Bird Construction Inc.

Interim Condensed Consolidated Financial Statements

For the three month periods ended March 31, 2021 and 2020

(unaudited)

Notice required under National Instrument 51 - 102

The unaudited interim condensed consolidated financial statements have been prepared by management of Bird Construction Inc. and have not been reviewed by the Company's independent external auditors.

Bird Construction Inc.
Consolidated Statement of Financial Position
As at March 31, 2021 and December 31, 2020
(in thousands of Canadian dollars) (unaudited)

	Note	March 31, 2021	December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents	8	$ **125,039**	$ 212,068
Accounts receivable	9	**509,272**	529,825
Contract assets		**56,502**	60,031
Contract assets - alternative finance projects		**-**	113
Inventory and prepaid expenses		**8,901**	8,038
Income taxes recoverable		**8,520**	7,484
Other assets	11	**2,133**	2,577
Total current assets		**710,367**	820,136
Non-current assets			
Other assets	11	**14,929**	13,171
Investments in equity accounted entities	12	**15,776**	14,710
Property and equipment		**56,453**	59,435
Right-of-use assets		**62,238**	61,511
Deferred income tax asset		**29,543**	32,253
Intangible assets		**26,282**	27,526
Goodwill		**33,054**	33,054
Total non-current assets		**238,275**	241,660
TOTAL ASSETS		$ **948,642**	$ 1,061,796
LIABILITIES			
Current liabilities			
Accounts payable		$ **405,806**	$ 490,470
Contract liabilities		**115,572**	120,054
Dividends payable to shareholders		**1,724**	1,724
Income taxes payable		**7,070**	20,187
Current portion of loans and borrowings	13	**8,044**	8,010
Current portion of right-of-use liabilities	14	**16,847**	18,748
Provisions	16	**21,539**	23,419
Other liabilities	17	**5,706**	2,010
Total current liabilities		**582,308**	684,622
Non-current liabilities			
Loans and borrowings	13	**57,248**	64,903
Right-of-use liabilities	14	**60,173**	59,327
Deferred income tax liability		**18,922**	22,956
Other liabilities	17	**12,684**	13,778
Pension liabilities		**335**	3,600
Total non-current liabilities		**149,362**	164,564
TOTAL LIABILITIES		**731,670**	849,186
SHAREHOLDERS' EQUITY			
Shareholders' capital	19	**108,064**	108,064
Contributed surplus		**1,956**	1,956
Retained earnings		**106,917**	102,520
Accumulated other comprehensive income		**35**	70
Total shareholders' equity		**216,972**	212,610
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ **948,642**	$ 1,061,796

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Approved on behalf of the Board of Directors

P.A. Charette
Paul A. Charette
Chairman of the Board

Karyn Brooks
Karyn A. Brooks
Audit Committee Chair

Bird Construction Inc.
Consolidated Statement of Income
For the three month periods ended March 31, 2021 and 2020
(in thousands of Canadian dollars, except per share amounts) (unaudited)

	Note	For the three month periods ended March 31, 2021	2020
Construction revenue	10	$ **444,637**	$ 321,646
Costs of construction		**404,721**	304,730
Gross profit		**39,916**	16,916
Income from equity accounted investments	12	**322**	1,722
General and administrative expenses		**(29,437)**	(14,769)
Income from operations		**10,801**	3,869
Finance income	21	**302**	766
Finance and other costs	22	**(1,739)**	(3,094)
Income before income taxes		**9,364**	1,541
Income tax expense	15	**2,245**	418
Net income for the period		$ **7,119**	$ 1,123
Basic and diluted earnings per share	20	$ **0.13**	$ 0.03

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Bird Construction Inc.
Consolidated Statement of Comprehensive Income
For the three month periods ended March 31, 2021 and 2020
(in thousands of Canadian dollars) (unaudited)

	Note	For the three month periods ended March 31, 2021	2020
Net income for the period		**$ 7,119**	$ 1,123
Other comprehensive income (loss) for the period:			
Defined benefit plan actuarial gain		**3,250**	-
Foreign currency translation on equity accounted investments	12	**19**	(46)
Other foreign currency translation		**(25)**	-
Deferred tax recovery on other comprehensive income (loss)		**(830)**	-
Items that may be reclassified to net income in subsequent periods		**2,414**	(46)
Total comprehensive income for the period		**$ 9,533**	$ 1,077

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Bird Construction Inc.
Consolidated Statement of Changes in Equity
For the three month periods ended March 31, 2021 and 2020
(in thousands of Canadian dollars, except per share amounts) (unaudited)

	Note	Shareholders' capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total equity
Balance at December 31, 2020		**$ 108,064**	**$ 1,956**	**$ 102,520**	**$ 70**	**$ 212,610**
Net income for the period		**-**	**-**	**7,119**	**-**	**7,119**
Other comprehensive income (loss) for the period	12	**-**	**-**	**2,449**	**(35)**	**2,414**
Total comprehensive income (loss) for the period		**-**	**-**	**9,568**	**(35)**	**9,533**
Contributions by and dividends to owners						
Dividends declared to shareholders		**-**	**-**	**(5,171)**	**-**	**(5,171)**
		-	**-**	**(5,171)**	**-**	**(5,171)**
Balance at March 31, 2021		**$ 108,064**	**$ 1,956**	**$ 106,917**	**$ 35**	**$ 216,972**
Dividends declared per share				**$ 0.10**		
Balance at December 31, 2019		42,527	$ 1,956	$ 83,197	$ 40	$ 127,720
Net income for the period		-	-	1,123	-	1,123
Other comprehensive income (loss) for the period		-	-	-	(46)	(46)
Total comprehensive income (loss) for the period		-	-	1,123	(46)	1,077
Contributions by and dividends to owners						
Dividends declared to shareholders		-	-	(4,145)	-	(4,145)
		-	-	(4,145)	-	(4,145)
Balance at March 31, 2020		$ 42,527	$ 1,956	$ 80,175	$ (6)	$ 124,652
Dividends declared per share				$ 0.10		

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Bird Construction Inc.
Consolidated Statement of Cash Flows
For the three month periods ended March 31, 2021 and 2020
(in thousands of Canadian dollars) (unaudited)

	Note	For the three month periods ended March 31, 2021	2020
Cash flows from (used in) operating activities			
Net income for the period		$ **7,119**	$ 1,123
Items not involving cash:			
Amortization		**1,537**	229
Depreciation		**6,423**	3,639
Gain on sale of property and equipment		**(403)**	(175)
Income from equity accounted investments	12	**(322)**	(1,722)
Finance income	21	**(302)**	(766)
Finance and other costs	22	**1,739**	3,094
Deferred compensation plan expense and other		**2,677**	1,291
Defined benefit pension plan expense, net of contributions		**(15)**	-
Unrealized (gain) loss on investments and other		**94**	(72)
Income tax expense (recovery)	15	**2,245**	418
Cash flows from operations before changes in non-cash working capital		**20,792**	7,059
Changes in non-cash working capital relating to operating activities	24	**(69,659)**	(69,311)
Interest received		**335**	854
Interest paid		**(1,455)**	(1,895)
Income taxes paid		**(18,552)**	(5,217)
Net cash from (used in) operating activities		**(68,539)**	(68,510)
Cash flows from (used in) investing activities			
Investments in equity accounted entities	12	**(768)**	(39)
Capital distributions from equity accounted entities	12	**43**	873
Proceeds on sale of Investment in equity accounted entities	12	**-**	5,414
Additions to property and equipment		**(735)**	(2,026)
Proceeds on sale of property and equipment		**1,071**	1,413
Additions to intangible assets		**(293)**	(301)
Other long-term assets		**204**	-
Net cash from (used in) investing activities		**(478)**	5,334
Cash flows from (used in) financing activities			
Dividends paid on shares		**(5,171)**	(4,145)
Proceeds from non-recourse project financing		**-**	18,855
Proceeds from loans and borrowings	13	**-**	16,250
Repayment of loans and borrowings	13	**(7,621)**	(1,628)
Repayment of right-of-use liabilities	14	**(5,155)**	(2,158)
Net cash from (used in) financing activities		**(17,947)**	27,174
Net increase (decrease) in cash and cash equivalents during the period		**(86,964)**	(36,002)
Effects of foreign exchange on cash balances		**(65)**	72
Cash and cash equivalents, beginning of the period		**212,068**	180,334
Cash and cash equivalents, end of the period	8	$ **125,039**	$ 144,404

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Table of Contents – Notes to the Interim Condensed Consolidated Financial Statements

1. Structure of the company

Bird Construction Inc. (the “Company”) is a corporation incorporated in the province of Ontario, Canada. The address of the Company’s registered office is 5700 Explorer Drive, Suite 400, Mississauga, Ontario, Canada. The Company’s common shares are traded on the Toronto Stock Exchange under the symbol BDT.

The Company operates from coast-to-coast and services all of Canada’s major geographic markets. The Company provides a comprehensive range of construction services from new construction for industrial, commercial, and institutional markets; to industrial maintenance, repair and operations (“MRO”) services, heavy civil construction and contract surface mining; as well as vertical infrastructure including, electrical, mechanical, and specialty trades. The Company uses fixed priced, design-build, unit price, cost reimbursable, guaranteed upset price, construction management and integrated project delivery (“IPD”) contract delivery methods.

2. Basis of preparation

Statement of compliance

These unaudited interim condensed consolidated financial statements (the “financial statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34 *Interim Financial Reporting*. These financial statements do not include all of the information and disclosures required in the Company’s annual consolidated financial statements and should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2020. These financial statements were authorized for issue on May 11, 2021 by the Company’s Board of Directors.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company’s functional currency. Unless otherwise indicated, all financial information presented has been rounded to the nearest thousand.

Basis of measurement

These financial statements have been prepared on a going concern and historical cost basis, except for certain financial assets, derivative financial instruments and liabilities for cash settled share-based payment arrangements which are measured at fair value.

Segmented results

Segment results are reviewed by the Company’s chief operating decision maker to assess performance and allocate resources within the Company. Management applies judgement in the aggregation of the Company’s operating segments and has determined that the Company operates in one reportable segment being the general contracting sector of the construction industry. The Company’s operating segments have similar economic characteristics in that each of the Company’s operating business units provides comparable construction services, use similar contracting methods, have similar long-term economic prospects, share similar cost structures and operate in similar regulatory environments.

3. Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent assets and liabilities at the reporting date.

Uncertainty about these assumptions and estimates could result in a material adjustment to the carrying amount of an asset or liability and/or the reported amount of revenue and expense in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Estimates and judgements used in the preparation of these financial statements are consistent with those used in the preparation of the Company’s annual consolidated financial statements for the year ended December 31, 2020.

Impact of the COVID-19 pandemic

The COVID-19 pandemic has continued to disrupt global health and the economy in 2021. The Canadian construction industry continues to face volatility as each provincial government has responded by implementing social and work restrictions to address the public health threat. Notwithstanding the vaccination programs that are underway, COVID-19, along with the variants of the virus that have emerged, continue to have a significant negative impact on the global and Canadian economy and preventative safety measures remain in place and continue to vary from province to province as governments respond to fluctuations in case numbers.

Due to the impact of the COVID-19 pandemic on both current and future market conditions and the economic environment, there is significant uncertainty and complexity in respect of certain judgements, estimates and assumptions used in the preparation of these financial statements. These include the amount of Canada Emergency Wage Subsidy (“CEWS”) the Company has accrued or may qualify for in the future, project timing and progress, future contract awards, and collectability of accounts receivable and contract assets. The Company’s operations could be impacted from disruptions to projects, the supply chain, and shortages of labour. In addition, several projects that were expected to be awarded and secured have been delayed, suspended, or cancelled, and this could continue because of the pandemic. The future effectiveness of the Company’s business continuity plan and various safety and austerity measures implemented is also subject to uncertainty.

4. Significant accounting policies

The accounting principles used in the preparation of these financial statements are consistent with those followed in the preparation of the Company’s annual consolidated financial statements for the year ended December 31, 2020.

5. New accounting standards, amendments and interpretations adopted

The Company adopted amendments to IFRS 16 *Leases* on a prospective basis on January 1, 2021. On May 28, 2020, the IASB issued *COVID-19-Related Rent Concessions (Amendment to IFRS 16)*. The amendments are effective for annual periods beginning on or after June 1, 2020. Early adoption is permitted. The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021. Subsequently, on March 31, 2021, the IASB extended the practical expedient by 12 months; permitting lessees to apply it to rent concessions that reduce lease payments originally due on or before June 30, 2022. The new 2021 amendments are effective for annual periods beginning on or after April 1, 2021. Early adoption is permitted. The adoption of the amendments to IFRS 16 did not have a material impact on the financial statements.

6. Future accounting changes

There are new accounting standards, amendments to accounting standards and interpretations that are either effective for annual periods beginning on January 1, 2022 or after and have not been applied in preparing the financial statements for the period ended March 31, 2021. These standards and interpretations are not expected to have a material impact on the Company’s financial statements.

7. Business combination

On July 29, 2020, the Company entered into an arrangement agreement (“Arrangement Agreement”) pursuant to which, among other things, the Company agreed to acquire all of the outstanding common shares of Stuart Olson Inc. (“Stuart Olson”) by way of a plan of arrangement under the Business Corporations Act (Alberta) (the "Arrangement").

The principal activities of Stuart Olson and its subsidiaries are to provide general contracting and electrical building systems contracting in the public and private construction markets, as well as general contracting, electrical, mechanical and specialty trades, such as insulation, cladding and asbestos abatement, in the industrial construction and services market. Stuart Olson provides its services to a wide array of clients within Canada. One of the key rationales for the business combination was to further diversify the Company’s risk profile by expanding its service offerings and revenue streams. The Company has grown its industrial general contracting business, including industrial maintenance, repair, and operations. In the institutional and commercial sectors, the Company has added capability in construction management services, and its newly acquired commercial systems business is one of Canada’s largest electrical and data system contractors. The acquisition further enhances the Company’s ability to service maintenance, repair, and operations.

On September 25, 2020, the Arrangement was completed, pursuant to which the Company acquired all of the issued and outstanding common shares of Stuart Olson in exchange for common shares of the Company and cash consideration, and completed the payout and termination of all indebtedness as detailed below. Under the terms of the Arrangement:

- Stuart Olson's secured creditors received an aggregate cash payment of $70.0 million in full satisfaction of all obligations, indebtedness and liabilities of Stuart Olson and its affiliates under the bank credit facility, including unpaid interest, fees and expenses;

- Canso Investment Counsel Ltd. ("Canso"), in its capacity as portfolio manager for and on behalf of certain accounts managed by it, acquired an aggregate of 6,329,114 common shares for gross proceeds of approximately $40.0 million;

- Those accounts managed by Canso, in its capacity as portfolio manager, that held the convertible unsecured subordinated debentures due September 20, 2024 (the “Debentures”), received 3,560,127 common shares valued at $21.8 million based on a deemed issue price equal to $6.32 per share for $22.5 million of principal value of Debentures in full satisfaction of all indebtedness, accrued interest and obligations of Stuart Olson and its affiliates under the indenture governing the Debentures; and

- Stuart Olson shareholders received an aggregate of 632,835 common shares, based on an exchange ratio of 0.02006051 common shares for each Stuart Olson common share. Those Stuart Olson shareholders entitled to receive less than one common share for all Stuart Olson shares received a cash payment determined by reference to the volume weighted average trading price of the Company’s common shares on the Toronto Stock Exchange for the five trading days immediately preceding September 25, 2020.

In connection with this acquisition, the Company incurred acquisition costs of approximately $5,570 comprised mainly of consulting and other professional fees, which were presented in general and administrative expenses in the statement of income. Transaction costs of $124 directly attributable to the issue of common shares are recognized as a deduction from shareholders' capital.

The Arrangement has been accounted for as a business combination using the acquisition method of accounting whereby the assets acquired, and liabilities assumed are recognized at their fair value, except for deferred tax assets or liabilities, assets or liabilities related to employee benefit arrangements and any right-of-use (“ROU”) assets and ROU liabilities identified in which the acquiree is the lessee.

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

The value of the assets and liabilities associated with the Stuart Olson acquisition were not finalized by May 11, 2021, and therefore are preliminary figures. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition that identifies adjustments to the amounts noted below, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised. During the three months ended March 31, 2021, no measurement period adjustments were made to the purchase price allocation to reflect new information obtained by management with respect to facts and circumstances that existed as of September 25, 2020.

Number of common shares issued to Stuart Olson shareholders		**632,835**
Number of common shares issued on settlement of Debentures		**3,560,127**
Total common shares issued as consideration		**4,192,962**
Common share price at close on September 25, 2020	**$**	**6.12**
Equity consideration	$	25,661
Cash consideration		70,000
Total Consideration	**$**	**95,661**
Fair value of assets and liabilities of Stuart Olson acquired:		
Assets acquired		
Cash and cash equivalents	$	10,040
Accounts receivable		269,736
Contract assets		33,534
Income taxes recoverable		622
Lease receivables		7,506
Other assets		3,634
Property and equipment		15,483
Right-of-use assets		26,728
Intangible assets		25,430
Net deferred tax assets		8,262
Liabilities assumed		
Accounts payable		(190,450)
Contract liabilities		(56,316)
Income taxes payable		(7,913)
Provisions		(14,482)
Pension liabilities		(5,023)
Loans and borrowings		(667)
Right-of-use liabilities		(46,887)
Other liabilities		(241)
Net identifiable assets acquired	**$**	**78,996**
Goodwill		16,665
Net assets acquired	**$**	**95,661**

The fair value of the trade receivables acquired amounts to $269,736. The gross amount of trade receivables was $282,443, of which $12,707 was expected to be uncollectible at the acquisition date.

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

Goodwill and intangible assets

Goodwill of $16,665 recognized as part of the acquisition is attributed to expected revenue growth, future market development, the assembled workforce and the synergies achieved from the integration of Stuart Olson into the Company's business. These benefits are not recognized separately from goodwill, as the future economic benefits arising from them cannot be reliably measured. The goodwill recognized is not deductible for tax purposes. Identifiable intangible assets acquired of $25,430 includes computer software, backlog and agency contracts, customer relationships and trade names.

8. Cash and cash equivalents

Cash and cash equivalents		**March 31, 2021**		December 31, 2020
Cash	**$**	**31,103**	$	96,671
Restricted cash and blocked accounts*		**45,005**		55,107
Cash held for joint operations		**48,841**		60,200
Short-term deposits held to support letters of credit*		**90**		90
	$	**125,039**	$	212,068

* Cash and cash equivalents include the following restricted cash and blocked accounts. These amounts are not available for general operating purposes.

Restricted cash and cash equivalents		**March 31, 2021**		December 31, 2020
Cash and cash equivalents held to support letters of credit (note 13)	**$**	**139**	$	139
Cash deposited in blocked accounts for special projects		**366**		1,033
Restricted cash		**44,590**		54,025
	$	**45,095**	$	55,197

The description of the components of cash and cash equivalents is summarized in note 8 of the Company's December 31, 2020 annual consolidated financial statements.

9. Accounts receivable

		March 31, 2021		December 31, 2020
Progress billings on construction contracts	**$**	**321,793**	$	336,286
Holdbacks receivable (due within one operating cycle)		**161,862**		160,364
Other		**25,617**		33,175
	$	**509,272**	$	529,825

Accounts receivable are reported net of an allowance for doubtful accounts of $1,372 as at March 31, 2021 (December 31, 2020 - $1,471). Holdbacks receivable represent amounts billed on construction contracts which are not due until the contract work is substantially complete and the applicable lien period has expired.

Included in other accounts receivable are government assistance receivables of $19,709 at March 31, 2021 (December 31, 2020 - $25,847) related to the CEWS. See note 23.

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

10. Revenue

Disaggregation of revenue

The Company disaggregates revenue from contracts with customers by contract type, as this best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

	Three months ended March 31, 2021	2020
Public Private Partnerships ("PPP")	$ **443**	$ 15,463
Alternative finance projects and complex design-build	**11,844**	36,263
Stipulated sum, unit price and standard specification design-build	**242,590**	180,031
Construction management, cost plus and IPD	**189,760**	89,889
	$ **444,637**	$ 321,646

Remaining performance obligations

The total value of all contracts awarded to the Company, less the total value of work completed on these contracts as of the reporting date is referred to as remaining performance obligations. This includes all contracts that have been awarded to the Company whether the work has commenced or will commence in the normal course.

As at March 31, 2021, the aggregate amount of the transaction price allocated to total remaining performance obligations from construction contracts was $2,627,175. The value of remaining performance obligations does not include amounts for variable consideration that are constrained, agency relationship construction management projects, and estimated future work orders to be performed as part of master services agreements.

The Company expects to recognize approximately 64% of the remaining performance obligations over the next 12 months with the remaining balance being recognized beyond 12 months. This expectation is based on management's best estimate but contains uncertainty as it is subject to factors outside of management's control.

The Company's measure of remaining performance obligations is also referred to as "Backlog"; this measure may not be comparable with the calculation of similar measures by other entities as Backlog is not a term defined under IFRS.

11. Other assets

	March 31, 2021	December 31, 2020
Subcontractor / Supplier insurance deposits	$ **5,926**	$ 5,197
Notes receivable	**1,214**	1,806
Lease receivables (note 7)	**6,778**	7,141
Total Return Swap ("TRS") derivatives	**3,144**	1,604
Other assets	**17,062**	15,748
Less: current portion		
TRS derivatives	**956**	1,330
Lease receivables (note 7)	**1,177**	1,247
Current portion	**2,133**	2,577
Non-current portion	$ **14,929**	$ 13,171

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

12. Projects and entities accounted for using the equity method

The Company performs some construction and concession related projects through joint ventures and associates which are accounted for using the equity method. The Company's joint ventures and associates are private entities and there is no quoted market value available for their shares.

The movement in the investment in projects and entities accounted for using the equity method is as follows:

Investments in equity accounted entities		**March 31, 2021**		December 31, 2020
Balance, beginning of period	**$**	**14,710**	$	10,185
Share of net income for the period		**322**		4,688
Share of other comprehensive income for the period		**19**		47
Investments in equity accounted entities		**768**		5,088
		15,819		20,008
Capital distributions received		**(43)**		(5,298)
Balance, end of period	**$**	**15,776**	$	14,710

		Three months ended March 31,		
		2021		2020
Share of net income for the period	**$**	**322**	$	1,318
Gain on sale of investments in equity accounted entities		–		404
Income from equity accounted investments	**$**	**322**	$	1,722

13. Loans and borrowings

Loans and borrowings

	Maturity	**Interest rate**		**March 31, 2021**		December 31, 2020
Committed revolving credit facility	Dec 7, 2023	Variable		**20,000**		25,000
Committed non-revolving term loan facility	Dec 7, 2023	Variable		**34,563**		35,000
Equipment financing	2021 – 2024	Fixed 2.04%-3.73%		**10,729**		12,315
Note payable (note 7)		Variable		**–**		598
			$	**65,292**	$	72,913
Current portion			**$**	**8,044**	$	8,010
Non-current portion			**$**	**57,248**	$	64,903

Syndicated credit facility

The Company has a three-year, $200,000 committed, syndicated credit facility (the “Syndicated facility”) consisting of the following:

Committed revolving credit facility

The Company has a committed revolving credit facility up to $165,000. As part of the agreement, the Company provides a general secured interest in the assets of the Company. At March 31, 2021, the Company has $22,091 letters of credit outstanding on the facility (December 31, 2020 - $22,702) and has drawn $20,000 on the facility (December 31, 2020 - $25,000). The full amount outstanding is recorded as non-current, as the facility is due and payable December 7, 2023. Borrowings under the facility bear interest at a rate per annum equal to the Canadian prime rate plus a spread. A standby fee is payable quarterly on the unutilized portion of the facility.

Committed non-revolving term loan facility

The Company has a committed non-revolving term loan facility totalling $35,000 used to finance the acquisition of Stuart Olson (note 7). As at March 31, 2021, the Company has an outstanding balance of $34,563 on the facility (December 31, 2020 - $35,000). The loan has scheduled repayments due quarterly until the date of September 24, 2028. Any repayment of the facility cannot be reborrowed. Borrowings under the facility bear interest at a rate per annum equal to the Canadian prime rate plus a spread.

Accordion

The Company has an accordion of up to an additional $50,000 to increase the limit of the committed revolving credit facility and the committed non-revolving term debt facility. The aggregate increases to the committed revolving credit facility and Committed non-revolving term debt facility combined may not exceed $50,000. The accordion is not committed and requires creditor approval before it is available.

The Company was in full compliance with its covenants under each facility as at March 31, 2021 and December 31, 2020.

Equipment financing

The Company has committed term credit facilities of up to $40,000 to be used to finance equipment purchases. At March 31, 2021, $8,124 is outstanding, of which $358 is classified as ROU liabilities (December 31, 2020 - $9,248 is outstanding, of which $572 is classified as ROU liabilities). Borrowings under the facilities are secured by a first charge against the equipment financed using the facilities. Interest on the facilities is charged at a fixed rate based on the Bank of Canada bond rate plus a spread. Interest is paid monthly in arrears.

The Company also has multiple, fixed interest rate, term loans which were used to finance equipment purchases. At March 31, 2021, the balance outstanding on these term loans amounted to $2,963 (December 31, 2020 - $3,639). Principal and interest are payable monthly, and these term loans are secured by specific equipment of the Company.

Letters of credit facilities

The Company has authorized operating letters of credit facilities totalling $125,000. At March 31, 2021 the facilities were drawn for outstanding letters of credit of $43,896 (December 31, 2020 - $44,490). All letters of credit issued under these facilities are supported by the pledge of Company-owned financial instruments, including cash, or through a guarantee from EDC.

The Company has an agreement with Export Development Canada (“EDC”) to provide performance security guarantees of up to $75,000 for letters of credit issued by financial institutions on behalf of the Company. The Company uses this facility when letters of credit have been issued as contract security for projects that meet the EDC criteria. At March 31, 2021 EDC has issued performance security guarantees totalling $43,758 (December 31, 2020 - $44,353).

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

The letters of credit represent performance guarantees primarily issued in connection with design-build construction contracts related to PPP and other major construction projects. These letters of credit are supported through the hypothecation of certain financial instruments having a market value at March 31, 2021 of $139 (December 31, 2020 - $139).

The following table provides details of the changes in the Company's Loans and Borrowings during the period ended March 31, 2021:

	Syndicated Revolving Credit Facility	Syndicated Committed Non-Revolving Term Loan Facility	Note Payable	Equipment financing	Total
Balance, December 31, 2020	$ 25,000	$ 35,000	$ 598	$ 12,315	$ 72,913
Repayment	(5,000)	(437)	(598)	(1,586)	(7,621)
Balance, March 31, 2021	$ 20,000	$ 34,563	$ –	$ 10,729	$ 65,292

14. Leases and right-of-use liabilities

The following table provides details of the changes in the Company's ROU liabilities during the period ended March 31, 2021:

	March 31, 2021	December 31, 2020
Balance, beginning of period	$ 78,075	$ 31,100
Acquisition (note 7)	–	46,887
Additions	4,894	12,277
Interest	737	1,262
Lease terminations and modifications	(794)	(79)
Repayment	(5,892)	(13,372)
Balance, end of period	$ 77,020	$ 78,075
Current portion	$ 16,847	$ 18,748
Non-current	$ 60,173	$ 59,327

The Company has established operating lease lines of credit of $31,820 with the financing arms of major heavy equipment suppliers to finance equipment leases. Draws under these facilities are generally recognized as right of use liabilities, with the lease obligations being secured by the specific leased equipment. At March 31, 2021, the subsidiaries had used $9,130 (December 31, 2020 - $10,008) under these facilities.

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

15. Income taxes

Provision for income taxes

	Three months ended March 31, 2021	2020
Income tax expense (recovery) comprised of:		
Current income taxes	**$ 4,399**	$ 2,873
Deferred income taxes	**(2,154)**	(2,455)
	$ 2,245	$ 418

Income tax rate reconciliation

	Three months ended March 31, 2021	2020
Combined federal and provincial income tax rate	**24.7%**	27.4%
Increase (reductions) applicable to:		
Effect of different tax rate on equity investments	**(0.6%)**	–
Non-taxable items	**0.4%**	0.1%
Other	**(0.5%)**	(0.4%)
Effective rate	**24.0%**	27.1%

The Company's statutory tax rate is the combined federal and provincial tax rates in the jurisdictions in which the Company operates.

16. Provisions

	Warranty claims and other	Legal	Total
Balance, December 31, 2020	**$ 12,711**	**$ 10,708**	**$ 23,419**
Provisions made during the period	**5,012**	**648**	**5,660**
Provisions used during the period	**(5,172)**	**(493)**	**(5,665)**
Provisions reversed during the period	**(1,746)**	**(129)**	**(1,875)**
Balance, March 31, 2021	**$ 10,805**	**$ 10,734**	**$ 21,539**
Balance, December 31, 2019	$ 5,218	$ 2,545	$ 7,763
Acquisition (note 7)	9,076	5,406	14,482
Provisions made during the period	22,578	6,903	29,481
Provisions used during the period	(16,761)	(986)	(17,747)
Provisions reversed during the period	(7,400)	(3,160)	(10,560)
Balance, December 31, 2020	$ 12,711	$ 10,708	$ 23,419

Various claims and litigation arise in the normal course of the construction business. It is management's opinion that an adequate provision has been made for any potential settlements relating to such matters and that they will not materially affect the financial position or future operations of the Company.

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

17. Other liabilities

		March 31, 2021		December 31, 2020
Liabilities for cash-settled share-based compensation plans (note 18)	$	**16,485**	$	13,929
Leasehold inducements		**1,852**		1,808
Foreign currency forward swaps		**53**		–
Interest rate swaps		**–**		51
	$	**18,390**	$	15,788
Less: current portion				
Cash-settled share-based compensation plans (note 18)		**5,348**		1,795
Leasehold inducements		**317**		164
Foreign currency forward swaps		**41**		–
Interest rate swaps		**–**		51
Current portion	$	**5,706**	$	2,010
Non-current portion	$	**12,684**	$	13,778

During the quarter ended March 31, 2021, the Company entered into foreign currency forward contracts to buy US dollars for the purpose of managing its foreign currency risk. The foreign currency derivatives are not designated as a hedge and unrealized gains and losses in the fair value of the foreign currency forward contracts are recognized in general and administrative expenses in the consolidated statement of income. These derivative contracts have settlement dates extending to November 2022. During the period ended March 31, 2021, the Company recognized a loss on these derivatives of $53.

18. Share-based compensation plans

Medium term incentive plan (“MTIP”), Equity incentive plan (“EIP”) and Deferred share unit (“DSU”) plan

		March 31, 2021		December 31, 2020
MTIP liability	$	**4,213**	$	2,865
EIP liability		**5,877**		5,618
DSU liability		**6,395**		5,446
Liabilities for cash-settled share-based compensation plans	$	**16,485**	$	13,929
Less: current portion				
MTIP liability		**2,118**		491
EIP liability		**3,230**		1,304
Current portion	$	**5,348**	$	1,795
Non-current portion	$	**11,137**	$	12,134

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

	March 31, 2021			December 31, 2020		
	MTIP	**EIP[1]**	**DSUs**	MTIP	EIP[1]	DSUs
Units, beginning of period	**1,082,701**	**1,130,053**	**680,718**	408,181	1,136,098	482,404
Granted [2]	**2,780**	**510,521**	**33,794**	697,498	499,398	198,314
Forfeited	**(4,538)**	–	–	(34,358)	(260,402)	–
Change in estimate	**(48,555)**	–	–	60,016	–	–
Vested and paid	–	**(209,460)**	–	(48,636)	(245,041)	–
Units, end of period	**1,032,388**	**1,431,114**	**714,512**	1,082,701	1,130,053	680,718

[1] Based on underlying units before the impact of a performance multiplier, but after the effects of the dividend adjustment ratio and the estimated forfeiture rate.

[2] MTIP and DSU grants include dividend reinvestments.

The Company's EIP provides certain officers and employees of the Company with the opportunity to be granted performance share units ("PSU") or time-based restricted share units ("RSU"). The outstanding PSU balance as at March 31, 2021, adjusted for the performance conditions that modify the vested value is 960,904 (December 31, 2020 – 796,428).

During the period ended March 31, 2021, the Company granted 505,815 units under the EIP plan at a fair market value of $8.96, excluding dividend reinvestments. Payments pursuant to the Company's EIP granted in 2021, are due by December 2023.

During the period ended March 31, 2021, the Company granted 26,054 units under the DSU plan at a fair market value of $8.74, excluding dividend reinvestments. Payments pursuant to the Company's DSU Plan are cash settled when the eligible Director ceases to hold any position within the Company.

Expenses arising from share-based payment transactions (1)

	Three months ended March 31,	
	2021	2020
MTIP	**$ 1,347**	$ 259
EIP	**1,876**	903
DSU	**949**	952
	$ 4,172	$ 2,114

[1] Expenses are before the effect of the TRS derivative contracts.

The Company entered into TRS derivative contracts for the purpose of managing its exposure to changes in the fair value of its MTIP, EIP and DSU share-based compensation plans, due to changes in the fair value of the Company's common shares. The Company recognized a gain on these derivatives in the statement of income in general and administrative expenses for the period ended March 31, 2021 of $1,540 (2020 - $3,470 loss).

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

19. Shareholders' capital

The Company is authorized to issue an unlimited number of common shares. The Company is authorized to issue preference shares in series with rights set by the Board of Directors, up to a balance not to exceed 35% of the outstanding common shares. As at March 31, 2021 and December 31, 2020, no preferred shares have been issued.

	March 31, 2021			December 31, 2020		
	Number of shares		Amount	Number of shares		Amount
Balance, beginning of period	**53,038,929**	$	**108,064**	42,516,853	$	42,527
Common shares issued (note 7)	**–**		**–**	10,522,076		65,537
Balance, end of period	**53,038,929**	$	**108,064**	53,038,929	$	108,064

20. Earnings per share

	Three months ended March 31,			
		2021		2020
Net income (basic and diluted)	$	**7,119**	$	1,123
Weighted average number of common shares (basic and diluted)		**53,038,929**		42,516,853
Basic and diluted earnings per share	$	**0.13**	$	0.03

For the period ended March 31, 2021, nil options (2020 - 100,000 options) were excluded from the diluted weighted average number of common shares calculation, as their effect would have been anti-dilutive.

21. Finance income

	Three months ended March 31,			
		2021		2020
Interest income on lease receivables	$	**49**	$	–
Other interest income		**253**		766
	$	**302**	$	766

22. Finance and other costs

	Three months ended March 31,			
		2021		2020
Interest on loans and borrowings	$	**855**	$	872
Interest on ROU liabilities		**735**		171
(Gain) loss on interest rate swaps (note 17)		**(51)**		921
Interest on non-recourse project financing		**–**		1,060
Other		**200**		70
	$	**1,739**	$	3,094

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

23. Government assistance

On April 11, 2020, the Government of Canada passed the CEWS to support a company's ability to continue employing its workforce in the face of revenue declines because of the COVID-19 pandemic. Certain entities of the Company qualified for CEWS in the March 2020 to March 2021 qualification periods. During the period ended March 31, 2021, the Company recognized a recovery of compensation expense in costs of construction of $10,997 (2020 - $nil) and general and administrative expenses of $190 (2020 - $nil). As at March 31, 2021, the Company recognized a receivable related to CEWS of $19,709 included in accounts receivable in the statement of financial position (December 31, 2020 - $25,847).

24. Other cash flow information

Changes in non-cash working capital relating to operating activities

	Three months ended March 31,	
	2021	2020
Accounts receivable	**$ 20,471**	$ 12,639
Contract assets	**3,529**	7,989
Contract assets – alternative finance projects*	**113**	(27,112)
Inventory and prepaid expenses	**(863)**	286
Other assets	**70**	(2,333)
Accounts payable	**(85,001)**	(51,716)
Contract liabilities	**(4,482)**	(15,396)
Provisions	**(1,880)**	6,332
EIP and other	**(1,616)**	–
	$ (69,659)	$ (69,311)

* Contract assets – alternative finance project changes are driven by design-build-finance projects.

25. Financial instruments

Carrying values and fair values

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

The hierarchy of inputs is summarized in note 31 of the Company's December 31, 2020 annual consolidated financial statements

The Company's foreign currency forward contract (note 17), interest rate swaps (note 17) and TRS derivative contracts (note 11) are classified as Level 2 measurements in the fair value hierarchy. The Company does not have any financial instruments classified as Level 3 that are carried at fair value. There were no transfers between levels in the fair value hierarchy during the period ended March 31, 2021 and 2020.

The fair value of the Company's loans and borrowings approximate their carrying values on a discounted cash flow basis as the majority of these obligations bear interest at market rates. The fair values of the remaining financial instruments approximate their carrying value due to their relatively short periods to maturity.

Financial Risk Management

In the normal course of business, the Company is exposed to several risks related to financial instruments that can affect its operating performance. These risks and the actions taken to manage them are as follows:

i. Credit Risk

Credit risk relates to the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet their contractual obligation.

With respect to accounts receivable, concentration of credit risk is limited due to the geographic dispersion of revenues and a diversified customer base. Before entering into any construction contract and during the course of the construction project, the Company goes to considerable lengths to satisfy itself that the customer has adequate resources to fulfil its contractual payment obligations as construction work is completed. If a customer was unable or unwilling to pay the amount owing, the Company will generally have a right to register a lien against the project that will normally provide some security that the amount owed would be realized.

Short-term deposits and short-term investments are subject to minimal credit risk as they are placed with only major Canadian financial institutions. As is reasonably practical, these investments are placed with several different Canadian financial institutions, thereby reducing the Company's exposure to a default by any one financial institution.

At March 31, 2021, accounts receivable outstanding for greater than 90 days and considered past due by the Company's management represent 16.9% (December 31, 2020 – 17.2%) of the balance of progress billings on construction contracts receivable. Management has recorded an allowance of $1,372 (December 31, 2020 - $1,471) against these past due receivables, net of amounts recoverable from others.

ii. Liquidity risk

Liquidity risk relates to the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages this risk through management of its capital structure, monitoring and reviewing actual and forecasted cash flows and the effect on bank covenants, and maintaining unused credit facilities where possible to ensure there are available cash resources to meet the Company's liquidity needs. In managing liquidity risk, the Company has access to committed short and long-term debt facilities as well as equity markets, the availability of which is dependent on market conditions.

The Company has working capital of $128,059 which is available to support surety requirements related to construction projects. As a component of working capital, the Company maintains significant balances of cash and cash equivalents and investments in liquid securities. These investments, less $139 hypothecated to support outstanding letters of credit and $44,956 held in restricted accounts, are available to meet the financial obligations of the Company as they become due. Refer to note 13 in respect of the Syndicated facility and the Company's other debt instruments, which further improves the Company's access to liquidity. As at March 31, 2021, the Company had a total undrawn balance on its Syndicated facility of $122,909 (December 31, 2020 - $117,298 undrawn on its revolving credit facility and committed revolving term loan facility). Additionally, the Company has an accordion of up to an additional $50,000 to increase the limit of the committed revolving credit facility and the committed non-revolving term debt facility. As at March 31, 2021, the undrawn balance on the accordion was $50,000 (December 31, 2020 - $50,000). The Company also has committed term credit facilities of up to $40,000 to be used to finance equipment purchases of which $31,876 is undrawn as at March 31, 2021 (December 31, 2020 - $30,752). The Company believes that it has access to sufficient funding through the use of these facilities and its cash and cash equivalents to meet its foreseeable operating requirements.

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

The following are the contractual obligations, including estimated interest payments, as at March 31, 2021, in respect of the financial obligations of the Company. Interest payments on the committed revolving credit facility and committed non-revolving term loan facility are not included in the table below since they are subject to variability based upon outstanding balances at various points throughout the period.

	Carrying amount	Contractual cash flows	Not later than 1 year	2 – 3 years	4 – 5 years	Later than 5 years
Trade payables	$ 405,806	$ 405,806	$ 405,067	$ 739	$ –	$ –
Dividends payable	1,724	1,724	1,724	–	–	–
ROU liabilities	77,020	86,799	19,761	31,901	18,498	16,639
Committed revolving credit facility	20,000	20,000	–	20,000	–	–
Committed non-revolving term loan	34,563	34,563	2,188	9,100	9,800	13,475
Equipment financing	10,729	11,197	6,192	4,481	524	–
	$ 549,842	$ 560,089	$ 434,932	$ 66,221	$ 28,822	$ 30,114

iii. Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices and corporate bond yields, will affect the Company’s income or the value of its holdings in liquid securities. The discount rate used to establish the pension obligation was determined by reference to market interest rates on AA-rated corporate bonds with cash flows that approximate the timing and amount of expected benefit payments.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk to the extent that its credit facilities and TRS derivatives are based on variable rates of interest.

For the period ended March 31, 2021, a one percent change in the interest rate applied to the Company's variable rate long-term debt would change annual income before income taxes by approximately $546 (2020 – $412).

The Company has certain share-based compensation plans, whereby the values are based on the common share price of the Company. The Company has fixed a portion of the settlement costs of these plans by entering into various TRS derivatives maturing between 2021 and 2022. The TRS derivatives are not designated as a hedge. The change in the value of the TRS derivatives is recorded each quarter based on the difference between the fixed price and the market price of the Company’s common shares at the end of each quarter. The TRS derivatives are classified as derivative financial instruments. For the period ended March 31, 2021, a 10 percent change in the share price applied to the Company's TRS derivatives would change income before income taxes by approximately $1,327 (2020 – $629).

iv. Currency risk

Currency risk is the risk that fluctuations in currency exchange rates will affect the Company’s net income. The Company uses foreign currency to settle payments to vendors and subcontractors in the foreign currency. Foreign currency risk is managed by the Company through the use of foreign currency derivatives.

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

26. Commitments and contingencies

Commitments

Outstanding surety lien bonds issued on behalf of the Company in connection with liens by subcontractors and suppliers at March 31, 2021 totalled $95,702 (December 31, 2020 - $93,375).

During the first quarter of 2021, the Company signed an order with a fleet management provider for leases totalling $5,000. The leases will have a term of 60 months and are expected to commence and be recognized on the statement of financial position in the second half of 2021.

Contingencies

The Company is contingently liable for the usual contractor's obligations relating to performance and completion of construction contracts. These include the Company's contingent liability for the performance obligations of its subcontractors. Where possible and appropriate, the Company obtains performance bonds, subcontract/supplier insurance or alternative security from subcontractors. However, where this is not possible, the Company is exposed to the risk that subcontractors will fail to meet their performance obligations. In that eventuality, the Company would be obliged to complete the subcontractor's contract, generally by engaging another subcontractor, and the cost of completing the work could exceed the original subcontract price. The Company makes appropriate provision in the financial statements for all known liabilities relating to subcontractor defaults.

27. Subsequent event

Eligible dividends declared with a record date subsequent to the financial statement date

As of the date of the approval of these financial statements, the Board of Directors has declared eligible dividends with a record date subsequent to the date of the financial statements, for the following months:

Eligible dividends declared	Record date	Payment date	Dividend per share
April dividend	April 30, 2021	May 20,2021	$0.0325
May dividend	May 31, 2021	June 18,2021	$0.0325
June dividend	June 30, 2021	July 20,2021	$0.0325
July dividend	July 30, 2021	August 20,2021	$0.0325