Bird Construction Inc.

Management's Discussion and Analysis

For the three-month and six-month periods ended June 30, 2020 and 2019

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 June 30, 2020 interim consolidated financial statements of Bird Construction Inc. This discussion contains forward-looking information, which are subject to a variety of factors that could cause actual results to differ materially from those contemplated by this information. 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" included in the Company's most current Annual Information Form dated March 10, 2020. This MD&A has been prepared as of August 11, 2020. Additional information about the Company is available through the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and includes the Company's Annual Information Form and other filings.

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EXECUTIVE SUMMARY

(in thousands of Canadian dollars, except per share amounts)	Six months ended June 30, 2020	2019
Income Statement Data		
Revenue	$ **604,412**	$ 577,205
Net income (loss)	**6,747**	(5,465)
Basic and diluted earnings (loss) per share	**0.16**	(0.13)
Adjusted Earnings (1)	**7,689**	(5,465)
Adjusted Earnings Per Share (1)	**0.18**	(0.13)
Adjusted EBITDA (1)	**19,890**	2,314
Adjusted EBITDA Margin (1)	**3.29%**	0.40%
Cash Flow Data		
Net decrease in cash and cash equivalents	**(8,944)**	(56,454)
Cash flows from operations before changes in non-cash working capital (2)	**16,049**	825
Additions to property and equipment (3)	**5,643**	7,690
Cash dividends paid	**8,291**	8,291
Cash dividends declared per share	**0.20**	0.20
Balance Sheet Data	**June 30, 2020**	December 31, 2019
Total assets	**794,587**	856,787
Working capital	**72,457**	80,503
Loans and borrowings (current and non-current)	**37,720**	40,621
ROU Liabilities (current and non-current)	**28,060**	31,100
Shareholders' equity	**126,110**	127,720

(1) Adjusted Earnings, Adjusted Earnings Per Share, Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP measures Measures"

Refer to the consolidated statement of cash flows

Includes computer software purchases classified as intangible assets

TERMINOLOGY

Throughout this report, management uses the following terms not found in International Financial Reporting Standards (IFRS) and which do not have a standardized meaning. Therefore, these terms may not be comparable with similar terms presented by other companies and require definition:

- **"Adjusted Earnings"** is defined as IFRS net income excluding asset impairments, acquisition, integration and restructuring (as defined in accordance with IFRS) costs and the income tax effect of these costs.

- **"Adjusted Earnings Per Share"** is calculated by dividing Adjusted Earnings by the basic weighted average number of shares.

- **"Adjusted EBITDA"** represents earnings before interest, taxes, depreciation and amortization, finance and other costs, finance income, impairment of property and equipment, impairment of goodwill and intangible assets, gain or loss on sale of property and equipment, restructuring and severance costs outside of normal course, and acquisition, integration and restructuring (as defined in accordance with IFRS) costs .

- **"Adjusted EBITDA Margin"** is the percentage derived by dividing Adjusted EBITDA by construction revenue.

- **"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. It includes all the Company's remaining performance obligations in its contracts with its clients. It does not include amounts for variable consideration that are constrained, agency relationship construction management projects, and estimated future work orders to be performed as part of master services agreements.

- **"Pending Backlog"** is the total potential revenue of awarded but not contracted projects including where the Company has been named preferred proponent, where a contract has not been executed and where the letter of intent or agreement received are non-binding. It may also include amounts for agency relationship construction management projects, pre-construction activities and estimated future work orders to be performed as part of master services agreements. Management does not provide any assurance that a contract will be finalized, or revenue recognized in the future.

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

2020 HIGHLIGHTS

- During the second quarter of 2020, the Company recorded net income of $5.6 million on construction revenue of $282.8 million compared with a net income of $1.0 million on $315.4 million of construction revenue in 2019. Basic and diluted earnings per share in the second quarter of 2020 was $0.13 and $0.02, respectively. Volume was slightly lower, however gross profit improved significantly year-over-year driven by growth in the industrial work program. The year-over-year increase in second quarter net income is primarily attributable to the mix of the higher margin industrial work program. The second quarter of 2020 included approximately $1.3 million of pre-tax acquisition costs related to the due diligence and agreement to acquire Stuart Olson Inc. ("SOX") that was announced subsequent to quarter end.

- Adjusted Earnings and Adjusted Earnings Per Share in the second quarter of 2020 were $6.6 million and $0.15, respectively, compared with Adjusted Earnings and Adjusted Earnings Per Share in the second quarter of 2019 of $1.0 million and $0.02, respectively. The year-over-year increase in second quarter Adjusted Earnings is reflective of the improvement in earnings attributable to the mix of higher margin industrial work program.

- Adjusted EBITDA and Adjusted EBITDA Margin in the second quarter of 2020 were $12.3 million and 4.36%, respectively. Adjusted EBITDA increased $6.9 million from the Adjusted EBITDA of $5.4 million in the second quarter of 2019. Adjusted EBITDA Margin increased 263 basis points from the Adjusted EBITDA margin of 1.73% recorded in the second quarter of 2019. The year-over-year improvement was driven by an increase in gross profit due to the revenue mix, and the impact of increased costs on a certain contract incurred in 2019 that did not recur in 2020.

- During the first half of 2020, the Company recorded net income of $6.7 million on construction revenue of $604.4 million compared with a net loss of $5.5 million on $577.2 million of construction revenue in 2019. Basic and diluted earnings per share in the first half of 2020 and 2019 were $0.16 and a loss of $0.13, respectively. The 4.7% year-over-year increase in revenue was driven by growth in the industrial work program, while the commercial and institutional work program was effectively flat. The year-over-year increase in net income is primarily attributable to the mix of the higher margin industrial work program. The first half of 2019 was negatively impacted by a Public Private Partnership ("PPP") project that incurred additional cost due to design related scope growth and acceleration expenses. There were substantial changes to the scope of the project requested by the client that are in commercial negotiation. This PPP project achieved substantial performance in the first quarter of 2020.

- Adjusted Earnings and Adjusted Earnings Per Share in the first half of 2020 were $7.7 million and $0.18, respectively, compared with an Adjusted Loss of $5.5 million and Adjusted Loss Per Share of $0.13 in the first half of 2019. The year-over-year increase in second quarter net income is reflective of the improvement in earnings attributable to the mix of the higher margin industrial work program and the previously described PPP project.

- Adjusted EBITDA year-to-date at June 30, 2020 was $19.9 million compared to $2.3 million in the comparable period in 2019. Adjusted EBITDA Margin during the first half of 2020 was 3.29% and increased 289 basis points from the 0.40% recorded in the first half of 2019. The year-over-year improvement was driven by an increase in gross profit due to the revenue mix, and the impact of increased costs on a certain contract incurred in 2019 that did not recur in 2020.

- The COVID-19 pandemic has added uncertainty to the construction industry as each provincial government has responded with different measures to address the threat to public health. While certain preventative measures have eased in various provinces to varying degrees, the duration continues to be unknown and the corresponding impacts to our workforce, supply chain and project sites are key variables that have uncertainty as a result. The financial results of second quarter 2020 were impacted by the COVID-19 pandemic in April and early May when the Company experienced temporary project shutdowns and reduced productivity on project sites. The health and safety of employees is paramount and, as a result of the pandemic, the Company has increased health and safety initiatives such as physical distancing and added additional measures to normal safety protocols. The situation remains extremely fluid; however, the Company responded to the challenges presented in the first half of 2020 and is well-positioned to respond to fluctuating scenarios in the near term.

- In 2020, the Company secured $702.4 million of new contract awards and change orders and executed $604.4 million of construction revenues. Backlog of $1,645.4 million at June 30, 2020 increased 19.3% from Backlog of $1,379.7 million at June 30, 2019. Backlog increased by $98.0 million, or 6.3%, from the $1,547.4 million of Backlog recorded at December 31, 2019 despite some awards that were expected in the first half of 2020 being delayed as a result of the COVID-19 pandemic.

- In the first six months of 2020, cash and cash equivalents decreased $8.9 million, before the effects of foreign exchange, to $171.5 million from $180.3 million at the end of 2019. Most of the changes in cash and equivalents during the period relate to changes in the non-cash net current asset/liability position which can fluctuate significantly in the normal course of business. During the second quarter, the Company repaid $16.3 million that it had drawn in the first quarter from one of its committed bank facilities for working capital purposes.

- During the second quarter the Company was awarded several new projects and achieved substantial completion of certain contracts:

    - Bird was awarded the Eric Hamber Secondary School Replacement Project in Vancouver, British Columbia for approximately $92 million, under a design-build contract.

    - The Company was awarded a construction management services contract for 185 Enfield Place Project in Mississauga, Ontario for approximately $107 million for GWL Realty Advisors ("GWLRA").

    - The Company was awarded a stipulated sum contract, for the Louvre Residence at Century Park Project ("Louvre") in Edmonton, Alberta for approximately $57 million under development by Procura Real Estate Services Ltd.

    - The Company signed a contract for construction at a liquefied natural gas ("LNG") Liquefaction Export Terminal Facility located in northwestern British Columbia. The contract is for the construction of concrete foundations and paving inside the battery limits of the LNG trains process area and is one of the largest concrete foundation packages ever awarded to Bird. The contract will start immediately and continue into 2022.

    - The Company achieved substantial completion for the Niagara Falls Entertainment Centre in the first half of 2020. Designed and constructed to LEED V4 standards, the new 5,000 seat facility features performance space with multiple stage configurations.

- The Board has declared an eligible dividend of $0.0325 per common share for each of July, August, September and October 2020.

- Subsequent to quarter end, the Company announced the sale of Bird Capital Limited's 20 per cent interest in the P3 concessions responsible for 18 schools and nine childcare facilities in Saskatchewan to its project partner, Concert Infrastructure. Developed as the Saskatchewan Joint-Use Schools Project I (SJUSP I) and Saskatchewan Joint-Use Schools Project II (SJUSP II), the projects made up the largest school construction program in the history of the province at the time of construction.

- Subsequent to quarter end, on July 29, 2020, the Company entered into a definitive arrangement agreement under which the Company will acquire all of the outstanding common shares of Stuart Olson Inc., pursuant to an arrangement under the Business Corporations Act (Alberta) for aggregate consideration of $96.5 million. The aggregate consideration of $96.5 million will consist of $30.0 million cash and $66.5 million of the common shares of Bird, based on the five-day volume weighted average trading price of the common shares of Bird ending July 17, 2020, of $6.32 per share. The proposed transaction, which was unanimously approved by the Boards of Directors of both companies, is expected to close early in the fourth quarter of 2020, subject to obtaining the required approvals of the Court of Queen's Bench of Alberta, the Competition Bureau, the SOX shareholders, secured bank lenders and unsecured convertible debenture holders of Stuart Olson Inc., and other customary closing conditions.

NON GAAP MEASURES

Adjusted Earnings, Adjusted Earnings Per Share, Adjusted EBITDA and Adjusted EBITDA Margin have no standardized meaning prescribed by IFRS and are considered non-GAAP measures. Therefore, these measures may not be comparable with similar measures presented by other companies. Management uses Adjusted Earnings and Adjusted EBITDA to assess the operating performance of its business. Management believes that investors and analysts use these measures, as they may provide predictive value to assess the on-going operations of the business and a more consistent comparison between financial reporting periods.

Adjusted Earnings

(in thousands of Canadian dollars, except per share amounts)	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Net income (loss)	$ 5,624	$ 1,001	$ 6,747	$ (5,465)
Add: Acquisition and integration costs	1,276	-	1,276	-
Add: Restructuring costs [1]	-	-	-	-
Income tax effect of the above costs	(334)	-	(334)	-
Adjusted Earnings (Loss)	$ 6,566	$ 1,001	$ 7,689	$ (5,465)
Adjusted Earnings (Loss) Per Share [2]	0.15	0.02	0.18	(0.13)

Notes

[1] Restructuring costs as defined in accordance with IFRS.

[2] Calculated as Adjusted Earnings divided by basic weighted average shares.

Adjusted EBITDA

(in thousands of Canadian dollars, except percentage amounts)	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Net income (loss)	$ 5,624	$ 1,001	$ 6,747	$ (5,465)
Add: Income tax expense (recovery)	2,261	480	2,679	(1,915)
Add: Depreciation and amortization	3,287	3,559	7,155	6,778
Add: Finance and other costs	1,549	1,316	4,643	2,768
Less: Finance income	(325)	(551)	(1,091)	(1,129)
Add: Loss (gain) on sale of property and equipment	(1,344)	(413)	(1,519)	(648)
Add: Restructuring and severance costs [1]	-	55	-	1,925
Add: Acquisition and Integration costs	1,276	-	1,276	-
Add: Restructuring costs [2]	-	-	-	-
Adjusted EBITDA	$ 12,328	$ 5,447	$ 19,890	$ 2,314
Adjusted EBITDA Margin [3]	4.36%	1.73%	3.29%	0.40%

Notes

[1] Restructuring and severance costs did not meet the criteria to be classified under restructuring costs as defined in accordance with IFRS.

[2] Restructuring costs as defined in accordance with IFRS.

[3] Calculated as Adjusted EBITDA divided by Revenue.

COVID 19 AND COMPANY RESPONSE

On March 11, 2020 the World Health Organization ("WHO") declared a global pandemic ("COVID-19 pandemic" or "the pandemic") due to contagiousness of the novel coronavirus and the severe respiratory disease, COVID-19, that could be developed after contracting the virus. The COVID-19 pandemic has added uncertainty to the industry as each provincial government has responded with different measures to address the public health threat. While certain preventative measures have eased in various provinces to varying degrees, the duration continues to be unknown and the corresponding impacts to our workforce, supply chain and project sites are key variables that have uncertainty as a result. The financial results of second quarter 2020 were impacted by the COVID-19 pandemic in April and early May when the Company experienced temporary project shutdowns and reduced productivity on project sites. The health and safety of employees is paramount and, as a result of the pandemic, the Company has increased health and safety initiatives such as physical distancing and added additional measures to normal safety protocols, which meets or exceeds guidance from applicable public health authorities. The situation remains extremely fluid; however, the Company responded to the challenges presented in the first half of 2020 and is well-positioned to respond to fluctuating scenarios in the near term.

The response plan includes best practices for managers, self-assessment tools, enhanced cleaning protocols and hygiene measures, physical distancing practices, new COVID-19 measure audits and a complete proximity activity hazard management process including additional personal protective equipment requirements. Strategies to reduce concentrations of site workers such as staggered start times, breaks and lunch times have been implemented on construction sites.

The Company has also created online COVID-19 information centres for employees and managers to ensure all team members are kept informed as the situation evolves. Remote work practices facilitated by information technology have been implemented across all offices. The Company continues to communicate on a regular basis with all employees and has highlighted the additional support offered by the provider of the Employee and Family Assistance Program (EFAP) to support employees and their families during this time.

The Company was proactive in managing its cost structure and balance sheet by implementing precautionary measures to position itself in the event of a prolonged impact to the business. Where projects have been temporarily slowed down or suspended by the client or by a provincial government, the Company has implemented temporary layoffs. Additionally, the Company has also reduced discretionary spending and deferred capital expenditures where possible out of an abundance of caution. All these efforts contribute to a strengthened financial position should the pandemic run longer than expected or if a second wave of COVID-19 occurs.

The Executives and Directors want to acknowledge the efforts and sacrifices that our employees have made to ensure that the Company is operating safely and effectively, delivering upon its project commitments through these unprecedented times.

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, Ottawa, Toronto, Winnipeg, Calgary, Edmonton, and Vancouver with headquarters in Toronto and Edmonton. The Company and its predecessors have been in operation for 100 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, LNG, mining and nuclear sector. Within the institutional sector, Bird constructs hospitals, post-secondary education facilities, schools, prisons, courthouses, government buildings, retirement and senior housing, as well as environmental facilities that include water and wastewater treatment centres, composting facilities and biosolids treatment and management facilities. Within the commercial sector, Bird's operations include the construction and renovation of shopping malls, big box stores, office buildings, hotels and selected mixed-use high-rise condominiums and apartments.

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 in this market. Bird also invests equity in PPP projects to support construction operations. In all sectors, Bird contracts with its clients using a combination of fixed price, unit price, design-build, alternative finance projects, Public Private Partnerships ("PPP"), cost reimbursable (such as cost plus, construction management and integrated project 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 should 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Bird has always been committed to the communities in which we live, work, and build. For 100 years, we have been working to make a positive impact and our employees are passionate about helping us be good corporate citizens and stewards of the environment.

Environment and Sustainability

Bird is active in sustainable construction and protecting our environment and prides itself in building an impressive resume of renewable energy projects. Much like the rigor we have put into our Safe Production strategy and building a strong safety culture, we believe sustainability and taking the environment seriously in how we work is important. It not only makes sense from the perspective of running a profitable business and generating a return for shareholders, but it is also a moral obligation. To date, there have been three key areas of focus for Bird in which significant progress has been made at the project level.

- Many of the buildings we construct across the country have attained a Leadership in Energy and Environmental Design ("LEED") certification. To achieve a LEED certification, points are earned for sustainability and resource-efficiency. For example, the company sorts and tracks the construction waste on project sites that gets diverted from landfills for recycling. This includes wood, gypsum, metal, and paper. In addition, all our PPP/Alternative Finance projects have a component of energy performance as an owner-driven requirement. Bird delivers projects that are designed and built with the environment in mind and has also achieved certification for projects under the Green Globes green building rating system.
- The Company's investment in modular construction, through its ownership stake in Stack Modular, contributes to Bird's overall environmental performance. Modular construction is an inherently greener process than conventional construction as it generates far less construction waste. It also minimizes site disturbances, including less noise, less dust and reduced road traffic movements, while consuming less energy during the construction process. Additionally, modular construction provides a superior building envelope with improved energy efficiency, which also helps achieve LEED certification.
- Mass Timber projects present an opportunity for greener buildings by using a renewable resource as a primary construction material. Furthermore, through sustainable forestry, wood-based materials capture carbon and therefore offset total CO_2 emissions. Bird has built one of the strongest resumes in the country in mass timber projects, and the company aims to continue being a leader in this sector.

Social Responsibility

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

At Bird, we understand that a corporate commitment to health and safety yields tremendous dividends in both business and human capital. In addition to reducing related health and safety costs and reducing the frequency and severity of work-related personal injuries and property damage, a robust health and safety program leads to greater engagement of our employees and other stakeholders. This, in turn, produces a stronger commitment to product and service quality, improved productivity and client satisfaction.

From project planning to execution, through ongoing communication, documentation, orientation, training, and review and analysis, we seek to ensure continuous improvement in all facets of our operations. This approach better prepares and supports all our workers and managers to act as safety leaders in the construction industry.

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

Community engagement and social responsibility is also a key focus area for Bird and our employees. We direct our efforts towards youth and education initiatives, community sponsorship, health and wellness in the community, and Indigenous engagement.

The Company's approach to Indigenous relations is closely aligned with the core values of the company to operate with integrity, provide stewardship, and invest in people. Bird is committed to building capacity within Indigenous business communities and investing in community programs that support Indigenous skills development, including offering a variety of post-secondary scholarships and bursaries. The Company adopted a National Indigenous Engagement Policy to ensure a consistent and culturally appropriate approach across all operations and has instituted a mandatory Indigenous Cultural Awareness Training Program for all employees, which is also available to subtrades.

Bird is proud to be part of the Canadian Council for Aboriginal Business' Progressive Aboriginal Relations (PAR) certification process, which confirms corporate performance in Indigenous relations and indicates to communities that participating companies are good business partners, a great place to work, and committed to prosperity in Indigenous communities. Bird's membership in the Aboriginal Procurement Champions Group provides assurance that procurement opportunities are made available to businesses that are independently pre-certified as at least 51 per cent Indigenous owned and controlled.

Governance

The Board of Directors and the Management of the Company are committed to a strong corporate governance framework. As a public company whose securities are traded on the Toronto Stock Exchange, the company's Board of Directors has adopted, as its approach to corporate governance, the guidelines set out in National Instrument 58-101 - Disclosure of Corporate Governance Practices, National Instrument 52-110 – Audit Committees, and National Policy 58-201 - Corporate Governance Guidelines.

A strong culture of ethical conduct is central to good governance at Bird. The Company and its Board are committed to conducting their activities in accordance with the highest standards of business ethics. These standards are intended to provide guidance regarding ethical issues, to assist in recognizing and dealing with ethical issues, to provide mechanisms to report unethical conduct, and to help foster a culture of honesty and accountability.

The Director Code of Ethics requires that the company's Directors disclose any potential or actual conflict of interest to ensure independent judgment regarding Board discussions and decision making. In the event of any potential or actual conflict of interest by a Director in relation to a Board matter, the Director will withdraw from the deliberations and not vote upon such matter. The Board has also approved the following written codes and policies applicable to all employees: Employee Code of Ethics, Anti-Bribery and Corruption Policy, Insider Trading and Blackout Policy and Whistleblower Policy.

The Board and its committees have adopted governance best practices including:

- Recognition of the benefits of promoting Board diversity. Diverse perspectives contribute to innovation and growth opportunities, and the Board believes that diversity may be achieved through a range of factors including gender diversity, diverse skills and experiences, regional diversity and industry diversity.
- The Whistleblower Policy gives employees and others the opportunity to report any potential violations of regulatory matters including accounting, financial reporting, securities laws, and financial audit matters, as well as matters relating to business practices including conflicts, business, professional and personal ethics and other matters set out in the company's Ethics Policies. The Board has discretion to hire independent advisors (including outside legal counsel, independent auditors and others) to help investigate any matter.
- Regular in-camera meetings, without officers and management present. These sessions enable the Board and committees to discuss issues in a candid and independent manner without the influence of senior management. To make sure the Board functions independently of management, the Board has the flexibility to retain and to meet with external consultants without the presence of management whenever the Board sees fit.

- Conducting performance evaluations of the Board, the Audit Committee, the Human Resource, Safety and Governance Committee ("HRS&G"), each of their chairs and individual Directors on a regular basis. In 2019, each of the Directors completed confidential questionnaires to evaluate the effectiveness of the Board, its committees and the Directors, and made recommendations for improving performance. The chair of the Board and the chair of the HRS&G Committee also conducted informal discussions with each individual Director.

Now more than ever, companies are being called upon to be leaders in environmental, social, and governance initiatives. Bird endeavors to be at the forefront of industry efforts to be responsible, responsive, and innovative corporate citizens. More information can be found in our Management Information Circular.

KEY PERFORMANCE DRIVERS

Securements, Pending Backlog and Backlog

Securing profitable construction contracts and then controlling the costs during the execution of that work are the key drivers of success for the Company. 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 in various economic conditions. The construction industry is highly fragmented and accordingly, the Company competes with several 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 existing clients and win work with new clients.

The Company's success in securing work is also reflected in the values of the Pending Backlog and Backlog. The following table shows the Company's balances at the end of the comparative reporting periods:

(in thousands of Canadian dollars)		**June 30, 2020**		December 31, 2019		June 30, 2019
Pending Backlog	**$**	**575,000**	$	625,000	$	750,000
Backlog	**$**	**1,645,356**	$	1,547,427	$	1,379,744

Pending Backlog at June 30, 2020 was approximately $575 million compared to $750 million at June 30, 2019. The projects are geographically diverse and span multiple sectors and contracting methods. Included in Pending Backing at June 30, 2020 and 2019 is the Advanced Nuclear Materials Research Centre for Canadian Nuclear Laboratories ("CNL") located in Chalk River. The validation phase of the CNL project, which is being delivered under an Integrated Project Delivery ("IPD") model, is expected to extend into the second half of 2020 before converting into Backlog. Projecting the timing of converting these projects into contracts has become more difficult in current market conditions as a result of the pandemic and several have shifted beyond the second quarter into the second half of 2020 which may impact revenue this year.

The Company's Backlog of $1,645.4 million at June 30, 2020 increased $265.5 million or 19.3% from June 30, 2019 as a result of securing additional projects in the LNG sector as well as medium and low risk contracts in the commercial and institutional markets. Backlog increased from the $1,547.4 million, or 6.3%, from December 31, 2019. The increase in Backlog from December 31, 2019 reflects the Company's success in building backlog over a broad range of sectors.

Gross Profit Percentage

Once the Company has secured a contract, the profitability of that contract, measured by the Gross Profit Percentage, is primarily a function of management's ability to control costs, achieve productivity objectives associated with the contract and resolve outstanding commercial issues as they arise. The following table shows the Gross Profit Percentage realized by the Company in the comparative periods:

	Six months ended		Year ended
	June 30, 2020	**June 30, 2019**	December 31, 2019
Gross Profit Percentage	**6.2%**	3.6%	5.2%

During the first six months of 2020 the Company realized a Gross Profit Percentage of 6.2% compared with 3.6% in the first six months of 2019. The significant year-over-year improvement is driven by the revenue mix, with a larger portion of revenue recognized from the Company's higher margin industrial work program. The first half of 2019 was also negatively impacted by a PPP project that incurred additional cost due to design related scope growth and acceleration expenses. There were substantial changes to the scope of the project requested by the client that are in commercial negotiation. This PPP project achieved substantial performance in the first quarter of 2020.

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 table shows the working capital and shareholders' equity of the Company in the comparative reporting periods:

(in thousands of Canadian dollars)	June 30, 2020	December 31, 2019	June 30, 2019
Working capital	**$ 72,457**	$ 80,503	$ 57,663
Shareholders' equity	**$ 126,110**	$ 127,720	$ 121,056

At June 30, 2020, the Company had working capital of $72.5 million compared with $80.5 million at December 31, 2019, a decrease of $8.0 million. In 2020, the decrease in working capital resulted from the Company's dividends of $8.3 million, a $1.9 million reduction in non-current loans and borrowings, a $2.9 million reduction of non-current right of use liabilities, and a net increase in non-current assets of $2.1 million. Partially offsetting these decreases to working capital were $6.7 million in net income and an increase of $0.4 million in deferred income tax liabilities.

The $1.6 million decrease in the Company's shareholders' equity since December 31, 2019 was the result of the $8.3 million dividends declared partially offset by the net income of $6.7 million generated in the first six months of 2020.

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 employees 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 is 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 our job sites. To the end of June 30, 2020, Bird executed 1,831,307 man-hours of work, incurring zero lost time incidents (LTI).

	Six months period ended		Year ended
	June 30, 2020	June 30, 2019	December 31, 2019
Man-hours of work	**1,831,307**	1,687,068	3,943,486
LTI frequency	**0.00**	0.00	0.00

RESULTS OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 2020 COMPARED WITH SIX MONTHS ENDED JUNE 30, 2019

During the first half of 2020, the Company recorded net income of $6.7 million on construction revenue of $604.4 million compared with a net loss of $5.5 million on $577.2 million of construction revenue respectively in 2019. The year-over-year increase in revenue was driven by growth in the industrial work program, partially offset by a slight decline in the commercial and institutional work program. The year-over-year increase in net income is reflective of the improvement in revenue and earnings attributable to the mix of higher margin industrial work program.

The Company's 2020 first half gross profit of $37.4 million was $16.6 million higher than the $20.8 million recorded a year ago. The increase in gross profit is partially a result of higher construction revenues year-over-year. In addition, the increase is due to a higher-margin work program as revenue continues to shift from institutional and commercial projects to a more balanced work program including industrial, and the gross profit profile of the industrial work program is higher. The first half of 2019 was negatively impacted by a PPP project that incurred additional cost due to design related scope growth and acceleration expenses. Gross Profit Percentage in the first half of 2020 was 6.2% and 260 basis points higher than the Gross Profit Percentage of 3.6% recorded a year ago for the same reasons as gross profit.

Income from equity accounted investments in the first half of 2020 was $3.8 million, compared with $1.7 million in same period of 2019. The increase represents additional equity income earned from several equity accounted investments across Canada. Included in the first half of 2020 was a net gain on sale of one of the Company's investments in equity accounted entities of $0.4 million.

In the first half of 2020, general and administrative expenses of $28.3 million (4.7% of revenue) were comparable to the $28.2 million (4.9% of revenue) in the corresponding period a year ago. During the first half, the Company had lower compensation expense of $1.1 million, and gains on sale of property and equipment was $1.1 million higher than the amounts recorded a year ago. Travel, conference and other discretionary spend were also lower by $1.1 million as a result of the cost management initiatives implemented in response to COVID-19. Offsetting these reductions in expenses were acquisition related professional fees of $1.3 million, $0.9 million higher professional fees relating to information technology and consulting fees, $0.5 million higher pursuit costs, and higher foreign exchange costs of $0.8 million than the amounts recorded in 2019.

Finance income of $1.1 million in the first half of 2020 was comparable to the $1.1 million recorded in the same period of 2019.

Finance and other costs of $4.6 million were $1.8 million higher than the $2.8 million reported in the first half of 2019. The increase was due to $0.7 million higher interest expense on loans and borrowings and right of use liabilities, and $1.6 million higher interest on non-recourse project financing offset by a reduction in the loss on interest swaps and in other interest expenses.

In the first half of 2020, income tax expense was $2.7 million, compared to an income tax recovery of $1.9 million recorded in the first half of 2019.

THREE MONTHS ENDED JUNE 30, 2020 COMPARED WITH THREE MONTHS ENDED JUNE 30, 2019

During the second quarter of 2020, the Company recorded net income of $5.6 million on construction revenue of $282.8 million compared with net income of $1.0 million on $315.4 million of construction revenue respectively in 2019. The year-over-year decrease of revenue in the second quarter of 10.4% was driven by projects that have been temporarily slowed down or suspended by clients or by certain provincial governments as a result of the COVID-19 pandemic, despite a year-over-year increase in the industrial work program. The year-over-year increase in second quarter net income is primarily attributable to the mix of higher margin industrial work program.

The Company's 2020 second quarter gross profit of $20.5 million was $6.0 million higher than the $14.5 million recorded a year ago. The increase in gross profit is due to a higher-margin work program as revenue continues to shift from institutional and commercial projects to a more balanced work program including industrial, and the gross profit profile of the industrial work program is higher. The second quarter of 2019 was negatively impacted by a PPP project that had performance issues and incurred additional cost due to design related scope growth and acceleration expenses. Gross Profit Percentage in the second quarter of 2020 was 7.2% and 260 basis points higher than the Gross Profit Percentage of 4.6% recorded a year ago for the same reasons as gross profit.

Income from equity accounted investments in the second quarter of 2020 was $2.1 million, compared with $1.0 million in same period of 2019. The increase represents additional equity income earned from several equity accounted investments across Canada.

In the second quarter of 2020, general and administrative expenses of $13.5 million (4.8% of revenue) were slightly higher than the $13.2 million (4.2% of revenue) in the corresponding period a year ago. During the second quarter, the Company had lower compensation and stock-based compensation expense of $1.0 million, lower travel and other discretionary costs of $1.0 million, and the gain on sale of property and equipment was $1.0 million higher than the amounts recorded a year ago. Offsetting these reductions in expenses were $1.3 million of acquisition related professional fees, $0.3 million higher professional fees relating to information technology and consulting fees, higher pursuit costs of $0.8 million, and higher foreign exchange costs of $0.9 million than the amounts recorded in 2019.

Finance income of $0.3 million in the second quarter of 2020 is slightly lower than the $0.6 million recorded in the same period of 2019 due to reduced interest rates earned on average cash balances during the quarter compared to the prior year.

Finance and other costs of $1.5 million were $0.2 million higher than the $1.3 million reported in the second quarter of 2019. The increase was mainly due to $0.7 million higher interest expense on non-recourse project financing offset by $0.5 million higher gains on interest rate swaps.

In the second quarter of 2020, income tax expense was $2.3 million, compared to $0.5 million recorded in the second quarter of 2019.

FUTURE OPERATING PERFORMANCE

The trend for the Company over the past several years towards a growing proportion of industrial project revenues is expected to continue throughout 2020. Diversification into the LNG, nuclear, public transit, modular and environmental sectors with lower risk contract types will help stabilize earnings with more balance in the work program. Subsequent to the close of the second quarter of 2020, the Company sold two equity investments in PPP projects. This is consistent with the Company's strategy to not hold these investments for the entire duration of the concession agreement.

At June 30, 2020, the Company was carrying a Backlog of $1,645.4 million, which is 19.3% higher than that recorded a year ago. The Company expects to recognize 58% of the remaining performance obligations over the next 12 months with the remaining balance being recognized beyond 12 months. This estimate reflects any short-term impact on financial results from projects that have been delayed as a result of the pandemic. This expectation is based on management's best estimate but contains uncertainty as it is subject to factors outside of management's control. The embedded margin in Backlog improved throughout 2019, and improved year over year in the second quarter of 2020. Backlog is more diversified than in prior years across a broad range of markets and contracting methods with a more balanced risk profile. Revenue earned in higher risk contract categories such as PPP, Alternative Finance and Complex Design Build projects comprised 14.2% of total revenue year to date in 2020 compared to 23.9% in the same time period in 2019. The proportion of revenue earned from higher risk contract types is expected to remain lower throughout 2020 when compared year-over-year. The Company has minimal direct exposure to projects in the oil sector in its Backlog.

In addition, the Company has more than $575 million in Pending Backlog as of the end of the second quarter of 2020. The projects are geographically diverse and span multiple sectors. Included in Pending Backing is the Advanced Nuclear Materials Research Centre for Canadian Nuclear Laboratories ("CNL") located in Chalk River. The validation phase of the CNL project, which is being executed under an IPD delivery model is expected to extend into the fall of this year before converting into Backlog. Subsequent to June 30th, the Company received a Limited Notice to Proceed to start early works on site. Projecting the timing of converting the rest of these projects into contracts has become more difficult in current market conditions as a result of the pandemic and several have shifted beyond the second quarter into the second half of 2020 which is expected to negatively impact revenue this year.

The Company continues to be selective on prospective pursuits, ensuring that available talent matches the risk profile of the project and overall work program. Project cancellations in the pursuit pipeline have been minimal to date, however the Company did see projects in the pursuit phase shift further out which will have a modest impact on revenue in the second half of 2020. New projects in the pursuit pipeline have slowed somewhat coming into the third quarter which may impact 2021. In the near-term, opportunities will primarily consist of smaller environmental projects, mid-sized social infrastructure projects and a range of projects in the LNG and mining sectors. The award of any of these project opportunities will primarily benefit 2021 and beyond.

The Company's underlying future assumptions will have higher risk the longer the COVID-19 pandemic persists. The Company experienced disruptive impacts in April and early May in some parts of the business more than others. These impacts related to temporary project shutdowns in certain sectors and reduced productivity on project sites as a result of physical distancing and additional health and safety measures added to our normal protocols. The Company is evaluating whether it qualifies to receive the Canadian Emergency Wage Subsidy ("CEWS") to offset the impacts experienced in certain portions of the business. No projected recovery has been recognized to date as the Company is not yet reasonably assured that it will qualify due to the strength of the Company's Backlog entering the pandemic which is much stronger overall when compared to the same time period in 2019.

As the Company's work program fully remobilizes, the Company will experience growth in non-cash working capital as the business ramps back up, until a steady state of operations is achieved. The Company believes it has adequate cash and liquidity to absorb this increase. The Company expects to benefit in 2020 from having a healthy Backlog with higher margins than a year ago and more balance in terms of the contractual risk profile of the work program, notwithstanding expectations that revenues will be lower year-over-year in the second half as a result of the pandemic. Based on information known at this time, coupled with the impacts from the pandemic already experienced, the Company anticipates that it will achieve considerably higher levels of profitability for fiscal year 2020 than seen in recent years despite a contraction in revenue year over year. The higher levels of profitability are a result of the Company's near record Backlog and the improved margin profile.

Backlog

During the first half of 2020, the Company secured a net $702.4 million in new construction contracts (including change orders to existing contracts) and put in place $604.4 million of work resulting in a Backlog at June 30, 2020 of $1,645.4 million. The following table outlines the changes in the amount of the Company's Backlog throughout the current and prior reporting period:

(in millions of Canadian dollars)	**June 30, 2020**	December 31, 2019	June 30, 2019
Opening balance	**$ 1,547.4**	$ 1,295.9	$ 1,295.9
Securement and change orders	**702.4**	1,627.9	661.0
Realized in construction revenues	**(604.4)**	(1,376.4)	(577.2)
Closing balance	**$ 1,645.4**	$ 1,547.4	$ 1,379.7

ACCOUNTING POLICIES

The Company's significant accounting policies are outlined in the notes to the audited December 31, 2019 and 2018 Consolidated Financial Statements. The consolidated financial statements were prepared using the same accounting policies as the 2019 consolidated financial statements except for new accounting standards adopted January 1, 2020.

New Accounting Standards Adopted

Amendments to IFRS 3 – Definition of a Business

The Company adopted the amendments to IFRS 3 on a prospective basis on January 1, 2020. On October 22, 2018, the IASB issued amendments to IFRS 3 Business Combinations that seek to clarify whether a transaction results in an asset or a business acquisition. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. The definition of a business is narrower which could result in fewer business combinations being recognized. The adoption of the amendments to IFRS 3 did not have an impact on the financial statements.

Future accounting changes

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify the classification of liabilities as current or non-current. For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period.

The amendments also clarify how a company classifies a liability that includes a counterparty conversion option. The amendments state that: settlement of a liability includes transferring a company's own equity instruments to the counterparty; and when classifying liabilities as current or non-current a company can ignore only those conversion options that are recognized as equity. The amendments are effective for annual periods beginning on or after January 1, 2022. Early adoption is permitted.

Amendments to IFRS 16 – COVID-19-Related Rent Concessions

On May 28, 2020, the IASB issued COVID-19-Related Rent Concessions (Amendment to IFRS 16). The amendments are effective for annual periods beginning on or after June 1, 2020. Early adoption is permitted.

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021. The Company will adopt the amendments to IFRS 16 on a prospective basis and the amendments are not expected to have a material impact on the financial statements.

SUMMARY OF QUARTERLY RESULTS

The Company experiences more seasonality in its business in the first quarter and early second quarter as a result of a more annualized nature of its mining work program and the timing of new project starts in its industrial work program. 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.

In some cases, variations in earnings may occur where costs incurred to date may be recoverable from insurance policies or claims to customers at a future date but cannot be recorded in the current quarter. In the case of insurance claims, financial recovery is not recorded until certainty of the recovery is attained. In the case of claims against customers that are considered constrained variable consideration, revenue is not recorded until it is highly probable that there will not be a significant reversal of cumulative revenue to date. 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 a prior quarter, and may fluctuate based on timing of resolution of claims.

There are also several 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, except for seasonality in the first quarter of each year and the impact of the COVID-19 pandemic in the second quarter of 2020.

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

	2018		2019				**2020**	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	**Q2**
Revenue	381,382	385,854	261,777	315,428	378,591	420,612	321,646	**282,766**
Net income (loss)	4,360	6,379	(6,466)	1,001	6,782	8,167	1,123	**5,624**
Earnings (loss) per share	0.10	0.15	(0.15)	0.02	0.16	0.19	0.03	**0.13**

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY

The following table presents a summary of the Company's financial condition for the periods indicated:

(in thousands of Canadian dollars)	June 30, 2020	December 31, 2019
Cash and cash equivalents	$ **171,468**	$ 180,334
Non-cash working capital	**(99,011)**	(99,831)
Working capital	**72,457**	80,503
Non-current loans and borrowings	**32,855**	34,738
Non-current right-of-use liabilities	**20,205**	23,075
Shareholders' equity	**126,110**	127,720

As a result of the strength of the Company's balance sheet, the Company believes it has adequate amounts of both working capital and liquidity to execute its Backlog and to support its current dividend rate barring any further unforeseen risks that may occur as a result of the COVID-19 pandemic.

As a component of working capital, the Company maintains a balance of cash and cash equivalents. At June 30, 2020, this balance totalled $171.5 million. Included in cash and cash equivalents was $87.1 million of cash in special purpose joint operation bank accounts ($134.0 million at December 31, 2019). Cash and cash equivalents generally available for operations at June 30, 2020 was $56.1 million ($36.1 million at December 31, 2019) with the remainder held in trust or joint operations accounts.

Non-cash working capital was in a net liability position of $99.0 million at June 30, 2020, which remained consistent with a net liability position of $99.8 million at December 31, 2019.

The non-cash working capital 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 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 projected contract requirements.

In 2020, the $8.0 million decrease in working capital resulted from the Company's dividends of $8.3 million, a $1.9 million reduction in non-current loans and borrowings, a $2.9 million reduction of non-current right of use liabilities, and a net increase in non-current assets of $2.1 million. Partially offsetting these decreases to working capital were $6.7 million in net income and an increase of $0.4 million in deferred income tax liabilities.

Credit Facilities

The Company is well-served by its long-held philosophy of maintaining a strong balance sheet and, as a result, is well-positioned to weather these uncertain times with $56.1 million of accessible cash and cash equivalents (excluding cash held in joint ventures and trust accounts) and $81.5 million of capacity available in committed credit facilities providing adequate liquidity. The Company has also worked closely with Export Development Canada ("EDC") and during the second quarter, has increased its Account Performance Security Guarantee ("APSG") limit from $25 million to $75 million, which increased liquidity for the Company. Despite the expected negative financial impacts from the COVID-19 pandemic in 2020, the Company expects to remain in compliance with all banking covenants. All committed banking facilities were recently renewed in December 2019 which include the $85 million committed revolving credit facility which expires December 2022 and the $35 million committed revolving term loan facility which expires December 2021.

The Company has several 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 Credit Facilities

- **Committed revolving operating credit facilities**

  The Company has a committed revolving credit facility of up to $85.0 million, with a Canadian chartered bank. The facility matures December 31, 2022. This facility may be used in the normal course of business for general working capital purposes, to issue non-collateralized letters of credit, and to fund future capital expenditures and qualifying permitted acquisitions. At June 30, 2020, the Company has $13.5 million in letters of credit outstanding (December 31, 2019 - $28.5 million) and has drawn $15.0 million on this facility (December 31, 2019 - $15.0 million). The $15.0 million draw is presented as long-term loans and borrowings on the Company's statement of financial position. At June 30, 2020, the Company was in compliance with the working capital, minimum equity and debt-to-equity covenants of this facility.

- **Committed revolving term loan facility**

  The Company has a committed revolving term loan facility of up to $35.0 million for the purpose of financing acquisitions and for working capital advances in support of major projects. The facility matures on December 31, 2021. As of June 30, 2020, the Company has drawn $10.0 million (December 31, 2019 - $10.0) on the facility. During the second quarter, the Company repaid $16.3 million that it had drawn in the first quarter for working capital purposes.

  Borrowings under the facility bear interest at a rate per annum equal to the Canadian prime rate plus a spread. A commitment fee that varies depending on certain consolidated financial ratios is due on the unutilized portion of the facility. At June 30, 2020, the Company was in compliance with the working capital, minimum equity and debt-to-equity covenants of this facility.

Letters of Credit Facilities

The Company has available $125.0 million of demand facilities used primarily to support the issuance of letters of credit. During the second quarter, the Company secured additional demand facilities of $45.0 million with a Canadian chartered bank. All letters of credit issued under these facilities are supported by the pledge of Company-owned financial instruments, including cash, or through a guarantee from EDC. At June 30, 2020, the Company has $20.3 million in letters of credit outstanding on these facilities (December 31, 2019 - $6.6 million).

The Company has available a facility with EDC to support the issuance of contract performance security letters of credit issued by financial institutions on behalf of the Company. The Company can use this facility only when letters of credit have been issued as contract security for projects that meet the EDC mandate.

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)		June 30, 2020		December 31, 2019
Committed revolving operating credit facility	$	**85,000**	$	85,000
Letters of credit issued from committed revolving operating credit facility		**13,525**		28,504
Drawn from committed revolving operating credit facility		**15,000**		15,000
Available committed revolving operating credit facility		**56,475**		41,496
Committed revolving term loan facility	$	**35,000**	$	35,000
Drawn from committed revolving term loan facility		**10,000**		10,000
Available committed revolving term loan facility		**25,000**		25,000
Letters of credit facilities		**125,000**		80,000
Letters of credit issued from letters of credit facilities		**20,283**		6,559
Available letters of credit facilities	$	**104,717**	$	73,441
Collateral pledged to support letters of credit	$	**2,640**	$	139
Guarantees provided by EDC	$	**17,646**	$	6,421

Equipment Financing

The Company and its subsidiaries have term credit facilities of up to $35.0 million to be used to finance equipment purchases. Borrowings under the facilities are secured with a first charge on the equipment being financed. As of June 30, 2020, there is $9.4 million outstanding on the facilities (December 31, 2019 - $12.4 million). Interest on the facilities 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 operating lease lines of credit for $31.8 million (December 31, 2019 - $31.8 million) with the financing arms of several major heavy equipment suppliers to finance the purchase of equipment. At June 30, 2020, the Company has used $11.2 million under these facilities (December 31, 2019 - $11.7 million). The Company's total lease commitments are outlined under Contractual Obligations.

At June 30, 2020, the Company was in compliance with all debt covenants relating to its operating and equipment operating lease lines of credit.

Loans and Borrowings and ROU Liabilities

In the first half of 2020, the Company entered new fixed-rate term loans for $16.3 million and added $1.1 million of ROU liabilities relating to equipment and property leases. The Company made $19.2 million in principal repayments for loans and borrowings and $4.5 million for principal repayments to ROU liabilities.

The following table provides details of outstanding loans and borrowings and ROU liabilities at June 30, 2020, and principal repayments due over the next five years and beyond, excluding the amortization of debt financing costs and non-recourse project financing:

(in thousands of Canadian dollars)		Year 1		Year 2		Year 3		Year 4		Year 5 and beyond		Total
Loans and borrowings	$	4,865	$	15,164	$	17,258	$	433	$	-	$	**37,720**
ROU Liabilities	$	7,855	$	5,580	$	4,208	$	2,506	$	7,911	$	**28,060**

Cash Flow Data

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

(in thousands of Canadian dollars)	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Cash flows from operations before changes in non-cash working capital	$ **8,990**	$ 6,512	$ **16,049**	$ 825
Changes in contract assets - alternative finance projects	**(23,722)**	(15,566)	**(50,834)**	(19,728)
Changes in non-cash working capital and other	**49,074**	(813)	**788**	(51,568)
Cash flows from (used in) operating activities	**34,342**	(9,867)	**(33,997)**	(70,471)
Investments in equity accounted entities	**(4,246)**	(112)	**(4,285)**	(112)
Capital distributions from equity accounted entities	**154**	155	**1,027**	355
Proceeds on sale of investment in equity accounted entities	**-**	-	**5,414**	-
Additions to property, equipment and intangible assets	**(3,316)**	(4,338)	**(5,643)**	(7,690)
Proceeds on sale of property and equipment	**4,173**	1,022	**5,586**	1,363
Proceeds on maturity of short-term investments	**-**	-	**-**	1,666
Other long-term assets	**(480)**	770	**(480)**	1,789
Cash flows from (used in) investing activities	**(3,715)**	(2,503)	**1,619**	(2,629)
Dividends paid on shares	**(4,146)**	(4,146)	**(8,291)**	(8,291)
Proceeds from non-recourse project financing	**20,229**	11,091	**39,084**	15,700
Proceeds from loans and borrowings	**-**	3,776	**16,250**	14,536
Repayment of loans and borrowings	**(17,523)**	(1,425)	**(19,151)**	(2,060)
Repayment of right-of-use liabilities	**(2,129)**	(1,849)	**(4,458)**	(3,239)
Cash flows from (used in) financing activities	**(3,569)**	7,447	**23,434**	16,646
Increase (Decrease) in cash and cash equivalents	$ **27,058**	$ (4,923)	$ **(8,944)**	$ (56,454)

Operating Activities

During the first six months of 2020, cash flows from operating activities used cash of $34.0 million compared with cash used of $70.5 million in 2019.

In the first six months, cash flows from operations before changes in non-cash working capital of $16.0 million increased $15.2 million year-over-year from the $0.8 million cash generated in 2019 primarily due to the $12.2 million improvement in net income, a $4.6 million higher non-cash addback for income tax expense year-over-year, a $1.9 million higher non-cash addback of finance and other costs, partially offset by $2.2 million higher non-cash reduction for income from equity accounted investments.

Changes in contract assets – alternative finance projects during the first six months of 2020 used $50.8 million of cash. This use of cash was partially offset by the $39.1 million on proceeds from non-recourse project financing. The activity in 2019 and 2020 relates to the OPP Modernization Phase 2 alternative finance project. The OPP Modernization project was ramping up construction throughout 2019, continuing in 2020 and therefore builds up contract assets until the project is completed and billed to the client.

During the first six months of 2020, the $0.8 million increase in cash from changes in non-cash working capital and other was driven by a $96.6 million decrease in accounts receivable and contract assets and collection of other assets, partially offset by a $87.9 million decrease in accounts payable and a $10.5 million decrease in contract liabilities. During 2019, the primary drivers of the $51.6 million decrease in cash from the changes in non-cash working capital and other was the $73.8 million decrease in accounts payable partially offset by a $30.0 million increase in contract liabilities.

The non-cash working capital 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 the timing of the settlement of income taxes payable.

Investing Activities

During the first six months of 2020, the Company generated $1.6 million of cash from investing activities compared to the $2.6 million use of cash in 2019. In 2020, the Company received proceeds of $5.4 million from the sale of its investment in an equity accounted entity, as well as higher distributions from equity investments of $0.7 million, which was partially offset by the additional investments in equity accounted entities of $4.2 million. The Company also benefited from higher proceeds from the sale of equipment of $4.2 million, and lower additions to property and equipment and intangible assets of $2.0 million compared to the same period in 2019. This was offset by lower proceeds from the maturity of short-term investments of $1.7 million in 2019.

Financing Activities

During the first six months of 2020, the Company generated $23.4 million of cash from financing activities compared to $16.6 million in 2019. The year-over-year changes are primarily driven by activities related to alternative finance projects that are described in operating activities above, and higher repayment of loans and borrowings. The incremental $23.4 million of proceeds from alternative finance projects was partially offset by repayment of loans and borrowings and right-of-use liabilities that were $18.3 million higher than the same period in 2019, combined with lower proceeds from loans and borrowings of $1.8 million.

DIVIDENDS

The Company declared monthly eligible 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:

April 1, 2019	to	June 30, 2019	$	0.0975
July 1, 2019	to	September 30, 2019	$	0.0975
October 1, 2019	to	December 31, 2019	$	0.0975
January 1, 2020	to	March 31, 2020	$	0.0975
April 1, 2020	**to**	**June 30, 2020**	**$**	**0.0975**

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 June 30, 2020 and December 31, 2019.

At June 30, 2020, 100,000 stock options are outstanding with a weighted average exercise price of $11.87 per common share. With the approval of the Equity Incentive Plan (EIP) in May 2017, the Board of Directors has resolved to suspend the stock option plan. All outstanding options will continue to vest in accordance with the term of the option and the vesting periods.

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

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 forecast. 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 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 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, the Bird Site Management program and the Taking Flight management training program, to provide a forum for high-potential candidates to develop their leadership skills.

CONTRACTUAL OBLIGATIONS

At June 30, 2020, the Company has future contractual obligations of $527.7 million. Obligations for accounts payable, right-of-use liabilities and loans and borrowings, including principal and estimated interest, over the next five years and thereafter are:

(in thousands of Canadian dollars)		2020	2021	2022	2023	2024 and thereafter	Total
Accounts payable	$	301,657	28,113	2,222	-	-	**331,992**
Non-recourse project financing		125,911	-	-	-	-	**125,911**
ROU liabilities		4,619	7,359	5,280	4,024	10,242	**31,524**
Loans and borrowings		2,323	15,597	19,082	1,024	200	**38,226**
	$	434,510	51,069	26,584	5,048	10,442	**527,653**

OFF BALANCE SHEET ARRANGEMENTS

The Company has surety lien bonds issued on behalf of the Company valued at $93.5 million at June 30, 2020.

The Company has recognized assets and liabilities for all leases with a term of more than twelve months, excluding low-value assets, in accordance with its adoption of IFRS 16.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent assets and liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in a material adjustment to the carrying amount of an asset or liability and/or the reported amount of revenue and expense in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised, and any future periods affected.

On March 11, 2020 the World Health Organization ("WHO") declared a global pandemic ("COVID-19 pandemic") due to contagiousness of the novel coronavirus and the severe respiratory disease, COVID-19, that could be developed after contracting the virus. As a result of the COVID-19 pandemic, states of emergency were declared across the various provinces and jurisdictions that the Company operates. The Company has quickly responded to protect its people and has implemented numerous health and safety measures based on public health authority guidance. The Company's operations could be negatively impacted as a result of the global pandemic due to suspension of projects, availability of labour and disruptions to the supply chain. In addition, several projects that were expected to be awarded and secured have been delayed, suspended or cancelled, and this could continue as a result of the pandemic.

The COVID-19 pandemic has caused significant disruption to the global economy, and the duration and full financial impact of the COVID-19 pandemic is yet to be determined. The effectiveness of the Company's business continuity plan, various safety and austerity measures implemented are also yet to be determined. There is significant uncertainty relating to any assumptions and estimates relating to the impact of COVID-19 pandemic on the operating and financial results, which could materially and adversely affect the Company.

Revenue and gross profit recognition

Construction revenue, construction costs, deferred revenue and contract assets are based on estimates and judgements used in determining contract revenue and contract costs 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, applying the new revenue recognition policy under IFRS 15.

Provisions

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.

Asset impairments

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.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Based on their evaluations as of June 30, 2020, 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 June 30, 2020, under the supervision of and with the participation of management, including the CEO and CFO, internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with IFRS.

There have been no material changes in the Company's internal control over financial reporting during the six-month period ended June 30, 2020 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 dated March 10, 2020, which is available through the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Ability to Hire and Retain Qualified and Capable Personnel

The success of Bird is highly influenced by the efforts of key management, technical, project and business development personnel. 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.

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 through diversification of the sources of the Company's earnings; 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.

The Company has a 50% interest in Stack, which is based in China. There is uncertainty around how the recent geopolitical tensions between China and Canada may affect the Company's investment.

In addition, there is uncertainty around how the public health crisis created by COVID-19 pandemic may affect the Company, including our contractual commitments, supply chain and labour force. Generally, to the extent that a severe public health emergency negatively affects the economy due to availability of labour or impacts to the supply chain, Bird's business may also be affected.

PPP Project Risk

Bird is active in the PPP market. Bird's role in these projects is typically to provide design-build services to a concession that is formed to provide design, construction, financing, and management and/or operations to a public authority. Typical in the design-build contract format are performance guarantees and design-build risks. Moreover, the performance guarantees on PPP projects often include responsibility for the energy performance of the facility and achievement of environmental standards. If Bird fails to meet the required standards, it may be liable for substantial penalties and damages.

The PPP design-build contracts entered into by Bird also typically require Bird to pay significant liquidated damages and/or other penalties and damages if the projects are not completed on schedule.

The PPP procurement model also typically results in the transfer of certain risks to the contractor beyond what would be the case for a similar facility under a conventionally non-PPP procurement model. These include responsibility and potential liability for matters such as changes in law and certain force majeure and delay events. In addition, if Bird's contract was terminated for cause, the Company would be exposed to substantial liability for breakage costs to the concession and its lenders.

The security required to support the obligations that the Company undertakes on these projects typically includes substantial letters of credit which may be drawn upon in the event the Company fails to meet its obligations.

Design Risks

While many contracts entered into by Bird are for construction or construction services only, certain contracts are undertaken on a design-build basis, under which Bird is responsible for both design and construction of the project, which adds design risk assumed by Bird. While Bird subcontracts all of the design scope in such design-build contracts to reputable designers, there is generally not a full transfer of design-related risks. These risks include design development and potential resulting scope creep, delays in the design process that may adversely affect the overall project schedule, and design errors and omissions.

To manage these risks, Bird manages and oversees the design process, coordinates the design deliverables with the construction process and, for significant design-build projects, purchases errors and omissions insurance.

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.

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.

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.

Estimating Costs and Schedules/Assessing Contract Risks

The price for most contracts performed by Bird is based, in part, on cost and schedule 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 and schedules that are in error, potentially resulting in lower than anticipated profit or significant loss. All significant cost and schedule estimates are reviewed by senior management prior to tender submission in an attempt to mitigate these risks.

Maintaining Safe Work Sites

Despite the Company's 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.

Accuracy of Cost to Complete Estimates

As Bird performs each construction contract, costs are continuously monitored against the original cost estimates. On at least a quarterly basis, a detailed estimate of the costs to complete a contract is compiled by Bird. These estimates are an integral part of Bird's process for determining construction revenues and profits and depend on cost data collected over the duration of the project as well as the judgments of Bird's field and office personnel. To the extent that the costs to complete estimates are based on inaccurate or incomplete information, or on faulty judgments, the accuracy of reported construction revenues and profits can be compromised. Bird has adopted many internal control policies and procedures aimed at mitigating exposure to this risk.

Work Stoppages, Strikes and Lockouts

Bird is signatory to a number of collective bargaining agreements. Future negotiation of these collective bargaining agreements could increase Bird's operating expenses and reduce profits as a result of increased wages and benefits. Failure to come to an agreement in these collective bargaining negotiations or those of its subcontractors and suppliers or government agencies could result in strikes, work stoppages, lockouts or other work action, and increased costs resulting from delays on construction projects. A strike or other work stoppage is disruptive to Bird's operations and could adversely affect portions of its business, financial position, results of operations and cash flows.

Adjustments and Cancellations of Backlog

The performance of the Company in a period depends significantly on the contribution from projects in its backlog. There can be no assurance that the revenues or profits included in backlog at any point in time will be realized. Contract suspensions, reductions and cancellations, which are beyond the control of Bird, do occur from time-to-time in the construction industry. Customers may have the right to suspend, cancel or reduce the scope of their contracts with Bird and, though Bird generally has a contractual right to be reimbursed for certain costs, it typically has no contractual rights to the total revenue or profit that was expected to be derived from such projects. These reductions could have a material adverse impact on future revenues and profitability.

Information Systems and Cyber-security Risk

The Company relies on information technology to manage, process, store and transmit electronic information. Complete, accurate, available and secure information is vital to the Company's operations and any compromise in such information could result in improper decision making, inaccurate or delayed operational and/or financial reporting, delayed resolution to problems, breach of privacy and/or unintended disclosure of confidential information. Failure in the completeness, accuracy, availability or security of the Company's information systems, the risk of system interruption or failure during system upgrades or implementation, or a breach of data security could adversely affect the Company's operations and financial results.

In addition, cyber-security incidents relating to the Company's information technology systems may disrupt operations and impact operating results. The COVID-19 pandemic in 2020 has caused an elevated risk and threat actors may attempt to exploit businesses while there is general instability during the COVID-19 pandemic.

Cyber-security incidents may occur from a range of techniques, from phishing or hacking attacks to sophisticated malware, hardware or network attacks. While the Company has implemented systems, policies, procedures, practices, hardware and backups designed to prevent and limit the effect of cyber-security attacks, there can be no assurance that these measures will be sufficient to prevent, detect or address the attacks in a timely matter or at all. A successful cyber-attack may allow unauthorized interception, destruction, use or dissemination of the Company's confidential information, which could have a material adverse effect on the business. In the fall of 2019, Bird Construction responded to a cyber incident that resulted in the encryption of Company files. Bird continued to function with no business impact, as management worked with leading cyber security experts to restore access to the affected files. At the time, the Company disclosed the incident on our website and notified appropriate authorities.

FORWARD LOOKING INFORMATION

This MD&A contains forward-looking statements and information ("forward-looking statements") within the meaning of applicable Canadian securities laws. The forward-looking statements contained in this MD&A are based on the expectations, estimates and projections of management of Bird as of the date of this MD&A unless otherwise stated. The use of any of the words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "may", "will", "should" and similar expressions are intended to identify forward-looking statements. More particularly and without limitation, this MD&A contains forward-looking statements concerning: the timing and anticipated receipt of required lender, debenture holder, shareholder, court, regulatory, stock exchange and other third party approvals for the transaction; and the ability of Stuart Olson and Bird to satisfy the other conditions to, and to complete, the transaction.

In respect of the forward-looking statements concerning the completion of the transaction, the timing and anticipated receipt of required third party approvals and the anticipated timing for completion of the transaction, Bird and Stuart Olson have provided such in reliance on certain assumptions that they believe are reasonable at this time, including assumptions as to the time required to prepare and mail shareholder meeting materials, including the Circular; the ability of the parties to receive, in a timely manner, the necessary lender, debenture holder, shareholder, court, regulatory, stock exchange and other third party approvals, including but not limited to the receipt of applicable competition approvals; and the ability of the parties to satisfy, in a timely manner, the other conditions to the closing of the Arrangement Agreement.

Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to the risks associated with the industries in which Bird operates in general such as: operational risks, industry and inherent project delivery risks; delays or changes in plans with respect to growth projects or capital expenditures; costs and expenses; health, safety and environmental risks; commodity price, interest rate and exchange rate fluctuations; compliance with environmental laws risks; competition, ethics and reputational risks; ability to access sufficient capital from internal and external sources; global pandemics; repayment of credit facility; collection of recognized revenue; performance bonds and contract security; potential for non-payment and credit risk and ongoing financing availability; regional concentration; regulations; dependence on the public sector; client concentration; labour matters; loss of key management; ability to hire and retain qualified and capable personnel; subcontractor performance; unanticipated shutdowns, work stoppages, strikes and lockouts; maintaining safe worksites; cyber security risks; litigation risk; corporate guarantees and letters of credit; volatility of market trading; failure of clients to obtain required permits and licenses; payment of dividends; economy and cyclicality; Public Private Partnerships project risk; design risks; completion and performance guarantees/design-build risks; ability to secure work; estimating costs and schedules/assessing contract risks; quality assurance and quality control; accuracy of cost to complete estimates; insurance risk; adjustments and cancellations of backlog; joint venture risk; internal and disclosure controls; Public Private Partnerships equity investments; and changes in legislation, including but not limited to tax laws and environmental regulations. Risks and uncertainties inherent in the nature of the transaction include the failure of Stuart Olson or Bird to obtain, as applicable, necessary lender, debenture holder, shareholder, court, regulatory, stock exchange and other third party approvals, or to otherwise satisfy the conditions to the transaction, in a timely manner, or at all. Failure to so obtain such approvals, or the failure of Stuart Olson or Bird to otherwise satisfy the conditions to the transaction, may result in the transaction not being completed on the proposed terms, or at all. In addition, the failure of Stuart Olson or Bird to comply with the terms of the Arrangement Agreement may result in Stuart Olson or Bird being required to pay a non-completion or other fee to the other party.

The forward-looking statements in this MD&A should not be interpreted as providing a full assessment or reflection of the unprecedented impacts of the recent COVID-19 pandemic ("COVID-19") and the resulting indirect global and regional economic impacts.

Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on other factors that could affect the operations or financial results of the parties, and the combined company, including any risk factors related to COVID-19, are included in reports on file with applicable securities regulatory authorities, including but not limited to; Bird's Annual Information Form for the year ended December 31, 2019, which may be accessed on Bird's SEDAR profile at www.sedar.com.

The forward-looking statements contained in this MD&A are made as of the date hereof and the parties undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.