



MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2017 AND 2016

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of Bird Construction Inc.'s ("the Company" or "Bird") financial condition and results of operations should be read in conjunction with the December 31, 2016 consolidated financial statements of Bird Construction Inc. This discussion contains forward-looking statements, which are subject to a variety of factors that could cause actual results to differ materially from those contemplated by these statements. See "Forward-Looking Information". Some of the factors that could cause results or events to differ from current expectations include, but are not limited to, the factors described under "Risks Relating to the Business" and "Risks Relating to the Shares" included in the Company's most current Annual Information Form dated March 14, 2017. This MD&A has been prepared as of May 12, 2017. Additional information about the Company is available through the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and includes the Company's Annual Information Form and other filings.

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EXECUTIVE SUMMARY

(thousands of Canadian dollars, except per share amounts)	For the three months ended March 31,	
	2017	2016
Income Statement Data		
Revenue	\$ 309,755	\$ 338,294
Net income (loss) ⁽¹⁾	(1,141)	9,343
Basic and diluted earnings (loss) per share	(0.03)	0.22
Cash Flow Data		
Net increase (decrease) in cash and cash equivalents during the period	(101,349)	10,214
Cash flows from (used in) operations	(99,336)	18,183
Additions to property and equipment ⁽²⁾	1,702	536
Cash dividends paid	5,454	8,074
Cash dividends declared per share	0.10	0.19
	<u>March 31, 2017</u>	<u>December 31, 2016</u>
Balance Sheet Data		
Total assets	717,250	817,383
Working capital	109,351	118,043
Loans and borrowings (current and non-current)	12,552	11,388
Shareholders' equity	158,284	163,566

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

⁽²⁾ includes computer software purchases classified as intangible assets

2017 HIGHLIGHTS

- During the first quarter of 2017, the Company generated a net loss of \$1.1 million on construction revenue of \$309.8 million compared with net income of \$9.3 million and \$338.3 million of construction revenue in 2016. The decrease in the amount of first quarter 2017 earnings is reflective of the low volume of industrial project backlog carried into 2017 as several large industrial projects were substantially completed in the fourth quarter of 2016. In the first quarter of 2016, the Company benefitted from a higher proportion of higher margin industrial work than in 2017, which has shifted to predominantly commercial and institutional projects.
- In the first quarter of 2017, the Company secured \$421.3 million of new contract awards and change orders, and executed \$309.8 million of construction revenues. The success in securing new work through the first quarter of the year contributed to a Backlog of \$1,248.5 million for the Company at March 31, 2017, compared with \$1,137.0 million at December 31, 2016.
- The Company executed a contract with Fraser Health to design and build a new mental health facility and energy centre at Royal Columbian Hospital in New Westminster, British Columbia. The contract, valued at approximately \$200 million commenced construction in early 2017 and will be completed in winter 2019.
- The Company also executed a contract as part of the Harbour City Solutions consortium to design, build, finance, operate and maintain a biosolids management facility for the City of Hamilton, Ontario. Bird has a 50% interest in the construction joint venture that will design and build the project. Bird has also taken a minority equity interest in the concession responsible for the design, construction, financing, operations and maintenance of the project through Bird Capital, a wholly owned subsidiary. The facility is expected to be operational in the spring of 2020.
- The Board has declared dividends of \$0.0325 per common share for May, June and July 2017.

NATURE OF THE BUSINESS

The Company operates as a general contractor in the Canadian construction market with offices in: St. John's, Halifax, Saint John, Wabush, Montreal, Toronto, Winnipeg, Calgary, Edmonton, and Vancouver. The Company and its predecessors have been in operation for 97 years. The Company focuses primarily on projects in the industrial, commercial and institutional sectors of the general contracting industry. Within the industrial sector, Bird constructs industrial buildings and performs civil construction operations including site preparation, concrete foundations, metal & modular fabrication, mechanical process work, underground piping and earthwork for clients primarily operating in the oil and gas and mining businesses. Within the commercial sector, Bird's operations include the construction and renovation of shopping malls, big box stores, office buildings, hotels and selected high rise condominiums and apartments. Within the institutional sector, Bird constructs hospitals, post-secondary education facilities, schools, prisons, courthouses, government buildings, retirement & senior housing, and environmental facilities that include water and wastewater treatment centres, composting facilities and biosolids treatment and management facilities. The Company has developed expertise in the construction of vertical elements and overall management of transportation related projects and will continue to enhance our abilities as governments plan to increase stimulus spending to address aging infrastructure. Bird also invests in equity in PPP projects as a means to support construction operations. In all sectors, Bird contracts with its clients using a combination of fixed price, unit price, cost reimbursable and guaranteed maximum price, and provides services that include construction, design-build and construction management delivery methods.

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

STRATEGY

In 2016, the Company undertook a comprehensive strategic review to assess its market position and re-establish medium and long term goals. This process culminated in the Company's Board of Directors endorsing the *Build Bird* five-year strategic plan that has been developed to further enhance the Company's position as a premier Canadian contractor driven by the passion and dedication of a team of construction professionals. The *Build Bird* five-year strategic plan is in its first full year of implementation in 2017 and features three core pillars: *Build the Business*, *Build the Team* and *Build Relationships*. Each pillar is further articulated by three primary initiatives.

Broadly, Bird's strategic focus is to secure projects in markets with higher profit margins, which, in 2017, will consist of P3s and large design-build projects in the institutional sector as well as smaller midstream capital projects. In the coming years this will also include more MRO-related opportunities in western Canada's industrial sector. For the Bird Heavy Civil division (formally known as H.J. O'Connell) efforts will focus on diversifying the customer base on select mining support and environmental projects. Details of each pillar and primary initiatives are expanded below.

BUILD THE BUSINESS

Diversification and Growth

The diversification of the Company's work program and earnings base is intended to strengthen the Company by making it healthier and more resilient during economic downturns. As part of the overall strategy, Bird will continue to focus on larger and more complex construction projects, which typically offer greater profit margins. *Diversification and Growth*, will be realized through several methods including geographic expansion of existing

services, introduction of new services and the development of new clients. The Company will be very selective in its execution of the strategy to ensure it grows and diversifies profitably.

The Company will continue to express its preference for design-build construction contracts where its proven experience provides Bird with a source of competitive advantage in the construction market. The primary focus for geographic expansion in 2017 is the ongoing development of the Edmonton Commercial district which will service the institutional, municipal and commercial sectors in the Edmonton region. While the market conditions are expected to remain difficult in 2017, the district will continue its efforts to organically grow its work program and build momentum for the future. The Company will also seek opportunities to expand commercial and institutional expertise into additional markets in Canada by way of joint venture arrangements or through acquisition.

New service offerings will also contribute to Bird's diversification and growth strategy. The Company will continue to leverage the acquisition of Nason Contracting Group Ltd. completed in 2013 to secure greater participation in the MRO market in northern Alberta through the execution of self-perform mechanical process work for existing clients. Also, the Company will further leverage its earth moving and civil capabilities gained through the acquisition of H.J. O'Connell Ltd. into industrial markets in western Canada, enhancing our existing relationships and self-perform operations. Additional service offerings will be introduced to help secure opportunities presented by the federal government's mandate to invest in indigenous communities, environmental initiatives and transportation projects. The Company's goal is to leverage its areas of expertise to participate more fully in these markets on selective projects where it can develop a compelling win strategy.

As part of the Company's growth strategy, the Company will use its existing relationships in established markets to expand its work program. As one of only a few general contractors in Canada that possess a national footprint, Bird looks to deepen its relationship with existing commercial clients that have a portfolio of properties and development opportunities both regionally and across Canada while also seeking to foster new client relationships. Historically, in western Canada the Company's industrial work program has been focused on the oil sands where it has secured a reputation as a safe, reliable and cost effective general contractor. In the coming year, the Company will leverage these proven capabilities to develop clients and work programs in all western Canadian provinces. Similarly, the Bird Heavy Civil division will broaden its established activities in the Labrador Trough region to secure similar opportunities in eastern Canada. This wider geographical scope will also support the need to develop additional clients, primarily in Quebec and Ontario, and reduce the division's reliance on the iron ore market. These efforts to develop new clients will require a commitment to business development and a recognition that program accomplishments will take time to mature, particularly given the current market conditions in the resource sector.

Build Efficiencies

As a primary initiative of the *Build the Business* pillar, Bird's strategy for *Build Efficiencies* is to drive business process improvements to extract potential savings from overheads. These savings will be reinvested into the Company's strategic initiatives. Increasing process efficiency, particularly for the operations team will also lead to greater engagement amongst the employee group and is anticipated to positively impact production as project teams will be able to dedicate more energy on project execution and less on administrative tasks.

Safe Production

At Bird, the single most important value is Safety and the goal is zero harm. Building on a highly reputable and proven safety program, this ongoing initiative will further the Company's commitment to embedding a *Safe Production* mindset throughout the project lifecycle, from estimating through to post-job assessment. It will require driving greater involvement and commitment from subcontractors and suppliers, and will further extend to fostering the safe planning and execution of Bird employee activities off the job. This holistic approach reflects the Company's fundamental belief that thinking and acting safely is not a switch that can, or should be, activated when arriving at or leaving the job site or workplace. Rather, it is a mindset that must be encouraged, nurtured and supported so that safe behaviours become a habit; repeatable, sustainable, and embedded in everything Bird staff do.

BUILD THE TEAM

Drive Positive Engagement & Become the Employer of Choice

The *Build the Team* pillar features a wide range of human resource program initiatives intended to enhance the employee experience, *Drive Positive Engagement*, and create a more mobile, better trained, better led, and more productive workforce. Bird's success is highly dependent on the Company's ability to attract, develop and retain a highly skilled workforce at all levels within the organization including executives, management, professional staff and craft workers by *Becoming the Employer of Choice*, which is the second initiative of *Build the Team*. Through the strategic planning process, a number of key priorities and challenges pertaining to the recruitment, development and retention of employees were identified. The Company will work to improve its human resource management processes to better support its recruitment, onboarding, and performance management programs. This will help elevate the employee experience at Bird by facilitating effective talent management and mobility across the organization.

Grow Our Talent

While creating a positive and safe work environment at Bird is non-negotiable, the Company is equally committed to providing employees, and potential employees, with interesting and challenging work and opportunities to *Grow Our Talent* in a welcoming environment where people can build a successful career in every aspect of the business. Contributing to talent growth is the development of improved employee resource materials including an updated employee handbook, onboarding resources and the delivery of updated Bird Core Construction Training modules across the Company. A key element in the Company's talent growth plan is the enhancement of a meaningful employee recognition program. By continuously developing and refining policies and programs to engage 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, the Company is able to recruit, develop and retain top talent while ensuring compensation programs remain market competitive.

BUILD RELATIONSHIPS

One Company, One Team

Recognizing that the construction industry has evolved and projects are getting more complex, Bird has deployed the *One Company, One Team* initiative that considers a holistic, company-wide approach to work more efficiently and effectively. One of the primary goals of this initiative is to identify and share the expertise across the Company to enhance effective deployment of human resources on the best opportunities, regardless of employees' geographic location. By promoting a more mobile workforce and increasing collaboration the Company will leverage its talent for targeted opportunities to secure greater outcomes.

Creating a Customer 1st Attitude

A primary initiative of the *Build Relationships* pillar, the *Creating a Customer 1st Attitude*, targets the development of stronger client relationships. The Company has traditionally focused on operational excellence and execution of its work program as a means to develop client relationships. While this has served the Company well in terms of delivering consistent results and developing repeat clients, there is a need to invest more resources in strengthening existing client relationships and developing new ones. This is consistent with Bird's strategy of targeting work with clients that welcome innovation and position the Company to add value. Bird will continue to target complex work, a market the Company has successfully performed in and one where the competition will be like-minded contractors with similar cost structures and approaches to risk and reward. Clients that seek a longer term, mutually beneficial relationship align well with the *Build Bird* five-year strategic plan.

Corporate Social Responsibility

Bird believes in being a good corporate citizen and supporting the communities in which it works and its employees live. In addition, employees increasingly wish to align themselves with a company that gives back and is socially responsible. Bird's *Corporate Social Responsibility* initiative includes Indigenous Cultural Awareness training for all employees which builds upon the Company's Indigenous Engagement Policy. Furthermore, establishment of the *Bird Foundation*, a formal conduit for tabulating and communicating Bird community donations and contributions, will provide greater direction to the Company's community engagement while driving increased employee participation and engagement.

KEY PERFORMANCE DRIVERS

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

In order to achieve this, new work must be available, which is a function of the general state of the economy. In periods of strong economic growth, capital spending will generally increase and there will be more opportunities available in the construction industry. In economic downturns, fewer opportunities typically exist and competition for those opportunities becomes even more intense, generally resulting in lower gross profit percentages. The Company must be successful in securing profitable work when it is available. The construction industry is highly fragmented and accordingly, the Company competes with a number of international, national, regional and local construction firms. One of the Company's competitive advantages rests in its long-standing reputation for successfully delivering high quality projects that fully meet the needs of the customer, which enables the Company to secure repeat business from existing clients and win work with new 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 \$1,248.5 million at March 31, 2017 compared with \$1,137.0 million at December 31, 2016. The Company has been successful in securing many smaller but strategic projects with opportunities to win additional work packages as the Company looks to diversify its revenue streams into new markets and with new clients. The Company did experience an increase in pursuit activity related to PPP and alternative finance projects in the first quarter of 2017. In the quarter, the Company was working on two major project proposals, one of which has been submitted. There were also a number of major project opportunities that were in the early stages of teaming or bid qualification.

In the first quarter of 2017, the Company announced it has signed contracts for the design and construction of the Mental Health Facility and Energy Centre at Royal Columbian Hospital and the Hamilton Biosolids project.

(in thousands of Canadian dollars)	<u>March 31,</u> <u>2017</u>	<u>March 31,</u> <u>2016</u>	<u>December 31,</u> <u>2016</u>
Backlog	\$ 1,248,500	\$ 1,592,010	1,137,000

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</u> <u>March 31, 2017</u>	<u>Three months ended</u> <u>March 31, 2016</u>	<u>Year ended</u> <u>2016</u>
Gross Profit Percentage	3.8%	7.7%	5.8%

In the first quarter of 2017, the Company realized a Gross Profit Percentage of 3.8% compared with 7.7% in the first quarter of 2016. The reduction in Gross Profit Percentage reflects the year-over-year decrease in contribution from the industrial work program. Specifically, in the first quarter of 2016 the Company was working on completing several large industrial projects. Those projects were substantially completed in the fourth quarter of 2016. The Gross Profit Percentage realized on those large industrial projects was higher than the Gross Profit Percentage earned on the current commercial and institutional work program. In addition, through the course of 2016 the business worked to match its cost structure with the progressive decline in the industrial work program. However, in the first quarter of 2017, the Company carried expenses associated with a number of key resources required to execute work identified in the balance of 2017, negatively impacting gross profit. As a result of these factors, the Gross Profit Percentage reported in the first quarter of 2017 is comparatively lower than the same period a year ago.

Financial Condition

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

(in thousands of Canadian dollars)	March 31, 2017	March 31, 2016	December 31, 2016
Working capital	\$ 109,351	\$ 123,756	\$ 118,043
Shareholders' equity	\$ 158,284	\$ 172,191	\$ 163,566

Cash flows from operations before changes in non-cash working capital was insufficient to offset dividend payments, capital expenditures and an increase in income taxes payable, resulting in a first quarter decline of working capital of \$8.7 million.

The decrease in the amount of the Company's shareholders' equity since December 31, 2016 is a result of a combination of the \$4.1 million dividends declared and the \$1.1 million net loss in the first quarter.

The Company has adequate amounts of both working capital and equity to operate the business. The Company expects resource prices to remain low through 2017 and recognizes that the construction industry generally lags the recovery of the underlying resource prices. These market conditions and the subsequent reduction of the industrial work program combined with the anticipated increase in PPP and alternative finance project activity, which requires a healthy balance sheet, led to a decision by the Company and its Board of Directors to reduce the amount of dividends paid commencing in 2017. The reduction in the amount of the monthly dividend is expected to help maintain adequate equity and working capital to support execution of the Company's diversification strategy.

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 2017, Bird executed 749,365 person-hours of work, incurring one lost time incident (LTI) for an LTI frequency of 0.27.

Lost Time Incident Frequency

Three months ended March 31, 2017	Three months ended March 31, 2016	Year ended December 31, 2016
0.27	0.00	0.00

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2017 COMPARED WITH THREE MONTHS ENDED MARCH 31, 2016

In the first quarter of 2017, the Company recorded a net loss of \$1.1 million on construction revenue of \$309.8 million compared with net income of \$9.3 million and \$338.3 million of construction revenue recorded in the first quarter of 2016. First quarter construction revenue of \$309.8 million in 2017 was \$28.5 million or 8.4% lower than the \$338.3 million recorded a year ago. As expected, the Company's industrial revenues declined relative to those recorded in 2016, primarily owing to a reduced work program resulting from the successful completion of several large scale projects during the remainder of 2016 and the general state of the market in a low commodity price environment. The Company continues to successfully execute on its significant commercial and institutional work program, including many PPP and alternative finance projects.

The Company's first quarter gross profit of \$11.9 million was \$14.2 million or 54.5% lower than \$26.1 million recorded a year ago. The Company's first quarter 2017 Gross Profit Percentage of 3.8% compares to 7.7% recorded a year ago. The decrease in the amount of first quarter 2017 earnings is reflective of the low volume of industrial project backlog carried into 2017 as several large industrial projects were substantially completed in the fourth quarter of 2016. In the first quarter of 2016, the Company benefitted from a higher proportion of industrial work than in 2017 which was predominantly characterized by more commercial and institutional projects. The first quarter of 2017 was further negatively impacted by carrying the expense associated with key resources required for work identified in the 2017 industrial market.

In the first quarter of 2017, general and administrative expenses of \$13.8 million (4.5% of revenue) compares with \$13.6 million (4.0% of revenue) in 2016. In the first quarter of 2017, the Company spent \$0.6 million in pursuit costs which is \$0.6 million higher than the first quarter in the prior year.

Finance income in the first quarter of 2017 of \$1.0 million is comparable to the \$1.1 million recorded in the same period of 2016.

Finance and other costs of \$0.6 million were \$0.2 million lower than the \$0.8 million reported in the comparable period of 2016. The decrease is primarily due to the Company observing year-over-year improvement in equity income from investments in associates in the first quarter of 2017.

In the first quarter of 2017, income tax recovery of \$0.4 million was \$3.8 million lower than 2016 income tax expense of \$3.4 million, consistent with the pre-tax loss in first quarter of 2017.

FUTURE OPERATING PERFORMANCE

At March 31, 2017, the Company is carrying a Backlog of \$1,248.5 million, representing an increase from the \$1,137.0 million carried at the end of 2016. The primary driver of the increase in backlog was the award of the Mental Health Facility and Energy Center at the Royal Columbian Hospital coupled with success in securing many smaller but strategic projects, including a biosolids management facility in Hamilton, Ontario. The current Backlog is characterized by a higher composition of commercial and institutional work compared with the last

several years, a result of the success in securing a significant number of contract awards in this sector since 2015. As anticipated, the Backlog attributable to the industrial work program has declined as clients continued to limit capital spending in response to the low commodity price environment.

The Company expects activity in the industrial and resource sectors to remain modest through the remainder of 2017. The improvement in commodity prices experienced later in 2016 has remained relatively stable through the first quarter of the year, which has contributed to an increase in bidding activity, particularly in the mid-stream oil and gas market in western Canada and mining operations in eastern Canada. However, for opportunities that are available competition is heightened, placing downward pressure on fees and the award cycle is more drawn out as clients continue to have a measured approach to spending. With respect to the commercial and institutional market sector, there is a healthy pipeline of opportunities anticipated in 2017, characterized by numerous PPP and alternative finance projects. During the first quarter of 2017, the Company was working on two major project proposals, one of which was submitted in the quarter. In addition, there were also a number of other PPP and alternative finance project opportunities that were in the prequalification stage of the procurement process, a sign that the anticipated activity in this market sector is materializing generally as expected. Successful award of any of these opportunities in 2017 will primarily benefit subsequent years. Consequently, with reduced gross profits available in the industrial market, the increased cost to pursue PPP and alternative finance projects and the expected timing of gross profit realization of those projects if secured, the Company anticipates that 2017 will see a significant reduction in earnings from 2016.

The institutional market sector contributed 56% of 2016 revenues (34% in 2015). In the institutional sector, investment by the various levels of government is expected to increase in 2017 to address the infrastructure deficit and boost economic activity. The federal government has announced a number of infrastructure funding programs with specific emphasis on post-secondary education, public transit systems, environmental or green initiatives and community projects, including projects to specifically address infrastructure needs in indigenous communities. While funding for these infrastructure programs has been announced, actual projects have been slow to emerge, although the Company anticipates this to change, particularly as it relates to indigenous and environmental projects. The Company is well positioned to benefit from this increase in infrastructure investment, inclusive of the numerous PPP and alternative finance projects, and is actively pursuing a number of these opportunities that are currently available. The revenue and earnings contribution in 2017 derived from the institutional sector is expected to be strong.

The industrial market sector contributed 29% of 2016 revenues (51% in 2015). Though the uncertainty in the energy sector in western Canada has resulted in a reduction in the number and size of construction opportunities, it is expected that new projects primarily in the midstream oil and gas market segment will be available. The Company is well positioned to pursue these opportunities, although competition is expected to remain intense placing downward pressure on fees. Similarly, lower iron ore and commodity prices have resulted in a reduction in the number and size of construction opportunities for Bird Heavy Civil in eastern Canada in the past several years. More recently there has been an increase in bidding activity for mining related opportunities, although this has not translated into any significant wins for the Company owing primarily to heavy price competition. The challenging economic environment related to resource development that has persisted since 2014 is not expected to change significantly in 2017. While we continue to receive new contract awards in the industrial sector, the projects are smaller and shorter cycle in nature and have been secured at lower margins due to the increased level of competition. Accordingly, we expect the revenue and gross profits in this sector to continue to be under pressure in 2017.

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

Backlog

During the first quarter of 2017, the Company secured \$421.3 million in new construction contracts (including change orders to existing contracts) and put in place \$309.8 million of work resulting in a Backlog at March 31, 2017 of \$1,248.5 million. The following table outlines the changes in the amount of the Company's Backlog throughout the current and prior fiscal years.

Backlog		
(in millions of Canadian dollars)		
December 31, 2015	\$	1,662.8
Securement and Change Orders in 2016		1,064.1
Realized in construction revenues in 2016		<u>(1,589.9)</u>
December 31, 2016	\$	1,137.0
Securement and Change Orders in 2017		421.3
Realized in construction revenues in 2017		<u>(309.8)</u>
March 31, 2017	\$	<u><u>1,248.5</u></u>

ACCOUNTING POLICIES

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

Future accounting changes

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

On May 28, 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11 *Construction contracts* and IAS 18 *Revenue*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. On April 12, 2016, the IASB issued *Clarifications to IFRS 15, Revenue from Contracts with Customers*, which is effective at the same time as IFRS 15. The clarifications to IFRS 15 provide additional guidance with respect to the five step analysis, transition, and the application of the Standard to licenses of intellectual property. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

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

SUMMARY OF QUARTERLY RESULTS

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

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

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

	2015			2016				2017
	Q2	Q3 *	Q4	Q1	Q2	Q3	Q4**	Q1
Revenue	335,322	389,878	413,443	338,294	413,195	407,663	430,716	309,755
Net income/(loss)	10,815	(5,616)	11,556	9,343	3,886	5,975	5,798	(1,141)
Earnings/(loss) per share	0.25	(0.13)	0.28	0.22	0.09	0.14	0.14	(0.03)

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

** The fourth quarter 2016 includes a net non-cash after-tax equipment impairment charge of \$2.7 million.

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY

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

(in thousands of Canadian dollars)	March 31, 2017	December 31, 2016
Financial Position Data		
Cash and cash equivalents	\$ 160,527	\$ 261,876
Non-cash working capital	(51,176)	(143,833)
Working capital	109,351	118,043
Long-term debt	9,355	8,623
Shareholders' equity	158,284	163,566

Although the Company has adequate amounts of both working capital and equity, the expectation of a weaker industrial market in the near term with the resultant negative impact on earnings combined with the anticipated increase in PPP and alternative finance project activity, which requires a healthy balance sheet, has led to a decision by the Company and its Board of Directors to reduce the amount of dividends paid. Commencing in January 2017 for shareholders of record, the dividend was reduced from \$0.0633 to \$0.0325 per common share per month. The reduction in the amount of the monthly dividend is expected to help maintain adequate equity and working capital to support execution of the Company's diversification strategy.

As a component of working capital, the Company maintains a balance of cash and cash equivalents. At March 31, 2017, this balance amounted to \$160.5 million. The non-cash net current asset/liability position was in a net

liability position of \$51.2 million at March 31, 2017, compared to a net liability position of \$143.8 million at December 31, 2016. The non-cash net current asset/liability position fluctuates significantly in the normal course of business from period to period, primarily due to the timing of differences between the settlement of payables due to subcontractors and suppliers, billings and collection of receivables from clients, and also the timing in the settlement of income taxes payable. The Company's cash balances absorb these fluctuations with no net impact to the Company's net working capital position or ability to access contract surety support. The Company believes it has sufficient working capital to support its current and expected contract security requirements.

Credit Facilities

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

Operating Lines of Credit

a) *Committed revolving line of credit:*

The Company has a committed revolving credit facility of up to \$55.0 million, with a Canadian chartered bank. The term of the facility was also extended and now matures December 31, 2019. This facility may be used in the normal course of business for general working capital purposes, to issue non-collateralized letters of credit, fund future capital expenditures and qualifying permitted acquisitions. At March 31, 2017, the Company has \$2.7 million in letters of credit outstanding on this facility and has drawn \$5.0 million on this facility. The \$5.0 million draw is presented as long term debt on the Company's statement of financial position as the facility matures in 2019.

b) *Committed revolving line of credit facility:*

A subsidiary of the Company has a \$25.0 million committed revolving credit facility, maturing on June 10, 2018. The facility may be used to finance normal course operations. Borrowings under this facility are secured by a first charge against the net assets of the subsidiary. As at March 31, 2017, the balance drawn on this facility is nil.

Letters of Credit Facilities

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

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

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

(in thousands of Canadian dollars)	<u>March 31, 2017</u>	<u>March 31, 2016</u>	<u>December 31, 2016</u>
Committed revolving line of credit	\$ 55,000	\$ 55,000	\$ 55,000
Letters of credit facilities	\$ 122,000	\$ 122,000	\$ 122,000
Letters of credit issued	\$ 33,586	\$ 34,452	\$ 34,028
Collateral pledged to support letters of credit	\$ 26,204	\$ 29,578	\$ 29,244
Guarantees provided by EDC	\$ 4,891	\$ 4,891	\$ 4,891

The reduction in the amount of outstanding letters of credit as at the end of the first quarter of 2017 compared to the end of 2016 is primarily the result of the letters of credit maturing on their scheduled expiration dates.

Equipment Financing

The Company and its subsidiaries have a committed term credit facility of up to \$25.0 million to be used to finance equipment purchases. Borrowings under the facility are secured with a first charge on the equipment being financed. As of March 31, 2017, the facility is undrawn. Interest on the facility can be charged at a fixed rate based on the Bank of Canada bond rate plus a spread. Interest is paid monthly in arrears.

In addition, subsidiaries of the Company have equipment acquisition lines of credit for \$62.5 million with the financing arms of several major heavy equipment suppliers to finance the purchase of equipment. Draws under this facility are typically recognized as operating leases for accounting purposes. At March 31, 2017, the Company has used \$8.6 million under the facilities (\$6.4 million at December 31, 2016). The Company's total lease commitments are outlined under Contractual Obligations.

At March 31, 2017, 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 2017, the Company did not issue new debt, excluding finance lease and non-recourse project financing and made \$0.9 million in principal repayments (including finance lease repayments).

The following table provides details of outstanding debt as at March 31, 2017, and principal repayments due over the next five years, excluding the amortization of debt financing costs, finance lease liabilities and non-recourse project financing.

(in thousands of Canadian dollars)						
Debt	Amount	Year 1	Year 2	Year 3	Year 4	Year 5
Loans and borrowings	\$ 10,238	\$ 2,424	\$ 1,578	\$ 5,655	\$ 581	\$ -

Cash Flow Data

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

(in thousands of Canadian dollars)	Three months ended March 31,	
	2017	2016
Cash Flow Data		
Cash flows from operations before changes in non-cash working capital	\$ 2,070	\$ 15,008
Changes in costs and estimated earnings in excess of billings - alternative finance projects	(13,130)	(5,047)
Changes in non-cash working capital and other	(88,276)	8,222
Cash flows from (used in) operating activities	(99,336)	18,183
Cash flows used in investing activities	(945)	(871)
Dividends paid on shares	(5,454)	(8,074)
Proceeds from non-recourse project financing	5,245	4,091
Repayment of loans and borrowings	(859)	(3,115)
Cash flows used in financing activities	(1,068)	(7,098)
Increase (decrease) in cash and cash equivalents	\$ (101,349)	\$ 10,214

Operating Activities

During the first quarter of 2017, cash flows from operating activities used cash of \$99.3 million compared with cash generated of \$18.2 million in 2016. In the first quarter of 2017, cash flow from operations was comprised of \$2.1 million of cash generated from operating activities before changes in non-cash working capital and a \$101.4 million use of cash derived from changes in non-cash working capital and other items. In the first quarter of 2016, the comparative amounts were \$15.0 million of cash generated from operations before changes in non-cash working capital and \$3.2 million of cash generated from changes in non-cash working capital and other items. The year-over-year decrease in cash flow from operations before changes in non-cash working capital in the first quarter of 2017 is primarily the result of the \$1.1 million net loss in the quarter compared to \$9.3 million net income in the first quarter of 2016. In the first quarter of 2017, changes in the amount of non-cash working capital used cash in total of \$101.4 million compared to generating cash of \$3.2 million in the first quarter of 2016. The primary drivers of the change are the decrease in accounts payable, increase in income tax payments and an increase in costs and estimated earnings in excess of billings from the alternative finance projects offset by a reduction in accounts receivable. Proceeds from the non-recourse debt relating to alternative finance projects are included in financing activities.

Investing Activities

During the first quarter of 2017, the Company used \$0.9 million of cash in investing activities which is similar to the use of cash in the first quarter of 2016. The amount of cash used to purchase property and equipment in the first quarter of 2017 of \$1.7 million increased by \$1.2 million compared to the \$0.5 million used in the first quarter of 2016 and reflects contract driven equipment requirements. The Company generated \$0.6 million in cash in the current quarter from the sale of property and equipment. During the first quarter of 2017, the Company used \$0.3 million cash for equity contributions into projects that the Company has acquired minority equity interests in, compared to \$nil used in the first quarter of 2016.

Financing Activities

During the first quarter of 2017, the Company used \$1.1 million of cash from financing activities compared with a use of cash of \$7.1 million in the first quarter of 2016. The net reduction in the amount of cash used in financing activity in 2017 is primarily a result of the reduction of dividends paid and the repayment of loans and borrowings. Dividend payments in the first quarter of 2017 were lower than the first quarter of 2016 due to the reduction of the 2017 monthly dividend rate to \$0.0325 per share.

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, 2016 to March 31, 2016	\$0.1900
April 1, 2016 to June 30, 2016	\$0.1900
July 1, 2016 to September 30, 2016	\$0.1900
October 1, 2016 to December 31, 2016	\$0.1900
January 1, 2017 to March 31, 2017	\$0.0975

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, 2017, the Company has future contractual obligations of \$488.5 million. Obligations for accounts payable, finance and operating annual lease payments and for principal repayments, including interest, under long-term debt over the next five years are:

(thousands of dollars)	Accounts Payable	Finance Leases	Operating Leases	Non- recourse Project Financing	Long-Term Debt	Total
2017	\$ 345,907	642	4,379	28,074	1,908	380,910
2018	26,224	513	4,635	37,121	2,103	70,596
2019	3,500	476	3,651	-	5,755	13,382
2020	-	455	3,460	-	835	4,750
2021	-	299	3,007	-	-	3,306
Thereafter	-	-	15,532	-	-	15,532
	<u>\$ 375,631</u>	<u>2,385</u>	<u>34,664</u>	<u>65,195</u>	<u>10,601</u>	<u>488,476</u>

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 \$15.8 million at March 31, 2017.

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, 2017 and December 31, 2016.

At March 31, 2017, 565,000 stock options are outstanding with a weighted average exercise price of \$13.61 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, 2017, 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, 2017, 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, 2017 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

RISKS RELATING TO THE BUSINESS

The following discussion addresses the more significant risk factors relating to the business. For a detailed discussion of all risk factors relating to the business, refer to the Company's most recently filed Annual Information Form dated March 14, 2017, 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 generally tied to the state of the economy. Thus, in periods of strong economic growth, capital spending will generally increase and there will be more and better quality opportunities available within the construction industry. Investment decisions by our clients are based on long-term views of the economic viability of their current and future projects, sometimes based upon the clients' view of the long-term prices of commodities which are influenced by many factors. If our clients' outlook for their current and future projects is not favourable, this may lead them to delay, reduce or cancel capital project spending and may make them more sensitive to construction costs. A prolonged downturn in the economy could impact Bird's ability to generate new business or maintain a backlog of contracts with acceptable margins to sustain Bird through such downturns.

As noted above, Bird attempts to insulate itself in various ways from the effects of negative economic conditions; however, there is no assurance that these methods will be effective in insulating Bird from a downturn in the economy. Furthermore, as a result of increased demand in certain regions or industry sectors, the Company has, in the past, earned above-average margins on particular projects. There is also no assurance that above-average margins that may have been generated on historical contracts can be generated in the future.

Competitive Factors

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

Ability to Secure Work

Bird generally secures new contracts either through a competitive bid process or through negotiation. Awards in both the public and private sectors are generally based upon price, but are also influenced and sometimes formally based on other factors, such as the level of services offered, safety record, construction schedule, design (if applicable), project personnel, the consortium, joint venture and subcontractor team, prior experience with the prospective client and/or the type of project, and financial strength including the ability to provide bonds and other contract security.

In order to be afforded an opportunity to bid for large projects and in the PPP market, a strong balance sheet measured in terms of an adequate level of working capital and equity is typically required. Bird operates in markets that are highly competitive and there is constant pressure to find and maintain a competitive advantage. In the current economic climate, competition is intense. This presents significant challenges for the Company. If those competitive challenges are not met, Bird's client base could be eroded or it could experience an overall reduction in profits.

A decline in demand for Bird's services from the private sector could have an adverse impact on the Company if that business could not be replaced within the public sector. A portion of Bird's construction activity relates to government-funded institutional projects. Any reduction in demand for Bird's services by the public sector, whether as a result of funding constraints, changing political priorities or delays in projects caused by elections or other factors, could have an adverse impact on the Company if that business could not be replaced within the private sector.

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

Estimating Costs/Assessing Contract Risks

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

Performance of Subcontractors

Successful completion of a contract by Bird depends, in large part, on the satisfactory performance of its subcontractors who are engaged to complete the various components of the work. Subcontractor defaults tend to increase during depressed market conditions. If subcontractors fail to satisfactorily perform their portion of the work, Bird may be required to engage alternate subcontractors to complete the work and may incur additional costs. This can result in reduced profits or, in some cases, significant losses on the contract and possible damage to Bird's reputation.

In addition, the ability of Bird to bid for and successfully complete projects is, in part, dependent on the availability of qualified subcontractors and trades people. Depending on the value of a subcontractor's work, Bird may require some form of performance security and achieves this through the use of surety bonds, subcontractor default insurance or other forms of security from the subcontractor to mitigate Bird's exposure to the risks associated with the subcontractor's performance and completion. A significant shortage of qualified subcontractors and trades people or the bankruptcy of a subcontractor could have a material impact on Bird's financial condition and results of operations.

Maintaining Safe Work Sites

Despite Bird efforts to minimize the risk of safety incidents, they can occur from time to time and, if and when they do, the impact on Bird can be significant. Bird's success as a general contractor is highly dependent on its ability to keep its construction work sites and offices safe and any failure to do so can have serious impact on the personal safety of its employees and others. In addition, it can expose Bird to contract termination, fines, regulatory sanctions or even criminal prosecution.

Bird's safety record and worksite safety practices also have a direct bearing on its ability to secure work, particularly in the industrial sector. Certain clients will not engage particular contractors to perform work if their safety practices do not conform to predetermined standards or if the general contractor has an unacceptably high incidence of safety infractions or incidents.

Bird adheres to very rigorous safety policies and procedures which are continually reinforced on its work sites and offices. Management is not aware of any pending health and safety legislation or prior incidents which would be likely to have a material impact on any of Bird's operations, capital expenditure requirements, or competitive position. Nevertheless, there can be no guarantee with respect to the impact of future legislation or incidents.

Ability to Hire and Retain Qualified and Capable Personnel

The success of Bird is highly influenced by the efforts of key members of management, including its executive officers and district managers. The loss of the services of any of Bird's key management personnel could negatively impact Bird. The future success of Bird also depends heavily on its ability to attract, retain and develop high-performing personnel in all areas of its operations.

Most firms throughout the construction industry face this challenge and, accordingly, competition for professional staff is intense. If Bird ceases to be seen by current and prospective employees as an attractive place to work, it could experience difficulty in hiring and retaining an adequate level of qualified staff. This could have an adverse effect on current operations of Bird and would limit its prospects and impair its future success.

TERMINOLOGY

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

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

FORWARD-LOOKING INFORMATION

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

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. In particular, this MD&A includes many such forward-looking statements and the Company cautions the reader that such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of the Company to be materially different from the Company's estimated future results, performance or achievements expressed or implied by those forward-looking statements and the forward-looking statements are not guarantees of future performance. Risks that may impact the Company's future results, performance or achievements include those described under "Risks Relating to the Business" in this MD&A and in the Company's Annual Information Form dated March 14, 2017 filed and available on SEDAR. The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, events or otherwise.



Unaudited Condensed Consolidated Interim Financial Statements

For the three month periods ended March 31, 2017 and 2016

Notice required under National Instrument 51-102

The attached condensed 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
As at March 31, 2017 and December 31, 2016
(in thousands of Canadian dollars)
(unaudited)

	Note	March 31, 2017	December 31, 2016
ASSETS			
Current assets:			
Cash	22	\$ 145,138	\$ 246,519
Bankers' acceptances and short-term deposits	22	15,389	15,357
Accounts receivable	6	375,308	391,804
Costs and estimated earnings in excess of billings		11,916	10,047
Costs and estimated earnings in excess of billings - alternative finance projects	5	79,573	66,443
Inventory		542	567
Prepaid expenses and other assets		1,806	2,688
Income taxes recoverable		10,614	9,900
Total current assets		<u>640,286</u>	<u>743,325</u>
Non-current assets:			
Other long-term assets	7	3,239	3,680
Property and equipment	9	45,935	45,517
Deferred income tax asset	12	9,833	6,737
Intangible assets	10	1,568	1,735
Goodwill	10	16,389	16,389
Total non-current assets		<u>76,964</u>	<u>74,058</u>
TOTAL ASSETS		<u>\$ 717,250</u>	<u>\$ 817,383</u>
LIABILITIES			
Current liabilities:			
Accounts payable		\$ 373,348	\$ 458,673
Deferred contract revenue		79,979	76,518
Dividends payable to shareholders		1,382	2,691
Income taxes payable		1,576	18,557
Non-recourse project financing	5	64,498	59,222
Current portion of loans and borrowings	11	3,197	2,765
Provisions	17	5,190	5,287
Other liabilities	13	1,765	1,569
Total current liabilities		<u>530,935</u>	<u>625,282</u>
Non-current liabilities:			
Loans and borrowings	11	9,355	8,623
Deferred income tax liability	12	13,370	14,726
Investment in associates	8	289	881
Other liabilities	13	5,017	4,305
Total non-current liabilities		<u>28,031</u>	<u>28,535</u>
SHAREHOLDERS' EQUITY			
Shareholders' capital	15	42,527	42,527
Contributed surplus		1,936	1,932
Retained earnings		113,821	119,107
Total shareholders' equity		<u>158,284</u>	<u>163,566</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>\$ 717,250</u>	<u>\$ 817,383</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
For the three month periods ended March 31, 2017 and 2016
(in thousands of Canadian dollars, except per share amounts)
(unaudited)

	Note	March 31, 2017	March 31, 2016
Construction revenue		\$ 309,755	\$ 338,294
Costs of construction		<u>297,887</u>	<u>312,219</u>
Gross profit		<u>11,868</u>	<u>26,075</u>
General and administrative expenses		<u>13,789</u>	<u>13,573</u>
Income (loss) from operations		(1,921)	12,502
Finance income	18	968	1,056
Finance and other costs	19	<u>(628)</u>	<u>(824)</u>
Income (loss) before income taxes		(1,581)	12,734
Income tax expense (recovery)	12	<u>(440)</u>	<u>3,391</u>
Net income (loss) and comprehensive income (loss) for the period		<u>\$ (1,141)</u>	<u>\$ 9,343</u>
Basic and diluted earnings (loss) per share	16	<u>\$ (0.03)</u>	<u>\$ 0.22</u>

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

BIRD CONSTRUCTION INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the three month periods ended March 31, 2017 and 2016
(in thousands of Canadian dollars, except per share amounts)
(unaudited)

	Note	Shareholders' Capital	Contributed surplus	Retained earnings	Total Equity
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	14	-	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		<u>\$ 42,527</u>	<u>\$ 1,993</u>	<u>\$ 127,671</u>	<u>\$ 172,191</u>
Dividends per share declared during the three month period ended March 31, 2016				\$ 0.19	
Balance at December 31, 2016		\$ 42,527	\$ 1,932	\$ 119,107	\$ 163,566
<i>Contributions by and dividends to owners</i>					
Stock-based compensation expense	14	-	4	-	4
Dividends declared to shareholders		-	-	(4,145)	(4,145)
Net income (loss) and comprehensive income (loss) for the period		-	-	(1,141)	(1,141)
Balance at March 31, 2017		<u>\$ 42,527</u>	<u>\$ 1,936</u>	<u>\$ 113,821</u>	<u>\$ 158,284</u>
Dividends per share declared during the three month period ended March 31, 2017				\$ 0.10	

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

BIRD CONSTRUCTION INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three month periods ended March 31, 2017 and 2016
(in thousands of Canadian dollars)
(unaudited)

	Note	March 31, 2017	March 31, 2016
Cash flows from (used in) operating activities:			
Net income (loss) and comprehensive income (loss) for the period		\$ (1,141)	\$ 9,343
Items not involving cash:			
Amortization	10	174	163
Depreciation	9	2,769	2,217
(Gain) loss on sale of property and equipment		(98)	16
Finance income	18	(968)	(1,056)
Finance and other costs	19	628	824
Deferred compensation plan expense and other		1,142	79
Income tax expense (recovery)	12	(440)	3,391
Stock-based compensation expense	14	4	31
Cash flows from operations before changes in non-cash working capital		<u>2,070</u>	15,008
Changes in non-cash working capital relating to operating activities	22	(67,507)	12,344
Changes in non-cash working capital relating to alternative finance projects	5	(13,130)	(5,047)
Dividends and interest received		1,355	274
Interest paid		(417)	(162)
Income taxes paid		(21,707)	(4,234)
Cash flows from (used in) operating activities		<u>(99,336)</u>	<u>18,183</u>
Cash flows from (used in) investing activities:			
Investment in associates	8	(313)	-
Additions to property and equipment	9	(1,695)	(529)
Additions to intangible assets	10	(7)	(7)
Proceeds on sale of property and equipment		629	24
Other long-term assets		441	(359)
Cash flows used in investing activities		<u>(945)</u>	<u>(871)</u>
Cash flows from (used in) financing activities:			
Dividends paid on shares		(5,454)	(8,074)
Proceeds from non-recourse project financing	5	5,245	4,091
Repayment of loans and borrowings	11	(859)	(3,115)
Cash flows used in financing activities		<u>(1,068)</u>	<u>(7,098)</u>
Net increase (decrease) in cash and cash equivalents during the period		(101,349)	10,214
Cash and cash equivalents, beginning of the period		<u>261,876</u>	<u>218,756</u>
Cash and cash equivalents, end of the period	22	<u>\$ 160,527</u>	<u>\$ 228,970</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
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2017 AND 2016
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE AMOUNTS)
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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 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 12, 2017 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”).

(c) Basis of measurement:

These unaudited condensed consolidated interim financial statements have been prepared using the historical cost convention, except for the valuation of certain financial assets 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.

(d) Use of estimates and judgments:

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent assets and liabilities at the reporting date.

Uncertainty about these assumptions and estimates could result in a material adjustment to the carrying amount of an asset or liability and/or the reported amount of revenue and expense in future periods. 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

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recognition policy (see note 3(b) in the Company's December 31, 2016 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, 2016 annual consolidated financial statements related to revenue recognition (note 3 (b)), joint arrangements (note 3 (q)), and the classification of leases (note 3 (t)).

3. Summary of significant accounting policies

The accounting policies applied in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Company's December 31, 2016 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, 2017, 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

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cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model. The Company intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

On May 28, 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11 *Construction contracts* and IAS 18 *Revenue*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. On April 12, 2016, the IASB issued *Clarifications to IFRS 15, Revenue from Contracts with Customers*, which is effective at the same time as IFRS 15. The clarifications to IFRS 15 provide additional guidance with respect to the five step analysis, transition, and the application of the Standard to licenses of intellectual property. The Company intends to adopt IFRS 15 and the clarifications 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.

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 (see note 22).

iii. Costs and estimated earnings in excess of billings:

Of the \$79,573 costs and estimated earnings in excess of billings as at March 31, 2017, \$30,461 relates to the Casey House project (December 31, 2016 - \$24,437). The cost and estimated earnings in excess of

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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 \$27,662 has been drawn down at March 31, 2017 (December 31, 2016 - \$26,896). 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 2017. 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%. The interest rate swap was executed on March 5, 2015 and expired on October 31, 2016. The notional amounts of the interest rate swap agreement matched the estimated draws under the loan facility. The interest rate swap agreement is not designated as a hedge, and changes in the fair market value are recorded in the statement of income and comprehensive income. At March 31, 2017, the interest rate swap liability is nil (December 31, 2016 - nil). An upfront arrangement fee of 0.95% on the total commitment was paid on financial close, and a commitment fee of 0.3% is also payable monthly on the unutilized portion of the facility. Interest expense on the loan in the first quarter ended March 31, 2017 of \$131 (March 31 2016 - \$68) is included in finance costs.

(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 22).

iii. Costs and estimated earnings in excess of billings:

Of the \$79,573 costs and estimated earnings in excess of billings as at March 31, 2017, \$49,112 relates to the Moncton Downtown Centre project (December 31, 2016 - \$42,006). 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 \$36,813 has been drawn at March 31, 2017 (December 31, 2016 - \$32,334). 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

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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%. The interest rate swap was executed on September 30, 2015 and expires on July 31, 2018. The notional amounts of the interest rate swap agreement matched the estimated draws under the loan facility. The interest rate swap agreement is not designated as a hedge, and changes in the fair market value are recorded in the statement of income and comprehensive income. At March 31, 2017, the interest rate swap liability of \$23 (December 31, 2016 - interest rate swap asset \$8) has been included in non-recourse project financing on the balance sheet. An upfront arrangement fee of 0.85% on the total commitment was paid on financial close, and a commitment fee of 0.21% is also payable monthly on the unutilized portion of the facility. Interest expense on the loan in the first quarter of 2017 of \$187 (March 31, 2016 - \$71) is included in finance costs.

The following table provides details of costs and estimated earnings in excess of billings - alternative finance projects as at March 31, 2017:

	Casey House	Moncton Downtown Centre	Total
Balance December 31, 2016	\$ 24,437	\$ 42,006	\$ 66,443
Changes in non-cash working capital relating to alternative finance projects	6,024	7,106	13,130
Balance March 31, 2017	<u>\$ 30,461</u>	<u>\$ 49,112</u>	<u>\$ 79,573</u>

The following table provides details of non-recourse project financing as at March 31, 2017:

	Casey House		Moncton Downtown Centre		Total
	Loan Facility	Interest Rate Swap	Loan Facility	Interest Rate Swap	
Balance December 31, 2016	\$ 26,896	\$ -	\$ 32,334	\$ (8)	\$ 59,222
Proceeds	766	-	4,479	-	5,245
Change in fair value of interest rate swap	-	-	-	31	31
Balance March 31, 2017	<u>\$ 27,662</u>	<u>\$ -</u>	<u>\$ 36,813</u>	<u>\$ 23</u>	<u>\$ 64,498</u>

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6. Accounts receivable

	March 31, 2017	December 31, 2016
Progress billings on construction contracts	\$ 242,044	\$ 265,379
Holdbacks receivable (due within one operating cycle)	127,872	120,531
Other	5,392	5,894
	\$ 375,308	\$ 391,804

Accounts receivable are reported net of an allowance for doubtful accounts of \$1,428 as at March 31, 2017, 2016 (\$1,524 - December 31, 2016).

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. Other long-term assets

	March 31, 2017	December 31, 2016
Subcontractor/Supplier insurance deposits	\$ 3,239	\$ 3,680

Subcontractor/Supplier insurance deposits relate to the Company's insurance policies which provides Bird with comprehensive coverage, subject to a deductible, in respect of subcontractor or supplier default on certain projects where the subcontractor or supplier is enrolled in the program. As at March 31, 2017, the funds held by the Company's subcontractor insurance providers amounted to \$3,239 (December 31, 2016 - \$3,680).

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8. Projects accounted for using the equity method

The Company performs some construction and concession related projects through non-consolidated entities. The Company's participation in these entities is conducted through joint ventures and associates and is accounted for using the equity method. The Company's joint ventures and associates are private entities and there is no quoted market value available for their shares.

The movement in the investment in projects accounted for using the equity method is as follows:

Projects accounted for using the equity method - December 31, 2016	(881)
Share of net income for the period	279
Contributions to projects accounted for using the equity method	313
 Projects accounted for using the equity method - March 31, 2017	 \$ (289)

The Company has recognized the losses related to its investments in associates and joint ventures, as the Company has an obligation to fund its proportionate share of the net liabilities of these entities.

9. Property and equipment

	March 31, 2017					Total
	Land	Buildings	Leasehold improvements	Equipment, trucks and automotive	Furniture and office equipment	
Cost						
Balance January 1, 2017	\$ 1,681	12,396	7,765	85,672	2,182	\$ 109,696
Additions	-	-	168	1,514	13	1,695
Additions under finance leases	-	-	-	2,023	-	2,023
Disposals	-	-	-	(4,088)	-	(4,088)
Balance March 31, 2017	\$ 1,681	12,396	7,933	85,121	2,195	\$ 109,326
Accumulated depreciation						
Balance January 1, 2017	\$ -	4,349	4,220	54,023	1,587	\$ 64,179
Disposals	-	-	-	(3,557)	-	(3,557)
Depreciation expense	-	204	101	2,428	36	2,769
Balance March 31, 2017	\$ -	4,553	4,321	52,894	1,623	\$ 63,391
 Net book value	 \$ 1,681	 7,843	 3,612	 32,227	 572	 \$ 45,935

The statement of cash flows for the quarter ended March 31, 2017 excludes additions of equipment totaling \$2,023 (March 31, 2016 - \$136) acquired and financed by finance leases and lessor inducements respectively.

The carrying value of equipment, trucks and automotive held under finance leases at March 31, 2017 is \$4,242 (December 31, 2016 - \$2,376).

There were no events or circumstances requiring an impairment loss to be recognized in the quarter ending March 31, 2017.

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10. Intangible assets and goodwill

	March 31, 2017				
	Customer relationships	Trade names	Computer software	Total Intangible assets	Goodwill
Cost					
Balance January 1, 2017	\$ 10,323	4,173	5,989	20,485	30,540
Additions	-	-	7	7	-
Balance March 31, 2017	\$ 10,323	4,173	5,996	20,492	\$ 30,540
Accumulated amortization					
Balance January 1, 2017	\$ 10,323	4,173	4,254	18,750	14,151
Amortization expense	-	-	174	174	-
Balance March 31, 2017	\$ 10,323	4,173	4,428	18,924	\$ 14,151
Net book value	\$ -	-	1,568	\$ 1,568	\$ 16,389

11. Operating and Equipment Lines of Credit and Loans and Borrowings

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, 2017, the lines were drawn for outstanding letters of credit of \$30,882 (December 31, 2016 - \$34,028).

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 as at March 31, 2017 (December 31, 2016 - \$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, 2017 of \$26,204 (December 31, 2015 - \$29,244).

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, 2017, the subsidiary has drawn \$nil (December 31, 2016 - \$nil) on this facility (see note 22). 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. The Company has a committed revolving credit facility up to \$55,000. The term of the facility was also extended and now matures December 31, 2019. As part of the agreement, the Company continues to provide a general secured interest in the assets of the Company. At March 31, 2017, the Company has \$2,704 letters of credit outstanding on the facility (December 31, 2016 - \$nil) and

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has drawn \$5,000 on the facility (December 31, 2016 - \$5,000). The full amount is recorded as non-current, as the facility is due and payable December 31, 2019. 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. Equipment facilities:

- i. The Company and its subsidiaries have a committed term credit facility of up to \$25,000 to be used to finance equipment purchases. Borrowings under the facility are secured by a first charge against the equipment financed using the facility. As of March 31, 2017, 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.
- ii. The Company and its subsidiaries obtained multiple fixed interest rate term loans which have been used to finance equipment purchases. The maturity dates of term loans outstanding at March 31, 2017 range from 2018 to 2020, and had an initial principal amount totaling \$8,444. These term loans bear interest at a range of fixed rates from 2.67% to 3.25%. Principal repayments and interest are payable monthly and these term loans are secured by specific equipment of the Company and its subsidiaries.
- iii. The Company and its subsidiaries obtained multiple variable interest rate term loans which have been used to finance equipment purchases. The maturity date of the term loan outstanding at March 31, 2017 is in 2018, and had an initial principal amount totaling \$2,645. This loan bears interest at a variable rate of 2.36%. Principal repayments and interest are payable monthly and this term loan is secured by specific equipment of the Company and its subsidiaries.
- iv. 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 (see note 20). At March 31, 2017, the subsidiaries had used \$8,587 under these facilities.

D. Term loan:

A subsidiary of the Company has a fixed rate term loan used to finance a building. The facility matures on September 28, 2020. Principal repayments in the amount of \$2 are payable monthly based upon a 25 year amortization period. The term loan facility was for an initial principal amount of \$424 and bears interest at a fixed rate of 2.12%.

E. Finance lease liabilities:

Finance leases relate to automotive equipment and mature between April 2017 and February 2022, and bear interest at the 30-day bankers' acceptance rate plus a spread. The Corporation has the option to purchase the automotive equipment under lease at the conclusion of the lease agreements.

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The following table provides details of the outstanding Loans and Borrowings as at March 31, 2017:

	Maturity	Interest rate		March 31, 2017	December 31, 2016
Revolving credit facility B(ii)	December 31, 2019	Variable	2.90%	\$ 5,000	\$ 5,000
Equipment financing					
Term loans C(ii)	2018 to 2020	Fixed	2.67% to 3.25%	4,030	4,490
Term loans C(iii)	2018	Variable	2.36%	816	948
Term loan (D)	September 28, 2020	Fixed	2.12%	392	397
				<u>10,238</u>	<u>10,835</u>
Finance lease liabilities (E)				<u>2,314</u>	<u>553</u>
				<u>12,552</u>	<u>11,388</u>
Less: current portion of long-term debt				2,424	2,410
Less: current portion of finance lease liabilities				773	355
Current portion of loans and borrowings				<u>3,197</u>	<u>2,765</u>
Non-current portion of loans and borrowings				<u>\$ 9,355</u>	<u>\$ 8,623</u>

The following table provides details of the changes in the Company's Loans and Borrowings during the first quarter of 2017:

	Three months ended March 31, 2017			
	Property & Equipment Financing	Revolving Credit Facility	Finance Leases	Total
Balance December 31, 2016	\$ 5,835	5,000	553	\$ 11,388
Proceeds	-	-	2,023	2,023
Repayment	(597)	-	(262)	(859)
Balance March 31, 2017	<u>\$ 5,238</u>	<u>5,000</u>	<u>2,314</u>	<u>\$ 12,552</u>

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The aggregate amount of principal repayments and future minimum lease payments under finance leases for all loans and borrowings is as follows:

	Equipment and Operating Financing	Revolving Credit Facility	Finance Leases	Total
Within 1 year	\$ 2,424	-	798	\$ 3,222
Year 2	1,578	-	476	2,054
Year 3	655	5,000	474	6,129
Year 4	581	-	415	996
Year 5	-	-	222	222
More than 5 years	-	-	-	-
	<u>5,238</u>	<u>5,000</u>	<u>2,385</u>	<u>12,623</u>
Less interest	-	-	(71)	(71)
	<u>\$ 5,238</u>	<u>5,000</u>	<u>2,314</u>	<u>\$ 12,552</u>

12. Income taxes

	Three months ended March 31,	
	<u>2017</u>	<u>2016</u>
Provision for income taxes		
Income tax expense (recovery) is comprised of:		
Current income taxes	\$ 4,012	\$ 9,227
Deferred income taxes	<u>(4,452)</u>	<u>(5,836)</u>
	<u>\$ (440)</u>	<u>\$ 3,391</u>
Income tax rate reconciliation		
Combined federal and provincial income tax rate	27.4 %	26.5 %
Increases (reductions) applicable to:		
Tax losses from joint arrangements	-	-
Non-taxable items	(0.8)	0.1
Future rate changes	-	-
Other	<u>1.2</u>	-
Effective rate	<u>27.8 %</u>	<u>26.6 %</u>

The Company's statutory tax rate is the combined federal and provincial tax rates in the jurisdictions in which the Company operates.

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13. Other liabilities

	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Liabilities for cash-settled share-based compensation plans (note 14(b))	4,986	4,033
Leasehold inducement	<u>1,796</u>	<u>1,841</u>
	<u>6,782</u>	<u>5,874</u>
Less: current portion - cash-settled share-based compensation plans (note 14(b))	1,585	1,389
Less: current portion - leasehold inducement	<u>180</u>	<u>180</u>
	<u>1,765</u>	<u>1,569</u>
Non-current portion	\$ <u>5,017</u>	\$ <u>4,305</u>

14. Share-based compensation plans

(a) Stock option plan:

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.

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

	<u>Number of</u> <u>share options</u> <u>outstanding</u>	<u>Weighted average</u> <u>exercise price</u>
Outstanding at December 31, 2016	565,000	\$ 13.61
Granted during the period	-	-
Forfeited during the period	<u>-</u>	<u>-</u>
Outstanding at March 31, 2017	<u><u>565,000</u></u>	<u><u>\$ 13.61</u></u>

The following table summarizes information about stock options outstanding and exercisable as at March 31, 2017:

	<u>Number of stock</u> <u>options issued and</u> <u>outstanding</u>	<u>Number of</u> <u>stock options</u> <u>exercisable</u>	<u>Exercise</u> <u>price</u>	<u>Weighted</u> <u>average fair</u> <u>value of the</u> <u>option</u>	<u>Expiry Date</u>	<u>Remaining</u> <u>contractual</u> <u>life</u> <u>(years)</u>
March 15, 2012 Grant	465,000	465,000	\$ 13.98	\$ 3.25	March 15, 2019	2.0
January 1, 2015 Grant	<u>100,000</u>	<u>50,000</u>	<u>\$ 11.87</u>	<u>\$ 1.16</u>	<u>January 1, 2022</u>	<u>4.8</u>

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The stock-based compensation expense recognized during the quarter ended March 31, 2017 is \$4 compared to an expense of \$31 during the first quarter of 2016.

(b) Medium term incentive plan (“MTIP”) and Deferred share unit plan (“DSU Plan”):

	<u>March 31, 2017</u>	<u>December 31, 2016</u>
MTIP liability	\$ 3,737	\$ 3,004
DSU liability	<u>1,249</u>	<u>1,029</u>
Liabilities for cash-settled share-based compensation plans	<u>4,986</u>	<u>4,033</u>
Less: current portion - MTIP liability	<u>1,585</u>	<u>1,389</u>
	<u>1,585</u>	<u>1,389</u>
Non-current portion	<u>\$ 3,401</u>	<u>\$ 2,644</u>

15. 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, 2017. 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, March 31, 2017 and December 31, 2016	<u>42,516,853</u>	\$ <u>42,527</u>

16. Earnings per share

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

	<u>Three months ended March 31,</u>	
	<u>2017</u>	<u>2016</u>
Profit (loss) attributable to shareholders (basic and diluted)	\$ <u>(1,141)</u>	\$ <u>9,343</u>
Average number of common shares outstanding	<u>42,516,853</u>	42,516,853
Effect of stock options on issue	<u>-</u>	<u>-</u>
Weighted average number of common shares (diluted)	<u>42,516,853</u>	<u>42,516,853</u>
Basic earnings (loss) per share	\$ (0.03)	\$ 0.22
Diluted earnings (loss) per share	\$ (0.03)	\$ 0.22

At March 31, 2017, 565,000 options (December 31, 2016 - 565,000 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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17. Provisions

	<u>March 31, 2017</u>	<u>December 31, 2016</u>
Warranty Claims	\$ 3,224	\$ 3,618
Legal Claims	<u>1,966</u>	<u>1,669</u>
	<u>\$ 5,190</u>	<u>\$ 5,287</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.

18. Finance income

	<u>Three months ended March 31,</u>	
	<u>2017</u>	<u>2016</u>
Interest income	\$ 347	\$ 274
Interest income relating to accretion on holdback receivables	<u>621</u>	<u>782</u>
	<u>\$ 968</u>	<u>\$ 1,056</u>

19. Finance and other costs

	<u>Three months ended March 31,</u>	
	<u>2017</u>	<u>2016</u>
Interest on long-term debt	\$ 99	\$ 178
Loss on interest rate swaps	31	47
Interest on non-recourse project financing	318	139
Equity loss (gain) from investments in associates (note 8)	(279)	22
Accretion of accounts payable	<u>459</u>	<u>438</u>
	<u>\$ 628</u>	<u>\$ 824</u>

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20. Leases

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

	Maturities			Total
	Within 2017	From 2018 to 2021	Beyond 2021	
Operating leases	\$ 4,379	14,753	15,532	\$ 34,664

21. 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, 2017 totalled \$15,822 (December 31, 2016 - \$18,227).

The Company has acquired minority equity interests in a number of Public Private Partnership ("PPP") concession entities (note 8), which requires the Company to make \$12,252 in future capital injections. These commitments have been secured by letters of credit totalling \$12,565.

(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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22. Other cash flow information

	Three months ended March 31,	
	2017	2016
Changes in non-cash working capital		
Accounts receivable	\$ 16,110	\$ 20,970
Costs and estimated earnings in excess of billings	(1,869)	(5,185)
Prepaid expenses and other assets	882	123
Inventory	25	(22)
Accounts payable	(85,784)	(23,610)
Deferred contract revenue	3,461	20,035
Provisions	(97)	57
Medium term incentive plan	(235)	(24)
	<u>\$ (67,507)</u>	<u>\$ 12,344</u>
	March 31,	December 31,
	2017	2016
Cash and cash equivalents		
Cash	\$ 145,138	\$ 246,519
Bankers' acceptances and short-term deposits	15,389	15,357
	<u>\$ 160,527</u>	<u>\$ 261,876</u>
Restricted cash and cash equivalents		
Cash and cash equivalents held to support letters of credit	\$ 26,204	\$ 29,244
Cash deposited in blocked accounts for special projects	2,397	5,140
	<u>\$ 28,601</u>	<u>\$ 34,384</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 (note 11A).

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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23. Financial instruments

The Company's 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, accounts receivable and other long-term assets are classified as loans and receivables. The Company's bank overdraft, if any, 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, 2017	December 31, 2016
Financial instruments at fair value through profit or loss		
Non-recourse project financing - interest rate swaps	\$ (23)	\$ 8
	<u>(23)</u>	<u>8</u>
Loans and receivables and other financial liabilities		
Loans and receivables		
Cash and cash equivalents (note 22)	\$ 160,527	\$ 261,876
Accounts receivable	375,308	391,804
Other long-term assets	3,239	3,680
	<u>\$ 539,074</u>	<u>\$ 657,360</u>
Other financial liabilities		
Accounts payable	(373,348)	(458,673)
Dividends payable to shareholders	(1,382)	(2,691)
Non-recourse project financing - other	(64,475)	(59,230)
Loans and borrowings	(12,552)	(11,388)
	<u>(451,757)</u>	<u>(531,982)</u>
Total financial instruments	<u>\$ 87,294</u>	<u>\$ 125,386</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 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.

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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 13.4% (December 31, 2016 - 10.9%) of the balance of progress billings on construction contracts receivable at March 31, 2017. Management has recorded an allowance of \$1,428 (December 31, 2016 - \$1,524) against these past due receivables, net of amounts recoverable from others.

	Amounts past due			
	Up to 12 months	Over 12 months	March 31, 2017	December 31, 2016
Trade receivables	\$ 16,617	\$ 16,021	\$ 32,638	\$ 29,084
Impairment	-	(1,428)	(1,428)	(1,524)
Total trade receivables	<u>\$ 16,617</u>	<u>\$ 14,593</u>	<u>\$ 31,210</u>	<u>\$ 27,560</u>

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

	March 31, 2017	December 31, 2016
Balance, beginning of period	\$ 1,524	\$ 2,000
Impairment loss recognized	-	74
Amounts written off	(96)	(204)
Impairment loss reversed	-	(346)
	<u>\$ 1,428</u>	<u>\$ 1,524</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 \$109,351 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 \$26,204 hypothecated to support outstanding letters of credit and \$2,397 held in blocked accounts, are available to meet the financial obligations of the Company as they come due (note 22).

The Company has a committed line of credit of \$55,000 available to finance operations and issue letters of credit. As at March 31, 2017, the Company has drawn \$5,000 on the facility and has \$2,704 letters of credit outstanding on the facility. A subsidiary of the Company has a committed line of credit totaling \$25,000 available to finance operations of which \$nil has been drawn at March 31, 2017. Also, the Company and its subsidiaries have a \$25,000 committed equipment facility, of which no amounts are outstanding at March 31, 2017. Subsidiaries of the Company have established operating lease lines of credit for \$62,500 with the financing arms of major

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heavy equipment suppliers to finance operating equipment leases. At March 31, 2017, the subsidiary has used \$8,587 under these facilities. In addition, the Company has lines of credit totaling \$122,000 available for issuing letters of credit for which \$30,882 was drawn at March 31, 2017. 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 11 and 5, respectively. As disclosed in note 14, payments required pursuant to the Company's MTIP granted in 2014, 2015, 2016 and 2017 are due on the vesting dates of November 2017, November 2018, November 2019 and November 2020 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. The Company has the option to convert all variable-rate term facilities to fixed-rate term facilities. Interest rate risk on the non-recourse project financing is managed with the objective of reducing the cash flow interest rate risk through the use of interest rate swaps.

At March 31, 2017, the interest rate profile of the Company's long-term debt and non-recourse project financing was as follows:

	March 31, 2017
Fixed-rate facilities	\$ 4,423
Variable-rate facilities	5,815
Non-recourse project financing facilities	<u>64,475</u>
Total long-term debt	<u>\$ 74,713</u>

As at March 31, 2017, a one percent change in the interest rate applied to the Company's variable rate long-term debt will change income before income taxes by approximately \$58.

iv. Currency risk:

Currency risk is the risk that fluctuations in currency exchange rates will affect the Company's net income.

A 10% movement in the Canadian and U.S. dollar exchange rate would have changed income before income taxes by approximately \$941.

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24. Dividends declared with a record date subsequent to the balance sheet 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 \$0.0325 per share will be paid on May 19, 2017 to the Shareholders of record as of the close of business on April 28, 2017.
- ii. The May dividend of \$0.0325 per share will be paid on June 20, 2017 to the Shareholders of record as of the close of business on May 31, 2017.
- iii. The June dividend of \$0.0325 per share will be paid on July 20, 2017 to the Shareholders of record as of the close of business on June 30, 2017.
- iv. The July dividend of \$0.0325 per share will be paid on August 18, 2017 to the Shareholders of record as of the close of business on July 31, 2017.