



MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2016

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of Bird Construction Inc.'s ("the Company" or "Bird") financial condition and results of operations should be read in conjunction with the December 31, 2015 consolidated financial statements of Bird Construction Inc. This discussion contains forward-looking statements, which are subject to a variety of factors that could cause actual results to differ materially from those contemplated by these statements. See "Forward-Looking Information". Some of the factors that could cause results or events to differ from current expectations include, but are not limited to, the factors described under "Risks Relating to the Business" and "Risks Relating to the Shares" included in the Company's most current Annual Information Form dated March 14, 2016. This MD&A has been prepared as of May 11, 2016. Additional information about the Company is available through the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and includes the Company's Annual Information Form and other filings.

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EXECUTIVE SUMMARY

(thousands of dollars, except per share amounts)	For the three months ended March 31,	
	2016	2015
Income Statement Data		
Revenue	\$ 338,294	\$ 306,163
Net income ⁽¹⁾	9,343	4,727
Basic and diluted earnings per share	0.22	0.11
Cash Flow Data		
Cash flows from operations before changes in non-cash working capital	15,008	10,083
Cash flows from operations	18,183	(31,895)
Additions to property and equipment ⁽²⁾	536	712
Cash dividends paid	8,074	8,074
Cash dividends declared per share	0.19	0.19
	March 31, 2016	December 31, 2015
Financial Position Data		
Total assets	728,388	733,992
Working capital	123,756	127,358
Loans and borrowings	10,055	10,665
Shareholders' equity	172,191	170,891

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

⁽²⁾ computer software purchases included in intangible assets

2016 HIGHLIGHTS

- In the first quarter of 2016, the Company generated net income of \$9.3 million on construction revenue of \$338.3 million compared with net income of \$4.7 million and \$306.2 million of construction revenue, respectively in 2015. The increase in the amount of 2016 earnings is primarily a result of higher construction revenue, the realization of a higher gross profit percentage combined to a lesser extent with the effect of lower general and administrative expenses.
- In the first quarter of 2016, the Company secured \$267.5 million of new contract awards and executed \$338.3 million of construction revenues. The success in securing new work through the first quarter of the year contributed to a Backlog of \$1,592.0 million for the Company at March 31, 2016, compared with \$1,662.8 million at December 31, 2015.
- In the first quarter of 2016, the City of Calgary awarded the Company a fixed-price contract to construct the Seton Recreational Facility located in the southeast section of the city.
- During the first quarter the Company successfully negotiated a \$10.0 million increase to its operating line of credit, increasing the facility from \$45.0 million to \$55.0M. This increase will provide the Company with additional financial capacity allowing Bird to achieve its strategic objectives.
- The Company's Board of Directors declared a monthly dividend of \$0.0633 per share for May, June and July 2016.

NATURE OF THE BUSINESS

The Company operates as a general contractor in the Canadian construction market with offices in: St. John's, Halifax, Saint John, Wabush, Montreal, Toronto, Winnipeg, Calgary, Edmonton, St. Albert and Vancouver. The Company and its predecessors have been in operation for 96 years. The Company focuses primarily on projects in the industrial, commercial and institutional sectors of the general contracting industry. Within the industrial sector, Bird constructs industrial buildings and performs civil construction operations including site preparation, concrete foundations, metal & modular fabrication, mechanical processes, underground piping and earthwork for clients primarily operating in the oil and gas and mining businesses. Within the commercial sector, Bird's operations include the construction and renovation of shopping malls, big box stores, office buildings and selected high rise condominiums and apartments. Within the institutional sector, Bird constructs hospitals, post-secondary education facilities, schools, prisons, courthouses, government buildings, retirement & senior housing and environmental facilities including water and wastewater treatment plants. The Company has developed expertise in the construction of vertical elements and overall management of transportation related projects and will continue to pursue these opportunities as governments plan to increase stimulus spending to address aging infrastructure. In all sectors, Bird contracts with its clients using a combination of fixed price, design-build, unit price, cost reimbursable, guaranteed upset price and construction management contract delivery methods.

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

STRATEGY

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

The fundamental elements of Bird's strategy include:

HEALTH AND SAFETY

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

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

For this reason, Bird promotes a culture of "Safe Production" wherein safety considerations are interwoven into the very fabric of our operational processes. From planning to execution, effective communication, documentation, orientation, training, and ongoing review and analysis of our work activity is vigorously undertaken to ensure continuous improvement in all facets of our operations so that both hazards and

inefficiencies are effectively identified, assessed, and addressed. In doing so, we create a safer and more productive work environment and better ensure that every worker on our sites leaves the job every day just as healthy and safe as when they arrived.

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

INCREASING PROFITABILITY

Bird will continue to pursue organic growth by emphasizing its long-standing record of providing a quality product and service to our clients and thereby continue to secure new work with many of our clients on a repeat basis. Bird will continue to emphasize operational excellence through strict and disciplined adherence to the many risk management and project control policies and practices to ensure delivery of the financial returns expected from our construction projects. The Company will also continue to show a preference for design-build construction contracts where our proven track record provides Bird with a source of competitive advantage in the construction market; however, Bird will continue to offer clients other contract delivery methods including: fixed price, unit price, cost reimbursable, guaranteed upset price and construction management arrangements in order to satisfy their needs.

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

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

ATTRACTING AND RETAINING PEOPLE

The success of Bird is very much dependent on the Company's ability to attract, develop and retain a highly skilled workforce at all levels within the organization including executives, management, professional staff and craft workers.

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

By continuously developing and refining policies and programs to engage our employees at work and in their communities, offering new and innovative training programs, driving ongoing leadership development, and making a career at Bird more than just a job, we are able to recruit, develop and retain top talent while ensuring our compensation programs remain market competitive.

KEY PERFORMANCE DRIVERS

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

In order to achieve this, new work must be available, which is a function of the general state of the economy. In periods of strong economic growth, capital spending will generally increase and there will be more

opportunities available in the construction industry. In economic downturns, fewer opportunities typically exist and competition for those opportunities becomes even more intense, generally resulting in lower gross profit percentages. The Company must be successful in securing profitable work when it is available. The construction industry is highly fragmented and accordingly, the Company competes with a number of international, national, regional and local construction firms. One of the Company's competitive advantages rests in its long-standing reputation for delivering high quality projects that fully meet the needs of the customer, which enables the Company to secure repeat business from clients.

The Company's success in securing work is also reflected in the value of the Backlog. The following table shows the Company's Backlog at the end of the comparative reporting periods. The Company's Backlog of \$1,592.0 million at March 31, 2016 is comparable with the \$1,662.8 million reported at December 31, 2015. The small reduction in Backlog since last year end is the result of the timing differences in the receipt of new construction contracts. The Company continues to pursue a number of industrial, institutional and commercial projects and expects to secure a reasonable number of new awards in these sectors across the country. In addition, the Company will continue to pursue PPP and alternative finance projects, however there are a fewer number of opportunities currently available due to the timing and stage of procurement of these potential projects.

(thousands of dollars)	<u>March 31, 2016</u>	<u>March 31, 2015</u>	<u>December 31, 2015</u>
Backlog	\$ 1,592,010	\$ 1,464,800	\$ 1,662,800

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

<u>Three months ended March 31, 2016</u>	<u>Three months ended March 31, 2015</u>	<u>Year ended December 31, 2015</u>
7.7%	6.9%	8.4%

In the first quarter of 2016, the Company has realized a gross profit percentage of 7.7% compared with 6.9% in 2015. The improvement in the 2016 gross profit percentage compared with first quarter of 2015 is primarily due to an increase in the gross margin percentage earned on the Company's industrial projects reflecting a combination of strong execution and scope changes on major projects that are nearing completion in the current year. The Company expects that in 2016 our industrial sector work program will continue to generate reasonable gross margin percentages but the amount of gross profit contribution will decline as the year progresses. The amount of gross profit derived from our institutional work program is expected to increase as the Company continues to execute the PPP and other significant institutional projects secured in 2015.

Financial Condition

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

(thousands of dollars)	<u>March 31, 2016</u>	<u>March 31, 2015</u>	<u>December 31, 2015</u>
Working capital	\$ 123,756	\$ 99,118	\$ 127,358
Shareholders' equity	\$ 172,191	\$ 178,227	\$ 170,891

The increase in the amount of the Company's shareholders' equity since December 31, 2015 primarily represents the extent to which earnings exceeded dividends declared in the quarter. Working capital declined by \$3.6 million in the first quarter of the year. Although earnings adjusted for non cash expenses exceeded dividend payments and capital expenditures, the excess was more than offset by shift in deferred income taxes to current taxes payable, resulting in a small decline in working capital. The Company believes it continues to have sufficient working capital and equity to conduct its business in the ordinary course.

Safety

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

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

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

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

In the first quarter of 2016, Bird executed 901,023 manhours of work, incurring zero lost time incidents (LTI) for an LTI frequency of 0.00.

Lost Time Incident Frequency		
Three months ended March 31, 2016	Three months ended March 31, 2015	Year ended December 31, 2015
0.00	0.00	0.04

RESULTS OF OPERATIONS

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

During the first quarter of 2016, the Company generated net income of \$9.3 million on construction revenue of \$338.3 million compared with \$4.7 million and \$306.2 million, respectively in 2015. The increase in the amount of 2016 earnings is primarily a result of higher construction revenue, the realization of a higher gross profit percentage combined to a lesser extent with the effect of lower general and administrative expenses.

Construction revenue of \$338.3 million was \$32.1 million or 10.5% higher than \$306.2 million recorded in the first quarter of 2015. The increase in construction revenues is largely due to the execution of the Company's significant institutional work program, including many PPP and alternative finance projects. As expected, the Company's industrial revenues declined relative to those recorded in 2015, primarily due to the reduction in the capital spending programs of many of our industrial clients in response to low commodity prices.

In the first quarter of 2016, the Company's gross profit of \$26.1 million was \$4.9 million or 23.1% higher than \$21.2 million recorded a year ago. The increase in the amount of gross profit is primarily the result of an increase in construction revenue combined with an increase gross margin percentage on the Company's

industrial projects reflecting a combination of strong execution and scope changes on projects that are nearing completion. In 2016, the Company's gross profit percentage of 7.7% compares to 6.9% recorded a year ago.

In the first quarter of 2016, general and administrative expenses of \$13.6 million (4.0% of revenue) compares with \$14.3 million (4.7% of revenue) in 2015. The decrease in 2016 expenses is primarily driven by a reduction in pursuit costs related to PPP and alternative finance projects and to a lesser degree by lower compensation expense.

Finance income in the first quarter of 2016 of \$1.1 million was \$1.0 million higher than the \$0.1 million recorded in the comparable period of 2015. The amount of 2016 finance income does not include the negative impact of a \$1.3 million mark-to-market loss recorded on the Company's investment in a portfolio of preferred shares which was reported in first quarter of 2015. These preferred shares were sold in 2015 in order to limit the Company's exposure to fluctuations in their market value.

Finance costs of \$0.8 million were \$0.3 million higher than \$0.5 million reported in the comparable period of 2015. The increase is primarily due to interest expense on non-recourse debt used to finance two alternative finance projects secured in 2015.

In the first quarter of 2016, income tax expense of \$3.4 million was \$1.7 million higher than 2015, consistent with a higher current period pre-tax earnings.

FUTURE OPERATING PERFORMANCE

Through the first quarter of 2016, the Company has been successful in securing new contract awards and change orders to existing contracts resulting in Backlog at March 31, 2016 of approximately \$1.6 billion, a comparable amount to that recorded at the end of 2015. This is a positive result and further demonstrates the ability of the Company to secure new contract awards and maintain a strong work program. Of this amount, \$1.04 billion is expected to be put in place in the current year and overall revenues in 2016 projected to be in excess of the \$1.45 billion recorded a year ago. The current work program for the Company is characterized by a higher composition of institutional work compared with the last several years, a result of the success in securing a significant number of contract awards in this sector in 2015 and early 2016 combined with a reduction in our industrial work program due to the current economic conditions in the resource and energy sectors. While we are confident in our ability to generate reasonable revenues in 2016, this change in the composition of our work program will make it challenging for the Company to replicate the level of earnings recorded in 2015, adjusted for the after-tax HJO impairment loss reported last year.

The industrial market sector contributed 51% of 2015 revenues (57% in 2014). There continues to be uncertainty in the energy sector in western Canada which has resulted in a reduction in the number and size of new construction opportunities as owners reduce capital expenditures in response to low oil and gas prices. The situation is similar in eastern Canada, where lower iron ore and commodity prices in general have limited mining related opportunities for H.J. O'Connell. There continue to be new project opportunities related to the Lower Churchill Muskrat Falls mega project, although with the larger, more significant contracts already awarded, the remaining opportunities will be limited in size and scale. The challenging economic environment related to resource development that has persisted since 2014 is not expected to change to any significant extent in 2016. Although we continue to receive new contract awards in the industrial sector, the projects are smaller and shorter cycle in nature and have been secured at lower margins due to the increased level of competition. Accordingly, we do not expect to generate the revenue and gross profits in this sector that were achieved in 2015. LNG projects, primarily in British Columbia, have the potential to offset the expected reduction in activity in the Company's traditional industrial work program, however, the prospects of them proceeding remain uncertain. On May 6, 2016, the Company announced that LNG Canada selected the Bird-Civeo Joint Venture as the contractor for the design and construction of the Cedar Valley Lodge, its workforce accommodation centre to house a 4,500 person workforce required during construction of its proposed liquefaction and export facility in Kitimat, British Columbia. Construction of the Cedar Valley Lodge will not commence unless LNG Canada's joint venture participants have made a final investment decision, expected in late 2016. In the interim, the Bird-Civeo joint venture will advance engineering and planning work for the Lodge.

The institutional market sector contributed 34% of 2015 revenues (24% in 2014). In the institutional sector we anticipate infrastructure spending will increase in 2016 and beyond to address the infrastructure deficit in Canada and to stimulate slow economic growth. The Company is actively pursuing a number of these opportunities and is well positioned to secure and deliver these projects as they become available. New contract awards for institutional projects secured in the first quarter of the year have added to an already large level of Backlog secured in 2015 in this market sector. The revenue and earnings contribution in 2016 derived from this market sector is expected to exceed the revenue and earnings performance achieved in 2015.

The retail and commercial sector contributed 15% of 2015 revenues (19% in 2014). Although this market will continue to offer opportunities to the Company, we believe that slow growth and uncertain economic conditions will limit activity in this market sector in 2016. Consequently, we expect revenues and earnings in this sector to decline marginally relative to those recorded last year.

Backlog

During the first quarter of 2016, the Company secured \$267.5 million in new construction contracts (including change orders to existing contracts) and put in place \$338.3 million of work resulting in a Backlog at March 31, 2016 of \$1,592.0 million. The following table outlines the changes in the amount of the Company's Backlog throughout the current and prior fiscal years.

Backlog	
(millions of dollars)	
December 31, 2014	\$ 1,149.7
Securements and Change Orders in 2015	1,957.9
Realized in construction revenues in 2015	<u>(1,444.8)</u>
December 31, 2015	\$ 1,662.8
Securement and Change Orders in 2016	267.5
Realized in construction revenues in 2016	<u>(338.3)</u>
March 31, 2016	<u><u>\$ 1,592.0</u></u>

ACCOUNTING POLICIES

The Company's significant accounting policies are outlined in the notes to the audited December 31, 2015 and 2014 Consolidated Financial Statements. The Condensed Consolidated Interim Financial Statements were prepared using the same accounting policies as our 2015 consolidated financial statements.

The Company has adopted the Amendments to IAS 1, Presentation of Financial Statements, effective for our condensed interim and annual consolidated financial statements commencing January 1, 2016. The adoption of these amendments did not have a material impact on the presentation and disclosure in the Company's condensed consolidated interim financial statements.

Future accounting changes

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

annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

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

On January 13, 2016 the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying assets is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of the standard has not yet been determined.

SUMMARY OF QUARTERLY RESULTS

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

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

(thousands of dollars)	2014			2015				2016
	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u> *	<u>Q4</u>	<u>Q1</u>
Revenue	328,835	370,382	390,565	306,163	335,322	389,878	413,443	338,294
Net income	10,015	12,425	12,882	4,727	10,815	(5,616)	11,556	9,343
Earnings per share	0.24	0.29	0.30	0.11	0.25	(0.13)	0.28	0.22

* Note: The third quarter 2015 includes a net non-cash after-tax impairment charge of \$20.3 million.

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY

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

(thousands of dollars)	<u>March 31, 2016</u>		<u>December 31, 2015</u>	
Financial Position Data				
Cash and cash equivalents	\$	228,970	\$	218,756
Working capital		123,756		127,358
Long-term debt		10,055		10,665
Shareholders' equity		172,191		170,891

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

As a component of working capital, the Company maintains a balance of cash and cash equivalents. At March 31, 2016, this balance amounted to \$229.0 million. The non-cash net current asset/liability position was in a net liability position of \$105.2 million at March 31, 2016, compared to a net liability position of \$91.4 million at December 31, 2015. The non-cash net current asset/liability position fluctuates significantly in the normal course of business from period to period, primarily due to the timing of differences between the settlement of payables due to subcontractors and suppliers, billings and collection of receivables from clients, and also the timing in the settlement of income taxes payable. The Company's cash balances absorb these fluctuations with no net impact to the Company's net working capital position or ability to access contract surety support. The Company believes it has sufficient working capital to support its current contract security requirements.

Credit Facilities

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

During the first quarter of 2016, the Company successfully negotiated a \$10.0 million increase to its operating line of credit, increasing the facility from \$45.0 million to \$55.0 million.

Issuance of Letters of Credit

The Company has available \$122.0 million of demand facilities used to primarily support the issuance of letters of credit. All letters of credit issued under these facilities are supported by the pledge of Company-owned financial instruments, including cash.

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

Letters of credit are typically issued to support the Company's performance obligations relating to PPP and other major construction projects. The following table outlines the amount of the credit facilities, the amount of issued letters of credit and the amount of collateral pledged in support of the outstanding letters of credit.

(thousands of dollars)	<u>March 31, 2016</u>		<u>March 31, 2015</u>		<u>December 31, 2015</u>	
Operating line of credit	\$	122,000	\$	132,000	\$	132,000
Letters of credit issued	\$	34,452	\$	22,419	\$	39,848
Collateral pledged to support letters of credit	\$	29,578	\$	34,959	\$	33,777
Guarantees provided by EDC	\$	4,891	\$	-	\$	6,157

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

Operating Lines of Credit

a) *Committed revolving line of credit:*

During the quarter, the Company increased its committed revolving credit facility from \$45.0 million to \$55.0 million, with a Canadian chartered bank. The facility expires on November 30, 2018. This facility may be used in the normal course of business for general working capital purposes, to issue non-collateralized letters of credit, fund future capital expenditures and qualifying permitted acquisitions. At March 31, 2016, the Company has drawn \$5.0 million under this facility. The \$5.0 million draw is presented as long term debt on the Company's statement of financial position as the facility matures in 2018.

b) *Committed revolving line of credit facility:*

A subsidiary of the Company has a \$25.0 million committed revolving credit facility, maturing on June 10, 2018. The facility may be used to finance normal course operations. Borrowings under this facility are secured by a first charge against the net assets of the subsidiary. As at March 31, 2016, the balance drawn on this facility is nil.

Equipment Financing

The Company has a committed term credit facility of up to \$10.0 million to be used to finance equipment purchases of subsidiaries guaranteed by the Company. As of March 31, 2016, the facility is undrawn. Interest on the facility can be charged at a fixed rate based on the Bank of Canada bond rate plus a spread. Interest is paid monthly in arrears. Draws under this facility are permitted until June 10, 2018.

In 2015, a subsidiary of the Company executed a new committed term credit facility of up to \$15.0 million to be used to finance equipment purchases. As of March 31, 2016, the facility is undrawn. Borrowings under the facility are secured by a first charge against certain of the subsidiary's equipment financed using the facility. Interest on the facility can be charged at a fixed rate based on the Bank of Canada bond rate plus a spread. Interest is paid monthly in arrears. Draws under this facility are permitted until June 10, 2018.

In addition, subsidiaries of the Company have equipment acquisition lines of credit for \$62.5 million with the financing arms of several major heavy equipment suppliers to finance equipment procurement. Draws under this facility are typically recognized as operating leases for accounting purposes. At March 31, 2016, the Company has used \$8.2 million under the facilities (\$9.1 million at December 31, 2015). The Company's total lease commitments are outlined under Contractual Obligations.

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

Loans and Borrowings

In the first quarter of 2016, the Company made \$3.1 million in principal repayments. No new debt was issued. The following table provides details of outstanding debt as at March 31, 2016, and principal repayments due over the next five years, excluding the amortization of debt financing costs, finance lease liabilities and non-recourse project financing.

Debt	Amount	Year 1	Year 2	Year 3	Year 4	Year 5
(thousands of dollars)						
Loans and borrowings	\$ 15,243	\$ 5,340	\$ 2,300	\$ 6,941	\$ 504	\$ 158

Cash Flow Data

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

(thousands of dollars)	Three months ended March 31,	
	2016	2015
Cash Flow Data		
Cash flows from operations before changes in non-cash working capital	\$ 15,008	\$ 10,083
Changes in non-cash working capital and other	3,175	(41,978)
Cash flows from (used in) operating activities	<u>18,183</u>	<u>(31,895)</u>
Cash flows from (used in) investing activities	(871)	329
Cash flows from (used in) financing activities	<u>(7,098)</u>	<u>(9,385)</u>
Increase (decrease) in cash and cash equivalents	<u>\$ 10,214</u>	<u>\$ (40,951)</u>

Operating Activities

During the three months ended March 31, 2016, cash flows from operating activities generated cash of \$18.2 million compared with a use of cash of \$31.9 million in 2015. In 2016, cash flow from operations was comprised of \$15.0 million of cash generated from operating activities before changes in non-cash working capital and a \$3.2 million source of cash derived from changes in non-cash working capital and other items. In 2015, the comparative amounts were \$10.1 million of cash generated from operations before changes in non-cash working capital and a \$42.0 million use of cash from changes in non-cash working capital and other items. The increase in cash flow from operations before change in non-cash working capital in 2016 is primarily the result of higher earnings. In 2016 changes in the amount of non-cash working capital generated cash of \$3.2 million compared to a use of cash of \$42.0 million in 2015. Changes in the amount of non-cash working capital primarily represent normal course fluctuations in the Company's net non-cash current asset/liability position. In some periods, this fluctuation will be a use of cash, as it was in 2015, while it will be a source of cash in other periods such as the first quarter of 2016, tending to balance out over time and having no net impact on the Company's working capital.

Investing Activities

During the three months ended March 31, 2016, the Company used \$0.9 million of cash in investing activities compared with a source of cash in 2015 of \$0.3 million. The net increase in the amount of cash used in investing activities in 2016 compared to the prior year is largely due to the proceeds realized in 2015 from the sale of preferred share investments. The amount of cash used to purchase property and equipment was comparable in the respective periods. The Company's level of investment in equipment is currently sufficient to support the projected industrial work program in the short term.

Financing Activities

During the three months ended March 31, 2016, the Company used \$7.1 million of cash in financing activities compared with a use of cash of \$9.4 million in 2015. The net reduction in the amount of cash used in financing activity in 2016 is primarily a result of issuing additional non-recourse long term debt in 2016 to finance the construction of two alternative finance projects. Dividend payments and debt repayments remained comparable in the respective periods.

DIVIDENDS

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

January 1, 2015 to March 31, 2015	\$0.190
April 1, 2015 to June 30, 2015	\$0.190
July 1, 2015 to September 30, 2015	\$0.190
October 1, 2015 to December 31, 2015	\$0.190
January 1, 2016 to March 31, 2016	\$0.190

CAPABILITY TO DELIVER RESULTS

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

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

CONTRACTUAL OBLIGATIONS

At March 31, 2016, the Company has future contractual obligations of \$441.4 million. Obligations for accounts payable, finance and operating annual lease payments and for principal repayments, including interest, under long-term debt over the next five years are:

(thousands of dollars)	Accounts Payable	Finance Leases	Operating Leases	Non-recourse Project Financing	Long-Term Debt	Total
2016	\$ 349,448	974	4,506	11,513	5,047	371,488
2017	12,847	123	4,841	95	2,416	20,322
2018	7,020	29	3,869	7,633	7,578	26,129
2019	186	29	2,973	-	592	3,780
2020	-	10	2,905	-	238	3,153
Thereafter	-	-	16,567	-	-	16,567
	\$ 369,501	1,165	35,661	19,241	15,871	441,439

OFF BALANCE SHEET ARRANGEMENTS

The Company has operating lease obligations described under Contractual Obligations noted above and surety lien bonds issued on behalf of the Company valued at \$6.1 million at March 31, 2016.

CRITICAL ACCOUNTING ESTIMATES

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

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

and labour costs, labour productivity, changes in contract scope and subcontractor costs. Due to the nature of construction, estimates can change significantly from one accounting period to the next.

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

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

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

OUTSTANDING COMMON SHARE DATA AND STOCK EXCHANGE LISTING

The Company is authorized to issue an unlimited number of common shares. The Company had a total of 42,516,853 common shares outstanding at March 31, 2016 and December 31, 2015.

At March 31, 2016, 660,000 stock options are outstanding with a weighted average exercise price of \$13.66 per common share.

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 March 31, 2016, the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have concluded that the Company's disclosure controls and procedures are effective in providing reasonable assurance that information relating to the Company which is required to be disclosed in reports filed under provincial and territorial securities legislation is accumulated, summarized and communicated to the Company's senior management, including the CEO and the CFO of the Company, as appropriate, to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

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

As of March 31, 2016, under the supervision of and with the participation of management, including the CEO and CFO, internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with IFRS.

There have been no material changes in the Company's internal control over financial reporting during the quarter ended March 31, 2016 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

RISKS RELATING TO THE BUSINESS

The following discussion addresses the more significant risk factors relating to the business. For a detailed discussion of all risk factors relating to the business, refer to the Company's most recently filed Annual Information Form filed on March 14, 2016, which is available through the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Economy and Cyclicity

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

Competitive Factors

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

Ability to Secure Work

Bird generally secures new contracts either through a competitive bid process or through negotiation. Awards in both the public and private sectors are generally based upon price, but are also influenced by factors such as perceived level of services offered, construction schedule, project personnel, the makeup of the subcontractor team, prior experience with the prospective client and the type of project and the ability to provide bonds and other contract security. In order to be afforded an opportunity to bid for large projects and in the PPP market, a strong statement of financial position 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. 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 and alternative finance projects, may also require significant bid costs which can only be recovered if Bird is the successful bidder. A number of governments in Canada have procured a significant value of projects under a PPP and/or alternative finance contract format, which is an attractive market for the Company. A reduction in the popularity of this procurement method or difficulties in obtaining financing for these projects would have negative consequences for Bird.

Estimating Costs/Assessing Contract Risks

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

Performance of Subcontractors

Successful completion of a contract by Bird depends, in large part, on the satisfactory performance of subcontractors who are engaged to complete the various components of the work. Subcontractor defaults tend to increase during depressed market conditions. If subcontractors fail to satisfactorily perform their portion of the work, Bird may be required to engage alternate subcontractors to complete the work and may incur additional costs. This can result in reduced profits, or in some cases, significant losses on the contract and could also damage the reputation of Bird. In addition, the ability of Bird to bid for and successfully complete projects is, in part, dependent on the availability of qualified subcontractors and trades people. Depending on the value of the subcontractor's work, Bird may require some form of performance security and achieves this through the use of surety bonds, subcontractor default insurance or other forms of security from the subcontractors to mitigate Bird's exposure to the risks associated with a subcontractor under the contract. A significant shortage of qualified subcontractors and trades people could have a material impact on Bird's financial condition and results of operations.

Maintaining Safe Work Sites

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

Ability to Hire and Retain Qualified and Capable Personnel

The success of Bird is highly influenced by the efforts of key members of management, including its executive officers and district managers. The loss of the services of any of Bird's key management personnel could negatively impact Bird. The future success of Bird also depends heavily on its ability to attract, retain and develop high-performing personnel in all areas of its operations. Most firms throughout the construction industry face this challenge and accordingly, competition for professional staff is intense. If Bird ceases to be seen by current and prospective employees as a highly attractive place to work, it could experience difficulty in hiring and retaining the right people. This could have an adverse effect on current operations of Bird and would limit its prospects and impair its future success.

TERMINOLOGY

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

- **"Gross Profit Percentage"** is the percentage derived by dividing gross profit by construction revenue. Gross profit is calculated by subtracting construction costs from construction revenue.
- **"Backlog"** (also referred to in the construction industry as "work on hand") is the total value of all contracts awarded to the Company, less the total value of work completed on these contracts as of the date of the most recently completed quarter. This includes all contracts that have been awarded to the Company whether the work has commenced or will commence in the normal course.
- **"Lost Time Incident Frequency"** is the number of lost time incidents recorded per 200,000 manhours of work by Bird employees.

FORWARD-LOOKING INFORMATION

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

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. In particular, this MD&A includes many such forward-looking statements and the Company cautions the reader that such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of the Company to be materially different from the Company's estimated future results, performance or achievements expressed or implied by those forward-looking statements and the forward-looking statements are not guarantees of future performance. Risks that may impact the Company's future results, performance or achievements include those described under "Risks Relating to the Business" in this MD&A and in the Company's Annual Information Form dated March 14, 2016 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 month period ended March 31, 2016

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.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands of Canadian dollars)
(unaudited)

	Note	March 31, 2016	December 31, 2015
ASSETS			
Current assets:			
Cash	20	\$ 213,711	\$ 208,158
Bankers' acceptances and short-term deposits	20	15,259	15,333
Accounts receivable	6	378,919	399,107
Costs and estimated earnings in excess of billings		10,817	5,632
Costs and estimated earnings in excess of billings - design build finance projects	5	19,734	14,687
Prepaid expenses and other assets		2,497	2,598
Income taxes recoverable		6,096	7,349
Total current assets		<u>647,033</u>	<u>652,864</u>
Non-current assets:			
Other long-term assets		4,787	4,428
Property and equipment	7	52,689	54,281
Deferred income tax asset		5,570	3,954
Intangible assets	8	1,920	2,076
Goodwill	8	16,389	16,389
Total non-current assets		<u>81,355</u>	<u>81,128</u>
TOTAL ASSETS		\$ <u>728,388</u>	\$ <u>733,992</u>
LIABILITIES			
Current liabilities:			
Bank indebtedness		\$ -	\$ 4,735
Accounts payable		367,728	390,763
Deferred contract revenue		112,980	92,945
Dividends payable to shareholders		2,691	2,691
Income taxes payable		8,209	4,469
Non-recourse project financing	5	19,159	15,021
Current portion of loans and borrowings	10	6,316	8,667
Provisions	15	5,379	5,322
Other liabilities	12	815	893
Total current liabilities		<u>523,277</u>	<u>525,506</u>
Non-current liabilities:			
Loans and borrowings	10	10,055	10,665
Deferred income tax liability		17,111	21,331
Investment in associates		840	818
Other liabilities	12	4,914	4,781
Total non-current liabilities		<u>32,920</u>	<u>37,595</u>
SHAREHOLDERS' EQUITY			
Shareholders' capital	13	42,527	42,527
Contributed surplus		1,993	1,962
Retained earnings		127,671	126,402
Total shareholders' equity		<u>172,191</u>	<u>170,891</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ <u>728,388</u>	\$ <u>733,992</u>

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

BIRD CONSTRUCTION INC.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

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

(unaudited)

	Note	For the three months ended March 31,	
		2016	2015
Construction revenue		\$ 338,294	\$ 306,163
Costs of construction		<u>312,219</u>	<u>284,979</u>
Gross profit		<u>26,075</u>	<u>21,184</u>
General and administrative expenses		<u>13,573</u>	<u>14,287</u>
Income from operations		12,502	6,897
Finance income	16	1,056	90
Finance and other costs	17	<u>(824)</u>	<u>(525)</u>
Income before income taxes		12,734	6,462
Income tax expense	11	<u>3,391</u>	<u>1,735</u>
Net income and comprehensive income for the period		<u>\$ 9,343</u>	<u>\$ 4,727</u>
Basic and diluted earnings per share	14	<u>\$ 0.22</u>	<u>\$ 0.11</u>

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

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

	Note	Shareholders' Capital	Contributed surplus	Retained earnings	Total Equity
Balance at December 31, 2014		\$ 42,527	\$ 1,843	\$ 137,217	\$ 181,587
<i>Contributions by and dividends to owners</i>					
Stock-based compensation expense	13	-	(13)	-	(13)
Dividends declared to shareholders		-	-	(8,074)	(8,074)
Net income and comprehensive income for the period		-	-	4,727	4,727
Balance at March 31, 2015		\$ 42,527	\$ 1,830	\$ 133,870	\$ 178,227
Dividends per share declared during the three months ended March 31, 2015				\$ 0.19	
Balance at December 31, 2015		\$ 42,527	\$ 1,962	\$ 126,402	\$ 170,891
<i>Contributions by and dividends to owners</i>					
Stock-based compensation expense	13	-	31	-	31
Dividends declared to shareholders		-	-	(8,074)	(8,074)
Net income and comprehensive income for the period		-	-	9,343	9,343
Balance at March 31, 2016		\$ 42,527	\$ 1,993	\$ 127,671	\$ 172,191
Dividends per share declared during the three months ended March 31, 2016				\$ 0.19	

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

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

	Note	For the three months ended March 31,	
		2016	2015
Cash flows from (used in) operating activities:			
Net income and comprehensive income for the period		\$ 9,343	\$ 4,727
Items not involving cash:			
Amortization	8	163	426
Depreciation	7	2,217	3,012
(Gain) loss on sale of property and equipment		16	(27)
Finance income		(1,056)	(90)
Finance and other costs		824	525
Deferred compensation plan expense and other		79	(212)
Income tax expense	11	3,391	1,735
Stock-based compensation expense	13	31	(13)
Cash flows from operations before changes in non-cash working capital		<u>15,008</u>	<u>10,083</u>
Changes in non-cash working capital relating to operating activities	20	7,297	(31,861)
Dividends and interest received		274	952
Interest paid		(162)	(197)
Income taxes (paid) / refunds recovered		(4,234)	(10,872)
Cash flows from (used in) operating activities		<u>18,183</u>	<u>(31,895)</u>
Cash flows from (used in) investing activities:			
Additions to property and equipment	7	(529)	(632)
Additions to intangible assets	8	(7)	(80)
Proceeds on sale of property and equipment		24	274
Other long-term assets		(359)	(233)
Proceeds from disposal of investments		-	1,000
Cash flows from (used in) investing activities		<u>(871)</u>	<u>329</u>
Cash flows from (used in) financing activities:			
Dividends paid on shares		(8,074)	(8,074)
Proceeds from non-recourse project financing		4,091	1,941
Repayment of loans and borrowings		(3,115)	(3,252)
Cash flows used in financing activities		<u>(7,098)</u>	<u>(9,385)</u>
Net increase (decrease) in cash and cash equivalents during the period		10,214	(40,951)
Cash and cash equivalents, beginning of the period		<u>218,756</u>	<u>164,033</u>
Cash and cash equivalents, end of the period	20	<u>\$ 228,970</u>	<u>\$ 123,082</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
MARCH 31, 2016
(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 5700 Explorer Drive, Suite 400, Mississauga, Ontario, Canada.

The Company, through its subsidiaries and interests in joint arrangements carries on business as a general contractor with offices in St. John's, Wabush, Halifax, Saint John, Montreal, Toronto, Winnipeg, Calgary, Edmonton, St. Albert and Vancouver. 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. The operating segments of the Company are aligned with the Company's geographic operations, and are reviewed by the Company's Chief Executive Officer to assess performance and allocate resources within the Company. Management applies judgment in the aggregation of the Company's operating segments and has determined that the Company operates in one reportable segment being the general contracting sector of the construction industry. The Company's operating segments have similar economic characteristics in that each of the Company's operating districts provides comparable construction services, use similar contracting methods, have similar long term economic prospects, share similar cost structures and operate in similar regulatory environments.

2. Basis of preparation

(a) Authorization of financial statements:

These unaudited condensed consolidated interim financial statements were authorized for issue on May 11, 2016 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*. These unaudited condensed consolidated interim financial statements do not include all of the information and disclosures required in the Company's annual consolidated financial statements, and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2015.

(c) Changes in accounting policies:

The Company has adopted the Amendments to IAS 1, Presentation of Financial Statements, effective for our interim condensed and annual consolidated financial statements commencing January 1, 2016. The adoption of these amendments did not have a material impact on the presentation and disclosure in the Company's consolidated financial statements.

(d) 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 and derivative financial instruments which have been classified as "fair value through profit and loss" and accordingly, are measured at fair value, and liabilities for cash settled share-based payment arrangements which are measured at fair value.

BIRD CONSTRUCTION INC.
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(e) 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Construction revenue, construction costs, deferred contract revenue, and costs and estimated earnings in excess of billings are all based on estimates and judgements used in determining an estimate of contract revenue and contract costs to determine the stage of completion for a particular construction project, depending upon the nature of the construction contract, as more fully described in the revenue recognition policy (see note 3(b)) in the Company's December 31, 2015 annual consolidated financial statements. To determine the estimated cost to complete construction contracts, assumptions and estimates are required to evaluate issues related to schedule, material and labour costs, labour productivity, changes in contract scope and subcontractor costs. Due to the nature of construction, estimates can change significantly from one accounting period to the next.

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

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

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

Information about significant judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the significant accounting policies note in the Company's December 31, 2015 annual consolidated financial statements related to revenue recognition (note 3 (b)), joint arrangements (note 3 (q)), and the classification of leases (note 3 (t)).

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3. Summary of significant accounting policies

The accounting policies applied in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Company's December 31, 2015 annual consolidated financial statements.

4. Future accounting changes

A number of new standards and amendments to standards and interpretations, are not yet effective for the quarter ended March 31, 2016, and have not been applied in preparing these unaudited condensed consolidated interim financial statements.

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

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

On January 13, 2016 the IASB issued IFRS 16 *Leases*. The new standard is effective for annual periods beginning on or after January 1, 2019. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying assets is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of the standard has not yet been determined.

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5. Design Build Finance Projects

(a) Casey House

i. Background information:

During 2015, the Company was awarded a \$32,003 fixed-price build-finance project to restore and expand the Casey House Hospice in Toronto.

ii. Restricted cash:

The terms of the debt financing agreement require that scheduled loan advances be deposited into a blocked bank account, which cannot be accessed directly by the Company. Upon recommendation by the lender's technical advisor, cash is released monthly based on the progress of the work.

iii. Costs and estimated earnings in excess of billings:

Casey House project costs and estimated earnings in excess of billings as at March 31, 2016 were \$10,949 (December 31, 2015 - \$8,383). The cost and estimated earnings in excess of billings balance will continue to increase throughout the project until a contract payment is made to the Company following substantial completion of the project.

iv. Loan payable:

The Company has arranged a \$29,057 loan facility related to the project, of which \$11,299 has been drawn down at March 31, 2016 (December 31, 2015 - \$8,365). The loan is repayable in full, upon substantial completion of the project, from the proceeds of the fixed price build-finance contract payment. The scheduled substantial completion date is in 2016. In the event of a default in payment for the construction work upon substantial completion, including interim interest costs, the lender has recourse only against assets related to this project, which have been segregated in a wholly-owned subsidiary of the Company.

Interest is paid monthly in arrears. Borrowings under the facility bear interest at a rate per annum equal to the bankers' acceptance rate plus a spread. As part of the loan facility, the Company entered into an interest rate swap agreement that effectively fixes the interest rate at 2.06%. Interest expense on the loan in the first quarter ended March 31, 2016 of \$68 (March 31, 2015 - \$nil) is included in finance costs.

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(b) Moncton Downtown Centre

i. Background information:

During 2015, the Company was awarded a \$90,768 fixed-price build-finance contract to construct the Moncton Downtown Centre.

ii. Restricted cash:

The terms of the debt financing agreement require that scheduled loan advances be deposited into a blocked bank account, which cannot be accessed directly by the Company. Upon recommendation by the lender's technical advisor, cash is released monthly based on the progress of the work (see note 24).

iii. Costs and estimated earnings in excess of billings:

Moncton Downtown Centre project costs and estimated earnings in excess of billings as at March 31, 2016 were \$8,785 (December 31, 2015 - \$6,304). The cost and estimated earnings in excess of billings balance will continue to increase throughout the project until a contract payment is made to the Company following substantial completion of the project.

iv. Loan payable:

The Company has arranged a \$77,478 loan facility related to the project, of which \$7,585 has been drawn at March 31, 2016 (December 31, 2015 - \$6,428). The loan is repayable in full, upon substantial completion of the project, from the proceeds of the fixed price build-finance contract payment. The scheduled substantial completion date is in 2018. In the event of a default in payment for the construction work upon substantial completion, including interim interest costs, the lender has recourse only against assets related to this project, which have been segregated in a wholly-owned subsidiary of the Company.

Interest is paid monthly in arrears. Borrowings under the facility bear interest at a rate per annum equal to the bankers' acceptance rate plus a spread. As part of the loan facility, the Company entered into an interest rate swap agreement that effectively fixes the interest rate at 1.89%. Interest expense on the loan in the first quarter ended March 31, 2016 of \$71 (March 31, 2015 - \$nil) is included in finance costs.

	Casey House	Moncton Downtown Centre	Total
Loan facility	\$ 11,299	\$ 7,585	\$ 18,884
Interest rate swap	42	233	275
Non-recourse project financing	\$ 11,341	\$ 7,818	\$ 19,159

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6. Accounts receivable

	March 31, 2016	December 31, 2015
Progress billings on construction contracts	\$ 240,872	\$ 258,631
Holdbacks receivable (due within one operating cycle)	135,093	135,668
Other	2,954	4,808
	\$ 378,919	\$ 399,107

Accounts receivable are reported net of an allowance for doubtful accounts of \$2,031 as at March 31, 2016 (\$2,000 - December 31, 2015).

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.

7. Property and equipment

	March 31, 2016					
	Land	Buildings	Leasehold improvements	Equipment, trucks and automotive	Furniture and office equipment	
Cost						
Balance January 1, 2016	\$ 1,681	12,028	6,679	83,951	2,311	\$ 106,650
Additions	-	-	315	190	24	529
Additions under finance leases	-	-	-	136	-	136
Disposals	-	-	-	(164)	-	(164)
Balance March 31, 2016	\$ 1,681	12,028	6,994	84,113	2,335	\$ 107,151
Accumulated depreciation						
Balance January 1, 2016	\$ -	3,498	3,273	44,074	1,524	\$ 52,369
Disposals	-	-	-	(124)	-	(124)
Depreciation expense	-	211	158	1,794	54	2,217
Balance March 31, 2016	\$ -	3,709	3,431	45,744	1,578	\$ 54,462
Net book value	\$ 1,681	8,319	3,563	38,369	757	\$ 52,689

There were no events or circumstances requiring an impairment loss to be recognized in the quarter ending March 31, 2016.

The carrying value of equipment, trucks and automotive held under finance leases at March 31, 2016 is \$2,289 (December 31, 2015 - \$2,288).

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8. Intangible assets and goodwill

	Intangible assets Computer software	Goodwill
	<u> </u>	<u> </u>
Cost		
Balance January 1, 2016	\$ 5,647	\$ 16,389
Additions	7	-
Disposals	(9)	-
Balance March 31, 2016	<u>\$ 5,645</u>	<u>\$ 16,389</u>
Accumulated amortization		
Balance January 1, 2016	\$ 3,571	\$ -
Disposals	(9)	-
Amortization expense	163	-
Balance March 31, 2016	<u>\$ 3,725</u>	<u>\$ -</u>
Net book value	<u>\$ 1,920</u>	<u>\$ 16,389</u>

9. Operating and Equipment lines of credit

A. Letters of credit facilities:

The Company has authorized operating lines of credit totaling \$122,000 with two Canadian chartered banks, maintained for the primary purpose of issuing letters of credit. At March 31, 2016, the lines were drawn for outstanding letters of credit of \$34,452 (December 31, 2015 - \$39,848).

The Company has an agreement with Export Development Canada (EDC) to provide \$45,000 of performance security guarantees for letters of credit issued by financial institutions on behalf of the Company. The Company can only use this facility when letters of credit have been issued as contract security for projects that meet the EDC criteria. EDC has issued performance security guarantees totaling \$4,891.

The letters of credit represent performance guarantees primarily issued in connection with design-build construction contracts related to Public Private Partnership projects and other major construction projects. These letters of credit are supported through the hypothecation of certain financial instruments having a market value at March 31, 2016 of \$29,578 (December 31, 2015 - \$33,777).

B. Committed revolving operating credit facilities:

i. A subsidiary of the Company has a committed revolving credit facility for \$25,000 to be used to finance normal course operations. As at March 31, 2016, the balance drawn on this facility is nil. Borrowings under the facility are secured by a first priority ranking security interest over the net assets of the subsidiary. Borrowings are limited to 100% of the net receivables less net payables of the subsidiary. Interest is charged at a rate per annum equal to the Canadian prime rate. The facility expires on June 10, 2018. The subsidiary is in compliance with the debt-to-equity covenant of this facility.

ii. During the quarter, the Company increased its committed revolving credit facility from \$45,000 to \$55,000. The facility matures on November 30, 2018. The Company has provided a general secured interest in the assets of the Company. As at March 31, 2016, the Company has drawn

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\$5,000 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, minimum equity and debt-to-equity covenants of this facility.

C. Committed equipment term facilities:

- i. The Company has a committed term credit facility of up to \$10,000 to be used to finance equipment purchases of subsidiaries guaranteed by the Company. As of March 31, 2016, the facility is undrawn. Interest on the facility can be charged at a fixed rate based on the Bank of Canada bond rate plus a spread. Interest is paid monthly in arrears. Draws under this facility are permitted until June 10, 2018.
- ii. A subsidiary of the Company has a committed term credit facility of up to \$15,000 to be used to finance equipment purchases of the subsidiary. Borrowings under the facility are secured by a first charge against certain of the subsidiary's equipment financed using the facility. As of March 31, 2016, the facility is undrawn. Interest on the facility can be charged at a fixed rate based on the Bank of Canada bond rate plus a spread. Interest is paid monthly in arrears. Draws under this facility are permitted until June 10, 2018.

D. Equipment lease line of credit:

Subsidiaries of the Company have established operating lease lines of credit of \$62,500 with the financing arms of major heavy equipment suppliers to finance operating equipment leases. Draws under these facilities are generally recognized as operating leases, with the lease obligations being secured by the specific leased equipment. At March 31, 2016, the subsidiaries had used \$8,245 under these facilities.

10. Loans and borrowings

	Three months ended March 31, 2016				Total
	Property & Equipment Financing	Revolving Credit Facility	Finance Leases	Unamortized Transaction Costs	
Balance December 31, 2015	\$ 13,035	5,000	1,346	(49)	\$ 19,332
Proceeds	-	-	136	-	136
Repayment	(2,792)	-	(323)	-	(3,115)
Amortization	-	-	-	18	18
Balance March 31, 2016	<u>\$ 10,243</u>	<u>5,000</u>	<u>1,159</u>	<u>(31)</u>	<u>\$ 16,371</u>
Current portion	\$ 5,340	-	1,007	(31)	\$ 6,316
Non-current portion	4,903	5,000	152	-	10,055
	<u>\$ 10,243</u>	<u>5,000</u>	<u>1,159</u>	<u>(31)</u>	<u>\$ 16,371</u>

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The aggregate amount of principal repayments and future minimum lease payments under finance leases for all long-term debt for subsequent years is as follows:

	Equipment and Operating Financing	Revolving Credit Facility	Finance Leases	Unamortized Transaction Costs	Total
Within 1 year	\$ 5,340	-	1,012	(31)	\$ 6,321
Year 2	2,300	-	92	-	2,392
Year 3	1,941	5,000	29	-	6,970
Year 4	504	-	29	-	533
Year 5	158	-	3	-	161
	<u>10,243</u>	<u>5,000</u>	<u>1,165</u>	<u>(31)</u>	<u>16,377</u>
Less interest	-	-	(6)	-	(6)
	<u>\$ 10,243</u>	<u>5,000</u>	<u>1,159</u>	<u>(31)</u>	<u>\$ 16,371</u>

11. Income taxes

	Three months ended March 31, 2016	2015
Provision for income taxes		
Income tax expense (recovery) is comprised of:		
Current income taxes	\$ 9,227	\$ 5,222
Deferred income taxes	(5,836)	(3,487)
	<u>\$ 3,391</u>	<u>\$ 1,735</u>
Income tax rate reconciliation		
Combined federal and provincial income tax rate	26.5 %	26.0 %
Increases (reductions) applicable to:		
Non-taxable items	0.1	4.2
Effect of loss carryback	-	(2.9)
Dividend income	-	(0.5)
Effective rate	<u>26.6 %</u>	<u>26.8 %</u>

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12. Other liabilities

	March 31, 2016	December 31, 2015
MTIP liability	\$ 2,846	\$ 2,708
DSU liability	907	945
Leasehold Inducement	<u>1,976</u>	<u>2,021</u>
	<u>5,729</u>	<u>5,674</u>
Less: current portion - MTIP liability	635	713
Less: current portion - leasehold inducement	<u>180</u>	<u>180</u>
	<u>815</u>	<u>893</u>
Non-current portion	<u>\$ 4,914</u>	<u>\$ 4,781</u>

13. Shareholders' capital

The Company is authorized to issue an unlimited number of common shares and has issued and outstanding 42,516,853 common shares as of March 31, 2016. 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.

	<u>Number of shares</u>	<u>Amount</u>
Balance, December 31, 2015 and March 31, 2016	<u>42,516,853</u>	<u>\$ 42,527</u>

Stock options:

The Company has a Stock Option Plan that provides all option holders the right to receive common shares in exchange for the options exercised. 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.

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

	Number of share options outstanding	Weighted average exercise price
Outstanding at December 31, 2015	660,000	\$ 13.66
Granted during the period	-	-
Outstanding at March 31, 2016	<u>660,000</u>	<u>\$ 13.66</u>

The following table summarizes information about stock options outstanding and exercisable as at March 31, 2016:

	Number of stock options issued and outstanding	Number of stock options exercisable	Exercise price	Weighted average fair value of the option	Expiry Date	Remaining contractual life (years)
March 15, 2012 Grant	560,000	560,000	\$ 13.98	\$ 3.25	March 15, 2019	3.0
January 1, 2015 Grant	100,000	25,000	\$ 11.87	\$ 1.16	January 1, 2022	5.8

The expense recognized during the quarter ended March 31, 2016 for stock-based compensation is \$31 (2015 - (\$13)).

14. Earnings per share

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

	Three months ended March 31,	
	2016	2015
Profit attributable to shareholders (basic and diluted)	\$ 9,343	\$ 4,727
Average number of common shares outstanding	42,516,853	42,516,853
Effect of stock options on issue	-	-
Weighted average number of common shares (diluted)	<u>42,516,853</u>	<u>42,516,853</u>
Basic earnings per share	\$ 0.22	\$ 0.11
Diluted earnings per share	\$ 0.22	\$ 0.11

At March 31, 2016, 660,000 options (December 31, 2015 - 660,000 options) were excluded from the diluted weighted average number of common share calculation as their effect would have been anti-dilutive.

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15. Provisions

	March 31, 2016	December 31, 2015
Warranty Claims	\$ 3,660	\$ 3,564
Legal Claims	1,719	1,758
	<u>\$ 5,379</u>	<u>\$ 5,322</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.

16. Finance income

	Three months ended March 31, 2016	2015
Interest and dividend income	\$ 274	\$ 415
Interest income relating to accretion on holdbacks receivables	782	506
Foreign exchange gain (loss)	-	484
Gain (loss) on investments	-	(1,315)
	<u>\$ 1,056</u>	<u>\$ 90</u>

17. Finance and other costs

	Three months ended March 31, 2016	2015
Interest on long-term debt	\$ 178	\$ 259
Loss on interest rate swaps	47	-
Interest on non-recourse project financing	139	-
Equity loss from investments in associates	22	-
Accretion of accounts payable	438	266
	<u>\$ 824</u>	<u>\$ 525</u>

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18. Leases

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

	Maturities			Total
	Within 2016	From 2017 to 2020	Beyond 2020	
Operating leases	\$ 4,506	14,588	16,567	\$ 35,661

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 March 31, 2016 totalled \$6,028 (December 31, 2015 - \$4,056).

The Company has acquired minority equity interests in a number of Public Private Partnership ("PPP") concession entities, which requires the Company to make \$11,164 in future capital injections. These commitments have been secured by letters of credit totalling \$11,164.

(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, subcontract/supplier insurance 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 subcontract price. The Company makes appropriate provisions in the financial statements for all known liabilities relating to subcontractor defaults.

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20. Other cash flow information

	Three months ended March 31,	
	2016	2015
Changes in non-cash working capital		
Accounts receivable	\$ 20,970	\$ (26,419)
Costs and estimated earnings in excess of billings	(10,232)	15,064
Prepaid expenses and other assets	101	(216)
Accounts payable	(23,610)	(34,322)
Deferred contract revenue	20,035	14,371
Provisions	57	(339)
Medium term incentive plan	(24)	-
	<u>\$ 7,297</u>	<u>\$ (31,861)</u>
	March 31,	December 31,
	2016	2015
Cash and cash equivalents		
Cash	\$ 213,711	\$ 208,158
Bankers' acceptances and short-term deposits	15,259	15,333
Bank indebtedness	-	(4,735)
	<u>\$ 228,970</u>	<u>\$ 218,756</u>
Restricted cash and cash equivalents		
Cash and cash equivalents held to support letters of credit	\$ 29,578	\$ 33,777
Cash deposited in blocked accounts for special projects	3,512	3,070
	<u>\$ 33,090</u>	<u>\$ 36,847</u>

Cash, Bankers' acceptances and short-term deposits include cash that was deposited as collateral for letters of credit issued by the Company. As such, these amounts are not available for general operating purposes.

Letters of Credit Support:

In the normal course of business, the Company issues letters of credit on certain projects to guarantee its performance. These projects are typically design-build contracts relating to Public Private Partnership arrangements and other major construction projects. In certain instances, the letters of credit are supported by the hypothecation of cash and cash equivalents that are not available for general corporate purposes.

Blocked Accounts:

The terms of non-recourse project financing require scheduled loan advances to be deposited in a blocked bank account which cannot be accessed directly by the Company for general corporate purposes. Upon recommendation by the lender's technical advisor, cash is released monthly from the blocked account and paid to the Company based on the progress made on the related construction project.

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21. Financial instruments

The Company's preferred share investments and derivative financial instruments, including interest rate swaps have been classified as fair value through profit and loss. The Company's cash, bankers' acceptances, short-term deposits, bank overdraft, if any, accounts receivable and other long-term assets are classified as loans and receivables. The Company's accounts payable, dividends payable to shareholders, non-recourse project financing and long-term debt have been classified as other financial liabilities.

A. Classification and fair value of financial instruments:

	March 31, 2016	December 31, 2015
Financial Instruments at Fair Value through profit or loss		
Non-recourse project financing - interest rate swaps	\$ (275)	\$ (228)
	<u>(275)</u>	<u>(228)</u>
Loans and Receivables and Other Financial Liabilities		
Loans and Receivables		
Cash and cash equivalents (note 20)	\$ 228,970	\$ 218,756
Accounts receivable	378,919	399,107
Other long-term assets	4,787	4,428
	<u>\$ 612,676</u>	<u>\$ 622,291</u>
Other Financial Liabilities		
Accounts payable	(367,728)	(390,763)
Dividends payable to shareholders	(2,691)	(2,691)
Non-recourse project financing - other	(18,884)	(14,793)
Loans and borrowings	(16,371)	(19,332)
	<u>(405,674)</u>	<u>(427,579)</u>
Total Financial Instruments	<u>\$ 206,727</u>	<u>\$ 194,484</u>

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. The fair values of the remaining financial instruments approximate their carrying value due to their relatively short periods to maturity.

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

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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.

Accounts receivable outstanding for greater than 90 days and considered past due by the Company's management, represent 11.8% (December 31, 2015 - 11.1%) of the balance of progress billings on construction contracts receivable at March 31, 2016. Management has recorded an allowance of \$2,031 (December 31, 2015 - \$2,000) against these past due receivables, net of amounts recoverable from others.

	Amounts past due			
	Up to 12 months	Over 12 months	March 31, 2016	December 31, 2015
Trade receivables	\$ 13,279	\$ 15,490	\$ 28,769	\$ 28,924
Impairment	-	(2,031)	(2,031)	(2,000)
Total Trade receivables	<u>\$ 13,279</u>	<u>\$ 13,459</u>	<u>\$ 26,738</u>	<u>\$ 26,924</u>

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

	March 31, 2016	December 31, 2015
Balance, beginning of period	\$ 2,000	\$ 1,465
Impairment loss recognized	31	537
Impairment loss reversed	-	(2)
	<u>\$ 2,031</u>	<u>\$ 2,000</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 \$123,756 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 \$29,578 hypothecated to support outstanding letters of credit and \$3,512 held in blocked accounts, are available to meet the financial obligations of the Company as they come due.

The Company has a committed line of credit of \$55,000 available to finance operations of which, the Company has drawn \$5,000 on the facility as at March 31, 2016. A subsidiary of the

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Company has a committed line of credit totaling \$25,000 available to finance operations. At March 31, 2016, the balance drawn on this facility is nil. Also, the Company has a \$10,000 committed equipment facility and a subsidiary of the Company has a \$15,000 committed equipment facility, of which no amounts are outstanding at March 31, 2016. Subsidiaries of the Company have established operating lease lines of credit for \$62,500 with the financing arms of major heavy equipment suppliers to finance operating equipment leases. At March 31, 2016, the subsidiary has used \$8,245 under these facilities. In addition, the Company has lines of credit totaling \$122,000 available for issuing letters of credit for which \$34,452 was drawn at March 31, 2016. Additional draws on this line require hypothecation of additional securities or cash deposits. Cash collateralization may not be required as the Company has entered into an agreement with EDC to provide \$45,000 of performance security guarantees for letters of credit issued that meet their criteria. 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 and non-recourse project financing are disclosed in notes 10 and 5 respectively. As disclosed in note 12, payments required pursuant to the Company's Medium Term Incentive Plan granted in 2013, 2014 and 2015 are due on the vesting dates of November 2016, November 2017 and November 2018, respectively, or upon retirement, if earlier. Payments pursuant to the Company's DSU Plan are cash settled when the eligible Director ceases to hold any position within the Company.

iii. Market risk:

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

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. Interest rate risk on loans and borrowings and the non-recourse project financing can be managed with the objective of reducing the cash flow interest rate risk through the use of interest rate swaps.

At March 31, 2016, the interest rate profile of the Company's long-term debt and non-recourse project financing was as follows:

		March 31, 2016
		<u> </u>
Fixed-rate facilities	\$	7,757
Variable-rate facilities		7,486
Non-recourse project financing		<u>18,884</u>
 Total long-term debt	 \$	 <u><u>34,127</u></u>

As at March 31, 2016, 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 \$75.

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22. Dividends declared with a record date subsequent to the statement of financial position date

As of the date of the approval of these financial statements, the Board of Directors has declared dividends for the following months:

- i. the April dividend of \$0.0633 per share will be paid May 20, 2016 to the Shareholders of record as of the close of business on April 29, 2016.
- ii. the May dividend of \$0.0633 per share will be paid June 20, 2016 to the Shareholders of record as of the close of business on May 31, 2016.
- iii. the June dividend of \$0.0633 per share will be paid July 20, 2016 to the Shareholders of record as of the close of business on June 30, 2016.
- iv. the July dividend of \$0.0633 per share will be paid August 19, 2016 to the Shareholders of record as of the close of business on July 29, 2016.