



**MANAGEMENT'S DISCUSSION AND ANALYSIS
NINE MONTH PERIOD ENDED SEPTEMBER 30, 2015**

Management’s Discussion and Analysis

The following Management’s Discussion and Analysis (“MD&A”) of Bird Construction Inc.’s (“the Company” or “Bird”) financial condition and results of operations should be read in conjunction with the December 31, 2014 consolidated financial statements of Bird Construction Inc. 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 12, 2015. This MD&A has been prepared as of November 10, 2015. 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.

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EXECUTIVE SUMMARY

(thousands of dollars, except per share amounts)	For the nine months ended September 30,	
	2015	2014
Income Statement Data		
Revenue	\$ 1,031,363	\$ 973,891
Net income ⁽¹⁾	9,926	23,355
Basic and diluted earnings per share	0.23	0.55
Adjusted Net income ⁽³⁾		
Adjusted Net income	30,246	23,355
Adjusted Net income per share	0.71	0.55
Cash Flow Data		
Cash flows from operations before changes in non-cash working capital	53,598	43,680
Cash flows from operations	35,145	2,324
Additions to property and equipment ⁽²⁾	(5,111)	(13,866)
Cash dividends paid	(24,223)	(24,223)
Cash dividends declared per share	0.57	0.57
	<u>September 30, 2015</u>	<u>December 31, 2014</u>
Balance Sheet Data		
Total assets	696,160	637,283
Working capital	114,338	104,027
Loans and borrowings (including current portion)	25,102	28,203
Shareholders' equity	167,365	181,587

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

⁽²⁾ computer software purchases included in intangible assets

⁽³⁾ adjusted net income is a non-GAAP measure and does not have standardized meaning

RECENT HIGHLIGHTS

- During the nine months ended September 30, 2015 the Company generated net income of \$9.9 million on construction revenue of \$1,031.4 million compared with net income of \$23.4 million and construction revenue of \$973.9 million in 2014. The reduction in 2015 earnings is primarily attributable to a non-cash charge to earnings of \$22.4 million (\$20.3 million after deferred tax reversal) for the impairment of goodwill and intangible assets relating to the Company's investment in its wholly owned subsidiary H.J. O'Connell Limited.
- Adjusting net income for the non-cash after-tax impairment charge of \$20.3 million, the Company would have recorded adjusted net income of \$30.2 million (a non-GAAP measure) on construction revenue of \$1,031.4 million in 2015. The increase in the 2015 adjusted net income is a result of higher construction revenue combined with a marginally higher gross profit percentage and lower general and administrative expenses.
- During the third quarter of 2015, the Company generated a net loss of \$5.6 million on construction revenue of \$389.9 million compared with net income of \$12.4 million and \$370.4 million of construction revenue, respectively in 2014. The reduction in third quarter 2015 net income is primarily attributable to a non-cash charge to earnings of \$22.4 million (\$20.3 million after deferred tax reversal) for the impairment of

goodwill and intangible assets relating to the Company's investment in its wholly owned subsidiary H.J. O'Connell Limited.

- Adjusting net income for the non-cash impairment charge, the Company would have recorded adjusted net income of \$14.7 million (a non-GAAP measure) on construction revenue of \$389.9 million in the third quarter of 2015. The increase in adjusted quarterly earnings is a result of marginally higher construction revenue and related gross margins and lower general and administrative expenses.
- In the first nine months of 2015, the Company secured \$1,716.7 million of new contract awards which contributed to a record level of Backlog of \$1,835.0 million at September 30, 2015, compared with \$1,149.7 million at December 31, 2014.
- During the third quarter of 2015, the Company successfully achieved financial close on a number of significant PPP projects, including;
 1. Saskatchewan Schools
The Company executed two contracts with the Province of Saskatchewan to design, build, finance and maintain 18 elementary schools on nine joint use sites in the Province of Saskatchewan. The design and construction of the schools will be executed using a joint venture in which Bird will have a 70% interest in and is the managing partner of the construction joint venture. In addition to its role as design builder, Bird acquired a minority equity interest in the concession responsible for the design, build, finance and maintenance of the schools.
 2. Stanton Territorial Hospital Renewal Project
The Company, as part of the Boreal Health Partnership consortium was awarded a contract to design, build, finance, and maintain the Stanton Territorial Hospital Project located in Yellowknife, Northwest Territories. The Company is the managing partner and has a 50% interest in the construction joint venture that will design and build the project. In addition to its role as design builder, Bird will also hold a minority equity interest in the concession responsible for the design, build, finance and maintenance of the hospital.
 3. Moncton Downtown Centre
During the third quarter of 2015, the Company executed a contract to design, build and short term finance the Moncton Downtown Centre, a nine thousand seat arena complex located in Moncton, New Brunswick.
- During the first half of 2015, the Company, as part of a joint venture executed a design, build contract with Plenary Infrastructure ERMF GP Inc. to design and construct the East Rail Maintenance Facility located in Whitby, Ontario for GO Transit. In addition, the Company, as part of the Chinook Resources Management Group consortium executed a contract to design, build and operate a composting facility for The City of Calgary. The Company also executed a build and finance contract with the Ontario Government for the Casey House Hospice located in Toronto, Ontario.
- The Company's Board of Directors declared monthly dividends of \$0.0633 per share for November, December 2015 and January, February and March 2016.

NATURE OF THE BUSINESS

The Company operates as a general contractor in the Canadian construction market with offices in: St. John's, Halifax, Saint John, Wabush, Montreal, Toronto, Winnipeg, Calgary, Edmonton, St. Albert and Vancouver. The Company and its predecessors have been in operation for 95 years. The Company focuses primarily on projects in the industrial, commercial and institutional sectors of the general contracting industry. Within the industrial sector, Bird constructs industrial buildings and performs civil construction operations including site preparation, concrete foundations, underground piping and earthwork for clients primarily operating in the oil and gas and mining businesses. Within the commercial sector, Bird's operations include the construction and renovation of shopping malls, big box stores, office buildings and selected high rise condominiums and apartments. Within the institutional sector, Bird constructs hospitals, post secondary education facilities,

schools, prisons, courthouses, government buildings and retirement facilities. In all sectors, Bird contracts with its clients using a combination of fixed price, design-build, unit price, cost reimbursable, guaranteed upset price and construction management contract delivery methods.

While Bird self-performs some elements of its projects, particularly in the industrial market sector and in conjunction with its civil construction and contract mining operations, a significant portion of the overall construction risk rests with Bird's subcontractors. The scope of work of each subcontractor is generally defined by the same contract documents that form the basis of the Company's agreements with its clients. The terms of the agreements between the Company and its clients are generally replicated in the agreements 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 including enrolling our subcontractors in Bird's subcontractor default insurance program which will mitigate exposure to possible additional costs should a contractor not be able to meet their contractual obligations. Bird's primary constraint on growth is the ability to secure new work at reasonable margins and the availability of qualified professional staff who can be assigned to manage the projects.

STRATEGY

Overall, Bird's strategic objectives are to increase Company profitability to provide attractive and sustainable returns for our shareholders; a commitment to provide excellent service and quality to our clients; and providing meaningful and safe working environments for our employees and those of our partners.

The fundamental elements of Bird's strategy include:

HEALTH AND SAFETY

As befitting of a Company that started out as a family business, critical to Bird's successful growth is our continued commitment to the health and safety of the employees who work on our sites and in our offices every day. This is a critical component of our operational strategy, a core company value, and a key corporate social responsibility.

Our commitment goes beyond this; at Bird, we understand that a corporate commitment to safety also pays tremendous dividends in both business and human capital. In addition to reducing related health and safety costs, reducing property damage and improving loss management outcomes, a robust safety program contributes to employees and other stakeholders to feel more valued and engaged. This, in turn, produces a stronger commitment to product and service quality, improved productivity and client satisfaction.

From planning to execution, effective communication, documentation, orientation, training, and ongoing review and analysis of our activities and processes is vigorously undertaken to ensure continuous improvement in all facets of our operations. This will better prepare and support all of our workers and managers to serve as safety leaders in the construction industry.

In a highly competitive business environment, resourcing remains one of the greatest challenges facing the construction industry. Bird's commitment to the health and safety of our employees and other partners enhances both employee recruitment and retention and will serve to provide a strategic competitive advantage, allowing us to continue to successfully pursue and execute challenging work.

INCREASING PROFITABILITY

Bird will continue to pursue organic growth by emphasizing its long-standing record of providing a quality product and service to our clients and thereby continue to secure new work with many of our clients on a repeat basis. Bird will continue to emphasize operational excellence through strict and disciplined adherence to the many risk management and project control policies and practices to ensure delivery of the financial returns expected from our construction projects. The Company will also continue to show a preference for design-build construction contracts where our proven track record provides Bird with a source of competitive

advantage in the construction market; however, Bird will continue to offer clients other contract delivery methods including: fixed price, unit price, cost reimbursable, guaranteed upset price and construction management arrangements in order to satisfy their needs.

The Company continues to focus on larger and more complex construction projects which typically offer greater profit margins. In order to achieve this, Bird will continue to enter into joint venture arrangements with partners where it is appropriate to do so. These arrangements are typically beneficial to the Company because they offer a pooling of resources required to complete larger, complex projects and partnering allows for the spreading of operational and financial risk amongst the partners. In the Public Private Partnership (“PPP”) market, Bird will continue to pursue an equity position in these projects as a means to support construction operations.

To broaden the scope of Bird’s construction services, the Company is self-performing a greater proportion of our heavy civil construction operations, including earthmoving operations. Bird will continue to grow this element of business as opportunities present themselves. In addition, Bird is actively growing our sustaining capital and maintenance services provided to support our oil sands clients. This initiative serves to diversify revenues, making the Company less dependent on new construction programs and further builds customer relationships.

ATTRACTING AND RETAINING PEOPLE

The success of Bird is very much dependent on the Company’s ability to attract, develop and retain a highly skilled workforce at all levels within the organization including executives, management, professional staff and craft workers. Competition for the noted workforce is intense and therefore it is critical that Bird be seen by current and prospective employees as a highly attractive place to work. Bird continues to implement relevant human resource programs designed to enhance our recruiting efforts, introduce new and innovative training programs, promote leadership development, support career planning and ensure that our compensation programs remain competitive.

KEY PERFORMANCE DRIVERS

Securing profitable construction contracts and then controlling the costs during the execution of that work are the 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. In economic downturns, fewer opportunities typically exist and competition for those opportunities becomes even more intense, generally resulting in lower gross profit percentages. 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, which enables the Company to secure repeat business from clients.

The Company’s success in securing work is also reflected in the value of Backlog. The following table shows the Company’s Backlog at the end of the comparative reporting periods. The Company’s record level of Backlog of \$1,835.0 million at September 30, 2015 compares with \$1,149.7 million at December 31, 2014. The increase in Backlog since the end of last year is the result of the Company’s success on securing a number of PPP projects along with a number of other significant non-PPP projects across all of our operating regions in the first nine months of 2015. While the projects secured involve work in all market sectors, the majority are institutional, including the East Rail Maintenance Facility, Saskatchewan Schools, Stanton Territorial Hospital Renewal Project, Calgary Composting Facility and the Moncton Downtown Centre, all PPP projects recently secured. The Company expects to continue to secure a reasonable number of new awards, albeit not necessarily at the level achieved in 2015, across our geographic and operational market sectors, including industrial operations.

(thousands of dollars)	<u>September 30, 2015</u>	<u>September 30, 2014</u>	<u>December 31, 2014</u>
Backlog	\$ 1,835,034	\$ 1,340,700	\$ 1,149,700

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 and achieve productivity objectives associated with the contract. The following table shows the Gross Profit Percentage realized by the Company in the comparative periods.

<u>Nine months ended September 30, 2015</u>	<u>Nine months ended September 30, 2014</u>	<u>Year ended December 31, 2014</u>
8.4%	8.1%	8.2%

During the first nine months of 2015, the Company has realized a gross profit percentage of 8.4% compared with 8.1% in the comparative period in 2014. The improvement in the 2015 gross profit percentage compared with the first nine months of 2014 is primarily due to an increase gross margin percentage on projects executed in our industrial market sector due to a combination of productivity gains, scope changes and the release of project contingencies. For the final quarter of 2015, the Company expects that our industrial sector work will continue to be strong, however it is believed that the relative significance of our institutional work program will increase, a trend that is expected to continue in 2016, as the Company commences construction on several of the PPP and other significant institutional projects secured thus far in 2015.

Financial Condition

The Company must have adequate working capital and equity retained in the business to support its ongoing operations, including 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, 2015</u>	<u>September 30, 2014</u>	<u>December 31, 2014</u>
Working capital	\$ 114,338	\$ 104,030	\$ 104,027
Shareholders' equity	\$ 167,365	\$ 176,704	\$ 181,587

The Company's shareholders' equity retained in the business at September 30, 2015 declined by \$14.2 million since December 31, 2014 primarily as a result of an impairment charge which resulted in dividends exceeding net income in the nine months ended September 30, 2015. Net income in the period of \$9.9 million includes a non-cash impairment charge of \$22.4 million (\$20.3 million after a deferred tax reversal) which negatively affected 2015 earnings. The increase in the Company's working capital since December 31, 2014 of \$10.3 million is a result of earnings adjusted for non-cash items (including the non-cash impairment charge of \$22.4 million) in excess of dividends, offset by cash used to purchase property and equipment and to repay long-term debt. The Company believes it continues to have sufficient working capital and equity to conduct its business in the ordinary course.

Safety

Our continuing commitment to *Safe Production* is predicated on our firm conviction that safety and production should enjoy a symbiotic relationship, engaging all workers in a commitment to quality outcomes - on time and on budget - that includes ensuring that all workers leave our jobsites everyday just as healthy and safe as when they arrived. We believe this shared commitment is critical to our overall success.

By clearly setting expectations of performance, identifying and controlling hazards, and effectively coordinating information and activity among all of our subcontractors, we minimize risk and create the appropriate conditions for the safe execution of construction activity. It's how we work.

Through our robust orientation and training programs and our ongoing communication and engagement activities, we encourage all workers to actively contribute to our ongoing efforts to continuously improve not only our safety program, but overall collaboration and effectiveness. In this way we not only ensure they leave work healthy and safe every day, but in doing so, help contribute to our overall operational excellence.

At Bird, Safe Production is not just a vision or a philosophy, it is a daily routine practiced with discipline and rigor on all of our job sites.

To the end of the third quarter of 2015, Bird executed 3,636,576 manhours of work, incurring one lost time incident (LTI) for an LTI frequency of 0.05.

Lost Time Incident Frequency		
Nine months ended September 30, 2015	Nine months ended September 30, 2014	Year ended December 31, 2014
0.05	0.12	0.17

RESULTS OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 2015 COMPARED WITH NINE MONTHS ENDED SEPTEMBER 30, 2014

During the nine months ended September 30, 2015, the Company generated net income of \$9.9 million on construction revenue of \$1,031.4 million compared with \$23.4 million and \$973.9 million, respectively in 2014. The reduction in the amount of 2015 earnings is primarily attributable to a non-cash charge of \$22.4 million (\$20.3 million after deferred tax reversals) for the impairment of goodwill and intangible assets relating to the Company's investment in its wholly owned subsidiary H.J. O'Connell Limited. Adjusting for the after-tax non-cash impairment charge of \$20.3 million, the Company would have recorded adjusted net income of \$30.2 million (a non-GAAP measure) on construction revenue of \$1,031.4 million in 2015. The increase in adjusted net income is a result of higher construction revenues combined with a marginally higher gross profit percentage and lower general and administrative expenses.

Construction revenue of \$1,031.4 million compares with \$973.9 million recorded in the first nine months of 2014. In the first nine months of 2015, a \$57.5 million or 5.9% increase in construction revenues is primarily due to the execution of the Company's significant institutional work program secured earlier in the year and slightly higher industrial revenues derived from the continued execution of our industrial work program in northern Alberta.

In the nine months ended September 30, 2015, the Company's gross profit of \$87.1 million compares with \$78.9 million recorded a year ago. The \$8.2 million (10.4%) increase in the amount of gross profit is largely the result of an increase in construction revenue combined with a marginal increase in the gross margin percentage on the Company's industrial work program, while gross margins realized on the Company's institutional and commercial projects remained comparable with last year. To date in 2015, the Company's gross profit percentage of 8.4% compares to 8.1% recorded a year ago.

In the first nine months of 2015, general and administrative expenses of \$44.2 million (4.3% of revenue) compares with \$48.9 million (5.0% of revenue) in 2014. The decrease in 2015 expenses is primarily driven by a reduction of the Company's workforce in certain areas where economic conditions remain weak combined with lower project pursuit costs.

Finance income in the first three quarter of 2015 of \$1.2 million was \$1.0 million lower than the \$2.2 million recorded in the comparable period of 2014. The primary reason for the decrease in 2015 finance income is due

to the fact that the Company incurred a \$1.6 million net loss on the disposal of its preferred share portfolio compared with a \$0.2 million gain in 2014, offset by higher interest income relating to the accretion of holdback receivables.

During the first nine month of 2015, finance costs of \$2.0 million were \$0.4 million higher than \$1.6 million reported in the same period of 2014. The higher cost is primarily due to higher accretion interest on hold-back payables.

In the first nine months of 2015, income tax expense of \$9.6 million was \$2.4 million higher than 2014, consistent with higher current period pre-tax earnings adjusted for the non-cash impairment charge, which is a non-deductible expense for income tax purposes.

THREE MONTHS ENDED SEPTEMBER 30, 2015 COMPARED WITH THREE MONTHS ENDED SEPTEMBER 30, 2014

In the third quarter of 2015, the Company recorded a net loss of \$5.6 million on construction revenue of \$389.9 million compared with net income of \$12.4 million and \$370.4 million of construction revenue, respectively in 2014. The reduction in the third quarter 2015 net income is primarily attributable to a non-cash impairment expense of \$22.4 million (\$20.3 million adjusted for deferred taxes) relating to the impairment of goodwill and intangible assets with respect to the Company's investment in its wholly owned subsidiary H.J. O'Connell Limited. Adjusting the third quarter loss for the after-tax non-cash impairment charge of \$20.3 million, the Company would have recorded adjusted net income of \$14.7 million (a non-GAAP measure) on construction revenue of \$389.9 million in the third quarter of 2015. The increase in adjusted quarterly net income compared to last year is a result of marginally higher construction revenue and related gross margins and lower general and administrative expenses.

2015 third quarter construction revenue of \$389.9 million was \$19.5 million or 5.3% higher than the \$370.4 million recorded in the third quarter of 2014. The increase is largely due to an increase in revenues derived from the execution of the Company's significant institutional work program which was awarded earlier in the year. Although construction revenues derived from the industrial work program remain strong and are comparable to last year, the Company has begun to experience a shift in the composition of its revenue towards the institutional market sector. This shift in the Company's work program was expected as work in the industrial market sector begins to decline due to low commodity prices and the resulting reduced capital spending programs of our industrial clients.

In the third quarter ended September 30, 2015, the Company's gross profit of \$34.8 million compares with \$33.4 million recorded a year ago. The \$1.4 million (4%) increase in the amount of gross profit is primarily due to an increase in construction revenue. In the third quarter of 2015, the Company's gross profit percentage of 8.9% compares to 9.0% recorded in the same period a year ago.

During the third quarter of 2015, general and administrative expenses of \$14.3 million (3.7% of revenue) were \$3.0 million lower compared with the \$17.3 million (4.7% of revenue) recorded in 2014. The reduction in 2015 third quarter expenses is primarily driven by a reduction of the Company's workforce in certain areas where economic conditions remain weak combined with a reduction of PPP pursuit costs incurred in the period.

Finance income in the third quarter of 2015 of \$0.7 million is comparable to the \$0.6 million recorded in the comparable period of 2014.

Finance costs in the third quarter of 2015 were \$1.0 million, approximately \$0.5 million higher than those incurred in the third quarter of 2014. The increase in cost is primarily due to a non-recurring interest payment made pursuant to a prior acquisition.

In the third quarter of 2015, income tax expense of \$3.4 million was \$0.3 million lower than 2014. The deferred income tax reversal relating to the impairment charge was more than sufficient to fully offset the increase in income tax expense relating to the higher 2015 pre-tax income adjusted for the non tax deductible impairment charge.

FUTURE OPERATING PERFORMANCE

The Company has been successful in securing a significant number of new project awards in the first nine months of 2015, most notably a number of PPP contracts including the Casey House Hospice, East Rail Maintenance Facility, Calgary Composting Facility, Saskatchewan Schools, Moncton Downtown Centre and the Stanton Territorial Hospital Renewal Project. The securing of these projects, combined with other non-PPP institutional and industrial contract awards, have contributed to a record Backlog at September 30, 2015. The continued execution of our industrial work program carried forward into 2015 combined with the positive impact of the institutional work program comprised of contracts secured during the year, is anticipated to result in earnings that are higher than those realized in 2014. Offsetting these positive results is the \$20.4 million after-tax goodwill and intangible asset impairment charge relating to our investment in H.J. O'Connell Limited. Unfavorable market and economic conditions surrounding O'Connell's mine construction operations are likely to be prolonged and as such the future operating income expected from the investment is less than the carrying value of the investment. Accordingly, the Company expensed the goodwill and the unamortized investment in the intangible assets in the recent quarter. The profit contribution of O'Connell has been modest since 2013, thus the reduction in the prospects for this business are largely reflected in recent results.

Looking towards 2016, we expect the large institutional Backlog to make a significant contribution to 2016 earnings. This positive momentum will be counterbalanced by the ongoing uncertain economic conditions related to the resource sector, particularly in northern Alberta, which is expected to continue and will result in fewer opportunities and margin compression due to intense competition to secure new work. The large industrial work program currently being executed in 2015, mainly comprised of several major projects secured in late 2013 and early 2014, will be mostly complete by the end of 2015. As such, the Company will be challenged to replicate the 2015 earnings contribution of our western Canadian industrial work program in 2016. In addition, given that low commodity prices are expected to persist in the medium term, the lower earnings from mining operations realized by HJ O'Connell in 2015 are not expected to be materially different in 2016. Consequently, earnings generated by the Company in 2016 are expected to be lower than those realized in the current year, adjusted for the impairment loss, as our work program shifts from higher margin industrial activity to lower margin institutional work. This shift has started during the course of this year and is anticipated to have a larger impact in 2016 as the downturn in the resource sector continues and the execution of our large institutional work program is realized.

The industrial market sector contributed 57% of 2014 revenues (37% in 2013). A number of large contract awards that contributed to 2014 results have carried over and are active projects in the current year and accordingly these will continue to make an important contribution to 2015 revenues and gross profit. Although energy sector capital expenditures have been reduced in response to low oil prices, we will continue to aggressively pursue a number of smaller work programs which will continue to come to market to sustain the productive capacity of the energy sector. Although the market is characterized by uncertainty, we take some reassurance from the fact that the contract awards received in the first nine months of 2015 supports our belief that the Company will continue to be awarded new work in this sector and generate acceptable margins, albeit on smaller volumes. In eastern Canada, the resource sector continues to be adversely affected by low commodity prices and therefore, the Company is still not anticipating any significant turn-around in this area in 2016. To replace resource related revenues, the Company has received awards for construction contracts primarily in the hydroelectric sector, and we will continue to aggressively pursue more work in this area as well as other industrial opportunities as they arise.

The institutional sector contributed 24% of 2014 revenues (26% in 2013). Despite pressure on government capital expenditures, the Company has seen numerous infrastructure projects slated to be built in the coming years in response to a need to replace and upgrade an aging infrastructure across the country. The award of seven PPP contracts in the first nine months of this year are a result of the Company's pursuit of these types of projects on a selective basis where the projects offer a better return and the scope is consistent with our core competencies. These PPP and other non-PPP contract awards will make a significant contribution to earnings in the remainder of 2015 and more importantly in 2016 and beyond. We continue to be actively involved in the pursuit of a number of other PPP and alternative finance institutional projects, although the absolute number of opportunities available in 2016 is expected to be less than that experienced in 2014 and in 2015.

The retail and commercial sector represented 19% of 2014 revenues (37% in 2013). This market sector is stable at present although characterized by some level of uncertainty given economic conditions in several regions across the country. The Company has been successful in securing several projects in the first nine months of the year across all of our geographic operating areas although it is anticipated that that revenues and earnings derived from this sector will be slightly reduced from those realized in 2014.

Backlog

During the first nine months of 2015, the Company secured \$1,716.7 million in new construction contracts (including change orders to existing contracts) and put in place \$1,031.4 million of work resulting in a record level of Backlog at September 30, 2015 of \$1,835.0 million. Of this amount, \$360.2 million is expected to be put in place during 2015, leaving \$1,474.8 million to carry forward to 2016 and beyond. The following table outlines the changes in the amount of the Company's Backlog throughout the current fiscal period and a comparison to the prior year.

Backlog	
(millions of dollars)	
December 31, 2013	\$ 1,268.7
Securements and Change Orders in 2014	1,245.5
Realized in construction revenues in 2014	<u>(1,364.5)</u>
December 31, 2014	\$ 1,149.7
Securement and Change Orders in 2015	1,716.7
Realized in construction revenues in 2015	<u>(1,031.4)</u>
September 30, 2015	<u><u>1,835.0</u></u>

In addition to Backlog at September 30, 2015, the value of uncompleted construction management contract work, for which the Company acts as an agent for the client, is \$24.4 million, compared with \$3.0 million at December 31, 2014.

ACCOUNTING POLICIES

The Company's significant accounting policies are outlined in the notes to the audited December 31, 2014 and 2013 Consolidated Financial Statements. The Interim Consolidated Financial Statements were prepared using the same accounting policies as our most recent annual consolidated financial statements.

Future accounting changes

On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model. The Company intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

On May 28, 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11 *Construction contracts* and IAS 18 *Revenue*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

On December 18, 2014 the IASB issued amendments to IAS 1 *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports (the “Disclosure Initiative”). The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

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 often 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 or have been utilized, 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)	2013	2014				2015		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3 *
Revenue	363,692	274,674	328,835	370,382	390,565	306,163	335,322	389,878
Net income	5,708	915	10,015	12,425	12,882	4,727	10,815	(5,616)
Earnings per share	0.13	0.02	0.24	0.29	0.30	0.11	0.26	(0.13)

* Note: The third quarter includes a net non-cash after-tax impairment charge of \$20.3 million.

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY

The following table presents a summary of the Company's financial condition for the period indicated.

(thousands of dollars)	<u>September 30, 2015</u>		<u>December 31, 2014</u>	
Financial Position Data				
Cash and cash equivalents	\$	177,421	\$	164,033
Investment in marketable securities		488		13,750
Working capital		114,338		104,027
Long-term debt		25,102		28,203
Shareholders' equity		167,365		181,587

The Company has sufficient working capital and equity retained in the business to support current operations. The Company expects to utilize cash from operations, existing working capital, including cash and cash equivalent amounts, and draws on its credit facilities to fund liabilities as they become due, finance future capital expenditures and pay dividends on its common shares.

As a component of working capital, the Company maintains balances of cash, cash equivalents and investments in liquid securities. At September 30, 2015, these balances consisted of \$177.4 million of cash and cash equivalents and \$0.5 million of liquid securities for a total of \$177.9 million. The non-cash net current asset/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, billings and collection of receivables from clients, and also the timing in the settlement of income taxes payable. The Company's cash balances absorb these fluctuations with no net impact to the Company's net working capital position or ability to access contract surety support. The Company believes it has sufficient working capital to support its current contract security requirements.

Credit Facilities

The Company has a number of credit facilities available to access in order 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 \$132.0 million of demand facilities used to primarily 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, including cash.

On July 2, 2015, the Company executed an agreement with Export Development Canada (EDC) to provide a \$45.0 million credit facility to support the issuance of contract performance security letters of credit issued by financial institutions on behalf of the Company. The Company can only use this facility when letters of credit have been issued as contract security for projects that meet the EDC mandate to provide financial support for Canadian exports abroad.

Letters of credit are typically issued to support the Company's performance obligations relating to PPP and other major 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)	<u>September 30, 2015</u>		<u>September 30, 2014</u>		<u>December 31, 2014</u>	
Operating line of credit	\$	132,000	\$	131,500	\$	132,000
Letters of credit issued	\$	38,728	\$	8,202	\$	8,041
Collateral pledged to support letters of credit	\$	33,933	\$	28,177	\$	20,651
Guarantees provided by EDC	\$	6,157	\$	-	\$	-

The increase in the amount of outstanding letters of credit at the end of the first nine months of 2015 compared to the end of 2014 is a primarily the result of the requirement to issue letters of credit relating to the award of the East Rail Maintenance Facility, Calgary Composting Facility, Saskatchewan Schools and the Stanton Territorial Hospital Renewal Project.

Operating Lines of Credit

a) *Committed revolving line of credit:*

The Company has a committed unsecured revolving line of credit for \$30.0 million with a Canadian chartered bank. The facility expires on September 28, 2017. This facility may be used in the normal course of business for general working capital purposes, fund future capital expenditures and qualifying permitted acquisitions. At September 30, 2015, the Company has drawn \$nil under this facility.

b) *Committed revolving line of credit facility:*

During the second quarter of 2015, a subsidiary of the Company has executed a new \$25.0 million committed revolving credit facility, maturing on June 10, 2018. The facility may be used to finance normal course operations. Borrowings under this facility are secured by a first charge against the net assets of the subsidiary. At September 30, 2015, the Company has drawn \$nil under this facility.

Equipment Financing

The Company has a committed term credit facility of up to \$10.0 million to be used to finance equipment purchases of subsidiaries guaranteed by the Company. As of September 30, 2015, the facility is undrawn. Interest on the facility can be charged at a fixed rate based on the Bank of Canada bond rate plus a spread. Interest is paid monthly in arrears. Draws under this facility are permitted until June 10, 2018.

During the second quarter of 2015, a subsidiary of the Company has executed a new committed term credit facility of up to \$15.0 million to be used to finance equipment purchases. As of September 30, 2015, the facility is undrawn. Borrowings under the facility are secured by a first charge against certain of the subsidiary's equipment financed using the facility. Interest on the facility can be charged at a fixed rate based on the Bank of Canada bond rate plus a spread. Interest is paid monthly in arrears. Draws under this facility are permitted until June 10, 2018.

In addition, subsidiaries of the Company have equipment acquisition lines of credit for \$62.5 million with the financing arms of several major heavy equipment suppliers to finance equipment procurement. Draws under this facility are typically recognized as operating leases for accounting purposes. At September 30, 2015, the Company has used \$16.4 million under the facilities (\$19.6 million at December 31, 2014). The Company's total lease commitments are outlined under Contractual Obligations.

At September 30, 2015, the Company was in compliance with all debt covenants relating to its operating and equipment lines of credit.

Loans and Borrowings

In the first nine months of 2015, the Company issued new debt excluding finance leases totaling \$9.9 million and made \$13.4 million in principal repayments. The new debt issued in the first nine months of 2015 relates to draws made pursuant to two new build finance contracts, both with non-recourse construction financing. The following table provides details of outstanding debt as at September 30, 2015, and principal repayments due over the next five years, excluding the amortization of debt financing costs of \$0.1 million and finance lease liabilities.

Debt	Amount	Year 1	Year 2	Year 3	Year 4	Year 5
(thousands of dollars)						
Loans and borrowings	\$ 24,330	\$ 15,858	\$ 5,322	\$ 1,872	\$ 592	\$ 686

Cash Flow Data

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

(thousands of dollars)	Nine months ended September 30,	
	2015	2014
Cash Flow Data		
Cash flows from operations before changes in non-cash working capital	\$ 53,398	\$ 43,680
Changes in non-cash working capital and other	<u>(18,253)</u>	<u>(41,356)</u>
Cash flows from (used in) operating activities	35,145	2,324
Cash flows from (used in) investing activities	5,973	(13,396)
Cash flows from (used in) financing activities	<u>(27,730)</u>	<u>(32,723)</u>
Increase (decrease) in cash and cash equivalents	<u>\$ 13,388</u>	<u>\$ (43,795)</u>

Operating Activities

During the nine months ended September 30, 2015, the Company's operating activities generated cash of \$35.1 million compared with a use of cash of \$2.3 million in the first nine months of 2014. In the first nine months of 2015, cash flow from operations was comprised of \$53.4 million of cash from operating activities before changes in non-cash working capital and the impairment charge, and \$18.3 million of cash used to fund an increase in the Company's non-cash working capital position and the payment of \$17.7 million of income tax installments. In 2014, the comparative amounts were \$43.7 million of cash from operations before changes in non-cash working capital and \$41.4 million of cash used to fund an increase in the Company's non-cash working capital position. Changes in the amount of non-cash working capital primarily represent normal course fluctuations in the Company's net non-cash current asset/liability position. In some periods, this fluctuation will be a use of cash, as it was in the first nine months of 2015 and 2014, while it will be a source of cash in other periods, 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, 2015, the Company generated \$6.0 million of cash from investing activities compared with a use of cash of \$13.4 million in 2014. In the first nine months 2015, the proceeds realized from the sale of preferred share investments generated cash of \$11.7 million which more than offset other uses of cash in investing activities. The Company used \$5.4 million of cash to purchase property, equipment and computer software partially offset by proceeds from equipment disposals of \$1.9 million. In the first nine months of 2014, investing activities resulted in the use of cash of approximately \$13.4 million resulting primarily from cash used to purchase property, equipment and computer software of \$14.4 million. The reduction in the amount of capital expenditures in the nine months ended September 30, 2015 compared to last year reflects the fact that the Company's level of investment in equipment is currently sufficient to support the projected work program in the short term.

Financing Activities

During the nine months ended September 30, 2015, the Company used \$27.7 million of cash in financing activities compared with a use of cash of \$32.7 million in 2014. The reduction in cash used in financing activity in first nine months 2015 is a result of raising additional non-recourse long term debt in 2015 to finance the construction of two PPP projects. Dividend payments of \$24.2 million remained the same in the comparative periods.

DIVIDENDS

The Company declared monthly dividends on common shares payable on or about the 20th of the month following the month in which the dividend was declared. The following table outlines the dividend history:

July 1, 2014 to September 30, 2014	\$0.190
October 1, 2014 to December 31, 2014	\$0.190
January 1, 2015 to March 31, 2015	\$0.190
April 1, 2015 to June 30, 2015	\$0.190
July 1, 2015 to September 30, 2015	\$0.190

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 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. 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, including a Bird leadership program, to provide a forum for high-potential candidates to develop their leadership skills.

CONTRACTUAL OBLIGATIONS

At September 30, 2015, the Company has future contractual obligations of \$ 444.8 million. Obligations for accounts payable, finance and operating annual lease payments and for principal repayments, including interest, under long-term debt over the next five years are:

(thousands of dollars)	Accounts Payable	Finance Leases	Operating Leases	Long-Term Debt	Total
2015	\$ 356,777	300	2,168	2,973	362,218
2016	16,937	467	6,039	13,912	37,355
2017	5,075	86	4,374	5,444	14,979
2018	2,083	-	3,627	1,774	7,484
2019	14	-	2,721	1,004	3,739
Thereafter	-	-	19,061	-	19,061
	\$ 380,886	853	37,990	25,107	444,836

OFF BALANCE SHEET ARRANGEMENTS

The Company has operating lease obligations described under Contractual Obligations noted above and surety lien bonds issued on behalf of the Company valued at \$6.6 million at September 30, 2015.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires management to make judgments, 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 any future periods affected.

Construction revenue, construction costs, deferred revenue and costs and estimated earnings in excess of billings are all based on estimates and judgments used in determining an estimate of contract revenue and contract costs and to determine the stage of completion for a particular construction project, depending on the nature of the construction project, as more fully described in the Revenue Recognition Policy included in the notes to the Company's annual financial statements. To determine the estimated costs to complete construction projects, assumptions and estimates are required to evaluate issues related to schedule, material and labour costs, labour productivity, changes in contract scope and subcontractor costs. Due to the nature of construction, estimates can change significantly from one accounting period to the next.

The value of many construction contracts increases over the duration of the construction period. Change orders may be issued by our clients to modify the original contract scope of work or conditions. In addition, there may be disputes or claims regarding additional amounts owing as a result of changes in contract scope, delays, additional work or changed conditions. Construction work related to a change order or claim may proceed and costs may be incurred in advance of final determination of the value of the change order. As many change orders and claims may not be settled until the end of the construction project, significant increases or decreases in revenue and income may arise during any particular accounting period.

Provisions involve the use of estimates, as determined by management. Estimates and assumptions are required to determine when to record and measure a provision in the financial statements for legal and warranty claims. The outcomes can differ significantly from the estimates used in preparing the financial statements resulting in required adjustments to expenses and liabilities.

Impairment testing is performed annually for indefinite-lived intangible assets and goodwill resulting from business combinations, by comparing the recoverable amount of the cash generating unit ("CGU"), or groups of CGUs to its carrying amount. The recoverable amount of the CGU is determined based on a value in use calculation. There is significant amount of uncertainty with respect to the estimates of recoverable amounts of the CGUs' assets given the necessity of making key economic projections which employ the following key assumptions: future cash flows, growth opportunities, including economic risk assumptions, estimates of achieving key operating metrics and the discount rate.

OUTSTANDING COMMON SHARE DATA AND STOCK EXCHANGE LISTING

The Company is authorized to issue an unlimited number of common shares. The Company had a total of 42,516,853 common shares outstanding at September 30, 2015 and December 31, 2014.

The Company's Board of Directors has previously approved the award of 625,000 stock options with a grant date of March 15, 2012 to eligible Company employees. The total number of stock options is exercisable in equal amounts on the first through fourth anniversary dates from the grant date. No stock options were exercised at September 30, 2015. During the first nine months of 2015, 65,000 stock options were forfeited resulting from the retirement of a plan participant.

The Company's Board of Directors approved the award of 100,000 stock options with a grant date of January 1, 2015 to the newly appointed President and CEO. The total number of stock options is exercisable in equal amounts on the first through fourth anniversary dates from the grant date. The exercise price is based on the weighted average trading price of the Company's common shares on the Toronto Stock Exchange for the five trading days ending on December 31, 2014. The stock options awarded will expire on January 1, 2022.

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, 2015, 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, 2015, 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.

There have been no material changes in the Company’s internal control over financial reporting during the nine month period ended September 30, 2015 that materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

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 filed on March 12, 2015, 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; however, there is no assurance that these methods will be effective in insulating Bird from a downturn in the economy. Furthermore, as a result of increased demand in certain regions or industry sectors, the Company has, in the past, earned above-average margins on particular projects. There is also no assurance that above-average margins that may have been generated on historical contracts can be generated in the future. For more than 10 years, the Company has increased its focus on industrial projects in the oil sands of northern Alberta and more recently, in eastern Canada through the acquisition of O’Connell. Investment decisions by our clients are based on the long-term views of the economic viability of their current and future projects. The economic viability of the projects is dependent upon the clients’ view of the long-term price of commodities which is influenced by many factors. If our clients’ outlook for commodity prices is not favourable, this may delay, reduce or cancel capital project spending and may make them more sensitive to construction costs. A decrease in construction activity in this sector could have an adverse effect on the Company’s financial performance and results of operations. Moreover, many of Bird’s contracts are and will be relatively short-term (less than two years, generally). As such, any prolonged downturn in the economy could impact Bird’s ability to generate new business or maintain a backlog of contracts with acceptable margins to sustain Bird through such downturns.

Competitive Factors

Bird competes with many international, national, regional and local construction firms. Competitors 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 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 into 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 makeup 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 large projects and in the PPP market, a strong balance sheet measured in terms of an adequate level of working capital is typically required. Bird operates in markets that are highly competitive and there is constant pressure to find and maintain a competitive advantage. In the current economic climate, competition is intense. This presents significant challenges for the Company. If those competitive challenges are not met, Bird's client base could be eroded or it could experience an overall reduction in profits.

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. A portion of Bird's construction activity relates to government-funded institutional projects. Governments are still addressing budget deficit issues which may affect the institutional capital spending in the future. 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 elections, could have an adverse impact on the Company if that business could not be replaced within the private sector. Government-funded projects also typically have long and sometimes unpredictable lead times associated with government review and approval. The time delays associated with this process can constitute a risk to general contractors pursuing these projects. Certain government-funded projects, particularly PPP projects, may also require significant bid costs which can only be recovered if Bird is the successful bidder. A number of governments in Canada have procured a significant value of projects under a PPP contract format, which is an attractive market for the Company. A reduction in the popularity of this procurement method or difficulties in obtaining financing for these projects would have negative consequences for Bird.

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 estimates of the project costs may be in error, resulting in a loss of or lower than anticipated profits. All significant cost estimates are reviewed by senior management prior to tender submission.

Performance of Subcontractors

Successful completion of a contract by Bird depends, in large part, on the satisfactory performance of subcontractors who are engaged to complete the various components of the work. Subcontractor defaults tend to increase during depressed market conditions. If subcontractors fail to satisfactorily perform their portion of the work, Bird may be required to engage alternate 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 Bird. 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 subcontractor's work, Bird may require some form of performance security and achieves this through the use of surety bonds, subcontractor default insurance or other forms of security from the subcontractors to mitigate Bird's exposure to the risks associated with a subcontractor under the contract. A significant shortage of qualified subcontractors and trades people could have a material impact on Bird's financial condition and results of operations.

Maintaining Safe Work Sites

In spite of the best efforts of Bird to minimize the risk of incidents, they can occur and 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 work sites 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 contract termination, fines, regulatory sanction or even criminal prosecution. Bird's safety record and worksite 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 general contractor has an unacceptably high incidence of safety infractions or incidents. Bird adheres to very rigorous safety policies and procedures which are continually reinforced on its work sites and offices. Management is not aware of any pending health and safety legislation or prior incidents which would be likely to have a material impact on any of Bird's operations, capital expenditure requirements, or competitive position. Nevertheless, there can be no guarantee with respect to the impact of future legislation or incidents.

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 district 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.

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.
- **"Lost Time Incident Frequency"** is the number of lost time incidents recorded per 200,000 manhours of work by Bird employees.

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. Risks that may impact the Company's future results, performance or achievements include those described under "Risks Relating to the Business" in this

MD&A and in the Company's Annual Information Form dated March 12, 2015 filed and available on SEDAR. 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.