collected, it does not meet the criteria for recognition as the realization is not currently probable. This goodwill is not deductible for tax purposes.

Despite not owning a majority of the voting rights, management has determined that the Company controls this entity for accounting purposes, based on the following facts and circumstances:

- Pivot has the right in its sole discretion to either acquire, at any time, shares of Applied that it does not already own, or to designate a different owner to purchase the shares provided such transfer(s) are in compliance with applicable Women Business Enterprise ("WBE") requirements. *See RISKS AND UNCERTAINTIES – Business certifications*

- Any significant decision made at Applied requires Pivot's agreement, including board changes, payment of dividends, mergers or acquisitions, material changes to compensation, incurring debt in excess of $100, causing any material change in the business, and/or assignment or termination of any material agreement.
- The Applied board of directors is made up of a majority of Pivot employees.

Prior to the acquisition of 40% of Applied, the Company was deemed to have primary exposure for the significant risks and rewards associated with sales by Applied to its third-party customers until August 31, 2017. The Company recognized this revenue on a gross basis.

Total sales attributable to the activities of Applied were 44,417 and $174,547 for the three and twelve months ended December 31, 2017, respectively, and $70,177 and $162,591 for the three and twelve months ended December 31, 2016, respectively.

The following table summarizes the post-acquisition financial information of Applied, as included in its own financial statements:

	Three months ended December 31, *(unaudited)* **2017**	**Twelve months ended December 31, 2017**
Current assets	168	168
Non-current assets	19,854	19,854
Current liabilities	17,294	17,294
Non-current liabilities	1,903	1,903
Net assets	**825**	**825**
Revenue	44,417	50,166
Total comprehensive income	**561**	**645**
Cash used in operating activities	(723)	(15,171)
Cash provided by (used in) investing activities	(1)	439
Cash provided by financing activities	680	14,883
Net increase (decrease) in cash and cash equivalents	(44)	151

Note: *Amounts presented are in thousands of U.S. dollars*

GTS Technology Solutions, Inc., formerly known as Austin Ribbon & Computer Supplies, Inc.

Pivot has no ownership interest in GTS. Pursuant to the terms of the Administrative Services Agreement between ARC and GTS, which terminated on August 30, 2016, ARC had a right to variable returns in the form of fees based on GTS' performance. Pivot also provided financing and certain financial guarantees for the benefit of GTS during the course of the relationship.

ARC had certain contractual arrangements with GTS, whose activities were consolidated with those of the Company ("ARC Segment"). ARC received notification from GTS that it wished to terminate the existing arrangement effective August 30, 2016. During June of 2016, ARC and GTS began the process of separation, and on July 1, 2016, the Company was deemed to have effectively lost control over GTS for accounting purposes. Total sales attributable to the activities of GTS were nil for each of the three months ending December 31, 2017 and 2016, respectively, and nil and $47,225 for the twelve months ended December 31, 2017 and 2016, respectively. The amount due from GTS was $5,978 as at December 31, 2017 and December 31, 2016. The Company established a reserve of $5,978 during Q3 2016, which has remained in place through December 31, 2017.

On November 23, 2016, a lawsuit was filed by the Company's affiliates seeking damages and other relief for breaches of various contracts, statutory violations and torts against a number of parties, including, but not limited to: GTS, certain GTS employees, GTS' owner and GTS' former shareholders (the "First Lawsuit"). The Company intends to vigorously pursue this matter to recover damages incurred by Pivot Technology Solutions, Ltd. ("PTSL"), ARC and Pivot Acquisition Corporation ("PAC") in connection with the relationship with GTS. Because the Company has not formed a conclusion as to whether a favorable outcome is either probable or remote, the Company cannot express an opinion as to the likelihood of a favorable outcome or the amount or range of any possible recovery or costs associated with this matter. In the First Lawsuit, GTS, Laura Grant, Ryan Grant and Anne Fielding have filed counterclaims against PTSL, ARC and PAC, including claims for breaches of the GTS Agreements, tortious interference with contractual relations, defamation and conversion. All parties have filed motions to dismiss under the Texas Citizens Participation Act ("TCPA"). The District Court denied GTS' motion to dismiss under the TCPA. GTS has appealed this ruling, which appeal is pending. While the Company intends to vigorously defend against the counterclaims that have been asserted, it has not formed a conclusion as to whether a favorable outcome is either probable or remote, and the Company cannot express an opinion as to the likelihood of a favorable outcome or the amount or range of any possible recovery or costs associated with this matter.

On December 29, 2017, ARC filed a second lawsuit against GTS asserting that GTS breached its contractual obligations to ARC by failing to pay the fees it was obligated to pay under the Amended and Restated Licensing Agreement, Amended and Restated Services Agreement and Amended and Restated Distribution Agreement ("Second Lawsuit"). The Second Lawsuit alleges damages in excess of $8.2 million. GTS has generally denied the claims and has sought to consolidate the Second Lawsuit with the First Lawsuit. ARC intends to vigorously pursue this matter to recover fees it is owed in connection with the relationship with GTS. Because the Company has not formed a conclusion as to whether a favorable outcome is either probable or remote, the Company cannot express an opinion as to the likelihood of a favorable outcome or the amount or range of any possible recovery or costs associated with this matter.

The contractual arrangements with Applied, GTS and Old ProSys as described above accounted in aggregate for 46.1% and 42.6%, of the overall Pivot revenues for the three months ended December 31, 2017 and 2016, respectively, and 38.2% and 34.1% for the twelve months ended December 31, 2017 and 2016, respectively. The contractual arrangements with Applied may be terminated by either party upon notice to the other.

RELATED PARTIES

A former key member of management of ACS (US), Inc. ("ACS") had significant influence over Applied, resulting in a related-party relationship until March 31, 2016. In addition to the asset purchase agreement with Applied, ACS entered into an administrative services agreement, a license agreement and a distribution agreement with Applied commencing with the date of the asset purchase on December 30, 2010. The administrative services agreement committed the Company to perform certain administrative functions on behalf of Applied. The total amount charged to Applied for shared administrative services in 2016 through the termination of the related-party relationship was $395 for the three months ended March 31, 2016. The license agreement permits Applied to license from the Company certain of the intellectual property obtained by the Company in the asset purchase. The total amount charged for licensing fees through the termination of the related party relationship was $575 for the three months ended March 31, 2016.

ACS incurred $375 and $1,292 for the three months ended December 31, 2017 and 2016, respectively, and $1,500 and $3,012 for the twelve months ended December 31, 2017 and 2016, respectively, for research and development provided by a related entity where the president of ACS has significant influence. Amounts payable were $375 and $330 as at December 31, 2017 and 2016, respectively.

Pivot Shared Services Ltd. incurred expenses for sales and marketing support provided by a related entity during which time a former Company director had significant influence until May 25, 2016. Amounts incurred were nil and $96 for the three and twelve months ended December 31, 2016, respectively.

SUMMARY COMPENSATION TABLE

The following table sets out the compensation of the key management of the Company:

	Twelve months ended December 31,	
	2017	2016
Compensation	**1,586**	2,317
Annual incentive plans	**588**	1,102
Share-based compensation	**108**	210
Other compensation	**813**	1,767
	3,095	5,396

Note: *Amounts presented are in thousands of U.S. dollars*

RISKS AND UNCERTAINTIES

Pivot is subject to risks and uncertainties that could result in a material adverse effect on the Company's business and financial results on a consolidated basis. The BOD has the overall responsibility and oversight of the Company's risk management practices. The Company's management is responsible for developing and monitoring the Company's risk strategy, and reports to the BOD on its activities. Risk management is incorporated in all levels of strategic and operational planning, and is reviewed regularly to reflect changes in market conditions and the Company's activities. Management has identified the risks below as specific risks to Pivot. The reader is urged to review these risk factors. The markets in which Pivot currently operates are very competitive and change rapidly and therefore, new risks regarding Pivot may emerge from time to time.

Risks relating to the technology supply and distribution channel

Dependence on third party suppliers

Pivot is substantially dependent upon the services of certain key technology distributors and manufacturers for the successful operation of its business. Pivot's contracts with these suppliers vary in duration and are generally terminable by either party at will or upon notice. A supplier's failure to supply materials or components in a timely manner, or Pivot's inability to obtain substitute sources for these materials and components in a timely manner or on terms acceptable to the Company, could harm the Company's ability to integrate and deliver its products to its customers. Additionally, the loss of the services of any of these suppliers and a failure to obtain an acceptable alternative solution at a similar cost could have a material adverse effect on the business, operations and financial condition of Pivot.

Dependence on OEMs

Pivot is an authorized reseller of the products and services of leading IT manufacturers. In many cases, Pivot has achieved the highest level of relationship the manufacturer offers. In addition, Pivot's employees hold certifications issued by these manufacturers and by industry associations relating to the configuration, installation and servicing of these products. Pivot differentiates itself from its competitors by the range of manufacturers it represents, the relationship level it has achieved with these manufacturers and the scope of the manufacturer and industry certifications Pivot's employees hold. There can be no assurance that the Company will be able to retain these relationships with the manufacturers, that it will be able to retain the employees holding these manufacturer and industry certifications, or that its employees will maintain their manufacturer or industry certifications. The loss of any of these relationships or certifications could have a material adverse effect on the business of Pivot.

Reliance on financial incentives

Pivot receives payments and credits from vendors, including consideration pursuant to volume sales incentive programs and marketing development funding programs. Vendor funding is used to offset, among other things, inventory costs, costs of goods sold, marketing costs and other operating expenses. If Pivot is not in compliance with the terms of these programs, there could be a material negative effect on the amount of incentives offered or paid to the Company by its vendors. No assurance can be given that Pivot will continue to receive financial incentives at historical payment levels in the future, or that Pivot will be able to collect outstanding amounts relating to these incentives in a timely manner, or at all. Any sizeable reduction in, the discontinuance of, significant delay in receiving, or the inability to collect such incentives could have a material adverse effect on Pivot's business, results of operations and financial condition.

Inability to respond to changes in IT distribution

Distribution methods and practices continually change in the IT industry. Some OEMs distribute their products directly to end users. If this practice proliferates, Pivot could potentially be cut out of the supply chain and revenues may suffer as a result. In addition, companies are increasingly using the internet to distribute software and a variety of technology services. If this trend continues, Pivot may miss out on revenue opportunities and/or experience a reduction in its existing customer base as customers source products through other distribution channels.

Technical innovation

The growth of the Company's business relies in part on the OEMs' ability to develop new technologies and products that appeal to Pivot's customers. Should the OEMs' rate of successful innovations decline, Pivot's growth and revenue levels may be materially adversely affected.

Changes in the IT industry

The IT industry is characterized by rapid technological innovation, changing client needs, evolving industry standards, frequent introductions of new products, product enhancements, services and distribution methods. The success of Pivot depends on its ability to develop expertise with these new products, product enhancements, services and distribution methods and to implement IT consulting and professional services, technology integration and managed services that anticipate and respond to rapid and continuing changes in technology, industry dynamics and client needs. The introduction of new products, product enhancements and distribution methods could decrease demand for current products or render them obsolete. Sales of products and services can be dependent on demand for specific product categories, and any change in demand for or supply of such products could have a material adverse effect on net sales and/or cause write-downs of obsolete inventory if the Company fails to adapt to such changes in a timely manner. As client requirements evolve and competitive pressures increase, Pivot will likely be required to modify, enhance, reposition or introduce new IT solutions and service offerings. Pivot may experience difficulties that could delay or prevent the successful development, introduction and marketing of services and solutions that respond to technological changes or evolving industry standards, or fail to develop services and solutions that adequately meet the requirements of the marketplace or achieve market acceptance. Pivot may not be successful in doing so in a timely, cost-effective and appropriately responsive manner, or at all, which could adversely affect its competitive position and financial condition. All of these potential factors make it difficult to predict future operating results, which may impair Pivot's ability to manage its business and its investors' ability to assess Pivot's prospects.

Competition

The industry in which Pivot operates is developing rapidly and related technology trends are constantly evolving. In this environment, Pivot faces significant price competition from its competitors. There is no assurance that Pivot will be able to respond effectively or in a timely manner to the various competitive factors affecting the industries in which it operates. Pivot may be forced to reduce the prices of the products and services it sells in response to offerings made by its competitors. In addition, Pivot may not be able to maintain the level of bargaining power that it has enjoyed in the past when negotiating the prices of its services. Pivot faces substantial competition from other national, multi-regional, regional and local value-added resellers and IT service providers, some of which may have greater financial and other resources than that of the Company, or that may have more fully developed business relationships with clients or prospective clients than Pivot. Many of Pivot's competitors compete principally on the basis of price and may have lower costs or accept lower selling prices and, therefore, Pivot may need to reduce its prices. The Company's profitability is dependent on the rates it is able to charge for its products and services. The rates charged for products and services are affected by a number of factors, including, but not limited to:

- customers' perceptions of the Company's ability to add value through its services;
- introduction of new services or products by the Company or its competitors;
- competitors' pricing policies;
- the ability to charge higher prices where market demand or the value of the Company's services justifies it;
- the ability to accurately estimate, attain and sustain contract revenues, margins and cash flows over long contract periods;
- procurement practices of the Company's customers; and
- general economic and political conditions.

If Pivot is not able to maintain favourable pricing for its products and services, its profit margin and profitability may suffer.

Business certifications

Certain of Pivot's largest intermediary contracting parties (Applied and Old ProSys) are certified as WBEs in the United States. Certifications as a WBE enable a company to sell products or provide services to corporations that promote or are required to support supplier diversity. These include a number of major U.S. corporations as well as the federal government, agencies and departments, and numerous state and local governments, agencies and related entities. These contracting parties are annually certified as WBEs by qualifying regional organizations. Each has been certified as a WBE for an extended period of time, and is currently so certified. However, certification as a WBE is discretionary and there is no assurance that certification of Applied and Old ProSys will continue to be renewed annually. If either of these contracting parties were to lose its WBE certification, and therefore not be eligible to provide product or services to its customers, Pivot would likely suffer significant reductions in revenues and profits as a result. Moreover, if the contractual arrangements with any such parties were to be terminated and therefore such party were to no longer provide the Company's products or service to its customers, as was the case with the termination by GTS (a certified HUB entity) effective August 30, 2016, Pivot may suffer significant reduction in revenues and profits as a result and may be required to deconsolidate the results of such contracting party, as was the result of the loss of control following the termination of its relationship with GTS.

Risks relating to the management of Pivot's business

Reliance on key personnel

Pivot is substantially dependent upon the services of its management team for the successful operation of its business. The loss of the services of any of these individuals could have a material adverse effect on the Company's business. If Pivot cannot successfully recruit and retain the employees it needs, or replace key employees following their departure, its ability to develop and manage its business could be impaired.

Inability to successfully execute strategies

If the Company fails to execute any element of its strategy in a timely and effective manner, competitors may be able to seize marketing opportunities that Pivot has identified. The Company's business strategy will require that it successfully and simultaneously complete many tasks. In order to be successful, Pivot must: (i) continue to build and operate a highly reliable, complex infrastructure; (ii) attract and retain customers; (iii) hire, train and retain quality employees; and (iv) evolve the business to gain advantages in a competitive environment.

Acquisition and integration risk

The Company may acquire additional businesses in the future. Acquisitions involve a number of special risks, including diversion of management's attention, failure to retain key acquired personnel, unanticipated events or circumstances, and incurring of unexpected and unforeseen liabilities, some or all of which could have a material adverse effect on the business, results of operations and financial condition. Such liabilities may result from the agreement of the Company to assume liabilities of a third party or pursuant to indemnities provided by the Company, or may result from the failure of parties to comply with their obligation or as a result of conflicts in the expectations of the parties. In addition, there can be no assurance that Pivot can complete any acquisition it pursues on favourable terms, that any acquired businesses, products or technologies will achieve anticipated revenues and income, or that any acquisitions completed will ultimately benefit the business. An acquisition could also result in a potentially dilutive issuance of equity securities. If a strategy of growth through acquisition is pursued, the failure of Pivot to successfully manage this growth could have a material adverse effect on its business, results of operations and financial condition.

Customer concentration

A substantial proportion of Pivot's total revenues are derived from a small number of customers. Given that a significant portion of the Company's revenues has been derived from a similarly limited customer base, the loss of one or more of these top customers or a reduction in sales to one or more of the top customers may have a material adverse effect on Pivot's business, results of operations or liquidity. The concentration of the Company's sales to a few customers could make it more vulnerable to collection risk if one or more of these customers were unable to pay for the Company's products. Also, having such a large portion of its total revenue concentrated in a few customers may hinder Pivot's negotiating leverage with these customers.

Customer retention/attrition

Once Pivot's solutions and methodologies are deployed within its customers' IT infrastructure environments, the customers rely on Pivot's support services to resolve any related issues. A high level of client support and service is important for the successful marketing and sale of the services and solutions of the Company. If the Company does not help its customers quickly resolve post-deployment issues and provide effective ongoing support, its ability to sell its IT solutions to existing customers would suffer and its reputation with prospective customers could be harmed.

Information systems

Certain of Pivot's information systems are internally developed, and contain external applications that are linked to the proprietary core. There are continued risks when various departments operate on different systems and the Company must rely on developed interfaces between these systems. There can be no assurance that these systems will continue to expand to meet the needs of the growth of the Company or that the interfaces will be sufficiently robust as Pivot grows.

Service interruptions or failures

Pivot's success depends, in part, on its ability to provide reliable data center, technology integration and managed services to its customers. Pivot data centers may be susceptible to damage or interruption from human error, fire, flood, power loss, telecommunications failure, terrorist attacks and similar events. The Company may experience failures or interruptions of its systems and services, or other problems in connection with its operations, as a result of damage to or failure of its computer software or hardware or its connections. Such damage or failure may result from any of the following:

- errors in the processing of data by the Company's systems;
- computer viruses or software defects;

- physical or electronic break-ins, sabotage, intentional acts of vandalism and similar events;
- increased capacity demands or changes in system requirements of Pivot's customers; and
- errors by the Company's employees or third-party service providers.

Any interruptions to the Company's systems or services may damage its reputation, thereby harming its business and the results of operations. While Pivot maintains disaster recovery plans and insurance, claims may exceed insurance coverage limits, may not be covered by insurance, or insurance may not continue to be available on commercially reasonable terms. In addition, the Company's customers may experience a loss in connectivity. Such loss in connectivity may result in lost revenues, delays in client acceptance or unforeseen liabilities which could be detrimental to the Company's reputation and business.

Damage to the Company's computer systems

Pivot's operations are dependent on the continued and uninterrupted performance of its computer systems and, accordingly, on its ability to protect its computer systems against damage from computer viruses, fire, power loss, telecommunications failures, vandalism and other malicious acts, and similar unexpected adverse events. Any system failure, security breach or other damage or unanticipated problem with the Company's computer systems could interrupt or delay its operations, damage its reputation and, if sustained or repeated, reduce the attractiveness of its services and result in the potential loss of customers.

Cyber-security and threats to the Company's systems and infrastructure

The Company relies extensively on IT systems to operate its business. Despite implemented security measures, Pivot's systems and infrastructure may face security threats, acts of vandalism, software viruses, misplaced or lost data, programming and/or human errors or other similar events, and any compromise of the security of these systems could disrupt the Company's business, damage the Company's reputation and result in the disclosure of confidential information, liability for damages and loss of customers.

In the ordinary course of Pivot's business, Pivot generates, collects and stores sensitive data, including intellectual property, Pivot's proprietary business data and that of customers, suppliers and business partners, and personally identifiable information of customers and employees. Pivot's ability to securely process and maintain this information is critical to running the Company's business. Despite Pivot's security policies and procedures, Pivot's systems and infrastructure may be vulnerable to unauthorized access by hackers, competitors, computer viruses, employees and other disruptive problems. Someone who is able to circumvent security measures could misappropriate the data stored within Pivot's infrastructure. This unauthorized access to data could cause interruptions to normal business operations, including accessing resources in both the internal and external networks.

Online retail systems have in the past experienced, and may in the future experience, interruptions in service because of the accidental or intentional actions of internet users, current and former employees or others.

Pivot may need to expend significant capital and other resources to protect against the threat of security breaches or alleviate problems caused by breaches. Identifying and eliminating security breaches, viruses and other external intrusions may require interruptions, delays or cessation of service to users and customers transacting business with Pivot. Infrastructure and network security breach may lead to a material disruption of the Company's business and/or the loss of business information, which may materially and adversely affect the Company's business. Risks relating to such a security breach may include, among other things: a material adverse impact on the Company's business and future financial results due to the theft, destruction, loss, misappropriation or release of confidential data, negative publicity resulting in reputation or brand damage with customers, vendors or peers due to the theft, destruction, loss, misappropriation or release of confidential data, operational or business delays resulting from the disruption of IT systems and subsequent clean-up and mitigation activities and adverse effects on the Company's compliance with regulatory laws and regulations. Repeated or substantial interruptions could result in the loss of customers and reduced revenues.

Protection of intellectual property rights

The Company's ability to secure its intellectual property rights is essential to the success of its ongoing operations and future opportunities. There is no assurance, however, that none of the Company's rights will be challenged, invalidated or circumvented. In addition, the laws of certain countries do not protect proprietary rights to the same extent as do the laws of the United States and Canada, and therefore there can be no assurance that Pivot will be able to adequately protect its proprietary technology against unauthorized third-party copying or use. Such unauthorized copying or use may adversely affect the Company's competitive position. Further, there can be no assurance that the Company will successfully obtain licenses to any technology that it may require to conduct its business or that, if obtainable, such technology can be licensed at a reasonable cost.

Infringement of intellectual property

From time to time the Company may receive notices from third parties alleging that it has infringed their intellectual property rights. Responding to any such claim, regardless of its merit, may be time-consuming, result in costly litigation, divert management's attention and resources or cause Pivot to incur significant expenses. Any meritorious claim of intellectual property infringement against the Company may potentially result in a temporary or permanent injunction, prohibiting it from marketing or selling certain products or requiring it to pay royalties to a third party. In the event of a meritorious claim, failure of the Company to develop or license substitute technology may materially adversely affect its business and results of operations.

New Technology Risk

As the Company develops new technologies, such as Smart Edge, Pivot's ability to protect its proprietary rights from unauthorized use by third parties may be possible only to the extent that its intellectual property is covered by valid and enforceable patents or is effectively maintained as confidential know-how/trade secrets. The industries in which the Company operates can be subject to expensive litigation regarding patents and other intellectual property rights. As a result, Pivot may be required to defend against claims of intellectual property infringement which may adversely affect its financial condition and operating results. Any existing and future patents of the Company may not be sufficiently broad to prevent others from developing competing products. The validity and enforceability of the Companys patents cannot be predicted with certainty and its patents may be found to be invalid or unenforceable or its patent applications may not be accepted.

The Company does not know whether any of its current or future patent applications will result in the issuance of any patents. Even if patents are issued, they may not be sufficient to protect the Company's intellectual property. Any patents owned by the Company and those that may be issued in the future may be challenged, re-examined, opposed, invalidated, rendered unenforceable, or circumvented, or determined to be overbroad, and the rights granted under its issued patents may not provide Pivot with adequate proprietary protection or competitive advantages.

Unauthorized parties may attempt to copy or otherwise obtain and use the Companys products or technology. Monitoring unauthorized use of its intellectual property is difficult, and Pivot cannot be certain that the steps it will have taken will prevent unauthorized use of its technology. If competitors are able to use Pivot's technology, its ability to compete effectively could be harmed. Moreover, others may independently develop and obtain patents for technologies that are similar to, or superior to, Pivot's technologies. If that happens, the Company may need to license these technologies, and Pivot may not be able to obtain licenses on reasonable terms, if at all, which could have a material adverse effect on its business.

Changes in laws

Changes to any of the laws, rules, regulations or policies to which Pivot is subject could have a significant impact on its business. There can be no assurance that the Company will be able to comply with any future laws, rules, regulations and policies. Failure by the Company to comply with applicable laws, rules, regulations and policies may subject it to civil or regulatory proceedings, including fines or injunctions, which may have a material adverse effect on the Company's business, financial condition, liquidity and results of operations. In addition, compliance with any future laws, rules, regulations and policies could negatively impact Pivot's profitability and have a material adverse effect on its business, financial condition, liquidity and results of operations.

Legal disputes and proceedings

From time to time, the Company may be involved, either as claiming party or defending party, in legal disputes and proceedings arising from its operations, including as a result of its relationships with suppliers, customers, employees and former owners of businesses acquired by the Company. The outcome of such dispute or proceeding is generally uncertain, and accordingly the Company may not be able to accurately assess the outcome of such disputes or proceedings and reflect the risks associated with pending or ongoing disputes in its periodic reports.

Consolidation of associates and affiliates

As set out in note 3 to the consolidated financial statements for the year ended December 31, 2017, Pivot's results consolidate the results of operations of two non-majority owned affiliates, Old ProSys and Applied, as well as those of the Company's subsidiaries. Pivot has determined that notwithstanding the fact that the Company owns less than 50% of Old ProSys and Applied, the Company nonetheless controls Old Prosys and Applied due to certain contractual arrangements which provide the Company the majority of the variable returns from Old ProSys' and Applied's activities. Moreover, Pivot holds a majority of the officer positions of Old ProSys and Applied. Should Pivot cease to control Old ProSys or Applied, including as a result of amendments to the Company's contractual arrangements, the Company may be required under IFRS to deconsolidate the results of Old ProSys or Applied. A loss of consolidation of Old ProSys' or Applied's results could cause a significant reduction in revenues and profits.

Risks relating to the economy and financial conditions

Economic conditions

The Company is sensitive to the spending patterns of its customers, which are subject to economic and business conditions. It is difficult to estimate the level of growth for the economy as a whole. As all components of Pivot's budgeting and forecasting will be dependent upon estimates of growth in the markets that the Company will serve and economic uncertainties make it difficult to estimate future income and expenditures, downturns in the economy or geopolitical uncertainties may cause clients to reduce or cancel orders. Hence, economic factors could have an effect on Pivot's business. Pivot's customer base is predominantly in the United States, and to the extent that capital investment in IT either declines or increases, the Company may be affected.

Seasonality of the business

Pivot's sales are subject to quarterly and seasonal variations that may cause significant fluctuations in operating results. The timing of the Company's revenues may be difficult to predict. Customers typically undertake a significant evaluation process that has in the past resulted in a lengthy sales cycle. The Company spends substantial time, effort and money on its sales efforts without any assurance that the efforts will produce any sales during a given period.

Adequate liquidity

Although Pivot generates positive cash flow and the Company may have access to additional credit, there is no guarantee that such positive cash flow position will be maintained, or that such additional credit will be obtained. Under its current capital structure, Pivot must generate sufficient revenue from operations to provide access to additional capital under its secured borrowings. Failure to maintain adequate liquidity would restrict the Company's ability to operate, pay current liabilities, declare or pay dividends, comply with covenants applicable to its secured borrowings, or pursue new business opportunities in the future.

Access to credit

Pivot's suppliers manage their credit exposure closely. As a result, there is a risk that they could reduce or reorganize the credit available to the Company. From time to time, the Company will rely upon its OEMs, distribution and banking relationships in order to finance sizeable, nonrecurring transactions of scale. Moreover, ongoing access to Pivot's credit facilities requires continued compliance with the terms thereof, including financial covenants. There is no certainty that the Company will be in compliance with all covenants at all relevant times, nor is there any certainty that it will be able to obtain waivers or amendments in the future if it were to violate any financial covenant set out in its credit facilities Access to credit in a challenging economic environment could adversely affect Pivot's ability to successfully meet those requirements.

Additional financing

Pivot may require additional financing to fund growth in working capital and for other purposes. The ability to source such financing in the future, if needed, will depend in part on prevailing capital market conditions and the Company's ongoing financial success. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on favourable terms. If additional financing is raised by the issuance of shares or other forms of convertible securities from treasury, control of the Company may change and existing shareholders will suffer dilution. If sufficient funds are not available or are only available on terms which are not acceptable, the Company may not be able to take advantage of certain opportunities or be in a position to adequately respond to competitive pressures, which could materially and adversely affect Pivot's results of operations and financial condition.

Foreign currency risk

The Company is subject to risks and losses resulting from fluctuations in the relative value of the currencies of different countries where its customers and operations are located. While the Company will attempt to be prudent in managing such foreign exchange risks, there can be no assurance that shareholders will not suffer losses in the future. Any such losses could have a material adverse impact on results of operations and cash available to support operations.

Foreign operations risks

Pivot will engage opportunistically in operations in several countries in Central America, Asia and Europe. While Pivot has developed significant operations in the United States, it does not have any institutional operating experience in jurisdictions outside the United States, Canada and Ireland. Pivot may not be aware of all the factors that may affect its business in such foreign jurisdictions. Operations in such foreign jurisdictions may be subject to a variety of risks including, but not limited to: currency exchange fluctuations; devaluations and exchange controls; inflation; unexpected changes in legal and regulatory restrictions or requirements; uncertain political and economic conditions; international import and export legislation; availability of competent employees and contractors at acceptable compensation levels; social unrest; product sourcing; delivery and customs difficulties; inadequate infrastructure; immigration issues; multinational tax and financing issues; laws and uncertain enforcement relating to intellectual property and privacy rights; unauthorized copying of software; and other factors depending on the jurisdiction involved.

There can be no assurance that Pivot will not experience these risks and that its operations will not be negatively impacted thereby. If foreign operations expand to the point where they account for a significant portion of the Company's revenues, foreign operations risks could have a material adverse effect on the Company's business, operating results and financial condition.

Interest rate risk

The Company is subject to risks and losses resulting from fluctuations in interest rates on its bank indebtedness, loans and borrowings. Interest rates fluctuate in response to general economic conditions and policies imposed by governmental and regulatory agencies. The Company's principal interest bearing obligations are its borrowings under the JPMC Credit Facility. Amounts outstanding under the JPMC Credit Facility bear interest based on a floating rate. An increase of 100 basis points to the interest rate applicable to the Company's floating rate obligations under the JPMC Credit Facility during the three and twelve month periods ended December 31, 2017 would have resulted in an increase of $213 and $724 in the Company's interest payments for the period, respectively. Sustained increases in interest rates could have a material adverse impact on the Company's financial condition and results of operations. The Company had entered into a Swap agreement with PNC, which was subsequently novated to JPMC, to mitigate the impact of possible increases in interest rates during the period the Swap agreement is in effect.

Changes to tax rates or exposure to additional tax liabilities

Pivot is subject to income taxes in various jurisdictions. Significant judgment may be required in determining the Company's worldwide provision for income taxes and, in the ordinary course of its business, there are many transactions and calculations where the ultimate tax determination may be uncertain. Pivot will be required to estimate what its taxes will be in the future. Although Pivot believes its current tax estimates are reasonable, the estimate process and applicable tax laws are inherently uncertain, and its estimates are not binding on tax authorities. The Company's effective tax rate could be adversely affected by changes in its business, including, but not limited to, the mix of earnings in countries with differing statutory tax rates, changes in the elections it makes, or changes in applicable tax laws. The Company's tax determinations are subject to audit by tax authorities, which audits, if any, could adversely affect the Company's income tax provision. Should the Company's ultimate tax liability exceed its estimates, its income tax provision and net income may be materially affected.

Sales taxes

Pivot is required to remit sales taxes in a number of jurisdictions. Such taxes are generally assessed as a result of the sale of goods and services to customers in particular jurisdictions. There is a risk that the Company may not be made aware of the jurisdictions where such goods or services will be used by a customer. Moreover, there is a risk that the Company may not be able to monitor the practices of intermediary contracting parties in respect of sales taxes to be remitted by such parties' customers and, as a result may be subject to certain liabilities resulting from such parties' failure to comply with sales tax remittance obligations.

CRITICAL ACCOUNTING ESTIMATES

Preparing the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates, judgments and assumptions are evaluated on an ongoing basis. The Company bases its estimates on historical experience and on various other assumptions that management believes are reasonable at that time, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from those estimates.

By their nature, these estimates are subject to measurement uncertainty, and changes in these estimates may affect the audited consolidated financial statements of future periods. Estimates and accounting judgments are based on historical experience, current trends and various other assumptions that are believed to be reasonable under the circumstances.

In making these estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates and judgments have been applied in a manner consistent with those in the prior year, and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized.

The accounting policies that reflect management's more significant estimates, judgments and assumptions which managment believes are the most critical to aid in fully understanding and evaluating reported financial results are discussed below.

Revenue recognition

Multi-element or bundled contracts require an estimate of the relative fair value of separate elements. The Company has a limited number of these arrangements, and assesses the criteria for the recognition of revenue related to arrangements that have multiple components. These assessments require judgment by management to determine if there are separately identifiable components as well as how to allocate the total price among the components. Deliverables are accounted for as separately identifiable components if they can be understood without reference to the series of transactions as a whole. In concluding whether components are separately identifiable, management considers the transaction from the customer's perspective. Among other factors, management assesses whether the service or product is sold separately by the Company in the normal course of business or whether the customer could purchase the service or product separately.

Impairment

Impairment exists when the carrying amount of a cash-generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs to sell or its value in use.

The Company measures the recoverable amount for each CGU by using a fair value less costs to sell ('market') approach. The market approach assumes that companies operating in the same industry will share similar characteristics and that Company values will correlate to those characteristics. Therefore, a comparison of a CGU to similar companies whose financial information is publicly available may provide a reasonable basis to estimate fair value. Under the market approach, fair value is calculated based on earnings multiples of benchmark companies comparable to the businesses in each CGU.

Other significant assumptions include revenue and operating margin, which are based on the individual CGU's internal forecast for the next fiscal year. In arriving at the forecast, the Company considers past experience and inflation as well as industry and market trends. The forecast also takes into account the expected impact from new product initiatives, customer retention and efficiency initiatives. The Company uses earnings multiples for its CGUs similar to the range for benchmark companies.

Income taxes

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable income together with future tax planning strategies. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

FUTURE ACCOUNTING POLICIES

Standards issued but not yet effective up to the date of the issuance of the Company's consolidated financial statements are listed below. This listing is of standards issued which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

Amendments to IFRS 2 Share-Based Payment

Amendments to IFRS 2 "Share-Based Payment" were issued in June 2016 and are effective for annual periods beginning on or after January 1, 2018, to be applied prospectively. The amendments clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; provide guidance on the classification of share-based payment transactions with net settlement features for withholding tax obligations; and clarify accounting for modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Adoption of these amendments is not expected to have a significant impact on the Company's consolidated financial statements.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, Financial Instruments: Classification and Measurement ("IFRS 9"), as issued in 2014, introduces new requirements for the classification and measurement of financial instruments, a new expected-loss impairment model that will require more timely recognition of expected credit losses and a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused by changes in an entity's own credit risk for liabilities elected to be measured at fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has substantially completed its assessment of IFRS 9. The Company does not expect the adoption of this standard to have a material impact on the consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the International Accounting Standards Board ("IASB") and the Financial Accounting Standards Board ("FASB") jointly issued IFRS 15 "Revenues from contracts with customers" ("IFRS 15") a converged standard on the recognition of revenue from contracts with customers. It supersedes the IASB's current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations. IFRS 15 provides a single principle based five-step model to use when accounting for revenue arising from contracts with customers. The Company has substantially completed its assessment of IFRS 15. The Company does not expect the implementation of IFRS 15 to have a significant impact on its consolidated statements of loss and comprehensive loss, and will incorporate the new disclosure requirements of IFRS 15 in its consolidated financial statements upon adoption on January 1, 2018.

IFRS 16 Leases

On January 13, 2016, the IASB published a new standard, IFRS 16, “Leases”. The new standard will eliminate the distinction between operating and finance leases and will bring most leases on the balance sheet for lessees. This standard is effective for annual reporting periods beginning on or after January 1, 2019 and is to be applied retrospectively. The Company has not yet determined the impact on its consolidated financial statements.

IFRS Interpretation Committee (“IFRIC”) Interpretation 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (“IFRIC 22”) was issued in December 2016 and is effective for annual periods beginning on or after January 1, 2018 and may be applied retrospectively or prospectively. IFRIC 22 addresses which foreign exchange rate to use to measure a foreign currency transaction when advance payments are made or received and non-monetary assets or liabilities are recognized prior to recognition of the underlying transaction. IFRIC 22 does not relate to goods or services accounted for at fair value or at the fair value of consideration paid or received at a date other than the date of initial recognition of the non-monetary asset or liability, or to income taxes, insurance contracts or reinsurance contracts. The foreign exchange rate on the day of the advance payment is used to measure the foreign currency transaction. If multiple advance payments are made or received, each payment is measured separately. The Company is assessing the impact of this standard. Adoption of IFRIC 22 is not expected to have a significant impact on the Company’s consolidated financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23, “Uncertainty over Income Tax Treatments” (“IFRIC 23”), to clarify the accounting for uncertainties in income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on January 1, 2019. The Company is currently assessing the impact of IFRIC 23 on its consolidated financial statements.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure control and procedures

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company is made known and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

As required by the Canadian Securities Administrators' National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have evaluated, or caused to be evaluated, the design and operating effectiveness of disclosure controls and procedures. Based on that evaluation, they have concluded that, as of the end of the period covered by this MD&A, the design and the operation of the Company's disclosure controls and procedures were effective.

Internal control over financial reporting

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS. A control system is subject to inherent limitations and even those systems determined to be effective can provide only reasonable, but not absolute, assurance that the control objectives will be met with respect to financial statement preparation and presentation.

Management has conducted an evaluation of the design and operating effectiveness of internal controls over financial reporting, utilizing the 2013 COSO Internal Control - Integrated Framework. Based on this evaluation, management concluded that the Company's ICFR design and operation was effective as at the reporting date.

Changes in internal control over financial reporting

There were no changes in the Company's internal controls over financial reporting that occurred during the three months ended December 31, 2017, that materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.