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Q3 2014 Management's Discussion & Analysis

November 5, 2014

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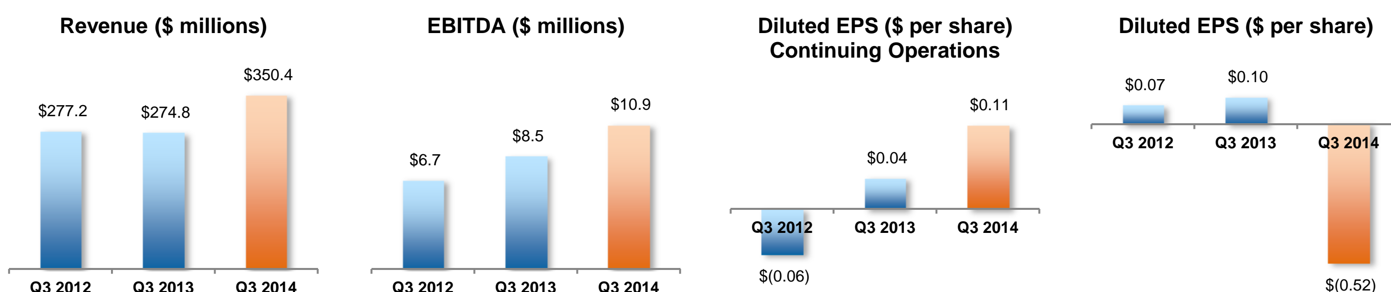
The following Management's Discussion and Analysis ("MD&A") of the operating performance and financial condition of Stuart Olson Inc. ("Stuart Olson", the "Company", "we", "us", or "our") for the three and nine months ended September 30, 2014, dated November 5, 2014, should be read in conjunction with the September 30, 2014 Condensed Consolidated Interim Financial Statements and related notes thereto, the December 31, 2013 Audited Consolidated Annual Financial Statements and related notes thereto, and the December 31, 2013 MD&A. Additional information relating to Stuart Olson, including our quarterly and annual reports and Annual Information Form ("AIF"), is available under the Company's SEDAR profile at www.sedar.com and 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 2013 and 2012, is presented in accordance with International Financial Reporting Standards ("IFRS") unless otherwise noted.

Readers should also read the section entitled "Forward-Looking Information" at the end of this document.

THIRD QUARTER ("Q3") 2014 OVERVIEW



- On September 1, 2014, we divested of Broda Construction Inc. ("Broda") for estimated gross proceeds of $39.4 million, subject to finalization of purchase price adjustments. Broda was formerly included in our Industrial Group results. Current and historical results have been restated to present Broda as a discontinued operation.
- In September, we raised gross proceeds of $80.5 million ($76.7 million net of transaction costs) through the issue of 6% convertible unsecured subordinated debentures due on December 31, 2019.
- Revenue increased 27.5% to $350.4 million, from $274.8 million in Q3 2013. Contract income increased 7.4% to $28.9 million, from $26.9 million in Q3 2013 as a result of higher revenue in the quarter. Contract income margin declined to 8.2% from 9.8%, primarily reflecting losses on certain Buildings Group industrial site projects.
- EBITDA increased 28.2% to $10.9 million, from $8.5 million in Q3 2013. EBITDA results reflect increased revenue in all business groups.
- Third quarter net earnings from continuing operations increased to $2.8 million (diluted earnings per share of $0.11), from $1.0 million in Q3 2013 (diluted earnings per share of $0.04), driven by higher revenue and contract income. As anticipated, we recorded a third quarter net loss of $12.9 million (diluted loss per share of $0.52), compared to net income of $2.6 million (diluted earnings per share of $0.10) in Q3 2013, primarily reflecting the non-cash loss of $16.4 million incurred on the Broda sale.
- Backlog of $1.9 billion reflects $183.7 million in new contract awards and net increases in project scope awarded during the quarter.
- As at September 30, 2014, we were in full compliance with our long-term debt covenants, had available cash of $71.3 million and additional borrowing capacity of approximately $119 million.
- On November 5, 2014, 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 15, 2015 to shareholders of record on December 31, 2014.

OUTLOOK

- While spending by provincial governments in Western Canada is expected to moderately decline during the next three years, Western Canada continues to lead the country in economic growth, providing a supportive base for regional commercial and institutional construction activity.
- Recent volatility in oil prices and delays surrounding final investment decisions for major LNG projects in B.C. could potentially cool near-term momentum in Western Canada's industrial construction markets and increase competitive pressure. The medium-to-longer term industrial market outlook remains positive, with growing maintenance, repair and operations (MRO) spending and a significant number of construction projects planned in the oil sands, conventional oil and gas, pipeline, mining, LNG, power generation and transportation sectors.
- Our $1.9 billion backlog continues to provide excellent revenue visibility for the next 18-32 months. The backlog is weighted toward commercial and institutional construction projects and is predominantly comprised of lower-risk construction management and cost-plus contracts.
- Year-to-date revenue results are tracking with our expectations and we continue to forecast 2014 revenue to be significantly higher than in 2013.
- We anticipate that 2014 EBITDA margin as a percentage of revenue will be consistent with our 2013 results.
- We are reviewing strategies within each of the Buildings Group's regions and markets to ensure we are focused on markets and project opportunities that provide line of sight to consistent and profitable results.
- We have an active corporate development function reviewing potential acquisitions, particularly those that support our Industrial Group's objective of becoming a self-performing general contractor.
- We are moving forward with a strengthened financial position. The sale of Broda has reduced indebtedness under our revolving credit facility, while also enhancing our ability to generate free cash flow going forward. The convertible debentures issued in September 2014 have provided the balance of capital to repay the $86.3 million convertible debentures that come due in June 2015.

Buildings Group Outlook

The Buildings Group's $1,521.0 million backlog provides good visibility to future revenue and we expect 2014 revenue to significantly exceed comparative amounts for 2013. EBITDA margin is expected to be slightly higher on a full-year basis reflecting the improvement in margins in our traditional markets, partially offset by the losses incurred on certain industrial site projects in the quarter. Margins on commercial and municipal projects are expected to continue to improve in 2015 as a number of projects move towards completion and risk contingencies are converted into additional margin.

We expect to execute over $169.5 million of the Buildings Group's September 30, 2014 backlog during the remainder of 2014.

Industrial Group Outlook

With approximately 60% of revenues derived from industrial MRO services, the Industrial Group benefits from a stable and growing platform of work opportunities. We continue to anticipate that 2014 revenue will exceed 2013 levels, and combined with higher year-over-year margins, expect to generate increased year-over-year EBITDA.

The group expects to execute approximately $70.3 million of its contracted September 30, 2014 backlog during the remainder of 2014. New contract awards, additional short-duration projects, scope changes and industrial maintenance work are expected to supplement the group's annual revenue. The backlog continues to reflect a high proportion of low-risk, cost-plus maintenance work.

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Commercial Systems Group Outlook

Canem's 2014 revenue is expected to be higher than in 2013, reflecting strong demand and a sizeable $212.4 million backlog. EBITDA margins are forecast to be somewhat lower than in 2013, mainly as a result of project mix and timing.

During the last quarter of 2014, Canem expects to execute approximately $48.6 million of its backlog. New awards, short-duration projects, building maintenance and tenant improvement work are expected to supplement the backlog revenue executed during the remainder of 2014.

RISKS

Various factors could cause our actual results to differ materially from those results anticipated by management. Those 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.

On May 22, 2014, we changed our name from “The Churchill Corporation” to “Stuart Olson Inc.” This name change reflects our strategic shift from a holding company to an integrated construction services company.

The Stuart Olson name is a well-recognized and respected brand in the construction industry and helps to position us more clearly as a construction services company. Importantly, the rebranding builds on our “One Team with One Vision” business strategy to capitalize on and combine the strengths and synergies of our various business groups.

As part of the overall rebranding, we reorganized the branding of our three business groups as follows:

Buildings Group

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

Projects undertaken by the Buildings Group include the construction, expansion or renovation of buildings ranging from schools, hospitals and sports arenas, to high-rise office towers, retail, high technology facilities and commercial buildings on industrial sites. 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 can 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.

Most 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 larger projects, and preferably, negotiated construction management-type contracts rather than hard-bid projects. The Buildings Group subcontracts up to 80% of its project work to subcontractors and suppliers and closely manages the construction process to deliver on commitments.

Industrial Group

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

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.

Construction services provided by the Industrial Group include mechanical, insulation installation, industrial metal siding and cladding, heating, ventilating and air conditioning (HVAC) manufacturing, asbestos abatement, industrial electrical instrumentation and power line construction and maintenance services.

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. Like all of our business groups, Canem delivers these services as part of an integrated project delivery process that ensures 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, which significantly improves worksite productivity.

BUSINESS STRATEGY

The Canadian construction industry is changing. Projects are becoming larger and more complex. Additionally, customers in the industrial sector are choosing contractors that can manage entire projects and self-perform much of the work. A new breed of larger, more sophisticated construction contractors is emerging, and these contractors are increasingly able to provide a one-stop service to their customers.

Stuart Olson is well positioned to benefit from this trend. Our strengths lie in the quality and dedication of our people, our values as an organization and the diverse range of services we offer our customers. Our opportunities for change and growth lie in our operating structure, specifically our ability to bring our industry-leading business groups – each with a rich heritage of innovation and delivering value – together under one brand, one culture and one vision, and to successfully communicate, market and deliver this single brand promise to our customers and stakeholders. We have implemented a strategy to realize this organizational change, meet the needs of our customers and deliver strong and consistent operating performance.

One Team with One Vision: During the first half of 2014 we simplified our operating structure and refocused our brand under one identifiable name: Stuart Olson. The Stuart Olson name has a long history of success, innovation and goodwill in the industry. Under its umbrella, we are now operating as One Team, with One Culture, One Vision and One Brand, not just internally, but outwardly to the marketplace.

Attracting and Retaining the Best People: We know that organizations that value people excel. Accordingly, we are creating a culture of authentic leadership where all of our people can realize their potential, both as employees and as people. To support this, we have centralized our human resource functions, reinforced our leadership development program and implemented a comprehensive succession plan. Our goal is to ensure we can attract, develop and retain the best people in the industry, which in turn, provides a strong foundation for our ongoing business success.

Exceptional Safety Performance: Safety is an ingrained value throughout Stuart Olson, fundamental to our way of doing business. Our goal continues to be no less than zero harm, everyone home safe every day. To support reaching our goal we have set a Recordable Injury Frequency target rate of zero for all of our business groups. We continue to reinforce best practices that set the framework for the safety culture on all of our projects. We believe in the leading indicator program that identifies trends on projects that can lead to higher risk of incidents and/or injuries, enabling us to take positive action to mitigate or eliminate those factors.

Execution Excellence: Execution excellence and predictable and consistent project results build customer trust and underpin strong and stable financial results. Across our operations, we are focused on enhancing the consistency and standardization of our project planning, project controls, productivity reporting and financial forecasting to further enhance excellence in our project execution.

Optimize Asset Utilization: One of our near-term objectives is to grow our Industrial Group into a fully self-performing general contractor. This will be achieved in part by pursuing the acquisition of industrial companies that provide complementary services or alternative labour strategies. We believe these additions will enhance our ability to respond to industrial customers, while also supporting our overall growth strategy.

Growth: In addition to the industrial acquisitions described above, we have identified a number of organic growth initiatives. These include a push into Northern Alberta by our Commercial Systems Group, and a further expansion of the Industrial Group's service offering with the addition of high voltage testing and a mechanical service offering in Alberta. Going forward, we will continue to identify other organic and acquisition-based growth opportunities that support our objectives.

Strong Balance Sheet and Capital Structure: We recognize that a strong, flexible financial foundation is essential to realizing our goals. During the third quarter of 2014 we sold Broda for gross proceeds of $39.4 million, subject to finalization of purchase price adjustments, which has strengthened our financial position through reduced indebtedness under our revolving credit facility. During the quarter we also completed an offering of convertible debentures to raise $80.5 million, which provides the balance of capital needed to repay our $86.3 million convertible debentures due in June 2015, and in the interim a portion of the funds have been used to repay outstanding indebtedness under our revolving credit facility. Our longer term strategy is to further increase our liquidity and reduce our leverage through improved financial performance and reduced capital spending.

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RESULTS OF OPERATIONS

Consolidated Results

$millions, except percentages and per share amounts	Three months ended September 30 2014	Three months ended September 30 2013[4]	Nine months ended September 30 2014	Nine months ended September 30 2013[4]
Contract revenue	**350.4**	274.8	**941.7**	768.3
Contract income	**28.9**	26.9	**83.4**	74.4
Contract income margin	**8.2%**	9.8%	**8.9%**	9.7%
EBITDA[1]	**10.9**	8.5	**29.7**	23.0
EBITDA margin	**3.1%**	3.1%	**3.2%**	3.0%
Net earnings from continuing operations	**2.8**	1.0	**6.0**	1.2
Net (loss) earnings from discontinued operations	**(15.7)**	1.6	**(19.5)**	0.6
Net (loss) earnings	**(12.9)**	2.6	**(13.5)**	1.8
Earnings (loss) per share				
Basic from continuing operations	**0.11**	0.04	**0.24**	0.05
Basic (loss) earnings per share	**(0.52)**	0.10	**(0.54)**	0.07
Diluted from continuing operations	**0.11**	0.04	**0.24**	0.05
Diluted (loss) earnings per share	**(0.52)**	0.10	**(0.54)**	0.07
Dividends declared per share	**0.12**	0.12	**0.36**	0.36

$millions	Sep. 30, 2014	Dec. 31, 2013
Backlog[1]	**1,887.0**	2,116.2
Working capital[1][3]	**57.1**	84.9
Long-term debt (excluding current portion)	**1.3**	50.3
Convertible debentures (excluding equity portion)[2]	**154.7**	81.9
Total assets	**758.0**	694.7

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 due in 2015 are presented as a current liability of $84.1 million as at September 30, 2014; whereas, they were presented as a non-current liability of $81.9 million as at December 31, 2013.

(3) If the convertible debentures issued in 2010 were excluded from working capital, adjusted September 30, 2014 working capital would have been $141.2 million (December 31, 2013: $84.9 million).

(4) 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 6 of our third quarter 2014 Condensed Consolidated Interim Financial Statements.

For the three months ended September 30, 2014, consolidated contract revenue increased by 27.5% to $350.4 million, from $274.8 million in Q3 2013. Third quarter revenue from the Buildings Group increased by $48.2 million or 36.1%, Industrial Group revenue increased by $27.3 million or 30.8% and Commercial Systems Group revenue increased by $3.8 million or 6.4%. Intersegment revenue for the quarter increased to $10.1 million, from $6.4 million during the same period last year, reflecting increased intercompany activity among our business groups.

Contract income increased 7.4% to $28.9 million in Q3 2014, from $26.9 million in the third quarter of 2013. This $2.0 million increase reflects a $5.7 million or 59.4% increase in contract income from the Industrial Group and a $0.1 million or 1.2% increase from the Commercial Systems Group, partially offset by a $2.9 million or 31.5% decrease from the Buildings Group and a $0.9 million decrease from intersegment activities. Contract income as a percentage of revenue was 8.2% in Q3 2014, compared to 9.8% during the same period last year. The year-over-year margin decline primarily reflects losses on certain industrial site projects undertaken by the Buildings Group.

Third quarter 2014 administrative costs amounted to $21.7 million (6.2% of revenue) compared to $22.6 million (8.2% of revenue) in the third quarter of 2013. Quarterly administrative costs decreased by $1.5 million or 19.7% in the Buildings Group and $0.2 million or 4.4% in the Industrial Group, partly offset by an increase of $0.9 million or 12.7% in the Corporate Group. These variances are in part the result of the centralization of a number of support services within the Corporate Group.

Third quarter EBITDA increased to $10.9 million, from $8.5 million in Q3 2013. This $2.4 million or 28.2% increase reflects higher revenue and contract income in 2014. Consolidated net earnings from continuing operations increased to $2.8 million in the third quarter of 2014, from $1.0 million during the same period of 2013. The improvement in net earnings from continuing operations reflects a $2.1 million improvement in earnings before tax (“EBT”), partially offset by a $0.2 million increase in income tax expense. As anticipated, the sale of Broda contributed to a third quarter 2014 net loss from discontinued operations of $15.7 million. This compares to net earnings from discontinued operations of $1.6 million in Q3 2013. Third quarter consolidated net loss was $12.9 million, compared to net earnings of $2.6 million in the same period of 2013. The $15.5 million year-over-year decline reflects a one-time $16.4 million loss on discontinued operations from the sale of Broda, partially offset by improved performance from our continuing operations.

For the nine months ended September 30, 2014, consolidated contract revenue increased by 22.6% to $941.7 million, from $768.3 million in Q3 2013. Nine month revenue from the Buildings Group increased by $106.2 million or 28.6%, Industrial Group revenue increased by $45.5 million or 17.3% and Commercial Systems Group revenue increased by $28.3 million or 18.4%. Intersegment revenue for the period was $25.9 million, an increase of $6.6 million or 34.2% from the first nine months of 2013. This increase reflects increased intercompany activity among our business groups.

Nine month contract income increased 12.1% to $83.4 million (8.9% of revenue), from $74.4 million (9.7% of revenue) in the first nine months of 2013. This $9.0 million increase reflects a $0.7 million or 3.1% increase in contract income from the Buildings Group, an $8.9 million or 30.5% increase from the Industrial Group and a $1.2 million or 5.4% increase from the Commercial Systems Group, partially offset by a $1.8 million reduction from intersegment eliminations.

Year-to-date 2014 administrative costs amounted to $66.1 million (7.0% of revenue), compared to $64.0 million (8.3% of revenue) in the same period in 2013. Administrative costs increased by $4.1 million or 23.8% in the Corporate Group, $0.9 million or 7.2% in the Industrial Group and $0.2 million or 1.9% in the Commercial Systems Group. These increases were partially offset by a decrease of $3.2 million or 13.4% in the Buildings Group. These variances are in part the result of the centralization of a number of support services within the Corporate Group.

EBITDA for the first nine months of 2014 increased to $29.7 million, from $23.0 million in the same period of 2013. This $6.7 million or 29.1% increase reflects higher revenue and contract income, partially offset by increased administrative costs. Year-to-date consolidated net earnings from continuing operations increased to $6.0 million, from $1.2 million in the same period of 2013. This improvement reflects a $6.3 million increase in EBT, partially offset by a $1.5 million increase in income tax expense. We recorded a net loss from discontinued operations of $19.5 million in the first three quarters of 2014, reflecting the $16.4 million loss on the sale of Broda and $3.2 million loss associated with Broda’s operations in 2014. This compares to net earnings from discontinued operations of $0.6 million in same period of 2013. The year-to-date consolidated net loss for 2014 was $13.5 million compared to net earnings of $1.8

million in the same period of 2013. The year-over-year change primarily reflects the one-time loss on discontinued operations from the sale of Broda, partially offset by an increase in earnings from continuing operations.

Backlog

$millions, except percentages	Sep. 30, 2014	Dec. 31, 2013
Buildings Group	**1,521.0**	1,615.1
Industrial Group	**153.6**	280.7
Commercial Systems Group	**212.4**	164.7
Backlog relating to continuing operations	**1,887.0**	2,060.5
Broda	**nil**	55.7
Consolidated backlog	**1,887.0**	2,116.2
Construction management	**67.3%**	58.6%
Cost plus	**18.5%**	24.8%
Tendered (hard bid)	**14.2%**	16.6%

Consolidated backlog as at September 30, 2014 was $1,887.0 million, down $229.2 million or 10.8% from backlog of $2,116.2 at December 31, 2013. Of the decline from year-end, $55.7 million relates to the disposal of Broda on September 1, 2014. As at September 30, 2014, backlog consisted of work-in-hand of $1,025.1 million (December 31, 2013: $1,159.8 million) and active backlog of $861.9 million (December 31, 2013: $956.4 million). Approximately 67.3% of the backlog consists of construction management (CM) contracts, 18.5% cost-plus arrangements (combined total of 85.8% CM and cost-plus) and 14.2% tendered (hard-bid) work. New contract awards and net increases in contract value of $208.9 million were added to work-in-hand in the quarter ended September 30, 2014 (third quarter of 2013: $323.3 million).

Our book-to-bill ratio for the third quarter of 2014 was 0.5 to 1.0, and for the first nine months of 2014 was 0.8 to 1.0. Revenue exceeded backlog additions during the third quarter primarily due to the completion of a few larger projects in the Industrial Group, the timing of new project awards, and renewals of master services agreement.

RESULTS OF OPERATIONS BY BUSINESS GROUP

Buildings Group Results

	Three months ended September 30		Nine months ended September 30	
$millions, except percentages	2014	2013	2014	2013
Contract revenue	**181.7**	133.5	**477.5**	371.3
Contract income	**6.3**	9.2	**23.2**	22.5
Contract income margin[(1)]	**3.5%**	6.9%	**4.9%**	6.1%
Administrative costs	**6.1**	7.6	**20.7**	23.9
EBITDA[(1)]	**1.0**	2.7	**6.0**	2.0
EBITDA margin[(1)]	**0.6%**	2.0%	**1.3%**	0.5%
EBT[(1)]	**0.2**	1.7	**2.8**	(1.0)
Backlog[(1)(2)]			**1,521.0**	1,615.1

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 of December 31, 2013.

For the three months ended September 30, 2014, revenue from the Buildings Group increased 36.1% to $181.7 million, from $133.5 million in Q3 2013. The $48.2 million increase was primarily attributable to a strong backlog of work, increased commercial and institutional activity in British Columbia, Alberta and Manitoba, and increased activity in the group's industrial buildings branch.

Contract income decreased 31.5% to $6.3 million in the third quarter of 2014, from $9.2 million during the same period in 2013. The $2.9 million decrease reflects lower 2014 contract income margin, which declined to 3.5% from 6.9% year-over-year as a result of project losses on certain Buildings Group industrial site projects in the quarter.

The Buildings Group generated third quarter EBITDA of $1.0 million (0.6% EBITDA margin), compared to EBITDA of $2.7 million (2.0% EBITDA margin) in the same period last year. This $1.7 million decrease reflects lower contract income, partially offset by administrative cost savings from the centralization of certain administrative activities to the Corporate Group and other targeted reductions in the Buildings Group's administrative spending.

For the nine months ended September 30, 2014, Buildings Group revenue increased 28.6% to $477.5 million, from $371.3 million during the same period in 2013. The $106.2 million increase was primarily attributable to a significant backlog of work, increased commercial and institutional activity in British Columbia, Alberta and Manitoba, and increased activity in the group's industrial buildings branch.

Year-to-date contract income increased 3.1% to $23.2 million, from $22.5 million during the same period in 2013. The $0.7 million increase was principally driven by higher activity levels. Margin on contract income for the nine months ended September 30, 2014 was 4.9%, compared to 6.1% last year, reflecting project losses on certain Buildings Group industrial site projects in the current period.

Nine month EBITDA increased to $6.0 million (1.3% EBITDA margin), from $2.0 million (0.5% EBITDA margin) in the first nine months of 2013. This $4.0 million improvement reflects increased contract income, together with administrative cost savings from the centralization of certain administrative activities in the Corporate Group and other targeted reductions in the Buildings Group's administrative spending.

As at September 30, 2014, the Buildings Group backlog was $1,521.0 million, compared to $1,615.1 million at December 31, 2013, a decrease of $94.1 million or 5.8%. As at September 30, 2014 approximately 78.8% of the Buildings Group's backlog was composed of CM assignments, 15.5% was cost-plus projects (combined total of 94.3% CM and cost-plus) and 5.7% was tendered (hard-bid) projects. Buildings Group tendered projects mainly include commercial buildings constructed on industrial sites. The September 30, 2014 backlog consisted of $699.4 million of work-in-hand and $821.6 million of active backlog, compared to $738.4 million of work-in hand and $876.7 million of active backlog as at December 31, 2013. With respect to work-in-hand, the segment secured $107.7 million of new awards and project scope increases during the quarter, and executed $181.7 million of contract revenue.

Industrial Group Results

	Three months ended September 30		Nine months ended September 30	
$millions, except percentages	2014	2013[3]	2014	2013[3]
Contract revenue	**116.0**	88.7	**308.4**	262.9
Contract income	**15.3**	9.6	**38.1**	29.2
Contract income margin[1]	**13.2%**	10.8%	**12.4%**	11.1%
Administrative costs	**4.3**	4.5	**13.4**	12.5
EBITDA[1]	**11.7**	5.8	**26.9**	18.6
EBITDA margin[1]	**10.1%**	6.5%	**8.7%**	7.1%
EBT[1]	**11.0**	5.2	**24.9**	16.8
Backlog[1][2]			**153.6**	280.7

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 of December 31, 2013, excluding which was sold on September 1, 2014.

(3) 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 6 of our third quarter 2014 Condensed Consolidated Interim Financial Statements.

Revenue generated by the Industrial Group increased 30.8% to $116.0 million in the third quarter of 2014, from $88.7 million during the same period in 2013. The $27.3 million improvement reflects increased activity levels in Alberta's oil sands and the group's growing volumes of MRO work.

The Industrial Group increased third quarter 2014 contract income to $15.3 million, an improvement of $5.7 million or 59.4% over the $9.6 million achieved during the same period last year. Third quarter contract income margins increased to 13.2% from 10.8% last year, mainly reflecting project mix and stage of completion and write-downs taken on challenging projects in Q3 2013 that did not repeat in 2014.

EBITDA from the Industrial Group increased by $5.9 million or 101.7% to $11.7 million (10.1% EBITDA margin) in Q3 2014, from $5.8 million (6.5% EBITDA margin) in the third quarter of 2013. The year-over-year improvement reflects the increased contract income.

For the nine months ended September 30, 2014, the Industrial Group increased revenue by 17.3% to $308.4 million, from $262.9 million during the same period last year. The $45.5 million revenue improvement reflects increased activity levels in Alberta's oil sands and Northern Ontario's power industry.

The Industrial Group achieved contract income of $38.1 million for the nine months ended September 30, 2014, an improvement of $8.9 million or 30.5% from the $29.2 million generated during the same period of 2013. Year-to-date

contract income margins increased to 12.4%, from 11.1% last year, reflecting project mix and stage of completion, strong project execution and write-downs taken on challenging projects in 2013 not repeating in 2014.

EBITDA from the Industrial Group increased by $8.3 million or 44.6% to $26.9 million (8.7% EBITDA margin) in the first nine months of 2014, from $18.6 million (7.1% EBITDA margin) during the same period in 2013. The year-over-year improvement reflects increased contract income, partially offset by higher administrative costs to support increased activity levels.

The Industrial Group recorded a backlog of $153.6 million as at September 30, 2014, compared to backlog of $280.7 million at December 31, 2013. The $127.1 million or 45.3% decrease primarily reflects being in the final stages of completion on a few large projects, and the timing of new project awards and renewals of large multi-year maintenance contracts. We continue to do a similar volume of work with these large industrial customers, but the value of this work cannot be reflected in backlog until new master services agreements are signed. As at September 30, 2014, 73.4% of the Industrial Group backlog consisted of cost-plus projects and the remaining 26.6% were tendered projects. The September 30, 2014 backlog consisted of $129.6 million of work-in-hand and $24.0 million of active backlog, compared to $225.9 million of work-in-hand and $54.8 million of active backlog at December 31, 2013. With respect to work-in-hand, the Industrial Group contracted $57.3 million of new awards and scope increases during the quarter and executed $116.1 million of construction activity.

Commercial Systems Group Results

	Three months ended September 30		Nine months ended September 30	
$millions, except percentages	**2014**	**2013**	**2014**	**2013**
Contract revenue	**62.8**	59.0	**181.7**	153.4
Contract income	**8.2**	8.1	**23.5**	22.3
Contract income margin[1]	**13.1%**	13.7%	**12.9%**	14.5%
Administrative costs	**3.3**	3.3	**10.5**	10.3
EBITDA[1]	**5.3**	5.3	**14.2**	13.5
EBITDA margin[1]	**8.4%**	9.0%	**7.8%**	8.8%
EBT[1]	**4.9**	4.9	**13.1**	12.3
Backlog[1][2]			**212.4**	164.7

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 of December 31, 2013.

For the three months ended September 30, 2014, the Commercial Systems Group increased revenue by 6.4% to $62.8 million, from $59.0 million in Q3 2013. This $3.8 million improvement reflects the start-up of a number of significant new projects in Alberta.

Third quarter contract income of $8.2 million was consistent with the $8.1 million earned during the same period in 2013. Contract income margin was 13.1% compared to 13.7% in Q3 2013, reflecting project mix and project stage of completion.

EBITDA from the Commercial Systems Group was $5.3 million (8.4% EBITDA margin) in the third quarter of 2014, in line with the $5.3 million (9.0% EBITDA margin) achieved in the third quarter of 2013. The slight reduction in EBITDA margin primarily reflects lower contract income margin.

For the nine months ended September 30, 2014, revenue from the Commercial Systems Group increased 18.4% to $181.7 million, from $153.4 million during the same period in 2013. This $28.3 million improvement relates to the start-up of a number of significant projects in Alberta.

Nine month contract income increased by $1.2 million, or 5.4%, to $23.5 million, from $22.3 million last year. Contract income margin for the period was 12.9%, compared to 14.5% in the first nine months of 2013. The decrease in contract income margin reflects changes in the project mix and stage of completion, as well as increased labour costs on certain projects as a result of productivity issues.

EBITDA from the Commercial Systems Group improved 5.2% to $14.2 million (7.8% EBITDA margin) in the first nine months of 2014, from $13.5 million (8.8% EBITDA margin) in the same period last year. The $0.7 million increase primarily reflects the higher contract income.

Commercial Systems Group backlog increased to $212.4 million as at September 30, 2014, from $164.7 million at December 31, 2013, a $47.7 million or 29.0% increase. As at September 30, 2014, the Commercial Systems Group's backlog was composed of approximately 33.4% CM and cost-plus projects, and 66.6% tendered projects. The September 30, 2014 backlog consisted of $196.1 million of work-in-hand and $16.2 million of active backlog compared to $139.7 million of work-in-hand and $25.0 million of active backlog at December 31, 2013. With respect to work-in-hand, the group secured $43.9 million of new awards and increases in contract value during the quarter and executed $62.2 million of construction activity.

Corporate Group Results

	Three months ended September 30		Nine months ended September 30	
$millions	**2014**	**2013**[2]	**2014**	**2013**[2]
Administrative costs	**8.0**	7.1	**21.3**	17.2
Finance costs	**3.3**	2.7	**9.0**	8.5
EBT[1]	**(11.3)**	(9.9)	**(30.3)**	(25.7)

Note: (1) EBT is a non-IFRS measure. Refer to "Non-IFRS Measures" for the definition of the term.
(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 6 of our third quarter 2014 Condensed Consolidated Interim Financial Statements.

The Corporate Group's administrative costs were $8.0 million in the third quarter of 2014, compared to $7.1 million in the third quarter of 2013. The $0.9 million or 12.7% increase is primarily related to the centralization under the Corporate Group of human resources, marketing and accounting administrative activities previously managed and accounted for by the individual business groups. The increase was partially offset by a decrease in stock-based compensation expense related to the decrease in Stuart Olson's share price in the third quarter of 2014, compared to share price appreciation in Q3 2013, and the corresponding impact of mark-to-market pricing on stock-based compensation expense.

The Corporate Group's finance costs were $3.3 million in the third quarter of 2014, compared to $2.7 million during the same period last year. This reflects a $0.6 million or 22.2% increase and is primarily due to the issuance of the 2014 convertible debentures in September of 2014.

The Corporate Group incurred a third quarter 2014 loss before tax of $11.3 million, compared to a loss before tax of $9.9 million in the comparable period in 2013, primarily as a result of the increase in administrative costs and finance costs.

For the nine months ended September 30, 2014, Corporate Group administrative costs were $21.3 million, compared to $17.2 million in the first nine months of 2013. The administrative cost increase is primarily related to onerous lease costs associated with moving to smaller facilities, rebranding costs and the centralization under the Corporate Group of human resources, marketing and accounting administrative activities previously managed and accounted for by the individual business groups. These increases were partially offset by reduced stock-based compensation expense related to the decline in Stuart Olson's share price and the corresponding impact of mark-to-market pricing on stock-based compensation expense during the last nine months of 2014 compared with the same period of 2013.

The Corporate Group's finance costs were $9.0 million in the first nine months of 2014, compared to $8.5 million during the same period last year, an increase of $0.5 million or 5.9%. Finance costs were higher in the 2014 period primarily due to interest costs associated with the issuance of our 2014 convertible debentures.

For the nine months ended September 30, 2014, the Corporate Group incurred a loss before tax of $30.3 million, compared to a loss before tax of $25.7 million in the comparable period in 2013. The year-over-year change primarily reflects increased administrative and finance costs.

Discontinued Operations

On September 1, 2014, we completed the sale of Broda for gross cash proceeds of $39.4 million ($37.7 million received to date, with the balance recorded as accounts receivable), subject to the finalization of purchase price adjustments. The divestiture of Broda is the result of a strategic review undertaken to assess our assets and their utilization in the context of our broader business strategy going forward. Net proceeds of the sale have been used to repay outstanding indebtedness under our revolving credit facility.

In the Q3 2014 financial statements and MD&A, Broda results for current and historical periods have been presented as discontinued operations. Discontinued operations are shown net of tax, below the calculation of Stuart Olson's net earnings from continuing operations.

Broda's operating results for the previous eight quarters and three calendar years, including the calculation of EBT and EBITDA as though Broda was continuing operations but excluding the loss incurred on disposal, were as follows:

	2014 Quarter Ended:			2013 Quarter Ended:				2012 Quarter Ended:
$millions	**Sep. 30[2]**	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31
Contract revenue	**12.9**	11.1	6.1	13.4	20.0	11.8	9.4	14.3
Contract income	**2.3**	0.7	(1.7)	1.1	3.5	nil	0.6	2.4
EBITDA[1]	**2.2**	1.2	(0.9)	1.8	3.8	0.4	1.1	2.9
EBT[1]	**1.1**	(2.5)	(2.8)	0.1	2.2	(1.1)	(0.4)	(19.9)
Net (loss) earnings	**0.7**	(1.9)	(1.9)	0.2	1.6	(0.7)	(0.3)	(17.7)
Backlog[1]	**n/a**	45.4	57.3	55.7	41.3	55.4	43.8	30.5
Capital and intangible expenditures	**0.9**	2.0	0.3	2.4	1.0	2.9	0.5	0.8

	2014 Nine Months Ended:	2013 Year Ended:	2012 Year Ended:
$millions	**Sep. 30[2]**	Dec. 31	Dec. 31
Contract revenue	**30.1**	54.6	60.6
Contract income	**1.3**	5.1	3.4
EBITDA[1]	**2.4**	7.1	4.7
EBT[1]	**(4.3)**	0.7	(22.0)
Net (loss) earnings	**(3.2)**	0.8	(19.0)
Backlog[1]	**n/a**	55.7	30.5
Capital and intangible expenditures	**3.2**	6.9	6.4

Notes: (1) EBITDA, EBT and backlog are non-IFRS measures. Refer to "Non-IFRS Measures" for definitions of these terms.
(2) Results for the three and nine months ended September 30, 2014 reflect Broda results up to the September 1, 2014 disposition date.

For complete financial details of discontinued operations, including the loss incurred on the disposal of Broda, please refer to *Note 6* of the September 30, 2014 Condensed Consolidated Interim Financial Statements.

LIQUIDITY

Cash and Debt Balances

Cash and cash equivalents at September 30, 2014 were $71.3 million, up from $36.2 million at December 31, 2013. This $35.1 million increase reflects the net proceeds of $76.7 million received from the issuance of our 2014 convertible debentures, together with proceeds of $37.7 million received to date from the sale of Broda, and reduced by the repayment of the majority of indebtedness under our revolving credit facility.

Long-term indebtedness, including the current portion of long-term debt and convertible debentures, amounted to $156.3 million at September 30, 2014. This compares to $134.8 million at December 31, 2013, a net increase of $21.5 million mainly due the issuance of our 2014 convertible debentures, partially offset by the repayment of outstanding amounts on our revolving credit facility. Long-term indebtedness consists of $154.7 million (December 31, 2013: $81.9 million) of the debt portion of Stuart Olson's outstanding convertible debentures and $1.6 million of long-term debt (December 31, 2013: $52.9 million). The current portion of long-term debt was $0.3 million as at September 30, 2014 (December 31, 2013: $2.6 million).

On September 19, 2014 and September 29, 2014 we issued 6% convertible unsecured subordinated debentures of $70.0 million and $10.5 million, respectively, for gross total proceeds of $80.5 million. We received proceeds, net of

transaction costs, of $76.7 million. The convertible debentures have a maturity date of December 31, 2019, and are convertible at the option of the holder into common shares of Stuart Olson at a conversion price of $14.15 per share. The net proceeds will be used to refinance at maturity a portion of the 6.0% convertible unsecured subordinated debentures due June 30, 2015 and, in the interim, have been used to repay the balance of indebtedness under our revolving credit facility in order to minimize interest costs. The remaining net proceeds will be maintained as cash on hand.

In accordance with the terms of our revolving credit facility agreement, the sale of Broda on September 1, 2014 reduced the limit of the revolving credit facility from $200.0 million to $167.4 million.

As at September 30, 2014, we were in full compliance with our covenants and had additional borrowing capacity of $119.4 million available under the revolving credit facility.

Ratio	Covenant	Actual as at Sep. 30, 2014
Working capital[1]	**>1.10:1.00**	**1.42**
Interest coverage	**>3.00:1.00**	**3.71**
Total debt to EBITDA	**<3.25:1.00**	**0.08**
Senior debt to EBITDA	**<2.75:1.00**	**0.06**

Notes: (1) As part of the June 2014 amendments to our $167.4 million senior secured revolving credit facility, the definition of working capital ratio for covenant calculation purposes was updated to specifically exclude the convertible debentures from current liabilities.

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

Summary of Cash Flows

	Nine months ended September 30	
$millions	**2014[1]**	**2013[1]**
Operating activities	**(14.4)**	3.7
Investing activities	**31.5**	(8.4)
Financing activities	**18.0**	8.2
Increase in cash	**35.1**	3.5
Cash and cash equivalents, beginning of period	**36.2**	33.8
Cash and cash equivalents, end of period	**71.3**	37.3

Notes: (1) This table includes both continuing and discontinued operations. See accompanying notes to the Condensed Consolidated Interim Financial Statements.

For the nine months ended September 30, 2014, cash flow used in operating activities was $14.4 million as compared to cash generated of $3.7 million in the same period of 2013, a year-over-year net change of $18.1 million. The additional outflow was the result of additional investment in working capital to support increased revenue for all three business groups during the first nine months of 2014.

Cash flow generated by investing activities was $31.5 million for the nine months ended September 30, 2014, as compared to outflow of $8.4 million in the same period in 2013, a $39.9 million increase. The primary factor for this increase was the sale of Broda in Q3 2014 for gross proceeds of $39.4 million.

Cash generated by financing activities totalled $18.0 million for the first nine months of 2014, as compared to $8.2 million during the same period in 2013. This increase primarily reflects the issuance of our 2014 convertible debentures, partially offset by the use of debenture proceeds to repay our revolving credit facility.

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.

In the third quarter of 2014, our capital and intangible expenditures from continuing operations totalled $1.8 million compared to $1.7 million in the same quarter last year. Capital and intangible expenditures in the third quarter of 2014 consisted of $0.8 million for construction and automotive equipment, $0.4 million for computer hardware and software and $0.6 million for tenant improvements. Capital and intangible expenditures attributable to discontinued operations were $0.9 million in Q3 2014.

For the nine months ended September 30, 2014, our capital expenditures from continuing operations were $5.0 million, compared to $6.4 million during the same period in 2013. Expenditures included $1.8 million for construction and automotive equipment, $0.9 million for computer hardware and software, $2.2 million for tenant improvements and $0.1 million for office furniture and equipment. Capital and intangible expenditures attributable to discontinued operations were $3.2 million for the same period, compared to $4.4 million in 2013.

Capital expenditures are associated with our need to maintain and support existing operations. Our capital spending program for continuing operations for 2014 is projected to be approximately $8.0 million for 2014.

Working Capital

As at September 30, 2014, we had working capital of $57.1 million, compared to $84.9 million at December 31, 2013. The $27.8 million decrease primarily reflects the impact of the 2010 convertible debentures becoming a current liability during Q2 2014, partially offset by excess cash held at September 30, 2014 from the issuance of the 2014 convertible debentures. Excluding the 2010 convertible debentures, adjusted September 30, 2014 working capital was $141.1 million, a $56.2 million increase from December 31, 2013. This increase reflects excess cash held from the issuance of the 2014 convertible debentures.

On the basis of our current cash and cash equivalents, the ability to generate cash from operations and the undrawn portion of our revolving credit facility, 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 18* to the Condensed Consolidated Interim Financial Statements.

Contractual Obligations

The following are our contractual financial obligations as at September 30, 2014. Interest payments on the revolving credit facility 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 17(b)(iii)* to the Condensed Consolidated Interim Financial Statements.

$thousands	**Carrying amount**	Contractual cash flows	Not later than 1 year	Later than 1 year and less than 3 years	Later than 3 years and less than 5 years	Later than 5 years
Trade and other payables	**$ 235,159**	$ 235,159	$ 235,159	$ -	$ -	$ -
Provisions including current portion	**8,080**	8,080	2,902	1,819	-	3,359
Convertible debentures (debt portion)	**154,722**	197,451	95,216	9,660	9,660	82,915
Long-term debt including current portion	**1,560**	3,599	257	421	2,921	-
Lease commitments	**108,113**	108,113	7,081	13,575	13,575	73,882
	$ 507,634	$ 552,402	$ 340,615	$ 25,475	$ 26,156	$ 160,156

Scheduled long-term debt principal repayments due within one year of September 30, 2014 were $0.3 million (December 31, 2013: $2.6), while scheduled convertible debenture principal repayments for this same period are $86.3 million (December 31, 2013: $nil).

Share Data

We encourage employees to invest in our shares by making an Employee Share Purchase Plan (“ESPP”) available to all full-time employees. At September 30, 2014, our employees held 1,750,081 common shares for employees (December 31, 2013: 1,630,047 common shares) as a result of purchases made through the ESPP. Under the ESPP, common shares are acquired in the open market.

As at September 30, 2014, we had 25,019,137 common shares issued and outstanding and 1,781,203 options convertible into common shares (December 31, 2013: 24,797,163 common shares and 1,838,117 options). Please refer to *Note 14* and *Note 15* of the Condensed Consolidated Interim Financial Statements for further detail. On October 15, 2014, we issued 35,173 shares pursuant to our Dividend Reinvestment Plan (“DRIP”).

Our $86.3 million of 6.0% convertible debentures issued in 2010 are convertible into 4,471,179 common shares. Additionally, our $80.5 million of 6.0% convertible debentures issued in 2014 are convertible into 5,689,046 common shares.

At September 30, 2014, shareholders’ equity was $219.7, compared to $237.0 million at December 31, 2013. This $17.3 million reduction resulted from the $13.5 million year-to-date net loss, a $2.0 million defined benefit plan actuarial loss net of tax, and dividends declared of $9.0 million. These were partially offset by share capital increases of $1.1 million and $1.7 million related to shares issued pursuant to the DRIP and the exercise of options, respectively, and $4.6 million from the equity component of the 2014 convertible debentures.

DIVIDENDS

Declaration of Common Share Dividend

On November 5, 2014, 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 15, 2015 to shareholders of record on December 31, 2014. 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. The intention of the Board is to maintain a quarterly dividend that rewards existing shareholders and provides new investors with an income incentive to invest in the Company.

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, 2014.

RELATED PARTY TRANSACTIONS

During the three months ended September 30, 2014, we incurred facility costs of $0.1 million (September 30, 2013: $0.1 million) for the rental of a building that is 50.0% owned by Schneider Investments Inc., a company owned by George Schneider, a director of the Company. The rented building is the operations base for the Industrial Group in Fort McMurray. The rental charge is comparable to the market rates for similar properties. For the nine months ended September 30, 2014, these facility costs were $0.2 million (September 30, 2013: $0.3 million). No amounts are included in trade payables as at September 30, 2014 (September 30, 2013: $0.04 million).

During the third quarter of 2014, we also incurred facility costs of $0.1 million (September 30, 2013: $0.1 million) relating to the rental of a building owned by Broda Holdings (2009) Inc., a company owned by the president of Broda, a former subsidiary of Stuart Olson. The rented building was the head office, maintenance facility and operations base for Broda in Prince Albert, Saskatchewan. The rental charge was comparable to the market rates for similar properties. For the nine months ended September 30, 2014, these facility costs were $0.3 million (September 30, 2013: $0.3 million). At September 30, 2014, there were no amounts included in accounts payable (September 30, 2013: $0.04 million). We reclassified these facility costs as discontinued operations in the condensed consolidated statement of (loss) earnings.

QUARTERLY FINANCIAL INFORMATION

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

	2014 Quarter Ended:			2013 Quarter Ended[3]:				2012 Quarter Ended[1]:
$millions, except per share amounts	**Sep. 30**	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31
Contract revenue	**350.4**	322.9	268.5	283.6	274.8	266.0	227.5	275.6
EBITDA[2]	**10.9**	9.9	8.9	11.2	8.5	8.9	5.7	6.2
Net earnings (loss) from continuing operations	**2.8**	1.8	1.3	3.4	1.0	1.2	(0.9)	(45.0)
Net (loss) earnings from discontinued operations	**(15.7)**	(1.9)	(1.9)	(0.1)	1.6	(0.7)	(0.3)	(17.7)
Net (loss) earnings	**(12.9)**	nil	(0.6)	3.3	2.6	0.5	(1.2)	(62.7)
Net earnings (loss) per common share								
Basic from continuing operations	**0.11**	0.07	0.05	0.14	0.04	0.05	(0.04)	(1.84)
Basic (loss) earnings per share	**(0.52)**	nil	(0.02)	0.13	0.10	0.02	(0.05)	(2.56)
Diluted from continuing operations	**0.11**	0.07	0.05	0.14	0.04	0.05	(0.04)	(1.84)
Diluted (loss) earnings per share	**(0.52)**	nil	(0.02)	0.13	0.10	0.02	(0.05)	(2.56)

Notes: (1) Refer to Note 3 of the Company's 2013 Consolidated Annual Financial Statements for retrospective adoption of IAS 19 (2011).
(2) EBITDA is a non-IFRS measure, refer to "Non-IFRS Measures" for the definition.
(3) 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 6 of our third quarter 2014 Condensed Consolidated Interim Financial Statements.

Revenue in the first quarter of 2013 decreased compared to the fourth quarter of 2012, with all business groups experiencing some form of lower revenues and/or lower contract margins from operations during the period. The significant improvement in net earnings was driven by the one-time fourth quarter 2012 impairment charge of $64.6 million.

Financial results improved in the second quarter of 2013 compared to the first quarter of 2013 as modestly better Buildings Group results, consistent results from the Commercial Systems Group and strong operational results from the Industrial Group lifted revenues and earnings.

A positive contribution from the Buildings Group, along with strong results from the Commercial Systems Group and Industrial Group, increased revenue in the third quarter of 2013 relative to the second quarter of 2013; however, increased administrative costs negatively impacted EBITDA and net earnings from continuing operations. Net earnings improved in the quarter as a result of seasonal improvement in Broda's operations, which are presented as discontinued operations.

Financial results in the fourth quarter of 2013 increased compared to the third quarter of 2013 due to slightly increased revenues in all segments and increased contract income margins in the Buildings Group and Commercial Systems Group.

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 improved margin in the Industrial and Commercial Systems Groups. 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.

For a more detailed discussion and analysis of quarterly results prior to September 30, 2014, please see our 2013 and 2012 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:

- Revenue recognition and contract cost estimates;
- Goodwill, property and equipment and intangibles impairment assessment;
- Estimates related to the useful lives and residual value of property and equipment;
- Income tax provisions;
- Provisions for warranty work and legal contingencies;
- Assumptions used in share-based payment arrangements;
- Accounts receivable collectability; and
- Valuation of defined benefit pension plans.

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 2013 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 4* to the Audited Consolidated Annual Financial Statements at December 31, 2013 for further information.

In addition, on May 28, 2014, the IASB and the Financial Accounting Standards Board (FASB) jointly issued IFRS 15 Revenue from Contracts with Customers. The core principle of the new Standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which we expect 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, 2017. We are currently evaluating the impact of this standard on our consolidated financial statements.

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 Stuart Olson 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 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, 2014 was $1.4 million (December 31, 2013: $3.2 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, 2014, we had $15.3 million of trade receivables (December 31, 2013: $20.6 million) which were greater than 90 days past due, with $13.9 million not provided for as at September 30, 2014 (December 31, 2013: $17.4 million). Of the total, $8.2 million (53.5%) was concentrated in two customer accounts, and of this amount, $8.2 million remained outstanding as of November 5, 2014. The two 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 Statement 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, 2014, 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 $0.5 million (December 31, 2013: $0.3 million) related to financial assets and by $nil (December 31, 2013: $0.4 million) 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 17(b)(ii)* of the September 30, 2014 Condensed Consolidated Interim Financial Statements for further detail.

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, 2014. 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, 2014.

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. Because of inherent limitations in all control systems, absolute assurance cannot be provided that all misstatements have been detected. Management is responsible for establishing and maintaining adequate internal controls appropriate to the nature and size of the business, 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 (1992). The evaluation included documentation review, enquiries, testing and other procedures considered by management to be appropriate in the circumstances. As at September 30, 2014, 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, 2014 and ending on September 30, 2014 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", "working capital", "EBITDA", "EBITDA margin", and "EBT". 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.

$millions	Sep. 30, 2014	Dec. 31, 2013
Work-in-hand	**1,025.1**	1,159.8
Active backlog	**861.9**	956.4
Total backlog	**1,887.0**	2,116.2

Book-to-Bill Ratio

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 (excludes 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:

$millions	Sep. 30, 2014	Dec. 31, 2013
Current assets	**474.9**	367.3
Current liabilities[1]	**(417.8)**	(282.4)
Working capital	**57.1**	84.9

Notes: (1) The 2010 convertible debentures are presented as a current liability of $84.1 million as at September 30, 2014; whereas, they were presented as a non-current liability of $81.9 million as at December 31, 2013. If the 2010 convertible debentures were excluded from working capital, adjusted September 30, 2014 working capital would have been $141.2 million (December 31, 2013: $84.9 million).

EBITDA and EBT

During 2014, we revised our definition of EBITDA to exclude the impact of gains and losses on asset and investment dispositions. The update has not had a material impact on the calculation of EBITDA in either the current year or 2013 comparatives.

We define EBITDA as net earnings/loss from continuing operations before interest expense, income taxes, capital asset depreciation and amortization, impairment charges, and gains/losses on asset and investment dispositions. This

measure as reported by us may not be comparable to similar measures presented by other reporting issuers. We define EBT as earnings/loss from continuing operations before income taxes.

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 EBITDA and EBT for each of the periods presented in this MD&A in accordance with IFRS.

	Three months ended September 30		Nine months ended September 30	
$millions	**2014**	**2013**(1)	**2014**	**2013**(1)
Net earnings from continuing operations	**2.8**	1.0	**6.0**	1.2
Add: Income tax expense	**1.0**	0.8	**2.9**	1.4
EBT	**3.8**	1.8	**8.9**	2.6
Add: Depreciation and amortization	**3.6**	4.0	**11.7**	11.8
Finance costs	**3.3**	2.8	**9.0**	8.7
Loss (gain) on disposal of assets	**0.2**	(0.1)	**0.1**	(0.1)
EBITDA	**10.9**	8.5	**29.7**	23.0

Notes: (1) 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 6 of our third quarter 2014 Condensed Consolidated Interim Financial Statements.

EBITDA Margin

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

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. We believe that the expectations reflected in this forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking information included in this MD&A should not be unduly relied upon by investors as actual results may vary. 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:

- 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 Board’s intention to continue to pay a quarterly dividend;
- Our capital expenditure program for the remainder of 2014;
- 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 business strategies, including our focus on growing revenue and earnings through organic growth, expanded geographical presence, acquisitions, and our ability to achieve expectations related to our rebranding efforts
- Our outlook on the business including, without limitation, those statements relating to backlog execution, project mix and timing, earnings visibility, revenue and margin;
- The assessment of acquisitions in the context of our corporate development function in order to further the objective of our Industrial Group becoming a self-performing general contractor;
- 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 regarding the ability of any of our business groups to add to or execute upon work-in-hand or active backlog;
- Expectations as to future general economic conditions and the impact those conditions may have on the company and our businesses including, without limitation, the discussion under the heading entitled "Outlook" pertaining to competition, government and institutional spending in Western Canada, LNG activity in British Columbia, margin expansion in certain of our business groups, and our ability to compete for projects;
- 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;
- Our ability to attract future debt and/or equity investors;
- 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 ended September 30, 2014 and 2013
(unaudited)

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STUART OLSON INC.

Condensed Consolidated Statements of (Loss) Earnings and Comprehensive (Loss) Earnings

For the three and nine month periods ended September 30, 2014 and 2013
(in thousands of Canadian dollars, except share and per share amounts)
(unaudited)

		Three months ended September 30,		Nine months ended September 30,	
	Note	**2014**	2013 [1]	**2014**	2013 [1]
Contract revenue		**$ 350,368**	$ 274,787	**$ 941,747**	$ 768,269
Contract costs		**321,500**	247,890	**858,370**	693,872
Contract income		**28,868**	26,897	**83,377**	74,397
Other (expense) income		**(49)**	180	**441**	723
Finance income		**22**	57	**157**	187
Administrative costs		**(21,723)**	(22,569)	**(66,079)**	(64,042)
Finance costs		**(3,286)**	(2,799)	**(9,043)**	(8,686)
Earnings before tax		**3,832**	1,766	**8,853**	2,579
Income tax (expense) recovery					
Current income tax		**(1,349)**	(3,182)	**(1,801)**	(4,319)
Deferred income tax		**360**	2,373	**(1,085)**	2,976
	5	**(989)**	(809)	**(2,886)**	(1,343)
Net earnings from continuing operations		**2,843**	957	**5,967**	1,236
Net (loss) earnings from discontinued operations	6	**(15,724)**	1,593	**(19,510)**	601
Net (loss) earnings		**(12,881)**	**2,550**	**(13,543)**	**1,837**
Other comprehensive (loss) earnings					
Items that will not be reclassified to net (loss) earnings					
Defined benefit plan actuarial (loss) gain	7	**(678)**	727	**(2,734)**	3,978
Deferred tax recovery (expense) on other comprehensive (loss) earnings		**176**	(183)	**710**	(1,004)
		(502)	544	**(2,024)**	2,974
Total comprehensive (loss) earnings		**$ (13,383)**	$ 3,094	**$ (15,567)**	$ 4,811
Earnings (loss) per share:					
Basic from continuing operations		**$ 0.11**	$ 0.04	**$ 0.24**	$ 0.05
Basic from discontinued operations		**(0.63)**	0.06	**(0.78)**	0.02
Basic (loss) earnings per share	8	**$ (0.52)**	$ 0.10	**$ (0.54)**	$ 0.07
Diluted from continuing operations		**$ 0.11**	$ 0.04	**$ 0.24**	$ 0.05
Diluted from discontinued operations		**(0.63)**	$ 0.06	**$ (0.78)**	$ 0.02
Diluted (loss) earnings per share	8	**$ (0.52)**	$ 0.10	**$ (0.54)**	$ 0.07
Weighted average common shares:					
Basic, continuing and discontinued operations	8	**24,956,475**	24,653,622	**24,913,733**	24,596,286
Diluted, continuing operations	8	**25,137,872**	24,806,143	**25,116,002**	24,653,029
Diluted, discontinued operations	8	**24,956,475**	24,806,143	**24,913,733**	24,653,029

[1] Certain comparative amounts have been restated, refer to Note 6.

See accompanying notes to the condensed consolidated financial statements.

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STUART OLSON INC.
Condensed Consolidated Statements of Financial Position
As at September 30, 2014 and December 31, 2013
(in thousands of Canadian dollars)
(unaudited)

	Note		**September 30, 2014**		December 31, 2013
ASSETS					
Current assets					
Cash and cash equivalents		**$**	**71,322**	$	36,236
Trade and other receivables			**359,719**		262,836
Inventory			**904**		11,362
Prepaid expenses			**3,751**		2,426
Costs in excess of billings	9		**35,594**		48,455
Income taxes recoverable			**3,110**		5,470
Current portion of long-term receivable			**55**		75
Assets held-for-sale			**436**		436
			474,891		367,296
Service provider deposit			**6,594**		6,157
Long-term receivable			**365**		175
Deferred tax asset			**23,816**		13,881
Property and equipment	10		**26,474**		76,341
Goodwill			**179,016**		179,016
Intangible assets			**46,803**		51,810
		$	**757,959**	$	694,676
LIABILITIES					
Current liabilities					
Trade and other payables		**$**	**235,159**	$	190,363
Contract advances and unearned income	9		**93,428**		80,708
Current portion of provisions	11		**2,902**		3,987
Income taxes payable			**2,034**		4,823
Current portion of long-term debt	12		**257**		2,559
Current portion of convertible debentures	13		**84,053**		-
			417,833		282,440
Employee benefits	7		**5,254**		3,639
Provisions	11		**5,178**		4,892
Long-term debt	12		**1,303**		50,335
Convertible debentures	13		**70,669**		81,855
Deferred tax liability			**31,349**		28,646
Share-based payments	14(d)		**6,653**		5,911
			538,239		457,718
EQUITY					
Share capital	15(a)		**131,436**		129,134
Preferred share reserve			**5,128**		5,128
Convertible debentures	13		**11,689**		7,100
Share-based payment reserve	14(a)		**9,011**		8,594
Retained earnings			**62,456**		87,002
			219,720		236,958
		$	**757,959**	$	694,676

See accompanying notes to the condensed consolidated financial statements.

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STUART OLSON INC.

Condensed Consolidated Statements of Changes in Equity

For the nine month periods ended September 30, 2014 and 2013

(in thousands of Canadian dollars)

(unaudited)

	Note	Share capital	Preferred share reserve	Convertible debentures	Share-based payment reserve [1]	Retained earnings [1]	Total equity
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)
Transactions recorded directly to equity							
Issued during the period	13			4,589			4,589
Common shares issued under stock option plan	15(a), 14(a)	1,234			417		1,651
Dividends	15(a, b)	1,068				(8,979)	(7,911)
Balance at September 30, 2014		$ 131,436	$ 5,128	$ 11,689	$ 9,011	$ 62,456	$ 219,720
Balance at December 31, 2012		$ 126,602	$ 5,128	$ 7,100	$ 7,171	$ 89,149	$ 235,150
Net earnings						1,837	1,837
Other comprehensive earnings:							
Defined benefit plan actuarial gain, net of tax						2,974	2,974
Total comprehensive earnings						4,811	4,811
Transactions recorded directly to equity							
Common shares issued under stock option plan		642			1,026		1,668
Dividends		1,197				(8,864)	(7,667)
Balance at September 30, 2013		$ 128,441	$ 5,128	$ 7,100	$ 8,197	$ 85,096	$ 233,962

[1] This table includes both continuing and discontinued operations

See accompanying notes to the condensed consolidated financial statements.

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STUART OLSON INC.
Condensed Consolidated Statements of Cash Flow
For the nine month periods ended September 30, 2014 and 2013
(in thousands of Canadian dollars)
(unaudited)

	Note	September 30, 2014 [1]	September 30, 2013 [1]
OPERATING ACTIVITIES			
Net (loss) earnings		**$ (13,543)**	$ 1,837
Depreciation and amortization		**16,278**	16,495
Loss (gain) on disposal of assets		**1,504**	(72)
Loss on disposal of discontinued operation, net of tax	6	**16,314**	-
Share-based compensation expense	14(e)	**3,298**	4,323
Income tax (recovery) expense	5, 6	**(1,530)**	1,327
Finance costs		**9,228**	8,686
Contributions to employee benefits		**(1,119)**	(1,103)
Payment of share-based payment liability		**(1,601)**	(1,361)
Change in provisions		**(799)**	2,711
Change in non-cash working capital balances	16	**(33,733)**	(26,144)
Cash (used) generated in operations		**(5,703)**	6,699
Interest paid		**(6,422)**	(4,652)
Income taxes (paid) received		**(2,241)**	1,618
Net cash (used) generated in operating activities		**(14,366)**	3,665
INVESTING ACTIVITIES			
Additions to long-term receivable		**(170)**	-
Proceeds on disposal of assets		**39,825**	348
Additions to intangible assets		**(833)**	(985)
Additions to property and equipment		**(7,361)**	(7,766)
Net cash generated (used) in investing activities		**31,461**	(8,403)
FINANCING ACTIVITIES			
Increase in service provider deposit		**(437)**	(1,712)
Proceeds of long-term debt		**415,500**	204,500
Repayment of long-term debt		**(467,336)**	(187,398)
Issuance of convertible debenture	13	**77,280**	-
Issuance of common shares		**869**	487
Dividend paid		**(7,885)**	(7,640)
Net cash generated in financing activities		**17,991**	8,237
Increase in cash and cash equivalents during the period		**35,086**	3,499
Cash and cash equivalents, beginning of period		**36,236**	33,774
Cash and cash equivalents, end of period		**$ 71,322**	$ 37,273

[1] This table includes both continuing and discontinued operations

See accompanying notes to the condensed consolidated financial statements.

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Notes to the Condensed Consolidated Financial Statements

For the three and nine month periods ended September 30, 2014 and 2013
(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 in Canada 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 address of 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 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 (IAS 34), 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 5, 2014.

(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 year ended December 31, 2013. The disclosure contained in these condensed consolidated interim financial statements does not include all the requirements in IAS 1, "Presentation of Financial Statements" (IAS 1). Accordingly, these interim financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2013.

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.

On May 28, 2014, the IASB and the Financial Accounting Standards Board (FASB) jointly issued IFRS 15 *Revenue from Contracts with Customers.* 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, 2017. The Corporation is currently evaluating the impact of this standard to its consolidated financial statements.

4. 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: Buildings Group (formerly General Contracting), Industrial Group (formerly Industrial Services), Commercial Systems Group, and Corporate Group (formerly Corporate and Other). 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 year ended December 31, 2013.

A significant customer is one that represents greater than 10% or more of contract revenue earned during the period. For the nine month period ended September 30, 2014, the Corporation had revenue of $105,641 from one significant customer of the Buildings Group (September 30, 2013 – no significant customer from Buildings Group), and $122,761 from one significant customer of the Industrial Group (September 30, 2013 – $92,570 from one customer of the Industrial Group).

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

Three month period ended September 30, 2013 [2]	**Buildings Group**	**Industrial Group**	**Commercial Systems Group**	**Corporate Group**	**Intersegment Eliminations**	**Total**
Contract revenue	$ 133,505	$ 88,746	$ 59,047	$ -	$ (6,511)	$ 274,787
EBITDA [1]	2,677	5,798	5,257	(5,230)	(13)	8,489
Depreciation and amortization	964	650	402	1,906	53	3,975
Gain on sale of assets	(11)	(37)	(3)	-	-	(51)
Finance costs	50	15	-	2,734	-	2,799
Earnings (loss) from continuing operations before tax	$ 1,674	$ 5,170	$ 4,858	$ (9,870)	$ (66)	$ 1,766
Income tax expense						(809)
Net earnings from continuing operations						$ 957
Goodwill and intangible assets	$ 126,956	$ 7,851	$ 78,200	$ 19,808	$ -	$ 232,815
Capital and intangible expenditures	$ 306	$ 1,894	$ 267	$ 276	$ -	$ 2,743
Total assets	$ 336,356	$ 188,757	$ 122,864	$ 422,204	$ (349,910)	$ 720,271
Total liabilities	$ 206,296	$ 69,826	$ 47,526	$ 177,693	$ (15,032)	$ 486,309

[1] The Corporation defines EBITDA as net earnings/loss from continuing operations before interest expense, income taxes, capital asset depreciation and amortization, impairment charges, and gains/losses on asset 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.

[2] Certain amounts have been restated, refer to Note 6.

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

Nine month period ended September 30, 2013 [2]	**Buildings Group**	**Industrial Group**	**Commercial Systems Group**	**Corporate Group**	**Intersegment Eliminations**	**Total**
Contract revenue	$ 371,259	$ 262,939	$ 153,430	$ -	$ (19,359)	$ 768,269
EBITDA [1]	2,049	18,619	13,469	(11,449)	359	23,047
Depreciation and amortization	2,926	1,789	1,220	5,726	159	11,820
Loss (gain) on sale of assets	6	(37)	(7)	-	-	(38)
Finance costs	134	38	-	8,514	-	8,686
(Loss) earnings from continuing operations before tax	$ (1,017)	$ 16,829	$ 12,256	$ (25,689)	$ 200	$ 2,579
Income tax expense						(1,343)
Net earnings from continuing operations						$ 1,236
Goodwill and intangible assets	$ 126,956	$ 7,851	$ 78,200	$ 19,808	$ -	$ 232,815
Capital and intangible expenditures	$ 1,199	$ 3,424	$ 648	$ 943	$ -	$ 6,214
Total assets	$ 336,356	$ 188,757	$ 122,864	$ 422,204	$ (349,910)	$ 720,271
Total liabilities	$ 206,296	$ 69,826	$ 47,526	$ 177,693	$ (15,032)	$ 486,309

[1] The Corporation defines EBITDA as net earnings/loss from continuing operations before interest expense, income taxes, capital asset depreciation and amortization, impairment charges, and gains/losses on asset 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.
[2] Certain amounts have been restated, refer to Note 6.

5. INCOME TAXES

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

	Three months ended September 30		**Nine months ended September 30**	
	2014	2013	**2014**	2013
Net earnings from continuing operations before tax	**$ 3,832**	$ 1,766	**$ 8,853**	$ 2,579
Income tax at statutory rate of 25.7% (2013 - 25.2%)	**(985)**	(445)	**(2,275)**	(650)
Statutory and other rate differences	**155**	(155)	**(20)**	(256)
Non-deductible expenses	**(138)**	(202)	**(401)**	(559)
Other	**(21)**	(7)	**(190)**	122
Income tax expense	**$ (989)**	$ (809)	**$ (2,886)**	$ (1,343)

6. DISCONTINUED OPERATIONS

On September 1, 2014, the Corporation completed its sale of Broda Construction Inc. (Broda) to an unrelated party. Broda operated under the Industrial Group segment. Details of the sale are as follows:

Gross proceeds on disposal	$	39,377
Carrying value of Broda		(58,117)
Transaction costs		(930)
Loss on disposal before tax		(19,670)
Income tax recovery		3,356
Net loss on disposal of discontinued operations	$	(16,314)

Net loss from discontinued operations reported in the condensed consolidated statement of net (loss) earnings is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	**2014**	2013
Contract revenue	**$ 12,938**	$ 20,039	**$ 30,094**	$ 41,209
Contract costs	**10,647**	16,562	**28,832**	37,181
Contract income	**2,291**	3,477	**1,262**	4,028
Other income (expense)	**4**	19	**(1,883)**	50
Finance income	**6**	3	**16**	7
Administrative costs	**(1,204)**	(1,311)	**(3,466)**	(3,458)
Finance costs	**(45)**	-	**(185)**	-
Earnings (loss) from discontinued operation	**1,052**	2,188	**(4,256)**	627
Income tax (expense) recovery	**(369)**	(560)	**1,060**	16
Net loss on disposal of discontinued operation	**(16,407)**	(35)	**(16,314)**	(42)
Net (loss) earnings from discontinued operations	**$ (15,724)**	$ 1,593	**$ (19,510)**	$ 601

Cash flows from discontinued operations reported in the condensed consolidated statements of cash flows are as follows:

	September 30, 2014	December 31, 2013
Operating cash flows	**$ (3,521)**	$ 15,160
Investing cash flows	**$ (1,442)**	$ (6,758)
Financing cash flows	**$ 4,811**	$ (8,286)

The purchase and sale agreement provides the purchaser the right to audit the financial records of Broda that are relevant to the preparation of the closing statement of financial position within 90 days of the closing date. Any adjustments arising from the closing audit may impact the loss recognized on the disposal in future periods.

7. EMPLOYEE BENEFITS

Movement in the net liability for the Defined Benefit Pension Plan during the periods:

	September 30, 2014	December 31, 2013
Balance, beginning of the period	**$ 3,639**	$ 10,820
Expense recognized in profit or loss	**767**	1,673
Loss (gain) recognized in other comprehensive (earnings) loss	**2,734**	(6,097)
Company contributions	**(1,886)**	(2,757)
Balance, end of the period	**$ 5,254**	$ 3,639

The loss recognized in other comprehensive loss for the nine month period ended September 30, 2014 resulted from a decrease in the discount rate from 4.70% at December 31, 2013 to 3.90% at September 30, 2014, which was partially offset by the plan assets earning more than expected during the period.

8. EARNINGS PER SHARE

(a) Basic (loss) earnings per share

	Three months ended September 30,		**Nine months ended September 30,**	
	2014	2013	**2014**	2013
Net earnings (loss) from continuing operations attributable to common shareholders (basic)	**$ 2,843**	$ 957	**$ 5,967**	$ 1,236
Net (loss) earnings from discontinued operations attributable to common shareholders (basic)	**(15,724)**	1,593	**(19,510)**	601
Net (loss) earnings attributable to common shareholders (basic)	**$ (12,881)**	$ 2,550	**$ (13,543)**	$ 1,837
Issued common shares at beginning of period	**24,921,625**	24,604,194	**24,797,163**	24,493,462
Effect of shares issued related to a dividend reinvestment plan (DRIP)	**23,023**	38,952	**76,097**	99,294
Effect of shares issued on exercise of stock options	**11,827**	10,476	**40,473**	3,530
Weighted average number of common shares for the period	**24,956,475**	24,653,622	**24,913,733**	24,596,286
Basic (loss) earnings per share	**$ (0.52)**	$ 0.10	**$ (0.54)**	$ 0.07

(b) Diluted (loss) earnings per share

	Three months ended September 30,		**Nine months ended September 30,**	
	2014	2013	**2014**	2013
Net earnings (loss) from continuing operations attributable to common shareholders (basic)	**$ 2,843**	$ 957	**$ 5,967**	$ 1,236
Net (loss) earnings from discontinued operations attributable to common shareholders (basic)	**(15,724)**	1,593	**(19,510)**	601
Net (loss) earnings attributable to common shareholders (diluted)	**$ (12,881)**	$ 2,550	**$ (13,543)**	$ 1,837
Weighted average number of common shares (basic)	**24,956,475**	24,653,622	**24,913,733**	24,596,286
Incremental shares - stock options, continuing operations	**181,397**	152,521	**202,269**	56,743
Weighted average number of common shares for the period (diluted), continuing operations	**25,137,872**	24,806,143	**25,116,002**	24,653,029
Diluted (loss) earnings per share	**$ (0.52)**	$ 0.10	**$ (0.54)**	$ 0.07

For the three and nine month periods ended September 30, 2014, the number of options excluded from the diluted weighted average number of common shares calculation was 1,007,328 (three and nine month periods ended September 30, 2013 − 929,952 and 1,164,686, respectively), as their effect would have been anti-dilutive.

On a discontinued operations basis, the diluted weighted average number of common shares for the three and nine month periods ended September 30, 2014 was 24,956,475 and 24,913,733, respectively.

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 and 2013 as the impact of the normalization of earnings (interest, accretion and amortization add-back) outweighed the effect of the related incremental shares and therefore the convertible debentures were anti-dilutive.

9. CONSTRUCTION AND NON-CONSTRUCTION CONTRACTS

Contracts in progress:

	September 30, 2014	December 31, 2013
Construction costs incurred plus recognized profits less recognized losses to date	$ 4,168,766	$ 4,514,572
Less: progress billings	(4,236,576)	(4,557,358)
Net over billings on construction contracts	(67,810)	(42,786)
Non-construction costs incurred plus recognized profits less recognized losses to date	$ 273,688	$ 307,355
Less: progress billings	(263,712)	(296,822)
Net under billings on non-construction contracts	9,976	10,533
Total net contract position	$ (57,834)	$ (32,253)

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

	September 30, 2014	December 31, 2013
Costs in excess of billings - Construction contracts	$ 25,614	$ 37,918
Costs in excess of billings - Non-construction contracts	9,980	10,537
Total costs in excess of billings	35,594	48,455
Contract advances and unearned income - Construction contracts	$ (93,424)	$ (80,691)
Contract advances and unearned income - Non-construction contracts	(4)	(17)
Total contract advances and unearned income	(93,428)	(80,708)
Total net contract position	$ (57,834)	$ (32,253)

At September 30, 2014, retentions held by customers for contract work amounted to $101,624 (December 31, 2013 - $62,123). Advances received from customers for contract work amounted to $93,428 (December 31, 2013 - $80,708).

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10. PROPERTY AND EQUIPMENT

	Land and Improvements	Buildings and Improvements	Leasehold Improvements	Construction and Automotive Equipment	Computer Hardware	Office Furniture and Equipment	Assets under Construction	Total
Cost								
Balance at December 31, 2013	$ 301	$ 3,238	$ 18,629	$ 98,776	$ 6,112	$ 5,454	$ 552	$ 133,062
Balance at September 31, 2014	**130**	**3,041**	**17,379**	**31,764**	**5,907**	**5,635**	**484**	**64,340**
Accumulated depreciation								
Balance at December 31, 2013	$ -	$ 1,550	$ 6,025	$ 40,768	$ 5,183	$ 3,195	$ -	$ 56,721
Balance at September 31, 2014	**-**	**1,483**	**5,852**	**21,641**	**5,363**	**3,527**	**-**	**37,866**
Carrying amounts								
Balance at December 31, 2013	$ 301	$ 1,688	$ 12,604	$ 58,008	$ 929	$ 2,259	$ 552	$ 76,341
Balance at September 31, 2014	**130**	**1,558**	**11,527**	**10,123**	**544**	**2,108**	**484**	**26,474**

As part of the sale of Broda (Note 6) the Corporation disposed of assets related to Buildings and Improvements, Construction and Automotive Equipment, Computer Hardware, and Office Furniture and Equipment with carrying values of $290, $41,292, $470, $2, $278, respectively.

11. 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	Total
Balance at December 31, 2013	$ 3,067	$ 371	$ 1,901	$ 3,540	$ -	**$ 8,879**
Provisions made during the period	719	-	190	2,648	739	**4,296**
Provisions used during the period	(365)	(133)	-	(2,857)	-	**(3,355)**
Provisions reversed in the period	(1,663)	-	-	28	-	**(1,635)**
Unwinding of discount	-	-	-	-	(105)	**(105)**
Balance at September 30, 2014	**$ 1,758**	**$ 238**	**$ 2,091**	**$ 3,359**	**$ 634**	**$ 8,080**

The provisions are presented on the statement of financial position as follows:

	September 30, 2014	December 31, 2013
Current portion of provisions	**$ 2,902**	$ 3,987
Long-term provisions	**5,178**	4,892
Total provisions	**$ 8,080**	$ 8,879

12. LONG-TERM DEBT

	September 30, 2014	December 31, 2013
Current portion of long-term debt		
Finance contracts	**$ -**	$ 97
Finance lease obligations	**257**	2,462
	$ 257	$ 2,559
Non-current		
Revolving credit facility	**$ 461**	$ 49,320
Finance contracts	**-**	291
Finance lease obligations	**842**	724
	$ 1,303	$ 50,335

The proceeds from the sale of Broda (Note 6) and the issuance of convertible debentures (Note 13) were used to repay the amount owing under the revolving credit facility.

13. CONVERTIBLE DEBENTURES

	Series I		Series II	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Principal amount - debt component, beginning of the period	**$ 81,855**	$ 79,151	**$ -**	$ -
Issuance of convertible debentures	**-**	-	**74,076**	-
Financing fees	**-**	-	**(3,513)**	-
Accretion on convertible debentures	**1,692**	2,082	**69**	-
Amortization of deferred financing fees	**506**	622	**37**	-
Principal amount - debt component, end of the period	**$ 84,053**	$ 81,855	**$ 70,669**	$ -
Principal amount - equity component, beginning of the period	**$ 7,100**	$ 7,100	**$ -**	$ -
Issuance of convertible debentures	**-**	-	**6,424**	-
Financing fees [(1)]	**-**	-	**(230)**	-
Deferred income tax	**-**	-	**(1,605)**	-
Principal amount - equity component, end of the period	**$ 7,100**	$ 7,100	**$ 4,589**	$ -

[(1)] Financing fees are net of deferred income tax of $76.

At September 30, 2014, the principal amount of the debt component of all convertible debentures outstanding is $154,722, of which $84,053 is classified as a current liability.

At September 30, 2014, the Corporation continued to have $86,250 of convertible debentures outstanding with a maturity date of June 30, 2015 ("Series I").

On September 19, 2014, the Corporation issued an aggregate of $70,000 principal amount of 6% convertible extendible unsecured subordinated debentures of the Corporation at a price of one thousand dollars per debenture ("Series II"). On September 29, 2014, an additional $10,500 principal amount of the convertible debentures was issued pursuant to the exercise of the underwriters' over-allotment option. Total gross proceeds from the offering amounted to $80,500. Net proceeds of the offering, after payment of the underwriters' fee and other expenses of the offering of $3,819, were $76,681. The maturity date of the Series II debentures is December 31, 2019.

Both series of convertible debentures bear interest at an annual rate of 6% payable in equal installments semi-annually in arrears on December 31 and June 30 in each year. Either set of convertible debentures may be converted into common shares at the option of the holder at any time prior to the earlier of redemption by the Corporation or maturity.

The Corporation can redeem Series I convertible debentures and Series II convertible debentures at a price of one thousand dollars per debenture:

- on or after October 1, 2014, and at any time prior to June 15, 2015, for Series I convertible debentures; and
- on or after December 31, 2017, and at any time prior to December 31, 2018, for Series II convertible debentures

provided that the current market price of the common shares is not less than 125 percent of the conversion price.

On and after December 31, 2018, and at any time prior to the final maturity date, the Series II convertible debentures may be redeemed at the option of the Corporation, in whole or in part from time to time, at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest thereon up to the date set for redemption.

The Corporation may, at its discretion, elect to satisfy its obligation to pay the principal of the debentures along with any accrued and unpaid interest amount by issuing and delivering common shares. The number of shares issued will be determined based on market prices at the time of issuance.

In the event of a change of control, the Corporation shall be required to offer to purchase all of the outstanding debentures on the date that is 30 business days after the date that such offer is delivered, at a purchase price equal to 100% of the principal amount of the debentures plus accrued and unpaid interest to the purchase date. Under certain circumstances where the convertible debentures are to be repurchased by the Corporation or converted into common shares upon a change of control, a make whole premium will apply. The amount of the make whole premium, if any, will be based on the price of the common shares on the effective date of the change of control. No make whole premium will be paid if the price of the common shares at such time is:

- less than $16.75 per share or exceeds $65.00 per share for Series I convertible debentures; and
- less than $10.46 per share or exceeds $50.00 per share for Series II convertible debentures.

The table below summarizes the key terms of each convertible debenture series outstanding:

	Series I	Series II
Issue date	June 15, 2010	September 19, 2014
Maturity date	June 30, 2015	December 31, 2019
Distribution rate	6.00%	6.00%
Conversion price	$ 22.75	$ 14.15

14. SHARE-BASED PAYMENTS

(a) Stock options

Movement during the periods:

	September 30, 2014		December 31, 2013	
	Number of Stock Options	**Weighted Average Exercise Price**	Number of Stock Options	Weighted Average Exercise Price
Outstanding, beginning of the period	**1,838,117**	**$ 12.29**	1,379,981	$ 14.76
Granted	**203,557**	**9.94**	756,719	7.69
Forfeited	**(52,468)**	**13.95**	(65,629)	11.30
Exercised	**(110,919)**	**7.83**	(94,481)	6.52
Expired	**(97,084)**	**12.44**	(138,473)	16.22
Outstanding, end of period	**1,781,203**	**$ 12.24**	1,838,117	$ 12.29

The options outstanding for the periods ended September 30, 2014 and December 31, 2013 have an exercise price in the range of $7.50 to $19.63 and lives of 5 and 10 years.

Compensation costs are recognized over the vesting period as stock-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, 2014	December 31, 2013
Balance, beginning of the period	**$ 8,594**	$ 7,171
Stock compensation expense from continuing operations	**727**	1,535
Stock compensation expense from discontinued operations	**55**	166
Stock options exercised	**(365)**	(278)
Balance, end of period	**$ 9,011**	$ 8,594

(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, 2013	262,481	146,742	502,973
Granted	159,223	256,346	211,332
Forfeited	(18,553)	(15,262)	(7,752)
Vested	(1,008)	(1,223)	-
Vested and paid	(72,854)	(24,020)	(122,618)
Units outstanding at September 30, 2014	**329,289**	**362,583**	**583,935**

In April 2014, 20% of the BRSUs issued on April 1, 2013 vested at a weighted average price of $10.18. The PSUs issued in 2011 vested on March 22, 2014 at a payout ratio of 30%.

(c) Deferred share units (DSU)

Movement of units during the periods:

Number of DSUs	September 30, 2014	December 31, 2013
Outstanding, beginning of the period	**363,550**	407,575
Granted	**76,631**	121,990
Cancelled	**-**	(14,407)
Settled	**(33,952)**	(151,608)
Outstanding, end of period	**406,229**	363,550

(d) Stock-based payment liability

	September 30, 2014	December 31, 2013
Carrying amount of liabilities for cash-settled arrangements		
Current portion	**$ 729**	$ 556
Long-term portion	**6,653**	5,911
Total carrying amount	**$ 7,382**	$ 6,467
Total intrinsic value of liability for vested benefits	**$ 3,582**	$ 3,480

Included in trade and other payables is the current portion of the MTIPs to be paid out within the next twelve months. The long-term portion of MTIPs and DSUs of $6,653 at September 30, 2014 (December 31, 2013 − $5,911) is classified as share-based payments in the statement of financial position. The total intrinsic value reflects all of the outstanding DSUs and vested MTIPs as at September 30, 2014.

(e) Stock compensation expense

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	**2014**	2013
Stock compensation expense on stock options [(1)]	**$ 275**	$ 478	**$ 782**	$ 1,226
Effects of changes in fair value and accretion of MTIP grants [(1)]	**455**	969	**2,072**	1,909
Effects of changes in fair value and grants for DSUs	**(382)**	459	**444**	1,188
	$ 348	$ 1,906	**$ 3,298**	$ 4,323

[(1)] This table includes both continuing and discontinued operations

15. 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, 2014		December 31, 2013	
	Shares	**Share Capital**	Shares	Share Capital
Common Shares				
Issued, beginning of period	**24,797,163**	**$ 129,134**	24,493,462	$ 126,602
Dividend reinvestment plan	**111,055**	**1,068**	209,220	1,638
Issued in the period	**110,919**	**1,234**	94,481	894
Issued, end of period	**25,019,137**	**$ 131,436**	24,797,163	$ 129,134

(b) Common shares and dividends

As at September 30, 2014, trade and other payables includes $3,002 (December 31, 2013 - $2,976) related to the dividend payable on October 15, 2014, of which $289 (December 31, 2013 - $425) is to be reinvested in common shares under the DRIP and the remainder paid in cash.

	September 30, 2014		December 31, 2013	
	Per Share	**Total**	Per Share	Total
Dividend payable, beginning of period	**$ 0.12**	**$ 2,976**	$ 0.12	$ 2,940
Total dividends declared during the period	**0.36**	**8,979**	0.48	11,840
Total dividends paid during the period [(1)]	**(0.36)**	**(8,953)**	(0.48)	(11,804)
Dividend payable, end of period	**$ 0.12**	**$ 3,002**	$ 0.12	$ 2,976

[(1)] Includes DRIP non-cash payments totaling $1,068 (December 31, 2013 - $1,638) which are recorded through share capital.

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

	Nine months ended September 30,	
	2014	2013
Trade and other receivables	**$ (107,371)**	$ 16,436
Inventory	**224**	1,012
Prepaid expenses	**(1,553)**	921
Costs in excess of billings	**11,478**	(565)
Trade and other payables	**50,769**	(40,843)
Contract advances and unearned income	**12,720**	(3,105)
	$ (33,733)	$ (26,144)

17. FINANCIAL INSTRUMENTS

(a) Carrying values

	September 30, 2014	December 31, 2013
Financial assets:		
Cash and cash equivalents	**$ 71,322**	$ 36,236
Trade and other receivables	**359,719**	262,836
Service provider deposit	**6,594**	6,157
Long-term receivable, including current portion	**420**	250
Financial liabilities:		
Trade and other payables	**$ 235,159**	$ 190,363
Long-term debt, including current portion	**1,560**	52,894
Convertible debentures - debt component, including current portion	**154,722**	81,855

(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 statement of (loss) earnings 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, 2014	December 31, 2013
Balance at beginning of the period	**$ 3,224**	$ 1,589
Impairment losses recognized on receivables	**477**	2,869
Amounts written off during the period as uncollectible	**(734)**	(190)
Amounts recovered during the period	**(1,208)**	(993)
Impairment losses reversed	**(337)**	(51)
Balance at the end of the period	**$ 1,422**	$ 3,224

Trade receivables shown on the statement 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, 2014	December 31, 2013
Current	**$ 176,131**	$ 101,045
1-60 days past due	**58,716**	73,744
61-90 days past due	**4,539**	6,359
More than 90 days past due	**15,304**	20,594
	$ 254,690	$ 201,742

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 $15,304 of trade receivables (December 31, 2013 – $20,594) which were greater than 90 days past due with $13,882 not provided for as at September 30, 2014 (December 31, 2013 – $17,370). Of the total, $8,193 (54%) was concentrated in two customer accounts and of this amount $8,193 remained outstanding as November 5, 2014. The two 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 statement of financial position.

(ii) Interest rate risk

Financial 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:

	Carrying amount	
	September 30, 2014	December 31, 2013
Fixed rate instruments		
Financial liabilities	**$ 154,722**	$ 81,855
Variable rate instruments		
Financial assets	**$ 71,322**	$ 36,236
Financial liabilities	**1,560**	52,894

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 $535 (December 31, 2013 - $272) related to financial assets and by $12 (December 31, 2013 - $397) related to financial liabilities.

(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, 2014, 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	**$ 235,159**	$ 235,159	$ 235,159	$ -	$ -	$ -
Provisions including current portion	**8,080**	8,080	2,902	1,819	-	3,359
Convertible debentures (debt portion)	**154,722**	197,451	95,216	9,660	9,660	82,915
Long-term debt including current portion	**1,560**	3,599	257	421	2,921	-
Lease commitments	**108,113**	108,113	7,081	13,575	13,575	73,882
	$ 507,634	$ 552,402	$ 340,615	$ 25,475	$ 26,156	$ 160,156

18. CAPITAL MANAGEMENT

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

The Corporation's capital is composed of equity and long-term indebtedness. The Corporation's primary uses of capital are to finance operations, execute upon its growth strategies and 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. The net long-term indebtedness to EBITDA measure was adopted in the period and replaces the previous measure of long-term indebtedness to EBITDA. The new metric nets cash on hand against long-term indebtedness, which more closely reflects how management measures the strength of the balance sheet.

During the quarter, management revised its definition of long-term indebtedness for the purposes of capital management to include principal amounts owing under long-term debt and convertible debentures. In prior periods, long-term indebtedness was comprised of the carrying values of long-term debt and convertible debentures, both net of deferred financing fees.

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

		September 30, 2014		December 31, 2013
Long-term indebtedness:				
Long-term debt, contractual cash flow	**$**	**3,599**	$	55,074
Convertible debentures, principal amount		**166,750**		86,250
Total long-term indebtedness		**170,349**		141,324
Total equity		**219,720**		236,958
Total capitalization	**$**	**390,069**	$	378,282
Indebtedness to capitalization percentage		**44%**		37%

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, 2014, the net long-term indebtedness to EBITDA was 2.42x (September 30, 2013 – 4.22x) calculated on a last twelve-month basis as follows:

	September 30, 2014	September 30, 2013 [(1)]
Total long-term indebtedness	**$ 170,349**	$ 160,640
Less: Cash on hand	**(71,322)**	(37,273)
Net long-term indebtedness	**$ 99,027**	$ 123,367
Net earnings (loss) from continuing operations	**$ 10,771**	$ (43,742)
Add:		
Finance costs	**11,932**	11,505
Income tax expense (recovery)	**2,100**	980
Depreciation and amortization	**15,927**	17,050
Loss on sale of assets	**149**	45
Impairment loss	**-**	43,401
EBITDA	**$ 40,879**	$ 29,239
Net long-term indebtedness to EBITDA ratio	**2.42x**	4.22x

(1) Certain comparative amounts have been restated, refer to Note 6.

The Corporation also manages 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's revolving credit facility is subject to the amended covenants described in Note 12 of the condensed consolidated interim financial statement for the three and six month period ended June 30, 2014. During the quarter, the size of the revolving credit facility declined from $200,000 to $167,370 as a result of the sale of Broda. The working capital ratio and interest coverage covenants remain as described in Note 32 of the consolidated audited annual financial statements. The covenants are measured each quarter on March 31, June 30, September 30 and December 31. The Corporation was in full compliance with its credit facility covenants at September 30, 2014 and December 31, 2013.

19. 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 months ended September 30, 2014 of $67 (September 30, 2013 – $95) for the rental of a building that is 50% owned by Schneider Investments Inc., a company owned by George Schneider, a Director of the Corporation. For the nine months ended September 30, 2014, these facility costs were $190 (September 30, 2013 – $285). No amounts are included in trade payables as at September 30, 2014 (September 30, 2013 – $39).

The Corporation incurred facility costs during the three months ended September 30, 2014 of $67 (September 30, 2013 – $107) for the rental of a building owned by Broda Holdings (2009) Inc., a company owned by the president of Broda Construction Inc., a former subsidiary of the Corporation that was sold on September 1, 2014 (Note 6). For the nine months ended September 30, 2014, these facility costs were $269 (September 30, 2013 – $309). No amounts are included in trade payables as at September 30, 2014 (September 30, 2013 - $35). The Corporation reclassified these facility costs as discontinued operations in the condensed consolidated statement of (loss) earnings.

20. 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 $963 (September 30, 2013 - $1,408), of which $383 (September 30, 2013 - $1,238) is to be paid in the upcoming 12 month period.

The Corporation has provided several letters of credit in the aggregate amount of $4,207 in connection with various projects and joint arrangements (December 31, 2013 - $5,059), of which $nil are financial letters of credit (December 31, 2013 - $nil).

21. EVENTS AFTER THE REPORTING PERIOD

On November 5, 2014, 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 15, 2015 to shareholders of record on December 31, 2014.

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

Allan Tarasuk, P.Eng., STS
President and Chief Operating Officer
Stuart Olson Industrial Inc.

Al Miller
President
Canem Systems Ltd.

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

Amy Gaucher, B.Comm., 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)

George M. Schneider (2) (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 and Environment Committee

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Bonding and Insurance

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Federal Insurance Company
Liberty Mutual Insurance Company

Registrars and Transfer Agents

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