



**MANAGEMENT'S DISCUSSION AND ANALYSIS
THIRD QUARTER ENDED SEPTEMBER 30, 2011**

Management’s Discussion and Analysis - Third Quarter Ended September 30, 2011

The following Management’s Discussion and Analysis (“MD&A”) of Bird Construction Inc.’s (“the Company”) financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2011 and the December 31, 2010 audited consolidated financial statements of Bird Construction Income Fund (the predecessor to the Company) and the notes thereto presented in comparison to the preceding year. This discussion contains forward looking statements, which are subject to a variety of factors that could cause actual results to differ materially from those contemplated by these statements. See “Forward Looking Information”. Some of the factors that could cause results or events to differ from current expectations include, but are not limited to, the factors described under “Risks Relating to the Business” and “Risks Relating to the Shares” included in the Company’s most current Annual Information Form dated March 3, 2011. This MD&A has been prepared as of November 10, 2011. Additional information about the Company is available through the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and includes the Company’s Annual Information Form and other filings, including those filed by its predecessor, Bird Construction Income Fund (“the Fund”).

On January 1, 2011, the Fund converted from an income trust structure to a public corporation under an Arrangement Agreement executed between the Fund and the Company. Under the Arrangement Agreement, the Fund’s Unitholders transferred their units in the Fund to the Company in exchange for commons shares of the Company on a one-for-one basis. Accordingly, all former Unitholders became Shareholders of the Company on January 1, 2011 and the Company owned all of the outstanding units of the Fund.

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EXECUTIVE SUMMARY:

(thousands of dollars, except per share amounts)	For the nine months ended September 30	
	2011	2010
Income Statement Data		
Revenue	\$ 642,468	\$ 616,671
Gross profit	48,545	69,893
Income before income taxes	23,681	44,178
Net income ⁽¹⁾	16,671	36,938
Basic and diluted earnings per share ⁽³⁾	0.40	0.88
Adjusted Net Income ⁽⁴⁾		
Adjusted net income	17,903	37,289
Adjusted net income per share	0.42	0.89
Cash Flow Data		
Cash flows from (used in) operations	(19,863)	21,252
Additions to property and equipment ⁽²⁾	3,540	1,534
Cash dividends/distributions paid	20,656	18,969
Cash dividends/distributions declared per share ⁽³⁾	0.49	0.45
	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Balance Sheet Data		
Total assets	607,492	482,981
Working capital	115,676	137,130
Long term debt	45,083	-
Shareholders' equity	156,445	160,640

⁽¹⁾ includes comprehensive income, hereafter referred to as net income

⁽²⁾ including computer software purchases included in intangible assets

⁽³⁾ adjusted for the April 2011 three-for-one stock split

⁽⁴⁾ adjusted net income is a non-GAAP measure and does not have standardized meaning. See page 4

RECENT HIGHLIGHTS:

- During the third quarter of 2011, the Company generated improved earnings performance relative to that reported in the first half of 2011. Third quarter net income of \$9.5 million compares to \$4.1 million in the first quarter of 2011 and \$3.0 in the second quarter of 2011. The improvement reflects the impact of the acquisition of H.J O'Connell, Limited ("O'Connell") on August 31, 2011 combined with an increase in the construction activity from Bird's pre-acquisition business.
- During the nine months ended September 30, 2011, the Company reported net income of \$16.7 million on construction revenues of \$642.5 million. These financial results compare with \$36.9 million and \$616.7 million in the comparable period a year ago. The reduction in net income is primarily a result of lower gross profit margins consistent with a more competitive market, which was particularly prevalent in the first half of 2011. Additional income tax expense of approximately \$5.9 million resulting from the full taxation of Bird's income effective January 1, 2011 also contributed to lower earnings in the period. Adjusted net income (non-GAAP measure) was \$ 17.9 million in 2011 compared with \$37.3 million in 2010.
- On August 31, 2011, the Company completed its acquisition of O'Connell. The purchase price for the acquisition was \$85.5 million, including purchase price adjustments relating to acquired working capital on closing and a valuation of the estimated future earn-out payments relating to the realization of future net income. The completion of this transaction marks a significant event in the growth of Bird. The opportunities that a combined Bird and O'Connell will be able to pursue will enhance the financial results of the Company in the future. O'Connell has been a leader in the heavy construction, civil construction and contract surface mining construction sectors of the general contracting industry since 1931 with current operations in Newfoundland & Labrador, Northern Quebec and Manitoba. O'Connell operates a large fleet of heavy civil and mining equipment in support of its construction and mining operations.

O'Connell has offices in Montreal, Quebec, Wabush and St. John's, Newfoundland. O'Connell's profitable operations are making an immediate contribution to Bird's adjusted net income, which will be more evident in the next quarter.

- The Company secured \$707.3 million of new construction contracts in the nine months ended September 30, 2011 including change orders on existing contracts. The Company acquired \$152.3 million of Backlog resulting from the O'Connell acquisition on August 31, 2011, and put in place work valued at \$642.5 million. In addition, the Royal Alberta Museum contract was cancelled during the first quarter resulting in a reduction to Backlog of \$147.0 million. As a result, the Backlog is at a record high of \$1,229.7 million on September 30, 2011.
- On October 12, 2011, the Company, through a joint venture arrangement, announced that it was awarded a design-build construction contract for the Restigouche Hospital Centre located in Campbellton, New Brunswick. This award represents the seventh award to Bird of a PPP construction contract since 2008.
- The Company is part of a consortium short-listed to submit a proposal to design, build and finance three Toronto 2015 Pan/Parapan American Games venues.
- On September 15, 2011, the Company announced that O'Connell executed a \$100.0 million unit price contract with ArcelorMittal Mines Canada Inc. for the removal of waste rock at the client's Mont Wright mine located near Fermont, Quebec.
- On October 26, 2011, the Company announced that it was awarded a design-build construction project with Canada Post to build a new processing facility at the Vancouver International Airport in the City of Richmond, British Columbia. This contract is not reported in Backlog at September 30, 2011, and will be reflected in the Company's fourth quarter Backlog results.
- In the first quarter of 2011, the Company successfully achieved substantial construction completion on the Surrey Outpatient Facility in British Columbia. The completion of this significant project represents Bird's third Public Private Partnership (PPP) project to be completed.
- On March 3, 2011, the Company announced its first common share dividend since converting from an income trust structure to a public corporation. The current dividend per common share represents a 10% increase in the annualized amount of the distributions previously paid by the Company's predecessor, the Fund.
- On March 3, 2011, the Company approved a three-for-one stock split accomplished by way of a stock dividend. A stock dividend of two common shares for each common share held on April 14, 2011 was declared on March 3, 2011 and paid on April 22, 2011.
- The Company previously prepared its financial statements in accordance with Canadian GAAP and adopted International Financial Reporting Standards ("IFRS") effective January 1, 2011. For more information regarding the transition to IFRS, see note 27 to the condensed consolidated interim financial statements, which contains further information and a reconciliation of previously reported financial information prepared under Canadian GAAP to IFRS. Except as otherwise noted, the financial information contained in the MD&A and in the interim financial statements has been prepared in accordance with IFRS.

ADJUSTED NET INCOME MEASURE (NON-GAAP INFORMATION):

As disclosed in note 5 to the unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2011, \$6.0 million of the total purchase price was allocated to the value of the Backlog acquired and \$8.4 million was allocated to the value attributed to customer relationships and \$0.8 million of transaction costs was expensed in the period. For accounting purposes, intangible assets are assumed to have finite useful lives and accordingly, the amounts are amortized and expensed to income over the expected useful life of the respective assets. This accounting principle implies that there is a decline in the value of the acquisition to the Company immediately. Management believes that this principle is not consistent with the economics used by it to support the O'Connell acquisition, as the earnings potential of the business is not diminished by the amortization of the intangible assets. Accordingly, adjusted net income excludes the non-cash amortization expense associated with intangible assets, including the intangible asset amortization relating to the Rideau transaction completed in 2008. Adjusted net income also excludes transaction costs associated with the O'Connell acquisition as such costs are non-

recurring expenses undertaken to achieve increased long-term future earnings and cash flows and are not associated with the income generating activities undertaken during the quarter. Management believes that the presentation of adjusted net income and adjusted net income per share provides useful information to shareholders and potential investors as it provides increased transparency and predictive value. Management uses adjusted net income to set targets, assess performance of the Company and set the Company's dividend payout rate.

NON-GAAP MEASURE:

Adjusted net income and adjusted net income per share have no standardized meaning prescribed by GAAP and are not considered GAAP measures. Therefore, these measures may not be comparable with similar measures presented by others.

Adjusted Net Income (Non-GAAP Information)
(thousands of dollars, except per share amounts)

	For the nine months ended September 30	
	2011	2010
Net income as reported in financial statements (GAAP)	\$ 16,671	\$ 36,938
Add: Amortization of intangible assets	993	420
Add: Transaction costs	756	-
	<u>1,749</u>	<u>420</u>
Add: Income tax expense	(516)	(69)
Adjusted net income (Non-GAAP Measure)	\$ <u>17,903</u>	\$ <u>37,289</u>
Adjusted net income per share (Non-GAAP Measure)	\$ <u>0.42</u>	\$ <u>0.89</u>

NATURE OF THE BUSINESS:

The Company operates as a general contractor with offices in Halifax, Saint John, Toronto, Winnipeg, Calgary, Edmonton and Vancouver. The Company and its predecessors have been in operation for over 90 years and focuses primarily on projects in the industrial, commercial and institutional ("ICI") sectors of the general contracting industry. The Company utilizes fixed price, design-build, unit price, cost reimbursable, guaranteed upset price and construction management contract delivery methods. Since 2008, the Company secured and will continue to pursue design-build contracts with entities participating in the PPP market in the institutional sector. Effective August 31, 2011, with the acquisition of O'Connell, the Company now also operates in the heavy construction, civil construction and contract surface mining construction sectors of the general contracting industry, with current operations in Newfoundland & Labrador, Northern Quebec and Manitoba.

While Bird self-performs some elements of its projects, particularly in the industrial market sector and in conjunction with the civil construction and contract mining operations conducted by O'Connell, the majority of the overall construction risk rests with its subcontractors. The scope of the work of each subcontractor is defined by the same contract documents that form the basis of the Company's agreement with its clients. The terms of the agreement between the Company and its clients are replicated in the agreement between the Company and its subcontractors. These "flow-down" provisions substantially mitigate the risk borne by the Company. Depending on the value of the work, the Company may require bonds or other forms of contract security from subcontractors which will help mitigate exposure to possible additional costs should a subcontractor not be able to meet their contractual obligations. Bird's primary constraint on growth is the securement of new work at reasonable margins and the availability of qualified professional staff who can be assigned to manage the projects.

MISSION STATEMENT:

The Company's mission statement is as follows:

Bird Construction Company turns ideas into reality through a tradition of building trust, delivering exceptional client service and creating value.

The Company's long record of success is based on trust that has been built with clients, employees and business partners and a commitment to providing exceptional customer service. We are committed to providing a remarkable customer experience for our clients by understanding their goals for their project and then ensuring that these objectives are achieved. The Company's core values include:

Safety

- Safety is a moral obligation. Our goal is to attain a zero incident frequency.

Teamwork

- We believe that the best results are achieved when everyone works together; our staff, our clients, our consultants and our subcontractors and suppliers.

Honesty and Integrity

- We do what we say. We are always honest, truthful and conduct ourselves with integrity.

Fairness

- We treat others as we would wish to be treated.

Professionalism and Excellence

- We conduct ourselves in a manner of which we are proud; as individuals, and as representatives of our Company and industry.

Personal Growth

- We support employees in their goal to expand their skills and experience. We believe that employees are entitled to meaningful, satisfying work as they help advance the goals of the Company.

STRATEGY:

The Company will pursue organic growth by expanding its activities in constructing projects for clients in the ICI sectors. The Company will continue to utilize a range of contract formats and also will continue to pursue design-build projects across the entire ICI sector. The design work required for these projects is typically specialized and varies widely based on the project type. Accordingly, the Company will continue to out-source design services in order to efficiently access the best expertise available. The Company's long-standing record of providing a quality product to its clients on time and standing behind that product after completion of construction, has provided the opportunity for the Company to work with many clients on a repeat basis. The Company will continue to emphasize operational excellence as a means for generating new opportunities, and thereby creating value.

The Company has secured and will continue to pursue design-build contracts with clients participating in the PPP market in the institutional sector. In addition to the Company's more traditional role of acting as a construction contractor to the PPP project, the Company is actively looking to acquire an equity position in PPP projects as a means to support its construction operations and generate additional construction opportunities. The Company has built shareholders' equity in order to have the financial capacity to pre-qualify for PPP construction contracts and should the right opportunities arise, acquire a non-controlling ownership interest in the PPP concession, using internally-generated funds.

The Company has developed expertise in the construction of water and waste water treatment facilities and will continue to capitalize on this expertise. Small to mid-size acquisitions may be considered as a means of achieving higher penetration in this market area.

The Company is well positioned to capitalize on what it believes to be a resurgence of construction activities in the Alberta oil sands. In addition, the Company is also positioning itself to address the maintenance requirements of our oil sands clients. Achievement of this strategic initiative may be accomplished through an acquisition or through organic growth, or a combination of both. Through the acquisition of O'Connell, the Company expects to benefit from the many attractive opportunities that are expected to arise through the continued development of Canada's resource sector.

The Company will continue its efforts to attract and retain a highly skilled professional work force to increase its capacity to deliver increasing revenues and earnings in the future. The Company prides itself in providing a working environment for its

employees based on the principles of honesty, integrity, excellence and professionalism. The Company supports employees in their goal to expand their skills and experience. The Company believes that employees are entitled to meaningful, satisfying work as they help advance the goals of the Company.

The Company emphasizes providing a safe working environment for its employees and those of its subcontractors. Our safety program is supported through ongoing safety training programs, on-site safety supervision and audits of these programs.

KEY PERFORMANCE DRIVERS:

Securing profitable construction contracts and then controlling the costs during the execution of that work are key drivers of success for the Company.

In order to achieve this, new work must be available, which is a function of the general state of the economy. In periods of strong economic growth, capital spending will generally increase and there will be more opportunities available in the construction industry. Economic conditions relative to the construction industry since the recession began were weak and, accordingly, the competition for the contracts has increased. Both construction revenues and gross margins were impacted by the general state of the economy.

The Company must be successful in securing profitable work when it is available. The construction industry is highly fragmented and, accordingly, the Company competes with a number of international, national, regional and local construction firms. One of the Company's competitive advantages rests in its long-standing reputation for delivering high quality projects that fully meet the needs of the customer.

The Company's success in securing work is also reflected in the value of Backlog, which is the total value of all contracts awarded to the Company, less the total value of work completed on these contracts as of the date of the reporting period. This includes all contracts that have been awarded to the Company whether the work has commenced or will commence. The following table shows the Company's Backlog at the end of the comparative reporting periods. With the acquisition of O'Connell combined with securements to the end of the third quarter similar in amount to the construction revenue realized to date, the Company is carrying forward a record amount of Backlog at September 30, 2011.

Backlog (thousands of dollars)	<u>September 30, 2011</u>	<u>September 30, 2010</u>	<u>December 31, 2010</u>
Backlog	\$ 1,299,700	\$ 1,163,400	\$ 1,229,600

Once the Company has secured a potentially profitable contract, the profitability of that contract, measured by the gross profit percentage is primarily a function of management's ability to control the costs associated with that contract. The following table shows the gross margin percentage realized by the Company in the comparative reporting periods.

Construction Gross Profit Percentage	<u>Nine months ended September 30, 2011</u>	<u>Nine months ended September 30, 2010</u>	<u>Year ended December 31, 2010</u>
	7.6%	11.3%	10.6%

The reduction in the gross profit percentage in the current period compared with the same period last year is a result of the very competitive market that exists due to the recent economic conditions. The gross profit percentage achieved in 2010 in part reflected the execution of projects that were awarded in a more robust economic environment prior to the onset of the economic recession. The impact of lower gross profit percentages was particularly evident in the last half of 2010 as higher margin projects awarded before the economic recession began were completed in the first half of 2010, with the result that a greater proportion of lower margin projects were recognized in earnings in the last half of 2010 and this trend continued through the first half of 2011. In the third quarter of 2011, the Company is beginning to execute construction projects with higher embedded margins, which were more recently awarded in slightly better economic conditions.

Financial condition

In order to pursue and secure projects, the Company must have adequate working capital and equity retained in the business to support its surety and contract security requirements. The Company continually monitors the adequacy of its working capital and equity to satisfy contract security needs. The following shows the working capital and equity of the Company in the comparative reporting periods.

(thousands of dollars)	<u>September 30, 2011</u>	<u>September 30, 2010</u>	<u>December 31, 2010</u>
Working capital	\$ 115,676	\$ 144,347	\$ 137,130
Shareholders' equity	\$ 156,445	\$ 157,724	\$ 160,640

The reduction in the amount of working capital from December 31, 2010 primarily is a result of the use of approximately \$37.8 million of cash used in part to finance the acquisition of O'Connell, offset to some extent by the working capital acquired from O'Connell. The Company had accumulated working capital in excess of the working capital requirements for our existing business, and consequently, the use of cash to partially finance the O'Connell acquisition still leaves the Company with a sufficient amount of working capital to support the business moving forward.

Safety

During the construction of its projects, the Company is responsible for the well being of all workers on our construction sites, including that of our subcontractor workers. The Company emphasizes safety in the conduct of all its activities. The Company will continue to strive for safety excellence as an integral part of the success of its overall operations. The Company is continually working to improve both its administration and technical execution with respect to safety. Safety management practices are reviewed by senior management of the Company. These reviews, along with comments from our operations staff, form the basis for an annual update of the Company's safety manual and procedures. The achievement of our success is measured based on Lost Time Accident statistics, which are monitored on a monthly basis, at all levels of the Company.

Notwithstanding the Company's commitment to safety on its project worksites, the Company experienced two significant incidents in the year to date that have resulted in the fatality of a subcontractor employee in each situation. The Company is fully co-operating with the respective investigative authority in each situation and is committed to determining the circumstances surrounding these events and to preventing similar situations from occurring in the future.

Lost Time Accident Frequency

<u>Nine months ended September 30, 2011</u>	<u>Nine months ended September 30, 2010</u>	<u>Year ended December 31, 2010</u>
0.14	0	0

In 2010, the Company reported a no lost time accident (LTA) year; however, two incidents are still in dispute with the respective Workers' Compensation Boards that could result in the incidents being reclassified as an LTA. Should these two incidents be classified as LTA's, the resulting LTA frequency for 2010 would be 0.25. This frequency is well below the industry average. A Lost Time Accident (LTA) is a work-related injury or illness that results in an individual being unable to work on a subsequent scheduled work day or shift. LTA frequency is defined as the number of LTA's recorded per 200,000 man-hours of work by Bird employees.

RESULTS OF OPERATIONS:

NINE MONTHS ENDED SEPTEMBER 30, 2011 COMPARED WITH NINE MONTHS ENDED SEPTEMBER 30, 2010

The Company's performance in the first three quarters of 2011 in part reflects the continuation of a very competitive construction market which began to impact the Company's gross profits in the second half of 2010 and into the first half of 2011. More recently, the Company has seen a modest improvement in gross margins associated with recent contract awards and this improvement is now beginning to be reflected in the past quarter's gross margin results. In the first three quarters of 2011, the Company reported net income of \$16.7 million on construction revenue of \$642.5 million which compares with net

income of \$36.9 million and construction revenues of \$616.7 million in 2010. The reduction in the amount of net income compared with the prior year is attributable to the combined effect of lower gross profit and a relatively higher incidence of income tax expense which resulted in Bird's entire income being fully subject to corporate taxation in 2011. The lower gross profit recorded in 2011 compared with 2010 was offset to some extent by higher construction revenue. The impact of reporting O'Connell operating results since August 31, 2011, increased revenues by \$28.5 million and net income by \$1.6 million in the current quarter.

Construction revenue of \$642.5 million in the nine months ended September 30, 2011 was \$25.8 million or approximately 4.2% higher than the amount recorded in 2010. The increase in revenue is primarily a result of O'Connell revenues of \$28.5 million. Construction revenue, excluding revenues derived from O'Connell, of approximately \$614.0 million compares with \$616.7 million a year earlier.

In the first three quarters of 2011, the Company's gross profit of \$48.5 million compares with \$69.9 million recorded a year ago. In 2011, the gross profit margin was 7.6%, compared with 11.3% in 2010. The gross profits realized in 2011 reflect the impact of a very competitive market as a result of current economic conditions, which were not totally apparent in Bird's first half financial results in 2010. A substantial portion of the gross profit realized in the first three quarters of 2010 included profit earned on projects which were awarded in more robust economic times and consequently had higher gross profit margins than those associated with more recently secured projects and which are now being reflected in current period earnings.

General and Administrative expenses of \$26.8 million were \$1.0 million lower than those recorded in 2010. The reduction is primarily a result of lower variable compensation expense, offset to some extent by transaction costs of \$0.8 million relating to the acquisition of O'Connell.

Finance income of \$2.8 million was \$0.2 million higher than 2010, primarily due to higher market returns available in 2011 compared with 2010, offset to some extent by a slightly higher net loss on the disposition of the Company's bond and preferred share investment portfolio.

Finance costs of \$0.8 million were \$0.3 million higher than 2010, primarily due to interest costs related to the long-term debt used to finance the O'Connell acquisition.

In 2011, income tax expense of \$7.0 million was \$0.2 million lower than 2010, consistent with lower pre-tax earnings. However, the amount of 2011 income tax expense reflects earnings being fully subject to corporate taxation. In 2010, the Company derived a benefit available to income trusts and their ability to shelter from income taxes, income that was distributed to unitholders.

THREE MONTHS ENDED SEPTEMBER 30, 2011 COMPARED WITH THREE MONTHS ENDED SEPTEMBER 30, 2010

In the third quarter of 2011, the Company generated net income of \$9.5 million on construction revenue of \$278.6 million compared with \$8.1 million and \$231.2 million, respectively, in 2010. The increase in the amount of net income in the three months compared with the prior year is attributable to the combined effect of higher construction revenue, higher gross profit, in part attributable to the O'Connell acquisition, offset to some extent by higher general and administrative expenses and higher income tax expense.

Construction revenue of \$278.6 million in the quarter was \$47.4 million or approximately 20.5% higher than the amount recorded in 2010. Higher construction revenue in part reflects O'Connell revenues of \$28.5 million, and higher revenues derived from Bird's pre-acquisition business of approximately \$18.9 million or 8.2%. This increase in revenues from these sources is primarily a result of timing differences in the execution of construction contracts on hand. In the current quarter, the Company was able to achieve substantial construction progress on a number of larger projects.

In the quarter ended September 30, 2011, the Company's gross profit of \$24.2 million compares with \$17.1 million recorded a year ago. The increase is a result of higher construction revenues combined with the impact of higher gross profit margins. In 2011, the gross profit margin was 8.7%, compared with 7.4% in 2010. The increase is a result of higher gross profit from both O'Connell and Bird's pre-acquisition business reflecting the execution of a greater proportion of higher margin work awarded to the Company in the past year.

General and Administrative expenses of \$10.5 million in the quarter were \$0.9 million higher than the amount recorded in 2010. The increase in costs is a result of the combined impact of higher variable compensation costs, inclusion of O'Connell general and administrative costs and transaction costs relating to the O'Connell acquisition.

Finance income of \$0.6 million was \$0.6 million lower than 2010 resulting from lower cash balances available to invest due to the impact of the use of cash to acquire O'Connell. In addition, the Company recorded mark-to-market losses on the portfolio of investments in the third quarter of 2011 compared with a mark-to-market gain in 2010.

Finance costs of \$0.4 million were \$0.3 million higher than 2010, primarily due to interest costs related to the long-term debt used to finance the O'Connell acquisition.

In 2011, income tax expense of \$4.3 million was \$3.9 million higher than 2010, consistent with higher pre-tax earnings in 2011 combined with the fact that in 2010, the Company derived a benefit available to income trusts and their ability to shelter from income taxes, income that was distributed to unitholders.

FUTURE OPERATING PERFORMANCE:

Successful financial performance of the Company is dependent upon securing profitable construction contracts and then controlling the costs associated with executing the work. The ability to secure contracts is a function of the general state of the economy. Since the start of the economic downturn, construction markets have remained very competitive, and the revenues and earnings reported in the last half of 2010 and the first half of 2011 reflect a greater proportion of work secured in a lower margin environment. At September 30, 2011, the Company has achieved a record level of Backlog of approximately \$1.3 billion, which sets the Company up well for the balance of 2011 and into 2012. Although a significant amount of the total Backlog was awarded during the economic downturn, we are now beginning to secure projects with modestly higher margins, signaling the beginning of a possible return to more favourable markets.

The Company's recent acquisition of O'Connell will now enable the Company to more aggressively pursue heavy civil opportunities in Canada's commodity, mining, hydro power, water and waste water markets. The outlook for the Canadian economy, which is based on growth in these sectors, is very promising and the Company believes it can capitalize on these opportunities. In addition, Bird's financial strength will allow O'Connell to pursue larger scale projects that it could not previously undertake because of limited financial capacity. In addition, the products and services offered by Bird and O'Connell complement each other. There are opportunities for O'Connell to apply their earth moving expertise to Bird projects and for Bird to offer their building expertise to O'Connell projects.

The Company has more recently seen an increase in the level of engineering and procurement activity related to a number of projects in the Alberta oil sands. The size of these projects is beginning to increase and the margins are starting to improve from the low rates which were associated with previous project awards. The Company believes it is well positioned to capitalize on a resurgence of construction activity in the oil sands. In addition, the Company is beginning to increase its presence in the maintenance business to service its oil sands clients.

Opportunities in the public institutional sector continue to remain available. In the third quarter, the Company was awarded a design-build contract for the construction of the Restigouche Hospital in New Brunswick. The Company will continue to be active in this market sector and will be submitting proposals on additional PPP projects in the future. Subsequent to the quarter end, Bird was awarded a design-build contract for the construction of the Vancouver Postal Facility.

Although opportunities in the retail and commercial sector in the first three quarters of 2011 were reduced as a result of the economic downturn, more recently, Bird has been approached by a number of retail and commercial clients to explore opportunities to construct retail projects on their behalf. Although any contract awards resulting from these opportunities will not have any meaningful impact on 2011 revenues and earnings, they should contribute in 2012.

The assets, liabilities, revenues and earnings derived from the O'Connell acquisition are reported in the Company's consolidated financial statements effective September 1, 2011. By making this strategic acquisition of a proven leader in the heavy construction, civil construction and contract surface mining construction sectors, Bird expects O'Connell to contribute to its revenues and earnings for the remainder of the 2011 fiscal year and beyond. This acquisition diversifies Bird's geographic and market sector operations beyond the previous scope of the Company.

Backlog

The Company secured \$707.3 million in new construction contracts (including change orders to existing contracts) and acquired \$152.3 million of Backlog from O'Connell on August 31, 2011. In the nine months ended September 30, 2011, the Company put in place \$642.5 million of construction revenue. In addition, on April 15, 2011, the Company announced that the Royal Alberta Museum contract valued at \$147.0 million was cancelled and the amount was removed from the Backlog. The Company's Backlog increased to a record \$1,299.7 million at September 30, 2011 compared to \$1,229.6 million as at December 31, 2010. With respect to the current Backlog, approximately \$356.5 million is expected to be put in place during 2011, leaving \$943.2 million to carry forward to 2012 and beyond. The following table outlines the changes in the amount of the Company's Backlog throughout the current fiscal period and with a comparison to the prior year.

Backlog

(thousands of dollars)

December 31, 2009	\$	901.4
Securements and Change Orders in 2010		1,170.2
Realized in construction revenues in 2010		(842.0)
December 31, 2010		<u>1,229.6</u>
Securements and Change Orders - Q1 2011		160.0
Cancellations		(147.0)
Realized in construction revenues		(171.2)
March 31, 2011		<u>1,071.4</u>
Securements and Change Orders - Q2 2011		259.4
Realized in construction revenues		(192.7)
June 30, 2011		<u>1,138.1</u>
Securements and Change Orders - Q3 2011		287.9
Acquired with H.J. O'Connell		152.3
Realized in construction revenues		(278.6)
September 30, 2011	\$	<u><u>1,299.7</u></u>

In addition to Backlog, at September 30, 2011, the value of uncompleted construction management contract work, for which the Company acts as an agent for the customer, is \$151.4 million, compared with \$126.6 million at December 31, 2010.

ACCOUNTING POLICIES:

The Company's significant accounting policies are outlined in the notes to the September 30, 2011 Unaudited Condensed Consolidated Interim Financial Statements.

Adoption of IFRS

Effective January 1, 2011, the Company adopted International Financial Reporting Standards ("IFRS") accounting policies and the related disclosure standards. The financial statements for the nine months ended September 30, 2011 have been prepared in accordance with IFRS accounting and reporting standards and were approved by the Company's Board of Directors on November 10, 2011. The impact of the transition to IFRS standards relate primarily to the level of disclosure required in the current and prior period financial statements, including presentation and classification of expenses in the income statement. With the exception of the accounting for the Company's Medium Term Incentive Plan, there were no significant changes to Bird's accounting policies for determining or measuring its assets, liabilities, revenues and expenses.

The notes to the Unaudited Condensed Consolidated Interim Financial Statements for the nine months ended September 30, 2011 include reconciliations to the 2010 comparative financial statements of income, cash flows and equity previously presented using Canadian generally accepted accounting principles with those presented under IFRS.

The Company has adopted IFRS reporting standards to account for its Medium Term Incentive Plan (“MTIP”). The amount of compensation expense included in the income statement includes amortization of the fair value of the Plan over the vesting period. Previously, under Canadian generally accepted accounting policies, the MTIP expense was included in the earnings of the period to which the MTIP award was based. This change in accounting policy has been applied retrospectively and is discussed more fully in the notes to the Unaudited Condensed Consolidated Interim Financial Statements.

Future accounting changes

In May 2011, the International Accounting Standards Board (“IASB”) issued IFRS 10 *Consolidated Financial Statements*, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. IFRS 10 replaces the guidance in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities*. IAS 27 (2008) survives as IAS 27 (2011) *Separate Financial Statements*, only to carry forward the existing accounting requirements for separate financial statements. IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 (2008). The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 10 has not yet been determined.

In May 2011, the IASB issued IFRS 11 *Joint Arrangements*, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. If an entity applies this Standard earlier, it shall also apply IFRS 10, IFRS 12, IAS 27 (2011) and IAS 28 (2011) at the same time. IFRS 11 replaces the guidance in IAS 31 *Interests in Joint Ventures*. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method. Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment’s opening balance is tested for impairment in accordance with IAS 28 (2011) and IAS 36 *Impairment of Assets*. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented. The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 11 has not yet been determined.

In May 2011, the IASB issued IFRS 12 *Disclosure of Interests in Other Entities*, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. If an entity applies this Standard earlier, it need not apply IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011) at the same time. IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The required disclosures aim to provide information in order to enable users to evaluate the nature of, and the risks associated with, an entity’s interest in other entities, and the effects of those interests on the entity’s financial position, financial performance and cash flows. The Company intends to adopt IFRS 12 in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 12 has not yet been determined.

In May 2011, the IASB published IFRS 13 *Fair Value Measurement*, which is effective prospectively for annual periods beginning on or after January 1, 2013. The disclosure requirements of IFRS 13 need not be applied in comparative information for periods before initial application. IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income. IFRS 13 explains ‘how’ to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The Company intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 13 to have a material impact on the financial statements.

SUMMARY OF QUARTERLY RESULTS:

The table below summarizes the results for the eight most recent quarters (in thousands of dollars, except per share amounts). Although the Company experiences some seasonality in its business, variations in net income from quarter to quarter primarily reflect the differences in the profitability of the contracts administered in the respective quarters. Contracts typically extend over several quarters and sometimes over several years. For purposes of quarterly financial reporting, the Company must estimate the cost required to complete each contract to assess the overall profitability of the contract and the amount of gross profit to recognize for the quarter. Such estimating includes contingencies to allow for certain known and unknown risks. The magnitude of the contingencies will depend on the nature and complexity of the work to be performed. As the contract progresses and remaining costs to be incurred and risk exposures become more certain, contingencies will typically decline, although certain risks will remain until the contract has been completed, and even beyond. As a result, earnings may fluctuate significantly from quarter to quarter, depending on whether large and/or complex contracts are completed or nearing completion during the quarter, or have been completed in immediately prior quarters.

There are also a number of other factors that can affect the Company's revenues and profit from quarter to quarter. These include the timing of contract awards, the value of subcontractor billings and project scheduling. Management does not believe that any individual factor is responsible for changes in revenue from quarter to quarter.

(thousands of dollars)	2009	2010				2011		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenue	205,223	181,626	203,866	231,179	225,360	171,155	192,752	278,561
Net income	13,024	13,811	14,983	8,143	9,238	4,109	3,013	9,549
Earnings per share ⁽¹⁾	0.31	0.33	0.36	0.19	0.22	0.10	0.07	0.23

⁽¹⁾ Adjusted for the April 2011 three-for-one stock split

Amounts presented for 2011 and 2010 are prepared in accordance with IFRS. 2009 balances are prepared in accordance with Canadian GAAP before the adoption of IFRS.

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY:

The Company believes that its strong balance sheet, including equity of \$156.4 million, \$115.7 million of working capital, and long-term debt of \$45.1 million, allows it the financial capacity to support all of our contract security requirements, including the ability to secure performance, labour and material bonds, issue letters of credit to support PPP contract requirements and provide parent company performance guarantees. The Company expects to utilize cash from operations, existing working capital, including cash and cash equivalent balances and draws on its credit facilities to fund liabilities as they become due, finance future capital expenditures and pay dividends on shares.

The following table outlines the amount of Shareholders' equity, working capital, long-term debt and Backlog at September 30, 2011, September 30, 2010 and December 31, 2010.

Financial Condition table (thousands of dollars)	September 30, 2011		September 30, 2010		December 31, 2010	
Shareholders' equity	\$	156,445	\$	157,724	\$	160,640
Working capital	\$	115,676	\$	144,347	\$	137,130
Long-term debt	\$	45,083	\$	-	\$	-
Backlog	\$	1,299,700	\$	1,163,400	\$	1,229,600

The Company's participation in PPP infrastructure development programs has required the Company to issue letters of credit as performance security related to these construction projects. To accommodate the issuance of letters of credit, the Company has lines of credit of \$131.5 million. The letters of credit are supported by the hypothecation of certain financial instruments owned by the Company.

On August 31, 2011, in conjunction with the acquisition of O'Connell, the Company secured total long-term debt financing of \$45.6 million, which combined with the use of \$37.8 million of cash and the assumption of a contingent consideration obligation valued at \$2.1 million was used to finance the acquisition of O'Connell. The long-term debt secured was comprised of five-year term debt of \$30.6 million, one-half of which was financed using fixed interest rates and the remainder using variable interest rates. The debt was secured by the equipment owned by O'Connell. In addition, a vendor take-back of \$15.0 million was used in part to finance the total acquisition price. The following table provides details of the long-term debt outstanding at September 30, 2011, excluding expenses related to the financing of \$0.4 million.

Debt	Amount	Within	Year 2	Year 3	Year 4	Year 5
(millions of dollars)		1 Year				
Term debt financing	\$ 45.5	\$ 9.8	\$ 9.9	\$ 9.9	\$ 9.9	\$ 6.1

The Company has a number of credit facilities available to it to support the issuance of letters of credit, finance future capital expenditures and finance the day-to-day operations of the business.

Issuance of Letters of Credit

The Company has available \$131.5 million of demand facilities used to support the issuance of letters of credit. All letters of credit issued under these facilities are supported by the pledge of Company owned financial instruments. Letters of credit are typically issued to support the Company's performance obligations relating to PPP construction projects. The following table outlines the amount of the credit facilities, the amount of issued letters of credit and the amount of collateral pledged in support of the outstanding letters of credit.

(thousands of dollars)	September 30, 2011	September 30, 2010	December 31, 2010
Operating line of credit	\$ 131,500	\$ 81,500	\$ 131,500
Letters of credit issued	\$ 43,399	\$ 31,790	\$ 43,159
Collateral pledged to support letters of credit	\$ 52,345	\$ 37,799	\$ 50,456

Equipment Financing

- (a) In conjunction with the acquisition of O'Connell, the Company recently established an equipment financing facility with a Canadian chartered bank for \$10 million for the purpose of financing future equipment purchases. No draws were made under this facility at September 30, 2011. This credit facility is committed for one year and allows the Company access to term financing for up to five years with a maximum amortization period of 84 months. Interest can be set using either a fixed or variable rate option. Any draws under this facility will be secured by equipment purchased with the proceeds from the loan.
- (b) In addition, the Company has established an operating lease line of credit for \$42.5 million with the financing arm of a major heavy equipment supplier to finance operating equipment leases. Draws under this facility are recognized as operating leases for accounting purposes. At September 30, 2011, the Company has drawn \$14.6 million under this facility. The Company's total lease commitments are outlined under Contractual Obligations.

Operating Lines of Credit

- (a) Three-year committed revolving line of credit:
On August 31, 2011, the Company obtained a three-year committed unsecured revolving line of credit for \$30.0 million with a Canadian chartered bank. This facility may be used in the normal course of business for general working capital purposes, and to fund future capital expenditures and qualifying permitted acquisitions. At September 30, 2011, no amounts were outstanding under this facility. This credit facility includes standard default and covenant provisions whereby accelerated repayment may be required if the Company were to violate certain financial covenants.

(b) Demand revolving line of credit:

On August 31, 2011, the Company established a demand revolving line of credit with a Canadian chartered bank for \$7.5 million. From September 1 to January 31, the line of credit will be increased to \$15.0 million. Borrowings under this facility are secured by a first charge against the accounts receivable of O'Connell. This credit facility is used for the purpose of financing general working capital requirements. At September 30, 2011, the Company was advanced \$1.9 million under this facility. This credit facility includes standard default and covenant provisions whereby accelerated repayment may be required if the subsidiary were to violate certain financial covenants.

At September 30, 2011, the Company was in compliance with all debt covenants relating to its operating lines of credit. The Company expects to continue to comply with these provisions.

Liquidity

A manageable amount of long-term debt used to finance the acquisition of O'Connell, a high proportion of working capital represented by cash and other liquid securities and access to a number of unutilized credit facilities will enable the Company to meet its obligations as they become due. The amount of equity retained in the business supports the Company's strategic objectives including active participation in the PPP infrastructure market, while also providing the Company with sufficient financial capacity to withstand a downturn in the construction industry should it occur.

Financial Position

The following table provides an overview of the Company's financial position for the period indicated.

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Financial Position Data		
Cash and cash equivalents	\$ 150,897	\$ 217,441
Investment in marketable securities	16,751	29,375
Working capital	115,676	137,130
Long-term debt	45,083	-
Shareholders'/Unitholders' equity	156,445	160,640

As a component of working capital, the Company maintains significant balances of cash and cash equivalents and investments in liquid securities. At September 30, 2011, these balances consisted of \$150.9 million of cash and cash equivalents and \$16.8 million of liquid securities for a total of \$167.7 million. The \$167.7 million is comprised of the Company's \$115.7 million of working capital plus a working cash balance of \$49.7 million, which offsets a corresponding non-cash net current liability position and \$2.3 million of cash held to finance the current dividend payable. These components are summarized in the following table for September 30, 2011 and September 30, 2010.

Working Capital Components

(thousands of dollars)

	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Investment in marketable securities (bonds and preferred shares)	\$ 16,751	\$ 31,043
Cash and cash equivalents held for working capital	98,925	113,304
	<u>115,676</u>	<u>144,347</u>
Cash held for dividends/distributions payable	2,318	2,108
Dividends/distributions payable	(2,318)	(2,108)
Working cash	49,654	70,253
Non-cash net current liabilities	(49,654)	(70,253)
Working capital	<u>\$ 115,676</u>	<u>\$ 144,347</u>

The Company's non-cash net current liability position fluctuates significantly in the normal course of business from period to period, primarily due to the timing of differences between the settlement of payables due to subcontractors and suppliers and billings and collection of accounts receivable from clients and also the timing of settlement of income taxes payable. The working cash balance absorbs these fluctuations with no net impact of the Company's net working capital position or ability to access surety support.

Cash Flow Data

The following table provides an overview of cash flows during the periods indicated:

(thousands of dollars)	Nine months ended September 30	
	2011	2010
Cash Flow Data		
Operating activities	\$ (19,863)	\$ 21,252
Investing activities	(56,108)	(20,381)
Financing activities	9,427	(18,969)
Increase/decrease in cash and cash equivalents	<u>\$ (66,544)</u>	<u>\$ (18,098)</u>

Operating Activities

During the nine months ended September 30, 2011, the Company used cash in operating activities of \$19.9 million. This was comprised of \$26.3 million of cash provided by earnings net of non-cash charges to earnings and \$46.2 million of cash used to fund an increase in the Company's non-cash working capital position, which represented a normal course fluctuation in the Company's net current liability position. In some periods, this fluctuation will be a use of cash, as in the current period, but in other periods, it will be a source of cash, tending to balance out over time and having no net impact on the Company's working capital.

Investing Activities

During the nine months ended September 30, 2011, the Company used \$56.1 million of cash in investing activities while in 2010 investing activities used cash of \$20.4 million. In 2011, the Company used \$65.1 million of net cash to acquire a 100% interest in O'Connell. The \$65.1 million was comprised of Bird cash of \$37.8 million, net of cash acquired from O'Connell of \$3.3 million, combined with net proceeds received from the issuance of debt for \$30.6 million. Partially offsetting the use of cash to acquire O'Connell in 2011 was the net receipt of cash of approximately \$12.5 million resulting from the maturity of bonds included in the Company's bond and preferred share investment portfolio. In 2010, the Company used net cash of \$19.4 million to acquire the bonds in the Company's portfolio of bonds and preferred shares.

Financing Activities

During the nine months ended September 30, 2011, financing activities generated \$9.4 million of cash compared to a use of cash of \$18.9 million in 2010 to finance unitholder distributions in that year. Although in 2011 the amount of dividends on shares and distributions to unitholders of the Company's predecessor totaling \$20.6 million exceeded investor distribution in 2010 by \$1.7 million, this additional use of cash was more than offset by net debt proceeds of \$30.0 million. In 2011, the Company received cash from the issuance of long-term debt of \$30.6 million, net of financing related costs of \$0.4 million to finance the O'Connell acquisition. Approximately \$0.2 million of cash was used to repay this debt in the current quarter.

DIVIDENDS AND DISTRIBUTIONS:

The Company intends to declare monthly dividends of \$0.055 per common share payable on or about the 20th of the month following the month in which the dividend was declared. The following table outlines the historical dividend/distribution history.

January 1, 2010 to March 31, 2010	\$0.450
April 1, 2010 to June 30, 2010	\$0.450
July 1, 2010 to September 30, 2010	\$0.450
October 1, 2010 to December 31, 2010	\$0.450
January 1, 2011 to March 31, 2011	\$0.495
April 1, 2011 to June 30, 2011 ⁽¹⁾	\$0.165
July 1, 2011 to September 30, 2011 ⁽¹⁾	\$0.165

⁽¹⁾ Reflects the April 2011 three-for-one stock split.

CAPABILITY TO DELIVER RESULTS:

Productive capacity relates to the financial and non-financial resources available to the Company to execute its strategy and achieve planned results. From a financial perspective, the Company believes it has sufficient working capital and access to its operating lines of credit to execute its current operational and growth objectives. The belief is fully explained in sections of this MD&A dealing with financial condition and liquidity.

In addition to financial capacity, the success of the Company is very much dependent upon the management and leadership skills of senior management. The Company prides itself in maintaining a stable workforce. As well, on an annual basis, high-performing candidates are identified for training and progression into more senior critical positions within the Company. The Company's performance management system emphasizes the development of leadership skills. In addition, the Company sponsors internal and external training programs and has more recently launched a leadership program to provide a forum for high potential candidates to develop their leadership skills.

CONTRACTUAL OBLIGATIONS:

The Company has future minimum annual lease payment obligations relating to the lease commitments on buildings and equipment over the next five years ending September 30 and thereafter, as follows:

(thousands of dollars)		Operating Leases
2011 (three months)	\$	4,000
2012.....		6,735
2013		5,278
2014		2,788
2015		604
Thereafter.....		1
	\$	<u>19,406</u>

OFF BALANCE SHEET ARRANGEMENTS:

The Company has not engaged in any off balance sheet arrangements, other than the operating lease obligations described under Contractual Obligations noted above.

CRITICAL ACCOUNTING ESTIMATES:

The accounting principles used by the Company to account for its construction contracts involve the use of estimates.

Construction revenue, construction costs, deferred contract revenue and costs and estimated earnings in excess of billings include amounts that are derived using the percentage of completion basis. Percentage of completion is calculated based on the costs incurred on each construction contract to the end of the respective accounting period divided by the total estimated costs. Revenue from unit price contracts conducted in the heavy construction, civil construction and contract mining construction sectors is based on billable work completed. Contract costs in the heavy construction, civil construction and contract surface mining construction sectors are adjusted so the gross profit recognized in the period is based on the percentage of revenue realized relative to total contract value. Any excess of progress billings over earned revenue determined using the percentage of completion method are carried as deferred revenue in the consolidated financial statements. Any excess of cost and estimated earnings over progress billings on construction contracts are carried as costs and estimated earnings in excess of billings in the consolidated financial statements.

Revenue and estimated costs to complete for each contract are updated and reviewed by management at least once each financial reporting period. In making such estimates, judgments are required to evaluate issues related to scheduling, material costs, labour costs, labour productivity, changes in contract scope and subcontractor costs. Due to the nature of construction contracts, estimates may change significantly from one accounting period to the next.

Construction contracts typically extend over several quarters and sometimes over several years. For purposes of quarterly financial reporting, the Company must estimate the cost required to complete each contract to assess the amount of revenue to be recognized for the quarter. Such estimating includes contingencies to allow for certain known and unknown risks. The magnitude of the contingencies will depend on the nature and complexity of the work to be performed. As the contract progresses and the remaining costs to be incurred and risk exposures become more certain, contingencies will typically decline although certain risks will remain until the contract has been completed, and even beyond. As a result of this, earnings may fluctuate significantly from quarter to quarter, depending on whether large and/or complex contracts are completing or nearing completion during the quarter, or have been completed in immediately prior quarters.

The value of many construction contracts increases over the duration of the construction period due to the issue of change orders to modify the original contract scope of work or conditions. Construction work related to a change order may proceed, and costs may be incurred, in advance of final determination of the value of the change order. Revenue on change orders is recognized by the Company to the extent that management estimates that realization is probable. As many change orders are settled at the end of the construction project, significant increases or decreases in revenue and income may arise during any particular accounting period.

Provisions for accounts receivable may require an assessment and estimate of the credit-worthiness of the client and the timing of collection. Furthermore, provisions for litigation involve the use of estimates, as determined by management. Amounts arising from negotiated settlements or court judgments may vary significantly from management's estimate. Similarly, the estimate for warranty claims may differ significantly from actual experience. These adjustments will also impact on the amount of profit recognized in a reporting period.

OUTSTANDING COMMON SHARE DATA AND STOCK EXCHANGE LISTING:

The Company is authorized to issue an unlimited number of common shares. The Company has a total of 42,153,846 common shares outstanding at September 30, 2011. On January 1, 2011, the Fund, the predecessor to the Company, converted from a publicly-traded income trust structure to a publicly-traded corporation pursuant to a Plan of Arrangement approved by the unitholders and the Courts. Under the Plan of Arrangement, each income trust unit was exchanged for one common share of the Company.

On March 3, 2011, the Board of Directors approved a three-for-one stock split accomplished by way of a stock dividend. Each shareholder of record on April 14, 2011 received two common shares for each common share held on the record date. The stock dividend was paid on April 22, 2011. Accordingly, on November 10, 2011, the Company has 42,153,846 outstanding common shares.

The common shares are listed on the Toronto Stock Exchange ("TSX") under the trading symbol BDT.

CONTROLS AND PROCEDURES:

Disclosure Controls and Procedures

Based on their evaluations as of September 30, 2011, the President and Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) have concluded that the Company's disclosure controls and procedures are effective in providing reasonable assurance that information relating to the Company which is required to be disclosed in reports filed under provincial and territorial securities legislation is accumulated, summarized and communicated to the Company's senior management, including the CEO and the CFO of the Company, as appropriate, to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

The Company's management is responsible for designing and maintaining adequate internal control over financial reporting for the Company. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

As of September 30, 2011, under the supervision of and with the participation of management, including the CEO and CFO, internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with IFRS.

During the second quarter of 2011, the Company converted to a new Enterprise Resource Planning (“ERP”) system in order to strengthen the control environment relating to financial reporting and to reduce the reliance on excel spreadsheets previously used in the generation of its quarterly and annual financial statements. The new ERP system was fully designed and tested over the past year. The Company ran the new system with the legacy system together for two quarters with a full reconciliation of the financial statements generated from the old legacy and new ERP system. As a result of the ERP implementation, there were changes to processes and procedures that impact internal controls over financial reporting; however, management believes changes to controls related to financial reporting for affected processes are adequate and effective. Management employed appropriate procedures to ensure internal controls were in place during and after the conversion. There were no other significant changes to internal control over financial reporting during the quarter ended September 30, 2011, that have materially affected, or are reasonably likely to materially affect the Company’s internal control over financial reporting.

The Company is in the process of evaluating the design and effectiveness of the system of internal controls relating to the O’Connell operation acquired on August 31, 2011.

RISKS RELATING TO THE BUSINESS:

The following discussion addresses the more significant risk factors relating to the business. For a detailed discussion of all risk factors relating to the business, refer to the Company’s most recently filed Annual Information Form which is available through the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Economy and Cyclicity

Activity within the construction industry is tied to the general state of the economy. Thus, in periods of strong economic growth, capital spending will generally increase and there will be more and better quality opportunities available within the construction industry. Bird attempts to insulate itself in various ways from the effects of negative economic conditions through a combination of geographic diversity and providing construction services to a wide range of commercial, industrial and institutional customers. However, there is no assurance that these methods will be effective in insulating Bird from a downturn in the economy.

Competitive Factors

Bird competes with many international, national, regional and local construction firms, who often enjoy advantages in a particular market that Bird does not have or they may have more experience or a better relationship with a particular client. On any given contract bid or negotiation, Bird will attempt to assess the level of competitive pressure it may face and it will attempt to neutralize or overcome any perceived advantage that its competitors may have. Depending on this assessment, Bird will decide whether or not to pursue a contract. In addition, this assessment bears directly on decisions that Bird will make including what level of profit can be incorporated in its contract price and what personnel should be assigned to the contract. The accuracy of this assessment and the ability of Bird to respond to competitive factors affect Bird’s success in securing new contracts and its profitability on contracts that it does secure.

Ability to Secure Work

Bird generally secures new contracts either through a competitive bid process or through negotiation. Awards in both the public and private sectors are generally based upon price, but are also influenced by factors such as perceived level of services offered, construction schedule, project personnel, the make-up of the subcontractor team, prior experience with the prospective client and the type of project and the ability to provide bonds and other contract security. In order to be afforded an opportunity to bid for projects in the PPP contract market, a strong balance sheet measured in terms of an adequate level of working capital is typically required.

A decline in demand for Bird’s services from the private sector could have an adverse impact on the Company if that business could not be replaced within the public sector. Any reduction in demand for Bird’s services by the public sector, whether as a result of funding constraints, changing political priorities or delays in projects caused by political circumstances including elections, could have an adverse impact on the Company if that business could not be replaced within the private sector.

Estimating Costs/Assessing Contract Risks

The contract price for a significant number of contracts performed by Bird is based, in part, on cost estimates that are subject to a number of assumptions. Erroneous assumptions can result in an incorrect assessment of risks associated with the contract, or its estimates of the project costs may be in error resulting in a loss or lower than anticipated profit. All significant cost estimates are reviewed by senior management prior to submission.

Performance of Subcontractors

Successful completion of a contract by Bird depends, to a significant degree, on the satisfactory performance of subcontractors who are engaged to complete the various components of the work. If subcontractors fail to satisfactorily perform their portion of the work, Bird may be required to engage alternative subcontractors to complete the work and may incur additional costs. This can result in reduced profits, or, in some cases, significant losses on the contract and could also damage the reputation of the Company. In addition, the ability of Bird to bid for and successfully complete projects is, in part, dependent on the availability of qualified subcontractors and trades people. Depending on the value of the subcontract, Bird may require surety bonds or other security from the subcontractor in order to mitigate this risk. Bird closely monitors all subcontractors and trades person capacity concerns in order to mitigate any effect on operations. To the extent possible, Bird will also allocate work to a number of qualifying subcontractors to minimize its economic dependency on any one subcontractor.

Maintaining Safe Work Sites

In spite of the best efforts of Bird to minimize the risk of incidents, incidents do happen. When they do, the impact on Bird can be significant. Bird's success as a general contractor is highly dependent on its ability to keep its construction worksites and offices safe. Failure to do so can have serious impact on the personal safety of its employees and others. In addition, it can expose Bird to fines, regulatory sanction and even criminal prosecution. Bird's safety record and worksite and office safety practices also have a direct bearing on its ability to secure work, particularly in the industrial sector. Certain clients will not engage particular contractors to perform their work if their safety practices do not conform to predetermined standards or if the contractor has an unacceptably high incidence of safety infractions. Bird adheres to very rigorous safety policies and procedures which are continually reinforced on its work sites and offices.

Ability to Hire and Retain Qualified and Capable Personnel

The success of Bird is highly influenced by the efforts of key members of management, including its executive officers and branch managers. The loss of the services of any of Bird's key management personnel could negatively impact Bird. The future success of Bird also depends heavily on its ability to attract, retain and develop high-performing personnel in all areas of its operations. Most firms throughout the construction industry face this challenge, and accordingly, competition for professional staff is intense. If Bird ceases to be seen by current and prospective employees as a highly attractive place to work, it could experience difficulty in hiring and retaining the right people. This could have an adverse effect on current operations of Bird and would limit its prospects and impair its future success. Bird adheres to a performance management process whereby objectives are established for every employee for the next year and a performance review is completed at least on an annual basis. Bird sponsors both inside and outside training programs to allow its employees the opportunity to advance their career at Bird. Management also updates its succession plan regularly to ensure a continuous supply of qualified candidates are available to perform more senior level positions within the Company.

TERMINOLOGY:

Throughout this report, management uses the following terms not found in GAAP Standards and which do not have a standardized meaning and therefore require definition:

- **"Gross Profit Percentage"** is the percentage derived by dividing gross profit by construction revenue. Gross profit is calculated by subtracting construction costs from construction revenue.
- **"Backlog"** (also referred to in the construction industry as "work on hand") is the total value of all contracts awarded to the Company, less the total value of work completed on these contracts as of the date of the most recently completed quarter. This includes all contracts that have been awarded to the Company whether the work has commenced or will commence in the normal course.
- **"Adjusted Net Income Measure (Non-GAAP Information)"** adjusts net income for the amount of amortization expense related to intangible assets resulting from business combinations and transaction expenses relating to the combinations which are expensed in the period incurred.

FORWARD LOOKING INFORMATION:

Certain statements included herein which express management's expectations or estimates of future performance may constitute "forward-looking statements". The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", and similar expressions identify forward-looking statements.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. In particular, this MD&A includes many such forward-looking statements and the Company cautions the reader that such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of the Company to be materially different from the Company's estimated future results, performance or achievements expressed or implied by those forward-looking statements and the forward-looking statements are not guarantees of future performance. The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, events or otherwise.