Bird Construction Inc.

Interim Condensed Consolidated Financial Statements
For the three and nine month periods ended September 30, 2022 and 2021
(unaudited)

Notice to Reader

The accompanying unaudited interim condensed consolidated financial statements of Bird Construction Inc. have been prepared by and are the responsibility of management. The unaudited interim condensed consolidated financial statements for the three and nine month periods ended September 30, 2022 and 2021 have not been reviewed by the Company's independent external auditor.

Bird Construction Inc.
Consolidated Statement of Financial Position
As at September 30, 2022 and December 31, 2021
(in thousands of Canadian dollars) (unaudited)

	Note	September 30, 2022	December 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents	8	$ **103,925**	$ 190,191
Accounts receivable	9	**757,662**	597,814
Contract assets		**69,108**	55,949
Inventory and prepaid expenses		**11,570**	9,406
Income taxes recoverable		**13,237**	9,175
Other assets	11	**1,307**	6,119
Assets held for sale	13	**2,999**	4,416
Total current assets		**959,808**	873,070
Non-current assets			
Other assets	11	**5,042**	9,104
Investments in equity accounted entities	12	**10,839**	13,471
Property and equipment	14	**57,445**	55,004
Right-of-use assets	15	**66,306**	67,497
Deferred income tax asset		**29,934**	32,784
Intangible assets	16	**32,585**	30,478
Goodwill		**55,740**	55,740
Total non-current assets		**257,891**	264,078
TOTAL ASSETS		$ **1,217,699**	$ 1,137,148
LIABILITIES			
Current liabilities			
Accounts payable		$ **566,893**	$ 514,330
Contract liabilities		**138,450**	130,315
Dividends payable to shareholders		**1,745**	1,745
Income taxes payable		**7,977**	7,991
Current portion of loans and borrowings	17	**27,008**	7,470
Current portion of right-of-use liabilities	18	**16,978**	19,782
Provisions	20	**22,026**	27,316
Other liabilities	21	**6,108**	12,311
Total current liabilities		**787,185**	721,260
Non-current liabilities			
Loans and borrowings	17	**69,650**	71,211
Right-of-use liabilities	18	**57,661**	59,576
Deferred income tax liability		**28,928**	24,798
Other liabilities	21	**11,309**	16,583
Pension liabilities		**—**	232
Total non-current liabilities		**167,548**	172,400
TOTAL LIABILITIES		**954,733**	893,660
SHAREHOLDERS' EQUITY			
Shareholders' capital	24	**114,584**	114,584
Contributed surplus		**1,956**	1,956
Retained earnings		**146,604**	126,935
Accumulated other comprehensive income		**(178)**	13
Total shareholders' equity		**262,966**	243,488
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ **1,217,699**	$ 1,137,148

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

Bird Construction Inc.
Consolidated Statement of Income
For the three and nine month periods ended September 30, 2022 and 2021
(in thousands of Canadian dollars, except per share amounts) (unaudited)

	Note	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Construction revenue	10	$ **668,156**	$ 621,224	$ **1,720,365**	$ 1,622,223
Costs of construction		**609,533**	574,791	**1,576,681**	1,486,852
Gross profit		**58,623**	46,433	**143,684**	135,371
Income (loss) from equity accounted investments	12	**(1,264)**	1,168	**(1,590)**	3,286
General and administrative expenses		**(35,534)**	(29,918)	**(97,852)**	(89,879)
Income from operations		**21,825**	17,683	**44,242**	48,778
Finance and other income	26	**182**	304	**9,437**	896
Finance and other costs	27	**(2,793)**	(1,720)	**(6,885)**	(5,660)
Income before income taxes		**19,214**	16,267	**46,794**	44,014
Income tax expense	19	**4,748**	4,150	**11,863**	11,148
Net income for the period		$ **14,466**	$ 12,117	$ **34,931**	$ 32,866
Basic and diluted earnings per share	25	$ **0.27**	$ 0.23	$ **0.65**	$ 0.62

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 and nine month periods ended September 30, 2022 and 2021
(in thousands of Canadian dollars) (unaudited)

	Note	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Net income for the period		**$ 14,466**	$ 12,117	**$ 34,931**	$ 32,866
Other comprehensive income (loss) for the period:					
Items that will not be reclassified to net income in subsequent periods:					
Defined benefit plan actuarial gain (loss)		**369**	(429)	**592**	3,029
Deferred tax recovery (expense)		**(91)**	106	**(148)**	(744)
		278	(323)	**444**	2,285
Items that may be reclassified to net income in subsequent periods:					
Foreign currency translation on equity accounted investments	12	**(237)**	(82)	**(300)**	(33)
Other foreign currency translation		**37**	15	**46**	(14)
Deferred tax recovery (expense)		**64**	22	**63**	(15)
		(136)	(45)	**(191)**	(62)
Total comprehensive income for the period		**$ 14,608**	$ 11,749	**$ 35,184**	$ 35,089

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 nine month periods ended September 30, 2022 and 2021
(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, 2021		**$ 114,584**	**$ 1,956**	**$ 126,935**	**$ 13**	**$ 243,488**
Net income for the period		—	—	**34,931**	—	**34,931**
Other comprehensive income (loss) for the period		—	—	**444**	**(191)**	**253**
Total comprehensive income (loss) for the period		—	—	**35,375**	**(191)**	**35,184**
Contributions by and dividends to owners						
Dividends declared to shareholders		—	—	**(15,706)**	—	**(15,706)**
		—	—	**(15,706)**	—	**(15,706)**
Balance at September 30, 2022		**$ 114,584**	**$ 1,956**	**$ 146,604**	**$ (178)**	**$ 262,966**
Dividends declared per share				**$ 0.29**		
Balance at December 31, 2020		$ 108,064	$ 1,956	$ 102,520	$ 70	$ 212,610
Net income for the period		—	—	32,866	—	32,866
Other comprehensive income (loss) for the period		—	—	2,285	(62)	2,223
Total comprehensive income (loss) for the period		—	—	35,151	(62)	35,089
Contributions by and dividends to owners						
Common shares issued on acquisition of Dagmar		6,520	—	—	—	6,520
Dividends declared to shareholders		—	—	(15,535)	—	(15,535)
		6,520	—	(15,535)	—	(9,015)
Balance at September 30, 2021		$ 114,584	$ 1,956	$ 122,136	$ 8	$ 238,684
Dividends declared per share				$ 0.29		

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Bird Construction Inc.
Consolidated Statement of Cash Flows
For the three and nine month periods ended September 30, 2022 and 2021
(in thousands of Canadian dollars) (unaudited)

	Note	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Cash flows from (used in) operating activities					
Net income for the period		$ **14,466**	$ 12,117	$ **34,931**	$ 32,866
Items not involving cash:					
Amortization	16	**1,713**	1,437	**5,070**	4,373
Depreciation	14, 15	**7,880**	7,528	**22,571**	20,450
Gain on sale of property and equipment		**(1,577)**	(455)	**(3,096)**	(968)
(Income) loss from equity accounted investments	12	**1,264**	(1,168)	**1,590**	(3,286)
Finance and other income	26	**(182)**	(304)	**(2,748)**	(896)
Finance and other costs	27	**2,793**	1,720	**6,885**	5,660
Deferred compensation plan expense and other		**831**	2,867	**3,602**	7,599
Defined benefit pension plan expense, net of contributions		**615**	(39)	**340**	(128)
Unrealized (gain) loss on investments and other		**(107)**	(244)	**(103)**	14
Income tax expense (recovery)	19	**4,748**	4,150	**11,863**	11,148
Cash flows from operations before changes in non-cash working capital		**32,444**	27,609	**80,905**	76,832
Changes in non-cash working capital relating to operating activities	29	**2,163**	45,432	**(131,519)**	(69,828)
Interest received		**432**	226	**3,753**	762
Interest paid		**(2,654)**	(1,428)	**(6,498)**	(4,853)
Income taxes recovered (paid)		**95**	(4,490)	**(9,044)**	(24,276)
Net cash from (used in) operating activities		**32,480**	67,349	**(62,403)**	(21,363)
Cash flows from (used in) investing activities					
Investments in equity accounted entities	12	**—**	—	**—**	(768)
Capital distributions from equity accounted entities	12, 13	**43**	463	**658**	1,988
Proceeds on sale of investment in equity accounted entities	13	**—**	—	**1,501**	—
Additions to property and equipment and intangible assets	14, 16	**(7,665)**	(3,009)	**(21,152)**	(6,217)
Proceeds on sale of property and equipment	14	**1,941**	944	**3,389**	2,497
Acquisitions, net of cash acquired	7	**—**	(20,563)	**—**	(20,563)
Other long-term assets		**358**	576	**4,200**	4,919
Net cash from (used in) investing activities		**(5,323)**	(21,589)	**(11,404)**	(18,144)
Cash flows from (used in) financing activities					
Dividends paid on shares		**(5,235)**	(5,171)	**(15,706)**	(15,514)
Proceeds from loans and borrowings	17	**32,776**	38,600	**52,776**	58,600
Repayment of loans and borrowings	17	**(30,923)**	(16,415)	**(34,799)**	(45,848)
Repayment of right-of-use liabilities	18	**(4,875)**	(4,558)	**(14,858)**	(14,312)
Net cash from (used in) financing activities		**(8,257)**	12,456	**(12,587)**	(17,074)
Net increase (decrease) in cash and cash equivalents during the period		**18,900**	58,216	**(86,394)**	(56,581)
Effects of foreign exchange on cash balances		**94**	75	**128**	(126)
Cash and cash equivalents, beginning of the period		**84,931**	97,070	**190,191**	212,068
Cash and cash equivalents, end of the period	8	$ 103,925	$ 155,361	$ 103,925	$ 155,361

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 ("TSX") 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, institutional and civil infrastructure markets; to industrial maintenance, repair and operations ("MRO") services, heavy civil construction and mine support services; as well as vertical infrastructure including, electrical, mechanical, and specialty trades. The Company uses a variety of contract delivery methods including construction management, cost plus, integrated project delivery ("IPD"), stipulated sum, unit price, standard specification design-build, alternative finance projects, complex design-build, progressive design build, and public private partnerships ("PPP") 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, 2021. These financial statements were authorized for issue on November 8, 2022 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, 2021.

Impact of the COVID-19 pandemic

The COVID-19 pandemic continued to disrupt global health and the economy in 2022. While widespread vaccination programs and government policies were enacted in response to the pandemic, the Canadian construction industry continues to face volatility. The duration of the pandemic and the associated impact to future financial and operational measures are unknown. As a result, the corresponding impacts to key variables including our workforce, supply chain, project pursuit and awards cycle, and project site measures remain uncertain. The situation remains fluid; however, the Company has responded well to the challenges presented to date and is well positioned to continue responding to fluctuating scenarios.

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, 2021.

5. New accounting standards, amendments and interpretations adopted

The Company has adopted new amendments effective January 1, 2022 related to IAS 37 *Onerous Contracts* and annual improvements to IFRS standards 2018-2020 for IFRS 9 *Financial Instruments* and IFRS 16 *Leases* that did not have a material impact on the Company's financial statements.

6. Future accounting changes

There are new accounting standards and amendments to accounting standards and interpretations that are effective for annual periods beginning on or after January 1, 2023 that have not been applied in preparing the financial statements for the period ended September 30, 2022. These standards and interpretations are not expected to have a material impact on the Company's financial statements.

7. Business combinations

Acquisition of Dagmar Construction Inc.

Effective September 1, 2021, the Company acquired all of the issued and outstanding shares of Dagmar Construction Inc. ("Dagmar"). Dagmar is an Ontario-based construction company with extensive experience across key civil infrastructure sub-sectors including road, bridge, rail, sewer and water, and commercial-institutional sites. One of the key rationales for the business combination was to combine and integrate Dagmar's capabilities and service offerings for both private and public owners across Ontario, acting as a catalyst in this attractive end market. In selected national markets where the Company had civil activity, the acquisition of Dagmar added specialized capabilities to broaden client service offerings and increase diversification.

The purchase price of the transaction totalled $32,502 and included cash of $23,600, equity of $6,538, and a holdback and other liability of $2,364. The $2,364 holdback and other liability consists of $1,364 related to a final working capital reconciliation and $1,000 relating to any indemnities provisions to be reconciled as at the second anniversary of the closing date. The Company has paid $1,364 towards the final working capital reconciliation in the nine months ended September 30, 2022.

The value of the assets and liabilities associated with the Dagmar acquisition were finalized on September 1, 2022. During the nine month period ended September 30, 2022, no measurement period adjustments were made to the purchase price allocation to reflect new information obtained by the Company with respect to the facts and circumstances that existed as of September 1, 2021.

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

8. Cash and cash equivalents

Cash and cash equivalents	September 30, 2022	December 31, 2021
Accessible cash	$ 19,107	$ 102,972
Cash held for joint operations	17,881	22,708
Restricted cash	66,847	64,421
Restricted short-term deposits held to support letters of credit	90	90
	$ 103,925	$ 190,191

Restricted cash and cash equivalents	September 30, 2022	December 31, 2021
Cash and cash equivalents held to support letters of credit (note 17)	$ 90	$ 139
Restricted cash held in trust	66,847	64,372
	$ 66,937	$ 64,511

Restricted cash and cash equivalents represent amounts that are not available for general operating purposes. Restricted cash held in trust relates to trust obligations on certain projects for which we have segregated accounts.

9. Accounts receivable

	September 30, 2022	December 31, 2021
Progress billings on construction contracts	$ 513,794	$ 412,674
Holdbacks receivable (due within one operating cycle)	241,152	178,898
Other	2,716	6,242
	$ 757,662	$ 597,814

Accounts receivable are reported net of an allowance for doubtful accounts of $1,604 as at September 30, 2022 (December 31, 2021 – $1,527). 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.

(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 September 30,		Nine months ended September 30,	
	2022	2021	**2022**	2021
Public Private Partnerships ("PPP")	**$ 28,537**	$ 5,202	**$ 40,190**	$ 6,742
Alternative finance projects and complex design-build	**29,160**	16,617	**78,654**	41,686
Stipulated sum, unit price and standard specification design-build	**367,895**	340,564	**982,638**	900,889
Construction management, cost plus and IPD	**242,564**	258,841	**618,883**	672,906
	$ 668,156	$ 621,224	**$ 1,720,365**	$ 1,622,223

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 September 30, 2022, the aggregate amount of remaining performance obligations from construction contracts was $2,940,665. 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 60% 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 the Company's control.

The Company's measure of remaining performance obligations is also referred to as "Backlog" and additions to remaining performance obligations are also referred to by the Company as "Securements"; these measures may not be comparable with the calculation of similar measures by other entities as Backlog and Securements are not terms defined under IFRS.

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

11. Other assets

	September 30, 2022	December 31, 2021
Subcontractor / Supplier insurance deposits	$ 1,274	$ 4,403
Lease receivables	5,003	5,895
Total Return Swap ("TRS") derivatives	—	4,896
Foreign currency forward swaps	50	29
Other	22	—
Other assets	6,349	15,223
Less: current portion		
TRS derivatives	—	4,896
Lease receivables	1,257	1,194
Foreign currency forward swaps	50	29
Current portion	1,307	6,119
Non-current portion	$ 5,042	$ 9,104

12. Projects and entities accounted for using the equity method

The Company performs certain 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	September 30, 2022
Balance, December 31, 2021	$ 13,471
Share of net income (loss) for the period	(1,694)
Share of other comprehensive income (loss) for the period	(300)
	11,477
Capital distributions received	(638)
Balance, September 30, 2022	$ 10,839

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Share of net income (loss) for the period	$ (1,264)	$ 1,168	$ (1,694)	$ 3,286
Gain on sale of investments in equity accounted entities	—	—	104	—
Income from equity accounted investments	$ (1,264)	$ 1,168	$ (1,590)	$ 3,286

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

13. Assets held for sale

Assets held for sale	September 30, 2022
Balance, December 31, 2021	$ 4,416
Capital distributions received	(20)
Sale of investment	(1,397)
Balance, September 30, 2022	$ 2,999

14. Property and equipment

	September 30, 2022					
	Land	Buildings	Leasehold improvements	Equipment, trucks and automotive	Furniture and office equipment	Total
Cost						
Balance, December 31, 2021	$ 2,352	$ 12,685	$ 17,282	$ 98,695	$ 3,184	$ 134,198
Additions	—	194	1,826	11,787	168	13,975
Disposals	—	—	(24)	(5,380)	(235)	(5,639)
Balance, September 30, 2022	2,352	12,879	19,084	105,102	3,117	142,534
Accumulated depreciation						
Balance, December 31, 2021	—	7,210	8,452	61,342	2,190	79,194
Disposals	—	—	(8)	(4,740)	(229)	(4,977)
Depreciation expense	—	352	1,777	8,571	172	10,872
Balance, September 30, 2022	—	7,562	10,221	65,173	2,133	85,089
Net book value	$ 2,352	$ 5,317	$ 8,863	$ 39,929	$ 984	$ 57,445

15. Right-of-use assets

	September 30, 2022			
	Buildings	Equipment, trucks and automotive	Furniture and office equipment	Total
Cost				
Balance, December 31, 2021	$ 43,393	$ 51,441	$ 1,848	$ 96,682
Additions	8,434	3,200	—	11,634
Disposals	(954)	(3,128)	—	(4,082)
Balance, September 30, 2022	50,873	51,513	1,848	104,234
Accumulated depreciation				
Balance, December 31, 2021	11,963	16,257	965	29,185
Disposals	—	(2,956)	—	(2,956)
Depreciation expense	4,885	6,299	515	11,699
Balance, September 30, 2022	16,848	19,600	1,480	37,928
Net book value	$ 34,025	$ 31,913	$ 368	$ 66,306

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

16. Intangible assets

	September 30, 2022				
	Trade names	Backlog and agency contracts	Customer relationships	Computer software	Total
Cost					
Balance, December 31, 2021	$ 8,000	$ 4,500	$ 15,500	$ 17,164	$ 45,164
Additions	—	—	—	7,177	7,177
Disposals	—	—	—	(529)	(529)
Balance, September 30, 2022	8,000	4,500	15,500	23,812	51,812
Accumulated amortization					
Balance, December 31, 2021	67	1,790	2,189	10,640	14,686
Amortization expense	150	1,280	1,682	1,958	5,070
Disposals	—	—	—	(529)	(529)
Balance, September 30, 2022	217	3,070	3,871	12,069	19,227
Net book value	$ 7,783	$ 1,430	$ 11,629	$ 11,743	$ 32,585

17. Loans and borrowings

Loans and borrowings

	Maturity	Interest rate	September 30, 2022	December 31, 2021
Committed revolving credit facility	01-Sep-24	Variable	$ 42,725	$ 22,725
Committed non-revolving term loan facility	01-Sep-24	Variable	48,125	49,375
Equipment financing	2022 – 2027	Fixed 2.04%-4.70%	5,808	6,581
			96,658	78,681
Current portion			27,008	7,470
Non-current portion			$ 69,650	$ 71,211

The following table provides details of the changes in the Company's Loans and Borrowings during the nine months ended September 30, 2022:

	Syndicated revolving credit facility	Syndicated committed non-revolving term loan facility	Equipment financing	Total
Balance, December 31, 2021	$ 22,725	$ 49,375	$ 6,581	$ 78,681
Proceeds	50,000	—	2,776	52,776
Repayments	(30,000)	(1,250)	(3,549)	(34,799)
Balance, September 30, 2022	$ 42,725	$ 48,125	$ 5,808	$ 96,658

Syndicated credit facility

The Company has a three-year committed, syndicated credit facility (the "Syndicated Facility") secured by a general interest in the assets of the Company. The Syndicated Facility consists of the following:

Committed revolving credit facility

The Company has a committed revolving credit facility of up to $185,000 (December 31, 2021 – $185,000) that includes a $20,000 swingline which allows the Company to enter into an overdraft position. At September 30, 2022, the Company has $25,312 letters of credit outstanding on the facility (December 31, 2021 – $21,989) and has drawn $42,725 on the facility (December 31, 2021 – $22,725). Of the $42,725 drawn on the facility, $22,725 is presented as non-current loans and borrowings on the Company's statement of financial position as the amounts are not expected to be settled in the Company's normal operating cycle, and are not due to be repaid until the maturity of the facility in 2024. 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 $50,000 used to finance the acquisitions of Stuart Olson and Dagmar (note 7). As at September 30, 2022, the Company has an outstanding balance of $48,125 the facility (December 31, 2021 – $49,375). The term loan has scheduled repayments due quarterly until the maturity date of September 1, 2024. 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 a non-committed 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 requires creditor approval before it is available.

The Company was in compliance with its covenants under each facility as at September 30, 2022.

Equipment financing

The Company has committed term credit facilities of up to $40,000 to be used to finance equipment purchases of which as at September 30, 2022, $2,760 is outstanding (December 31, 2021 – $5,242). 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 September 30, 2022, the balance outstanding on these term loans amounted to $3,048 (December 31, 2021 – $1,339). Principal and interest are payable monthly, and these term loans are secured by a first charge against the specific equipment financed using these facilities.

Letters of credit facilities

The Company has authorized operating letters of credit facilities totalling $150,000. At September 30, 2022, the facilities were drawn for outstanding letters of credit of $54,626 (December 31, 2021 – $67,426). 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 Export Development Canada ("EDC").

The Company has an agreement with EDC to provide performance security guarantees of up to $100,000 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 September 30, 2022, EDC has issued performance security guarantees totalling $54,537 (December 31, 2021 – $67,289).

The letters of credit represent performance guarantees issued to support the Company's performance obligations on major construction projects. These letters of credit are supported through the hypothecation of certain financial instruments having a market value at September 30, 2022 of $90 (December 31, 2021 – $139).

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

18. Leases and right-of-use liabilities

The Company's lease contracts are effective for periods of one to twelve years but may have extension options.

The following table provides details of the changes in the Company's right-of-use ("ROU") liabilities during the period ended September 30, 2022:

	September 30, 2022	December 31, 2021
Balance, December 31, 2021	**$ 79,358**	$ 78,075
Acquisition	**—**	5,489
Additions	**11,634**	15,997
Interest	**2,110**	2,937
Lease terminations and modifications	**(1,495)**	(938)
Repayment	**(16,968)**	(22,202)
Balance, September 30, 2022	**74,639**	79,358
Current portion	**16,978**	19,782
Non-current	**$ 57,661**	$ 59,576

The Company has established operating lease lines of credit of $25,000 with the financing arms of major heavy equipment suppliers to finance equipment leases. Draws under these facilities are generally recognized as ROU liabilities, with the lease obligations being secured by the specific leased equipment. At September 30, 2022, the Company had used $7,422 (December 31, 2021 – $6,864) under these facilities.

19. Income taxes

Provision for income taxes

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	**2022**	2021
Income tax expense (recovery) comprised of:				
Current income taxes	**$ 2,465**	$ 3,291	**$ 4,963**	$ 13,731
Deferred income taxes	**2,283**	859	**6,900**	(2,583)
	$ 4,748	$ 4,150	**$ 11,863**	$ 11,148

Income tax rate reconciliation

	Nine months ended September 30,	
	2022	2021
Combined federal and provincial income tax rate	**26.0%**	25.7%
Increase (reductions) applicable to:		
Effect of different tax rate on equity investments	**—%**	(0.4%)
Non-taxable items	**0.3%**	0.4%
Other	**(0.9%)**	(0.4%)
Effective rate	**25.4%**	25.3%

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

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

20. Provisions

	Warranty claims and other	Legal	Total
Balance, December 31, 2021	$ 16,426	$ 10,890	$ 27,316
Provisions made during the period	9,492	1,382	10,874
Provisions used during the period	(5,086)	(272)	(5,358)
Provisions reversed during the period	(10,229)	(577)	(10,806)
Balance, September 30, 2022	$ 10,603	$ 11,423	$ 22,026

Various claims and litigation arise in the normal course of the construction business. It is the Company'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.

21. Other liabilities

	September 30, 2022	December 31, 2021
Liabilities for cash-settled share-based compensation plans (note 23)	$ 13,431	$ 24,918
Leasehold inducements	1,400	1,612
Total Return Swap ("TRS") derivatives (note 11)	1,586	—
Acquisition holdback and other liability (note 7)	1,000	2,364
	17,417	28,894
Less: current portion		
Cash-settled share-based compensation plans (note 23)	4,253	10,630
Leasehold inducements	269	317
TRS derivatives	1,586	—
Acquisition holdback and other liability (note 7)	–	1,364
Current portion	6,108	12,311
Non-current portion	$ 11,309	$ 16,583

22. Pension obligations

During the three month period ended March 31, 2022, the Company commenced the process of winding up one of its non-contributory defined benefit pension plans. During the quarter ended September 30, 2022, a partial settlement of the plan occurred resulting in the derecognition of obligations totalling $13,732, a settlement loss of $558 recorded in general and administrative expenses, and $533 other comprehensive income related to changes in the asset ceiling.

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

23. Share-based compensation plans

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

	September 30, 2022	December 31, 2021
MTIP liability	$ 2,308	$ 6,347
EIP liability	5,309	10,585
DSU liability	5,814	7,986
Liabilities for cash-settled share-based compensation plans	13,431	24,918
Less: current portion		
MTIP liability	1,535	5,540
EIP liability	2,718	5,090
Current portion	4,253	10,630
Non-current portion	$ 9,178	$ 14,288

	September 30, 2022		
	MTIP	EIP[1]	DSUs
Units, beginning of period	809,213	1,398,029	813,258
Granted [2]	42,539	735,193	162,301
Forfeited	(16,727)	—	—
Change in estimate	—	—	—
Vested and paid	(376,697)	(420,247)	—
Units, end of period	458,328	1,712,975	975,559

[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.

During the period ended September 30, 2022, the Company granted 661,563 units under the EIP plan at a fair market value of $9.03, excluding dividend reinvestments. Payments pursuant to the Company's EIP granted in 2022 are due by December 2025.

During the first, second and third quarter of 2022, the Company granted 31,796, 39,320, and 57,466 units under the DSU plan at a fair market value of $9.23, $7.83 and $6.07 respectively, 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 (recoveries) arising from share-based payment transactions[1]

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
MTIP	$ (218)	$ 1,388	$ (373)	$ 3,684
EIP	(758)	2,167	(124)	4,959
DSU	(936)	1,065	(2,172)	2,248
	$ (1,912)	$ 4,620	$ (2,669)	$ 10,891

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

The Company enters 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 loss of $2,808 and $6,482 on these derivatives in the statement of income in general and administrative expenses for the three and nine months ended September 30, 2022 (2021 – $1,674 gain and $3,177 gain, respectively).

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

24. 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 September 30, 2022 and December 31, 2021, no preferred shares have been issued.

	September 30, 2022	
	Number of shares	Amount
Balance, December 31, 2021	53,695,293	$ 114,584
Common shares issued	—	—
Balance, September 30, 2022	53,695,293	$ 114,584

25. Earnings per share

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	**2022**	2021
Net income (basic and diluted)	**$ 14,466**	$ 12,117	**$ 34,931**	$ 32,866
Weighted average number of common shares (basic and diluted)	**53,695,293**	53,252,961	**53,695,293**	53,111,057
Basic and diluted earnings per share	**$ 0.27**	$ 0.23	**$ 0.65**	$ 0.62

26. Finance and other income

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	**2022**	2021
Interest income on lease receivables	**$ 36**	$ 45	**$ 116**	$ 140
Gain on settlement of trade accounts receivable	**—**	—	**7,596**	—
Other interest income	**421**	259	**2,628**	756
Gain (loss) on warrants	**(275)**	—	**(903)**	—
	$ 182	$ 304	**$ 9,437**	$ 896

During the quarter ended June 30, 2022, in connection with the settlement of historical construction billings and interest charges with a customer, the Company recorded a gain of $7,596 and interest income of $1,722. The construction billings were recorded and carried at fair value upon the acquisition of Stuart Olson in 2020, and interest income includes the reversal of expected credit losses recorded against interest accrued subsequent to the acquisition. In connection with the settlement, the Company received warrants which were classified as a derivative financial instrument measured at fair value, with subsequent changes in fair value recognized through profit and loss in finance and other income.

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

27. Finance and other costs

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	**2022**	2021
Interest on loans and borrowings	**$ 1,799**	$ 849	**$ 4,077**	$ 2,956
Interest on ROU liabilities	**705**	670	**2,110**	2,085
(Gain) loss on interest rate swaps	**—**	—	**—**	(51)
Other	**289**	201	**698**	670
	$ 2,793	$ 1,720	**$ 6,885**	$ 5,660

28. Government assistance

On April 11, 2020, the Government of Canada passed the Canadian Emergency Wage Subsidy to support a company's ability to continue employing its workforce in the face of revenue declines because of the COVID-19 pandemic. During the nine months ended September 30, 2022, the Company recognized a recovery of compensation expense in costs of construction of $nil (2021 – $18,798) and general and administrative expenses of $nil (2021 – $3,141).

29. Other cash flow information

Changes in non-cash working capital relating to operating activities

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	**2022**	2021
Accounts receivable	**$ (97,501)**	$ (64,121)	**$ (160,976)**	$ (109,912)
Contract assets	**(2,142)**	(8,915)	**(13,159)**	(3,329)
Contract assets – alternative finance projects	**—**	—	**—**	113
Inventory and prepaid expenses	**(3,456)**	(3,053)	**(2,164)**	(2,801)
Other assets	**(21)**	4,835	**(64)**	(679)
Accounts payable	**89,692**	84,283	**52,183**	29,035
Contract liabilities	**12,983**	31,481	**8,135**	13,916
Provisions	**2,619**	929	**(5,290)**	5,556
Deferred compensation plan expense and other	**(11)**	(7)	**(10,184)**	(1,727)
	$ 2,163	$ 45,432	**$ (131,519)**	$ (69,828)

30. 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 33 of the Company's December 31, 2021 annual consolidated financial statements.

The Company's foreign currency forward contract, interest rate swaps, TRS derivative contracts (note 21) and warrants (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 three and nine month periods ended September 30, 2022 and 2021.

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 satisfies 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 September 30, 2022, accounts receivable outstanding for greater than 90 days and considered past due by the Company represent 14.7% (December 31, 2021 – 14.8%) of the balance of progress billings on construction contracts receivable. The Company has recorded an allowance of $1,604 (December 31, 2021 – $1,527) 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 $172,623 (December 31, 2021 – $151,810) which is available to support surety requirements related to construction projects. Working capital is calculated as total current assets less total current liabilities. As a component of working capital, the Company maintains significant balances of cash and cash equivalents. These balances, less $90 hypothecated to support outstanding letters of credit and $66,847 held in restricted trust accounts, are available to meet the general financial obligations of the Company as they become due. Restricted cash in trust is held in segregated accounts for payment obligations on certain projects. Refer to note 17 in respect of the Syndicated facility and the Company's other debt instruments, which further improves the Company's access to liquidity. At September 30, 2022, the Company had a total undrawn balance on its committed revolving credit facility and committed non-revolving term loan facility of $116,963 (December 31, 2021 – $140,286). Also, the Company has a non-committed 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 Company also has committed term credit facilities of up to $40,000 to be used to finance equipment purchases of which $37,240 is undrawn as at September 30, 2022 (December 31, 2021 –

$34,758). 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.

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.

At September 30, 2022, 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 $909 (2021 – $777).

The Company has certain share-based compensation plans, where 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 derivative contracts maturing in 2023. 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. At September 30, 2022, a 10 percent change in the share price applied to the Company's TRS derivatives would change income before income taxes by approximately $1,187 (2021 – $1,491).

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. At September 30, 2022, a 10 percent movement in the Canadian and U.S. dollar exchange rate would have changed income before income taxes by approximately $122 (2021 – $372).

31. Commitments and contingencies

Commitments

Outstanding surety lien bonds issued on behalf of the Company in connection with liens by subcontractors and suppliers at September 30, 2022 totalled $87,063 (December 31, 2021 – $93,135). The Company has acquired minority equity interests in a number of PPP concession entities (note 12), which require the Company to make $1,816 in future capital injections. These commitments have been secured by letters of credit totalling $1,816 (December 31, 2021 – $1,816).

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.

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

32. 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
October dividend	October 31, 2022	November 18, 2022	$0.0325
November dividend	November 30, 2022	December 20, 2022	$0.0325
December dividend	December 30, 2022	January 20, 2023	$0.0325
January dividend	January 31, 2023	February 17, 2023	$0.0325
February dividend	February 28, 2023	March 20, 2023	$0.0325