



**MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTER ENDED SEPTEMBER 30, 2012**

Management’s Discussion and Analysis

The following Management’s Discussion and Analysis (“MD&A”) of Bird Construction Inc.’s (“the Company” or “Bird”) financial condition and results of operations should be read in conjunction with the December 31, 2011 consolidated financial statements of Bird Construction Inc. and the notes thereto presented in comparison to the preceding year. This discussion contains forward looking statements, which are subject to a variety of factors that could cause actual results to differ materially from those contemplated by these statements. See “Forward Looking Information”. Some of the factors that could cause results or events to differ from current expectations include, but are not limited to, the factors described under “Risks Relating to the Business” and “Risks Relating to the Shares” included in the Company’s most current Annual Information Form dated March 7, 2012. This MD&A has been prepared as of November 12, 2012. Additional information about the Company is available through the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and includes the Company’s Annual Information Form and other filings, including those filed by its predecessor, Bird Construction Income Fund (“the Fund”).

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EXECUTIVE SUMMARY:

(thousands of dollars, except per share amounts)	For the nine months ended September 30	
	2012	2011
Income Statement Data		
Revenue	\$ 1,034,577	\$ 642,468
Net income ⁽¹⁾	33,541	16,671
Basic and diluted earnings per share ⁽³⁾	0.80	0.40
Adjusted Net Income ⁽⁴⁾		
Adjusted net income	36,398	17,903
Adjusted net income per share	0.86	0.42
Cash Flow Data		
Cash flows from operations	(35,850)	(19,863)
Additions to property and equipment ⁽²⁾	23,538	3,540
Cash dividends/distributions paid	22,131	20,656
Cash dividends declared per share ⁽³⁾	0.53	0.49
	<u>September 30, 2012</u>	<u>December 31, 2011</u>
Balance Sheet Data		
Total assets	698,483	632,475
Working capital	141,089	122,962
Loans and borrowings (including current portion)	50,123	43,495
Shareholders' equity	174,184	162,413

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

⁽²⁾ computer software purchases included in intangible assets

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

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

RECENT HIGHLIGHTS:

- During the nine months ended September 30, 2012, the Company reported net income of \$33.5 million on record construction revenues of \$1,034.6 million, compared with \$16.7 million and \$642.5 million, respectively, in the first three quarters of 2011. The increase in earnings in 2012 compared with 2011 reflects higher revenues and related higher gross profits offset to some extent by higher general and administrative expenses. The increase in revenues is in part a result of the contribution derived from O'Connell, but also an increase of construction activity in the Alberta oil sands. The Company also benefited from the timing in the execution of a number of institutional projects in 2012.
- For the nine months ended September 30, 2012, the Company's adjusted net income (non-GAAP measure) was \$36.4 million compared with \$17.9 million in 2011. The increase in adjusted net income is a result of higher 2012 revenues combined with higher gross margin percentages, all offsetting higher general and administrative expenses. The adjusted net income per share for the nine months ended September 30, 2012 was \$0.86 compared with \$0.42 in 2011.
- The Company's Board of Directors approved a 9% increase in the monthly dividend from \$0.055 to \$0.060 per share effective with the March 2012 dividend.
- The Company secured \$200.0 million of new construction contracts during the third quarter including change orders on existing contracts and put in place work valued at \$396.8 million. The Company has in place backlog at September 30, 2012 of \$1,162.3 million, compared to \$1,235.6 million as at December 31, 2011.

- In the second quarter, the Company successfully achieved substantial completion of the Alberta School Alternative Procurement Project II. The project featured the construction of ten schools and was completed within the original time schedule.
- In May, Bird announced that it has been awarded a number of construction contracts totalling approximately \$235 million. The projects are located in a number of our operating districts within all of Bird's market segments. The largest of the projects was a contract for the Early Works Civil Program at the Voyageur Upgrader project located north of Fort McMurray, Alberta. For a listing of the remainder of the jobs, refer to Bird's previously issued press release.
- In June, the Company announced that Maple Leaf Foods awarded a subsidiary of Bird a contract to construct a new prepared meat processing facility located in Hamilton, Ontario. The 402,000 square foot plant will be the largest and most technologically advanced of its kind in Canada and is expected to achieve LEED[®] Silver environmental certification.
- In the third quarter of 2012 the Company was part of two consortia shortlisted for a response to the Request for Proposal calls for the Iqaluit International Airport Improvement project located on Baffin Island, Nunavut and the North Island Hospitals project located on Vancouver Island, British Columbia.

ADJUSTED NET INCOME MEASURE (NON-GAAP INFORMATION):

As disclosed in note 5 to the consolidated financial statements for the year ended December 31, 2011, \$6.0 million of the total purchase price attributable to the O'Connell acquisition was allocated to the value of the backlog acquired, \$8.4 million was allocated to the value attributed to customer relationships and \$0.8 million of transaction costs was expensed in the period. For accounting purposes, these intangible assets are assumed to have finite useful lives and accordingly, the amounts are amortized and expensed to income over the expected useful life of the respective assets. Management believes this accounting principle implies that there is a decline in the value of the acquisition to the Company immediately. Management believes that this principle is not consistent with the economics used by it to support the O'Connell acquisition, as the earnings potential of the business is not diminished by the amortization of the intangible assets. Accordingly, adjusted net income excludes the non-cash amortization expense associated with intangible assets, including the intangible asset amortization relating to the Rideau transaction completed in 2008. Adjusted net income also excludes transaction costs incurred in 2011 associated with the O'Connell acquisition as such costs are non-recurring expenses undertaken to achieve increased long-term future earnings and cash flows and are not associated with the income generating activities undertaken during the year. Management believes that the presentation of adjusted net income and adjusted net income per share provides useful information to shareholders and potential investors as it provides increased transparency and predictive value. Management uses adjusted net income to set targets, assess performance of the Company and set the Company's dividend payout rate.

NON-GAAP MEASURE:

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

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

	For the three months ended September 30		For the nine months ended September 30	
	2012	2011	2012	2011
Net income as reported in financial statements (GAAP)	\$ 18,104	\$ 9,549	\$ 33,541	\$ 16,671
Add: Amortization of intangible assets	1,656	713	3,909	993
Add: Transaction costs		356	-	756
Add: Associated tax effect	(442)	(330)	(1,052)	(516)
Adjusted net income (Non-GAAP Measure)	\$ 19,318	\$ 10,288	\$ 36,398	\$ 17,904
Adjusted net income per share (Non-GAAP Measure)	\$ 0.45	\$ 0.24	\$ 0.86	\$ 0.42

During the nine months ended September 30, 2012, adjusted net income of \$36.4 million (\$0.86 per share) compares to \$17.9 million (\$0.42 per share) in the comparative period of 2011. During the periods reported, adjusted net income adjusts net income for amortization of intangible assets relating to business combinations.

NATURE OF THE BUSINESS:

The Company operates as a general contractor with offices in St. John's, Halifax, Saint John, Wabush, Montreal, Toronto, Winnipeg, Calgary, Edmonton and Vancouver. The Company and its predecessors have been in operation for over 90 years and focuses primarily on projects in the industrial, mining, commercial and institutional sectors of the general contracting industry. The Company utilizes fixed price, design-build, unit price, cost reimbursable, guaranteed upset price and construction management contract delivery methods. The Company has secured and will continue to pursue design-build contracts with entities participating in the Public Private Partnership ("PPP") market in the institutional sector.

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

MISSION STATEMENT:

The Company's mission statement is as follows:

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

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

Safety

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

Teamwork

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

Honesty and Integrity

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

Fairness

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

Professionalism and Excellence

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

Personal Growth

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

STRATEGY:

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

The Company has secured and will continue to pursue design-build contracts with clients participating in the PPP market in the institutional sector. In addition to the Company's more traditional role of acting as a construction contractor to the PPP project, the Company is actively looking to acquire an equity position in PPP projects as a means to support its construction operations and generate additional construction opportunities. The Company has accumulated shareholders' equity in order to have the financial capacity to pre-qualify for PPP construction contracts and should the right opportunities arise, acquire a non-controlling ownership interest in the PPP concession, using internally-generated funds. In the third quarter of 2012, the Company was part of two consortia shortlisted to proceed to prepare bids for the Iqaluit International Airport Improvement project and the North Island Hospitals project located on Vancouver Island.

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

While there has been some softening in the market, the Company is still well positioned to capitalize on numerous construction activities in the Alberta oil sands. In addition, the Company is also positioning itself to address the maintenance requirements of our oil sands clients. Achievement of this strategic initiative may be accomplished through an acquisition or through organic growth, or a combination of both. With oil sands production methods becoming increasingly more environmentally friendly, the Company will seek to develop construction expertise in the area of steam-assisted gravity drainage ("SAGD") as the industry moves in this direction. Through the acquisition of O'Connell, the Company expects to benefit from the many attractive opportunities that are expected to arise through the continued development of Canada's resource sector. During the second quarter of 2012, the Company secured a heavy civil construction contract with a significant earth moving component in the Alberta oil sands. With the expertise acquired through O'Connell, the Company plans on self-performing the earth moving component.

The Company will continue its efforts to attract and retain a highly skilled professional work force to increase its capacity and productivity to deliver increasing revenues and earnings in the future. Bird prides itself in providing a working environment for its employees based on the principles of honesty, integrity, excellence and professionalism. We support employees in their goal to expand their skills and experience. The Company believes that employees are entitled to meaningful, satisfying work as they help advance the goals of the organization.

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

KEY PERFORMANCE DRIVERS:

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

In order to achieve this, new work must be available, which is a function of the general state of the economy. In periods of strong economic growth, capital spending will generally increase and there will be more opportunities available in the construction industry. Economic conditions in the construction industry improved through 2011 and into 2012 since the earlier downturn in the economy and have been reflected in the Company's revenues and gross margins in last half of 2011 and 2012 year to date. Currently, the Company is seeing some softening within the markets in which we operate.

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

The Company's success in securing work is also reflected in the value of Backlog, which is the total value of all contracts awarded to the Company, less the total value of work completed on these contracts as of the date of the reporting period. This includes all contracts that have been awarded to the Company whether the work has commenced or will commence. The following table shows the Company's backlog at the end of the comparative reporting periods. The Company has experienced a strong level of securements during the first nine months of 2012, but the backlog has declined in the current quarter as a result of third quarter revenues totalling \$396.8 million exceeding securements during the period of \$200.0 million.

Backlog (thousands of dollars)	September 30, 2012	September 30, 2011	December 31, 2011
Backlog	\$ 1,162,300	\$ 1,299,700	\$ 1,235,600

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

Construction Gross Profit Percentage

Nine months ended September 30, 2012	Nine months ended September 30, 2011	Year ended December 31, 2011
8.6%	7.6%	8.2%

In the first three quarters of 2012, a gross profit percentage of 8.6% represents a modest improvement compared to the same period last year. The improvement is due to the timing and mix of construction projects executed in the respective periods.

Financial condition

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

(thousands of dollars)	<u>September 30, 2012</u>	<u>September 30, 2011</u>	<u>December 31, 2011</u>
Working capital	\$ 141,089	\$ 115,676	\$ 122,962
Shareholders' equity	\$ 174,184	\$ 156,445	\$ 162,413

The increase in working capital in the nine months ended September 30, 2012 represents the extent to which net income adjusted for non-cash working capital items exceeds working capital used to fund dividends and the acquisition of property and equipment not financed with debt.

Safety

The safety of the workers on our construction sites and in our offices continues to be a clear priority enshrined in our Company values and reflected in our strategic plan. The management team is committed to ensuring that Bird is recognized as a construction safety performance leader and has established multi-year targets for both our industrial and commercial operations. While our incident frequency levels remain well below the industry average, we continuously review and assess our safety program and practices to identify opportunities to improve.

Building a consistent National Safety Program and a true safety culture at Bird remains a top priority. Enhancements to our safety manual, our worker orientation and training, ongoing communication activities, and developing a more qualitative and quantitative approach to measuring safety performance and culture at Bird are just some of the ways we continue to strive to be an industry leader. During the first three quarters of the year, the Company incurred ten lost time incidents (LTI) in over 3.4 million man hours of work for an LTI frequency of 0.59.

Lost Time Incident Frequency

<u>Nine months ended September 30, 2012</u>	<u>Nine months ended September 30, 2011</u>	<u>Year end December 31, 2011</u>
0.59	0.14	0.30

RESULTS OF OPERATIONS:

NINE MONTHS ENDED SEPTEMBER 30, 2012 COMPARED WITH NINE MONTHS ENDED SEPTEMBER 30, 2011

During the nine months ended September 30, 2012, the Company generated net income of \$33.5 million on record construction revenue of \$1,034.6 million compared with \$16.7 million and \$642.5 million, respectively, in 2011. The increase in earnings is a result of higher construction revenue, an increase in the gross margin percentage offset to some extent by higher general and administrative expenses, higher finance costs and a higher incidence of income tax expense.

In the first three quarters of 2012, the Company generated adjusted net income (non-GAAP measure) of \$36.4 million or 103.2% higher than the amount recorded in the comparable period in 2011.

Construction revenue of \$1,034.6 million in the nine months ended September 30, 2012 was \$392.1 million or 61.0% higher than the amount recorded in 2011. The improvement in part reflects growth in revenues derived from the acquisition of O'Connell combined with higher revenues principally derived from increased construction activity in the Alberta oil sands. The Company also benefited from significant progress on a number of institutional and commercial projects in the nine months ended September 30, 2012 compared with last year. In 2011, the Company reported revenues from O'Connell for the month of September 2011 compared with nine months of revenue contribution in 2012.

In the nine months ended September 30, 2012, the Company's gross profit of \$88.6 million compares with \$48.5 million recorded a year ago. The increase is a result of higher construction revenues and modestly higher gross profit margins in 2012 combined with the impact of the gross profit derived from O'Connell. In the first three quarters of 2012, the gross profit margin was 8.6% compared with 7.6% in 2011 as a result of impact of the timing and mix of construction projects executed in 2012 compared with 2011.

General and administrative expenses of \$42.8 million in the first three quarters of 2012 were \$15.9 million higher than the amount recorded in 2011. The increase in costs is in part attributable to the inclusion of O'Connell general and administrative costs for nine months in 2012 as compared to only one month in 2011. In addition, the Company incurred higher staff costs necessary to support the higher revenue base and higher amortization expense primarily relating to the amortization of intangible assets arising from the acquisition of O'Connell. Despite an increase in total general and administrative costs in 2012, these costs continue to represent approximately 4.2% of construction revenues, consistent with the Company's experience in 2011.

Finance income of \$3.0 million compares with \$2.8 million reported in 2011. The increase in finance income is a result of higher interest income relating to the accretion of holdback receivables, consistent with higher 2012 holdbacks receivable. Interest and dividend income remained relatively comparable between the years.

Finance costs of \$2.7 million were \$1.8 million higher than 2011, primarily due to interest costs on the long-term debt used to finance the acquisition of O'Connell and to a lesser extent, interest on long-term debt used to finance equipment purchases of O'Connell in 2012.

In 2012, income tax expense of \$12.6 million was \$5.6 million higher than 2011, consistent with higher pre-tax earnings in 2012.

THREE MONTHS ENDED SEPTEMBER 30, 2012 COMPARED WITH THREE MONTHS ENDED SEPTEMBER 30, 2011

In the third quarter of 2012, the Company generated strong earnings of \$18.1 million on record quarterly construction revenue of \$396.8 million compared with \$9.5 million and \$278.6 million, respectively, in 2011. Similar to the year-to-date results, the increase in current quarter earnings is a result of higher construction revenue combined with an increase in the gross margin percentage offset to some extent by higher general and administrative expenses.

In the third quarter of 2012, the Company generated adjusted net income (non-GAAP measure) of \$19.3 million compared with \$10.3 million in 2011.

Construction revenue of \$396.8 million in the three months ended September 30, 2012 was \$118.3 million or 42.4% higher than the amount recorded in 2011. The growth in construction revenue reflects the inclusion of O'Connell revenues for three months in 2012 compared with only one month in 2011, and an increase in revenues from Alberta oil sands projects.

In the third quarter of 2012, the Company's gross profit of \$39.8 million compares with \$24.2 million recorded a year ago. An increase of \$15.6 million or 64.4% is a function of both higher revenues and higher gross profit margins in 2012 compared with the same period a year ago. In the third quarter of 2012, the gross profit

margin was 10.3% compared with 8.7% in 2011 as a result of the timing and mix of construction projects executed in the respective periods.

General and administrative expenses of \$14.8 million in the quarter were \$4.3 million higher than the amount recorded in 2011. The increase in costs is attributable to the inclusion of O'Connell general and administrative costs combined with the impact of higher compensation costs attributable to a larger staff complement required to manage increased project revenues and higher amortization expense relating to intangible assets, primarily relating to the O'Connell acquisition. General and administrative costs represent 3.7% of construction revenues in 2012 compared with 3.8% of construction revenues in 2011.

Finance income of \$0.9 million was \$0.3 million higher than the \$0.6 million reported in 2011. In the third quarter of 2011, the Company recorded a mark-to-market loss on its portfolio of investments which compares to a small gain in 2012.

Finance costs of \$1.0 million were \$0.6 million higher than 2011, primarily due to interest costs related to the long-term debt used to finance the O'Connell acquisition and to a lesser extent interest on long-term debt used to finance recent equipment purchases.

In 2012, income tax expense of \$6.9 million was \$2.6 million higher than 2011, consistent with higher pre-tax earnings in 2012.

FUTURE OPERATING PERFORMANCE:

Successful financial performance of the Company is dependent upon securing profitable construction contracts and then controlling the costs associated with the execution of the work. The ability to secure contracts is a function of the general state of the economy. Current period earnings reflect the execution of projects with modestly higher margins, notwithstanding softening in the marketplace due to global economic concerns. At September 30, 2012, the Company's backlog is \$1.16 billion.

The Company's acquisition of O'Connell in 2011 will now enable Bird to more aggressively pursue heavy civil opportunities in Canada's commodity, mining and hydro power markets. With the continued softening in the Canadian economy and the recent decline in commodity prices, the outlook for the Canadian economy is expected to slow for the foreseeable future which will impact the availability of favourable construction opportunities. However, the Company is well positioned to capitalize on future opportunities as they come to market. In addition, Bird's financial strength will allow O'Connell to pursue larger scale projects that it could not previously undertake because of limited financial capacity. In addition, the products and services offered by Bird and O'Connell complement each other. There are opportunities for O'Connell to apply their earth moving expertise to Bird projects and for Bird to offer their building expertise to O'Connell projects. During the second quarter of 2012, the Company secured a large heavy civil construction contract with a significant earth moving component in the Alberta oil sands. With the expertise acquired through O'Connell, the Company plans on pursuing and self-performing additional civil construction projects with earth moving components.

The industrial market represented 31% of 2011 revenues (32% - 2010). With the current state of resource prices, the Company is seeing some signs of a slowdown in the level of construction activity in our industrial markets. The increase in 2012 industrial revenues and gross profits will likely continue to be sustainable through the balance of 2012; however, uncertainty in the market may impact results in 2013. There has been a positive impact on the nine-month revenues and earnings from the O'Connell acquisition and the Company expects opportunities for O'Connell to continue to come to market, which will contribute to earnings in 2012. As with our industrial related business, there is a sense of uncertainty in the mining sector which could negatively influence results in 2013.

The institutional sector represented 58% of 2011 revenues (61% - 2010). The institutional sector has been a significant source of revenues and earnings over the past several years due to a combination of government stimulus spending and the PPP market. All levels of government are still under pressure to address budget deficits, and consequently, we do not anticipate any significant benefit from further stimulus spending. The Company expects opportunities in the PPP market to continue to be available, although the number of projects that will come to market in the remainder of 2012 and beyond is expected to decline and the competition for these projects will continue to be intense.

The retail and commercial sector represented 11% of 2011 revenues (7% - 2010). Within the retail and commercial sector, the Company experienced an increase in the relative significance of revenues and earnings from this market in 2011, due to an improving economy and the related positive impact on our client's capital expenditure programs. The recovery of this sector was particularly evident in the last half of 2011 and continued in the first three quarters of 2012, with a strong level of project awards. The Company expects continuing modest improvement in this sector if the economy continues to strengthen. Even with this improvement, this market is likely to remain very competitive and the impact of this progress on 2013 earnings is expected to be moderate.

Backlog

During the nine months ended September 30, 2012, the Company secured \$961.2 million in new construction contracts (including change orders to existing contracts). The Company's backlog is \$1,162.3 million at September 30, 2012 compared to \$1,235.6 million as at December 31, 2011. With respect to the current backlog, \$408.9 million is expected to be put in place during 2012, leaving \$753.4 million to carry forward to 2013 and beyond. The following table outlines the changes in the amount of the Company's backlog throughout the current fiscal period and with a comparison to the prior year.

Backlog	
(thousands of dollars)	
December 31, 2010	\$ 1,229.6
Securements and Change Orders in 2011	975.2
Acquired with O'Connell	152.3
Cancellations	(147.0)
Realized in construction revenues in 2011	<u>(974.5)</u>
December 31, 2011	1,235.6
Securements and Change Orders - Q1 2012	225.0
Realized in construction revenues	<u>(294.7)</u>
March 31, 2012	1,165.9
Securements and Change Orders - Q2 2012	536.2
Realized in construction revenues	<u>(343.0)</u>
June 30, 2012	1,359.1
Securements and Change Orders - Q3 2012	200.0
Realized in construction revenues	<u>(396.8)</u>
September 30, 2012	\$ 1,162.3

In addition to backlog, at September 30, 2012, the value of uncompleted construction management contract work, for which the Company acts as an agent for the customer, is \$114.0 million, compared with \$136.4 million at December 31, 2011.

ACCOUNTING POLICIES:

The Company's significant accounting policies are outlined in the notes to the September 30, 2012 Unaudited Condensed Consolidated Interim Financial Statements.

Future accounting changes

IFRS 9 *Financial Instruments* was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 *Financial Instruments - Recognition and Measurement* for debt instruments with a new mixed measurement model having only two categories: amortized costs and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss, or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income, indefinitely. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39 *Financial Instruments - Recognition and Measurement*, except that fair value changes due to credit risk for liabilities

designated at fair value through profit and loss would generally be recorded in other comprehensive income. In January 2012, the effective date was revised to January 1, 2015 with earlier application permitted.

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

In May 2011, the IASB issued IFRS 11 *Joint Arrangements*, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. If an entity applies this Standard earlier, it shall also apply IFRS 10, IFRS 12, IAS 27 (2011) and IAS 28 (2011) at the same time. IFRS 11 replaces the guidance in IAS 31 *Interests in Joint Ventures*. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which, although structured through a separate vehicle, such separation, is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11, there is no longer a free choice of equity accounting or proportionate consolidation for joint ventures; the equity method is now required, subject to certain exceptions. The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 11 has not yet been determined.

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

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

SUMMARY OF QUARTERLY RESULTS:

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

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

(thousands of dollars)	2010	2011				2012		
	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>
Revenue	225,360	171,155	192,752	278,561	332,002	294,654	343,083	396,840
Net income	9,238	4,109	3,013	9,549	12,924	6,435	9,002	18,104
Earnings per share ⁽¹⁾	0.22	0.10	0.07	0.23	0.30	0.15	0.22	0.43

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

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY:

The Company believes that its strong balance sheet, including equity of \$174.2 million and \$141.1 million of working capital and long-term debt (including the current portion thereof) of \$50.1 million, allows it the financial capacity to support all of our contract security requirements, including the ability to secure performance bonds, labour and material bonds, issue letters of credit to support PPP contract requirements and provide parent company performance guarantees. Although the Company has more recently introduced long-term debt into its capital structure coincident with the acquisition of O'Connell, management believes that the amount of long-term debt totalling \$50.1 million at September 30, 2012 is a reasonable amount and is manageable in light of the level of earnings of the Company. The Company expects to utilize cash from operations, existing working capital, including cash and cash equivalent balances, and draws on its credit facilities to fund liabilities as they become due, finance future capital expenditures and pay dividends on shares.

The following table outlines the amount of Shareholders' equity, working capital, long-term debt and backlog at September 30, 2012, September 30, 2011 and December 31, 2011.

Financial Condition table (thousands of dollars)	<u>September 30, 2012</u>	<u>September 30, 2011</u>	<u>December 31, 2011</u>
Shareholders' equity	\$ 174,184	\$ 156,445	\$ 162,413
Working capital	\$ 141,089	\$ 115,676	\$ 122,962
Long-term debt	\$ 50,123	\$ 45,083	\$ 43,495
Backlog	\$ 1,162,300	\$ 1,299,700	\$ 1,235,600

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

In conjunction with the acquisition of O'Connell, the Company initially secured total long-term debt financing of \$45.6 million, which combined with the use of \$37.8 million of cash and the assumption of a contingent consideration obligation valued at \$2.1 million was used to finance the transaction. The long-term debt secured was originally comprised of five-year term debt of \$30.6 million, one-half of which was financed using fixed interest rates and the remainder using variable interest rates. The debt was secured by the equipment owned by O'Connell. In addition, a vendor take-back of \$15.0 million due in four annual equal payments was used in part to finance the total acquisition price. During the first three quarters of 2012, the Company made \$9.4 million of principal repayments and issued \$16.0 million of new debt to finance purchases of heavy equipment in the year to support the ongoing operations of O'Connell. The following table provides details of outstanding debt as at September 30, 2012 and principal repayments due over the next five years, excluding the amortization of debt financing costs of \$0.3 million.

Debt	Amount	Year 1	Year 2	Year 3	Year 4	Year 5
(thousands of dollars)						
Loans and borrowings	\$ 49,455	\$ 13,638	\$ 13,680	\$ 13,891	\$ 8,246	\$ -

Credit Facilities

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

Issuance of Letters of Credit

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

(thousands of dollars)	<u>September 30, 2012</u>	<u>September 30, 2011</u>	<u>December 31, 2011</u>
Operating line of credit	\$ 131,500	\$ 131,500	\$ 131,500
Letters of credit issued	\$ 37,090	\$ 43,399	\$ 42,750
Collateral pledged to support letters of credit	\$ 53,604	\$ 52,345	\$ 52,685

In 2012, the amount of outstanding letters of credit declined by \$5.7 million compared with the previous year end. This reduction reflects the expiry of a number of letters of credit on their scheduled termination dates.

Operating Lines of Credit

(a) Five-year committed revolving line of credit:

The Company has a five-year committed unsecured revolving line of credit for \$30.0 million with a Canadian chartered bank. This facility may be used in the normal course of business for general working capital purposes, and to fund future capital expenditures and qualifying permitted acquisitions. At September 30, 2012, no amounts were outstanding under this facility. This credit facility includes standard default and covenant provisions whereby accelerated repayment may be required if the Company were to violate certain financial covenants.

(b) Committed revolving line of credit:

A subsidiary of the Company has a committed revolving credit facility of \$20.0 million to be used to finance normal course operations of the subsidiary. Borrowings under this facility are secured by a first charge against the accounts receivable of O'Connell. This credit facility is used for the purpose of financing general working capital requirements. At September 30, 2012, the Company has drawn \$14.2 million under this facility. This credit facility includes standard default and covenant provisions whereby accelerated repayment may be required if the subsidiary were to violate certain financial covenants.

At September 30, 2012, the Company was in compliance with all debt covenants relating to its operating lines of credit. The Company expects to continue to comply with these provisions.

Equipment Financing

(a) A subsidiary of the Company has an equipment financing facility with a Canadian chartered bank for \$20.0 million for the purpose of financing future equipment purchases. At September 30, 2012, the Company has drawn \$3.5 million under this facility. Draws under this facility are permitted until May 31, 2015. The facility allows the Company access to term financing for up to five years with a maximum amortization period of 84 months. Interest can be set using either a fixed or variable rate option. Any draws under this facility will be secured by equipment purchased with the proceeds from the loan.

(b) In addition, the Company has an operating lease line of credit for \$42.5 million with the financing arm of a major heavy equipment supplier to finance operating equipment leases. Draws under this facility are recognized as operating leases for accounting purposes. At September 30, 2012, the Company has drawn \$28.0 million under this facility. The Company's total lease commitments are outlined under Contractual Obligations.

Liquidity

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

Financial Position

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

Financial Position Data	September 30, 2012	December 31, 2011
Cash and cash equivalents	\$ 99,415	\$ 173,402
Investment in marketable securities	15,951	16,752
Working capital	141,089	122,962
Long-term debt	50,123	43,495
Shareholders' equity	174,184	162,413

As a component of working capital, the Company maintains significant balances of cash and cash equivalents and investments in liquid securities. At September 30, 2012, these balances consisted of \$96.8 million of cash and cash equivalents and \$16.0 million of liquid securities for a total of \$112.8 million. The \$112.8 million plus net non-cash current assets of \$28.3 million comprise the \$141.1 million of working capital. These components are summarized in the following table for September 30, 2012 and September 30, 2011.

Working Capital Components (thousands of dollars)	<u>September 30, 2012</u>	<u>September 30, 2011</u>
Investment in marketable securities (bonds and preferred shares)	\$ 15,951	\$ 16,751
Cash and cash equivalents held for working capital	96,886	98,925
Non-cash net current assets	<u>28,252</u>	<u>-</u>
	141,089	115,676
Cash held for dividends payable	2,529	2,318
Dividends payable	(2,529)	(2,318)
Working cash	-	49,654
Non-cash net current liabilities	<u>-</u>	<u>(49,654)</u>
Working capital	<u>\$ 141,089</u>	<u>\$ 115,676</u>

The Company's non-cash net current asset/liability position fluctuates significantly in the normal course of business from period to period, primarily due to the timing of differences between the settlement of payables due to subcontractors and suppliers, billings and collection of accounts receivable from clients, and also the timing of settlement of income taxes payable. The working cash balance absorbs these fluctuations with no net impact to the Company's net working capital position or ability to access surety support. During the first three quarters of 2012, the Company has experienced a significant reduction in the amount of working cash. The decline in cash balances is attributable to the use of cash to fund other net non-cash working capital balances resulting primarily from the increase in accounts receivable at September 30, 2012.

Cash Flow Data

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

(thousands of dollars)	<u>Nine months ended September 30, 2012</u>	<u>2011</u>
Cash Flow Data		
Operating activities	\$ (35,850)	\$ (19,863)
Investing activities	(22,568)	(56,108)
Financing activities	(15,569)	9,427
Increase/decrease in cash and cash equivalents	<u>\$ (73,987)</u>	<u>\$ (66,544)</u>

Operating Activities

During the nine months ended September 30, 2012, the Company used cash in operating activities of \$35.9 million. This was comprised of \$66.7 million of cash provided by earnings net of non-cash charges to earnings and \$102.6 million of cash used to fund an increase in the Company's non-cash working capital position, which represented a normal course fluctuation in the Company's net current asset position. In some periods, this fluctuation will be a use of cash, as in the current period, but in other periods, it will be a source of cash, tending to balance out over time and having no net impact on the Company's working capital. During the first three quarters of 2012, there has been a significant use of cash to fund other working capital balances resulting from the increase in construction revenues and the related impact on accounts receivable.

Investing Activities

During the nine months ended September 30, 2012, the Company used \$22.6 million of cash in investing activities while in 2011 investing activities used cash of \$56.1 million. The higher level of investing activity in 2011 in large part represents the cash required to fund the O'Connell transaction in August of that year. In 2011, the Company used \$65.1 million of net cash to acquire a 100% interest in O'Connell. Partially offsetting the use of cash to acquire O'Connell in 2011 was the net receipt of cash of approximately \$12.5 million resulting from the maturity of bonds included in the Company's bond and preferred share investment portfolio.

In 2012, the Company used \$23.5 million to purchase property and equipment including software compared with \$3.5 million in 2011. The increase in capital asset spending relates primarily to purchases of heavy equipment to support the ongoing operations of O'Connell. Partially offsetting the use of cash in 2012 was the net receipt of cash of approximately \$0.8 million from the redemption of preferred share investments.

Financing Activities

During the nine months ended September 30, 2012, \$15.6 million of cash was used in financing activities compared to a source of cash of \$9.4 million in 2011. In 2012, the Company paid monthly dividends totalling \$22.1 million. In addition, the Company received cash from the issuance of long-term debt of \$16.0 million, used primarily to finance the purchases of heavy equipment to support the operations of O'Connell. Approximately \$9.4 million of cash was used to repay long-term debt in 2012. In 2011, the Company received cash from the issuance of long-term debt of \$30.6 million, net of \$0.4 million to finance the O'Connell acquisition, and \$0.2 million of cash was used to repay the debt during the third quarter. Cash of \$18.5 million was used in 2011 to pay dividends and \$2.1 million was used to pay unit holder distributions declared in December 2010.

DIVIDENDS AND DISTRIBUTIONS:

The Company intends to declare monthly dividends of \$0.06 per common share payable on or about the 20th of the month following the month in which the dividend was declared. The following table outlines the historical dividend history.

January 1, 2011 to March 31, 2011	\$0.165
April 1, 2011 to June 30, 2011	\$0.165
July 1, 2011 to September 30, 2011	\$0.165
October 1, 2011 to December 31, 2011	\$0.165
January 1, 2012 to March 31, 2012	\$0.170
April 1, 2012 to June 30, 2012	\$0.180
July 1, 2012 to September 30, 2012	\$0.180

Reflects the April 2011 three-for-one stock split.

CAPABILITY TO DELIVER RESULTS:

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

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

CONTRACTUAL OBLIGATIONS:

At September 30, 2012, the Company has future contractual obligations totalling \$405.9 million. Obligations for accounts payable, finance and operating annual lease payments, and for principal repayments under long-term debt over the next five years are:

(thousands of dollars)	Accounts Payable	Finance Leases	Operating Leases	Long-Term Debt	Total
2012	\$ 312,719	77	3,371	2,576	318,743
2013	16,294	309	8,928	13,526	39,057
2014	4,527	412	6,260	13,732	24,931
2015	-	251	2,525	13,945	16,721
2016	-	-	693	5,676	6,369
Thereafter	-	-	30	-	30
	\$ 333,540	1,049	21,807	49,455	405,851

OFF BALANCE SHEET ARRANGEMENTS:

The Company has operating lease obligations described under Contractual Obligations noted above and surety lien bonds issued on behalf of the Company totalling \$5.4 million at September 30, 2012.

CRITICAL ACCOUNTING ESTIMATES:

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

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

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

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

significantly from quarter to quarter, depending on whether large and/or complex contracts are completing or nearing completion during the quarter, or have been completed in immediately prior quarters.

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

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

The acquisition of O'Connell required management to make judgments and estimates regarding the fair value of the identifiable assets and liabilities acquired. The estimated fair value of property and equipment and the intangible assets relating to backlog, customer relationships and trade names were based on a forecast of future cash flows attributable to the assets, discounted to the present value using a market based cost of capital.

OUTSTANDING COMMON SHARE DATA AND STOCK EXCHANGE LISTING:

The Company is authorized to issue an unlimited number of common shares. The Company has a total of 42,153,846 common shares outstanding at September 30, 2012 and December 31, 2011.

Under the terms of the Company's Stock Option Plan, on March 7, 2012, the Company's Board of Directors approved the award of 625,000 stock options with a grant date of March 15, 2012 to eligible Company employees. The total number of stock options is exercisable in equal amounts on the first through fourth anniversary dates from the grant date. Details of the Company's stock options outstanding are outlined in the notes to the September 30, 2012 Unaudited Condensed Consolidated Interim Financial Statements.

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

CONTROLS AND PROCEDURES:

Disclosure Controls and Procedures

Based on their evaluations as of September 30, 2012, the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have concluded that the Company's disclosure controls and procedures are effective in providing reasonable assurance that information relating to the Company which is required to be disclosed in reports filed under provincial and territorial securities legislation is accumulated, summarized and communicated to the Company's senior management, including the CEO and the CFO of the Company, as appropriate, to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

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

As of September 30, 2012, under the supervision of and with the participation of management, including the CEO and CFO, internal controls over financial reporting, including the controls of O'Connell, have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with IFRS.

There have been no material changes in the Company's internal control over financial reporting during the nine months ended September 30, 2012 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

RISKS RELATING TO THE BUSINESS:

The following discussion addresses the more significant risk factors relating to the business. For a detailed discussion of all risk factors relating to the business, refer to the Company's most recently filed Annual Information Form filed on March 7, 2012, which is available through the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Economy and Cyclicalities

Activity within the construction industry is tied to the general state of the economy. Thus, in periods of strong economic growth, capital spending will generally increase and there will be more and better quality opportunities available within the construction industry. Bird attempts to insulate itself in various ways from the effects of negative economic conditions. However, there is no assurance that these methods will be effective in insulating Bird from a downturn in the economy. Investment decisions by our industrial clients are based on the long-term views of the economic viability of their current and future projects. The economic viability of the projects is dependent upon the client's view of the long-term price of commodities which is influenced by many factors. If our clients' outlook for commodity prices is not favourable, this may delay, reduce or cancel capital project spending. A decrease in construction activity in this sector could have an adverse effect on the Company's financial performance and results of operations. Furthermore, most of Bird's contracts are and will be relatively short-term (less than two years, generally). As such, any prolonged downturn in the economy could impact Bird's ability to generate new business or maintain a backlog of contracts with acceptable margins to sustain Bird through such downturns.

Competitive Factors

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

Ability to Secure Work

Bird generally secures new contracts either through a competitive bid process or through negotiation. Awards in both the public and private sectors are generally based upon price, but are also influenced by factors such as perceived level of services offered, construction schedule, project personnel, the make-up of the subcontractor team, prior experience with the prospective client and the type of project and the ability to provide bonds and other contract security. In order to be afforded an opportunity to bid for projects in the PPP market and other large projects, a strong balance sheet measured in terms of an adequate level of working capital is typically required. Bird operates in markets that are highly competitive and there is constant pressure to find and maintain a competitive advantage. In the current economic climate, competition is intense. This presents significant challenges for the Company. If those competitive challenges are not met, Bird's client base could be eroded or it could experience an overall reduction in profits. A decline in demand for Bird's services from the private sector could have an adverse impact on the Company if that business could not be replaced within the public sector. A portion of Bird's construction activity relates to government-funded institutional projects. All levels of government are now expected to come under pressure to address budget deficits and it is expected that governments may reduce their capital spending programs. Any reduction in demand for Bird's services by the public sector, whether as a result of funding constraints, changing political priorities or delays in projects caused by elections, could have an adverse impact on the Company if that business could not be replaced within the private sector. Government-funded projects also typically have long and sometimes unpredictable lead times associated with government review and approval.

The time delays associated with this process can constitute a risk to general contractors pursuing these projects. Certain government-funded projects, particularly PPP projects, may also require significant bid costs which can only be recovered if Bird is the successful bidder. A number of governments in Canada have procured a significant value of projects under a PPP contract format, which is an attractive market for the Company. A reduction in the popularity of this procurement method or difficulties in obtaining financing for these projects would have negative consequences for Bird.

Estimating Costs/Assessing Contract Risks

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

Performance of Subcontractors

Successful completion of a contract by Bird depends, in large part, on the satisfactory performance of subcontractors who are engaged to complete the various components of the work. If subcontractors fail to satisfactorily perform their portion of the work, Bird may be required to engage alternate subcontractors to do the work and may incur additional costs. This can result in reduced profits, or, in some cases, significant losses on the contract and could also damage the reputation of Bird. In addition, the ability of Bird to bid for and successfully complete projects is, in part, dependent on the availability of qualified subcontractors and trades people. Depending on the value of the subcontract, Bird may require surety bonds or other security from the subcontractor in order to mitigate this risk. Bird closely monitors all subcontractor and trades person capacity concerns in order to mitigate any effect on operations. A significant shortage of qualified subcontractors and trades people could have a material impact on Bird's financial condition and results of operations.

Maintaining Safe Work Sites

In spite of the best efforts of Bird to minimize the risk of incidents, they can happen. When they do, the impact on Bird can be significant. Bird's success as a general contractor is highly dependent on its ability to keep its construction worksites and offices safe. Failure to do so can have serious impact on the personal safety of its employees and others. In addition, it can expose Bird to fines, regulatory sanction or even criminal prosecution. Bird's safety record and worksite safety practices also have a direct bearing on its ability to secure work, particularly in the industrial sector. Certain clients will not engage particular contractors to perform their work if their safety practices do not conform to predetermined standards or if the general contractor has an unacceptably high incidence of safety infractions or incidents. Bird adheres to very rigorous safety policies and procedures which are continually reinforced on its work sites and offices. Management is not aware of any pending health and safety legislation or prior incidents which would be likely to have a material impact on any of Bird's operations, capital expenditure requirements, or competitive position. Nevertheless, there can be no guarantee with respect to the impact of future legislation or incidents.

Ability to Hire and Retain Qualified and Capable Personnel

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

TERMINOLOGY:

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

- **"Gross Profit Percentage"** is the percentage derived by dividing gross profit by construction revenue. Gross profit is calculated by subtracting construction costs from construction revenue.
- **"Backlog"** (also referred to in the construction industry as "work on hand") is the total value of all contracts awarded to the Company, less the total value of work completed on these contracts as of the date of the most recently completed quarter. This includes all contracts that have been awarded to the Company whether the work has commenced or will commence in the normal course.
- **"Adjusted Net Income Measure (Non-GAAP Information)"** adjusts net income for the amount of amortization expense related to intangible assets resulting from business combinations and transaction expenses relating to the combinations which are expensed in the period incurred.
- **"Lost Time Incident Frequency"** is the number of lost time incidents recorded per 200,000 man-hours of work by Bird employees.

FORWARD LOOKING INFORMATION:

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

Forward looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. In particular, this MD&A includes many such forward looking statements and the Company cautions the reader that such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of the Company to be materially different from the Company's estimated future results, performance or achievements expressed or implied by those forward-looking statements and the forward-looking statements are not guarantees of future performance. Risks that may impact the Company's future results, performance or achievements include those described under "Risks Relating to the Business" in this MD&A and in the Company's Annual Information Form dated March 7, 2012 filed and available on SEDAR. The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, events or otherwise.



Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2012

Notice required under National Instrument 51-102, "Continuous Disclosure Obligations" Part 4.3 (3) (a).

The attached condensed consolidated interim financial statements have been prepared by management of Bird Construction Inc. and have not been reviewed by the Company's independent external auditors.

BIRD CONSTRUCTION INC.
CONDENSED CONSOLIDATED BALANCE SHEET
(in thousands of Canadian dollars)
(unaudited)

	Note	September 30, 2012	December 31, 2011
ASSETS			
Current assets:			
Cash	9 and 21	\$ 83,182	\$ 146,771
Bankers' acceptances and short-term deposits	9 and 21	30,401	26,631
Preferred share investments		15,951	16,752
Accounts receivable	6	447,870	321,261
Costs and estimated earnings in excess of billings		11,761	21,415
Inventory		3,091	2,166
Prepaid expenses and other assets		2,332	2,081
Income taxes recoverable		4,685	1,963
Total current assets		<u>599,273</u>	<u>539,040</u>
Non-current assets:			
Property and equipment	7	55,246	44,888
Deferred income tax asset	11	5,346	6,130
Intangible assets	8	15,173	18,972
Goodwill	8	23,445	23,445
Total non-current assets		<u>99,210</u>	<u>93,435</u>
TOTAL ASSETS		<u>\$ 698,483</u>	<u>\$ 632,475</u>
LIABILITIES			
Current liabilities:			
Bank indebtedness		\$ 14,168	\$ -
Accounts payable		333,540	313,411
Deferred contract revenue		80,502	77,834
Dividends payable to shareholders		2,529	2,318
Income taxes payable		4,107	2,611
Current portion of loans and borrowings	10	13,902	9,795
Provisions	15	5,744	7,847
Other liabilities	12	3,692	2,262
Total current liabilities		<u>458,184</u>	<u>416,078</u>
Non-current liabilities:			
Loans and borrowings	10	36,221	33,700
Deferred income tax liability	11	23,764	16,487
Other liabilities	12	6,130	3,797
Total non-current liabilities		<u>66,115</u>	<u>53,984</u>
SHAREHOLDERS' EQUITY			
Shareholders' capital	13	37,527	37,527
Contributed surplus		572	-
Retained earnings		136,085	124,886
Total shareholders' equity		<u>174,184</u>	<u>162,413</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>\$ 698,483</u>	<u>\$ 632,475</u>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

BIRD CONSTRUCTION INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(in thousands of Canadian dollars, except per share amounts)
(unaudited)

	Note	For the three months ended September 30,		For the nine months ended September 30,	
		2012	2011	2012	2011
Construction revenue		\$ 396,840	\$ 278,561	\$ 1,034,577	\$ 642,468
Costs of construction		<u>357,051</u>	<u>254,409</u>	<u>946,020</u>	<u>593,923</u>
Gross profit		<u>39,789</u>	<u>24,152</u>	<u>88,557</u>	<u>48,545</u>
General and administrative expenses		<u>14,794</u>	<u>10,466</u>	<u>42,772</u>	<u>26,828</u>
Income from operations		<u>24,995</u>	<u>13,686</u>	<u>45,785</u>	<u>21,717</u>
Finance income	16	<u>934</u>	<u>618</u>	<u>2,988</u>	<u>2,790</u>
Finance costs	17	<u>(955)</u>	<u>(427)</u>	<u>(2,655)</u>	<u>(826)</u>
Income before income taxes		<u>24,974</u>	<u>13,877</u>	<u>46,118</u>	<u>23,681</u>
Income tax expense	11	<u>6,870</u>	<u>4,328</u>	<u>12,577</u>	<u>7,010</u>
Net income and comprehensive income for the period		<u>\$ 18,104</u>	<u>\$ 9,549</u>	<u>\$ 33,541</u>	<u>\$ 16,671</u>
Basic and diluted earnings per share	3 (h) and 14	<u>\$ 0.43</u>	<u>\$ 0.23</u>	<u>\$ 0.80</u>	<u>\$ 0.40</u>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

BIRD CONSTRUCTION INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands of Canadian dollars, except per share amounts)
(unaudited)

	Shareholders' Capital	Unitholders' Capital	Contributed surplus	Retained earnings	Total Equity
Balance at December 31, 2010	\$ -	\$ 37,527	\$ -	\$ 123,113	\$ 160,640
<i>Contributions by and dividends to owners</i>					
Conversion to corporation	37,527	(37,527)	-	-	-
Dividends declared to shareholders	-	-	-	(20,866)	(20,866)
Net income and comprehensive income for the period	-	-	-	16,671	16,671
Balance at September 30, 2011	<u>\$ 37,527</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,918</u>	<u>\$ 156,445</u>
Dividends per share declared during the nine month period ended September 30, 2011				\$0.495	
Balance at December 31, 2011	\$ 37,527	\$ -	\$ -	\$ 124,886	\$ 162,413
<i>Contributions by and dividends to owners</i>					
Dividends declared to shareholders	-	-	-	(22,342)	(22,342)
Net income and comprehensive income for the period	-	-	-	33,541	33,541
Granting of stock options	-	-	572	-	572
Balance at September 30, 2012	<u>\$ 37,527</u>	<u>\$ -</u>	<u>\$ 572</u>	<u>\$ 136,085</u>	<u>\$ 174,184</u>
Dividends per share declared during the nine month period ended September 30, 2012				\$0.530	

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

BIRD CONSTRUCTION INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of Canadian dollars)
(unaudited)

	Note	For the nine months ended September 30,	
		2012	2011
Cash flows used in operating activities:			
Net income and comprehensive income for the period		\$ 33,541	\$ 16,671
Items not involving cash:			
Amortization		4,356	1,289
Depreciation		12,248	2,592
Loss on sale of property and equipment		155	2
Mark-to-market (gain)/loss on investments	16	50	(577)
Loss on disposal of investments	16	1	713
Interest and dividend income	16	(3,039)	(2,926)
Finance costs	17	2,655	826
Medium term incentive plan expense		3,554	639
Income tax expense	11	12,577	7,010
Stock-based compensation expense	13	572	-
Foreign exchange loss on deferred income tax		-	31
		<u>66,670</u>	<u>26,270</u>
Changes in working capital relating to operating activities	21	(96,775)	(32,799)
Dividends and interest received		1,769	2,229
Interest paid		(1,772)	(195)
Income taxes paid		(5,742)	(15,368)
Cash flows used in operating activities		<u>(35,850)</u>	<u>(19,863)</u>
Cash flows from (used in) investing activities:			
Acquisition of O'Connell	5	-	(65,103)
Additions to property and equipment		(22,981)	(3,006)
Additions to intangible assets		(557)	(534)
Proceeds on sale of property and equipment		220	47
Purchase of investments		-	(3,373)
Proceeds from disposal of investments		750	15,861
Cash flows used in investing activities		<u>(22,568)</u>	<u>(56,108)</u>
Cash flows from (used in) financing activities:			
Dividends paid on shares		(22,131)	(18,548)
Proceeds from loans and borrowings		15,961	30,245
Repayment of loans and borrowings		(9,399)	(162)
Distributions paid on units		-	(2,108)
Cash flows from (used in) financing activities		<u>(15,569)</u>	<u>9,427</u>
Net decrease in cash and cash equivalents during the period		(73,987)	(66,544)
Cash and cash equivalents, beginning of the period		<u>173,402</u>	<u>217,441</u>
Cash and cash equivalents, end of the period	21	<u>\$ 99,415</u>	<u>\$ 150,897</u>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

BIRD CONSTRUCTION INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

1. Structure of the Company

Bird Construction Inc. (the “Company”) is a corporation incorporated in the province of Ontario, Canada. The address of the Company’s registered office is 5403 Eglinton Avenue West, Toronto, Ontario, Canada. The Company was created for the purpose of facilitating the conversion of Bird Construction Income Fund (the “Fund”), the predecessor of the Company, from an income trust structure to a corporation. The Company entered into an Arrangement Agreement with the Fund on January 1, 2011, whereby the Fund’s unitholders transferred their trust units in the Fund to the Company in exchange for common shares of the Company on a one-for-one basis.

The exchange involved entities under common control in which the entities, ultimately, are controlled by the same shareholders before and after the exchange. Accordingly, these unaudited condensed consolidated interim financial statements reflect the financial position and results of operations and cash flows, as if the Company had always carried on the business formerly carried on by the Fund with all assets and liabilities recorded at the carrying values of the Fund.

The Company, through its subsidiaries and interests in joint ventures carries on business as a general contractor with offices in Halifax, Saint John, Toronto, Winnipeg, Calgary, Edmonton and Vancouver and with the acquisition of H.J. O’Connell, Limited (“O’Connell”), offices are also located in St. John’s, Wabush and Montreal. The Company focuses primarily on projects in the industrial, mining, commercial and institutional sectors of the general contracting industry. The Company serves clients in the industrial, mining, institutional, retail, commercial, multi-tenant residential, light industrial, and renovation and restoration sectors using fixed priced, design-build, unit price, cost reimbursable, guaranteed upset price and construction management contract delivery methods. Management has determined that the Company operates in one reportable segment being the general contracting sector of the construction industry.

2. Basis of preparation

(a) Authorization of financial statements:

These unaudited condensed consolidated interim financial statements were authorized for issue on November 12, 2012 by the Company’s Board of Directors.

(b) Statement of compliance:

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including IAS 34 *Interim Financial Reporting*.

(c) Basis of measurement:

These unaudited condensed consolidated interim financial statements have been prepared using the historical cost convention, except for the valuation of certain financial assets which have been classified as “fair value through profit and loss” instruments, and accordingly, are measured at fair value, and liabilities for cash settled share-based payment arrangements which are measured at fair value.

(d) Use of estimates and judgments:

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent assets and liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in a material adjustment to the carrying amount of an asset or liability and/or the reported amount of revenue and expense in future periods.

BIRD CONSTRUCTION INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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Construction revenue, construction costs, deferred contract revenue, and costs and estimated earnings in excess of billings include amounts derived using the percentage of completion method applied to construction contracts. Percentage of completion is calculated based on the costs incurred on each construction contract at the end of the respective accounting period divided by the total estimated costs for the contract. To determine the estimated cost to complete the construction contract, judgment, 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 may 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. Construction work related to a change order may proceed, and costs may be incurred, in advance of final determination of the value of the change order. Revenue on change orders is recognized by the Company to the extent that management estimates that realization is probable. As many change orders are settled at the end of the construction project, significant increases or decreases in revenue and income may arise during any particular accounting period.

Allowances for accounts receivable may require an assessment and estimate of the credit-worthiness of the client and the timing of collections. Furthermore, provisions for litigation involve the use of estimates, as determined by management. Judgment 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.

The acquisition of O'Connell required management to make judgments and estimates regarding the fair value of the identifiable assets and liabilities acquired. The estimated fair value of property and equipment and the intangible assets relating to backlog, customer relationships and trade names were based on a forecast of future cash flows attributable to the assets, discounted to the present value using a market based cost of capital.

3. Summary of significant accounting policies

The significant accounting principles used in these unaudited condensed consolidated interim financial statements are as follows:

(a) Consolidation:

The unaudited condensed consolidated interim financial statements include the accounts of the Company, its subsidiaries and partnerships, as well as its pro rata share of assets, liabilities, revenues, expenses and cash flows from joint venture operations. Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company balances, transactions, revenues and expenses have been eliminated on consolidation.

(b) Revenue recognition:

Contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. Revenue from fixed price construction contracts is recognized on the percentage of completion basis. Percentage of completion is calculated based on the costs incurred on each construction contract to the end of the respective accounting period divided by the total estimated costs. Revenue from cost reimbursable contracts is recognized progressively on the basis of costs incurred during the period plus the estimated fee earned. Revenue from unit price contracts in the heavy construction, civil construction and contract surface mining construction sectors is recognized based on the amount of billable work completed. For agency relationships, such as construction management, where the Company acts as an agent for its clients, fee revenue only is recognized, generally in accordance with the contract terms. If the outcome of a construction contract cannot be

BIRD CONSTRUCTION INC.
 NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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estimated reliably for management to estimate the ultimate profitability of the contract with a reasonable degree of certainty, no profit is recognized.

Revenue from change orders is recognized to the extent that management estimates that realization is probable. Any excess of progress billings over earned revenue on construction contracts is carried as deferred contract revenue in the financial statements. Any excess of costs and estimated earnings over progress billings on construction contracts is carried as costs and estimated earnings in excess of billings in the financial statements.

Losses from any construction contracts are recognized in full in the period the loss becomes apparent.

(c) Construction costs:

Construction costs are expensed as incurred unless they result in an asset related to future contract activity. Construction costs include all expenses that relate directly to execution of the specific contract, including site labour and site supervision, direct materials, subcontractor costs, equipment rentals, design and technical assistance, and warranty claims. Construction costs also include overheads that can be attributed to the project in a systematic and consistent manner and include general insurance and bonding costs, and staff costs relating to project management. Construction costs also include expenditures for services which are specifically recoverable from the customer under the terms of the contract.

(d) Inventory:

Inventory, which consists of certain equipment parts and aggregate materials, is carried at the lower of cost and net realizable value. The cost of inventories of equipment parts and aggregate materials is determined at the weighted average cost to acquire the inventory. Net realizable value is the estimated selling price in the ordinary course of business less applicable selling costs.

(e) Property and equipment:

Property and equipment is measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of property and equipment includes the purchase price and the directly attributable costs required to bring the asset to the condition necessary for the asset to be capable of operating in the manner intended by management. The cost of replacing or repairing a component of an item of property and equipment is recognized in the carrying amount of the item if it is probable that future economic benefits will occur and the cost can be measured reliably. The costs of routine maintenance of property and equipment are recognized in the statement of income as incurred. Depreciation of property and equipment over the estimated useful lives of the assets is as follows:

i. Diminishing balance method:	
Buildings	5% and 10%
Equipment, trucks and automotive	20% - 40%
Heavy equipment	hours of use
Furniture, fixtures and office equipment	20% - 55%
ii. Straight line method:	
Leasehold improvements	over the lease term

When parts of an item of property and equipment have different useful lives, they are accounted for as separate components of property and equipment and depreciated accordingly. The carrying amount of a replaced component is derecognized. The Company reviews the residual value, useful lives and depreciation methods used on an annual basis and, where revisions are required, the Company applies such changes in estimates on a prospective basis.

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Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of the gain or loss on disposal of property and equipment in the statement of income and comprehensive income.

(f) Foreign currency translation:

Foreign currency transactions and balances are recorded in the accounts as follows:

- i. Monetary assets and liabilities at the exchange rate in effect at the balance sheet date;
- ii. Non-monetary assets and liabilities at exchange rates prevailing at the time of the transaction;
- iii. Depreciation expense at the exchange rate in effect at the time the related assets are acquired; and
- iv. Revenues and expenses at the average exchange rate prevailing on the date of the transaction.

(g) Income taxes:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit and loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income taxes are recognized for the estimated income taxes payable based on applying enacted income tax rates to the taxable income realized in the current year. Current tax includes adjustments to taxes payable or recoverable in respect of previous years.

Deferred income tax assets and liabilities are recognized for temporary differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes, as well as for the benefit of tax losses available to be carried forward to future years provided they are likely to be realized. Deferred taxes are recognized using enacted or substantively enacted rates expected to apply in the periods in which the asset is realized or the liability is settled. Deferred taxes are measured on an undiscounted basis. Deferred taxes are presented as non-current. Current tax assets and liabilities, and deferred taxes and liabilities, are offset only when a legally enforceable right exists to offset current tax assets against current tax liabilities relating to the same taxable entity and the same tax authority.

(h) Basic and diluted earnings per share:

The Company's basic earnings per share calculation is based on the net income and comprehensive income for the period divided by the weighted average number of common shares outstanding for the period. Diluted earnings per share is calculated by dividing the net income and comprehensive income for the period by the weighted average number of common shares outstanding for the period, adjusted for the effects of all dilutive potential common shares which comprise of stock options granted to employees. The amounts reported in these unaudited condensed consolidated interim financial statements reflect the three-for-one stock split effected by way of a stock dividend on April 22, 2011.

(i) Medium term incentive plan:

The Company's Medium Term Incentive Plan ("MTIP") is a cash-settled share-based payment plan which provides for the granting of phantom shares. The phantom shares provide the holder with the opportunity to earn a cash benefit in relation to the value of a specified number of underlying notional shares. MTIP awards vest on November 30 of the third year following the year to which the award relates, if the employee has maintained continuous employment with the Company, except upon retirement or death. Annually, the Board of Directors determines the amount of the initial award, which is then used to determine the number of shares allocated to the employee. The total liabilities for this plan are computed based on the estimated number of phantom shares expected to vest at the end of the vesting period. The liability is measured at each reporting date at fair value with changes in fair value recognized in income. The fair value of the phantom shares outstanding at the end of a reporting period is measured based on the quoted market price of the Company's shares. The phantom shares earn notional dividends, equivalent to actual dividends declared on the Company's shares.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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Compensation expense relating to the initial award, notional dividends and changes in the market price of the phantom shares is recognized on a straight-line basis over the vesting period.

(j) Share-based payments:

The Company's Stock Option Plan, as described in note 13, is a share-based payment plan which provides for the granting of stock options. The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in contributed surplus, on a straight-line basis over the vesting period. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date.

(k) Financial instruments:

Financial assets and liabilities are recognized on the consolidated balance sheet when the Company becomes a party to the contractual provisions of the financial instrument or derivative contract. Financial instruments are initially measured at fair value and are subsequently accounted for based on their classification as described below. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. Financial liabilities are derecognized when their contractual obligations are discharged, cancelled or have expired.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are classified as held-for-trading or are designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented investment policy. Financial assets classified as fair value through profit or loss instruments are measured at fair value at each reporting period with any changes in fair value during the reporting period being included in income. The Company's financial assets at fair value through profit and loss include preferred share investments (see note 22). The fair value of preferred share investments are based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs. Transaction costs are expensed as incurred.

Loans and receivables

Loans and receivables are non-derivative assets with fixed or determinable payments that are not quoted on an active market. Financial assets classified as loans and receivables are initially measured at fair value adjusted for directly attributable transaction costs, and subsequently are measured at amortized cost, using the effective interest rate method, which approximates fair value. The Company will recognize changes in the fair value of loans and receivables only if realized, or when an impairment in the value of the asset occurs. Loans and receivables are generally comprised of accounts receivable.

Financial liabilities

Financial liabilities are initially recognized at fair value adjusted for transaction costs directly attributable to the liability except for financial liabilities classified as fair value through profit or loss. Financial liabilities classified as other liabilities are subsequently measured at amortized cost using the effective interest method. The Company's financial liabilities include accounts payable, dividends payable and loans and borrowings.

BIRD CONSTRUCTION INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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The Company has not classified any financial assets or liabilities as held-to-maturity or available-for-sale (see note 22).

Financial assets and liabilities are offset and the net amount presented on the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company had no “other comprehensive income or loss” transactions during the period and no opening or closing balances for accumulated other comprehensive income or loss.

(l) Goodwill:

Goodwill is the excess of the fair value of consideration transferred for acquired operations over the fair value of the net assets acquired. Subsequently, goodwill is measured at cost less any accumulated impairment losses.

(m) Intangible assets:

Non-competition agreements, customer relationships, backlog and trade names represent intangible assets acquired in business acquisitions that meet the specified criteria for recognition. These assets are initially recorded at fair value.

Trade names are intangible assets with indefinite useful lives which are not amortized, but are tested for impairment annually. Intangible assets with finite lives are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss over the estimated useful lives as noted below. The estimated useful lives for the current and comparative periods are as follows:

i.	Non-competition agreements	5 years
ii.	Customer relationships	5 - 8 years
iii.	Software	2 - 5 years
iv.	Contract backlog	as backlog revenue is realized in earnings

The Company reviews the residual value, useful lives and amortization methods used on an annual basis.

(n) Provisions:

Provisions are recognized when, at the balance sheet date, the Company has a present obligation as a result of a past event, and it is more likely than not that the Company will be required to settle that obligation and the outflow can be estimated reliably. The amount recognized for provisions is the best estimate of the expenditure to be incurred. Where the Company expects some or all of the provision to be reimbursed, for example through insurance, the reimbursement is recognized as an asset only when it is virtually certain of realization. The recoverable amount will not exceed the amount of the provision.

Provisions include:

- i. Provisions for potential legal claims relating to the Company’s performance and completion of construction contracts. The Company attempts to settle claims within the construction period of the contracts, but a legal claim may take years to settle. A provision is recognized when it is more likely than not that a claim will require settlement. The amount recognized is the best estimate of the settlement amount.
- ii. Provisions for potential warranty claims relating to construction projects. These claims are usually settled during the project’s warranty period. A provision is recognized when it is more likely than not that a warranty claim will arise. The amount recognized is the best estimate of the amount required to settle the warranty issue.

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(o) Impairment:

Property and equipment:

The carrying amounts of items included in property and equipment are reviewed for impairment at the end of each reporting period to determine whether there are indicators of impairment. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded in profit and loss to reflect the asset at the lower amount. For property and equipment, the recoverable amount is usually determined by the selling price of the asset less the costs to sell. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit” or “CGU”).

Intangible assets and goodwill:

Intangible assets and goodwill resulting from business combinations are reviewed for impairment when there are indicators of impairment, or at least annually. If any such indication exists, then the asset’s recoverable amount is estimated. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use is determined by the cash flows expected to arise from the CGU discounted using a pre-tax discount rate, which reflects the current market assessments of the time value of money and asset-specific risk. Intangible assets and goodwill are assigned to the CGUs associated with the related acquisition. An impairment loss is recognized if the carrying amount of an asset or its CGUs exceeds its estimated recoverable amount. Impairment losses are recognized in profit and loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amount of the other assets in the CGUs.

(p) Jointly controlled entities:

Joint ventures are those entities over whose activities the Company has joint control, established by contractual agreements. The Company’s investments in joint ventures are accounted for using the proportionate consolidation method, whereby the consolidated financial statements reflect, line by line, the pro rata share of each of the assets, liabilities, revenues and expenses and cash flows from the joint ventures, from the date that joint control commences until the date that joint control ceases.

(q) Finance income and finance costs:

Finance income comprises interest earned on cash and cash equivalents, interest accretion on holdbacks receivable, dividend income, gains on disposal of investments and changes in the fair value of financial assets classified as fair value through profit and loss. Interest income is recognized as it accrues in the income statement. Dividend income is recognized in the income statement on the date the Company’s right to receive the payment is established. Interest income related to holdbacks receivable is recognized in the income statement using the effective interest rate method.

Finance costs comprise interest expense related to holdbacks payable and loans and borrowings using the effective interest rate method.

(r) Business combinations:

The Company uses the acquisition method of accounting for business combinations. The purchase price includes the fair value of the assets transferred to acquire a subsidiary, the liabilities assumed and the fair value of any equity interest issued by the Company. Acquisition related costs are expensed as incurred. Any excess of the fair value of the consideration transferred over the Company’s share of the fair value of net identifiable assets acquired, all measured as of the acquisition date, is recorded as goodwill.

(s) Leases:

Leases which transfer substantially all the benefits and risks of ownership of the asset are recognized as finance leases. The asset is capitalized at the commencement of the lease at an amount equal to the lower of its fair value and the present value of the minimum lease payments. The asset is

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depreciated on a basis consistent with similar owned assets. The related lease obligation is recorded on the balance sheet. The interest element of the lease payments is charged to profit or loss over the term of the lease.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments required under operating leases are charged to income on a straight line basis over the life of the lease.

(t) Cash and cash equivalents:

The Company considers cash, bank indebtedness, if any, bankers' acceptances and short-term deposits with original maturities of three months or less, as cash and cash equivalents.

4. Future accounting changes

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended September 30, 2012, and have not been applied in preparing these unaudited condensed consolidated interim financial statements.

IFRS 9 *Financial Instruments* was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 *Financial Instruments - Recognition and Measurement* for debt instruments with a new mixed measurement model having only two categories: amortized costs and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added in October 2010, and they largely carried forward existing requirements in IAS 39 *Financial Instruments - Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. In January 2012, the effective date was revised to January 1, 2015, with earlier application permitted.

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

In May 2011, the IASB issued IFRS 11 *Joint Arrangements*, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. If an entity applies this Standard earlier, it shall also apply IFRS 10, IFRS 12, IAS 27 (2011) and IAS 28 (2011) at the same time. IFRS 11 replaces the guidance in IAS 31 *Interests in Joint Ventures*. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of the previous definition of jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11, generally there is no longer a free choice of equity accounting or proportionate consolidation for joint ventures; the equity method of accounting is required subject to certain exceptions. The Company intends to adopt IFRS 11 in its financial statements

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for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 11 has not yet been determined.

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

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

5. Acquisition of O'Connell

On August 31, 2011, the Company acquired 100% of the outstanding shares of O'Connell. The cost of the acquisition was \$85,493, which includes adjustments for working capital, plus the fair value of the obligation for the contingent consideration. The purchase price was comprised of \$37,777 cash, \$15,000 of vendor take-back notes, \$30,649 of equipment financing on the current O'Connell equipment fleet, and estimated contingent consideration of \$2,067 for future earn-out payments. The purchase price is subject to certain adjustments for potential future earn-out payments and for the final profit earned on contracts in progress at the date of acquisition.

O'Connell, its subsidiaries and jointly controlled entities operate in the heavy construction, civil construction and contract surface mining construction sectors. The products and services offered by Bird and O'Connell complement each other. There are opportunities for O'Connell to apply their earth moving expertise to Bird projects and for Bird to offer their building expertise to O'Connell projects.

The fair value of the identifiable assets and liabilities of O'Connell, as at the date of acquisition and details of the major classes of consideration transferred were as follows:

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			<u>Fair value recognized</u>
Identifiable assets acquired and liabilities assumed			
Cash		\$	3,323
Accounts receivable			65,950
Prepaid expenses			312
Costs and estimated earnings in excess of billings			1,335
Inventory			1,572
Property and equipment			36,927
Intangibles			
Customer relationships			8,423
Trade names			4,173
Backlog			5,992
Accounts payable			(28,087)
Income taxes payable			(1,125)
Deferred contract revenue			(13,364)
Deferred income tax liability			(14,089)
Net identifiable assets			<u>71,342</u>
Goodwill			<u>14,151</u>
		\$	<u>85,493</u>
Consideration	Note		
Cash consideration		\$	37,777
Vendor take-back notes	10		15,000
Equipment debt	10		30,649
Estimated contingent consideration			2,067
Total Consideration		\$	<u>85,493</u>
Cash and cash equivalents acquired		\$	(3,323)
Vendor take-back notes	10		(15,000)
Estimated contingent consideration	12		<u>(2,067)</u>
Cash outflow on acquisition		\$	<u>65,103</u>
Acquisition costs expensed		\$	756
Financing costs included in loans and borrowings		\$	404

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The Purchase Agreement includes a provision recognizing the possibility for an additional payment to the vendors of O'Connell on the fifth anniversary date of the closing of the acquisition, should the annual net income of O'Connell in each of the next five years exceed annual net income thresholds. On each anniversary date subsequent to August 31, 2011, to the extent net income exceeds the annual net income thresholds, a portion of the excess net income will accrue to the benefit of the vendors. On the fifth anniversary date, the net cumulative balance owing, if any, is paid in cash to the vendors. On each anniversary date, interest at 5% per annum is applied to the outstanding cumulative amount owing and is paid in cash annually to the vendors. Management has prepared estimates of the amounts owing and probability-weighted the various outcomes. The probability-weighted outcome has been discounted using a discount rate appropriate for the acquisition. A range of possible outcomes on an undiscounted basis is between nil and \$3,797. The amount for the contingent consideration will be adjusted in each of the next five years as the net income of O'Connell is realized and any excess purchase price is determined. Any difference between the initial estimate of the contingent consideration and the actual amount owing will be recorded in the net earnings of that future period. At the acquisition date, the fair value of contingent consideration was estimated at \$2,067.

The goodwill recognized on the acquisition is attributable mainly to the skills and technical knowledge of the acquired business's work force, and the synergies expected from the acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes.

The fair values of the net identifiable assets were determined provisionally at September 30, 2011. During the fourth quarter of 2011, an adjustment was recorded to increase accounts receivable, and accordingly, reduced goodwill by \$1,200. The fair values of the net identifiable assets have been finalized and no additional adjustments were made to reflect any new information obtained about facts and circumstances that existed as of the acquisition date.

6. Accounts receivable

	September 30, 2012	December 31, 2011
Progress billings on construction contracts	\$ 331,866	\$ 226,678
Holdbacks receivable	113,471	83,869
Other	2,533	10,714
	\$ 447,870	\$ 321,261

Accounts receivable are reported net of an allowance for doubtful accounts of \$1,035, as at September 30, 2012 (\$997 - December 31, 2011).

Holdbacks receivable represent amounts billed on construction contracts which are not due until the contract work is substantially completed and the applicable lien period has expired.

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7. Property and equipment

September 30, 2012						
	Land	Buildings	Leasehold improvements	Equipment, trucks and automotive	Furniture and office equipment	Total
Cost	\$ 177	8,904	3,246	67,129	2,015	81,471
Accumulated depreciation	-	(1,285)	(2,422)	(21,260)	(1,258)	(26,225)
Net book value	\$ 177	7,619	824	45,869	757	55,246

December 31, 2011						
	Land	Buildings	Leasehold improvements	Equipment, trucks and automotive	Furniture and office equipment	Total
Cost						
Balance January 1, 2011	\$ 172	2,565	2,386	10,903	1,765	\$ 17,791
Acquisitions through business combinations (note 5)	5	4,716	-	32,136	70	36,927
Additions	-	1,045	676	5,641	248	7,610
Additions under finance leases	-	-	-	467	-	467
Disposals	-	-	-	(3,001)	(92)	(3,093)
Balance December 31, 2011	\$ 177	8,326	3,062	46,146	1,991	\$ 59,702
Accumulated depreciation						
Balance January 1, 2011	\$ -	451	1,628	7,038	1,187	\$ 10,304
Disposals	-	-	-	(2,019)	(81)	(2,100)
Depreciation expense	-	351	385	5,715	159	6,610
Balance December 31, 2011	\$ -	802	2,013	10,734	1,265	\$ 14,814
Net book value	\$ 177	7,524	1,049	35,412	726	\$ 44,888

There are no events or circumstances requiring an impairment loss to be recognized in the period ending September 30, 2012.

The carrying value of equipment, trucks and automotive held under finance leases at September 30, 2012 is \$942 (December 31, 2011 - \$426).

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8. Intangible assets and goodwill

	September 30, 2012						
	Backlog	Non- competition agreements	Customer relationships	Trade names	Computer software	Total Intangible assets	Goodwill
Cost	\$ 5,992	900	10,323	4,173	3,088	24,476	\$ 23,445
Accumulated amortization	(4,432)	(840)	(2,918)	-	(1,113)	(9,303)	-
Net book value	\$ 1,560	60	7,405	4,173	1,975	15,173	\$ 23,445

	December 31, 2011						
	Backlog	Non- competition agreements	Customer relationships	Trade names	Computer software	Total Intangible assets	Goodwill
Cost							
Balance January 1, 2011	\$ -	900	1,900	-	1,664	\$ 4,464	\$ 9,294
Acquisitions through business combinations (note 5)	5,992	-	8,423	4,173	-	18,588	14,151
Additions	-	-	-	-	867	867	-
Balance December 31, 2011	\$ 5,992	900	10,323	4,173	2,531	\$ 23,919	\$ 23,445
Accumulated amortization							
Balance January 1, 2011	\$ -	525	1,109	-	112	\$ 1,746	\$ -
Amortization expense	1,736	180	732	-	553	3,201	-
Balance December 31, 2011	\$ 1,736	705	1,841	-	665	\$ 4,947	\$ -
Net book value	\$ 4,256	195	8,482	4,173	1,866	18,972	\$ 23,445

Goodwill consists of \$9,294 relating to the acquisition of Rideau Construction in 2008 and the remaining \$14,151 relates to the acquisition of O'Connell (see note 5). There are no events or circumstances requiring an impairment loss to be recognized in the period ending September 30, 2012.

Backlog and customer relationships are expected to be fully amortized by 2014 and 2019, respectively.

9. Operating lines of credit

Letters of credit facilities:

The Company has authorized operating lines of credit totalling \$131,500 with two Canadian chartered banks, maintained for the primary purpose of issuing letters of credit. At September 30, 2012, the lines were drawn for outstanding letters of credit of \$37,090, (December 31, 2011 - \$42,750).

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The letters of credit represent performance guarantees primarily issued in connection with design-build construction contracts related to Public Private Partnership projects. These letters of credit are supported through the hypothecation of certain financial instruments having a market value at September 30, 2012 of \$53,604, (December 31, 2011 - \$52,685).

	Expiry date					December 31, 2011	September 30, 2011
	2012	2013 to 2015	2016 and greater				
Letters of credit	\$ 953	34,137	2,000	\$ 37,090		\$ 42,750	\$ 43,399

Committed revolving credit facility:

A subsidiary of the Company has a committed revolving credit facility of \$20,000, to be used to finance normal course operations of the subsidiary. As at September 30, 2012, the subsidiary has drawn \$14,168, on the facility. Borrowings under the facility are secured by a first charge against accounts receivable, and borrowings are limited to 75% of the net receivables of the subsidiary. Interest is charged at a rate per annum equal to the Canadian prime rate plus a spread. The facility expires on May 31, 2015.

Committed revolving credit facility:

The Company has a \$30,000, five-year unsecured revolving credit facility. The facility matures on September 28, 2017. As at September 30, 2012, the Company has not drawn on the facility. Borrowings under the facility bear interest at a rate per annum equal to the Canadian prime rate plus a spread. A commitment fee of 0.25% is due on the unutilized portion of the facility. The Company is in compliance with the working capital and debt-to-equity covenants of this facility.

Equipment lease line of credit:

A subsidiary has established an operating lease line of credit of \$42,500 with the financing arm of a major heavy equipment supplier to finance operating equipment leases. Draws under this facility are generally recognized as operating leases (see note 18).

10. Loans and borrowings

	Maturity	Interest rate	September 30, 2012	December 31, 2011
Term Facility 1 (a)	October 1, 2016	Fixed 3.57%	\$ 8,397	\$ 9,842
Term Facility 2 (a)	October 1, 2016	Variable 3.21%	8,252	9,799
Term Facility 3 (b)	September 30, 2016	Fixed 4.24%	4,090	4,707
Term Facility 4 (b)	September 30, 2016	Variable 4.00%	3,403	4,071
Term Facility 5 (c)	June 15, 2016	Fixed 3.27%	10,608	-
Vendor take-back notes (d)	August 31, 2015	Fixed 5.00%	11,250	15,000
Committed Term Facility (e)	April 26, 2016	Fixed 3.90%	3,455	-
			<u>49,455</u>	<u>43,419</u>
Finance lease liabilities (f)			976	450
Transaction costs, net of amortization of \$96			(308)	(374)
			<u>50,123</u>	<u>43,495</u>
Less: current portion of long-term debt			13,638	9,683
Less: current portion of finance lease liabilities			264	112
Current portion of loans and borrowings			<u>13,902</u>	<u>9,795</u>
Non-current portion of loans and borrowings			<u>\$ 36,221</u>	<u>\$ 33,700</u>

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(a) Term facilities 1 & 2:

On August 31, 2011, the Company obtained two five-year secured term facilities, which were used to fund the acquisition of O'Connell (see note 5). Both facilities mature on October 1, 2016. Term Facility 1 was for an initial principal amount of \$10,315 and bears interest at a fixed rate of 3.57%. The principal of Term Facility 1, together with interest, is to be paid in sixty blended equal installments in the amount of \$188, which are payable monthly. Term Facility 2 was for an initial principal amount of \$10,315 and bears interest at the 30-day bankers' acceptance rate plus a spread. Principal repayments under Term Facility 2 in the amount of \$172 are payable monthly. Interest on Term Facility 2 is paid monthly in arrears. Both facilities are secured by certain of the Company's equipment.

(b) Term facilities 3 & 4:

On August 31, 2011, the Company obtained two five-year secured term facilities, which were used to fund the acquisition of O'Connell (see note 5). Both facilities mature on September 30, 2016. Term Facility 3 was for an initial principal amount of \$5,009 and bears interest at a fixed rate of 4.24%. The principal of Term Facility 3, together with interest is to be paid in sixty blended equal installments in the amount of \$93, which are payable monthly. Term Facility 4 was for an initial principal amount of \$5,009 and bears interest at the three-month bankers' acceptance rate plus a spread. Principal repayments under Term Facility 4 in the amount of \$83 are payable monthly. Interest on Term Facility 4 is paid monthly in arrears. Both facilities are secured by certain of the Company's equipment.

(c) Term facility 5:

On June 15, 2012, a subsidiary of the Company obtained a four-year secured term facility, which was used to finance equipment purchases. The facility matures on June 15, 2016. Term Facility 5 was for an initial principal amount of \$11,270 and bears interest at a fixed rate of 3.27%. The principal of Term Facility 5, together with interest, is to be paid in forty-eight blended equal instalments in the amount of \$251, which are payable monthly. The facility is secured by certain of the Company's equipment.

(d) Vendor take-back notes:

On August 31, 2011, Vendor take-back notes ("Notes") of \$15,000 were assumed by the Company on the acquisition of O'Connell. The Notes bear interest at 5% per annum, payable annually. The principal amount of the Notes is repayable in annual installments of \$3,750 on the first through fourth anniversary dates of the acquisition. The Notes mature on August 31, 2015.

(e) Committed term facility:

A subsidiary of the Company has a committed term credit facility of up to \$20,000 to be used to finance equipment purchases of the subsidiary. The subsidiary has drawn on the facility and the outstanding balance at September 30, 2012 is \$3,455. Principal repayments in the amount of \$84 are payable monthly. Interest is paid monthly in arrears. Borrowings under the facility are secured by a first charge against certain of the subsidiary's equipment, and interest is charged at a rate per annum equal to the Canadian prime rate plus a spread. Draws under this facility are permitted until May 31, 2015.

(f) Finance lease liabilities:

Finance leases relate to automotive equipment and mature between September 2014 and August 2015, and bear interest at the 30-day bankers' acceptance rate plus a spread. The Corporation has the option to purchase the automotive equipment under lease at the conclusion of the lease agreements.

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The aggregate amount of principal repayments for all long-term debt in each of the next five years is as follows:

Within 1 year	\$	13,638
Year 2		13,680
Year 3		13,891
Year 4		<u>8,246</u>
	\$	<u>49,455</u>

Future minimum lease payments under finance leases with the present value of the net minimum lease payments are as follows:

	September 30,
	<u>2012</u>
Within one year	\$ 310
After one year but not more than five years	739
More than five years	-
Total minimum lease payments	<u>1,049</u>
Less amounts representing interest	73
Present value of minimum lease payments	<u>976</u>
Less: current portion of finance lease liabilities	<u>264</u>
Non-current portion	<u>\$ 712</u>

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11. Income taxes

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Provision for income taxes		
Income tax expense is comprised of:		
Current income taxes	\$ 4,516	\$ 6,095
Deferred income taxes	<u>8,061</u>	<u>915</u>
	<u>\$ 12,577</u>	<u>\$ 7,010</u>
Income tax rate reconciliation		
Combined federal and provincial income tax rate	26.9%	28.5%
Increases (reductions) applicable to:		
Non-deductible portion of mark-to-market adjustments	-	-
Effect of changes of valuation allowance	-	-
Future rate changes	0.2	1.1
Dividend income	(0.3)	(0.4)
Other	<u>0.5</u>	<u>0.4</u>
Effective rate	<u>27.3%</u>	<u>29.6%</u>

Composition of deferred income tax assets and liabilities

	September 30, 2012	December 31, 2011
Provisions and accruals	\$ 4,845	4,157
Timing of recognition of construction profits	(17,408)	(6,576)
Property and equipment	(3,177)	(4,352)
Intangible assets	(4,297)	(4,974)
Other	(113)	(192)
Tax loss carry forward	<u>1,732</u>	<u>1,580</u>
	<u>\$ (18,418)</u>	<u>(10,357)</u>
Balance sheet presentation		
Deferred income tax asset	5,346	6,130
Deferred income tax liability	<u>(23,764)</u>	<u>(16,487)</u>
	<u>\$ (18,418)</u>	<u>(10,357)</u>

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The tax loss carry forward expires in 2029. The Company has deferred tax assets in the amount of \$94 that have not been recognized in these unaudited condensed consolidated interim financial statements in respect of capital losses realized on the disposal of bonds and preferred share investments in 2011. A deferred tax asset has not been recognized because it is not probable the Company will generate future taxable capital gains.

Movement in temporary differences for the year ended December 31, 2011

	Balance January 1, 2011	Acquisition (see note 5)	Recognized in profit or loss	Foreign Currency Adjustment	Balance December 31, 2011
Provisions and accruals	\$ 5,585	2,443	(3,871)	-	\$ 4,157
Timing of recognition of construction profits	(1,067)	(5,212)	(297)	-	(6,576)
Intangible assets	(300)	(5,292)	618	-	(4,974)
Capital assets	61	(5,340)	927	-	(4,352)
Other	24	(688)	472	-	(192)
Tax loss carryforward	1,642	-	(90)	28	1,580
	<u>\$ 5,945</u>	<u>(14,089)</u>	<u>(2,241)</u>	<u>28</u>	<u>\$ (10,357)</u>

12. Other liabilities

	<u>September 30, 2012</u>	<u>December 31, 2011</u>
Estimated contingent consideration (see note 5)	\$ 2,363	\$ 2,154
MTIP liability	<u>7,459</u>	<u>3,905</u>
	<u>9,822</u>	<u>6,059</u>
Less: current portion - MTIP	<u>3,692</u>	<u>2,262</u>
Non-current portion	<u>\$ 6,130</u>	<u>\$ 3,797</u>

	<u>MTIP 2011</u>	
	<u># of Shares</u>	<u>Value</u>
Balance January 1, 2011	544,842	\$ 6,754
Annual award of phantom shares	225,778	1,977
Cash payments of vested shares	(479,344)	(5,717)
Shares awarded - notional distributions	42,226	545
Change in fair value of phantom shares	<u>346</u>	<u>346</u>
Balance December 31, 2011	<u>333,502</u>	\$ 3,905
Less: current portion		<u>2,262</u>
		<u>\$ 1,643</u>

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As at September 30, 2012, a total of 665,247 unvested phantom shares are outstanding valued at \$9,580 of which \$7,459 has been recorded in the accounts of the Company. The number of shares and per share amounts reflect the three-for-one stock split.

13. Shareholders' capital

The Company is authorized to issue an unlimited number of common shares and has issued an outstanding 42,153,846 common shares as of September 30, 2012 and December 31, 2011. The Company is authorized to issue preference shares in series with rights set by the Board of Directors, up to a balance not to exceed 35% of the outstanding common shares.

	Number of shares	Amount
Balance, January 1, 2011	-	\$ -
Converted on January 1, 2011 from trust units	14,051,282	37,527
Issued pursuant to stock dividend, April 14, 2011	28,102,564	-
Balance, December 31, 2011 and September 30, 2012	<u>42,153,846</u>	<u>\$ 37,527</u>

On March 3, 2011, the Board of Directors approved a three-for-one stock split to be effected by way of a stock dividend. Each shareholder of record of the Company on April 14, 2011, received two additional common shares for each common share held on that date. The additional shares were distributed on April 22, 2011.

Stock options:

On May 6, 2011, at the Annual and Special Meeting of Shareholders, the Shareholders of the Company approved the implementation of the Company's Stock Option Plan. The Board of Directors, in their sole discretion, selects eligible employees to be granted options, the number of options granted, the exercise price, the term of the option and the vesting periods. The number of common shares issuable under the Stock Option Plan shall not exceed 10% of the number of common shares outstanding.

Details of changes in the balance of stock options outstanding are as follows:

	Number of share options outstanding	Weighted average exercise price
Outstanding at January 1, 2012	-	\$ -
Granted during the period	<u>625,000</u>	<u>\$ 13.98</u>
Outstanding at September 30, 2012	<u>625,000</u>	<u>\$ 13.98</u>

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The following table summarizes information about stock options outstanding and exercisable as at September 30, 2012:

	Number of stock options outstanding	Number of stock options exercisable	Exercise price	Expiry Date	Remaining contractual life (years)
Granted during the period	625,000	-	\$ 13.98	March 15, 2019	6.4

The following table summarizes stock options granted during the nine-month period ended September 30, 2012:

Number of stock options granted	Weighted average exercise price	Weighted average fair value of the option
625,000	\$ 13.98	\$ 3.25

The fair value of stock options issued during the nine-month period ended September 30, 2012 have been calculated using the Black-Scholes fair value option pricing model, using the following assumptions:

	2012
Expected volatility ⁽¹⁾	39.7%
Dividend yield	5.0%
Risk free interest rate	1.6%
Weighted average expected life in years	4.75

⁽¹⁾ Expected volatility was determined using historical volatility.

The expense recognized during the nine-month period ended September 30, 2012 for stock-based compensation is \$572 (September 30, 2011 - \$nil).

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14. Earnings per share

Details of the calculation of earnings per share are as follows:

	Three months ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Profit attributable to shareholders (basic and diluted)	\$ 18,104	\$ 9,549	\$ 33,541	\$ 16,671
Average number of common shares outstanding	42,153,846	42,153,846	42,153,846	42,153,846
Effect of stock options on issue	-	-	-	-
Weighted average number of common shares (diluted)	<u>42,153,846</u>	<u>42,153,846</u>	<u>42,153,846</u>	<u>42,153,846</u>
Basic earnings per share	\$ 0.43	\$ 0.23	\$ 0.80	\$ 0.40
Diluted earnings per share	\$ 0.43	\$ 0.23	\$ 0.80	\$ 0.40

At September 30, 2012, 625,000 options were excluded from the diluted weighted average number of common share calculation as their effect would have been anti-dilutive.

15. Provisions

	September 30, 2012	December 31, 2011
Warranty claims	\$ 2,960	\$ 3,792
Legal claims	2,784	4,055
	<u>\$ 5,744</u>	<u>\$ 7,847</u>

	Warranty Claims	Legal	Total
Balance January 1, 2011	\$ 7,886	6,813	\$ 14,699
Provisions made during the year	2,621	1,100	3,721
Provisions used during the year	(1,839)	(847)	(2,686)
Provisions reversed during the year	<u>(4,876)</u>	<u>(3,011)</u>	<u>(7,887)</u>
Balance December 31, 2011	<u>\$ 3,792</u>	<u>4,055</u>	<u>\$ 7,847</u>

Various claims and litigation arise in the normal course of the construction business. It is management's opinion that adequate provision has been made for any potential settlements relating to such matters and that they will not materially affect the financial position or future operations of the Company.

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16. Finance income

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Interest and dividend income	\$ 1,928	\$ 1,975
Interest income relating to accretion on holdbacks receivables	1,111	951
Realized loss on investments	(1)	(713)
Unrealized gain/(loss) on investments	(50)	577
	<u>\$ 2,988</u>	<u>\$ 2,790</u>

17. Finance costs

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Interest on long-term debt	\$ 1,652	\$ 220
Accretion of accounts payable and other liabilities	1,003	606
	<u>\$ 2,655</u>	<u>\$ 826</u>

18. Leases

Future minimum annual lease payments relating to lease commitments on buildings, equipment and vehicles over the next five years are:

	Maturities			September 30, 2012
	Within 2012	From 2013 to 2016	Beyond 2016	
Operating leases	\$ 3,371	18,406	30	\$ 21,807

19. Commitments and contingent liabilities

(a) Commitments:

Outstanding surety lien bonds issued on behalf of the Company in connection with liens by subcontractors and suppliers at September 30, 2012 totalled \$5,440, (December 31, 2011 - \$7,741).

(b) Contingencies:

The Company is contingently liable for the usual contractor's obligations relating to performance and completion of construction contracts. These include the Company's contingent liability for the performance obligations of its subcontractors. Where possible and appropriate, the Company obtains performance bonds or alternative security from subcontractors. However, where this is not possible, the Company is exposed to the risk that subcontractors will fail to meet their performance obligations. In that eventuality, the Company would be obliged to complete the subcontractor's contract, generally by engaging another subcontractor and the cost of completing the work could exceed the original

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subcontract price. The Company makes appropriate provision in the financial statements for all known liabilities relating to subcontractor defaults.

20. Related party transactions

Compensation of key management personnel represents the aggregate amounts paid and accrued to members of the Company's Executive and the Company's Board of Directors.

	Year ended December 31, 2011				
	Base Salary	MTIP	Annual Profit Sharing	Other Taxable Benefits	Total
Executive & Directors	\$ 2,219	2,341	2,886	141	\$ 7,587

The Executive comprises the following positions

- President & Chief Executive Office ("CEO")
- Chief Financial Officer ("CFO") and Assistant Secretary
- Vice Chair
- Senior Vice President
- Vice President Operations Central
- Vice President Operations Pacific & District Manager
- Vice President Operations Atlantic
- Vice President & District Manager
- Vice President Finance

At December 31, 2011, Directors and Executive Officers of the Company controlled 6% of the voting shares of the Company.

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21. Other cash flow information

	September 30, 2012	September 30, 2011
	<u> </u>	<u> </u>
Changes in non-cash working capital:		
Accounts receivable	\$ (125,339)	\$ (50,670)
Costs and estimated earnings in excess of billings	9,654	(6,806)
Prepaid expenses and other assets	(251)	(1,333)
Inventory	(925)	195
Accounts payable	19,521	21,189
Deferred contract revenue	2,668	12,122
Provisions	(2,103)	(5,322)
Medium term incentive plan	-	(1,541)
Operating cash flows from discontinued operations	-	(633)
	<u> </u>	<u> </u>
	\$ (96,775)	(32,799)
	<u> </u>	<u> </u>
	September 30, 2012	September 30, 2011
	<u> </u>	<u> </u>
Cash and cash equivalents		
Cash	\$ 83,182	\$ 139,002
Bankers' acceptances and short-term deposits	30,401	13,761
Bank indebtedness	(14,168)	(1,866)
	<u> </u>	<u> </u>
	\$ 99,415	\$ 150,897
	<u> </u>	<u> </u>

22. Financial instruments

The Company's cash, bankers' acceptances, short-term deposits and preferred share investments have been classified as fair value through profit and loss. Accounts receivable are classified as loans and receivables. The Company's bank overdraft, if any, accounts payable, dividends payable to shareholders and long-term debt have been classified as other financial liabilities. The basis of the determination of the fair value of the Company's financial instruments is more fully described in note 3(k).

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A. Classification and fair value of financial instruments:

Financial Assets at Fair Value through profit or loss	September 30, 2012	December 31, 2011
Cash and Cash Equivalents:		
Cash	\$ 83,182	\$ 146,771
Bankers' acceptances and short-term deposits	30,401	26,631
Bank indebtedness	<u>(14,168)</u>	<u>-</u>
	99,415	173,402
 Preferred Share Investments:	 <u>15,951</u>	 <u>16,752</u>
	\$ 115,366	\$ 190,154
 Loans and Receivables and Other Financial Liabilities:		
Loans and Receivables:		
Accounts receivable	\$ <u>447,870</u>	\$ <u>321,261</u>
 Other Financial Liabilities:		
Accounts payable	333,540	313,411
Dividends payable to shareholders	2,529	2,318
Loans and borrowings	<u>50,123</u>	<u>43,495</u>
	<u>386,192</u>	<u>359,224</u>
 Total Financial Instruments	 <u>\$ 177,044</u>	 <u>\$ 152,191</u>

The following table presents information about the Company's financial assets measured at fair value as at September 30, 2012 and December 31, 2011 and indicates the fair value hierarchy of inputs utilized by the Company to determine such fair value. The hierarchy of inputs is summarized below:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs used in a valuation technique are not based on observable market data in determining fair values of the instruments.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

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	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
September 30, 2012				
Cash	\$ 83,182	\$ -	\$ -	\$ 83,182
Bankers' acceptances and short-term deposits	-	30,401	-	30,401
Bank indebtedness	(14,168)	-	-	(14,168)
Preferred shares	15,951	-	-	15,951
Total Financial Assets through profit and loss	<u>\$ 84,965</u>	<u>\$ 30,401</u>	<u>\$ -</u>	<u>\$ 115,366</u>
December 31, 2011				
Cash	\$ 146,771	\$ -	\$ -	\$ 146,771
Bankers' acceptances and short-term deposits	-	26,631	-	26,631
Preferred shares	16,752	-	-	16,752
Total Financial Assets through profit and loss	<u>\$ 163,523</u>	<u>\$ 26,631</u>	<u>\$ -</u>	<u>\$ 190,154</u>

There were no transfers between levels during the period.

The fair value of the loans and borrowings approximate their carrying values on a discounted cash flow basis as the majority of these obligations bear interest at market rates.

B. Risk Management:

In the normal course of business, the Company is exposed to a number of risks related to financial instruments that can affect its operating performance. These risks and the actions taken to manage them are as follows:

i. **Credit Risk:**

Credit risk relates to the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet their contractual obligation.

With respect to accounts receivable, concentration of credit risk is limited due to the geographic dispersion of revenues and a diversified customer base. Before entering into any construction contract and during the course of the construction project, the Company goes to considerable lengths to satisfy itself that the customer has adequate resources to fulfil its contractual payment obligations as construction work is completed. If a customer was unable or unwilling to pay the amount owing, the Company will generally have a right to register a lien against the project that will normally provide some security that the amount owed would be realized.

Bankers' acceptances and short-term deposits are subject to minimal credit risk as they are placed with only major Canadian financial institutions. As is reasonably practical, these investments are placed with a number of different Canadian financial institutions thereby reducing the Company's exposure to a default by any one financial institution.

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Accounts receivable outstanding for greater than 90 days and considered past due by the Company's management represent 7.0% (December 31, 2011 - 3.5%) of the balance of progress billings on construction contracts receivable at September 30, 2012. Management has recorded an allowance of \$1,035 (December 31, 2011 - \$997) against these past due receivables, net of amounts recoverable from others.

	Amounts past due			
	Up to 12 months	Over 12 months	September 30, 2012	December 31, 2011
Trade receivables	\$ 19,786	\$ 3,043	\$ 22,829	\$ 7,655
Impairment	-	(1,035)	(1,035)	(997)
Total Trade receivables	<u>\$ 19,786</u>	<u>\$ 2,008</u>	<u>\$ 21,794</u>	<u>\$ 6,658</u>

The movement in the allowance for impairment in respect of loans and receivables during the period was as follows:

	September 30, 2012	December 31, 2011
Balance, beginning of period	\$ 997	\$ 129
Impairment loss recognized	67	868
Amounts written off	(29)	-
	<u>\$ 1,035</u>	<u>\$ 997</u>

ii. Liquidity risk:

Liquidity risk relates to the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company has working capital of \$141,089 which is available to support surety requirements related to construction projects. As a component of working capital, the Company maintains significant balances of cash and cash equivalents and investments in liquid securities. These investments, less \$37,090 hypothecated to support outstanding letters of credit, are available to meet the financial obligations of the Company as they come due.

The Company has committed lines of credit totalling \$50,000 available to finance operations and \$20,000 available to finance equipment purchases. Draws on these lines, together, at September 30, 2012 totalled \$17,623. In addition, the Company has a line of credit totalling \$131,500 available for issuing letters of credit which was drawn upon totalling \$37,090 at September 30, 2012. Additional draws on this line require hypothecation of additional securities or cash deposits. The Company believes it has access to sufficient funding through the use of these facilities to meet foreseeable operating requirements.

Principal repayments due on the loans and borrowings are disclosed in note 10. As disclosed in note 12, payments required pursuant to the Company's Medium Term Incentive Plan granted in 2009, 2010 and 2011 are due on the vesting dates of November 2012, November 2013 and November 2014, respectively, or upon retirement, if earlier.

iii. Market risk:

Market risk is the risk that changes in market prices, such as interest rates and equity prices, that will affect the Company's income or the value of its holdings in liquid securities.

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Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk to the extent that its credit facilities are based on variable rates of interest. The Company has the option to convert all variable rate term facilities to fixed rate term facilities.

At September 30, 2012, the interest rate profile of the Company's long-term debt was as follows:

Fixed rate facilities	\$	37,800
Variable rate facilities		<u>11,655</u>
Total long-term debt	\$	<u>49,455</u>

As at September 30, 2012, a one-percent change in the interest rate applied to the Company's variable rate long-term debt will change annual income before income taxes by approximately \$116.

The Company has exposure to fluctuations in the market prices of its preferred shares portfolio. Investments are made only in securities authorized in the investment guidelines approved by the Company's Board of Directors. The Company's CFO and CEO must authorize all transactions and detailed reports summarizing the performance of the investment portfolio are made to the Board of Directors quarterly. As at September 30, 2012, a one-percent change in the market price of the investments will change income before income taxes by approximately \$159 (December 31, 2011 - \$167).

23. Capital disclosures

The Company's capital management objectives are to:

- Ensure that the Company has the financial capacity to support its current and anticipated volume and mix of business and to manage unforeseen operational and industry developments.
- Ensure that the Company has sufficient financial capacity to support the execution of its longer-term growth strategies.
- Provide its investors with the maximum long-term returns on equity and to generate sufficient cash flow to sustain shareholder dividends and payments on long-term debt.

In the management of capital, the Company defines capital as shareholders' equity and loans and borrowings. Loans and borrowings include bank indebtedness and the current and non-current portions of long-term debt and finance leases.

The Company manages its capital within the investment policy approved by the Board of Directors. The Company makes changes to capital based on changes in business conditions and the mix of construction contracts. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to Company shareholders, issue new debt or repay existing debt, issue new Company shares, and to a lesser degree, may adjust capital expenditures.

As a component of working capital, the Company maintains significant balances of cash and cash equivalents and investments in liquid securities. These cash, cash equivalents and investment balances are intended to cover net current liabilities, fund current dividends payable to shareholders and provide capital to support surety and contract security requirements related to the current and near-term backlog of construction projects.

Backlog is not a term found in the CICA Handbook. 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

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contracts that have been awarded to the Company whether the work has commenced or will commence in the normal course.

The amounts of shareholders' equity, working capital and loans and borrowings at September 30, 2012 and December 31, 2011 are as follows:

	<u>September 30, 2012</u>	<u>December 31, 2011</u>
Shareholders' equity	\$ 174,184	\$ 162,413
Working capital	\$ 141,089	\$ 122,962
Loans and borrowings	\$ 50,123	\$ 43,495

24. Joint Ventures

The unaudited condensed consolidated interim financial statements include the proportionate share in joint ventures before inter-party eliminations as follows:

	<u>September 30, 2012</u>	<u>December 31, 2011</u>
Balance Sheet:		
Current assets	\$ 37,754	\$ 60,133
Property and equipment	95	142
Current liabilities	25,217	35,180
Retained earnings	12,632	25,095
	<u>For the nine months ended</u>	
	<u>September 30, 2012</u>	<u>September 30, 2011</u>
Income and Comprehensive Income:		
Construction revenue	\$ 42,489	\$ 76,079
Finance income	184	251
Cost of construction	<u>(38,094)</u>	<u>(68,917)</u>
Net income	<u>\$ 4,579</u>	<u>\$ 7,413</u>
Statement of Cash Flow:		
Cash flow from operating activities	\$ 4,603	\$ 7,873
Changes in non-cash working capital	20,037	(9,149)
Cash flow from/(used in) investing activities	(4)	1
Cash flow used in financing activities	<u>(12,272)</u>	<u>(12,531)</u>
Net increase/(decrease) in cash flow	<u>\$ 12,364</u>	<u>\$ (13,806)</u>

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The Company and its joint venture partners have provided contract security in the form of letters of credit, related to the construction activities of the joint ventures. At September 30, 2012, the Company has issued letters of credit in the amount of \$14,168 (December 31, 2011 - \$21,605).

The Company is contingently liable for the obligations of the joint ventures. The assets of the joint ventures are available for the purpose of satisfying such obligations.

The Company provides services of its employees, management services, parental guarantees and letters of credit to the joint ventures.

These services were transferred at the exchange amount, agreed to between the parties. The value of services provided by the Company for the nine months ended September 30, 2012 and September 30, 2011 is as follows:

Nine months ended September 30, 2012			
Employee services	Management Services and Parental Guarantee	Other	Total
\$ 3,797	\$ 2,038	\$ 111	\$ 5,946

Nine months ended September 30, 2011			
Employee services	Management Services and Parental Guarantee	Other	Total
\$ 4,752	\$ 3,160	\$ 252	\$ 8,164

The Company has accounts receivable from the joint ventures at September 30, 2012 totalling \$3,821 (December 31, 2011 - \$3,551).

25. Dividends declared with a record date subsequent to the balance sheet date

The Board of Directors has declared dividends for the months of October 2012, November 2012, December 2012, January 2013 and February 2013 as follows:

- i. the October dividend of \$0.06 per share will be paid November 20, 2012 to the Shareholders of record as of the close of business on October 31, 2012;
- ii. the November dividend of \$0.06 per share will be paid December 20, 2012 to the Shareholders of record as of the close of business on November 30, 2012.
- iii. the December dividend of \$0.06 per share will be paid January 18, 2013 to the Shareholders of record as of the close of business on December 31, 2012.
- iv. the January dividend of \$0.06 per share will be paid February 20, 2013 to the Shareholders of record as of the close of business on January 31, 2013.
- v. the February dividend of \$0.06 per share will be paid March 20, 2013 to the Shareholders of record as of the close of business on February 28, 2013.

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These dividends were not recorded in the unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2012.

26. Personnel costs

Salary and benefits expense of the Company included in costs of construction and general and administrative expense is:

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
	<u>2012</u>	<u>2011</u>
Wages, salaries and profit sharing	\$ 157,239	\$ 72,027
Benefits	34,443	11,934
MTIP	<u>3,554</u>	<u>653</u>
Total	<u>\$ 195,236</u>	<u>\$ 84,614</u>