Bird Construction Inc.

Interim Condensed Consolidated Financial Statements

For the three month periods ended March 31, 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 month periods ended March 31, 2022 and 2021 have not been reviewed by the Company's independent external auditor.

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

	Note		March 31, 2022		December 31, 2021
ASSETS					
Current assets					
Cash and cash equivalents	8	**$**	**150,671**	$	190,191
Accounts receivable	9		**569,576**		597,814
Contract assets			**64,857**		55,949
Inventory and prepaid expenses			**9,584**		9,406
Income taxes recoverable			**10,156**		9,175
Other assets	11		**5,199**		6,119
Assets held for sale	13		**4,396**		4,416
Total current assets			**814,439**		873,070
Non-current assets					
Other assets	11		**9,550**		9,104
Investments in equity accounted entities	12		**13,017**		13,471
Property and equipment	14		**55,375**		55,004
Right-of-use assets	15		**68,478**		67,497
Deferred income tax asset			**29,999**		32,784
Intangible assets	16		**30,378**		30,478
Goodwill			**55,740**		55,740
Total non-current assets			**262,537**		264,078
TOTAL ASSETS		**$**	**1,076,976**	$	1,137,148
LIABILITIES					
Current liabilities					
Accounts payable		**$**	**488,227**	$	514,330
Contract liabilities			**120,728**		130,315
Dividends payable to shareholders			**1,745**		1,745
Income taxes payable			**8,742**		7,991
Current portion of loans and borrowings	17		**7,133**		7,470
Current portion of right-of-use liabilities	18		**16,587**		19,782
Provisions	20		**20,304**		27,316
Other liabilities	21		**6,116**		12,311
Total current liabilities			**669,582**		721,260
Non-current liabilities					
Loans and borrowings	17		**69,216**		71,211
Right-of-use liabilities	18		**62,018**		59,576
Deferred income tax liability			**18,090**		24,798
Other liabilities	21		**13,115**		16,583
Pension liabilities			**-**		232
Total non-current liabilities			**162,439**		172,400
TOTAL LIABILITIES			**832,021**		893,660
SHAREHOLDERS' EQUITY					
Shareholders' capital	24		**114,584**		114,584
Contributed surplus			**1,956**		1,956
Retained earnings			**128,389**		126,935
Accumulated other comprehensive income			**26**		13
Total shareholders' equity			**244,955**		243,488
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**1,076,976**	$	1,137,148

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

Approved on behalf of the Board of Directors

Paul R. Raboud
Chairman of the Board

Karyn A. Brooks
Audit Committee Chair

Bird Construction Inc.
Consolidated Statement of Income
For the three month periods ended March 31, 2022 and 2021
(in thousands of Canadian dollars, except per share amounts) (unaudited)

	Note	For the three months ended March 31, 2022	2021
Construction revenue	10	$ **475,521**	$ 444,637
Costs of construction	28	**433,903**	404,721
Gross profit		**41,618**	39,916
Income (loss) from equity accounted investments	12	**(465)**	322
General and administrative expenses	28	**(31,304)**	(29,437)
Income from operations		**9,849**	10,801
Finance income	26	**266**	302
Finance and other costs	27	**(1,773)**	(1,739)
Income before income taxes		**8,342**	9,364
Income tax expense	19	**1,981**	2,245
Net income for the period		$ **6,361**	$ 7,119
Basic and diluted earnings per share	25	$ **0.12**	$ 0.13

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, 2022 and 2021
(in thousands of Canadian dollars) (unaudited)

	Note	For the three months ended March 31, 2022	2021
Net income for the period		**$ 6,361**	$ 7,119
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)		**440**	3,250
Deferred tax recovery (expense)		**(112)**	(801)
		328	2,449
Items that may be reclassified to net income in subsequent periods:			
Foreign currency translation on equity accounted investments	12	**54**	19
Other foreign currency translation		**(9)**	(25)
Deferred tax recovery (expense)		**(32)**	(29)
		13	(35)
Total comprehensive income for the period		**$ 6,702**	$ 9,533

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, 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		**-**	**-**	**6,361**	**-**	**6,361**
Other comprehensive income (loss) for the period		**-**	**-**	**328**	**13**	**341**
Total comprehensive income (loss) for the period		**-**	**-**	**6,689**	**13**	**6,702**
Contributions by and dividends to owners						
Dividends declared to shareholders		**-**	**-**	**(5,235)**	**-**	**(5,235)**
		-	**-**	**(5,235)**	**-**	**(5,235)**
Balance at March 31, 2022		**$ 114,584**	**$ 1,956**	**$ 128,389**	**$ 26**	**$ 244,955**
Dividends declared per share				**$ 0.10**		
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		-	-	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		

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, 2022 and 2021
(in thousands of Canadian dollars) (unaudited)

	Note	For the three months ended March 31, 2022	2021
Cash flows from (used in) operating activities			
Net income for the period		$ **6,361**	$ 7,119
Items not involving cash:			
Amortization	16	**1,680**	1,537
Depreciation	14,15	**6,740**	6,423
Gain on sale of property and equipment		**(680)**	(403)
(Income) loss from equity accounted investments	12	**465**	(322)
Finance income	26	**(266)**	(302)
Finance and other costs	27	**1,773**	1,739
Deferred compensation plan expense and other		**1,394**	2,677
Defined benefit pension plan expense, net of contributions		**(233)**	(15)
Unrealized (gain) loss on investments and other		**53**	94
Income tax expense (recovery)	19	**1,981**	2,245
Cash flows from operations before changes in non-cash working capital		**19,268**	20,792
Changes in non-cash working capital relating to operating activities	29	**(33,877)**	(69,659)
Interest received		**265**	335
Interest paid		**(1,638)**	(1,455)
Income taxes recovered (paid)		**(6,278)**	(18,552)
Net cash from (used in) operating activities		**(22,260)**	(68,539)
Cash flows from (used in) investing activities			
Investments in equity accounted entities	12	**-**	(768)
Capital distributions from equity accounted entities	12,13	**63**	43
Additions to property and equipment and intangible assets	14,16	**(5,437)**	(1,028)
Proceeds on sale of property and equipment	14	**761**	1,071
Other long-term assets		**35**	204
Net cash from (used in) investing activities		**(4,578)**	(478)
Cash flows from (used in) financing activities			
Dividends paid on shares		**(5,235)**	(5,171)
Repayment of loans and borrowings	17	**(2,332)**	(7,621)
Repayment of right-of-use liabilities	18	**(5,069)**	(5,155)
Net cash from (used in) financing activities		**(12,636)**	(17,947)
Net increase (decrease) in cash and cash equivalents during the period		**(39,474)**	(86,964)
Effects of foreign exchange on cash balances		**(46)**	(65)
Cash and cash equivalents, beginning of the period		**190,191**	212,068
Cash and cash equivalents, end of the period	8	$ **150,671**	$ 125,039

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 markets 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 fixed price, 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, 2021. These financial statements were authorized for issue on May 10, 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, 2022 that have not been applied in preparing the financial statements for the period ended March 31, 2022. These standards and interpretations are not expected to have a material impact on the Company's financial statements.

7. Business combinations

(a) 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 first quarter of 2022.

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

8. Cash and cash equivalents

Cash and cash equivalents		March 31, 2022		December 31, 2021
Accessible cash	$	**73,237**	$	102,972
Cash held for joint operations		**16,603**		22,708
Restricted cash		**60,741**		64,421
Restricted short-term deposits held to support letters of credit		**90**		90
	$	**150,671**	$	190,191

Restricted cash and cash equivalents		March 31, 2022		December 31, 2021
Cash and cash equivalents held to support letters of credit (note 17)	$	**90**	$	139
Restricted cash held in trust		**60,741**		64,372
	$	**60,831**	$	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.

The description of the components of cash and cash equivalents is summarized in note 8 of the Company's December 31, 2021 annual consolidated financial statements.

9. Accounts receivable

		March 31, 2022		December 31, 2021
Progress billings on construction contracts	$	**388,218**	$	412,674
Holdbacks receivable (due within one operating cycle)		**177,114**		178,898
Other		**4,244**		6,242
	$	**569,576**	$	597,814

Accounts receivable are reported net of an allowance for doubtful accounts of $1,530 as at March 31, 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.

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,			
		2022		2021
Public Private Partnerships ("PPP")	$	**3,863**	$	443
Alternative finance projects and complex design-build		**21,646**		11,844
Stipulated sum, unit price and standard specification design-build		**276,089**		242,590
Construction management, cost plus and IPD		**173,923**		189,760
	$	**475,521**	$	444,637

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

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, 2022, the aggregate amount of remaining performance obligations from construction contracts was $3,033,678. 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 55% 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" 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.

11. Other assets

		March 31, 2022		December 31, 2021
Subcontractor / Supplier insurance deposits	$	**4,725**	$	4,403
Lease receivables		**5,600**		5,895
Total Return Swap ("TRS") derivatives		**3,983**		4,896
Foreign currency forward swaps (note 21)		–		29
Pension asset		**441**		–
Other assets		**14,749**		15,223
Less: current portion				
TRS derivatives		**3,983**		4,896
Lease receivables		**1,216**		1,194
Foreign currency forward swaps		–		29
Current portion		**5,199**		6,119
Non-current portion	$	**9,550**	$	9,104

(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, 2022
Balance, beginning of period	$	13,471
Share of net income (loss) for the period		(465)
Share of other comprehensive income (loss) for the period		54
		13,060
Capital distributions received		(43)
Balance, end of period	$	13,017

13. Assets held for sale

Assets held for sale		March 31, 2022
Balance, beginning of period	$	4,416
Capital distributions received		(20)
Balance, end of period	$	4,396

Subsequent to the quarter ended March 31, 2022, the Company sold one of the equity accounted entities classified as held for sale for proceeds exceeding its carrying amount.

14. Property and equipment

	March 31, 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	–	116	176	3,485	80	3,857
Disposals	–	–	(8)	(422)	–	(430)
Balance, March 31, 2022	2,352	12,801	17,450	101,758	3,264	137,625
Accumulated depreciation						
Balance, December 31, 2021	–	7,210	8,452	61,342	2,190	79,194
Disposals	–	–	(2)	(107)	–	(109)
Depreciation expense	–	112	583	2,417	53	3,165
Balance, March 31, 2022	–	7,322	9,033	63,652	2,243	82,250
Net book value	$ 2,352	$ 5,479	$ 8,417	$ 38,106	$ 1,021	$ 55,375

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

15. Right-of-use assets

	March 31, 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	5,335	189	–	5,524
Disposals	(954)	(634)	–	(1,588)
Balance, March 31, 2022	47,774	50,996	1,848	100,618
Accumulated depreciation				
Balance, December 31, 2021	11,963	16,257	965	29,185
Disposals	–	(620)	–	(620)
Depreciation expense	1,620	1,763	192	3,575
Balance, March 31, 2022	13,583	17,400	1,157	32,140
Net book value	$ 34,191	$ 33,596	$ 691	$ 68,478

16. Intangible assets

	March 31, 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	–	–	–	1,580	1,580
Balance, March 31, 2022	8,000	4,500	15,500	18,744	46,744
Accumulated amortization					
Balance, December 31, 2021	67	1,790	2,189	10,640	14,686
Amortization expense	50	427	561	642	1,680
Balance, March 31, 2022	117	2,217	2,750	11,282	16,366
Net book value	$ 7,883	$ 2,283	$ 12,750	$ 7,462	$ 30,378

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

17. Loans and borrowings

Loans and borrowings

	Maturity	Interest rate		March 31, 2022		December 31, 2021
Committed revolving credit facility	Sept 1, 2024	Variable	$	**22,725**	$	22,725
Committed non-revolving term loan facility	Sept 1, 2024	Variable		**48,750**		49,375
Equipment financing	2022 – 2025	Fixed 2.04%-3.73%		**4,874**		6,581
			$	**76,349**	$	78,681
Current portion			$	**7,133**	$	7,470
Non-current portion			$	**69,216**	$	71,211

The following table provides details of the changes in the Company's Loans and Borrowings during the three months ended March 31, 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**
Repayment		**–**		**(625)**		**(1,707)**		**(2.332)**
Balance, March 31, 2022	$	**22,725**	$	**48,750**	$	**4,874**	$	**76,349**

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 March 31, 2022, the Company has $22,039 letters of credit outstanding on the facility (December 31, 2021 - $21,989) and has drawn $22,725 on the facility (December 31, 2021 - $22,725). The full amount outstanding is recorded as non-current, as the facility is due and payable on September 1, 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 March 31, 2022, the Company has an outstanding balance of $48,750 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.

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

The Company was in compliance with its covenants under each facility as at March 31, 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 March 31, 2022 $4,417 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 March 31, 2022, the balance outstanding on these term loans amounted to $457 (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 March 31, 2022 the facilities were drawn for outstanding letters of credit of $59,250 (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 March 31, 2022 EDC has issued performance security guarantees totalling $59,160 (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 March 31, 2022 of $90 (December 31, 2021 - $139).

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 ROU liabilities during the period ended March 31, 2022:

		March 31, 2022		December 31, 2021
Balance, beginning of period	**$**	**79,358**	$	78,075
Acquisition (note 7)		**–**		5,489
Additions		**5,524**		15,997
Interest		**697**		2,937
Lease terminations and modifications		**(1,208)**		(938)
Repayment		**(5,766)**		(22,202)
Balance, end of period	**$**	**78,605**	$	79,358
Current portion	**$**	**16,587**	$	19,782
Non-current	**$**	**62,018**	$	59,576

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

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 right of use liabilities, with the lease obligations being secured by the specific leased equipment. At March 31, 2022, the Company had used $7,355 (December 31, 2021 - $6,864) under these facilities.

19. Income taxes

Provision for income taxes

	Three months ended March 31, 2022	2021
Income tax expense (recovery) comprised of:		
Current income taxes	$ **6,034**	$ 4,399
Deferred income taxes	**(4,053)**	(2,154)
	$ **1,981**	$ 2,245

Income tax rate reconciliation

	Three months ended March 31, 2022	2021
Combined federal and provincial income tax rate	**26.2%**	24.7%
Increase (reductions) applicable to:		
Effect of different tax rate on equity investments	**–**	(0.6%)
Non-taxable items	**0.4%**	0.4%
Other	**(2.9%)**	(0.5%)
Effective rate	**23.7%**	24.0%

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

20. Provisions

	Warranty claims and other	Legal	Total
Balance, December 31, 2021	$ **16,426**	$ **10,890**	$ **27,316**
Provisions made during the period	**1,814**	**493**	**2,307**
Provisions used during the period	**(1,717)**	**(151)**	**(1,868)**
Provisions reversed during the period	**(7,308)**	**(143)**	**(7,451)**
Balance, March 31, 2022	$ **9,215**	$ **11,089**	$ **20,304**

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)

21. Other liabilities

		March 31, 2022		December 31, 2021
Liabilities for cash-settled share-based compensation plans (note 23)	$	**16,682**	$	24,918
Leasehold inducements		**1,534**		1,612
Foreign currency forward swaps		**15**		–
Acquisition holdback and other liability (note 7)		**1,000**		2,364
	$	**19,231**	$	28,894
Less: current portion				
Cash-settled share-based compensation plans (note 23)		**5,833**		10,630
Leasehold inducements		**268**		317
Foreign currency forward swaps		**15**		–
Acquisition holdback and other liability (note 7)		**–**		1,364
Current portion	$	**6,116**	$	12,311
Non-current portion	$	**13,115**	$	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. The fair value of plan assets exceeded the accrued benefit obligation of the plan at March 31, 2022. No pension asset was recorded due to the impact of the asset ceiling. The wind up is expected to be completed within the next twelve months.

23. Share-based compensation plans

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

		March 31, 2022		December 31, 2021
MTIP liability	$	**2,816**	$	6,347
EIP liability		**6,074**		10,585
DSU liability		**7,792**		7,986
Liabilities for cash-settled share-based compensation plans	$	**16,682**	$	24,918
Less: current portion				
MTIP liability		**1,959**		5,540
EIP liability		**3,874**		5,090
Current portion	$	**5,833**	$	10,630
Non-current portion	$	**10,849**	$	14,288

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

	March 31, 2022		
	MTIP	EIP[1]	DSUs
Units, beginning of period	809,213	1,398,029	813,258
Granted [2]	4,450	678,046	40,209
Forfeited	(4,733)	–	–
Change in estimate	–	–	–
Vested and paid	(376,697)	(420,247)	–
Units, end of period	432,233	1,655,828	853,467

[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 March 31, 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 period ended March 31, 2022, the Company granted 31,796 units under the DSU plan at a fair market value of $9.23, 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,	
	2022	2021
MTIP	$ 111	$ 1,347
EIP	642	1,876
DSU	(194)	949
	$ 559	$ 4,172

[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 $913 on these derivatives in the statement of income in general and administrative expenses for the period ended March 31, 2022 (2021 - $1,540 gain).

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 March 31, 2022 and December 31, 2021, no preferred shares have been issued.

	March 31, 2022	
	Number of shares	Amount
Balance, beginning of period	53,695,293	$ 114,584
Common shares issued	–	–
Balance, end of period	53,695,293	$ 114,584

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

25. Earnings per share

	Three months ended March 31, 2022	Three months ended March 31, 2021
Net income (basic and diluted)	$ **6,361**	$ 7,119
Weighted average number of common shares (basic and diluted)	**53,695,293**	53,038,929
Basic and diluted earnings per share	$ **0.12**	$ 0.13

26. Finance income

	Three months ended March 31, 2022	Three months ended March 31, 2021
Interest income on lease receivables	$ **40**	$ 49
Other interest income	**226**	253
	$ **266**	$ 302

27. Finance and other costs

	Three months ended March 31, 2022	Three months ended March 31, 2021
Interest on loans and borrowings	$ **807**	$ 855
Interest on ROU liabilities	**697**	735
(Gain) loss on interest rate swaps	**–**	(51)
Other	**269**	200
	$ **1,773**	$ 1,739

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 period ended March 31, 2022, the Company recognized a recovery of compensation expense in costs of construction of $nil (2021 - $10,997) and general and administrative expenses of $nil (2021 - $190).

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

29. Other cash flow information

Changes in non-cash working capital relating to operating activities

	Three months ended March 31,	
	2022	2021
Accounts receivable	**$ 28,197**	$ 20,471
Contract assets	**(8,908)**	3,529
Contract assets – alternative finance projects	**–**	113
Inventory and prepaid expenses	**(178)**	(863)
Other assets	**7**	70
Accounts payable	**(26,237)**	(85,001)
Contract liabilities	**(9,587)**	(4,482)
Provisions	**(7,012)**	(1,880)
Deferred compensation plan expense and other	**(10,159)**	(1,616)
	$ (33,877)	$ (69,659)

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 (note 21), interest rate swaps 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 three month periods ended March 31, 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 March 31, 2022, accounts receivable outstanding for greater than 90 days and considered past due by the Company's management represent 19.3% (December 31, 2021 – 14.8%) of the balance of progress billings on construction contracts receivable. Management has recorded an allowance of $1,530 (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 $144,857 (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 $60,741 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 March 31, 2022, the Company had a total undrawn balance on its committed revolving credit facility and committed non-revolving term loan facility of $140,236 (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 $35,583 is undrawn as at March 31, 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.

For the period ended March 31, 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 $714 (2021 – $546).

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 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 quarter ended March 31, 2022, a 10 percent change in the share price applied to the Company's TRS derivatives would change income before income taxes by approximately $1,411 (2021 – $1,327).

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

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. For the period ended March 31, 2022, a 10% movement in the Canadian and U.S. dollar exchange rate would have changed income before income taxes by approximately $321 (2021 – $657).

31. 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, 2022 totalled $93,017 (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.

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
April dividend	April 29, 2022	May 20, 2022	$0.0325
May dividend	May 31, 2022	June 20, 2022	$0.0325
June dividend	June 30, 2022	July 20, 2022	$0.0325
July dividend	July 29, 2022	August 19, 2022	$0.0325