

Q3 2015 Management's Discussion and Analysis

November 8, 2015

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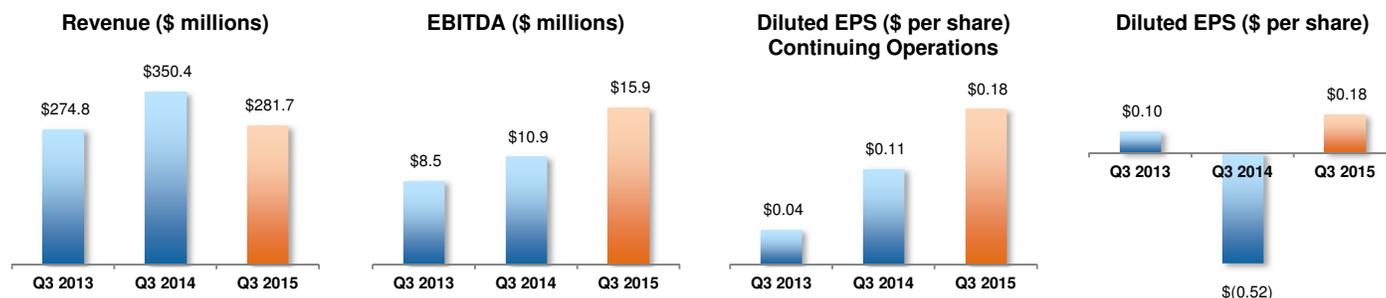
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The following Management's Discussion and Analysis ("MD&A") of the operating performance and financial condition of Stuart Olson Inc. ("Stuart Olson", the "Company", "we", "us", or "our") for the three and nine months ended September 30, 2015, dated November 8, 2015, should be read in conjunction with the September 30, 2015 Condensed Consolidated Interim Financial Statements and related notes thereto, the December 31, 2014 Audited Consolidated Annual Financial Statements and related notes thereto, and the December 31, 2014 MD&A. Additional information relating to Stuart Olson is available under the Company's SEDAR profile at www.sedar.com and on our website at www.stuartolson.com. Unless otherwise specified all amounts are expressed in Canadian dollars. The information presented in this MD&A, including information relating to comparative periods in 2014 and 2013, is presented in accordance with International Financial Reporting Standards ("IFRS") unless otherwise noted.

Certain measures in this MD&A do not have any standardized meaning as prescribed by IFRS and, therefore, are considered non-IFRS measures. These non-IFRS measures are commonly used in the construction industry, and by Stuart Olson management, as alternative methods for assessing operating results and to provide a consistent basis of comparison between periods. These measures are not in accordance with IFRS, and do not have any standardized meaning. Therefore, the non-IFRS measures in this MD&A are unlikely to be comparable to similar measures used by other entities. Non-IFRS measures include: contract income margin; work-in-hand; backlog; active backlog; book-to-bill ratio; working capital; earnings before interest, taxes, depreciation and amortization (EBITDA); EBITDA Margin; earnings before tax (EBT); long-term indebtedness; indebtedness to capitalization; and net long term indebtedness to EBITDA. Further information regarding these measures can be found in the Non-IFRS Measures section of this MD&A.

We encourage readers to read the section entitled "Forward-Looking Information" at the end of this document.

THIRD QUARTER 2015 OVERVIEW



- We generated higher contract income on lower consolidated revenue in the third quarter as we focused on core markets and customers within the Buildings Group, and tightly managed our business groups in response to more challenging conditions in the Alberta market.
 - For the three months ended September 30, 2015, contract income increased 19.0% to \$34.4 million on revenue of \$281.7 million. This compares to contract income of \$28.9 million on consolidated revenue of \$350.4 million in Q3 2014.
 - Third quarter contract income margin increased to 12.2% from 8.2% year-over-year, reflecting the positive impact of our business strategies, as well as the impact of project timing on intersegment eliminations.
- EBITDA improved 45.9% to \$15.9 million in the third quarter, from \$10.9 million in the same period last year, primarily as a result of the higher contract income. EBITDA margin improved to 5.6% from 3.1%.
- We generated third quarter net earnings from continuing operations of \$6.4 million (diluted earnings per share of \$0.18), compared to \$2.8 million in Q3 2014 (diluted earnings per share of \$0.11).
- Third quarter net earnings increased to \$6.4 million (diluted earnings per share of \$0.18), a \$19.3 million improvement compared to a loss of \$12.9 million (diluted loss per share of \$0.52) in Q3 2014. The Q3 2014 results included a \$15.7 million net loss from discontinued operations related to our former Broda business.
- On September 1, 2015, we announced \$250.0 million in new contract awards, including a \$90.0 million design-build project with Ontario's largest post-secondary institution, a \$90.0 million three-year renewal of a master services agreement to provide maintenance, repairs and operations ("MRO") services to a longstanding oil sands customer, and two Alberta-based contracts with a combined value of \$70.0 million.
- Our strong backlog of \$2.0 billion includes a diverse mix of public, private and industrial projects in BC, Alberta, Manitoba, Saskatchewan, Ontario and the Northwest Territories. Our backlog is predominantly made up of low-risk contract arrangements.
- As at September 30, 2015, we were in full compliance with our long-term debt covenants, had available cash of \$34.6 million and additional borrowing capacity of approximately \$106.5 million.
- On July 16, 2015, we successfully amended our revolving credit facility ("Revolver"), extending it by three years and negotiating improved terms and conditions. The amendments include the elimination of the former Working Capital ratio and Senior Debt to EBITDA ratio financial covenants, the amendment of the Debt to EBITDA ratio covenant to not exceed 3:1, the expansion of maximum borrowing capacity to \$175.0 million from \$167.4 million and the additional flexibility to make investments up to \$25.0 million without securing approval from the syndicate of lenders.
- During Q3 2015, we recognized a \$4.0 million impairment of Studon's intangible assets and a recovery of \$2.9 million related to revaluing the Studon earn out liability to fair value. Both impacts reflect that Alberta's energy sector will be impacted by lower oil prices for a longer period than originally anticipated.
- On November 8, 2015, our Board of Directors ("Board") declared a common share dividend of \$0.12 per share. The dividend is designated as an eligible dividend under the *Income Tax Act* (Canada) and is payable January 14, 2016 to shareholders of record on December 31, 2015.

OUTLOOK

We continue to anticipate that consolidated revenue for 2015 will be lower than in 2014, while EBITDA and EBITDA margin will increase as we focus on areas of core strength in our Buildings Group and emphasize cost control and strong project execution throughout our operations. Our outlook is supported by our \$2.0 billion backlog, which provides line of sight to activity levels for the balance of 2015 and into 2016, and reflects our access to diverse segments of the Canadian construction market. Both the Buildings Group and Commercial Systems Group are executing backlogs dominated by public projects across multiple provinces.

We anticipate continued impacts for our Industrial Group in Alberta from the move by energy companies to pull back on capital investment in new construction and reduce costs in response to lower oil prices. Despite the volatility in oil markets, opportunities to provide sustainable and recurring MRO services continue as producers maintain production levels at existing sites. Our Industrial Group has also been successful in securing new opportunities outside of Alberta as described in more detail below.

Industrial Group Outlook

We expect revenue from both the legacy Industrial Group businesses and from the Studon business to be lower in 2015 than in 2014 as a result of the slowdown in new industrial construction opportunities in Alberta. Revenue from our legacy Industrial Group businesses will also reflect the wind-down of a one-time large construction project that benefited our 2014 results. We expect to offset a portion of these revenue impacts with our large base of continuing industrial MRO work. During the third quarter, we further strengthened this base by securing a three-year, \$90.0 million renewal of a master-services agreement with one of our large oil sands customers. We are also executing significant new industrial projects outside of Alberta, including a Manitoba Hydro project and a Northwest Territories mining project that were added to backlog in Q2 2015 and late 2014, respectively. Going forward we expect to continue to diversify the Industrial Group's geographic base as we pursue a strong pipeline of new project opportunities across Canada.

Consolidated Industrial Group EBITDA margin as a percentage of revenue is expected to be weaker year-over-year as a result of increased competition, oil sands operators seeking supplier cost reductions in response to lower oil prices, and an increased proportion of lower-risk cost reimbursable projects.

We expect to execute approximately \$90.7 million of the Industrial Group's September 30, 2015 backlog during the remainder of 2015. New contract awards, additional short-duration projects, scope changes and industrial maintenance work are expected to supplement the Industrial Group's combined annual revenue.

Buildings Group Outlook

The Buildings Group anticipates higher EBITDA and EBITDA margins in 2015 on lower revenue compared to 2014. This outlook reflects a change in project mix, in particular a significant reduction in our exposure to higher-risk industrial site projects, which provided in excess of \$100.0 million in revenue in 2014 but resulted in losses on some projects. Buildings Group profitability is expected to continue to strengthen as we tighten our focus on areas of core strength in the public and private construction markets.

We expect to execute approximately \$111.3 million of the Buildings Group's September 30, 2015 backlog during the remainder of 2015.

Commercial Systems Group Outlook

Commercial Systems Group 2015 revenue and EBITDA margins are expected to be slightly lower than the strong levels achieved in 2014, reflecting reduced activity in the Alberta market, project stage of completion and the impact of competitive pressures on new contract awards.

During the remainder of 2015, the Commercial Systems Group expects to execute approximately \$57.0 million of its backlog. New awards, short-duration projects, building maintenance and tenant improvement work on existing projects are expected to supplement the backlog revenue executed during the balance of 2015.

RISKS

Various factors could cause our actual results to differ materially from the results anticipated by management. The factors are described in more detail in this document and the section of Stuart Olson's Annual Information Form entitled "Risk Factors". Readers are also encouraged to review the section of this MD&A entitled "Forward-Looking Information".

ABOUT STUART OLSON INC.

Stuart Olson provides private, public and industrial construction services to a diverse range of customers in Western Canada, Ontario and the Northwest Territories.

The branding of our three business groups is organized as follows:



Industrial Group

The Industrial Group operates under the general contracting brand of Stuart Olson and under our endorsed brands of Laird, Studon, Northern, Fuller Austin and Sigma Power. The Industrial Group serves clients in a wide range of industrial sectors including oil and gas, petrochemical, refinery, mining, pulp and paper, and power generation.

Originally organized as separate service companies, the Industrial Group increasingly operates as an integrated industrial contractor, capable of taking on and self-performing larger projects in the industrial construction and MRO space. The Industrial Group provides full service general contracting, including mechanical, process insulation, metal siding and cladding, heating, ventilating and air conditioning (“HVAC”), asbestos abatement, electrical and instrumentation, high voltage testing and commissioning, as well as power line construction and maintenance services.

Buildings Group

Our Buildings Group provides services to clients in the private, light industrial and public sectors. It operates through branch offices in Richmond, British Columbia; Calgary and Edmonton, Alberta; Winnipeg, Manitoba; and Mississauga, Ontario.

Projects undertaken by the Buildings Group include the construction, expansion and renovation of buildings ranging from schools, hospitals and sports arenas, to high-rise office towers, retail and high technology facilities. The Buildings Group focuses on alternative methods of project delivery such as integrated project delivery, construction management and design-build approaches. These methods provide cost reductions for clients as a result of the project efficiencies we are able to generate. These approaches also support our ability to deliver on-time and on-budget project completion, assist us in building long-term relationships with clients, reduce project execution risk and improve our contract margins.

The majority of the revenue generated by the Buildings Group is from repeat clients or arises through pre-qualification processes and select invitational tenders. Our business model is to pursue and negotiate larger construction management-type contracts rather than hard-bid projects. The Buildings Group subcontracts approximately 85% of its project work to subcontractors and suppliers and closely manages the construction process to deliver on commitments.

Commercial Systems Group

The Commercial Systems Group, operating under the Canem brand, is one of the largest electrical and data systems contracting companies in Western Canada. Canem is an industry leader in the provision of complex systems used in today's high-tech, high performance buildings. It not only designs, builds and installs a building's core electrical infrastructure, it also provides the services and systems that support information management, building systems integration, energy management, green data centres, security and risk management and lifecycle services. Additionally, Canem provides ongoing maintenance and on-call service to customers, and manages regional and national multi-site installations and roll outs.

Canem focuses primarily on large, highly complex projects that contain both data and electrical components, or that require extensive logistical expertise. Canem's strategy is to deliver these services on a tendered (hard bid) basis and as part of an integrated project delivery process that includes close involvement with customers from the earliest stages of design. Canem is also an industry leader in the use of off-site assembly of modularized system components (pre-fabrication), which significantly improves worksite productivity.

ACQUISITION OF STUDON

On January 6, 2015, we acquired all of the issued and outstanding shares of Studon. Our reported results for the Industrial Group and consolidated Stuart Olson include Studon's results from the acquisition date. For further information on the acquisition of Studon, please refer to *Note 4* of our Condensed Consolidated Interim Financial Statements.

RESULTS OF OPERATIONS

Consolidated Results

<i>\$millions, except percentages and per share amounts</i>	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Contract revenue	281.7	350.4	868.3	941.7
Contract income	34.4	28.9	91.0	83.4
Contract income margin	12.2%	8.2%	10.5%	8.9%
Administrative costs	24.8	21.7	68.9	66.1
EBITDA ⁽¹⁾	15.9	10.9	39.6	29.7
EBITDA margin	5.6%	3.1%	4.6%	3.2%
Net earnings from continuing operations	6.4	2.8	9.1	6.0
Net (loss) earnings from discontinued operations	nil	(15.7)	nil	(19.5)
Net earnings (loss)	6.4	(12.9)	9.1	(13.5)
Earnings (loss) per share				
Basic from continuing operations	0.24	0.11	0.35	0.24
Basic earnings (loss) per share	0.24	(0.52)	0.35	(0.54)
Diluted from continuing operations	0.18	0.11	0.30	0.24
Diluted earnings (loss) per share	0.18	(0.52)	0.30	(0.54)
Dividends declared per share	0.12	0.12	0.36	0.36

<i>\$millions</i>	Sep. 30, 2015	Dec. 31, 2014
Backlog ⁽¹⁾	2,017.1	1,986.8
Working capital ^{(1) (2)}	58.8	54.4
Long-term debt (excluding current portion)	58.3	0.8
Convertible debentures (excluding equity portion) ⁽²⁾	72.1	155.8
Total assets	734.9	783.6

Notes: (1) "Contract income margin", "EBITDA", "EBITDA margin", "backlog" and "working capital" are non-IFRS measures. Refer to "Non-IFRS Measures" for definitions of these terms.

(2) The convertible debentures issued in 2010, and repaid June 30, 2015, were presented as a current liability of \$84.8 million as at December 31, 2014.

Consolidated Three-Month Results

For the three months ended September 30, 2015, consolidated contract revenue declined by 19.6% to \$281.7 million, from \$350.4 million in the same period in 2014. Revenue from the Industrial Group decreased by \$8.4 million or 7.2%, Buildings Group revenue decreased by \$50.6 million or 27.8%, and Commercial Systems Group revenue decreased by \$9.6 million or 15.3%. Intersegment revenue for the period was \$10.3 million, an increase of \$0.2 million or 2.0% from 2014. This reflects similar intercompany activity levels between our business groups.

Contract income increased by 19.0% to \$34.4 million in the third quarter of 2015, from \$28.9 million during the same period in 2014. This \$5.5 million improvement reflects a \$4.3 million or 68.3% increase in contract income from the Buildings Group, partially offset by a \$0.6 million or 3.9% decrease in contract income from the Industrial Group and a \$0.5 million or 6.1% decrease from the Commercial Systems Group. In addition, contract income benefited from a year-over-year increase of \$2.3 million in intersegment eliminations. Intersegment eliminations occur when two or more of our business groups work together on a project. Over the life of the project, the impact of the eliminations to contract income will net to nil; however, the impact of eliminations may be temporarily significant from quarter-to-quarter depending on a number of factors, including the number of intercompany projects under construction, the scale of the projects, contract terms and project stage of completion. Contract income as a percentage of revenue improved to 12.2% in the third quarter of 2015, from 8.2% in Q3 2014.

Third quarter 2015 administrative costs increased to \$24.8 million (8.8% of revenue), from \$21.7 million (6.2% of revenue) in 2014. Administrative costs increased by \$3.7 million or 86.0% for the Industrial Group primarily due to the addition of Studon. This increase was partially offset by administrative cost savings of \$0.5 million or 8.2% in the Buildings Group and by \$0.3 million or 3.8% in the Corporate Group.

EBITDA for the three months ended September 30, 2015 increased 45.9% to \$15.9 million, from \$10.9 million in Q3 2014. This \$5.0 million increase primarily reflects the improvement in contract income. EBITDA margin climbed to 5.6% from 3.1% in the same period last year.

Third quarter consolidated net earnings from continuing operations grew to \$6.4 million in Q3 2015, from \$2.8 million in Q3 2014. Higher contract income and intersegment eliminations were the key drivers of this improvement, partially offset by increased amortization from intangible assets recorded as part of the Studon acquisition.

Third quarter 2015 net earnings from discontinued operations increased to nil from a net loss of \$15.7 million in 2014. Last year's result reflected the loss on disposal of our former Broda business. Net earnings increased to \$6.4 million, a \$19.3 million improvement from the net loss of \$12.9 million recorded in the third quarter of 2014.

Consolidated Nine-Month Results

For the nine months ended September 30, 2015, consolidated contract revenue decreased by 7.8% to \$868.3 million, from \$941.7 million during the same period in 2014. Year-to-date revenue from the Industrial Group decreased by \$11.6 million or 3.8%, Buildings Group revenue decreased by \$50.2 million or 10.5% and Commercial Systems Group revenue decreased by \$7.6 million or 4.2%. Intersegment revenue for the period was \$29.9 million, an increase of \$4.0 million or 15.4% compared to the first nine months of 2014. This increase reflects increased intercompany activity levels between our business groups.

Year-to-date contract income increased 9.1% to \$91.0 million, from \$83.4 million in the first nine months of 2014. This \$7.6 million improvement reflects a \$6.6 million increase from intercompany eliminations (positive \$5.1 million impact year-to-date versus negative impact of \$1.5 million year-to-date 2014) and a \$3.8 million or 16.4% increase in contract income from the Buildings Group, partially offset by a \$1.9 million or 5.0% decline in contract income from the Industrial Group and a \$0.9 million or 3.8% decrease from the Commercial Systems Group. Please refer to the contract income paragraph under our consolidated three-month results on the previous page for a discussion of the amount and timing of intersegment eliminations. Our contract income margin percentage improved to 10.5% in the first nine months of 2015 from 8.9% during the same period last year.

Administrative costs for the first nine months increased to \$68.9 million (7.9% of revenue), from \$66.1 million (7.0% of revenue) in the same period in 2014. Administrative expenses were down by \$3.3 million or 15.9% in the Buildings Group, \$2.1 million or 9.9% in the Corporate Group and \$0.1 million or 1.0% in the Commercial Systems Group. These savings were partially offset by an increase of \$8.4 million or 62.7% in the Industrial Group, primarily due to the addition of Studon.

EBITDA for the first nine months of 2015 climbed 33.3% or \$9.9 million to \$39.6 million, from \$29.7 million in the same period of 2014. Improved contract income and reductions in administrative expenses (excluding administrative expense depreciation and amortization) were the key factors in this improvement. Year-to-date EBITDA margin improved to 4.6% from 3.2%.

Nine-month consolidated net earnings from continuing operations increased to \$9.1 million in 2015, from \$6.0 million in 2014. The year-over-year improvement reflects higher EBITDA, partially offset by increased costs associated with having two sets of convertible debentures outstanding in the first half of 2015 until the 2010 convertible debentures were repaid on June 30, 2015, increased amortization from intangible assets recorded as part of the Studon acquisition and higher income tax expense associated with the increase in the general Alberta corporate income tax rate in the second quarter of 2015.

Year-to-date net earnings from discontinued operations increased to nil from a net loss of \$19.5 million in the comparative period of 2014. Our 2014 results included a loss related to the disposal of our former Broda business that was not repeated in 2015. Net earnings increased to \$9.1 million during the period, a \$22.6 million increase from the net loss of \$13.5 million reported in the first nine months of 2014.

Consolidated Backlog

<i>\$millions, except percentages</i>	Sep. 30, 2015	Dec. 31, 2014
Industrial Group	457.1	340.6
Buildings Group	1,404.9	1,433.6
Commercial Systems Group	155.0	212.6
Consolidated backlog	2,017.1	1,986.8
Construction management	59.1%	60.5%
Cost-plus	27.3%	23.7%
Design-build	5.5%	nil
Tendered (hard bid)	8.1%	15.8%

Consolidated backlog as at September 30, 2015 was \$2,017.1 million, an increase of \$30.3 million or 1.5% from backlog of \$1,986.8 million at December 31, 2014. The September 30, 2015 backlog reflects the balance of the \$157.0 million in backlog added by Studon at the time of the January 6, 2015 acquisition. As at September 30, 2015, backlog consisted of work-in-hand of \$768.6 million (December 31, 2014 - \$1,080.3 million) and active backlog of \$1,248.5 million (December 31, 2014 - \$906.5 million). Approximately 59.1% of the backlog consists of construction management (CM) contracts, 27.3% cost-plus arrangements, 5.5% design-build contracts and 8.1% tendered (hard-bid) work. New contract awards and net increases in contract value of \$260.2 million were added to work-in-hand in Q3 2015.

Our book-to-bill ratio for the third quarter of 2015 was 0.89 to 1.0, and for the first nine months of 2015, it was 0.85 to 1.0, excluding the benefit of backlog provided by the Studon acquisition. Revenue exceeded backlog additions during these periods primarily due to a reduction in the number of construction opportunities in the Alberta market.

RESULTS OF OPERATIONS BY BUSINESS GROUP

Industrial Group Results

<i>\$millions, except percentages</i>	Three months ended		Nine months ended	
	September 30		September 30	
	2015	2014	2015	2014
Contract revenue	107.6	116.0	296.8	308.4
Contract income	14.7	15.3	36.2	38.1
Contract income margin ⁽¹⁾	13.7%	13.2%	12.2%	12.4%
Administrative costs	8.0	4.3	21.8	13.4
EBITDA ⁽¹⁾	10.0	11.7	22.7	26.9
EBITDA margin ⁽¹⁾	9.3%	10.1%	7.6%	8.7%
EBT ⁽¹⁾	6.6	11.0	14.4	24.9
Backlog ⁽¹⁾⁽²⁾			457.1	340.6

Notes: (1) "Contract income margin", "EBITDA", "EBITDA margin", "EBT" and "backlog" are non-IFRS measures. Refer to "Non-IFRS Measures" for definitions of these terms.

(2) Comparative backlog is as at December 31, 2014.

Three-Month Results

For the three months ended September 30, 2015, Industrial Group revenue declined by 7.2% to \$107.6 million, from \$116.0 million during the same period in 2014. The \$8.4 million decrease reflects the reduction in new oil sands construction activity and the wind-down of a large one-time oil sands construction project that benefitted 2014 results. These impacts were partially offset by increased activity related to the group's mining contract in the Northwest Territories and the addition of revenue from the Studon business acquired in Q1 2015.

The Industrial Group reported third quarter 2015 contract income of \$14.7 million, a \$0.6 million or 3.9% decline from the \$15.3 million achieved during the same period in 2014. Third quarter contract income margin increased to 13.7% from 13.2% in Q3 2014, reflecting improved margins from projects approaching completion during the 2015 period.

For the three months ended September 30, 2015, Industrial Group administrative costs were \$8.0 million, compared to \$4.3 million in the third quarter of 2014. The \$3.7 million or 86.0% increase is related to the addition of Studon's administrative costs in 2015 as well as the amortization related to acquired Studon intangibles. In addition, a \$4.0 million impairment related to acquired Studon intangibles (backlog and customer relationships) was identified and recorded in the quarter. This impairment was partially offset by a Q3 2015 recovery of \$2.9 million relating to re-measuring the Studon earn-out contingent liability to fair value.

EBITDA from the Industrial Group decreased by 14.5% to \$10.0 million (9.3% EBITDA margin) in the third quarter of 2015, from \$11.7 million (10.1% EBITDA margin) during the same period in 2014. The \$1.7 million decrease primarily reflects reduced activity levels by our legacy Industrial Group, partially offset by the addition of EBITDA from the Studon business.

Third quarter Industrial Group EBT of \$6.6 million reflects a decrease of \$4.4 million or 40.0% from \$11.0 million in 2014. The decrease in EBT was due primarily to the change in EBITDA, an increase in intangible amortization costs associated with the Studon acquisition and Studon intangible asset impairment recognized in the quarter, partially offset by the Q3 2015 recovery from re-measuring the Studon contingent liability to fair value.

Nine-Month Results

For the nine months ended September 30, 2015, Industrial Group revenue decreased 3.8% to \$296.8 million, from \$308.4 million in the same period of 2014. The \$11.6 million change in revenue reflects the reduction in new oil sands construction activity. It also reflects the wind-down of a large one-time oil sands construction project that was largely executed in 2014, partially offset by the addition of Studon revenue and increased activities related to the group's mining contract in the Northwest Territories.

The Industrial Group generated contract income of \$36.2 million for the nine months ended September 30, 2015, a decrease of \$1.9 million or 5.0% from the \$38.1 million achieved during the same period of 2014. Year-to-date contract income margin was 12.2%, marginally lower than the 12.4% margin achieved in the nine months ended September 30, 2014. The year-over-year change reflects the impact of oil sands project owners seeking supplier cost reductions, an increased proportion of lower-risk cost reimbursable MRO work in 2015 and a contract renegotiation that benefited margin in the first nine months of 2014 that did not repeat in 2015.

For the nine months ended September 30, 2015, Industrial Group administrative expenses increased to \$21.8 million from \$13.4 million in 2014. The \$8.4 million or 62.7% increase is primarily related to the addition of Studon's administrative costs in 2015 as well as the amortization related to acquired Studon intangibles. In addition, based on updated financial forecasts and projections, a \$4.0 million impairment related to acquired Studon intangibles (backlog and customer relationships) was identified and recorded in the third quarter. This impairment was partially offset by a Q3 2015 recovery of \$2.9 million relating to re-measuring the Studon earn-out contingent liability to fair value.

EBITDA from the Industrial Group decreased by \$4.2 million or 15.6% to \$22.7 million (7.6% EBITDA margin) in the first nine months of 2015, from \$26.9 million (8.7% EBITDA margin) during the same period in 2014. The year-over-year decrease reflects lower activity levels by the legacy Industrial Group, partially offset by additional EBITDA from the new Studon business.

Year-to-date Industrial Group EBT declined by \$10.5 million or 42.2% to \$14.4 million in 2015, from \$24.9 million last year. Lower EBITDA, the increase in intangible amortization costs associated with the Studon acquisition and Studon intangible asset impairment recognized in 2015 were the key factors in this decrease, partially offset by the 2015 recovery from re-measuring the Studon contingent liability to fair value.

As at September 30, 2015, Industrial Group backlog was \$457.1 million, compared to backlog of \$340.6 million at December 31, 2014. The \$116.5 million or 34.2% increase is primarily due to the addition of Studon's backlog. As at September 30, 2015, approximately 91.7% of the Industrial Group's backlog was composed of cost-plus projects and 8.3% was tendered (hard-bid) projects. The September 30, 2015 backlog consisted of \$262.2 million of work-in-hand and \$194.9 million of active backlog, compared to \$325.1 million of work-in-hand and \$15.5 million of active backlog at December 31, 2014. With respect to work-in-hand, the Industrial Group contracted \$55.7 million of new awards during the quarter and executed \$107.6 million of contract revenue.

Buildings Group Results

<i>\$millions, except percentages</i>	Three months ended		Nine months ended	
	September 30		September 30	
	2015	2014 ⁽²⁾	2015	2014 ⁽²⁾
Contract revenue	131.1	181.7	427.3	477.5
Contract income	10.6	6.3	27.0	23.2
Contract income margin ⁽¹⁾	8.1%	3.5%	6.3%	4.9%
Administrative costs	5.6	6.1	17.4	20.7
EBITDA ⁽¹⁾	5.5	1.0	11.4	6.0
EBITDA margin ⁽¹⁾	4.2%	0.6%	2.7%	1.3%
EBT ⁽¹⁾	5.0	0.2	10.0	2.8
Backlog ⁽¹⁾⁽²⁾			1,404.9	1,433.6

Notes: (1) "Contract income margin", "EBITDA", "EBITDA margin", "EBT" and "backlog" are non-IFRS measures. Refer to "Non-IFRS Measures" for definitions of these terms.

(2) Comparative backlog is as at December 31, 2014.

Three-Month Results

For the three months ended September 30, 2015, revenue from the Buildings Group decreased \$50.6 million or 27.8% to \$131.1 million, from \$181.7 million in Q3 2014. The planned wind-down of the Buildings Group's industrial site project activity and lower year-over-year public construction activity in Alberta and British Columbia were the primary factors in this decrease.

Contract income increased to \$10.6 million in the third quarter of 2015, from \$6.3 million during the same period in 2014. The \$4.3 million or 68.3% improvement reflects higher contract income margin, which increased to 8.1% from 3.5% in Q3 2014. The improved margin reflects the group's strategic move away from higher-risk industrial site projects, which contributed project losses in the prior-year period.

Third quarter EBITDA from the Buildings Group climbed to \$5.5 million (4.2% EBITDA margin), from EBITDA of \$1.0 million (0.6% EBITDA margin) in the same period in 2014. The \$4.5 million increase primarily reflects the higher contract income.

EBT increased \$4.8 million to \$5.0 million in the third quarter of 2015, from \$0.2 million in Q3 2014. The improved EBT reflects the higher EBITDA.

Nine-Month Results

For the nine months ended September 30, 2015, Buildings Group revenue decreased by \$50.2 million or 10.5% to \$427.3 million, from \$477.5 million during the same period in 2014. The planned reduction in Buildings Group industrial site project activity was the key factor in this change.

Year-to-date Buildings Group contract income increased by 16.4% to \$27.0 million, from \$23.2 million during the same period in 2014. The \$3.8 million increase was principally driven by contract income margin of 6.3% in the first nine months of 2015, compared to 4.9% during the same period in 2014. The improved margin reflects our strategic move away from higher-risk industrial site projects.

EBITDA for the nine months ended September 30, 2015 increased 90.0% to \$11.4 million (2.7% EBITDA margin), from \$6.0 million (1.3% EBITDA margin) in the first nine months of 2014. This \$5.4 million improvement reflects administrative cost savings from targeted reductions in the Buildings Group administrative spending and the increase in contract income.

EBT increased by \$7.2 million or 257.1% to \$10.0 million in the first nine months of 2015, from \$2.8 million in 2014. The year-over-year improvement reflects the higher EBITDA and lower Buildings Group depreciation expense. The decrease in depreciation in the first nine months of 2015 reflects our strategy of consolidating and reducing Buildings Group office space, as well as tenant improvement write-downs incurred in the first nine months of 2014 that did not repeat in 2015.

As at September 30, 2015, the Buildings Group's backlog was \$1,404.9 million, compared to \$1,433.6 million at December 31, 2014. The \$28.7 million or 2.0% decrease primarily reflects the Building Group's planned reduction in higher-risk industrial site projects. As at September 30, 2015, approximately 81.8% of the Buildings Group's backlog was composed of CM assignments, 9.4% was cost-plus projects, 7.8% was design-build contracts and 1.0% was tendered (hard-bid) projects. The tendered projects primarily reflect the work left to be completed on the remaining industrial site projects. The September 30, 2015 backlog consisted of \$368.0 million of work-in-hand and \$1,037.0 million of active backlog, compared to \$576.7 million of work-in hand and \$856.9 million of active backlog as at December 31, 2014. With respect to work-in-hand, the segment secured \$107.4 million of new awards and project scope increases during the quarter, and executed \$131.1 million of contract revenue.

Commercial Systems Group Results

<i>\$millions, except percentages</i>	Three months ended		Nine months ended	
	September 30		September 30	
	2015	2014 ⁽²⁾	2015	2014 ⁽²⁾
Contract revenue	53.2	62.8	174.1	181.7
Contract income	7.7	8.2	22.6	23.5
Contract income margin ⁽¹⁾	14.5%	13.1%	13.0%	12.9%
Administrative costs	3.3	3.3	10.4	10.5
EBITDA ⁽¹⁾	4.9	5.3	13.8	14.2
EBITDA margin ⁽¹⁾	9.2%	8.4%	7.9%	7.8%
EBT ⁽¹⁾	4.5	4.9	12.5	13.1
Backlog ⁽¹⁾⁽²⁾			155.0	212.6

Notes: (1) "Contract income margin", "EBITDA", "EBITDA margin", "EBT" and "backlog" are non-IFRS measures. Refer to "Non-IFRS Measures" for definitions of these terms.

(2) Comparative backlog is as at December 31, 2014.

Three-Month Results

For the three months ended September 30, 2015, the Commercial Systems Group generated revenue of \$53.2 million a 15.3% decrease from \$62.8 million in Q3 2014. This \$9.6 million reduction is attributable to project mix in the two periods, as well as reduced activity levels in Alberta for Q3 2015.

Third quarter contract income from the Commercial Systems Group declined to \$7.7 million, a reduction of \$0.5 million or 6.1% from the \$8.2 million achieved during the same period in 2014. As a percentage of revenue, contract income margin increased to 14.5% from 13.1% in Q3 2014. The improvement in margin was driven by successful risk mitigation on a number of large projects that moved into later stages during the period.

EBITDA from the Commercial Systems Group was \$4.9 million (9.2% EBITDA margin) in the third quarter of 2015, from \$5.3 million (8.4% EBITDA margin) last year. While EBITDA declined modestly year-over-year, EBITDA margin improved as a result of the higher contract income margin achieved during the quarter.

Third quarter EBT of \$4.5 million was \$0.4 million or 8.2% lower than the \$4.9 million achieved during the same period in 2014. The year-over-year decline in EBT is attributable to the decrease in EBITDA.

Nine-Month Results

For the nine months ended September 30, 2015, revenue from the Commercial Systems Group was \$174.1 million, compared to \$181.7 million during the same period in 2014. The \$7.6 million or 4.2% decrease reflects changes in project mix as well as reduced activity levels in Alberta and Manitoba during the 2015 period.

Year-to-date contract income of \$22.6 million decreased \$0.9 million, or 3.8%, from \$23.5 million during the same period in 2014. Contract income margin for the nine-month period increased modestly to 13.0% from 12.9% in 2014, reflecting similar project margins in the two periods.

EBITDA from the Commercial Systems Group was \$13.8 million (7.9% EBITDA margin) in the first nine months of 2015, from \$14.2 million (7.8% EBITDA margin) last year. While EBITDA declined modestly year-over-year, EBITDA margin improved as a result of the slightly higher contract income margin achieved during the quarter.

Commercial Systems Group backlog was \$155.0 million at September 30, 2015, compared to \$212.6 million at December 31, 2014, a \$57.6 million or 27.1% decrease. The decline in backlog is due to weaker market conditions in Alberta impacting the timing of new awards. As at September 30, 2015, the group's backlog was composed of approximately 28.3% CM and cost-plus projects, and 71.7% tendered projects. The September 30, 2015 backlog consisted of \$138.4 million of work-in-hand and \$16.6 million of active backlog compared to \$178.4 million of work-in-hand and \$34.2 million of active backlog at December 31, 2014. With respect to work-in-hand, the group secured \$36.4 million of new awards and increases in contract value during the quarter and executed \$53.2 million of construction activity.

Corporate Group Results

<i>\$millions</i>	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Administrative costs	7.7	8.0	19.2	21.3
Finance costs	2.3	3.3	10.3	9.0
EBITDA ⁽¹⁾	(5.8)	(6.2)	(13.4)	(16.0)
EBT ⁽¹⁾	(10.0)	(11.3)	(29.3)	(30.3)

Note: (1) "EBITDA" and "EBT" are non-IFRS measures. Refer to "Non-IFRS Measures" for the definition of the term.

Three-Month Results

For the three months ended September 30, 2015, Corporate Group administrative costs decreased to \$7.7 million, from \$8.0 million in the third quarter of 2014. The \$0.3 million or 3.8% decrease is primarily related to the impact of changes in our stock price on share-based compensation expense, partially offset by the timing of incentive plan accruals.

The Corporate Group's finance costs were \$2.3 million in the third quarter of 2015, compared to \$3.3 million during the same period last year. The \$1.0 million or 30.3% decrease reflects reduced activity levels and lower interest rates in 2015 as compared to 2014.

Corporate Group EBITDA improved to a loss of \$5.8 million in Q3 2015, from an EBITDA loss of \$6.2 million in Q3 2014. The \$0.4 million or 6.5% change reflects the decrease in administrative costs. The Corporate Group incurred a third quarter 2015 loss before tax of \$10.0 million, compared to a loss before tax of \$11.3 million in the comparable period in 2014. The year-over-year change was due principally to the increase in EBITDA and the reduction in finance costs.

Nine-Month Results

For the nine months ended September 30, 2015, Corporate Group administrative expenses decreased to \$19.2 million, from \$21.3 million in the same period of 2014. The \$2.1 million or 9.9% decrease is primarily related to the impact of changes in our stock price on share-based compensation expense, lease costs related to our move to smaller facilities in 2014, as well as claim settlements and rebranding costs incurred in the first half of 2014 that did not repeat in 2015, partially offset by the timing of incentive plan accruals.

The Corporate Group's finance costs were \$10.3 million in the first nine months of 2015, compared to \$9.0 million during the same period last year. The \$1.3 million or 14.4% increase reflects having two sets of higher interest convertible debentures outstanding in 2015 until June 30, 2015, when the 2010 convertible debentures were repaid, partially offset by interest savings from having nominal balances drawn on the Revolver for most of 2015 and reduced activity levels and lower interest rates in 2015 as compared to 2014.

EBITDA for the Corporate Group improved to a loss of \$13.4 million in the nine months ended September 30, 2015, compared to an EBITDA loss of \$16.0 million in 2014. The \$2.6 million or 16.3% improvement is attributable to lower administrative costs. The Corporate Group incurred a year-to-date loss before tax of \$29.3 million, compared to a loss before tax of \$30.3 million in the comparable period in 2014. This year-over-year change reflects the increased finance costs, mostly offset by the reduction in administrative costs.

Discontinued Operations

On September 1, 2014, we completed the sale of Broda. Results from the Broda business, including those of all prior periods, are presented as discontinued operations. For complete financial details of discontinued operations, please refer to *Note 8* of our September 30, 2015 Condensed Consolidated Interim Financial Statements.

LIQUIDITY

Cash and Borrowing Capacity

We monitor our liquidity principally through cash and cash equivalents and available borrowing capacity under our Revolver.

Cash and cash equivalents at September 30, 2015 were \$34.6 million, compared to \$104.1 million at December 31, 2014. This \$69.5 million decrease reflects the \$62.3 million in cash paid on closing to acquire Studon and the \$86.3 million in cash paid to settle our 2010 convertible debentures on June 30, 2015. These uses of cash were partially offset by cash flow from operations, including the collection of non-cash working capital due to decreases in activity levels in the first nine months of 2015 as compared to the end of 2014, and cash borrowings of \$57.0 million on our Revolver at September 30, 2015.

As at September 30, 2015, we had additional borrowing capacity under our Revolver of \$106.5 million, as compared to \$118.6 million at December 31, 2014. The decline in our borrowing capacity reflects the use of our Revolver as one of the sources used to repay our \$86.3 million 2010 convertible debentures in the second quarter of 2015. This decline in our borrowing capacity was partially offset by improved trailing twelve month EBITDA performance, the inclusion of Studon's trailing twelve month EBITDA in our results for the purposes of calculating bank covenants (as per our Revolver agreement) and elimination of the Senior Debt to EBITDA ratio financial covenant as part of the amendments made to the Revolver effective July 16, 2015.

Debt and Capital Structure

Long-term indebtedness including the current portion of long-term debt and convertible debentures, declined to \$143.2 million at September 30, 2015, from \$169.8 million at December 31, 2014. The \$26.6 million decrease in long-term indebtedness mainly reflects the use of cash held at December 31, 2014 as part of the funds used to repay the 2010 convertible debentures on June 30, 2015. Long-term indebtedness consists of \$80.5 million (December 31, 2014 - \$166.8 million) principal value at maturity of outstanding convertible debentures and the principal value of long-term debt of \$62.7 million (December 31, 2014 - \$3.1 million) before the deduction of deferred financing fees.

The current portion of long-term debt was \$2.0 million as at September 30, 2015 (December 31, 2014 - \$0.4 million). The current portion of convertible debentures was nil at September 30, 2015 (December 31, 2014 - \$84.8 million). The 2010 convertible debentures that comprised the December 31, 2014 current portion of convertible debentures were settled on June 30, 2015 through cash on hand, combined with a draw on our Revolver.

We monitor our capital structure through the use of indebtedness to capitalization and net long-term indebtedness to EBITDA metrics. Indebtedness to capitalization at September 30, 2015 was 39%, which compares favorably to 44% at December 31, 2014.

As at September 30, 2015, our net long-term indebtedness to EBITDA ratio improved to 1.96, from 2.42 at September 30, 2014. The improvement was driven by improved trailing 12-month EBITDA performance, partially offset by a slight increase in net debt due to the acquisition of Studon in the first quarter of 2015. The calculation of net long-term indebtedness to EBITDA at September 30, 2015 reflects the increase in net long-term indebtedness associated with the Studon acquisition, but only reflects partial year EBITDA results from Studon (from the January 6, 2015 acquisition closing date). Had we included Studon's trailing 12-month EBITDA on a pro forma basis, net long-term indebtedness to EBITDA would have been 1.84 at the end of Q3 2015.

As at September 30, 2015, we were in full compliance with the covenants in our Revolver.

Ratio	Covenant	Actual as at Sep. 30, 2015
Interest coverage ⁽¹⁾	>3.00:1.00	3.85
Total debt to EBITDA ⁽¹⁾⁽²⁾	<3.00:1.00	1.07

Notes: (1) As per our Revolver agreement, EBITDA for covenant purposes includes trailing twelve month EBITDA from acquisitions (Studon).
(2) On July 16, 2015, the terms of our Revolver were amended to eliminate the working capital ratio and senior debt to EBITDA ratio covenants, and to increase the total debt to EBITDA ratio covenant to not more than 3.00:1.00, which will apply to Q3 2015 and subsequent reporting periods.

The outstanding balance under the Revolver fluctuates from quarter to quarter as it is drawn to finance working capital requirements, capital expenditures and acquisitions, and is repaid with funds from operations, dispositions or financing activities.

Revolver Amendments

On July 16, 2015, we completed the negotiation of a three-year extension to our Revolver under improved terms and conditions. The Revolver now consists of a \$155.0 million credit facility and a \$20.0 million operating facility. The combination of these two facilities provides us with maximum available borrowing capacity of \$175.0 million, as compared to \$167.4 million under the previous terms of the Revolver. The syndicated portion of the facility continues to include a \$75 million accordion feature. The maturity date of the Revolver was extended to July 16, 2020.

Material changes to the Revolver include the elimination of the former Working Capital ratio and the Senior Debt to EBITDA ratio financial covenants. The Revolver continues to include existing financial covenants related to interest

coverage and total debt to EBITDA. The Interest Coverage ratio covenant remains the same at not less than 3.00:1 and the Debt to EBITDA ratio covenant has been reduced by 0.25 such that it shall not exceed 3.00:1, with a temporary increase to 3.25:1 for a period of two quarters following the completion of a material acquisition. These amendments are expected to expand our available borrowing capacity, if needed, to support operations, finance capital expenditures and support growth strategies. The amendments also provide us with additional flexibility in terms of our ability to make investments without securing approval from the syndicated lenders, by increasing the limit from \$10.0 million to \$25.0 million.

The amended and restated Revolver containing all of the foregoing changes and certain other non-material changes is available under our SEDAR profile at www.sedar.com.

Summary of Cash Flows

<i>\$millions</i>	Nine months ended September 30	
	2015	2014 ⁽¹⁾
Operating activities	46.6	(14.4)
Investing activities	(64.3)	31.5
Financing activities	(47.6)	18.0
Increase in cash	(65.3)	35.1
Cash and cash equivalents, beginning of period	104.1	36.2
Cash and cash equivalents, end of period	38.8	71.3

Notes: (1) This table includes both continuing and discontinued operations. See accompanying notes of our September 30, 2015 Condensed Consolidated Interim Financial Statements.

For the nine months ended September 30, 2015, cash generated from operating activities was \$46.6 million as compared to cash used of \$14.4 million in 2014, a year-over-year improvement of \$61.0 million. The increase was driven primarily by a \$55.5 million improvement in the change of non-cash working capital year-over-year from the conversion of working capital to cash in the first nine months of 2015 for all groups, compared to significant working capital investments made in all of our groups in the same period last year. Additionally, the year-over-year increase in net earnings of \$22.6 million contributed to the positive change, partially offset by the loss on disposal of discontinued operations of \$16.3 million in the period of 2014.

Cash used by investing activities was \$64.3 million for the nine months ended September 30, 2015, as compared to cash generated of \$31.5 million in 2014, a \$95.8 million decrease. This reflects the \$62.3 million cash consideration to complete the Studon acquisition in the first quarter of 2015, the proceeds on the disposal of assets (including Broda) for cash consideration of \$38.8 million in 2014, partially offset by a \$5.8 million decline in property and equipment additions in 2015. Decreased spending on property and equipment primarily reflects the 2014 divestiture of our former Broda business, which was more capital intensive relative to our other businesses.

Cash used by financing activities totalled \$47.6 million in the first nine months of 2015, as compared to \$18.0 million of cash generated last year, a decrease of \$65.6 million. The increase in cash used by financing activities primarily reflects the repayment of our \$86.3 million 2010 convertible debentures on June 30, 2015 by way of cash on hand and a draw on our Revolver, the issuance in September 2014 of convertible debentures in the amount of \$77.3 million, compared with increased draws on our Revolver in the first nine months of 2014 to support collective activity levels.

External Factors Impacting Liquidity

Please refer to the section entitled "Risk Factors" of Stuart Olson's Annual Information Form for a description of circumstances that could affect our sources of funding.

CAPITAL RESOURCES

Our objectives in managing capital are to ensure that we have sufficient liquidity to pursue growth objectives while maintaining a prudent amount of financial leverage.

Capital is composed of equity and long-term indebtedness, including convertible debentures. Our primary uses of capital are to finance operations, execute our growth strategies and fund capital expenditure programs.

Capital expenditures, including both property and equipment and intangible assets, are associated with our need to maintain and support existing operations. For 2015, capital spending has been restricted to only those assets we are contractually committed to acquire or that are needed in order to execute our backlog of work. Capital expenditures for 2015 will be within a range of \$4.5 million to \$5.5 million. In the first nine months of 2015, our capital and intangible expenditures totalled \$3.1 million.

Working Capital

As at September 30, 2015, we had working capital of \$58.8 million, compared to \$54.4 million at December 31, 2014. The \$4.4 million increase primarily reflects the settlement of our 2010 convertible debentures on June 30, 2015 for \$86.3 million and the collection of non-cash working capital, offset by a reduction in cash to fund the purchase of Studon on January 6, 2015.

On the basis of our current cash and cash equivalents, the ability to generate cash from operations and the undrawn portion of our Revolver, we believe we have the capital resources and liquidity necessary to meet our commitments, support operations, finance capital expenditures, support growth strategies and fund declared dividends.

For additional information regarding our management of capital, please refer to *Note 21* of the Condensed Consolidated Interim Financial Statements.

Contractual Obligations

The following are our contractual financial obligations as at September 30, 2015. Interest payments on the Revolver have not been included in the table below as they are subject to variability based upon outstanding balances at various points throughout the period. Further information is included in *Note 20(b)(iii)* of the Condensed Consolidated Interim Financial Statements.

<i>\$thousands</i>	Carrying amount	Contractual cash flows	Not later than 1 year	Later than 1 year and less than 3 years	Later than 3 years and less than 5 years	Later than 5 years
Trade and other payables	\$ 225,993	\$ 225,993	\$ 225,993	\$ -	\$ -	\$ -
Provisions including current portion	7,820	7,820	2,581	4,909	107	223
Convertible debentures (debt portion)	72,129	102,235	4,830	9,660	87,745	-
Long-term debt including current portion	60,340	62,944	2,210	867	59,867	-
Operating lease commitments	-	59,951	7,348	13,083	13,082	26,438
	\$ 366,282	\$ 458,943	\$ 242,962	\$ 28,519	\$ 160,801	\$ 26,661

Scheduled long-term debt principal repayments due within one year of September 30, 2015 were \$2.0 million (December 31, 2014 - \$0.4 million), while scheduled convertible debenture principal repayments for this same period were nil (December 31, 2014 - \$86.3 million).

Share Data

As at September 30, 2015, we had 26,438,227 common shares issued and outstanding and 1,730,118 options convertible into common shares (December 31, 2014 - 25,054,310 common shares and 1,682,042 options). Please refer to *Note 17* and *Note 18* of the Condensed Consolidated Interim Financial Statements for further detail. On October 15, 2015, we issued 94,255 shares pursuant to our Dividend Reinvestment Plan (“DRIP”). The details pertaining to our DRIP are available on our website. As at November 8, 2015, we had 26,532,482 issued and outstanding common shares and 1,730,118 options convertible into common shares.

The \$80.5 million of 6.0% convertible debentures issued in 2014 are convertible into 5,689,046 common shares, based on a conversion price of \$14.15 per share.

At September 30, 2015, shareholders’ equity was \$225.3 million, compared to \$216.6 million at December 31, 2014. This \$8.6 million increase reflects \$9.1 million of first nine months 2015 net earnings, the issuance of \$6.6 million in common shares as part of the consideration for the Studon acquisition, \$1.6 million related to shares issued pursuant to the DRIP, \$0.6 million related to stock option expense, and a \$0.2 million year-to-date defined benefit plan actuarial gain, net of tax, partially offset by \$9.5 million of dividends declared.

DIVIDENDS

Declaration of Common Share Dividend

On November 8, 2015, our Board of Directors declared a common share dividend of \$0.12 per share. The dividend is designated as an eligible dividend under the *Income Tax Act* (Canada) and is payable January 14, 2016 to shareholders of record on December 31, 2015. The declaration of this dividend reflects the Board of Directors’ confidence in our ability to generate cash flows adequate to support our growth strategy, while providing a certain amount of income to our shareholders.

We also maintain a DRIP, details of which are available on our website (www.stuartolson.com). Future dividend payments may vary depending on a variety of factors and conditions, including overall profitability, debt service requirements, operating costs and other factors affecting cash flow.

OFF-BALANCE SHEET ARRANGEMENTS

We had no off-balance sheet arrangements in place at September 30, 2015.

RELATED PARTY TRANSACTIONS

We incurred facility costs during the three and nine month periods ended September 30, 2015 of \$0.1 million and \$0.3 million, respectively (September 30, 2014 - nil) for the rental of buildings that are partially owned indirectly by Don Sutherland, the president of Studon. No amounts are included in trade payables as at September 30, 2015 and 2014.

We incurred facility costs during the three and nine month periods ended September 30, 2015 of \$0.1 million and \$0.3 million, respectively (September 30, 2014 – \$0.1 million and \$0.3 million, respectively) for the rental of a building that is 50% owned by Schneider Investments Inc., a company owned by George Schneider, a former Stuart Olson Director. No amounts are included in trade payables as at September 30, 2015 and 2014.

We incurred facility costs during the three and nine month periods ended September 30, 2015 of nil (September 30, 2014 – \$0.1 million and \$0.3 million, respectively) for the rental of a building owned by Broda Holdings (2009) Inc., a company owned by Gord Broda, the president of one of our former subsidiaries. No amounts are included in trade payables as at September 30, 2015 and 2014. We reclassified these facility costs as discontinued operations in the condensed consolidated statements of earnings (loss).

On September 1, 2014, we completed the sale of Broda to TriWest Capital Partners and certain members of Broda's senior management team, including the president, for gross cash proceeds of \$38.8 million. Gord Broda had an indirect interest in the entity that acquired Broda. Chad Danard, a Stuart Olson Director and a Managing Director of TriWest, did not participate in any discussions related to the Broda disposition. TriWest also recognized the potential conflict and took steps to ensure that Mr. Danard was not involved at any time in discussions at TriWest pertaining to the Broda disposition.

QUARTERLY FINANCIAL INFORMATION

The following table sets out our selected quarterly financial information for the eight most recent three-month quarters:

<i>\$millions, except per share amounts</i>	2015 Quarter Ended:			2014 Quarter Ended ^{(2):}			2013 Quarter Ended ^{(2):}	
	Sep. 30	Jun. 30	Mar. 31	Dec. 31 ⁽³⁾	Sep. 30	Jun. 30	Mar. 31	Dec. 31
Contract revenue	281.7	303.7	282.9	364.5	350.4	322.9	268.5	283.6
EBITDA ⁽¹⁾	15.9	13.2	10.6	13.7	10.9	9.9	8.9	11.2
Net earnings (loss) from continuing operations	6.4	1.7	1.0	1.2	2.8	1.8	1.3	3.4
Net earnings (loss) from discontinued operations	nil	nil	nil	(0.7)	(15.7)	(1.9)	(1.9)	(0.1)
Net earnings (loss)	6.4	1.7	1.0	0.5	(12.9)	nil	(0.6)	3.3
Net earnings (loss) per common share								
Basic from continuing operations	0.24	0.06	0.04	0.05	0.11	0.07	0.05	0.14
Basic earnings (loss) per share	0.24	0.06	0.04	0.02	(0.52)	nil	(0.02)	0.13
Diluted from continuing operations	0.18	0.06	0.04	0.05	0.11	0.07	0.05	0.14
Diluted earnings (loss) per share	0.18	0.06	0.04	0.02	(0.52)	nil	(0.02)	0.13

- Notes:**
- (1) "EBITDA" is a non-IFRS measure, refer to "Non-IFRS Measures" for the definition.
 - (2) Amounts have been restated as a result of the reclassification of Broda to discontinued operations. See the "Discontinued Operations" subsection of "Results of Operations by Business Group" of this MD&A and *Note 8* of our September 30, 2015 Condensed Consolidated Interim Financial Statements.
 - (3) "EBITDA" for the quarter ended December 31, 2014 has been recalculated as a result of a change in definition in the quarter to exclude costs/recoveries from investing activities. Please refer to the "Non-IFRS Measures" section for further information.

First quarter 2014 financial results declined relative to the fourth quarter of 2013 as our business groups experienced seasonal revenue declines quarter over quarter.

Financial results for the second quarter of 2014 increased compared to the first quarter of 2014, principally due to strong revenue and margin in the Industrial Group and strong revenue growth in the Buildings Group, partially offset by lower Buildings Group margins.

Financial results from continuing operations improved in the third quarter of 2014 compared to the second quarter of 2014 on increased revenue in all segments and higher margin in the Industrial Group and Commercial Systems Group.

Despite improved performance, we recognized a net loss for the quarter driven by an after-tax loss on disposal of discontinued operations of \$16.3 million.

Fourth quarter 2014 revenue and EBITDA modestly improved compared to the third quarter of 2014. Improved Buildings Group performance more than offset the fourth quarter impact of seasonal declines in Industrial Group revenue and higher costs associated with the Studon acquisition. Fourth quarter results from continuing operations declined compared to the third quarter of 2014 due to a full quarter of interest on the 2014 convertible debentures and write-downs on Buildings Group tenant improvements. Net earnings improved significantly quarter-over-quarter as the third quarter loss on the disposal of Broda did not repeat in the fourth quarter.

Financial results for the first quarter of 2015 declined relative to the fourth quarter of 2014, with our business groups experiencing seasonal activity declines quarter-over-quarter. Notwithstanding the seasonal activity decline, net earnings from continuing operations and net earnings improved in the first quarter of 2015 as a result of Q4 2014 tenant improvement write-downs that did not repeat in the first quarter of 2015.

Financial results for the second quarter of 2015 increased compared to the first quarter of 2015, principally due to seasonal increases in revenue and margin for the Industrial Group, margin improvement for the Buildings Group and an increase in profit associated with intersegment eliminations.

Third quarter 2015 revenue declined compared to the second quarter of 2015 due to lower activity levels for our Commercial Systems Group and Buildings Group related to weaker market conditions in Alberta. Notwithstanding the decline in revenue, EBITDA and earnings improved quarter-over-quarter as a result of improved margin earned by each of our groups.

For a more detailed discussion and analysis of quarterly results prior to September 30, 2015, please review our 2015, 2014 and 2013 Annual and Interim Reports.

CRITICAL ACCOUNTING ESTIMATES

Our financial statements include estimates and assumptions made by management in respect to operating results, financial condition, contingencies, commitments and related disclosures. Actual results may vary from these estimates. The following are, in the opinion of management, the more significant estimates that have an impact on our financial condition and results of operations:

- Convertible debentures;
- Revenue recognition;
- Estimates used to determine costs in excess of billings and contract advances;
- Estimates in impairment of property and equipment, goodwill and intangible assets;
- Estimates related to the useful lives and residual value of property and equipment;
- Income taxes;
- Provisions for warranty work and legal contingencies;
- Assumptions used in share-based payment arrangements;
- Accounts receivable collectability; and
- Measurement of defined benefit pension obligations.

The key assumptions and basis for the estimates that management has made under IFRS and their impact on the amounts reported in the Condensed Consolidated Interim Financial Statements and notes thereto, are contained in the 2014 Annual Report, Management's Discussion and Analysis.

CHANGES IN ACCOUNTING POLICIES

Future Changes in Accounting Standards

We have reviewed new and revised accounting pronouncements that have been issued, but are not yet effective. See *Note 3* of the September 30, 2015 Condensed Consolidated Interim Financial Statements for further information. We are still evaluating the potential impact of future accounting standard changes on our financial reporting.

FINANCIAL INSTRUMENTS

Financial instruments consist of recorded amounts of receivables and other like amounts that will result in future cash receipts, as well as accounts payable, borrowings and any other amounts that will result in future cash outlays. The fair value of our short-term financial assets and liabilities approximates their respective carrying amounts on the statement of financial position because of the short-term maturity of those instruments. The fair value of our interest-bearing financial liabilities, including capital leases, financed contracts and the revolving credit facility, also approximates their respective carrying amounts due to the floating-rate nature of the debt.

The financial instruments we use expose us to credit, interest rate and liquidity risks. Our Board of Directors has overall responsibility for the establishment and oversight of our risk management framework and reviews corporate policies on an ongoing basis. We do not actively use financial derivatives, nor do we hold or use any derivative instruments for trading or speculative purposes.

We are exposed to credit risk through accounts receivable. This risk is minimized by the number of customers in diverse industries and geographical centres. We further mitigate this risk by performing an assessment of our customers as part of our work procurement process, including an evaluation of financial capacity.

Allowances are provided for potential losses as at the Statement of Financial Position date. Accounts receivable are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. We take into consideration the customer's payment history, credit worthiness and the current economic environment in which the customer operates to assess impairment.

We establish a specific bad debt provision when we consider that the expected recovery will be less than the actual account receivable. The provision for doubtful accounts has been included in administrative costs in the Condensed Consolidated Statements of Earnings (Loss) and Comprehensive Earnings (Loss), and is net of any recoveries that were provided for in a prior period. Allowance for doubtful accounts as at September 30, 2015 was \$2.5 million (December 31, 2014 - \$2.1 million).

In determining the quality of trade receivables, we consider any change in credit quality of customers from the date credit was initially granted up to the end of the reporting period. As at September 30, 2015, we had \$33.4 million of trade receivables (December 31, 2014 - \$21.3 million) which were greater than 90 days past due, with \$30.9 million not provided for as at September 30, 2015 (December 31, 2014 - \$19.2 million). Of the total, \$25.0 million (74.7%) was concentrated in three customer accounts, and of this amount, \$25.0 million remained outstanding as of November 8, 2015. The three customers are considered to be credit-worthy and management is not concerned regarding collectability of these accounts. Trade receivables are included in trade and other receivables on the Condensed Consolidated Statements of Financial Position.

Financial risk is the risk to our earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. We do not use derivative instruments to reduce our exposure to this risk. At September 30, 2015, the increase or decrease in annual net earnings for each 100 basis point change in interest rates on floating rate debt would have been approximately \$0.3 million (December 31, 2014 - \$0.8 million) related to financial assets and \$0.5 million (December 31, 2014 - nil) related to financial liabilities.

Liquidity risk is the risk that we will encounter difficulties in meeting our financial obligations. We manage this risk through cash and debt management. We invest our cash with the objective of maintaining safety of principal and providing adequate liquidity to meet all current payment obligations. We invest cash and cash equivalents with counterparties that are of high credit quality as assessed by reputable rating agencies. Given these high credit ratings, we do not expect any counterparties to fail to meet their obligations. In managing liquidity risk, we have access to committed short and long-term debt facilities as well as equity markets, the availability of which is dependent on market conditions.

Under our risk management policy, derivative financial instruments are used only for risk management purposes and not for generating trading profits.

Please refer to *Note 20* of the September 30, 2015 Condensed Consolidated Interim Financial Statements for further detail.

Controls & Procedures

All of the controls and procedures set out below encompass all legacy Stuart Olson companies and scope out controls for the legacy Studon business, as permitted by National Instrument 52-109 for 365 days following the acquisition.

Disclosure Controls & Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including our CEO and CFO, on a timely basis, so that appropriate decisions can be made regarding public disclosure. The CEO and CFO together are responsible for establishing and maintaining our disclosure controls and procedures. They are assisted in this responsibility by the Disclosure Committee, which is composed of members of our senior management team.

An evaluation of the effectiveness of the design of our disclosure controls and procedures was carried out under the supervision of our management, including our CEO and CFO, with oversight by the Board of Directors and Audit Committee, as of September 30, 2015. Based on this evaluation, our CEO and CFO have concluded that the design of our disclosure controls and procedures as defined in NI 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings was effective as at September 30, 2015.

Internal Controls over Financial Reporting

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Absolute assurance cannot be provided that all misstatements have been detected because of inherent limitations in all control systems. Management is responsible for establishing and maintaining adequate internal controls appropriate to the nature and size of the business, and to provide reasonable assurance regarding the reliability of our financial reporting.

Under the oversight of the Board of Directors and our Audit Committee, our management, including our CEO and CFO, evaluated the design of our internal controls over financial reporting using the control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission on Internal Control – Integrated Framework (2013). The evaluation included documentation review, enquiries, testing and other procedures considered by management to be appropriate in the circumstances. As at September 30, 2015, our CEO and CFO have concluded that the design of the internal controls over financial reporting as defined in NI 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings was effective.

Material Changes to Internal Controls over Financial Reporting

There were no changes to our internal controls over financial reporting and the environment in which they operated during the period beginning on January 1, 2015 and ending on September 30, 2015 that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

NON-IFRS MEASURES

Throughout this MD&A certain measures are used that, while common in the construction industry, are not recognized measures under IFRS. The measures used are “contract income margin percentage”, “work-in-hand”, “backlog”, “active backlog”, “book-to-bill ratio”, “working capital”, “EBITDA”, “EBITDA margin”, “EBT”, “Long-term Indebtedness”, “Indebtedness to Capitalization” and “Net Long-Term Indebtedness to EBITDA”. These measures are used by our management to assist in making operating decisions and assessing performance. They are presented in this MD&A to assist readers to assess the performance of Stuart Olson and our business groups. While we calculate these measures consistently from period to period, they likely will not be directly comparable to similar measures used by other companies because they do not have standardized meanings prescribed by IFRS. Please review the discussion of these measures below.

Contract Income Margin

Contract income margin is the percentage derived by dividing contract income by contract revenue. Contract income is calculated by deducting all associated direct and indirect costs from contract revenue in the period.

Work-In-Hand

Work-in-hand is the unexecuted portion of work that has been contractually awarded to us for construction. It includes an estimate of the revenue to be generated from maintenance contracts during the shorter of (a) 12 months, or (b) the remaining life of the contract.

Backlog and Active Backlog

Backlog means the total value of work, including work-in-hand, that has not yet been completed that (a) is assessed by us as having high certainty of being performed by us or our subsidiaries by either the existence of a contract or work order specifying job scope, value and timing, or (b) has been awarded to us or our subsidiaries, as evidenced by an executed binding or non-binding letter of intent or agreement, describing the general job scope, value and timing of such work, and with the finalization of a formal contract respecting such work currently assessed by us as being reasonably assured.

Active backlog is the portion of backlog that is not work-in-hand (has not been contractually awarded to us). We provide no assurance that clients will not choose to defer or cancel their projects in the future.

<i>\$millions</i>	Sep. 30, 2015	Dec. 31, 2014
Work-in-hand	768.6	1,080.3
Active backlog	1,248.5	906.5
Consolidated backlog	2,017.1	1,986.8

Book-to-Bill Ratio

Book-to-bill ratio means the ratio of new projects added to backlog and increases in the scope of existing projects (“book”) to revenue (“bill”), for continuing operations for a specified period of time (excluding backlog reductions for divestitures). A book-to-bill ratio of above 1 implies that backlog additions were more than revenue for the specified time period, while a ratio below 1 implies that revenue exceeded backlog additions for the period.

Working Capital

Working capital is current assets less current liabilities. The calculation of working capital is provided in the table below:

<i>\$millions</i>	Sep. 30, 2015	Dec. 31, 2014
Current assets	400.7	501.6
Current liabilities ⁽¹⁾	(341.9)	(447.2)
Working capital	58.8	54.4

Notes: (1) The convertible debentures issued in 2010, and repaid June 30, 2015, were presented as a current liability of \$84.8 million as at December 31, 2014.

EBITDA and EBT

We define EBT as earnings/loss from continuing operations before income taxes.

We define EBITDA as net earnings/loss from continuing operations before interest expense, income taxes, capital asset depreciation and amortization, impairment charges, costs or recoveries relating to investing activities and gains/losses on assets, liabilities and investment dispositions.

Effective with this MD&A, we have revised our definition of EBITDA to exclude the impact of costs or recoveries relating to investing activities. This change was undertaken to address a recovery that was recognized as part of our 2015 EBT relating to marking-to-market a provisional liability initially recognized as part of the Studon purchase price. Further, we have revised the calculation of EBITDA for the quarter-ended December 31, 2014 to exclude the impact of Studon acquisition costs. As management uses EBITDA as one measure of our operating performance, we believe it is appropriate to exclude from EBITDA recoveries and costs related to investment decisions.

While EBITDA is a common financial measure widely used by investors to facilitate an “enterprise level” valuation of an entity, it does not have a standardized definition prescribed by IFRS, therefore other issuers may calculate EBITDA differently. The following is a reconciliation of net earnings to EBT and EBITDA for each of the periods presented in this MD&A.

<i>\$millions</i>	Three months ended		Nine months ended	
	September 30		September 30	
	2015	2014	2015	2014
Net earnings (loss) from continuing operations	6.4	2.8	9.1	6.0
Add: Income tax expense (recovery)	0.9	1.0	3.4	2.9
EBT	7.3	3.8	12.5	8.9
Add: Depreciation and amortization	5.1	3.6	15.5	11.7
Impairment	4.0	nil	4.0	nil
Finance costs	2.4	3.3	10.5	9.0
(Recovery) relating to investing activities	(2.9)	nil	(2.9)	nil
Loss (gain) on disposal of assets	nil	0.2	nil	0.1
EBITDA	15.9	10.9	39.6	29.7

EBITDA Margin

EBITDA margin is the percentage derived from dividing EBITDA by contract revenue.

Long-term Indebtedness

Long-term indebtedness is the gross value of our indebtedness. It is calculated as the principal value of long-term debt (current and non-current amounts before the deduction of deferred financing fees) and principal value at maturity of convertible debentures.

Indebtedness to Capitalization

Indebtedness to capitalization is a percentage metric we use to measure our financial leverage. It is calculated as long-term indebtedness divided by the sum of long-term indebtedness and total equity.

Net Long-Term Indebtedness to EBITDA

Net long-term indebtedness to EBITDA is a ratio used by us to measure our financial leverage. It is calculated as long-term indebtedness less cash and cash equivalents, and the result is divided by trailing twelve month EBITDA.

FORWARD-LOOKING INFORMATION

Certain information contained in this MD&A may constitute forward-looking information. This information relates to future events or our future performance. All statements, other than statements of historical fact, may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “propose”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. This information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. No assurance can be given that the information will prove to be correct and such information should not be unduly relied upon by investors as actual results may vary significantly. This information speaks only as of the date of this MD&A and is expressly qualified, in its entirety, by this cautionary statement.

In particular, this MD&A contains forward-looking information, pertaining to the following:

- Our capital expenditure program for the remainder of 2015;
- Our objective to manage our capital resources so as to ensure that we have sufficient liquidity to pursue growth objectives, while maintaining a prudent amount of financial leverage;
- Our belief that we have sufficient capital resources and liquidity, and ability to generate ongoing cash flows to meet commitments, support operations, finance capital expenditures, support growth strategies and fund declared dividends;
- Our outlook on the business including, without limitation, those statements in the section entitled “Outlook” relating to backlog execution, project mix and timing, earnings visibility, revenue, margin, new contract awards and industrial maintenance work;
- The Board’s confidence in our ability to generate sufficient operating cash flows to support management’s business plans, including its growth strategy, while providing a certain amount of income to shareholders;
- The expectation that any of our business groups will improve or maintain their business prospects or continue to grow their revenue, earnings, profitability and backlog in any manner whatsoever including, without limitation, through margin expansion, organic growth, new project awards or productivity efficiencies;
- Expectations as to future general economic conditions and the impact those conditions may have on the company and our businesses including, without limitation, the reaction of oil sands owners to the recent decrease in oil prices;
- Expectations regarding the ability of counterparties with whom we invest cash and equivalents to meet their obligations; and
- Our projected use of cash resources.

With respect to forward-looking information listed above and contained in this MD&A, we have made assumptions regarding, among other things:

- The expected performance of the global and Canadian economies and the effects thereof on our businesses;
- The impact of competition on our businesses;
- The global demand for oil and natural gas, its impact on commodity prices and its related effect on capital investment projects in Western Canada; and
- Government policies.

Our actual results could differ materially from those anticipated in this forward-looking information as a result of the risk factors set forth below:

- General global economic and business conditions including the effect, if any, of a slowdown in Western Canada and/or a slowdown in the United States;
- Fluctuations in the price of oil, natural gas and other commodities;
- Weak capital and/or credit markets;
- Fluctuations in currency and interest rates;
- Changes in laws and regulations;
- Limited geographical scope of operations;
- Timing of client's capital or maintenance projects;
- Dependence on the public sector;
- Competition and pricing pressures;
- Unexpected adjustments and cancellations of projects;
- Action or non-action of customers, suppliers and/or partners;
- Inadequate project execution;
- Unpredictable weather conditions;
- Erroneous or incorrect cost estimates;
- Adverse outcomes from current or pending litigation;
- Interruption of information technology systems; and
- Those other risk factors described in our most recent Annual Information Form.

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

[Additional Information](#)

Additional information regarding Stuart Olson, including our current Annual Information Form and other required securities filings, is available on our website at www.stuartolson.com and under Stuart Olson's SEDAR profile at www.sedar.com.



Condensed Consolidated Interim Financial Statements

For the three and nine month periods September 30, 2015 and 2014
(unaudited)

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Corporation is disclosing that its auditors have not reviewed the unaudited condensed consolidated interim financial statements for the three and nine month periods ended September 30, 2015.

STUART OLSON INC.
Condensed Consolidated Statements of Earnings (Loss) and Comprehensive Earnings (Loss)

For the three and nine month periods ended September 30, 2015 and 2014

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

(unaudited)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2015	2014	2015	2014
Contract revenue		\$ 281,701	\$ 350,368	\$ 868,267	\$ 941,747
Contract costs		247,323	321,500	777,277	858,370
Contract income		34,378	28,868	90,990	83,377
Other income (loss)		75	(49)	543	441
Finance income		13	22	391	157
Administrative costs		(24,799)	(21,723)	(68,888)	(66,079)
Finance costs		(2,361)	(3,286)	(10,497)	(9,043)
Earnings from continuing operations before tax		7,306	3,832	12,539	8,853
Income tax (expense) recovery					
Current income tax		(11,424)	(1,349)	(18,892)	(1,801)
Deferred income tax		10,549	360	15,436	(1,085)
	7	(875)	(989)	(3,456)	(2,886)
Net earnings from continuing operations		6,431	2,843	9,083	5,967
Net loss from discontinued operations	8	-	(15,724)	-	(19,510)
Net earnings (loss)		6,431	(12,881)	9,083	(13,543)
Other comprehensive earnings (loss)					
Items that will not be reclassified to net earnings (loss)					
Defined benefit plan actuarial gain (loss)		69	(678)	273	(2,734)
Deferred tax (expense) recovery on other comprehensive earnings (loss)		(19)	176	(74)	710
		50	(502)	199	(2,024)
Total comprehensive earnings (loss)		\$ 6,481	\$ (13,383)	\$ 9,282	\$ (15,567)
Earnings (loss) per share:					
Basic from continuing operations		\$ 0.24	\$ 0.11	\$ 0.35	\$ 0.24
Basic from discontinued operations		-	(0.63)	-	(0.78)
Basic earnings (loss) per share	9	\$ 0.24	\$ (0.52)	\$ 0.35	\$ (0.54)
Diluted from continuing operations	9	\$ 0.18	\$ 0.11	\$ 0.30	\$ 0.24
Diluted from discontinued operations		\$ -	\$ (0.63)	\$ -	\$ (0.78)
Diluted earnings (loss) per share		\$ 0.18	\$ (0.52)	\$ 0.30	\$ (0.54)
Weighted average common shares:					
Basic	9	26,425,681	24,956,475	26,312,739	24,913,733
Diluted from continuing operations	9	41,898,748	25,137,872	42,212,658	25,116,002
Diluted from discontinued operations	9	26,425,681	24,956,475	26,312,739	24,913,733

See accompanying notes to the condensed consolidated financial statements.

STUART OLSON INC.
Condensed Consolidated Statements of Financial Position

As at September 30, 2015 and December 31, 2014

(in thousands of Canadian dollars)

(unaudited)

	Note	September 30, 2015	December 31, 2014
ASSETS			
Current assets			
Cash and cash equivalents		\$ 34,608	\$ 104,113
Trade and other receivables		325,591	336,996
Inventory		1,595	989
Prepaid expenses		3,491	2,912
Costs in excess of billings	11	35,293	54,819
Income taxes recoverable		68	1,734
Current portion of long-term receivable		55	55
		400,701	501,618
Restricted cash	10	4,172	-
Service provider deposit		6,519	5,549
Long-term receivable and prepaid expenses		1,533	340
Deferred tax asset		27,878	27,163
Property and equipment		24,336	24,230
Goodwill	12	214,024	179,016
Intangible assets	13	55,702	45,695
		\$ 734,865	\$ 783,611
LIABILITIES			
Current liabilities			
Trade and other payables		\$ 225,993	\$ 264,196
Contract advances and unearned income	11	95,842	89,506
Current portion of provisions	14	2,581	2,616
Income taxes payable		15,484	5,686
Current portion of long-term debt	15	2,036	391
Current portion of convertible debentures	16	-	84,828
		341,936	447,223
Employee benefits		5,196	6,341
Provisions	14	5,239	4,913
Long-term debt	15	58,304	817
Convertible debentures	16	72,129	70,932
Deferred tax liability		22,014	30,382
Share-based payments	17(d)	4,781	6,382
		509,599	566,990
EQUITY			
Share capital	18(a)	139,952	131,724
Preferred share reserve		5,128	5,128
Convertible debentures	16	11,689	11,689
Share-based payment reserve	17(a)	9,961	9,341
Retained earnings		58,536	58,739
		225,266	216,621
		\$ 734,865	\$ 783,611

See accompanying notes to the condensed consolidated financial statements.

STUART OLSON INC.
Condensed Consolidated Statements of Changes in Equity
 For the nine month periods ended September 30, 2015 and 2014
 (in thousands of Canadian dollars)
 (unaudited)

	Note	Share Capital	Preferred Share Reserve	Convertible Debentures	Share-Based Payment Reserve	Retained Earnings	Total Equity
Balance at December 31, 2014		\$ 131,724	\$ 5,128	\$ 11,689	\$ 9,341	\$ 58,739	\$ 216,621
Net earnings						9,083	9,083
Other comprehensive earnings:							
Defined benefit plan actuarial gain, net of tax						199	199
Total comprehensive earnings						9,282	9,282
<i>Transactions recorded directly to equity</i>							
Common shares issued under stock option plan	17(a)				620		620
Common shares issued related to acquisition	4	6,631					6,631
Dividends	18(a,b)	1,597				(9,485)	(7,888)
Balance at September 30, 2015		\$ 139,952	\$ 5,128	\$ 11,689	\$ 9,961	\$ 58,536	\$ 225,266
Balance at December 31, 2013							
		\$ 129,134	\$ 5,128	\$ 7,100	\$ 8,594	\$ 87,002	\$ 236,958
Net loss						(13,543)	(13,543)
Other comprehensive loss:							
Defined benefit plan actuarial loss, net of tax						(2,024)	(2,024)
Total comprehensive loss						(15,567)	(15,567)
<i>Transactions recorded directly to equity</i>							
Issued during the period				4,589			4,589
Common shares issued under stock option plan		1,234			417		1,651
Dividends		1,068				(8,979)	(7,911)
Balance at September 30, 2014		\$ 131,436	\$ 5,128	\$ 11,689	\$ 9,011	\$ 62,456	\$ 219,720

See accompanying notes to the condensed consolidated financial statements.

STUART OLSON INC.
Condensed Consolidated Statements of Cash Flow
 For the nine month periods ended September 30, 2015 and 2014
 (in thousands of Canadian dollars)
 (unaudited)

	Note	September 30, 2015	September 30, 2014
OPERATING ACTIVITIES			
Net earnings (loss)		\$ 9,083	\$ (13,543)
Depreciation and amortization		15,534	16,278
(Gain) loss on disposal of assets		(33)	1,504
Impairment loss on intangible assets	4,13	4,000	-
Change in fair value of contingent consideration	4,14	(2,935)	-
Loss on disposal of discontinued operation, net of tax		-	16,314
Share-based compensation expense	17(e)	950	3,298
Income tax expense (recovery)		3,456	(1,530)
Finance costs		10,497	9,228
Contributions to employee benefits		(872)	(1,119)
Payment of share-based payment liability		(999)	(1,601)
Change in long-term prepaid expenses		(1,208)	-
Change in provisions		291	(799)
Change in non-cash working capital balances	19	21,763	(33,733)
Cash generated (used) in operating activities		59,527	(5,703)
Interest paid		(7,379)	(6,422)
Income taxes paid		(5,576)	(2,241)
Net cash generated (used) in operating activities		46,572	(14,366)
INVESTING ACTIVITIES			
Acquisition of Studon	4	(62,335)	-
Change in long-term receivable		15	(170)
Proceeds on disposal of assets		387	39,825
Additions to intangible assets	13	(630)	(833)
Additions to property and equipment		(1,776)	(7,361)
Net cash used in investing activities		(64,339)	31,461
FINANCING ACTIVITIES			
Change in service provider deposit		(970)	(437)
Proceeds of long-term debt		141,000	415,500
Repayment of long-term debt		(93,624)	(467,336)
Issuance of 2014 convertible debenture		-	77,280
Repayment of 2010 convertible debenture	16	(86,250)	-
Issuance of common shares		-	869
Dividend paid	18(b)	(7,722)	(7,885)
Net cash (used) generated in financing activities		(47,566)	17,991
Decrease in cash and cash equivalents during the period		(65,333)	35,086
Cash and cash equivalents, beginning of the period		104,113	36,236
Cash and cash equivalents⁽¹⁾, end of the period		\$ 38,780	\$ 71,322

See accompanying notes to the condensed consolidated financial statements.

⁽¹⁾ Cash and cash equivalents includes restricted cash (Note 10).

Notes to the Condensed Consolidated Financial Statements

For the three and nine month periods ended September 30, 2015 and 2014
(in thousands of Canadian dollars, except share and per share amounts)
(unaudited)

1. REPORTING ENTITY

Stuart Olson Inc., formerly The Churchill Corporation, changed its name and was rebranded on May 22, 2014. The entity was incorporated on August 31, 1981 under the Companies Act of Alberta and was continued under the Business Corporations Act (Alberta) on July 30, 1985. The principal activities of Stuart Olson Inc. and its subsidiaries (collectively, the "Corporation") are to provide building construction, commercial electrical and data systems contracting, industrial insulation contracting, industrial electrical and instrumentation contracting, and related services within Canada.

The Corporation's head office and its principal address is #600, 4820 Richard Road S.W., Calgary, Alberta, Canada, T3E 6L1. The registered and records office of the Corporation is located at #3700, 400 – 3rd Avenue, S.W., Calgary, Alberta, Canada, T2P 4H2.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These condensed consolidated interim financial statements are prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB").

These unaudited condensed consolidated interim financial statements were approved by the Corporation's Board of Directors on November 8, 2015.

(b) Summary of Significant Accounting Policies

These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of computation as the annual audited consolidated financial statements of the Corporation for the period ended December 31, 2014. The disclosure contained in these condensed consolidated interim financial statements does not include all of the requirements in IAS 1, "Presentation of Financial Statements." Accordingly, these interim financial statements should be read in conjunction with the annual audited consolidated financial statements for the period ended December 31, 2014.

3. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

The Corporation has reviewed new and revised accounting pronouncements that have been issued but are not yet effective, and determined that the following may have an impact on the Corporation:

(a) IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB and the Financial Accounting Standards Board ("FASB") jointly issued IFRS 15, which supersedes IAS 11 – *Construction Contracts* and IAS 18 – *Revenue*, and related interpretations. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively, and improve guidance for multiple-element arrangements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Corporation is currently evaluating the impact of this standard on its consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the three and nine month periods ended September 30, 2015 and 2014
(in thousands of Canadian dollars, except share and per share amounts)
(unaudited)

(b) IFRS 9 – *Financial instruments*

In July 2014, the IASB issued the final version of IFRS 9 to replace IAS 39 – *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single principle based approach replaces existing rule based requirements that are generally considered to be overly complex and difficult to apply. The new model also results in a single impairment model being applied to all financial instruments, thereby removing a source of complexity associated with previous accounting requirements. IFRS 9 introduces a new, expected loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognized and to recognize full lifetime expected losses on a timelier basis. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Corporation is currently evaluating the impact of this standard on its consolidated financial statements.

4. ACQUISITION

On January 6, 2015, the Corporation acquired 100% of the issued and outstanding shares of Studon Electric & Controls Inc. (“Studon”), a leading electrical and instrumentation services provider offering non-union construction, maintenance and turnaround services to the oil and gas, pipeline and petrochemical industries in Western Canada. This acquisition was a critical step in the Corporation’s strategy to become an integrated, full-service industrial construction company. It strengthens the vertical integration of the Industrial Group and greatly enhances the Corporation’s ability to service the maintenance, repair and operations sector of the industry.

The total purchase price of \$71,901 is composed of three components, being cash of \$62,335, common shares of the Corporation valued at \$6,631 and a preliminary estimate of the contingent consideration through earn-out payments over the next three years of \$2,935.

The share consideration was based on a 20-day volume weighted average market price and is subject to a lock-up period of 720 days, with one-third of the common shares issued as part of the acquisition to be released from lock-up every 240 days following closing. The fair value of the 1,103,081 common shares issued is based on a share price of \$6.01. The accounting share price was calculated by taking the trading value at the time of the close of the transaction of \$6.99 and adjusting it by 14% to reflect the impact of the lock-up period.

The preliminary estimate of the contingent consideration represents a maximum payment of \$22,298 through earn-out payments over fiscal 2015, 2016 and 2017. The earn-out payments are based on Studon’s annual EBITDA exceeding a threshold of \$16,779, with the threshold being increased by 50% for every dollar that Studon’s prior year EBITDA is less than \$16,779.

For the purposes of the earn-out payment calculation, EBITDA is defined as net earnings/loss before interest expense, income taxes, capital asset depreciation and amortization, and gains/losses on assets, liabilities and investment dispositions. While EBITDA is a common financial measure widely used by investors to facilitate an “enterprise level” valuation of an entity, it does not have a standardized definition prescribed by IFRS, and therefore other issuers may calculate it differently. EBITDA is calculated using the stand-alone financial statements of Studon, prepared in accordance with Accounting Standards for Private Enterprises (“ASPE”), Studon’s former basis of accounting.

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Cost of acquisition	
Cash	\$ 62,335
Shares issued ⁽¹⁾	6,631
Contingent consideration	2,935
	\$ 71,901

⁽¹⁾ A discount was applied to the fair market value of the common shares, due to the restrictions and minimum holding periods imposed on the shares issued.

Identifiable assets acquired and liabilities assumed	
Trade and other receivables	\$ 20,207
Income tax recoverable	1,673
Costs in excess of billings	7,189
Inventory	647
Prepaid expenses	116
Property and equipment	4,610
Intangible assets	22,553
Goodwill	35,008
Long-term debt, including finance lease obligations	(10,641)
Trade and other payables	(3,177)
Deferred income taxes	(6,284)
	\$ 71,901

During the second quarter, measurement period adjustments were made to the purchase price allocation (“PPA”) to reflect new information obtained by management with respect to facts and circumstances that existed as of January 6, 2015. As management received and assessed the impact of this new information, which primarily reflected the receipt of expected capital and maintenance spending plans of Studon’s customers and the impact of this information on Studon’s forecasted results for the earn-out period, they identified a decrease in the provisional amounts recognized under contingent consideration and intangible assets. Additionally, Studon tax returns for pre-acquisition taxation periods were completed during the second quarter. The impact of these measurement period adjustments was a \$4,628 decrease in contingent consideration, \$52 decrease in income tax receivable, \$800 decrease in intangible assets, \$4,022 decrease in goodwill and \$246 decrease in deferred income tax liabilities.

The fair value of the contingent consideration and value of the assets and liabilities were not finalized by November 8, 2015, and therefore are preliminary figures. Any future changes in these amounts resulting from facts and circumstances that existed as of January 6, 2015, including new information with respect to customers’ capital spending plans, will affect the recorded cost of the acquisition and assets and liabilities acquired.

During the period, management reassessed and reduced its second quarter estimate of the contingent consideration payable by \$2,935 due to the impact of the continued weakness in commodity prices on the demand for services provided by Studon. In addition, management recognized an impairment loss of \$4,000 with respect to specific intangible assets acquired that were impacted by current economic conditions. The net impact of the change in contingent consideration payable and the impairment loss of \$1,065 and the deferred income tax recovery of \$1,080 was included in administrative costs and deferred income tax (expense) recovery, respectively, in the condensed consolidated statements of earnings (loss).

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From the date of acquisition to September 30, 2015, Studon's revenue for the three and nine month period ended September 30, 2015 totaled \$22,501 and \$65,132, respectively, and its net earnings for the three and nine month period ended September 30, 2015 totaled \$922 and \$3,001, respectively. If the date of the acquisition had been January 1, 2015, pro forma consolidated revenues and net earnings of the Corporation would remain the same as those reported in the condensed consolidated statements of earnings (loss) for the three and nine month periods ended September 30, 2015.

Goodwill and Intangible Assets

The \$35,008 of goodwill recognized as part of the acquisition is mainly attributed to revenue growth, future market development, the assembled workforce and the synergies achieved from the integration of Studon into existing construction and industrial services. These benefits are not recognized separately from goodwill as the future economic benefits arising from them cannot be reliably measured. The \$22,553 of identifiable intangible assets acquired includes tradename, backlog and customer relationships. During the three and nine month periods ended September 30, 2015, an impairment loss of \$4,000 was recorded in respect of the backlog and customer relationships intangible assets.

5. SEGMENTS

The Corporation operates as a construction and maintenance services provider, primarily in Western Canada. The Corporation divides its operations into four reporting segments and reports its results under the categories of: Industrial Group (formerly Industrial Services), Buildings Group (formerly General Contracting), Commercial Systems Group and Corporate Group (formerly Corporate and Other). On January 6, 2015, the Corporation acquired Studon (Note 4) and its results are reported as part of the Industrial Group segment. The accounting policies and practices for each of the segments are the same as those described in Note 3 of the audited annual consolidated financial statements for the period ended December 31, 2014. Segment capital expenditures are the total cost incurred during the period to acquire property and equipment and intangible assets.

A significant customer is one that represents 10% or more of contract revenue earned during the period. For the nine month period ended September 30, 2015, the Corporation had no significant customers from the Industrial Group (September 30, 2014 – \$122,761 of revenue from one significant customer) and one significant customer from the Buildings Group with revenue of \$130,774 (September 30, 2014 – \$105,641 of revenue from one significant customer).

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Three month period ended September 30, 2015	Commercial					Total
	Industrial Group ⁽²⁾	Buildings Group	Systems Group	Corporate Group	Intersegment Eliminations	
Contract revenue	\$ 107,602	\$ 131,129	\$ 53,220	\$ -	\$ (10,250)	\$ 281,701
EBITDA ⁽¹⁾	10,029	5,467	4,867	(5,823)	1,310	15,850
Depreciation and amortization	2,294	450	420	1,931	53	5,148
Impairment loss on intangible assets	4,000	-	-	-	-	4,000
Recovery relating to investing activities	(2,935)	-	-	-	-	(2,935)
(Gain) loss on sale of assets	(29)	3	(4)	-	-	(30)
Finance costs	66	2	-	2,293	-	2,361
Earnings (loss) from continuing operations before tax	\$ 6,633	\$ 5,012	\$ 4,451	\$ (10,047)	\$ 1,257	\$ 7,306
Income tax expense						(875)
Net earnings from continuing operations						\$ 6,431
Goodwill and intangible assets	\$ 57,907	\$ 122,797	\$ 72,328	\$ 16,694	\$ -	\$ 269,726
Capital and intangible expenditures	\$ 50	\$ 170	\$ 561	\$ 193	\$ -	\$ 974
Total assets	\$ 194,730	\$ 374,252	\$ 149,392	\$ 372,930	\$ (356,439)	\$ 734,865
Total liabilities	\$ 64,969	\$ 248,261	\$ 61,155	\$ 160,469	\$ (25,255)	\$ 509,599

Three month period ended September 30, 2014	Commercial					Total
	Industrial Group	Buildings Group	Systems Group	Corporate Group	Intersegment Eliminations	
Contract revenue	\$ 116,031	\$ 181,689	\$ 62,769	\$ -	\$ (10,121)	\$ 350,368
EBITDA ⁽¹⁾	11,726	1,031	5,254	(6,230)	(929)	10,852
Depreciation and amortization	660	733	403	1,778	52	3,626
Loss (gain) on sale of assets	37	78	(17)	10	-	108
Finance costs	12	-	-	3,274	-	3,286
Earnings (loss) from continuing operations before tax	\$ 11,017	\$ 220	\$ 4,868	\$ (11,292)	\$ (981)	\$ 3,832
Income tax expense						(989)
Net earnings from continuing operations						\$ 2,843
Goodwill and intangible assets	\$ 7,718	\$ 124,633	\$ 75,308	\$ 18,160	\$ -	\$ 225,819
Capital and intangible expenditures	\$ 706	\$ 6	\$ 505	\$ 549	\$ -	\$ 1,766
Total assets	\$ 153,338	\$ 385,830	\$ 132,259	\$ 408,155	\$ (321,623)	\$ 757,959
Total liabilities	\$ 49,476	\$ 259,381	\$ 52,160	\$ 186,844	\$ (9,622)	\$ 538,239

⁽¹⁾ During the period, the definition of EBITDA was revised to exclude the impact of costs or recoveries relating to investing activities. The Corporation defines EBITDA as net earnings/loss from continuing operations before interest expense, income taxes, capital asset depreciation and amortization, impairment charges, costs or recoveries relating to investing activities and gains/losses on assets, liabilities and investment dispositions. Costs or recoveries relating to investing activities include marking-to-market provision liabilities and transaction costs recorded as a result of a business acquisition. While EBITDA is a common financial measure widely used by investors to facilitate an "enterprise level" valuation of an entity, it does not have a standardized definition prescribed by IFRS, and therefore other issuers may calculate EBITDA differently.

⁽²⁾ Studon was acquired in 2015 and operates under the Industrial Group.

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Nine month period ended September 30, 2015	Commercial					Total
	Industrial Group ⁽²⁾	Buildings Group	Systems Group	Corporate Group	Intersegment Eliminations	
Contract revenue	\$ 296,774	\$ 427,264	\$ 174,101	\$ -	\$ (29,872)	\$ 868,267
EBITDA ⁽¹⁾	22,684	11,443	13,757	(13,390)	5,108	39,602
Depreciation and amortization	7,129	1,354	1,302	5,592	157	15,534
Impairment loss on intangible assets	4,000	-	-	-	-	4,000
Recovery relating to investing activities	(2,935)	-	-	-	-	(2,935)
(Gain) loss on sale of assets	(126)	113	(20)	-	-	(33)
Finance costs	212	3	-	10,282	-	10,497
Earnings (loss) from continuing operations before tax	\$ 14,404	\$ 9,973	\$ 12,475	\$ (29,264)	\$ 4,951	\$ 12,539
Income tax expense						(3,456)
Net earnings from continuing operations						\$ 9,083
Goodwill and intangible assets	\$ 57,907	\$ 122,797	\$ 72,328	\$ 16,694	\$ -	\$ 269,726
Capital and intangible expenditures	\$ 1,455	\$ 216	\$ 840	\$ 628	\$ -	\$ 3,139
Total assets	\$ 194,730	\$ 374,252	\$ 149,392	\$ 372,930	\$ (356,439)	\$ 734,865
Total liabilities	\$ 64,969	\$ 248,261	\$ 61,155	\$ 160,469	\$ (25,255)	\$ 509,599

Nine month period ended September 30, 2014	Commercial					Total
	Industrial Group	Buildings Group	Systems Group	Corporate Group	Intersegment Eliminations	
Contract revenue	\$ 308,405	\$ 477,511	\$ 181,730	\$ -	\$ (25,899)	\$ 941,747
EBITDA ⁽¹⁾	26,905	6,043	14,224	(16,010)	(1,459)	29,703
Depreciation and amortization	1,914	3,162	1,200	5,228	158	11,662
Loss (gain) on sale of assets	39	131	(35)	10	-	145
Finance costs	40	-	-	9,003	-	9,043
Earnings (loss) from continuing operations before tax	\$ 24,912	\$ 2,750	\$ 13,059	\$ (30,251)	\$ (1,617)	\$ 8,853
Income tax expense						(2,886)
Net earnings from continuing operations						\$ 5,967
Goodwill and intangible assets	\$ 7,718	\$ 124,633	\$ 75,308	\$ 18,160	\$ -	\$ 225,819
Capital and intangible expenditures	\$ 1,123	\$ 462	\$ 1,243	\$ 2,146	\$ -	\$ 4,974
Total assets	\$ 153,338	\$ 385,830	\$ 132,259	\$ 408,155	\$ (321,623)	\$ 757,959
Total liabilities	\$ 49,476	\$ 259,381	\$ 52,160	\$ 186,844	\$ (9,622)	\$ 538,239

⁽¹⁾ During the period, the definition of EBITDA was revised to exclude the impact of costs or recoveries relating to investing activities. The Corporation defines EBITDA as net earnings/loss from continuing operations before interest expense, income taxes, capital asset depreciation and amortization, impairment charges, costs or recoveries relating to investing activities and gains/losses on assets, liabilities and investment dispositions. Costs or recoveries relating to investing activities include marking-to-market provision liabilities and transaction costs recorded as a result of a business acquisition. While EBITDA is a common financial measure widely used by investors to facilitate an "enterprise level" valuation of an entity, it does not have a standardized definition prescribed by IFRS, and therefore other issuers may calculate EBITDA differently.

⁽²⁾ Studon was acquired in 2015 and operates under the Industrial Group.

6. DEPRECIATION AND AMORTIZATION

Included within contract costs is depreciation of property and equipment in the amounts of \$1,038 and \$3,583 for the three and nine month periods ended September 30, 2015, respectively (September 30, 2014 - \$850 and \$2,595, respectively).

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7. INCOME TAXES

Income tax recognized in the condensed consolidated statements of earnings (loss):

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Net earnings from continuing operations before tax	\$ 7,306	\$ 3,832	\$ 12,539	\$ 8,853
Income tax at statutory rate of 26.1% (2014 - 25.7%)	(1,907)	(985)	(3,273)	(2,275)
Statutory and other rate differences	309	155	(613)	(20)
Non-deductible expenses	(138)	(138)	(401)	(401)
Non-taxable accounting income	766	-	766	-
Other	95	(21)	65	(190)
Income tax expense	\$ (875)	\$ (989)	\$ (3,456)	\$ (2,886)

The increase in the statutory tax rate and expense related to statutory and other rate differences for the nine month period ended September 30, 2015 reflects the increase in the general Alberta corporate income tax rate in 2015.

8. DISCONTINUED OPERATIONS

On September 1, 2014, the Corporation completed the sale of Broda Construction Inc. ("Broda") for gross cash proceeds of \$38,829. Broda operated under the Industrial Group segment.

There were no transactions in discontinued operations during the three and nine month periods ended September 30, 2015. Net loss from discontinued operations for the three and nine month periods ended September 30, 2014 is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2014	2014	2014
Contract revenue	\$ 12,938	\$ 30,094		
Contract costs	10,647	28,832		
Contract income	2,291	1,262		
Other income (expense)	4	(1,883)		
Finance income	6	16		
Administrative costs	(1,204)	(3,466)		
Finance costs	(45)	(185)		
Earnings (loss) from discontinued operations	1,052	(4,256)		
Income tax (expense) recovery	(369)	1,060		
Net loss on disposal of discontinued operations	(16,407)	(16,314)		
Net loss from discontinued operations	\$ (15,724)	\$ (19,510)		

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Cash flows from discontinued operations for the nine month period ended September 30, 2014 are as follows:

	September 30, 2014	
Operating cash flows	\$	(3,521)
Investing cash flows	\$	(1,442)
Financing cash flows	\$	4,811

9. EARNINGS PER SHARE

(a) Basic earnings (loss) per share

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Net earnings from continuing operations	\$ 6,431	\$ 2,843	\$ 9,083	\$ 5,967
Net loss from discontinued operations	-	(15,724)	-	(19,510)
Net earnings (loss) - basic	\$ 6,431	\$ (12,881)	\$ 9,083	\$ (13,543)
Issued common shares, beginning of the period	26,355,785	24,921,625	25,054,310	24,797,163
Effect of shares issued related to a Dividend Reinvestment Plan ("DRIP")	69,896	23,023	175,551	76,097
Effect of shares issued on exercise of stock options	-	11,827	-	40,473
Effect of shares issued related to acquisition	-	-	1,082,878	-
Weighted average number of common shares for the period - basic	26,425,681	24,956,475	26,312,739	24,913,733
Basic earnings per share, continuing operations	\$ 0.24	\$ 0.11	\$ 0.35	\$ 0.24
Basic loss per share, discontinued operations	-	(0.63)	-	(0.78)
Basic earnings (loss) per share	\$ 0.24	\$ (0.52)	\$ 0.35	\$ (0.54)

(b) Diluted earnings per share

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Net earnings from continuing operations - basic	\$ 6,431	\$ 2,843	\$ 9,083	\$ 5,967
Interest, accretion and amortization of deferred financing fees, net of tax	1,206	-	3,616	-
Net earnings from continuing operations - diluted	\$ 7,637	\$ 2,843	\$ 12,699	\$ 5,967
Weighted average number of common shares - basic	26,425,681	24,956,475	26,312,739	24,913,733
Incremental shares - stock options	15,452	181,397	7,951	202,269
Incremental shares - convertible debentures	15,457,615	-	15,891,968	-
Weighted average number of common shares for the period - diluted, continuing operations	41,898,748	25,137,872	42,212,658	25,116,002
Diluted earnings per share, continuing operations	\$ 0.18	\$ 0.11	\$ 0.30	\$ 0.24

As there were no transactions in discontinued operations for the three and nine month periods ended September 30, 2015, and the Corporation incurred a net loss from discontinued operations for the three and nine month periods ended September 30, 2014, the basic and diluted weighted average number of common shares and the resulting basic and diluted loss per share from discontinued operations are the same amount.

For the three and nine month periods ended September 30, 2015, the number of options excluded from the diluted weighted average number of common shares calculation was 1,447,792 and 1,376,363, respectively (three and nine month periods ended September 30, 2014 - 1,007,328), as their effect would have been anti-dilutive.

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There were no incremental shares related to the convertible debentures included in the weighted average calculation for the three and nine month periods ended September 30, 2014, as the impact of the normalization of earnings (interest, accretion and amortization added back, net of tax) outweighed the effect of the related incremental shares and therefore the convertible debentures were anti-dilutive.

10. RESTRICTED CASH

Restricted cash of \$4,172 at September 30, 2015 relates to cash held in trust.

11. CONSTRUCTION AND NON-CONSTRUCTION CONTRACTS

Contracts in progress:

	September 30, 2015	December 31, 2014
Construction costs incurred plus recognized profits less recognized losses to date	\$ 3,989,403	\$ 4,617,699
Less: progress billings	(4,055,210)	(4,658,402)
Net over billings on construction contracts	(65,807)	(40,703)
Non-construction costs incurred plus recognized profits less recognized losses to date	\$ 219,212	\$ 159,114
Less: progress billings	(213,954)	(153,098)
Net under billings on non-construction contracts	5,258	6,016
Total net contract position	\$ (60,549)	\$ (34,687)

Recognized and included in the condensed consolidated statements of financial position:

	September 30, 2015	December 31, 2014
Costs in excess of billings - Construction contracts	\$ 28,870	\$ 48,667
Costs in excess of billings - Non-construction contracts	6,423	6,152
Total costs in excess of billings	35,293	54,819
Contract advances and unearned income - Construction contracts	\$ (94,677)	\$ (89,370)
Contract advances and unearned income - Non-construction contracts	(1,165)	(136)
Total contract advances and unearned income	(95,842)	(89,506)
Total net contract position	\$ (60,549)	\$ (34,687)

At September 30, 2015, holdbacks for contract work amounted to \$79,228 (December 31, 2014 - \$115,313).

Notes to the Condensed Consolidated Financial Statements

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12. GOODWILL

The Corporation has allocated its goodwill to its cash-generating units as follows:

	September 30, 2015	December 31, 2014
Industrial Group	\$ 42,323	\$ 7,315
Buildings Group	114,078	114,078
Commercial Systems Group	57,623	57,623
	\$ 214,024	\$ 179,016

Goodwill arose as a result of multiple past acquisitions. The Industrial Group's goodwill stems from the Laird Electric Inc. acquisition of 2003 and the Studon acquisition on January 6, 2015. Goodwill associated with the Buildings Group and the Commercial Systems Group arose from the Seacliff Construction Corp. acquisition in 2010. Additional goodwill was attributed to the Commercial Systems Group through the McCaine Electric Ltd. acquisition in 2011. Goodwill recognized on all of these acquisitions was attributable mainly to revenue growth, future market development, the assembled workforce and the synergies achieved from the integration of acquired companies into existing construction, commercial and industrial services.

Goodwill is tested for impairment by allocating it to the operating segments, as this is the lowest level at which goodwill is monitored. Goodwill is tested annually for impairment during the fourth quarter or more frequently if it is warranted by changes in events and circumstances that indicate goodwill is potentially impaired.

During the quarter, management assessed the existence of impairment indicators at the operating segment level arising from both external and internal sources of information. Management's evaluation of potential indicators resulted in no impairment testing for the current period.

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13. INTANGIBLE ASSETS

The acquisition of Studon on January 6, 2015 resulted in an increase to intangible assets of \$22,553 (Note 4). As discussed in Note 4, the Corporation recorded an intangible asset impairment loss of \$4,000 during the period. The method of amortization for these intangible assets are the same as those described in Note 3(m) of the audited annual consolidated financial statements for the period ended December 31, 2014.

2015	ERP Assets	Backlog and Agency Contracts	Customer Relationships and Tradename	Computer Software	Assets under Construction	Total
Cost						
Balance at December 31, 2014	\$ 25,242	\$ 20,600	\$ 54,423	\$ 5,098	\$ 17	\$ 105,380
Additions - externally acquired	576	-	-	54	-	630
Disposals	-	-	-	(127)	-	(127)
Acquisitions (Note 4)	80	5,800	16,670	3	-	22,553
Reclassifications and transfers	17	-	-	-	(17)	-
Impairment loss (Note 4)	-	(1,000)	(3,000)	-	-	(4,000)
Balance at September 30, 2015	\$ 25,915	\$ 25,400	\$ 68,093	\$ 5,028	\$ -	\$ 124,436
Accumulated amortization						
Balance at December 31, 2014	\$ 7,222	\$ 20,600	\$ 27,730	\$ 4,133	\$ -	\$ 59,685
Amortization expense	2,099	2,001	4,849	227	-	9,176
Disposals	-	-	-	(127)	-	(127)
Balance at September 30, 2015	\$ 9,321	\$ 22,601	\$ 32,579	\$ 4,233	\$ -	\$ 68,734
Carrying amounts at September 30, 2015	\$ 16,594	\$ 2,799	\$ 35,514	\$ 795	\$ -	\$ 55,702

2014	ERP Assets	Backlog and Agency Contracts	Customer Relationships and Tradename	Computer Software	Assets under Construction	Total
Cost						
Balance at December 31, 2013	\$ 24,908	\$ 20,600	\$ 54,423	\$ 4,485	\$ -	\$ 104,416
Additions - externally acquired	620	-	-	921	17	1,558
Disposals	(73)	-	-	(308)	-	(381)
Reclassifications and transfers	-	-	-	-	12	12
Derecognition of assets	(213)	-	-	-	(12)	(225)
Balance at December 31, 2014	\$ 25,242	\$ 20,600	\$ 54,423	\$ 5,098	\$ 17	\$ 105,380
Accumulated amortization						
Balance at December 31, 2013	\$ 5,080	\$ 20,600	\$ 22,949	\$ 3,977	\$ -	\$ 52,606
Amortization expense	2,156	-	4,781	368	-	7,305
Disposals	(14)	-	-	(212)	-	(226)
Balance at December 31, 2014	\$ 7,222	\$ 20,600	\$ 27,730	\$ 4,133	\$ -	\$ 59,685
Carrying amounts at December 31, 2014	\$ 18,020	\$ -	\$ 26,693	\$ 965	\$ 17	\$ 45,695

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14. PROVISIONS

Provisions are recognized when the Corporation has a settlement amount as a result of a past event, it is probable that the Corporation will be required to settle the obligation and a reliable estimate of the obligation can be made. Reversals of provisions are made when new information arises in the period which leads management to conclude that the provisions are not necessary.

	Warranties	Restructuring Costs	Claims and Disputes	Subcontractor Default	Onerous Contract	Deferred Contingent Consideration (Note 4)	Total
Balance at December 31, 2014	\$ 1,080	\$ 193	\$ 2,015	\$ 3,672	\$ 569	\$ -	\$ 7,529
Provisions made during the period	782	-	264	1,338	-	2,935	5,319
Provisions used during the period	(97)	(126)	(502)	(231)	(93)	-	(1,049)
Provisions reversed in the period	(617)	-	(466)	-	-	(2,935)	(4,018)
Unwinding of discount	-	-	-	-	39	-	39
Balance at September 30, 2015	\$ 1,148	\$ 67	\$ 1,311	\$ 4,779	\$ 515	\$ -	\$ 7,820

The provisions are presented on the condensed consolidated statements of financial position as follows:

	September 30, 2015	December 31, 2014
Current portion of provisions	\$ 2,581	\$ 2,616
Long-term provisions	5,239	4,913
Total provisions	\$ 7,820	\$ 7,529

15. LONG-TERM DEBT

	September 30, 2015	December 31, 2014
Current portion of long-term debt		
Finance lease obligations	\$ 2,036	\$ 391
	\$ 2,036	\$ 391
Non-current		
Revolving credit facility	\$ 56,639	\$ 115
Finance lease obligations	1,665	702
	\$ 58,304	\$ 817

The increase in finance lease obligations and related interest rates was a result of the acquisition of Studon on January 6, 2015 (Note 4). For the nine month period ended September 30, 2015, the Corporation held finance lease obligations relating to automotive equipment that mature between October 2015 and July 2020, and bear interest at rates between 3.2% and 11.5%, with a weighted average effective interest rate on the contracts of 6.7% per annum. Finance lease obligations are secured by automotive equipment with a net book value of \$2,871 and the lessors' title to the lease assets. The Corporation has the option to purchase the equipment under lease at the conclusion of the lease agreements.

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The finance lease obligations for the period ended December 31, 2014 were related to automotive equipment that matured between January 2015 and October 2017, bore interest rates between 0.0% and 7.4%, with a weighted average effective interest rate on the contracts of 5.2% per annum, and were secured by automotive equipment with a net book value of \$1,063.

On July 16, 2015, the Corporation negotiated improved terms and conditions and a three year extension to its senior secured revolving credit facility ("Revolver"). The Revolver now consists of a \$155,000 credit facility syndicated by seven lenders from the existing facility and a \$20,000 operating facility provided by one of the co-lead lenders. The combined Revolver provides the Corporation with a maximum available borrowing capacity of \$175,000 (previously \$167,375). The maturity date of the Revolver has been extended to July 16, 2020. Material changes to the Revolver include the elimination of the former working capital ratio and the senior debt to EBITDA ratio financial covenants. The Revolver continues to include existing financial covenants related to interest coverage and total debt to EBITDA. The interest coverage ratio remains the same at not less than 3:1, and the total debt to EBITDA ratio was reduced by 0.25 such that it shall not exceed 3:1, with a temporary increase to 3.25:1 for a period of two quarters following the completion of a material acquisition.

16. CONVERTIBLE DEBENTURES

The convertible debentures issued on June 15, 2010, with a principal amount of \$86,250, matured and were settled on June 30, 2015.

The principal amount of the debt component outstanding of \$72,129 shown on the condensed consolidated statement of financial position relates to the convertible debentures issued on September 19, 2014. The key terms of the convertible debentures are summarized below:

Issue date	September 19, 2014
Maturity date	December 31, 2019
Distribution rate	6.00%
Conversion price	\$ 14.15

17. SHARE-BASED PAYMENTS

(a) Stock options

Movement during the periods:

	September 30, 2015		December 31, 2014	
	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
Outstanding, beginning of the period	1,682,042	\$ 11.95	1,838,117	\$ 12.29
Granted	430,085	5.82	203,557	9.94
Forfeited	(244,401)	8.10	(151,629)	16.02
Exercised	-	-	(110,919)	7.83
Expired	(137,608)	19.26	(97,084)	12.44
Outstanding, end of the period	1,730,118	\$ 10.39	1,682,042	\$ 11.95

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The options outstanding for the periods ended September 30, 2015 and December 31, 2014 have an exercise price in the range of \$5.77 to \$19.32 and lives of between 5 and 10 years.

Compensation costs are recognized over the vesting period as share-based compensation expense and an increase to the share-based payment reserve. When options are exercised, the fair value amount in the share-based payment reserve is credited to share capital.

The following table illustrates the movement in the share-based payment reserve:

	September 30, 2015	December 31, 2014
Balance, beginning of the period	\$ 9,341	\$ 8,594
Stock compensation expense from continuing operations	620	1,057
Stock compensation expense from discontinued operations	-	55
Stock options exercised	-	(365)
Balance, end of the period	\$ 9,961	\$ 9,341

(b) Medium Term Incentive Plan ("MTIP")

Movement of units during the periods:

	Bridging Restricted Share Units ("BRSU")	Restricted Share Units ("RSU")	Performance Share Units ("PSU")
Units outstanding at December 31, 2014	324,293	360,366	581,463
Granted	-	395,803	368,000
Forfeited	(15,122)	(14,350)	(5,335)
Vested	(103)	-	-
Vested and paid	(99,461)	(30,912)	(196,200)
Units outstanding at September 30, 2015	209,607	710,907	747,928

The performance criteria and vesting conditions for the RSUs granted in April 2015 are the same as those described in Note 3(f)(iii) and Note 28(a) of the audited annual consolidated financial statements for the period ended December 31, 2014. The PSUs granted in April 2015 differ from the previous grants in that the performance criteria was revised to include an operational metric, which is the Corporation's aggregate cumulative EBITDA during the three year vesting period. At the time of vest, the payout can be 0% to 200% of the vested units, depending on the Corporation's performance based on a 50/50 split between the operational metric and the total shareholder return relative to the S&P/TSX Capped Industrials Index.

In March 2015, the PSUs issued in 2012 vested at a weighted average price of \$6.13 and a payout ratio of 30%. In April 2015, 20% of the BRSUs issued on April 1, 2014 and 30% of the BRSUs issued on April 1, 2013 vested at a weighted average price of \$6.01.

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(c) Deferred Share Units (“DSU”)

Movement of units during the periods:

	September 30, 2015	December 31, 2014
Number of DSUs		
Outstanding, beginning of the period	433,248	363,550
Granted	122,255	107,919
Settled	(40,391)	(38,221)
Outstanding, end of the period	515,112	433,248

(d) Share-based payment liability

	September 30, 2015	December 31, 2014
Carrying amount of liabilities for cash-settled arrangements		
Current portion	\$ 1,884	\$ 889
Long-term portion	4,781	6,382
Total carrying amount	\$ 6,665	\$ 7,271
Total intrinsic value of liability for vested benefits	\$ 3,090	\$ 3,315

Included in trade and other payables is the current portion of the MTIPs and DSUs to be paid out within the next 12 months. The long-term portion of MTIPs and DSUs of \$4,781 at September 30, 2015 (December 31, 2014 – \$6,382) is classified as share-based payments on the condensed consolidated statements of financial position. The total intrinsic value reflects all of the outstanding DSUs and vested MTIPs as at September 30, 2015.

(e) Share-based compensation expense

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014 ⁽¹⁾	2015	2014 ⁽¹⁾
Share compensation expense on stock options	\$ 218	\$ 261	\$ 620	\$ 727
Effects of changes in fair value and accretion of MTIP grants	(524)	408	615	1,950
Effects of changes in fair value and grants for DSUs	(445)	(382)	(285)	444
	\$ (751)	\$ 287	\$ 950	\$ 3,121

⁽¹⁾ Comparative figures reported in Note 14(e) of the unaudited condensed consolidated interim financial statements for the period ended September 30, 2014 included both continuing and discontinued operations.

Notes to the Condensed Consolidated Financial Statements

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18. SHARE CAPITAL

(a) Common shares and preferred shares

The Corporation's common shares have no par value and the authorized share capital is comprised of an unlimited number of common shares and an unlimited number of preferred shares issuable in series with rights set by the Directors.

	September 30, 2015		December 31, 2014	
	Shares	Share Capital	Shares	Share Capital
Common Shares				
Issued, beginning of the period	25,054,310	\$ 131,724	24,797,163	\$ 129,134
Dividend Reinvestment Plan ("DRIP")	280,836	1,597	146,228	1,356
Issued during the period	1,103,081	6,631	110,919	1,234
Issued, end of the period	26,438,227	\$ 139,952	25,054,310	\$ 131,724

On January 6, 2015, the Corporation issued 1,103,081 common shares at a share price of \$6.01 as part of the Studon acquisition (Note 4).

(b) Common shares and dividends

As at September 30, 2015, trade and other payables included \$3,173 (December 31, 2014 - \$3,007) related to the dividend payable on October 15, 2015, of which \$504 (December 31, 2014 - \$575) is to be reinvested in common shares under the DRIP and the remainder paid in cash.

	September 30, 2015		December 31, 2014	
	Per Share	Total	Per Share	Total
Dividend payable, beginning of the period	\$ 0.12	\$ 3,007	\$ 0.12	\$ 2,976
Total dividends declared during the period	0.36	9,485	0.48	11,986
Total dividends paid during the period ⁽¹⁾	(0.36)	(9,319)	(0.48)	(11,955)
Dividend payable, end of the period	\$ 0.12	\$ 3,173	\$ 0.12	\$ 3,007

⁽¹⁾ Includes DRIP non-cash payments totaling \$1,597 (December 31, 2014 - \$1,356) which are recorded through share capital.

19. CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATING TO OPERATIONS

	Nine months ended September 30,	
	2015	2014
Trade and other receivables	\$ 31,612	\$ (107,371)
Inventory	41	224
Prepaid expenses	(463)	(1,553)
Costs in excess of billings	29,277	11,478
Trade and other payables	(42,478)	50,769
Contract advances and unearned income	3,774	12,720
	\$ 21,763	\$ (33,733)

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 (unaudited)

20. FINANCIAL INSTRUMENTS

(a) Carrying values

	September 30, 2015	December 31, 2014
<i>Financial assets:</i>		
Cash and cash equivalents, including restricted cash	\$ 38,780	\$ 104,113
Trade and other receivables	325,591	336,996
Service provider deposit	6,519	5,549
Long-term receivable, including current portion	380	395
<i>Financial liabilities:</i>		
Trade and other payables	\$ 225,993	\$ 264,196
Long-term debt, including current portion	60,340	1,208
Convertible debentures - debt component, including current portion	72,129	155,760

(b) Financial risk management

(i) Credit risk

The Corporation invests its cash with the objective of maintaining safety of principal and providing adequate liquidity to meet all current payment obligations. The Corporation invests its cash and cash equivalents with counterparties that it believes are of high credit quality as assessed by reputable rating agencies. Given these high credit ratings, the Corporation does not expect any counterparties holding these cash equivalents to fail to meet their obligations.

The Corporation assesses trade and other receivables for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. The Corporation takes into consideration the customer's payment history, credit worthiness and the current economic environment in which the customer operates to assess impairment.

Prior to accepting new customers, the Corporation assesses the customer's credit quality and establishes the customer's credit limit. The Corporation accounts for specific bad debt provisions when management considers that the expected recovery is less than the actual amount of the accounts receivable.

The provision for doubtful accounts has been included in administrative costs in the condensed consolidated statements of earnings (loss) and is net of any recoveries that were provided for in a prior period.

The following table represents the movement in the allowance for doubtful accounts:

	September 30, 2015	December 31, 2014
Balance at the beginning of the period	\$ 2,140	\$ 3,224
Impairment losses recognized on receivables	575	1,895
Amounts written off during the period as uncollectible	(167)	(744)
Amounts recovered during the period	-	(1,387)
Impairment losses reversed	-	(848)
Balance at the end of the period	\$ 2,548	\$ 2,140

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Trade receivables shown on the condensed consolidated statements of financial position include the following amounts that are current and past due at the end of the reporting period. The Corporation does not hold any collateral over these balances. The terms and conditions established with individual customers determine whether or not the receivable is past due.

	September 30, 2015	December 31, 2014
Current	\$ 135,900	\$ 116,326
1-60 days past due	71,975	75,911
61-90 days past due	4,867	5,845
More than 90 days past due	33,430	21,306
	\$ 246,172	\$ 219,388

In determining the quality of trade receivables, the Corporation considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The Corporation had \$33,430 of trade receivables (December 31, 2014 – \$21,306) which were greater than 90 days past due with \$30,882 not provided for as at September 30, 2015 (December 31, 2014 – \$19,166). Of the total, \$24,967 (75%) was concentrated in three customer accounts and of this amount \$24,967 remained outstanding as at November 8, 2015. The three customers are considered to be credit-worthy and management is not concerned regarding collectability of these accounts. Trade receivables are included in trade and other receivables on the condensed consolidated statements of financial position.

(ii) Interest rate risk

Interest rate risk is the risk to the Corporation's earnings that arises from fluctuations in the interest rates and the degree of volatility of these rates. The Corporation is exposed to variable interest rate risk on its revolving credit facility. The Corporation does not use derivative instruments to reduce its exposure to this risk.

At the reporting date, the interest rate profile of the Corporation's interest-bearing financial instruments was:

	September 30, 2015	December 31, 2014
<i>Fixed rate instruments</i>		
Financial liabilities	\$ 72,129	\$ 155,760
<i>Variable rate instruments</i>		
Financial assets	\$ 38,780	\$ 104,113
Financial liabilities	60,340	1,208

Fixed rate sensitivity

The Corporation does not account for any fixed rate financial assets and liabilities at fair value through profit or loss.

Variable rate sensitivity

A change of 100 basis points in interest rates at the reporting date would have increased or decreased equity and profit or loss by \$287 (December 31, 2014 - \$781) related to financial assets and by \$447 (December 31, 2014 - \$9) related to financial liabilities.

Notes to the Condensed Consolidated Financial Statements

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(iii) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulties in meeting its financial liability obligations. The Corporation manages this risk through cash and debt management. In managing liquidity risk, the Corporation has access to committed short and long-term debt facilities as well as equity markets, the availability of which is dependent on market conditions.

The Corporation believes it has sufficient funding through the use of these facilities to meet foreseeable financial liability obligations.

The following are the contractual obligations, including interest payments as at September 30, 2015, in respect of the financial obligations of the Corporation. Interest payments on the revolving credit facility have not been included in the table below since they are subject to variability based upon outstanding balances at various points throughout the period.

	Carrying amount	Contractual cash flows	Not later than 1 year	Later than 1 year and less than 3 years	Later than 3 years and less than 5 years	Later than 5 years
Trade and other payables	\$ 225,993	\$ 225,993	\$ 225,993	\$ -	\$ -	\$ -
Provisions including current portion	7,820	7,820	2,581	4,909	107	223
Convertible debentures (debt portion)	72,129	102,235	4,830	9,660	87,745	-
Long-term debt including current portion	60,340	62,944	2,210	867	59,867	-
Operating lease commitments	-	59,951	7,348	13,083	13,082	26,438
	\$ 366,282	\$ 458,943	\$ 242,962	\$ 28,519	\$ 160,801	\$ 26,661

21. CAPITAL MANAGEMENT

The Corporation's objectives in managing capital are to ensure sufficient liquidity to pursue growth objectives and fund the payment of dividends, while maintaining a prudent amount of financial leverage.

The Corporation's capital is comprised of equity and long-term indebtedness. The Corporation's primary uses of capital are to finance operations, execute upon its growth strategies and to fund capital expenditure programs.

The Corporation intends to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Corporation may issue new shares, raise debt or refinance existing debt with different characteristics.

The primary non-IFRS measures used by the Corporation to monitor its financial leverage are its ratios of long-term indebtedness to capitalization and net long-term indebtedness to EBITDA. During the period, the definition of EBITDA was revised to exclude the impact of costs or recoveries relating to investing activities. The changes to EBITDA are described in further detail in Note 5.

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Over the long-term, the Corporation strives to maintain a target long-term indebtedness to capitalization percentage in the range of 20% to 40%, calculated as follows:

	September 30, 2015	December 31, 2014
Long-term indebtedness:		
Long-term debt, principal amount ⁽¹⁾	\$ 62,701	\$ 3,093
Convertible debentures, principal amount ⁽²⁾	80,500	166,750
Total long-term indebtedness	143,201	169,843
Total equity	225,266	216,621
Total capitalization	\$ 368,467	\$ 386,464
Indebtedness to capitalization percentage	39%	44%

⁽¹⁾ Principal amount of current and non-current long-term debt before the deduction of deferred financing fees (Note 15).

⁽²⁾ Includes the maturity value of the convertible debentures issued in 2014 of \$80,500. The convertible debentures issued in 2010 with a maturity value of \$86,250 matured on June 30, 2015 (Note 16).

The Corporation targets a net long-term indebtedness to EBITDA ratio of 2.0x to 3.0x over a three to five-year planning horizon. At September 30, 2015, the net long-term indebtedness to EBITDA was 1.96x (September 30, 2014 – 2.42x) calculated on a trailing 12-month basis as follows:

	September 30, 2015 ⁽¹⁾	September 30, 2014
Total long-term indebtedness ⁽²⁾	\$ 143,201	\$ 170,349
Less: Cash on hand ⁽³⁾	(38,780)	(71,322)
Net long-term indebtedness	\$ 104,421	\$ 99,027
Net earnings from continuing operations	\$ 10,265	\$ 9,342
Add:		
Finance costs	14,320	11,932
Income tax expense	4,640	3,529
Depreciation and amortization	19,056	15,625
Impairment loss on property and equipment	2,294	302
Impairment loss on intangible assets	4,000	-
(Recovery) relating to investing activities	(1,255)	-
(Gain) loss on sale of assets	(64)	149
EBITDA	\$ 53,256	\$ 40,879
Net long-term indebtedness to EBITDA ratio	1.96x	2.42x

⁽¹⁾ Includes the long-term indebtedness associated with the acquisition of Studon, but does not reflect the benefit of Studon's trailing 12-month EBITDA prior to the January 6, 2015 acquisition date. Including Studon's trailing 12-month EBITDA on a pro-forma basis, the net long-term indebtedness to EBITDA ratio was 1.84x.

⁽²⁾ As per the calculation in the indebtedness to capitalization percentage.

⁽³⁾ Cash on hand includes restricted cash (Note 10).

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The Corporation monitors its capital through a rolling forecast of financial position and expected operating results. In addition, the Corporation establishes and reviews operating and capital budgets and cash flow forecasts in order to manage overall capital with respect to financial covenants. The Corporation is subject to various covenants under its revolving credit facility. The Corporation entered into an amended and restated revolving credit facility on July 16, 2015. The amended and restated credit agreement includes changes to the covenants and is described in further detail in Note 15. The covenants are measured each quarter on March 31, June 30, September 30 and December 31. The Corporation was in full compliance with its revolving credit facility covenants at September 30, 2015 and December 31, 2014.

22. RELATED PARTY TRANSACTIONS

Balances and transactions between the Corporation and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Corporation and other related parties are disclosed below.

The Corporation incurred facility costs during the three and nine month periods ended September 30, 2015 of \$112 and \$336, respectively (September 30, 2014 - \$nil) for the rental of buildings that are partially owned indirectly by Don Sutherland, the president of Studon. No amounts are included in trade payables as at September 30, 2015 and 2014.

The Corporation incurred facility costs during the three and nine month periods ended September 30, 2015 of \$88 and \$264, respectively (September 30, 2014 – \$67 and \$190, respectively) for the rental of a building that is 50% owned by Schneider Investments Inc., a company owned by George Schneider, a former Director of the Corporation. No amounts are included in trade payables as at September 30, 2015 and 2014.

The Corporation incurred facility costs during the three and nine month periods ended September 30, 2015 of \$nil (September 30, 2014 – \$67 and \$269, respectively) for the rental of a building owned by Broda Holdings (2009) Inc., a company owned by Gord Broda, the president of a former subsidiary of the Corporation. No amounts are included in trade payables as at September 30, 2015 and 2014. The Corporation reclassified these facility costs as discontinued operations in the condensed consolidated statements of earnings (loss).

On September 1, 2014, the Corporation completed the sale of Broda to TriWest Capital Partners and certain members of the senior management team of Broda, including the president, for gross cash proceeds of \$38,829 (Note 8). Gord Broda had an indirect interest in the entity that acquired Broda. Chad Danard, a Director of the Corporation and a Managing Director of TriWest, did not participate in any discussions related to the Broda disposition. TriWest recognized the potential conflict and took steps to ensure that Mr. Danard was not involved at any time in discussions at TriWest pertaining to the Broda disposition.

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23. CONTINGENCIES, COMMITMENTS AND GUARANTEES

The Corporation has made various donations in support of local communities. Over the next three years the Corporation has committed to pay \$618 (September 30, 2014 - \$963), of which \$556 (September 30, 2014 - \$383) is to be paid in the upcoming 12 month period.

The Corporation has provided several letters of credit in the amount of \$3,940 in connection with various projects and joint arrangements (December 31, 2014 - \$4,357), of which \$nil are financial letters of credit (December 31, 2014 - \$nil).

24. EVENTS AFTER THE REPORTING PERIOD

On November 8, 2015, the Corporation's Board of Directors declared a common share dividend of \$0.12 per share. The dividend is designated as an eligible dividend under the *Income Tax Act* (Canada) and is payable January 14, 2016 to shareholders of record on December 31, 2015.

Corporate & Shareholder Information

Officers

David LeMay, MBA
President and Chief Executive Officer

Daryl Sands, B.Comm., CA
Executive Vice President, Finance and
Chief Financial Officer

Arthur Atkinson
Chief Operating Officer
Buildings Group

Al Miller
President
Canem Systems Ltd.

Joette Decore, BSc., MBA
Executive Vice President, Strategy and
Corporate Development

Bill Pohl, B Mgmt., CA
Vice President, Finance

Evan Johnston, L.L.B., CFA
Vice President, General Counsel and
Corporate Secretary

Directors

Albrecht W.A. Bellstedt, B.A., J.D., Q.C.
Chair

Richard T. Ballantyne, P. Eng. ^{(1) (4)}

Rod Graham, CFA, MBA ^{(1) (4)}

Wendy L. Hanrahan, CA ^{(2) (3)}

Carmen R. Loberg ^{(1) (3)}

Ian M. Reid, B.Comm. ^{(2) (3) (4)}

Chad Danard ^{(1) (2)}

David LeMay, MBA

⁽¹⁾ Member of the Audit Committee

⁽²⁾ Member of the Human Resources &
Compensation Committee

⁽³⁾ Member of the Corporate Governance &
Nominating Committee

⁽⁴⁾ Member of the Health, Safety &
Environment Committee

Executive Offices

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Edmonton, Alberta

Principal Bank

The Toronto-Dominion Bank

Bonding and Insurance

Aon Reed Stenhouse Inc.
Federal Insurance Company
Liberty Mutual Insurance Company

Registrars and Transfer Agents

Inquiries regarding change of address, registered holdings, transfers, duplicate mailings and lost certificates should be directed to:

Common Shares:

CST Trust Company
600 The Dome Tower
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Calgary, Alberta T2P 2Z1
Phone: 403 776-3900
Fax: 403 776-3916
Email: inquiries@canstockta.com
Website: www.canstockta.com
Answerline: 1-800-387-0825

Convertible Debentures:

Valiant Trust Company
Suite 310, 606 – 4th Street SW
Calgary, Alberta T2P 1T1
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