BIRD CONSTRUCTION INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013

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, 2013 consolidated financial statements of Bird Construction Inc. 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 6, 2014. This MD&A has been prepared as of March 6, 2014. 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").

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EXECUTIVE SUMMARY:

(thousands of dollars, except per share amounts)	**2013**	2012
Income Statement Data		
Revenue	**$ 1,331,689**	$ 1,454,869
Net income [(1)]	**12,090**	58,245
Basic and diluted earnings per share	**0.28**	1.38
Adjusted Net Income [(3)]		
Adjusted net income	**14,550**	61,959
Adjusted net income per share	**0.34**	1.47
Cash Flow Data		
Cash flows from operations before changes in non-cash working capital	**32,314**	108,699
Cash flows from operations	**16,399**	60,326
Additions to property and equipment [(2)]	**16,830**	25,643
Cash dividends paid	**31,853**	29,718
Cash dividends declared per share	**0.75**	0.71
	December 31, 2013	December 31, 2012
Balance Sheet Data		
Total assets	**648,051**	718,147
Working capital	**120,362**	154,427
Loans and borrowings (including current portion)	**39,369**	48,174
Shareholders' equity	**177,296**	191,565

[(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. See page 4.

2013 HIGHLIGHTS:

- During the fourth quarter of 2013, the Company generated revenues of $363.7 million and net income of $5.7 million, compared with revenues of $420.3 million and net income of $24.7 million a year ago. Net income per share for the quarter was $0.13, compared with $0.58 in the comparable quarter a year ago. The reduction in net income in 2013 is primarily attributable to one fixed price construction project that experienced execution issues resulting in an $8.0 million loss in the period and the timing and mix of construction projects executed in the respective periods which included lower returns derived from the industrial sector compared to 2012 which was impacted by the favourable completion of several contracts.

- For the three months ended December 31, 2013, the Company's adjusted net income (non-GAAP measure) was $6.1 million, compared with $25.6 million in 2012. Adjusted net income per share for the period was $0.14, compared with $0.61 in 2012. Adjusted net income in the three-month period was similarly adversely affected by the project loss noted above and the timing and mix of construction projects executed in the respective periods which included lower returns derived from the industrial sector compared to 2012 which was impacted by the favourable completion of several contracts.

- During the year ended December 31, 2013, the Company generated revenues of $1,331.7 million and net income of $12.1 million, compared with revenues of $1,454.9 million and net income of $58.2 million, respectively in 2012. Net income per share was $0.28 in the year, compared with $1.38 in 2012. The reduction in net income in 2013 is primarily attributable to one fixed price construction project that experienced execution issues resulting in a $20.5 million loss in the year and the timing and mix of construction projects executed in the respective periods which included lower returns derived from the industrial sector compared to 2012 which was impacted by the favourable completion of several contracts.

- For the year ended December 31, 2013, the Company's adjusted net income (non-GAAP measure) was $14.6 million, compared with $62.0 million in 2012. Adjusted net income per share for the year ended December 31, 2013 was $0.34, compared with $1.47 in 2012. Adjusted net income in 2013 was similarly adversely affected by the project loss noted above and the timing and mix of construction projects executed in the respective periods which included lower returns derived from the industrial sector compared to 2012 which was impacted by the favourable completion of several contracts.

- On January 17, 2013, the Company completed the acquisition of Nason Contracting Group Ltd. ("Nason"). The purchase price for the acquisition was $12.4 million. Nason is a recognized leader in the construction of water and wastewater facilities in western Canada. Nason has a 40-year track record of successful construction projects throughout Alberta, British Columbia, Saskatchewan, the Yukon and the Northwest Territories. Nason's head office, shops and yard are located in St. Albert, Alberta. Nason performs the majority of its work with its own forces, having particular strength in the execution of mechanical, electrical and instrumentation work.

- The Company's Board of Directors approved a 5.5% increase in the monthly dividend from $0.060 per share to $0.063 per share effective with the March 2013 dividend.

- The Company secured a record $1,518.3 million of new construction contracts, including change orders on existing contracts in 2013. The Company acquired $8.2 million of Backlog on the acquisition of Nason, and put in place work valued at $1,331.7 million. The Company has a record Backlog at December 31, 2013 of $1,268.7 million, compared to $1,073.9 million as at December 31, 2012. This is the highest level of year end Backlog that the Company has had.

- During the third quarter, the Company announced the award of several larger construction contracts totaling approximately $275.0 million. The projects primarily involve both civil and building construction activity to serve the needs of industrial customers in northern Alberta.

- In the final quarter of the year, the Company opened a new district office in St. John's, Newfoundland. The district office will pursue construction opportunities in Newfoundland and Labrador in all of Bird's market sectors.

- During the fourth quarter, the Company announced new contracts exceeding $400.0 million, including a large project to design and construct numerous non-process buildings at the Fort Hills oil sands site located north of Fort McMurray, Alberta.

- In the fourth quarter, the Company, as part of various consortia, was short-listed to submit proposals for the construction of the Swift Current Long-Term Care Facility and the Saskatoon Civic Operations Centre both located in Saskatchewan, and Building Alberta Schools Construction Program.

- Based on anticipated increases in revenue and improvement in margins the Company expects earnings will return to a level which supports the current dividend level and will enable future growth.

ADJUSTED NET INCOME MEASURE (NON-GAAP INFORMATION):

As disclosed in note 5 to the annual consolidated financial statements for the year ended December 31, 2011, $6.0 million of the total purchase price attributable to the H.J. O'Connell, Limited ("O'Connell") acquisition was allocated to the value of the Backlog acquired, $8.4 million was allocated to the value attributed to customer relationships and $0.8 million of transaction costs was expensed in the period. In addition, $0.9 million was allocated to the value of the Backlog acquired through the Nason acquisition in January 2013. For accounting purposes, these 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. Management believes this accounting principle implies that there is a decline in the value of the acquisitions to the Company immediately. Management believes that this principle is not consistent with the economics used by it to support the O'Connell and Nason acquisitions, 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 incurred in 2013 and 2012 relating to the acquisition of Nason 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 year. 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-RECONCILIATION:

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)

		2013		2012
Net income as reported in financial statements (GAAP)	$	**12,090**	$	58,245
Add: Amortization of intangible assets		**2,952**		4,811
Add: Transaction costs		**166**		319
Add: Associated tax effect		**(658)**		(1,416)
Adjusted net income (Non-GAAP Measure)	$	**14,550**	$	61,959
Adjusted net income per share (Non-GAAP Measure)	$	**0.34**	$	1.47

Both in the fourth quarter and for the twelve month results, 2013 adjusted net income was significantly lower than amounts reported in 2012.

For the twelve months ended December 31, 2013, adjusted net income of $14.6 million compares with $62.0 million in 2012. The reduction is attributable to one fixed price construction project that experienced execution issues resulting in a $20.5 million loss in the year and the timing and mix of construction projects executed in the respective periods which included lower returns derived from the industrial sector compared to 2012 which was impacted by the favourable completion of several contracts.

NATURE OF THE BUSINESS:

The Company operates as a general contractor 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 over 90 years and focus primarily on projects in the industrial, mining, commercial and institutional 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.

While Bird self-performs some scopes of work on its projects, particularly in the industrial market sector, a significant portion 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 enroll the subcontractor into a subcontractor default insurance program; otherwise, the Company may require bonds or other forms of contract security from subcontractors to 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 construction activities for clients in the industrial, commercial and institutional market sectors. The Company will continue to utilize a range of contract formats and will also continue to pursue design-build projects across all market sectors. The design work required for these projects is typically specialized and varies widely based on the project type. Accordingly, the Company will continue to outsource 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 Public Private Partnership ("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 accumulated 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 is part of various consortia that has submitted proposals for the North Island Hospitals project located on Vancouver Island and the East Rail Maintenance Facility and ErinoakKids Centre both located in Toronto. In addition, the Company, as part of various consortia, was short-listed to submit proposals for the construction of the Swift Current Long-Term Care Facility and the Saskatoon Civil Operations Centre both located in

Saskatchewan, and Building Alberta Schools Construction Program. The Company is pursuing a minority equity position in some of the above mentioned projects in addition to serving as a member of the respective design-build construction team, should the securement be successful.

The Company has developed expertise in the construction of water and wastewater treatment facilities and will continue to capitalize on this expertise. On January 17, 2013, the Company acquired all of the outstanding shares of Nason as part of its strategy in this market. Nason has a 40-year track record and is a recognized leader in the construction of water and wastewater facilities in western Canada. Nason performs the majority of its work with its own forces and has particular strength in the execution of mechanical, electrical and instrumentation work.

While there has been continued uncertainty in the current economic environment, the Company is beginning to see improving conditions for the industrial sector in northern Alberta. In addition, the Company is increasingly addressing the maintenance requirements of our oil sands clients and will seek to expand the significance of this business with our industrial clients. Achievement of this strategic initiative may be further accomplished through an acquisition or by organic growth, or a combination of both. With oil sands production methods becoming increasingly more environmentally friendly, the Company will continue to expand and enhance our construction expertise in the area of steam-assisted gravity drainage ("SAGD") as the industry moves in this direction. Construction activity in the mining sector has slowed significantly in the past year and there are no signs that this slowdown will end in the near future. However, the Company expects to benefit from the many attractive opportunities that are expected to continue in the development of Canada's other resource sectors and hydro power markets.

Bird has secured several heavy civil construction contracts with earth-moving components in northern Alberta and the Company will continue to develop this scope of work as we pursue additional opportunities in the future.

Bird will continue its efforts to attract and retain a highly-skilled, professional workforce to increase its capacity and productivity to deliver increasing revenues and earnings in the future. Bird prides itself in providing a working environment for its employees based on the principles of honesty, integrity, excellence and professionalism. We support 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 organization.

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 in the construction industry generally improved in mid 2011, with this improvement being reflected in the Company's revenues and gross profits reported in 2012. Economic conditions generally weakened in the latter half of 2012, particularly in the Company's industrial and institutional markets, with this weakening being reflected in the 2013 results. There are now some indications that conditions may be improving. During the last half of 2013, the Company secured a significant level of new awards in northern Alberta, signaling an improvement in market conditions in this region. However, the institutional and commercial markets continue to be very competitive which may impact the level of new securements moving forward and/or have the potential to reduce gross margins on new awards.

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. The following table shows the Company's Backlog at the end of the comparative reporting periods. The Company's current level of Backlog of $1,268.7 million compares with $1,073.9 million a year ago. The $194.8 million increase in Backlog at December 31, 2013 is attributable to a strong level of securements in the final quarter of 2013. The Company must continue to be successful in securing additional projects to achieve its strategic objectives.

(thousands of dollars)	**2013**	2012
Backlog	$ **1,268,700**	$ 1,073,900

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 Profit Percentage realized by the Company in the comparative periods.

2013	2012
5.4%	9.8%

In 2013, the Company realized a Gross Profit Percentage of 5.4% compared with 9.8% in 2012. The reduction in the Gross Profit Percentage realized in 2013 compared to 2012 is in part attributable to one fixed price construction project which experienced execution issues resulting in a loss in 2013, and the timing and mix of construction projects executed in the respective periods which included lower returns derived from the industrial sector compared to 2012 which was impacted by the favourable completion of several contracts.

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)	**2013**	2012
Working capital	$ **120,362**	$ 154,427
Shareholders' equity	$ **177,296**	$ 191,565

The $34.1 million decline in the amount of working capital in the year ended December 31, 2013 is primarily a result of $11.5 million of cash used to purchase property and equipment not financed with debt, the use of $14.6 million of cash to repay long-term debt and $5.6 million of net cash used to acquire Nason.

The change in amount of shareholders' equity during the year represents the extent to which dividends declared exceeded earnings in the year ended December 31, 2013, offset to some extent by the issuance of 363,007 common shares valued at $5.0 million as part of the acquisition of Nason.

The Company believes it has sufficient working capital and equity to conduct its business in the ordinary course plus an amount to accommodate potential strategic initiatives.

Safety

At Bird, we recognize that safety and production are neither mutually exclusive nor competing priorities wherein one is necessarily compromised for the sake of the other. Rather, we are committed to safe production, putting our people first and ensuring their safety so that they can work effectively and productively, expecting to go home at the end of the day as healthy as when they arrived.

On a construction site, the difference between being fully committed to people and to safe production and not being fully committed can often be measured in life-altering injuries or lives. As such, we believe that safe production is everybody's responsibility, every minute of every day on every job – from the workers on our project sites to the leadership of the organization.

Our goal is to create and sustain an environment and culture where everybody understands, accepts and actively shares in this responsibility. To this end, we will collaborate with our employees, our subcontractors, our clients and our suppliers in a spirit of consultation and cooperation to achieve this goal.

In 2013, Bird has executed over 4,359,973 manhours of work, incurring five lost time incidents (LTI) for an LTI frequency of 0.23.

Lost Time Incident Frequency

2013	2012
0.23	0.50

RESULTS OF OPERATIONS:

FISCAL 2013 COMPARED WITH FISCAL 2012

During the year ended December 31, 2013, the Company generated net income of $12.1 million on construction revenue of $1,331.7 million compared with $58.2 million and $1,454.9 million, respectively in 2012. The reduction in the amount of net income in 2013 is attributable to one fixed price construction project that experienced execution issues in the year resulting in a $20.5 million loss and the timing and mix of construction projects executed in the respective periods which included lower returns derived from the industrial sector compared to 2012 which was impacted by the favourable completion of several contracts.

In 2013, the Company generated adjusted net income (non-GAAP measure) of $14.6 million compared with $62.0 million in 2012. The 2013 adjusted net income was similarly adversely affected by the project construction loss noted above and the timing and mix of construction projects executed in the respective periods which included lower returns derived from the industrial sector compared to 2012 which was impacted by the favourable completion of several contracts.

Construction revenue in 2013 decreased by 8.5% to $1,331.7 million, compared with $1,454.9 million recorded in 2012. The decline in construction revenues of $123.2 million is attributable to lower construction revenue derived from our industrial and institutional sectors in 2013 offset to some extent by higher construction revenues originating from our commercial operations.

In 2013, the Company's gross profit of $71.5 million compares with $143.0 million recorded a year ago. The $71.5 million reduction in the amount of 2013 gross profit is in part due to one fixed price construction project that experienced execution issues which resulted in a $20.5 million loss in the year and the timing and mix of construction projects executed in the respective periods which included lower returns derived from the industrial sector compared to 2012 which was impacted by the favourable completion of several contracts.

General and administrative expenses in 2013 of $55.8 million (4.2% of revenue) compares with $62.3 million (4.3% of revenue) in 2012. The decrease in 2013 expenses is primarily attributable to lower variable compensation costs consistent with lower earnings and the benefit associated with reducing contingent consideration liabilities, as a result of revisions to earnings estimates for the acquired businesses compared with target earnings thresholds set out in the acquisition agreements. A reduction in the amount of these expenses was partially offset by the inclusion of the Nason general and administrative costs in 2013.

Finance income of $2.7 million was $1.4 million lower than the amount recorded in 2012. The decrease is due to the recognition of an unrealized loss of $0.8 million on the Company's preferred share investment portfolio in 2013 combined with a reduction in interest and dividend income of $0.6 million, resulting from a lower amount of cash available to invest in 2013 relative to 2012.

Finance costs of $3.0 million were $0.7 million lower than 2012, primarily due to lower interest costs on long-term debt along with a reduction in interest expense relating to the accretion of the contingent consideration.

In 2013, income tax expense of $3.2 million was $19.5 million lower than 2012, consistent with lower pre-tax earnings.

THREE MONTHS ENDED DECEMBER 31, 2013 COMPARED WITH THREE MONTHS ENDED DECEMBER 31, 2012

Selected Quarterly Financial Information
Consolidated Statements of Income and Comprehensive Income
Fourth Quarter
(thousands of dollars)

	For the three months ended December 31	
	2013	2012
	(unaudited)	(unaudited)
Construction revenue	**$ 363,692**	$ 420,292
Costs of construction	**348,275**	365,886
Gross Profit	**15,417**	54,406
General & administrative expenses	**9,394**	19,573
Income from operations	**6,023**	34,833
Finance income	**565**	1,084
Finance costs	**(107)**	(1,054)
Income before income taxes	**6,481**	34,863
Income tax expense	**773**	10,159
Net income and comprehensive income for the period	**$ 5,708**	$ 24,704
Adjusted net income and comprehensive income for the period	**$ 6,146**	$ 25,561
Basic and diluted earnings per share	**$ 0.13**	$ 0.58
Adjusted net income per share	**$ 0.14**	$ 0.61

In the fourth quarter of 2013, the Company generated net income of $5.7 million on quarterly construction revenue of $363.7 million compared with $24.7 million and $420.3 million, respectively in 2012. The reduction in 2013 fourth quarter net income is attributable to one fixed price construction project that experienced execution issues resulting in an $8.0 million loss in the quarter and the timing and mix of construction projects executed in the respective periods which included lower returns derived from the industrial sector compared to 2012 which was impacted by the favourable completion of several contracts.

In the fourth quarter of 2013, the Company generated adjusted net income (non-GAAP measure) of $6.1 million compared with $25.6 million in 2012. Fourth quarter adjusted net income was similarly negatively affected by the same factors noted above.

Construction revenue of $363.7 million in the fourth quarter was $56.6 million or 13.5% lower than the amount recorded in 2012. The decline is primarily due to lower construction revenues derived from our industrial sector.

In the fourth quarter of 2013, the Company's gross profit of $15.4 million compares with $54.4 million recorded in 2012. The reduction in the amount of 2013 gross profit is attributable to one fixed price construction project that has experienced execution issues resulting in an $8.0 million loss in the period and the timing and mix of construction projects executed in the respective periods which included lower returns derived from the industrial sector compared to 2012 which was impacted by the favourable completion of several contracts.

General and administrative expenses of $9.4 million (2.6% of revenue) in the quarter were $10.2 million lower than the $19.6 million (4.7% of revenue) recorded in 2012. The reduction in expenses is primarily attributable to a reduction in variable compensation costs resulting from lower 2013 earnings combined with the benefit associated with reducing contingent consideration liabilities as a result of revisions to earnings estimates for the acquired businesses compared with the target earnings thresholds set out in the acquisition agreements. These declines were offset to some extent by the inclusion of Nason's general and administrative costs in 2013.

Finance income in the fourth quarter of 2013 of $0.6 million compares to $1.1 million reported in 2012. The reduction in the amount of quarterly finance income is due to a $0.3 million unrealized loss on our preferred share investments combined with lower interest and dividend income resulting from lower amounts of cash available to invest in the current quarter compared to a year-ago.

Finance costs of $0.1 million were $1.0 million lower than the amount reported in the fourth quarter of 2012, primarily due to the reversal of $0.6 million of interest expense relating to the accretion of the contingent consideration and to a lesser extent lower interest costs on long-term debt.

In the fourth quarter of 2013, income tax expense of $0.8 million was $9.4 million lower than 2012, consistent with lower pre-tax earnings in 2013.

FUTURE OPERATING PERFORMANCE:

Successful financial performance of the Company is dependent upon securing profitable construction contracts and then controlling the costs associated with the execution of the work. The ability to secure contracts is a function of the general state of the economy. At December 31, 2013, the Company's Backlog stands at a record level of $1,268.7 million, representing an increase of $194.8 million compared to the $1,073.9 million reported at the end of 2012. During the last half of 2013, the Company secured a significant volume of new contract awards, with a large portion of the work in the industrial sector, reinforcing the fact that Bird's business remains strong in light of competitive market conditions. The Company has and will continue to bid on a substantial volume of new business and management believes that this effort will generate increasing levels of future revenue in 2014 and thereafter.

The Company is pursuing larger scale and self-performed heavy civil opportunities in Canada's resource sector and hydro power markets. Volatility in commodity pricing seen earlier in 2013 caused some of our clients to re-examine their project plans, which had the effect of delaying the commencement of many larger scale construction prospects. In the last half of 2013 we saw evidence to suggest that these larger projects are beginning to come to market. The projects awarded to the Company in the last half of 2013 provide a degree of optimism for the future development of these larger scale projects in northern Alberta. In addition to these larger scale opportunities, the Company continues to be well positioned to capitalize on the many smaller to medium size opportunities which continue to come to market.

The industrial market contributed 37% of 2013 revenues (43% in 2012). The reduction in the relative significance of industrial revenues in 2013 compared to 2012 is a result of reduced construction activity in northern Alberta during the first half of 2013 and an inability to replicate the strong revenues produced by O'Connell in 2012. The level of 2013 oil sands activity was negatively impacted by uncertain commodity pricing and concerns surrounding pipeline capacity. In the last half of 2013, the Company was awarded several larger scale oil sands construction contracts and we are currently actively involved in the pursuit of other such opportunities. In 2013, mining activity was slower, making it difficult to reproduce the results that we reported in 2012. The Company expects that the relative significance of the industrial sector will rebound in 2014 because of the effect of a number of significant contract awards made in the last half of 2013, combined with an expectation for continued capital spending in 2014. Although mining spending is expected to remain depressed in 2014, the Company is aggressively pursuing a number of opportunities in other industrial markets.

The institutional sector represented 26% of 2013 revenues (37% in 2012). The decline in the relative significance of revenues from this sector in 2013 compared with 2012 is primarily a result of the Company's inability to secure sufficient replacement work for that which was recognized as revenue a year earlier. The Company anticipates that institutional spending will continue at reduced levels, as all levels of government are still under pressure to address budget deficits. However, the Company will continue to be active in the PPP market and will be submitting proposals for projects of this nature in 2014 and beyond. Competition for these projects will continue to be intense and there can be no assurance that the Company will be successful in achieving contract awards.

The retail and commercial sector represented 37% of 2013 revenues (20% in 2012). In 2013, the increase in the relative significance of 2013 revenues compared with 2012 is a result of the Company capitalizing on our clients' growth programs throughout the country. While we have a solid Backlog of work in this sector, we do not foresee the previous pace continuing into 2014. The timing of owner decisions and stiff competition for this work will impact our ability to replicate 2013 results in 2014.

During 2013 the Company's earnings were adversely affected by execution issues, and by weaker margins within its industrial operations. These factors are not expected to detract from the profitability of work to be put in place in 2014 and thereafter. The combination of increased revenue and a recovery in margins is expected to generate a level of sustainable earnings which supports the current dividend level while enabling future growth.

Backlog

During the year, the Company secured $1,518.3 million in new construction contracts (including change orders to existing contracts) and acquired $8.2 million of Backlog resulting from the Nason acquisition on January 17, 2013. The Company's Backlog of $1,268.7 million at December 31, 2013, compares with $1,073.9 million at December 31, 2012. With respect to the current Backlog, $826.4 million is expected to be put in place during 2014, leaving $442.3 million to carry forward to 2015 and beyond. The following table outlines the changes in the amount of the Company's Backlog throughout the current year and with a comparison to the prior year.

Backlog
(millions of dollars)

December 31, 2011	$	1,235.6
Securements and Change Orders in 2012		1,293.2
Realized in construction revenues in 2012		(1,454.9)
December 31, 2012	$	1,073.9
Securements and Change Orders in 2013		1,518.3
Acquisition from Nason		8.2
Realized in construction revenues in 2013		(1,331.7)
December 31, 2013	**$**	**1,268.7**

In addition to Backlog, at December 31, 2013, the value of uncompleted construction management contract work, for which the Company acts as an agent for the customer, is $41.8 million, compared with $96.0 million at December 31, 2012.

ACCOUNTING POLICIES:

The Company's significant accounting policies are outlined in the notes to the December 31, 2013 and 2012 Consolidated Financial Statements. The Consolidated Financial Statements were prepared using the same accounting policies as our most recent annual consolidated financial statements, except for the adoption of new standards effective as of January 1, 2013. The adoption of these new standards did not have a material impact on the methods of computation or on the presentation of the Company's consolidated financial statements.

Future accounting changes

IFRS 9 Financial instruments was issued in November 2009 and amended in October 2010. IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified based on the business model in which they are held and the characteristics of their contractual cash flows. Requirements for financial liabilities were added in October 2010, and they largely carried forward existing requirements in IAS 39 Financial instruments – recognition and measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. In November 2013, a new general hedge accounting standard was issued, which forms part of IFRS 9. The new general hedge accounting standard will align 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 judgement to assess the effectiveness of a hedging relationship. The new standard removes the 2015 effective date of IFRS 9. The mandatory effective date is not yet determined and although early adoption of this new standard is still permitted, Canadian reporting entities cannot early adopt IFRS 9 until it has been approved by the Canadian Accounting Standards Board. The Company does not intend to adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2014, and the extent of the impact of adoption of IFRS 9 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 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)	2012				2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	**Q4**
Revenue	294,654	343,083	396,840	420,292	288,464	312,265	367,268	**363,692**
Net income	6,435	9,002	18,104	24,704	2,431	327	3,624	**5,708**
Earnings per share	0.15	0.22	0.43	0.58	0.06	0.00	0.09	**0.13**

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY:

The Company believes that its strong balance sheet, including equity of $177.3 million and $120.4 million of working capital, provides it with the financial capacity to support all of our contract security requirements, including the ability to secure performance bonds, issue labour and material bonds, issue letters of credit and provide parent company performance guarantees. Although the Company introduced long-term debt into its capital structure to finance the acquisition of O'Connell and later to finance the purchase of equipment, management believes that the amount of long-term debt totalling $39.4 million at December 31, 2013 is manageable in light of the level of expected future earnings of the Company, combined with the Company's strong financial position, including access to a number of unutilized credit facilities. 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 December 31, 2013 and December 31, 2012.

Financial Condition table

(thousands of dollars)	**2013**	2012
Shareholders' equity	**$ 177,296**	$ 191,565
Working capital	**$ 120,362**	$ 154,427
Long-term debt	**$ 39,369**	$ 48,174
Backlog	**$ 1,268,700**	$ 1,073,900

Loans and Borrowings

During 2013, the Company made $14.6 million of principal repayments and issued $5.3 million of new debt to finance purchases of heavy equipment to support ongoing industrial sector operations. The following table provides details of outstanding debt as at December 31, 2013 and principal repayments due over the next five years, excluding the amortization of debt financing costs of $0.2 million and finance lease liabilities.

Debt (thousands of dollars)	Amount	Year 1	Year 2	Year 3	Year 4	Year 5
Loans and borrowings	$ 38,108	$ 14,762	$ 14,490	$ 6,677	$ 1,080	$ 1,099

Credit Facilities

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 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.

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)	**2013**	2012
Operating line of credit	**$ 131,500**	$ 131,500
Letters of credit issued	**$ 23,487**	$ 31,561
Collateral pledged to support letters of credit	**$ 30,825**	$ 40,215

In 2013, the amount of outstanding letters of credit declined by $8.1 million primarily due to the expiry of letters of credit relating to a previously completed PPP construction 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 December 31, 2013, 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) Committed revolving line of credit:
A subsidiary of the Company has a committed revolving credit facility of $20.0 million, maturing on May 31, 2015. The facility may be used to finance normal course operations of the subsidiary. Borrowings under this facility are secured by a first charge against the accounts receivable of the subsidiary. At December 31, 2013, the Company had no outstanding amounts due 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 December 31, 2013, 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.

Equipment Financing

(a) A subsidiary of the Company has an equipment financing facility with a Canadian chartered bank for $20.0 million for the purpose of financing future equipment purchases. At December 31, 2013, the Company has $2.2 million outstanding under this facility. Draws under this facility are permitted until May 31, 2015. The facility 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, a subsidiary of the Company has 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 December 31, 2013, the Company has used $19.3 million under this facility. The Company's total lease commitments are outlined under Contractual Obligations.

Liquidity

A manageable amount of long-term debt, 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, increasing our presence in the heavy civil construction 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 year indicated.

	December 31, 2013	December 31, 2012
Financial Position Data		
Cash and cash equivalents	**$ 138,350**	$ 183,079
Investment in marketable securities	**13,657**	15,956
Working capital	**120,362**	154,427
Long-term debt	**39,369**	48,174
Shareholders' equity	**177,296**	191,565

As a component of working capital, the Company maintains significant balances of cash and cash equivalents and investments in liquid securities. At December 31, 2013, these balances consisted of $138.4 million of cash and cash equivalents and $13.7 million of liquid securities for a total of $152.1 million. The Company's 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 accounts receivable from clients, and also the timing of settlement of income taxes payable. The Company's cash balance absorbs these fluctuations with no net impact to 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)	**2013**	2012
Cash Flow Data		
Cash flows from operations before changes in non-cash working capital	**$ 32,314**	$ 108,699
Changes in non-cash working capital	**(15,915)**	(48,373)
Cash flows from operating activities	**16,399**	60,326
Cash flows used in investing activities	**(20,023)**	(24,051)
Cash flows used in financing activities	**(41,105)**	(26,598)
Increase/decrease in cash and cash equivalents	**$ (44,729)**	$ 9,677

Operating Activities

During the year ended December 31, 2013, the Company generated cash from operating activities of $16.4 million compared with $60.3 million in 2012. In 2013, cash flow from operations was comprised of $32.3 million of cash from operating activities before changes in non-cash working capital and $15.9 million of cash used to fund an increase in the Company's non-cash working capital position. In 2012, the comparative amounts were $108.7 million of cash from operations before changes in non-cash working capital and $48.4 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 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 in the current periods, 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

In 2013, the Company used $20.0 million of cash in investing activities compared with $24.1 million in 2012. The reduction in the amount of cash used in investing activities in 2013 compared to 2012 is primarily attributable to a decrease in purchases of property and equipment, offset to some extent in 2013 by the use of $5.6 million of cash to acquire Nason. In 2013, the Company made purchases of property and equipment of $16.8 million compared with $25.6 million in 2012. Property and equipment expenditures primarily relate to purchases of heavy equipment to support our construction operations in the industrial sector. The decline in equipment purchases in 2013 is a result of an expected short-term reduction in construction activity derived from the Company's industrial operations.

Financing Activities

During the year ended December 31, 2013, the Company used $41.1 million of cash in financing activities compared with a use of cash of $26.6 million in 2012. The increase in the amount of cash used in 2013 is primarily due to a reduction in the amount of cash received in 2013 from new debt financing. In 2013, the Company issued new long-term debt of $5.3 million compared with $16.0 million in 2012. The issuance of long-term debt was used to finance the purchases of heavy equipment to support our construction operations in the industrial market sector. The remainder of the increase in cash outflow in 2013 is primarily a result of higher debt repayments in the current year.

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 historical dividend history:

January 1, 2012 to March 31, 2012	$0.170
April 1, 2012 to June 30, 2012	$0.180
October 1, 2012 to December 31, 2012	$0.180
January 1, 2013 to March 31, 2013	$0.184
April 1, 2013 to June 30, 2013	$0.190
July 1, 2013 to September 30, 2013	$0.190
October 1, 2013 to December 31, 2013	**$0.190**

Effective March 12, 2013, the Company increased its monthly dividend by 5.5%, bringing the monthly dividend rate to $0.0633 per common share compared to $0.060 per common share, previously.

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. 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 December 31, 2013, the Company has future contractual obligations of $421.5 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
2014	$	344,966	694	9,147	16,009	370,816
2015		4,312	660	4,634	15,218	24,824
2016		-	187	2,510	6,779	9,476
2017		-		1,794	1,130	2,924
2018		-	-	1,503	1,116	2,619
Thereafter		-	-	10,794	-	10,794
	$	349,278	1,541	30,382	40,252	421,453

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 $6.4 million at December 31, 2013.

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 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 has been determined based on a value in use calculation. There is significant amount of uncertainty with respect to the estimates of recoverable amounts of the CGU's assets given the necessity of making key economic projections which employ the following key assumptions: future cash flows, growth opportunities, including economic risk assumptions and estimates of achieving key operating metrics and drivers 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 42,153,846 common shares outstanding at December 31, 2012. Subsequently, on January 17, 2013, in conjunction with the acquisition of Nason, the Company issued 363,007 common shares from treasury as partial consideration of the total purchase price. Therefore, the total number of outstanding common shares has increased to 42,516,853 which remain issued and outstanding at December 31, 2013 and March 6, 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 December 31, 2013.

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 December 31, 2013, 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 December 31, 2013, 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.

As of December 31, 2013, under the supervision of and with the participation of management, including the CEO and CFO, the Company has evaluated the effectiveness of internal controls over financial reporting and determined that the internal controls over financial reporting are operating as intended.

There have been no material changes in the Company's internal control over financial reporting during the year ended December 31, 2013 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. The Company has reviewed the internal controls over financial reporting of Nason Contracting Group Ltd., recently acquired by the Company on January 17, 2013, and no material control weaknesses have been identified.

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 6, 2014, which is available through the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Economy and Cyclicality
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 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 client's 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. A decrease in construction activity in this sector could have an adverse effect on the Company's financial performance and results of operations. Furthermore, 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. Our 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 projects in the PPP market and other large projects, 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 achieve 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 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 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.
- **"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.
- **"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 6, 2014 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.