BIRD
CONSTRUCTION INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016 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 14, 2017. This MD&A has been prepared as of March 14, 2017. 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.

TABLE OF CONTENTS

EXECUTIVE SUMMARY

(in thousands of Canadian dollars, except per share amounts)	2016	2015	2014
Income Statement Data			
Revenue	**$ 1,589,868**	$ 1,444,806	$ 1,364,456
Net income [1]	**25,002**	21,482	36,237
Basic and diluted earnings per share	**0.59**	0.51	0.85
Adjusted Net Income [2]			
Adjusted net income	**27,741**	41,802	36,237
Adjusted net income per share	**0.65**	0.98	0.85
Cash Flow Data			
Net increase in cash and cash equivalents during the year	**43,120**	54,723	25,683
Cash flows from operations	**43,659**	74,775	87,087
Additions to property and equipment [3]	**5,602**	5,565	16,622
Cash dividends paid	**32,297**	32,297	32,297
Cash dividends declared per share	**0.76**	0.76	0.76
Balance Sheet Data			
Total assets	**817,383**	733,992	637,283
Working capital	**118,043**	127,358	104,027
Loans and borrowings (current and non-current)	**11,388**	19,332	28,203
Shareholders' equity	**163,566**	170,891	181,587

[1] includes comprehensive income, hereafter referred to as net income

[2] adjusted net income is a non-GAAP measure and does not have standardized meaning. See page 5.

[3] includes computer software purchases classified as intangible assets

2016 HIGHLIGHTS

- In 2016, the Company generated net income of $25.0 million on construction revenue of $1,589.9 million compared with $21.5 million and $1,444.8 million, respectively in 2015. The Company organically grew revenue by $145.1 million or 10.0% higher than $1,444.8 million recorded in 2015. The increase in construction revenues is largely due to the execution of the Company's significant institutional work program, including many PPP and alternative finance projects, secured in 2015. The Company's industrial revenues declined year-over-year from 2015, primarily driven by the completion of several larger scale industrial projects in northern Alberta.

- The revenue mix changed in 2016 which was a result of the growth in the institutional work program, that represented 56% of total revenue in 2016, an increase from 34% in 2015. The revenue increase attributable to the institutional work program was partially offset by a decline in the industrial work program, which represented 29% of total revenues, a decrease from the 51% recorded in 2015. The commercial and retail sector remained stable and represented 15% of total revenues in each of 2016 and 2015.

- Adjusting for the non-cash after-tax impairment charges related the Company's wholly owned subsidiary, H.J. O'Connell Limited ("O'Connell") of $2.7 million in 2016 on equipment and $20.3 million goodwill and intangibles in 2015, the Company's adjusted net income in 2016 and 2015 was $27.7 million and $41.8 million (a non-GAAP measure), respectively. Adjusted net income in 2016 of $27.7 million was less than 2015 adjusted net income of $41.8 million by $14.1 million or 33.6%. The decrease is primarily a result of lower gross profit due to a shift in the mix of the work program from comparatively higher margin industrial work to lower margin institutional work. In addition, the wildfires in northern Alberta had a negative impact on the execution of several projects, resulting in delays and additional unrecoverable costs amounting to approximately $4.0 million in 2016. The net income reduction was partially offset through efficiencies in general and administrative expenses, improved finance income, lower finance costs, and an increase in deferred income tax recovery.

- In 2016, the Company increased its cash and cash equivalents position by $43.1 million to $261.9 million at year end. This was driven primarily by strong collections of accounts receivable and holdback receivables at the end of the quarter.

- During the fourth quarter of 2016, the Company generated net income of $5.8 million on construction revenue of $430.7 million compared with net income of $11.6 million and $413.4 million of construction revenue in 2015. The reduction in the amount of 2016 net income was primarily due to lower gross profit partially offset by a reduction in general and administrative expenses, interest expense and an improvement in equity income related to equity investments in Public Private Partnership ("PPP") and alternative finance projects. The decrease in 2016 gross profit was driven by the year-over-year margin decline in the mix of projects and the $3.9 million impairment charge on O'Connell equipment.

- In the fourth quarter, bidding activity on large institutional projects, including PPP and alternative finance projects, increased year-over-year as there were four projects under pursuit. Two of the projects were submitted in the quarter and the remaining two are scheduled to be submitted in the first half of 2017.

- In 2016, the Company secured $1,064.1 million of new contract awards and change orders, and executed $1,589.9 million of construction revenues. The success in securing new work through the course of the year contributed to a Backlog of $1,137.0 million for the Company at December 31, 2016, compared with $1,662.8 million at December 31, 2015. The decline in backlog from the end of 2015 is representative of the fact that the Company did not secure a major project in 2016 as available opportunities were limited. The Company has been successful in securing many smaller but strategic projects with opportunities to win additional work packages as the Company looks to diversify its revenue streams into new markets and with new clients. Subsequent to year end, the Company issued separate press releases announcing the contract signing for the Mental Health Facility and Energy Centre at Royal Columbian Hospital and that it was named preferred proponent for the Hamilton Biosolids project.

- In 2016, Bird employees exemplified safety as a core value through zero lost-time incidents in the year.

- In the fourth quarter of 2016, the Company extended the term of its $55.0 million committed revolving credit facility to December 31, 2019 with no change to the covenants or security.

- The Board has declared dividends of $0.0325 per common share for April 2017.

NON-GAAP MEASURE:

Adjusted net income and adjusted net income per share have no standardized meaning prescribed by GAAP and are considered a non-GAAP measure. Therefore, these measures may not be comparable with similar measures presented by others. Management believes that the presentation of adjusted net income and adjusted net income per share provides useful information for shareholders and potential investors as it provides increased transparency and predictive value.

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

		2016		2015
Net income as reported in financial statements (GAAP)	$	**25,002**	$	21,482
Add: Impairment of goodwill and intangible assets		**-**		22,435
Add: Impairment of equipment		**3,855**		-
Add: Associated tax effect		**(1,116)**		(2,115)
Adjusted net income (Non-GAAP Measure)	$	**27,741**	$	41,802
Adjusted net income per share (Non-GAAP Measure)	$	**0.65**	$	0.98

The Company's net income in 2016 was negatively impacted by a non-cash charge to earnings of $3.9 million ($2.7 million after deferred tax reversal) for the impairment of equipment. 2015 net income was negatively impacted by an impairment of goodwill and intangible assets relating to the Company's investment in O'Connell.

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, and Vancouver. The Company and its predecessors have been in operation for 97 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, metal & modular fabrication, mechanical process work, 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, hotels and selected high rise condominiums and apartments. Within the institutional sector, Bird constructs hospitals, post-secondary education facilities, schools, prisons, courthouses, government buildings, retirement & senior housing, and environmental facilities that include water and wastewater treatment centres, composting facilities and biosolids treatment and management facilities. The Company has developed expertise in the construction of vertical elements and overall management of transportation related projects and will continue to enhance our abilities as governments plan to increase stimulus spending to address aging infrastructure. Bird also invests in equity in PPP projects as a means to support construction operations. In all sectors, Bird contracts with its clients using a combination of fixed price, unit price, cost reimbursable and guaranteed maximum price, and provides services that include construction, design-build and construction management delivery methods.

While Bird self-performs some elements of its projects, particularly in the industrial market 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 subcontractor not be able to meet its 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; provide excellent service and quality to our clients; and provide meaningful and safe working environments for our employees and our business partners.

The fundamental elements of Bird's strategy include:

HEALTH AND SAFETY

Responsibility for the health and safety of our most critical business asset – our people – is not just the responsibility of an individual, role, or department. As befitting of a Company that started out as a family business, critical to Bird's successful growth is a belief that safety is everybody's responsibility, every minute of every day on every job. This is a fundamental tenet of our operational strategy, a core company value, and a key corporate social responsibility.

At Bird, our single most important value is Safety and our goal is zero harm. We understand that our commitment to safety is not just a moral obligation to our staff but also makes good business sense. In addition to reducing related health and safety costs, reducing property damage and improving loss management outcomes, a robust safety program also contributes to employees and other stakeholders feeling more valued and engaged. This, in turn, produces a stronger commitment to product and service quality, improved productivity and client satisfaction.

For this reason, Bird promotes a culture of "Safe Production" wherein safety considerations are interwoven into the very fabric of our operational processes. From planning to execution, effective communication, documentation, orientation, training, and ongoing review and analysis of our work activity is vigorously undertaken to ensure continuous improvement in all facets of our operations so that both hazards and inefficiencies are effectively identified, assessed, and addressed. In doing so, we create a safer and more productive work environment and better ensure that every worker on our sites leaves the job every day just as healthy and safe as when they arrived.

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, thereby continuing 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 strive 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. Bird will also continue to offer clients other contract delivery methods including construction only and construction management delivery methods. Bird will also continue to contract on the basis of fixed price, unit price, cost reimbursable and guaranteed maximum price.

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 competitive advantages, a pooling of resources required to complete larger, complex projects and operational and financial risk sharing between the partners. In the PPP market, Bird will also continue to pursue an equity position in these projects as a means to support construction operations.

To broaden the scope of Bird's construction-related services, the Company will continue to self-perform a greater proportion of our industrial activities, including earthmoving operations and mechanical process work, and 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' operations. This initiative serves to diversify revenues, with the objective of making the Company less dependent on new construction programs and to build stronger customer relationships.

Our strategy is centred on diversification of our work program and earnings base. We will continue to pursue larger more complex projects, particularly in the PPP and alternative finance market, in both social infrastructure and transportation, as an active participant in the concession and as a design-build contractor. We will also focus on increasing our presence in the MRO market in western Canada though our self-perform mechanical and civil platforms and on building a work program around environmental or ‘green’ opportunities in water and waste water processes, composting and biosolids treatment and management.

ATTRACTING AND RETAINING PEOPLE

Bird’s success is highly 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.

While creating a positive and safe work environment is non-negotiable, we are equally committed to providing our employees, and potential employees, with interesting and challenging work, opportunities to grow and develop, and a welcoming environment where people can build a successful career in every aspect of our business.

By continuously developing and refining policies and programs to engage our employees at work and in their communities, offering new and innovative training programs, driving ongoing leadership development, and making a career at Bird more than just a job, we are able to recruit, develop and retain top talent while ensuring our compensation programs remain market 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 successfully 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 the Backlog. The following table shows the Company’s Backlog at the end of the comparative reporting periods. The Company’s Backlog of $1,137.0 million at December 31, 2016 compares with $1,662.8 million at December 31, 2015. The year-over-year reduction in Backlog was anticipated and reflects a significant reduction in the industrial work program combined with a limited number of larger scale PPP and alternative finance projects available in the marketplace during the year. Although the Company continues to secure a number of commercial and institutional projects, these awards were not sufficient to offset the decline in our industrial work program resulting from sustained low commodity prices, particularly in oil and gas and iron ore. The Company did experience an increase in pursuit activity related to PPP and alternative finance projects in the fourth quarter of 2016. Four projects were in the proposal phase and two projects were in the pre-qualification phase, with two of the proposals and one of the pre-qualifications submitted prior to year-end.

Subsequent to the 2016 year-end the Company announced it has signed a contract for the design and construction of the Mental Health Facility and Energy Centre at Royal Columbian Hospital and was part of a consortium named as preferred proponent for the Hamilton Biosolids project, which if contracted will be added to Backlog in 2017.

(in thousands of Canadian dollars)	**2016**	2015
Backlog	$ **1,137,000**	$ 1,662,800

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

	2016	2015
Gross Profit Percentage	**5.8%**	8.4%

In 2016, the Company realized a Gross Profit Percentage of 5.8% compared with 8.4% in 2015. The reduction in Gross Profit Percentage compared with 2015 reflects the year-over-year decrease in contribution from the industrial work program, which has been historically higher margin work. This decrease has been partially offset by an increase in the contribution to gross profit derived from the institutional work program, which is comparatively lower margin. In addition, the Company's Gross Profit Percentage was negatively impacted by the Fort McMurray wildfires and the impairment of O'Connell equipment.

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.

(in thousands of Canadian dollars)		**2016**		2015
Working capital	$	**118,043**	$	127,358
Shareholders' equity	$	**163,566**	$	170,891

Cash flows from operations before changes in non-cash working capital exceeded dividend payments and capital expenditures, although the excess was more than offset by a shift in deferred income taxes to current taxes payable, the use of funds to finance subcontractor default insurance coverage and the repayment of loans and borrowings. These factors resulted in a decline in working capital of $9.3 million to the end of 2016.

The decrease in the amount of the Company's shareholders' equity since December 31, 2015 primarily represents the extent to which dividends exceeded earnings in the year.

The Company has adequate amounts of both working capital and equity to operate the business. The Company expects resource prices to remain low through 2017 and recognizes that the construction industry generally lags the recovery of the underlying resource prices. These market conditions and the subsequent reduction of the industrial work program combined with the anticipated increase in PPP and alternative finance project activity, which requires a healthy balance sheet, led to a decision by the Company and its Board of Directors to reduce the amount of dividends paid commencing in 2017. The reduction in the amount of the monthly dividend will ensure the Company maintains adequate equity and working capital to support execution of the Company's diversification strategy that otherwise would not have been attainable if the current dividend rate was maintained.

Safety

At Bird, ensuring that all work on our sites is executed to exacting quality standards begins with our commitment to creating and sustaining a culture in which the identification, assessment, and elimination or control of hazards and risks is incorporated into every aspect of our operations. We call this *Safe Production,* and it is a cornerstone of our operational philosophy and approach.

Ensuring that all workers leave our jobsites everyday just as healthy and safe as when they arrived is a shared commitment and by working collaboratively with our workers and subcontractors to achieve this, we minimize risk and create the appropriate conditions for the safe execution of construction activity - on time, on budget, and to our client's satisfaction. We believe this shared commitment is critical to our overall success. 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.

In 2016, Bird executed 4,002,003 manhours of work, incurring zero lost time incident (LTI) for an LTI frequency of 0.00.

Lost Time Incident Frequency

2016	2015
0.00	0.04

RESULTS OF OPERATIONS

FISCAL 2016 COMPARED WITH FISCAL 2015

In the fiscal year ended December 31, 2016, the Company generated net income of $25.0 million on construction revenue of $1,589.9 million compared with $21.5 million and $1,444.8 million, respectively in 2015. The Company organically grew revenue by $145.1 million or 10.0% higher than $1,444.8 million recorded in 2015. The increase in construction revenues is largely due to the execution of the Company's significant institutional work program, including many PPP and alternative finance projects, secured in 2015. The Company's industrial revenues declined year-over-year from 2015, primarily driven by the completion of several larger scale industrial projects in northern Alberta.

The Company's net income in 2016 and 2015 were negatively impacted by an impairment of equipment in 2016 and an impairment of goodwill and intangible assets in 2015.

In the fourth quarter 2016, the Company determined that there were indicators of impairment in the carrying amount of equipment relating to its wholly owned subsidiary O'Connell. Continued unfavourable economic and market conditions in the mining industry in eastern Canada, primarily due to low iron-ore prices have resulted in customers curtailing resource development expenditures or self-performing their mining operations. In addition, for the limited number of opportunities that were available to the O'Connell business, strong competition resulted in work being difficult to secure and a reduction in backlog in 2016 compared to a year ago. Lower utilization and the fact more equipment was made available in the resale market has placed downward pressure on equipment resale values. As a result of these factors, the Company recorded an impairment expense of $3.9 million ($2.7 million after deferred tax reversals) in fiscal 2016 on O'Connell equipment.

In the third quarter 2015, the Company recorded 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 O'Connell. Adjusting for the after-tax non-cash impairment charge of $20.3 million, the Company would have recorded Adjusted Net Income of $41.8 million (a non-GAAP measure).

In 2016, the Company's gross profit of $91.7 million was $29.0 million or 24.0% less than $120.6 million recorded a year ago. The decrease in the amount of gross profit is the result of a lower Gross Profit Percentage on commercial and institutional projects which are becoming a larger proportion of total revenues. This shift in our work program to one comprised more heavily of commercial and institutional work is due to the strong organic growth the Company achieved in this market sector, primarily due to the award of many PPP and alternative finance projects in 2015, combined with the decline in the industrial work program as a result of continued low commodity prices. In 2016, the Company's Gross Profit Percentage of 5.8% compares to 8.4% recorded a year ago. The most significant factor driving the decrease in Gross Profit Percentage is the shift in the mix of the work program from higher margin industrial projects to comparatively lower margin institutional projects. Gross profit, and therefore Gross Profit Percentage, was further negatively impacted by the equipment impairment expense of $3.9 million ($2.7 million after deferred tax reversals) and the wildfires in northern Alberta that resulted in delays and additional costs of approximately $4.0 million in 2016.

In 2016, general and administrative expenses of $58.8 million (3.7% of revenue) compares with $60.5 million (4.2% of revenue) in 2015. The decrease in 2016 expenses is primarily driven by a reduction in compensation expense year-over-year offset to some extent by a charge for an onerous lease recorded in the third quarter of 2016.

Finance income in 2016 of $4.5 million was $2.2 million higher than the $2.3 million recorded in 2015. Last year, the Company incurred a $1.5 million net loss on the disposal of the Company's investment in preferred shares, a circumstance not repeated in 2016. This, combined with higher interest relating to the accretion of holdback receivables, is the main driver of the increase in finance income in the current year.

Finance costs of $3.1 million were $1.6 million lower than $4.7 million reported in 2015. The lower cost is primarily due to lower interest expense on long-term debt, as many of the facilities were fully repaid during 2016. An improvement in equity income from PPP projects and the positive change in the fair value of the Company's interest rate swaps also contributed to the decrease in finance costs.

In 2016, income tax expense of $9.3 million was $4.5 million lower than 2015, which is consistent with lower current period pre-tax earnings compared to the 2015 pre-tax earnings adjusted for the non-cash impairment charge, which was a non-deductible expense for income tax purposes.

THREE MONTHS ENDED DECEMBER 31, 2016 COMPARED WITH THREE MONTHS ENDED DECEMBER 31, 2015

Selected Quarterly Financial Information
Consolidated Statements of Income and Comprehensive Income
Fourth Quarter
(in thousands of Canadian dollars, except per share amounts)

	For the three months ended December 31	
	2016	2015
	(unaudited)	(unaudited)
Construction revenue	**$ 430,716**	$ 413,443
Costs of construction	**407,007**	379,856
Gross Profit	**23,709**	33,587
General & administrative expenses	**15,836**	16,317
Income from operations	**7,873**	17,270
Finance income	**1,209**	1,168
Finance and other costs	**(650)**	(2,658)
Income before income taxes	**8,432**	15,780
Income tax expense	**2,634**	4,224
Net income and comprehensive income for the period	**$ 5,798**	$ 11,556
Basic and diluted earnings per share	**$ 0.14**	$ 0.28

In the fourth quarter of 2016, the Company recorded net income of $5.8 million on construction revenue of $430.7 million compared with net income of $11.6 million and $413.4 million of construction revenue recorded in the fourth quarter of 2015. Fourth quarter construction revenue of $430.7 million in 2016 was $17.3 million or 4.2% higher than the $413.4 million recorded a year ago. The increase in construction revenues is largely due to the execution of the Company's significant commercial and institutional work program, including many PPP and alternative finance projects. As expected, the Company's industrial revenues declined relative to those recorded in 2015, primarily owing to a reduced work program resulting from the successful completion of several large scale projects during the year and the general state of the market in a low commodity price environment.

The Company's fourth quarter gross profit of $23.7 million was $9.9 million or 29.4% lower than $33.6 million recorded a year ago. The Company's 2016 Gross Profit Percentage of 5.5% compares to 8.1% recorded a year ago. The decrease in the amount of fourth quarter 2016 earnings is primarily due to the realization of a lower Gross Profit Percentage, a product of a year-over-year change in the work program mix from a greater proportion of higher margin industrial projects in 2015 to a greater proportion of comparatively lower margin commercial and institutional projects in 2016. Also the Company determined that there were indicators of impairment in the carrying amounts of equipment relating to O'Connell. Continued unfavourable economic and market conditions in the mining industry in eastern Canada from low iron-ore prices have resulted in customers curtailing resource development expenditures or self-performing their mining operations. In addition, for the limited number of opportunities that were available to the O'Connell business, competition was fierce and work difficult to secure resulting in a reduction in Backlog in 2016 as compared to a year ago. Lower utilization and the fact more equipment was made available in the resale market has placed downward pressure on equipment resale values. As a result of these factors, the Company recorded an impairment expense of $3.9 million ($2.7 million after deferred tax reversals) in fiscal 2016 on O'Connell equipment.

In the fourth quarter of 2016, general and administrative expenses of $15.8 million (3.7% of revenue) compares with $16.3 million (3.9% of revenue) in 2015. In the fourth quarter of 2016, the Company spent $0.7 million in pursuit costs which is $0.5 million higher than the fourth quarter in the prior year. This additional expense is more than offset by a decrease in 2016 compensation expense.

Finance income in the fourth quarter of 2016 of $1.2 million is comparable to the $1.2 million recorded in the same period of 2015.

Finance costs of $0.7 million were $2.0 million lower than $2.7 million reported in the comparable period of 2015. The decrease is primarily due to lower interest expense on loans and borrowings, as many of the facilities were fully repaid during 2016. An improvement in equity income from PPP projects and the positive change in the fair value of the Company's interest rate swaps also contributed to the decrease in finance costs in the fourth quarter of 2016.

In the fourth quarter of 2016, income tax expense of $2.6 million was $1.6 million lower than 2015, consistent with lower pre-tax earnings in the period. In addition, fourth quarter 2016, benefitted from the associated tax effect of the equipment impairment made in the O'Connell business.

FUTURE OPERATING PERFORMANCE

At December 31, 2016, the Company is carrying a Backlog of $1,137.0 million, representing a reduction from the $1,662.8 million carried at the end of 2015. The reduction in Backlog was expected given the completion of several significant industrial projects during the course of the year which have been difficult to replace in the current environment combined with the fact there were few large scale institutional projects, including PPP and alternative finance projects, available owing to the timing and stage of procurement of many of these opportunities. The current Backlog is characterized by a higher composition of commercial and institutional work compared with the last several years, a result of the success in securing a significant number of contract awards in this sector in 2015. As anticipated, the Backlog attributable to the industrial work program has declined as clients continued to limit capital spending in response to the low commodity environment.

Looking towards 2017, activity in the industrial and resource sectors is expected to remain modest, although there has been recent signs of improvement as commodity prices have strengthened, particularly in the mid-stream oil and gas market in western Canada and mining operations in eastern Canada. However, for opportunities that are available, competition remains fierce, placing downward pressure on fees, and the award cycle is more drawn out as clients continue to have a measured approach to spending. With respect to the commercial and institutional market sector, there is a healthy pipeline of opportunities anticipated in 2017, characterized by numerous PPP and alternative finance projects. The Company had four large institutional projects in active pursuit in the fourth quarter of 2016, a sign of the increase in activity in this sector that is anticipated to carry through 2017 and beyond. Subsequent to 2016 year-end, the Company announced it has signed a contract for the design and construction of the Mental Health Facility and Energy Centre at Royal Columbian Hospital and was part of a consortium named as preferred proponent for the Hamilton Biosolids project, which will be added to the Company's backlog in 2017 if and when financial close is achieved. In addition, the Company has positioned itself to pursue as many as ten additional projects through 2017 and 2018 and generally expects the high level of institutional project bidding activity to continue through 2017 and into 2018. Successful award of any of these opportunities in 2017 will primarily benefit subsequent years. Consequently, with reduced gross profits available in the industrial market, the increased cost to pursue PPP and alternative finance projects and the expected timing of gross profit realization of those projects if secured, the Company anticipates that 2017 will see a significant reduction in earnings from 2016.

The institutional market sector contributed 56% of 2016 revenues (34% in 2015). In the institutional sector, investment by the various levels of government is expected to increase in 2017 to address the infrastructure deficit and boost economic activity. The federal government has announced a number of infrastructure funding programs with specific emphasis on post-secondary education through the Post-Secondary Institutions Strategic Investment Fund; public transit systems through the Public Transit Infrastructure Fund; clean water and green initiatives through the Green Infrastructure funding and Clean Water and Waste Water Fund; and community projects through Social Infrastructure funding.

While funding for these programs has been announced, actual projects have been slow to emerge, although the company anticipates this to change, particularly as it relates to indigenous and environmental projects. In addition, there continues to be a strong PPP and alternative finance market with numerous opportunities expected to be bid in 2017 and beyond. The Company is in a strong position to benefit from this increase in infrastructure spending and is actively pursuing a number of these opportunities that are currently available.

New contract awards of institutional projects slowed in the second half of 2016 due to the limited number of larger scale projects being available owing primarily to the timing and stage of procurement. As stated, activity in the pursuit of major projects increased in the fourth quarter and subsequent to the 2016 year-end, the Company announced it has signed a contract for the design and construction of the Mental Health Facility and Energy Centre at Royal Columbian Hospital and was part of a consortium named as preferred proponent for the Hamilton Biosolids project, which will be added to the Company's backlog in 2017 if and when financial close is achieved. The revenue and earnings contribution in 2017 derived from the institutional sector is expected to be strong.

The industrial market sector contributed 29% of 2016 revenues (51% in 2015). Though the uncertainty in the energy sector in western Canada has resulted in a reduction in the number and size of construction opportunities, it is expected that new projects, primarily in the midstream oil and gas market segment, will be available and we believe the Company is well positioned to pursue these opportunities, although competition is expected to remain strong, placing downward pressure on fees.

Similarly, lower iron ore and commodity prices have resulted in a reduction in the number and size of construction opportunities for O'Connell in eastern Canada. Recently, however, there has been an increase in bidding activity in the gold, lithium and iron ore sectors though this has not translated into any significant wins for the Company, owing primarily to heavy price competition. The challenging economic environment related to resource development that has persisted since 2014 is not expected to change significantly in the near term. Although we continue to receive new contract awards in the industrial sector, the projects are smaller and shorter cycle in nature and have been secured at lower margins due to the increased level of competition. Accordingly, we expect the revenue and gross profits in this sector to continue to be under pressure in 2017.

The retail and commercial sector contributed 15% of 2016 revenues (15% in 2015). The Company continues to secure new work in this market, although investment by private developers in many geographic regions appears to be measured due to slow growth and uncertain economic conditions. While the Company is seeing an increase in mixed use condominium work for select clients in the greater Toronto area, the expectation is that the retail and commercial sector will remain relatively unchanged in 2017.

Backlog

During 2016, the Company secured $1,064.1 million in new construction contracts (including change orders to existing contracts) and put in place $1,589.9 million of work resulting in a Backlog at December 31, 2016 of $1,137.0 million. The following table outlines the changes in the amount of the Company's Backlog throughout the current and prior fiscal years.

Backlog (in millions of Canadian dollars)		
December 31, 2014	$	1,149.7
Securement and Change Orders in 2015		1,957.9
Realized in construction revenues in 2015		(1,444.8)
December 31, 2015	$	1,662.8
Securement and Change Orders in 2016		1,064.1
Realized in construction revenues in 2016		(1,589.9)
December 31, 2016	**$**	**1,137.0**

ACCOUNTING POLICIES

The Company's significant accounting policies are outlined in the notes to the audited December 31, 2016 and 2015 Consolidated Financial Statements. The Consolidated Financial Statements were prepared using the same accounting policies as our 2015 consolidated financial statements.

The Company has adopted the Amendments to IAS 1, Presentation of Financial Statements, effective for our condensed interim and annual consolidated financial statements commencing January 1, 2016. The adoption of these amendments did not have a material impact on the presentation and disclosure in the Company's condensed consolidated interim 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. On April 12, 2016, the IASB issued *Clarifications to IFRS 15, Revenue from Contracts with Customers,* which is effective at the same time as IFRS 15. The clarifications to IFRS 15 provide additional guidance with respect to the five step analysis, transition, and the application of the Standard to licenses of intellectual property. 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 January 13, 2016 the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying assets is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of the standard 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, with the exception of seasonality in the first quarter of each year.

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

	2015				2016			
	Q1	Q2	Q3 *	Q4	Q1	Q2	Q3	Q4**
Revenue	306,163	335,322	389,878	413,443	338,294	413,195	407,663	**430,716**
Net income/(loss)	4,727	10,815	(5,616)	11,556	9,343	3,886	5,975	**5,798**
Earnings/(loss) per share	0.11	0.25	(0.13)	0.28	0.22	0.09	0.14	**0.14**

Notes: * The third quarter 2015 includes a net non-cash after-tax impairment charge of $20.3 million.
** The fourth quarter 2016 includes a net non-cash after-tax equipment impairment charge of $2.7 million.

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY

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

(in thousands of Canadian dollars)	**2016**	2015
Financial Position Data		
Cash and cash equivalents	**$ 261,876**	$ 218,756
Non-cash working capital	**(143,833)**	(91,398)
Working capital	**118,043**	127,358
Long-term debt	**8,623**	10,665
Shareholders' equity	**163,566**	170,891

Although the Company has adequate amounts of both working capital and equity, the expectation of a weaker industrial market in the near term with the resultant negative impact on earnings combined with the anticipated increase in PPP and alternative finance project activity, which requires a healthy balance sheet, has led to a decision by the Company and its Board of Directors to reduce the amount of dividends paid. Commencing in January 2017 for shareholders of record as of January 31, 2017, the dividend will be reduced from $0.0633 to $0.0325 per common share per month. The reduction in the amount of our monthly dividend will allow the Company to maintain equity and working capital at levels not otherwise attainable if the 2016 dividend rate was maintained and also support execution of the Company's diversification strategy.

As a component of working capital, the Company maintains a balance of cash and cash equivalents. At December 31, 2016, this balance amounted to $261.9 million. The non-cash net current asset/liability position was in a net liability position of $143.8 million at December 31, 2016, compared to a net liability position of $91.4 million at December 31, 2015. 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 and expected 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.

Operating Lines of Credit

a) *Committed revolving line of credit:*
   During 2016, the Company increased its committed revolving credit facility from $45.0 million to $55.0 million, with a Canadian chartered bank. The term of the facility was also extended and now matures December 31, 2019. This facility may be used in the normal course of business for general working capital purposes, to issue non-collateralized letters of credit, fund future capital expenditures and qualifying permitted acquisitions. At December 31, 2016, the Company has drawn $5.0 million under this facility. The $5.0 million draw is presented as long term debt on the Company's statement of financial position as the facility matures in 2019.

b) *Committed revolving line of credit facility*:
   A subsidiary of the Company has a $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. As at December 31, 2016, the balance drawn on this facility is nil.

Issuance of Letters of Credit

The Company has available $122.0 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.

The Company has available a $45.0 million credit facility with Export Development Canada (EDC) 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.

(in thousands of Canadian dollars)		**2016**		2015
Operating line of credit	**$**	**122,000**	$	132,000
Letters of credit issued	**$**	**34,028**	$	39,848
Collateral pledged to support letters of credit	**$**	**29,244**	$	33,777
Guarantees provided by EDC	**$**	**4,891**	$	6,157

The reduction in the amount of outstanding letters of credit as at the end of 2016 compared to the end of 2015 is primarily the result of the letters of credit maturing on their scheduled expiration dates.

Equipment Financing

The Company and its subsidiaries have a committed term credit facility of up to $25.0 million to be used to finance equipment purchases. Borrowings under the facility are secured with a first charge on the equipment being financed. As of December 31, 2016, 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.

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 the purchase of equipment. Draws under this facility are typically recognized as operating leases for accounting purposes. At December 31, 2016, the Company has used $6.4 million under the facilities ($9.1 million at December 31, 2015). The Company's total lease commitments are outlined under Contractual Obligations.

At December 31, 2016, the Company was in compliance with all debt covenants relating to its operating and equipment lines of credit.

Loans and Borrowings

In 2016, the Company issued new debt, excluding finance lease and non-recourse project financing, totaling $0.5 million and made $9.2 million in principal repayments (including finance lease repayments).

The following table provides details of outstanding debt as at December 31, 2016, and principal repayments due over the next five years, excluding the amortization of debt financing costs, finance lease liabilities and non-recourse project financing.

(in thousands of Canadian dollars)

Debt	Amount	Year 1	Year 2	Year 3	Year 4	Year 5
Loans and borrowings	$ 10,835	$ 2,410	$ 2,004	$ 5,725	$ 696	$ -

Cash Flow Data

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

(in thousands of Canadian dollars)	**2016**	2015
Cash Flow Data		
Cash flows from operations before changes in non-cash working capital	**$ 48,426**	$ 75,291
Changes in costs and estimated earnings in excess of billings - alternative finance projects	**(51,756)**	11,152
Changes in non-cash working capital and other	**46,989**	(11,668)
Cash flows from operating activities	**43,659**	74,775
Cash flows from (used in) investing activities	**(4,001)**	7,669
Dividends paid on shares	**(32,297)**	(32,297)
Proceeds from non-recourse project financing	**44,437**	14,793
Proceeds from loans and borrowings	**506**	6,560
Repayment of loans and borrowings	**(9,184)**	(16,777)
Cash flows used in financing activities	**3,462**	(27,721)
Increase in cash and cash equivalents	**$ 43,120**	$ 54,723

Operating Activities

During 2016, cash flows from operating activities generated cash of $43.7 million compared with $74.8 million in 2015. In 2016, cash flow from operating activities was comprised of $48.4 million of cash generated from operations before changes in non-cash working capital and a $4.7 million use of cash derived from changes in non-cash working capital and other items. In 2015, the comparative amounts were $75.3 million of cash generated from operations before changes in non-cash working capital and the impairment charge, and a $0.5 million use of cash from changes in non-cash working capital and other items. The decrease in cash flow from operations before changes in non-cash working capital in 2016 is primarily the result of lower earnings compared to 2015 earnings adjusted for the non-cash impairment charges. The $4.7 million use of cash in 2016 was the net of $51.8 million use of cash required for alternative finance projects and $47.0 million of cash generated from working capital required for all other projects. The $51.8 million use of cash for alternative finance projects was largely funded by $44.4 million of proceeds from non-recourse project financing through financing activities. The $47.0 million released from all other projects reflects the normal course fluctuation of working capital items on this work and is the primary driver of the overall increase in cash and cash equivalents for 2016.

Investing Activities

During 2016, the Company used $4.0 million of cash in investing activities compared with a source of cash in 2015 of $7.7 million. The change in investing activities in 2016 compared to the prior year is largely due to the proceeds of $12.2 million realized in 2015 from the sale of preferred share investments. The amount of cash used to purchase property and equipment in 2016 is comparable to 2015 and reflects market conditions in the resource sector. The Company's equipment portfolio is currently sufficient to support the projected work program in the short term.

Financing Activities

During 2016, the Company sourced $3.5 million of cash from financing activities compared with a use of cash of $27.7 million in 2015. The net reduction in the amount of cash used in financing activity in 2016 is primarily a result of issuing additional non-recourse project financing in 2016 to finance the construction of two alternative finance projects, as discussed above, combined with lower debt repayments as many of the facilities were fully repaid during 2016. Dividend payments remained the same in the respective 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:

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
October 1, 2015 to December 31, 2015	$0.190
January 1, 2016 to March 31, 2016	$0.190
April 1, 2016 to June 30, 2016	$0.190
July 1, 2016 to September 30, 2016	$0.190
October 1, 2016 to December 31, 2016	**$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 the Bird Leadership Academy program and the Bird Site Management program, to provide a forum for high-potential candidates to develop their leadership skills.

CONTRACTUAL OBLIGATIONS

At December 31, 2016, the Company has future contractual obligations of $568.0 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	Non-recourse Project Financing	Long-Term Debt	Total
2017	$	427,427	376	5,716	27,365	2,546	463,430
2018		30,747	72	4,462	32,605	2,103	69,989
2019		2,629	72	3,567	-	5,755	12,023
2020		-	49	3,360	-	835	4,244
2021		-	5	2,978	-	-	2,983
Thereafter		-	-	15,524	-	-	15,524
	$	460,803	574	35,607	59,970	11,239	568,193

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 $18.2 million at December 31, 2016.

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 or earlier, if a triggering event occurs, 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 December 31, 2016 and December 31, 2015.

On March 15, 2012, the Company's Board of Directors previously approved the award of 625,000 stock options 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. The stock options awarded will expire on March 15, 2019. In 2015, 65,000 stock options were forfeited resulting from the retirement of a plan participant. In 2016, 95,000 stock options were forfeited resulting from employees leaving the company. No stock options were exercised at December 31, 2016.

On January 1, 2015, the Company's Board of Directors approved the award of 100,000 stock options 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, 2016. The stock options awarded will expire on January 1, 2022. No stock options were exercised at December 31, 2016.

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, 2016, 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, 2016, 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, 2016, 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, 2016 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 15, 2017, 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 generally tied to the 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. Investment decisions by our clients are based on long-term views of the economic viability of their current and future projects, sometimes based upon the clients' view of the long-term prices of commodities which are influenced by many factors. If our clients' outlook for their current and future projects is not favourable, this may lead them to delay, reduce or cancel capital project spending and may make them more sensitive to construction costs. A 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.

As noted above, 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.

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 and sometimes formally based on other factors, such as the level of services offered, safety record, construction schedule, design (if applicable), project personnel, the consortium, joint venture and subcontractor team, prior experience with the prospective client and/or the type of project, and financial strength including 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 and equity 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. 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 or other factors, 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 and alternative finance 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 and/or alternative finance 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 price for most 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 a contract or estimates of project costs that are 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 in an attempt to mitigate these risks.

Performance of Subcontractors
Successful completion of a contract by Bird depends, in large part, on the satisfactory performance of its 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 possible damage to Bird’s reputation.

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 a 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 subcontractor to mitigate Bird’s exposure to the risks associated with the subcontractor’s performance and completion. A significant shortage of qualified subcontractors and trades people or the bankruptcy of a subcontractor could have a material impact on Bird’s financial condition and results of operations.

Maintaining Safe Work Sites
Despite Bird efforts to minimize the risk of safety incidents, they can occur from time to time and, if 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 and any 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 sanctions 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 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 an attractive place to work, it could experience difficulty in hiring and retaining an adequate level of qualified staff. 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"** adjusts net income for the amount of the non-cash charge for the impairment of goodwill, intangible assets and equipment relating to the Company's investment in its wholly owned subsidiary, H.J. O'Connell Limited.

- **"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 14, 2017 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.