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Q2 2017 Management's Discussion and Analysis

August 9, 2017

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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 six months ended June 30, 2017, dated August 9, 2017, should be read in conjunction with the June 30, 2017 Condensed Consolidated Interim Financial Statements and related notes thereto, the December 31, 2016 Audited Consolidated Annual Financial Statements and related notes thereto, and the December 31, 2016 MD&A. Additional information relating to Stuart Olson is available under the Company's SEDAR profile at www.sedar.com and on our website at www.stuartolson.com. Unless otherwise specified all amounts are expressed in Canadian dollars. The information presented in this MD&A, including information relating to comparative periods in 2016 and 2015, is presented in accordance with International Financial Reporting Standards ("IFRS") unless otherwise noted.

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

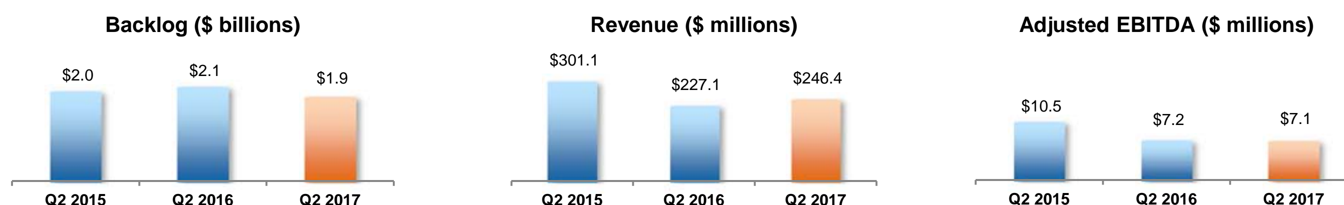
Certain comparative results in this MD&A have been restated as a result of a change in our intersegment eliminations accounting policy and a change in our definition of adjusted EBITDA in 2017. For further information on these changes, please refer to the sections titled "Changes in Accounting Policies" and "Non-IFRS Measures" in this document, and *Note 2* of our June 30, 2017 Condensed Consolidated Interim Financial Statements.

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

RESTATEMENT OF COMPARATIVE RESULTS

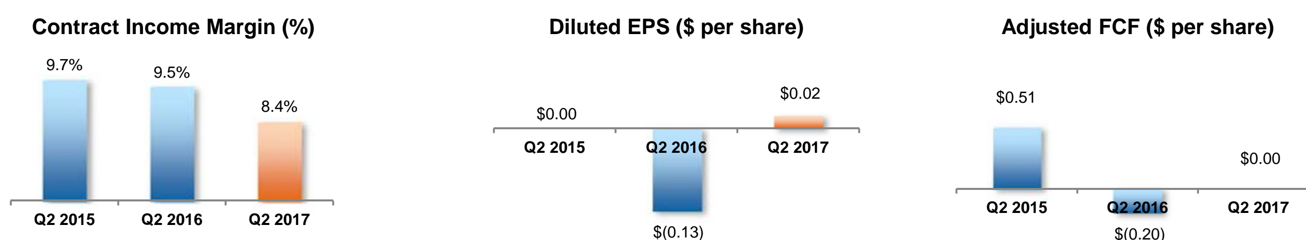
Please note that we have revised our accounting policy in respect of eliminating intersegment revenue and costs in 2017 in order to improve the predictability of results for financial statement users. As a result of this change, certain comparative results in this MD&A have been restated. In addition, our outlook reflects a comparison of our anticipated 2017 results to our restated 2016 results, which differ from results we previously reported for periods ending prior to 2017. This change in policy impacts the results we previously reported under intersegment eliminations and, correspondingly, our consolidated results. Moving forward, we do not expect intersegment eliminations to materially impact adjusted EBITDA in any period. Please refer to the section titled "Changes in Accounting Policies" in this document and *Note 2* of our June 30, 2017 Condensed Consolidated Interim Financial Statements for further information, and the section titled "Quarterly Financial Information" in this document for our restated consolidated quarterly results for the last two years.

SECOND QUARTER 2017 OVERVIEW



- As at June 30, 2017, our backlog was $1.9 billion and included a diverse mix of public, private and industrial projects from Ontario to British Columbia. Our backlog is predominantly made up of low-risk contract arrangements.
  - The Commercial Systems Group secured a number of contracts in Q2 2017 totaling approximately $110.0 million, including an award for a large healthcare facility in Alberta. The group also established its entry into the Ontario market, securing its first project in the province.
  - The Buildings Group added $79.6 million of project awards and net scope increases to backlog in the quarter, including a mixed-use housing redevelopment infrastructure project in Alberta.
  - The Industrial Group achieved important strategic wins in the quarter, including a project in British Columbia in the growing water/wastewater sector and an industrial project in Alberta that will involve fully self-performing all trades, including mechanical.
- Consolidated revenue grew 8.5% to $246.4 million in the second quarter of 2017, from $227.1 million in Q2 2016. The year-over-year improvement primarily reflects a shift in project stage of completion for the Buildings Group and the absence of wildfire-related impacts that hampered the Industrial Group's operations in Northern Alberta last year. These improvements were partially offset by the continuation of challenging economic conditions in the Alberta market and the impact of infrastructure investment delays on Commercial Systems Group activity.
- On a consolidated basis, second quarter 2017 contract income was $20.6 million (contract income margin of 8.4%), compared to $21.5 million (contract income margin of 9.5%) in Q2 2016.
- We generated second quarter adjusted EBITDA of $7.1 million (adjusted EBITDA margin of 2.9%), similar to the $7.2 million (adjusted EBITDA margin of 3.2%) achieved in Q2 2016.
- Net earnings increased to $0.5 million (diluted earnings per share of $0.02), from a net loss of $3.5 million (diluted loss per share of $0.13) in the second quarter of 2016. The increase in net earnings primarily reflects the absence of significant restructuring costs incurred in Q2 2016.
- Adjusted free cash flow improved to an outflow of $0.1 million in Q2 2017, from an outflow of $5.4 million in the same period last year. This $5.3 million improvement reflects lower capital expenditures and tax payments, together with the year-over-year increase in net earnings.

- We ended the second quarter of 2017 with a cash balance of $21.9 million and additional borrowing capacity of approximately $49.1 million.
- On July 20, 2017, we negotiated an increase of 0.25 to our debt to EBITDA financial covenant ratio, such that it shall not exceed 3.25:1.00. This amendment is expected to expand our available borrowing capacity, if needed, to fund operations, finance capital expenditures and support growth strategies.
- On August 9, 2017, our Board of Directors ("Board") declared a quarterly 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 October 17, 2017 to shareholders of record on September 29, 2017.



OUTLOOK

Impact of Change in Accounting Policy

Please note that as a result of the change in our intersegment eliminations accounting policy and change to our definition of adjusted EBITDA in 2017, our outlook reflects a comparison of anticipated 2017 results to restated 2016 results. Please refer to the section titled "Changes in Accounting Policies" in this document and *Note 2* of our June 30, 2017 Condensed Consolidated Interim Financial Statements for further information, and the section titled "Quarterly Financial Information" in this document for our restated consolidated quarterly results for the last two years.

Consolidated Outlook

We expect 2017 consolidated revenue to be meaningfully higher than in 2016 based on the outlook for our three business groups outlined below.

On a consolidated basis, adjusted EBITDA is expected to be modestly higher than our restated 2016 results, primarily reflecting increased activity levels, the benefits of savings realized from the strategic realignment of our business in 2016, together with the anticipated absence of 2016's wildfire impacts. Adjusted EBITDA margin is expected to decline slightly as a result of our investment in organic growth initiatives, competitive pricing pressure in Alberta and an increase in performance plan accruals associated with the expected improvement of consolidated financial results.

Industrial Group Outlook

Revenue from the Industrial Group is expected to be higher in 2017 than in 2016 as oil sands operators recover from the fire-related disruptions that hampered 2016 operations and we begin to see a gradual improvement in market conditions. This, in turn, should enhance our ability to execute on our growing volume of maintenance, repairs and operations ("MRO") contracts. Industrial Group 2017 revenue will also be supported by the execution of industrial projects outside of Alberta, including work on a new site for an existing mining customer in Saskatchewan, as well as continued work in the power sector in Manitoba and mining sector in Ontario.

Industrial Group adjusted EBITDA is expected to be meaningfully higher year-over-year with an adjusted EBITDA margin as a percentage of revenue that is expected to be modestly higher. This reflects our expectation that productivity challenges and additional costs incurred during and following the 2016 wildfire crisis will not repeat in 2017.

We expect to execute approximately $172.9 million of the Industrial Group's June 30, 2017 backlog in the remainder of 2017. New contract awards and changes in scope are expected to supplement the Industrial Group's 2017 revenue from quarter-end backlog.

Buildings Group Outlook

Our Buildings Group anticipates higher revenue in 2017 as a greater proportion of contracts move from pre-construction into construction phases. Buildings Group revenue as a whole is expected to continue to be supported by predominantly public projects in multiple provinces, including the group's growing activity in Ontario.

Buildings Group adjusted EBITDA is expected to be modestly higher year-over-year as a result of higher revenue. Adjusted EBITDA margin is expected to be similar year-over-year.

We expect to execute approximately $270.7 million of the Buildings Group's June 30, 2017 backlog in the last half of 2017. Longer term, we see a continued strong pipeline of public projects arising from increased infrastructure spending at both the provincial and federal levels across Canada.

Commercial Systems Group Outlook

Commercial Systems Group 2017 revenue is expected to be slightly lower than 2016 levels, reflecting the slow rollout of new projects as a result of delayed infrastructure stimulus, and a reduced level of available building maintenance work and short-term duration project opportunities. We anticipate that adjusted EBITDA and adjusted EBITDA margin will be slightly lower than in 2016 due to competitive pricing pressures affecting projects currently in backlog as well as projects we expect to secure in the remainder of 2017.

During the remainder of 2017, the Commercial Systems Group expects to execute approximately $72.4 million of its June 30, 2017 backlog. New awards, short-duration projects, building maintenance and tenant improvement work on existing projects are expected to supplement the secured projects in backlog.

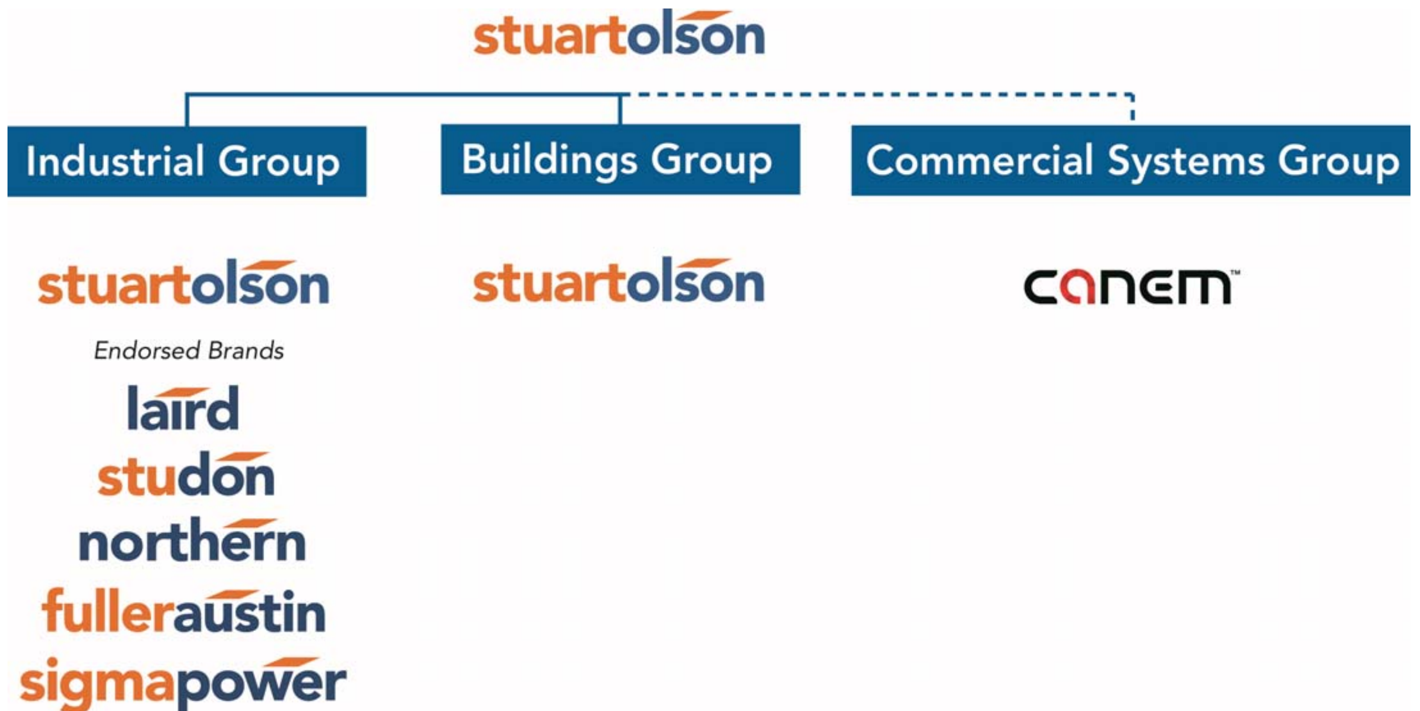
RISKS

Various factors could cause our actual results to differ materially from the results anticipated by management, including that, with the June 2017 amendments to the Alberta *Labour Relations Code*, the Company's businesses in Alberta could experience impacts to their labour structure, competitiveness and profitability. Certain other risk factors affecting the Company are described in more detail throughout this document and the section of Stuart Olson's Annual Information Form titled "Risk Factors". Readers are also encouraged to review the section of this MD&A titled "Forward-Looking Information".

ABOUT STUART OLSON INC.

Stuart Olson provides private, public and industrial construction services to a diverse range of customers from Ontario to British Columbia.

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



Industrial Group

The Industrial Group operates under the general contracting brand of Stuart Olson and under our endorsed brands of Laird, Studon, Northern, Fuller Austin and Sigma Power. The Industrial Group executes projects in a wide range of industrial sectors including oil and gas, petrochemical, refining, water and wastewater, pulp and paper, mining, and power. With Industrial Group offices and projects across Western Canada, Ontario and the territories, we have developed a national platform to deliver industrial services.

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

Buildings Group

Our Buildings Group provides services to clients in the private and public sectors. It operates offices and executes projects from Ontario to British Columbia.

Projects undertaken by the Buildings Group include the construction, expansion and renovation of buildings ranging from schools, hospitals and sports arenas, to high-rise office towers, retail and high technology facilities. The Buildings Group focuses on alternative methods of project delivery such as construction management ("CM") and design-build approaches. These methods provide cost reductions for clients as a result of the project efficiencies we are able to generate. These approaches also support our ability to deliver on-time and on-budget project completion, assist us in building long-term relationships with clients, reduce project execution risk and improve our contract margins. The group adds value to projects through its state-of-the-art Centre for Building Performance, which positions the Buildings Group on the cutting edge of building technology and enables the delivery of value by design.

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

Commercial Systems Group

The Commercial Systems Group, operating under the Canem brand, is one of the largest electrical and data systems contracting companies in Western Canada with offices and projects in British Columbia, Alberta, Saskatchewan, Manitoba and most recently, Ontario. 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, complex projects that contain both data and electrical components, or that require extensive logistical expertise. Canem's strategy is to deliver these services on a tendered (hard-bid) basis and as part of an integrated project delivery process that includes close involvement with customers from the earliest stages of design. Canem is also an industry leader in the use of off-site assembly of pre-fabricated modularized system components, which significantly improves worksite productivity.

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RESULTS OF OPERATIONS

Consolidated Results

$millions, except percentages and per share amounts	Three months ended June 30		Six months ended June 30	
	2017	2016[3]	2017	2016[3]
Contract revenue	**246.4**	227.1	**466.5**	472.6
Contract income	**20.6**	21.5	**40.7**	47.4
Contract income margin[1]	***8.4%***	*9.5%*	***8.7%***	*10.0%*
Administrative costs	**17.9**	24.4	**36.5**	46.7
Adjusted EBITDA[1][2]	**7.1**	7.2	**12.8**	16.3
Adjusted EBITDA margin[1][2]	***2.9%***	*3.2%*	***2.7%***	*3.4%*
Net earnings (loss)	**0.5**	(3.5)	**0.3**	(2.8)
Earnings (loss) per share				
Basic earnings (loss) per share	**0.02**	(0.13)	**0.01**	(0.10)
Diluted earnings (loss) per share	**0.02**	(0.13)	**0.01**	(0.10)
Dividends declared per share	**0.12**	0.12	**0.24**	0.24
Adjusted free cash flow[1]	**(0.1)**	(5.4)	**3.6**	(5.5)
Adjusted free cash flow per share[1]	**nil**	(0.20)	**0.13**	(0.21)

$millions	Jun. 30, 2017	Dec. 31, 2016
Backlog[1]	**1,882.1**	1,995.1
Working capital[1]	**40.9**	37.4
Long-term debt (excluding current portion)	**29.3**	32.8
Convertible debentures (excluding equity portion)	**75.2**	74.3
Total assets	**604.4**	602.2

Notes: (1) "Contract income margin", "adjusted EBITDA", "adjusted EBITDA margin", "adjusted free cash flow", "adjusted free cash flow per share", "backlog" and "working capital" are non-IFRS measures. Refer to "Non-IFRS Measures" for definitions of these terms.
(2) Adjusted EBITDA for the three and six months ended June 30, 2016 and 2017 is calculated based on our current definition. Please refer to the "Non-IFRS Measures" section for more information on our definition and the calculation.
(3) Certain comparative results have been restated as a result of a change in our intersegment eliminations accounting policy. Please refer to the section titled "Changes in Accounting Policies" in this MD&A and *Note 2* of our June 30, 2017 Condensed Consolidated Interim Financial Statements for further information.

Three-Month Results

For the three months ended June 30, 2017, consolidated contract revenue increased by 8.5% to $246.4 million, from $227.1 million in Q2 2016. The year-over-year improvement was driven by a $28.9 million or 26.8% increase in revenue from the Buildings Group and a $5.1 million or 6.9% increase in revenue from the Industrial Group. These gains were partially offset by a $11.4 million or 22.2% decrease in revenue from the Commercial Systems Group and by a $3.3 million or 57.9% increase in intersegment revenue eliminated on consolidation, reflecting higher levels of intersegment activity in the 2017 period. The increase in intersegment activity did not have an impact on contract income or adjusted EBITDA. Please see the section titled “Changes in Accounting Policies” in this MD&A for further information.

Second quarter 2017 contract income of $20.6 million decreased by $0.9 million or 4.2%, from $21.5 million in the same period last year. The change in contract income included a $1.5 million or 26.8% decrease from the Commercial Systems Group and a $0.5 million or 5.2% decrease from the Buildings Group, partially offset by a $1.1 million or 17.7% increase in contract income from the Industrial Group.

Second quarter 2017 administrative costs decreased by $6.5 million or 26.6% to $17.9 million from $24.4 million last year, reflecting administrative restructuring costs incurred in Q2 2016 that did not repeat in Q2 2017 and cost savings realized from the 2016 strategic realignment of our business. Compared to the second quarter of 2016, our Q2 2017 administrative costs were $4.3 million or 43.4% lower in the Buildings Group, $1.3 million or 20.6% lower in the Industrial Group and a $1.1 million or 26.8% lower in the Commercial Systems Group. These improvements were partially offset by a $0.3 million or 7.5% increase in administrative costs in the Corporate Group.

For the three months ended June 30, 2017, we generated adjusted EBITDA of $7.1 million, similar to the $7.2 million generated in Q2 2016. Adjusted EBITDA margin declined to 2.9% from 3.2% year-over-year.

We recorded consolidated net earnings of $0.5 million (diluted earnings per share of $0.02) in the second quarter of 2017, compared to a net loss of $3.5 million (diluted loss per share of $0.13) in the same period last year. The $4.0 million improvement reflects the significant year-over-year reduction in restructuring charges, partially offset by lower contract income.

Adjusted free cash flow improved to an outflow of $0.1 million ($nil per share) in the second quarter of 2017, an improvement of $5.1 million from an outflow of $5.4 million (outflow of $0.20 per share) in the second quarter of 2016. The year-over-year improvement of $5.3 million ($0.20 per share) was driven primarily by lower capital expenditures and tax payments in the 2017 quarter, together with the increase in net earnings.

Six-Month Results

For the six months ended June 30, 2017, consolidated contract revenue decreased by $6.1 million or 1.3% to $466.5 million, from $472.6 million in the same period in 2016. On a segmented basis, first half Buildings Group revenue increased by $57.2 million or 27.8%, Commercial Systems Group revenue decreased by $27.1 million or 24.8% and Industrial Group revenue decreased by $25.6 million or 15.3%. We also recorded intersegment revenue eliminations of $19.7 million during the first half of 2017, up $10.6 million or 116.5% from the same period in 2016. The increase in intersegment revenue eliminations reflects increased activity between our business groups. While this change impacted revenue results, it did not have an impact on contract income or adjusted EBITDA. Please see the section titled “Changes in Accounting Policies” in this MD&A for further information.

We generated contract income of $40.7 million in the first six months of 2017, a decline of $6.7 million or 14.1% from $47.4 million in 2016. While contract income generated by the Buildings Group increased by $0.5 million or 2.7%, this was offset by a $5.7 million or 40.7% decrease in contract income from the Commercial Systems Group and a $1.5 million or 10.3% decrease from the Industrial Group.

First half administrative costs improved by $10.2 million or 21.8% year-over-year, reflecting the benefits of our 2016 cost realignment measures and the absence of related restructuring costs in the current period. On a segmented basis, administrative expenses were down by $4.9 million or 30.6% in the Buildings Group, by $3.1 million or 23.5% in the Industrial Group, by $1.4 million or 18.7% in the Commercial Systems Group, and by $1.0 million or 10.0% in the Corporate Group.

Adjusted EBITDA for the first half of 2017 declined 21.5% to $12.8 million, from $16.3 million in the same period of 2016. This $3.5 million decrease primarily reflects the decline in contract income, partly offset by lower core administrative costs (before depreciation and restructuring charges). First half adjusted EBITDA margin decreased to 2.7% from 3.4% in 2016.

Consolidated net earnings increased to $0.3 million in the first half of 2017 (diluted earnings per share of $0.01), from a consolidated net loss of $2.8 million (diluted loss per share of $0.10) in the first half of 2016. The $3.1 million improvement reflects the significant reduction in restructuring costs year-over-year, partially offset by lower adjusted EBITDA and increased tax expense.

Adjusted free cash flow in the first half of 2017 increased to an inflow of $3.6 million (inflow of $0.13 per share), compared to an outflow of $5.5 million (outflow of $0.21 per share) in the first half of 2016. The year-over-year improvement of $9.1 million ($0.34 per share) reflects the increase in net earnings, together with lower capital expenditures and a decrease in cash payments in the first half of 2017 to settle final 2016 tax balances.

Consolidated Backlog

$millions, except percentages	**Jun. 30, 2017**	**Dec. 31, 2016**
Industrial Group	**773.7**	822.9
Buildings Group	**869.8**	1,048.5
Commercial Systems Group	**238.6**	123.7
Consolidated backlog	**1,882.1**	1,995.1
Construction management	**38.9%**	44.0%
Cost-plus	**39.9%**	38.2%
Design-build	**4.3%**	5.3%
Tendered (hard-bid)	**16.9%**	12.5%

Consolidated backlog as at June 30, 2017 was $1,882.1 million, a decrease of $113.0 million or 5.7% from backlog of $1,995.1 million as at December 31, 2016. As at June 30, 2017, backlog consisted of work-in-hand of $902.6 million (December 31, 2016 - $986.9 million) and active backlog of $979.5 million (December 31, 2016 - $1,008.2 million). Approximately 38.9% of the backlog consists of construction management contracts, 39.9% cost-plus arrangements, 4.3% design-build contracts and 16.9% tendered (hard-bid) work. Net new contract awards and increases in contract value of $270.1 million were added to work-in-hand in the second quarter of 2017.

Our book-to-bill ratio for the second quarter and first half of 2017 were 0.97 and 0.76 to 1.00, respectively. Revenue exceeded backlog additions in the first half of 2017 primarily due to the Industrial Group working through their long-term MRO contracts and continued delays in the rollout of new infrastructure project opportunities. Backlog additions exceeded revenue in the Commercial Systems Group during the second quarter, reflecting a number of project awards, including a large healthcare facility in Alberta.

RESULTS OF OPERATIONS BY BUSINESS GROUP

Industrial Group Results

	Three months ended June 30		Six months ended June 30	
$millions, except percentages	**2017**	**2016**	**2017**	**2016**
Contract revenue	**78.8**	73.7	**141.2**	166.8
Contract income	**7.3**	6.2	**13.1**	14.6
Contract income margin[1]	***9.3%***	*8.4%*	***9.3%***	*8.8%*
Administrative costs	**5.0**	6.3	**10.1**	13.2
Adjusted EBITDA[1]	**3.7**	2.4	**5.5**	6.4
Adjusted EBITDA margin[1]	***4.7%***	*3.3%*	***3.9%***	*3.8%*
EBT[1]	**2.4**	0.1	**3.2**	1.5
Backlog[1][2]			**773.7**	822.9

Notes: (1) "Contract income margin", "adjusted EBITDA", "adjusted EBITDA margin", "EBT" and "backlog" are non-IFRS measures. Refer to "Non-IFRS Measures" for definitions of these terms.
(2) Comparative backlog is as at December 31, 2016.

Three-Month Results

For the three months ended June 30, 2017, the Industrial Group generated revenue of $78.8 million, a $5.1 million or 6.9% increase from $73.7 million in Q2 2016. The year-over-year improvement was primarily driven by increased activity on a power project in Manitoba and a mining project in Ontario and also reflects the absence of impacts from last year's wildfires in Northern Alberta. These gains were partially offset by reduced activity in the Alberta oil sands as a result of project owners deferring activity to later in 2017 and early 2018, as well as the completion in 2016 of a large mining project in the Northwest Territories that contributed significant revenue to Q2 2016 results.

Contract income from the Industrial Group increased to $7.3 million, from $6.2 million in Q2 2016. The $1.1 million or 17.7% increase reflects the higher revenue together with an increase in the contract income margin to 9.3%, from 8.4% last year. Industrial Group margin benefited from the year-over-year reduction in restructuring charges and the cost savings realized as a result of last year's realignment of the business.

Second quarter administrative costs declined by 20.6% to $5.0 million, from $6.3 million in Q2 2016. The cost savings reflect realized benefits from the realignment of the group's business. They also reflect restructuring charges incurred in the 2016 period that did not repeat in Q2 2017.

Adjusted EBITDA generated by the Industrial Group increased to $3.7 million (4.7% adjusted EBITDA margin) in the second quarter of 2017, from $2.4 million (3.3% adjusted EBITDA margin) during the same period in 2016. The $1.3 million or 54.2% increase primarily reflects higher contract income, together with lower core administrative costs (administrative costs excluding depreciation, amortization and restructuring costs).

The Industrial Group reported second quarter earnings before tax of $2.4 million, an increase of $2.3 million from earnings before tax of $0.1 million in 2016. The year-over-year increase was primarily due to the higher adjusted EBITDA and the significant reduction in restructuring charges.

Six-Month Results

For the six months ended June 30, 2017, the Industrial Group generated revenue of $141.2 million, a decrease of $25.6 million or 15.3% from $166.8 million in the first half of 2016. Completion of a large mining project in the Northwest Territories in 2016 and oil sands owners deferring planned activities until later in 2017 and into early 2018 were the key factors in this change.

Contract income declined by $1.5 million or 10.3% to $13.1 million, from $14.6 million in the same period last year. The decline in contract income primarily reflects the lower revenue. Contract income as a percentage of revenue was higher in the first half of 2017 at 9.3%, compared to 8.8% last year. This improvement reflects benefits realized from last year's strategic realignment of the business, together with a year-over-year reduction in related restructuring charges.

First half 2017 administrative costs decreased by $3.1 million or 23.5% to $10.1 million, from $13.2 million during the same period in 2016. This improvement reflects realized benefits from the group's 2016 realignment initiatives. It also reflects administrative restructuring charges incurred in the 2016 period that did not repeat in 2017.

Adjusted EBITDA from the Industrial Group decreased by $0.9 million or 14.1% to $5.5 million (3.9% adjusted EBITDA margin) in the first half of 2017, from $6.4 million (3.8% adjusted EBITDA margin) during the same period in 2016. The year-over-year decrease relates primarily to the decline in contract income.

Year-to-date Industrial Group earnings before tax increased by $1.7 million or 113.3% to $3.2 million in 2017, from $1.5 million last year. This improvement reflects the higher adjusted EBITDA together with the year-over-year reduction in restructuring charges.

Backlog

As at June 30, 2017, Industrial Group backlog declined to $773.7 million, from a backlog of $822.9 million as at December 31, 2016. The decline reflects the group working through its long-term MRO agreements. As at June 30, 2017, 86.1% of the Industrial Group's backlog was composed of cost-plus projects and 13.9% was tendered (hard-bid) projects. The June 30, 2017 backlog consisted of $303.2 million of work-in-hand and $470.5 million of active backlog, compared to $334.2 million of work-in-hand and $488.7 million of active backlog as at December 31, 2016. With respect to work-in-hand, the Industrial Group contracted $112.0 million of new awards during the quarter and executed $78.8 million of contract revenue.

Buildings Group Results

$millions, except percentages	Three months ended June 30 2017	Three months ended June 30 2016	Six months ended June 30 2017	Six months ended June 30 2016
Contract revenue	**136.7**	107.8	**262.8**	205.6
Contract income	**9.2**	9.7	**19.3**	18.8
Contract income margin[1]	***6.7%***	*9.0%*	***7.3%***	*9.1%*
Administrative costs	**5.6**	9.9	**11.1**	16.0
Adjusted EBITDA[1]	**4.0**	4.2	**9.2**	7.8
Adjusted EBITDA margin[1]	***2.9%***	*3.9%*	***3.5%***	*3.8%*
EBT[1]	**3.7**	(0.1)	**8.6**	2.9
Backlog[1][2]			**869.8**	1,048.5

Notes: (1) "Contract income margin", "adjusted EBITDA", "adjusted EBITDA margin", "EBT" and "backlog" are non-IFRS measures. Refer to "Non-IFRS Measures" for definitions of these terms.
(2) Comparative backlog is as at December 31, 2016.

Three-Month Results

For the three months ended June 30, 2017, the Buildings Group increased revenue to $136.7 million, a $28.9 million or 26.8% improvement from $107.8 million in Q2 2016. The primary driver of this growth was a change in project stage of completion, with projects in Alberta and Ontario moving into higher activity construction phases. A number of projects in Q2 2016 were in lower-revenue late project stages.

Second quarter contract income decreased by $0.5 million or 5.2% to $9.2 million, from $9.7 million during the same period in 2016. The year-over-year decrease reflects a lower contract income margin of 6.7%, compared to 9.0% last year. Changes in project mix and project stage of completion were key factors in this result, with projects in earlier stages of completion during the current period. Results from Q2 2016 also included additional profit recognized on two significant projects that were in final completion phases.

Second quarter 2017 administrative costs decreased to $5.6 million, from $9.9 million in Q2 2016. The $4.3 million or 43.4% improvement primarily reflects restructuring charges incurred in the 2016 period that did not repeat in Q2 2017, together with Q2 2017 savings realized as a result of last year's realignment initiatives.

The Buildings Group generated second quarter adjusted EBITDA of $4.0 million, a $0.2 million or 4.8% decrease from $4.2 million in the same period last year. Lower contract income was the key factor in this change, partially offset by savings resulting from the group's 2016 restructuring initiatives.

The Buildings Group reported second quarter earnings before tax of $3.7 million, an increase of $3.8 million from a loss before tax of $0.1 million in 2016. The year-over-year change was primarily due to the after-tax impact of restructuring costs incurred in Q2 2016 that did not repeat in Q2 2017.

Six-Month Results

For the six months ended June 30, 2017, the Buildings Group generated revenue of $262.8 million, an increase of $57.2 million or 27.8% from revenue of $205.6 million during the same period in 2016. The year-over-year improvement reflects increased activity levels in the Alberta and Ontario markets as a number of projects moved into the construction phase.

First half 2017 Buildings Group contract income increased by 2.7% to $19.3 million, from $18.8 million during the same period in 2016. The improvement was principally driven by the higher revenue, partially offset by a lower contract income margin of 7.3%, compared to 9.1% in the same period last year. Changes in project mix and project stage of completion were key factors in the year-over-year reduction in contract income margin, with additional profit recognized in the 2016 period as significant projects moved into final completion phases.

Buildings Group administrative costs decreased by $4.9 million or 30.6% to $11.1 million in the first six months of 2017, from $16.0 million in the same period last year. The decrease is primarily due to the recognition of $3.9 million in non-cash onerous lease restructuring and impairment costs in the first half of 2016 that did not repeat in 2017, together with first half 2017 savings resulting from our realignment of the business.

Adjusted EBITDA for the six months ended June 30, 2017 increased 17.9% to $9.2 million (3.5% adjusted EBITDA margin), from $7.8 million (3.8% adjusted EBITDA margin) in the first half of 2016. This $1.4 million improvement reflects the increase in contract income, together with administrative cost savings (before restructuring costs and depreciation which are excluded from the definition of adjusted EBITDA).

First half earnings before tax increased to $8.6 million, from $2.9 million in 2016. The significant $5.7 million or 196.6% year-over-year increase reflects the improvement in adjusted EBITDA, together with the administrative restructuring charges incurred in the 2016 period that did not repeat in 2017.

Backlog

As at June 30, 2017, the Buildings Group's backlog was $869.8 million, compared to $1,048.5 million as at December 31, 2016. The $178.7 million or 17.0% decrease primarily reflects declines across the business as a result of delays in the rollout of new infrastructure opportunities. As at June 30, 2017, 79.9% of the Buildings Group's backlog was composed of CM assignments, 9.8% was cost-plus projects, 8.9% was design-build contracts and 1.4% was tendered (hard-bid) projects. The June 30, 2017 backlog consisted of $475.3 million of work-in-hand and $394.5 million of active backlog, compared to $536.6 million of work-in-hand and $511.9 million of active backlog as at December 31, 2016. With respect to work-in-hand, the Buildings Group contracted $122.6 million of new awards during the quarter and executed $136.7 million of contract revenue.

Commercial Systems Group Results

	Three months ended June 30		Six months ended June 30	
$millions, except percentages	**2017**	**2016**	**2017**	**2016**
Contract revenue	**39.9**	51.3	**82.2**	109.3
Contract income	**4.1**	5.6	**8.3**	14.0
Contract income margin[(1)]	***10.3%***	*10.9%*	***10.1%***	*12.8%*
Administrative costs	**3.0**	4.1	**6.1**	7.5
Adjusted EBITDA[(1)]	**1.5**	2.6	**3.0**	8.1
Adjusted EBITDA margin[(1)]	***3.8%***	*5.1%*	***3.6%***	*7.4%*
EBT[(1)]	**1.2**	1.6	**2.3**	6.7
Backlog[(1)(2)]			**238.6**	123.7

Notes: (1) "Contract income margin", "adjusted EBITDA", "adjusted EBITDA margin", "EBT" and "backlog" are non-IFRS measures. Refer to "Non-IFRS Measures" for definitions of these terms.
(2) Comparative backlog is as at December 31, 2016.

Three-Month Results

For the three months ended June 30, 2017, the Commercial Systems Group generated revenue of $39.9 million, compared to $51.3 million in Q2 2016. The $11.4 million or 22.2% reduction in revenue reflects delays in the rollout of new infrastructure opportunities, as well as the completion of a large project in Alberta that contributed significant revenue to Q2 2016 results. These impacts were partially offset by increased activity in British Columbia.

Second quarter contract income from the Commercial Systems Group decreased $1.5 million or 26.8% to $4.1 million, from $5.6 million in Q2 2016. As a percentage of revenue, second quarter contract income margin was 10.3% as compared to 10.9% in Q2 2016. The change in contract income margin reflects competitive pricing pressures on new projects, changes in project mix and stage of completion and reduced economies of scale resulting from lower activity levels.

Administrative costs in the second quarter decreased to $3.0 million, from $4.1 million in Q2 2016. This $1.1 million or 26.8% improvement was primarily due to restructuring charges incurred in 2016 that did not repeat in 2017.

Adjusted EBITDA from the Commercial Systems Group was $1.5 million (3.8% adjusted EBITDA margin) in the second quarter of 2017, compared to $2.6 million (5.1% adjusted EBITDA margin) in Q2 2016. The year-over-year decline in adjusted EBITDA and adjusted EBITDA margin primarily reflects the decrease in contract income.

The Commercial Systems Group generated earnings before tax of $1.2 million in the second quarter of 2017. This was $0.4 million or 25.0% lower than the $1.6 million achieved during the same period in 2016. The year-over-year decrease was mainly due to the lower adjusted EBITDA, partially offset by restructuring charges incurred in Q2 2016 that did not repeat in Q2 2017.

Six-Month Results

For the six months ended June 30, 2017, revenue from the Commercial Systems Group decreased to $82.2 million, from $109.3 million during the same period in 2016. The $27.1 million or 24.8% reduction reflects the completion of a number of larger projects in Alberta that contributed significant revenue to last year's results, partially offset by increased activity in British Columbia during the current period.

First half 2017 contract income decreased by $5.7 million, or 40.7%, to $8.3 million, from $14.0 million during the same period in 2016. Year-to-date contract income margin decreased to 10.1% from 12.8% in 2016. The decline in contract income margin was driven by competitive pricing pressures on new projects, changes in project mix and stage of completion, and reduced economies of scale resulting from lower activity levels.

Year-to-date 2017 administrative costs decreased 18.7% to $6.1 million, from $7.5 million in 2016, primarily due to restructuring charges incurred in 2016 that did not repeat in 2017.

Adjusted EBITDA from the Commercial Systems Group was $3.0 million in the first six months of 2017, compared to $8.1 million last year. The $5.1 million or 63.0% decline primarily reflects the lower contract income, partially offset by the decline in core administrative costs (before restructuring costs, depreciation and amortization).

The group generated first half earnings before tax of $2.3 million. This was $4.4 million or 65.7% lower than the $6.7 million achieved during the same period in 2016. The decline is attributable to the lower adjusted EBITDA, partially offset by restructuring costs incurred in Q2 2016 that did not repeat this quarter.

Backlog

Commercial Systems Group backlog was $238.6 million as at June 30, 2017, compared to $123.7 million as at December 31, 2016, an increase of $114.9 million or 92.9%. The increase was due to the group securing a number of projects during the quarter, including a large healthcare facility in Alberta. As at June 30, 2017, the Commercial Systems Group's backlog was composed of 15.3% CM and cost-plus projects, 1.5% design-build projects, and 83.2% tendered (hard-bid) projects. The June 30, 2017 backlog consisted of $124.1 million of work-in-hand and $114.5 million of active backlog compared to $116.1 million of work-in-hand and $7.6 million of active backlog as at December 31, 2016. With respect to work-in-hand, the group contracted $35.5 million of new awards during the quarter and executed $39.9 million of construction activity.

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Corporate Group Results

	Three months ended June 30		Six months ended June 30	
$millions	**2017**	**2016**	**2017**	**2016**
Administrative costs	**4.3**	4.0	**9.0**	10.0
Finance costs	**2.2**	2.2	**4.4**	4.4
Adjusted EBITDA[1][2]	**(2.2)**	(2.0)	**(5.0)**	(6.0)
EBT[1]	**(6.4)**	(6.1)	**(13.4)**	(14.2)

Notes: (1) "Adjusted EBITDA" and "EBT" are non-IFRS measures. Refer to "Non-IFRS Measures" for the definition of the term.
(2) Corporate Group adjusted EBITDA for the three months ended June 30, 2016 is presented as calculated based on our current definition. Please refer to the "Non-IFRS Measures" section for more information on our definition and the calculation.

Three-Month Results

For the three months ended June 30, 2017, Corporate Group administrative costs increased by 7.5% to $4.3 million, from $4.0 million in the second quarter of 2016. This $0.3 million change is primarily related to an increase in share-based compensation expense associated with the impact of marking-to-market our share-based compensation plans for changes in our share price. In Q2 2017, our share price decreased by 9.7% as compared to the decrease of 13.6% experienced in the same quarter of 2016, resulting in less of a mark-to-market recovery in 2017 than in 2016.

Second quarter finance costs of $2.2 million were in line with Q2 2016 levels.

The Corporate Group recorded a second quarter adjusted EBITDA loss of $2.2 million, compared to a loss of $2.0 million in Q2 2016. The $0.2 million or 10% decline primarily reflects higher administrative costs.

The Corporate Group incurred a second quarter 2017 loss before tax of $6.4 million, compared to a loss before tax of $6.1 million in the comparable period in 2016. The year-over-year decline was due to the decrease in adjusted EBITDA.

Six-Month Results

For the six months ended June 30, 2017, Corporate Group administrative expenses improved to $9.0 million, from $10.0 million in the first half of 2016. The $1.0 million or 10.0% decrease is primarily related to a decrease in share-based compensation expenses due to an 8.6% decrease in our share price in the first half of 2017, as compared to a 4.0% increase in our share price in the first half of 2016.

First half Corporate Group adjusted EBITDA improved to a loss of $5.0 million, from a loss of $6.0 million in 2016. The $1.0 million or 16.7% change reflects the decrease in administrative costs.

For the six months ended June 30, 2017, the Corporate Group incurred a loss before tax of $13.4 million, an improvement of $0.8 million or 5.6% compared to a loss before tax of $14.2 million in the comparable period in 2016. This year-over-year improvement reflects lower adjusted EBITDA loss, partially offset by increased finance costs.

LIQUIDITY

Cash and Borrowing Capacity

We monitor our liquidity principally through cash and cash equivalents and available borrowing capacity under the Revolving Credit Facility ("Revolver").

Current cash and cash equivalents as at June 30, 2017 were $21.9 million, compared to $31.5 million held as at December 31, 2016. This $9.6 million decrease reflects the application of excess cash held to reduce amounts drawn under the Revolver.

As at June 30, 2017, we had additional borrowing capacity under the Revolver of $49.1 million, as compared to available capacity of $42.9 million as at December 31, 2016. The $6.2 million increase primarily reflects the application of excess cash to reduce the balance drawn on the Revolver as at June 30, 2017.

Debt and Capital Structure

Long-term indebtedness, including the current portion of long-term debt and convertible debentures, decreased to $112.8 million as at June 30, 2017, from $116.9 million as at December 31, 2016. Long-term indebtedness consists of $80.5 million (December 31, 2016 - $80.5 million) principal value at maturity of outstanding convertible debentures and the principal value of long-term debt of $32.3 million (December 31, 2016 - $36.4 million) before the deduction of deferred financing fees.

The current portion of long-term debt as at June 30, 2017 was $0.8 million (December 31, 2016 - $1.2 million).

We monitor our capital structure through the use of indebtedness to capitalization and net long-term indebtedness to adjusted EBITDA metrics. Indebtedness to capitalization as at June 30, 2017 was 35.9%, which is consistent with the 36.0% ratio as at December 31, 2016 and in line with our long-term targeted range of 20.0% to 40.0%.

As at June 30, 2017, our net long-term indebtedness to adjusted EBITDA ("net debt to adjusted EBITDA") ratio was 3.2x, which is higher than the 2.3x ratio as at June 30, 2016. This reflects the year-over-year decline in adjusted EBITDA, partially offset by a decline in the balance drawn on the Revolver at June 30, 2017 as compared to the balance at June 30, 2016. Notwithstanding this higher net debt to adjusted EBITDA level as at June 30, 2017, management remains committed to its targeted three-to-five year planning range of 2.0x to 3.0x.

As at June 30, 2017, we were in full compliance with covenants under the Revolver.

Ratio	**Covenant**	**Actual as at Jun. 30, 2017**
Interest coverage	**>2.25:1.00**	**3.3**
Debt to EBITDA[(1)(2)]	**<3.00:1.00**	**1.3**

Note: (1) Debt and EBITDA are calculated in accordance with their definitions in the Revolver agreement.
(2) Subsequent to Q2 2017, we negotiated an increase in the Revolver's debt to EBITDA financial covenant ratio to not less than 3.25:1.00, which will be effective starting with the September 30, 2017 quarter-end covenant test date.

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

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Summary of Cash Flows

	Six months ended June 30	
$millions	**2017**	**2016**[2]
Operating activities	**(5.4)**	1.8
Investing activities	**(1.1)**	(2.4)
Financing activities	**(3.1)**	(3.1)
Decrease in cash	**(9.6)**	(3.7)
Cash and cash equivalents, beginning of period[1]	**31.5**	37.8
Cash and cash equivalents, end of period[1]	**21.9**	34.1

Notes: (1) Cash and cash equivalents includes restricted cash.
(2) Certain comparative results have been restated as a result of a change in our intersegment eliminations accounting policy. Please refer to the section titled "Changes in Accounting Policies" in this MD&A and *Note 2* of our June 30, 2017 Condensed Consolidated Interim Financial Statements for further information.

For the six months ended June 30, 2017, cash used in operating activities was $5.4 million as compared to cash generated of $1.8 million in the first six months of 2016. This $7.2 million net change was driven primarily by a $10.4 million investment in "non-cash working capital" for the first six months of 2017 as compared to a reduction in the amount invested in "non-cash working capital" in the corresponding period in 2016. This investment in "non-cash working capital" in the first six months of 2017 was the result of increasing activity levels for our Industrial Group, as compared to inflows from the collection of a number of significant aged receivables in the first half of 2016. This year-over-year increase in the use of cash by operating activities was partially offset from a change in provisions due to ordinary warranty costs recognized on two large projects that reached substantial completion this year, a decrease in payments related to share-based liabilities and a reduction in cash tax payments associated with lower prior-year tax balances due in 2017 as compared to 2016.

Cash used by investing activities improved to $1.1 million in the first half of 2017, compared to $2.4 million in the first half of 2016. The improvement of $1.3 million primarily reflects a decrease in capital expenditures in the 2017 period related to property, equipment and intangibles.

Cash used by financing activities totalled $3.1 million in the first six months of 2017, consistent with cash used by financing activities in the prior-year period. This reflects the collection of a long-term service provider deposit in 2017 being offset by a draw on the Revolver in the first half of 2017 in order to fund required investments in working capital, as compared to the application of cash collected from non-cash working capital to the Revolver in the first half of 2016.

External Factors Impacting Liquidity

Please refer to the section titled "Risk Factors" contained in the Stuart Olson Annual Information Form filed under the Company's profile at www.sedar.com, for a description of circumstances that could affect our sources of funding.

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

Capital expenditures, including property, equipment and intangible assets, are associated with our need to maintain and support existing operations. We expect capital expenditures for 2017 to be between $4.0 and $5.0 million, moderately below the $6.6 million of expenditures in 2016.

Working Capital

As at June 30, 2017, we had working capital of $40.9 million, compared to $37.4 million at December 31, 2016. The $3.5 million increase primarily reflects the use of the Revolver in the first half of 2017 to settle 2016 tax payable and an increased investment in working capital to support increasing activity levels in Q2 2017. By comparison, we experienced seasonal declines in activity levels in Q4 2016. Partially offsetting these increases in working capital was the application of excess cash held to reduce the balance drawn on the Revolver, and an increase in the current portion of provisions relating to ordinary warranty costs recognized on two large projects that reached substantial completion this year.

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

Contractual Obligations

The following are our contractual financial obligations as at June 30, 2017. Interest payments on the Revolver have not been included in the table below as they are subject to variability based upon outstanding balances at various points throughout the year. Further information is included in *Note 11(b)(iii)* of the June 30, 2017 Condensed Consolidated Interim Financial Statements.

$thousands	**Carrying amount**	Contractual cash flows	Not later than 1 year	Later than 1 year and less than 3 years	Later than 3 years and less than 5 years	Later than 5 years
Trade and other payables	**$ 196,263**	$ 196,263	$ 196,263	$ nil	$ nil	$ nil
Provisions including current portion	**10,925**	13,855	7,212	2,203	1,395	3,045
Convertible debentures (debt portion)	**75,220**	92,575	4,830	87,745	nil	nil
Long-term debt including current portion	**30,119**	32,352	866	93	31,393	nil
Operating lease commitments	**nil**	55,561	8,774	13,215	13,215	20,357
	$ 312,527	$ 390,606	$ 217,945	$ 103,256	$ 46,003	$ 23,402

Scheduled long-term debt principal repayments due within one year of June 30, 2017 were $0.8 million (December 31, 2016 - $1.2 million).

Share Data

As at June 30, 2017, we had 27,123,137 common shares issued and outstanding and 2,288,828 options convertible into common shares (December 31, 2016 - 26,921,371 common shares and 1,995,134 options). Please refer to *Note 8* and *Note 9* of the June 30, 2017 Condensed Consolidated Interim Financial Statements for further details. On July 13, 2017, we issued 122,376 shares pursuant to our Dividend Reinvestment Plan ("DRIP"). The details pertaining to our DRIP are available on our website at www.stuartolson.com. As at August 9, 2017, we had 27,245,513 common shares issued and outstanding and 2,288,828 options convertible into common shares.

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

As at June 30, 2017, shareholders' equity was $201.5 million, compared to $207.8 million as at December 31, 2016. This $6.3 million decrease reflects $6.5 million of dividends declared and a $1.4 million defined benefit plan actuarial loss, net of tax. These effects were partially offset by a $0.3 million increase in second quarter net earnings, $1.1 million related to shares issued pursuant to the DRIP and $0.2 million related to an increase in the share-based payment reserve.

DIVIDENDS

Declaration of Common Share Dividend

On August 9, 2017, 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 October 17, 2017 to shareholders of record on September 29, 2017. The declaration of this dividend reflects the Board's confidence in our ability to generate cash flows adequate to support our growth strategy, while providing a certain amount of income to our shareholders.

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

OFF-BALANCE SHEET ARRANGEMENTS

We had no off-balance sheet arrangements in place as at June 30, 2017.

QUARTERLY FINANCIAL INFORMATION

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

	2017 Quarter Ended:		2016 Quarter Ended[(2)]:				2015 Quarter Ended[(2)]:	
$millions, except per share amounts	**Jun. 31**	**Mar. 31**	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30
Contract revenue	**246.4**	**220.1**	**219.1**	**221.9**	**227.1**	**245.5**	**284.9**	**280.3**
Adjusted EBITDA[(1)]	**7.1**	**5.7**	5.8	10.0	7.2	9.1	13.9	14.7
Net earnings (loss)	**0.5**	**(0.2)**	(1.7)	2.3	(3.5)	0.7	3.6	5.4
Net earnings (loss) per common share								
Basic earnings (loss) per share	**0.02**	**(0.01)**	(0.06)	0.08	(0.13)	0.03	0.14	0.21
Diluted earnings (loss) per share	**0.02**	**(0.01)**	(0.06)	0.08	(0.13)	0.03	0.11	0.16

Notes: (1) Adjusted EBITDA is a non-IFRS measure, please refer to the "Non-IFRS Measures" section for the definition. Adjusted EBITDA is presented as calculated based on our current definition. Please refer to the "Non-IFRS Measures" section for more information on our definition and the calculation.
(2) Certain comparative results have been restated as a result of a change in our intersegment eliminations accounting policy. Please refer to the section titled "Changes in Accounting Policies" in this MD&A and *Note 2* of our June 30, 2017 Condensed Consolidated Interim Financial Statements for further information.

Modest revenue increases for our Industrial Group and Commercial Systems Group in the fourth quarter of 2015 as compared to the third quarter were partially offset by a reduction in Buildings Group activity. Fourth quarter adjusted EBITDA and earnings declined as a result of seasonal declines in profitability. Net earnings was further impacted by restructuring costs recognized in the fourth quarter of 2015.

Revenue decreased in the first quarter of 2016 compared to the fourth quarter of 2015, driven primarily by seasonal declines in activity levels for our Industrial Group and the completion of a major project for our Buildings Group in Manitoba that provided significant revenue in Q4 2015. First quarter adjusted EBITDA and net earnings were negatively affected by the decline in revenue and by the increase in our share price and the associated effect on share-based compensation expense (net quarter-over-quarter impact of $1.2 million).

Second quarter 2016 results were negatively impacted by the Northern Alberta wildfires which disrupted Industrial Group operations. Further, restructuring costs were also recognized in all of our groups as we aligned our cost structure for the current economic environment. Partially offsetting these negative impacts were an increase in Buildings Group activity and a decrease in share-based compensation expense. The latter reflects the impact of a decrease in our share price in the second quarter of 2016, compared to share price appreciation in the first quarter of 2016.

Adjusted EBITDA and net earnings improved in the third quarter of 2016 on stable revenues, as compared to the second quarter. The improvement was driven primarily by a lessened impact of the Northern Alberta wildfires on our third quarter results. Partially offsetting this benefit was a share-based compensation recovery recognized in the second quarter of 2016 as a result of a decline in our share price, as compared to slight share price appreciation in the third quarter of 2016. Net earnings also increased in Q3 2016 as a result of significant restructuring costs reflected in the second quarter results that did not repeat to the same extent in the third quarter.

Financial results for the fourth quarter of 2016 declined compared to the third quarter of 2016 primarily reflecting the release in the third quarter of 2016 of one-time project contingencies on two Industrial Group projects that did not repeat in Q4. This impact was partially offset by lower share-based compensation expense in the fourth quarter than in the third quarter. This reflects a decline in our share price in the fourth quarter of 2016, as compared to slight share price appreciation in the third quarter.

Revenue increased slightly in the first quarter of 2017 as compared to the fourth quarter of 2016, primarily reflecting a higher level of activity in our Buildings Group as a number of projects shifted from pre-construction to construction phases. Adjusted EBITDA remained stable quarter-over-quarter, reflecting similar profitability levels. The improvement in first quarter net earnings was a result of restructuring costs recognized in Q4 2016 that did not repeat in the 2017 period.

Financial results for the second quarter of 2017 improved compared to Q1 2017, driven by seasonal activity level increases for the Industrial Group, together with a decrease in share-based compensation expense. The lower share-based compensation expense reflects a decline in our share price in the second quarter of 2017, as compared to slight share price appreciation in the first quarter. Partially offsetting the improvement in overall financial performance was lower adjusted EBITDA and earnings from the Buildings Group as a result of a change in project stage of completion.

For a more detailed discussion and analysis of quarterly results prior to June 30, 2017, please review our 2016 and 2015 Annual and Interim Reports.

CRITICAL ACCOUNTING ESTIMATES

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

- Convertible debentures;
- Income taxes;
- Revenue recognition;
- Estimates used to determine costs in excess of billings and contract advances;
- Estimates used to determine allowances for doubtful accounts or ongoing litigation;
- Measurement of defined benefit pension obligations;
- Estimates related to the useful lives and residual value of property and equipment;
- Estimates in impairment of property and equipment, goodwill and intangible assets;
- Estimates in amounts and timing of provisions;
- Assumptions used in share-based payment arrangements; and
- Assumptions and estimates surrounding the fair value of assets and liabilities recognized through business combinations.

The key assumptions and basis for the estimates that management has made under IFRS and their impact on the amounts reported in the Audited Consolidated Annual Financial Statements and notes thereto, are contained in the 2016 Annual Report and 2016 Management's Discussion and Analysis.

CHANGES IN ACCOUNTING POLICIES

Change in Accounting Policy

Effective January 1, 2017, we changed our accounting policy for the elimination of intersegment revenue and expenses on consolidation. Previously, on projects where one or more of our reporting segments worked together, we eliminated the amount of cost incurred by the prime contractor segment and the revenue recognized by the subcontractor segment, based on the prime contractor's assessment of subcontractor percentage completion. As a result of internal differences between the prime contractor's estimation of percentage completion for the project as a whole and the subcontractor's estimated percentage of completion for its portion of the project, the previous accounting policy often resulted in temporary profit and/or loss arising on elimination, which would reverse in later periods.

The new policy provides a more precise determination of intersegment eliminations so that equivalent amounts of project revenue and costs, based on the subcontractor's estimated percentage completion for its portion of the project, are eliminated, resulting in $nil or minimal impact on the consolidated contract income for each period. The inputs required under the new policy can be reliably measured using internal project information and this change increases the predictive value of intersegment eliminations by reducing volatility in contract income and net earnings between periods.

The change in accounting policy has not had an impact on our ability to meet debt covenants, nor has it had any other material impact on our business. Please refer to *Note 2* of our June 30, 2017 Condensed Consolidated Interim Financial Statements for further information, and the section titled "Quarterly Financial Information" in this document for our restated consolidated quarterly results for the last two years.

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The change in accounting policy has been applied retrospectively and resulted in the following restatements to our June 30, 2017 Condensed Consolidated Interim Financial Statements:

Consolidated Statements of Earnings (Loss)

	Three months ended	**Six months ended**
$millions, except per share amounts	**Jun. 30, 2016**	**Jun. 30, 2016**
(Decrease) increase in contract revenue	**(0.1)**	**2.5**
(Decrease) increase in adjusted EBITDA	**(0.1)**	**2.5**
Increase in deferred income tax expense	**nil**	**(1.0)**
(Decrease) increase in net earnings	**(0.1)**	**1.5**
Increase in basic and diluted earnings per share	**nil**	**0.06**

Consolidated Statements of Financial Position

$millions	**Dec. 31, 2016**	**Jan. 1, 2016**
ASSETS		
Increase in accounts receivable	nil	**nil**
LIABILITIES		
Increase in contract advances and unearned revenue	4.1	**8.0**
Decrease in deferred tax liability	(1.1)	**(2.4)**
EQUITY		
Decrease to retained earnings	(3.0)	**(5.6)**

Condensed Consolidated Statements of Cash Flow

	Six months ended
$millions, except per share amounts	**Jun. 30, 2016**
Increase in net earnings	**1.5**
Increase in income tax expense	**1.0**
Decrease in the change in non-cash working capital balances	**(2.5)**
Net cash generated in operating activities	**nil**

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* of the December 31, 2016 Audited Consolidated Annual Financial Statements for further information. We are still evaluating the potential impact of future accounting standard changes on our financial reporting.

FINANCIAL INSTRUMENTS

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

The financial instruments we use expose us to credit, interest rate and liquidity risks. Our Board 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, creditworthiness 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 June 30, 2017 Consolidated Interim Statements of Earnings (Loss) and Comprehensive (Loss) Earnings, and is net of any recoveries that were provided for in a prior period. Allowance for doubtful accounts as at June 30, 2017 was $0.4 million (December 31, 2016 - $1.0 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 June 30, 2017, we had $27.5 million of trade receivables (December 31, 2016 - $14.0 million) which were greater than 90 days past due, with $27.1 million not provided for as at June 30, 2017 (December 31, 2016 - $13.0 million). Management is not concerned about the credit quality and collectability of these accounts as the concentration of credit risk is limited due to its large and unrelated customer base. Trade receivables are included in trade and other receivables in the June 30, 2017 Condensed Consolidated Interim Statements of Financial Position.

Financial risk is the risk to our earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. We do not use derivative instruments to reduce our exposure to this risk. On an annualized basis as at June 30, 2017, a change in 100 basis points in interest rates would have increased or decreased equity and profit or loss by $0.2 million (December 31, 2016 - $0.2 million) related to financial assets and by $0.2 million (December 31, 2016 - $0.2 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 11* of the June 30, 2017 Condensed Consolidated Interim Financial Statements for further detail.

Controls & Procedures

All of the controls and procedures set out below encompass all Stuart Olson companies.

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 Chief Executive Officer ("CEO") and Chief Financial Officer ("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 comprised 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 management, including our CEO and CFO, with oversight by the Board of Directors and Audit Committee, as at June 30, 2017. 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 June 30, 2017.

Internal Controls over Financial Reporting

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

Under the oversight of the Board of Directors and our Audit Committee, management, including our CEO and CFO, evaluated the design of our internal controls over financial reporting using the control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission on Internal Control – Integrated Framework (2013). The evaluation included documentation review, enquiries, testing and other procedures considered by management to be appropriate in the circumstances. As at June 30, 2017, 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, 2017 and ending on June 30, 2017 that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

NON-IFRS MEASURES

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

Contract Income Margin

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

Work-In-Hand

Work-in-hand is the unexecuted portion of work that has been contractually awarded to us for construction. It includes an estimate of the revenue to be generated from MRO 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 a high certainty of being performed by us by either the existence of a contract or work order specifying job scope, value and timing, or (b) has been awarded to us, 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	**Jun. 30, 2017**	**Dec. 31, 2016**
Work-in-hand	**902.6**	986.9
Active backlog	**979.5**	1,008.2
Consolidated backlog	**1,882.1**	1,995.1

Book-to-Bill Ratio

Book-to-bill ratio means the ratio of net new projects added to backlog and increases in the scope of existing projects (book) to revenue (bill), for continuing operations for a specified period of time (excluding the impact of backlog additions from acquisitions and 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. The following outlines the calculation of our book-to-bill ratio for the current year periods.

	Six months ended	Three months ended
$millions, except book-to-bill ratio	**Jun. 30, 2017**	**Jun. 30, 2017**
Ending backlog	**1,882.1**	1,882.1
Less: Opening backlog	**(1,995.1)**	(1,888.3)
Plus: Contract revenue	**466.5**	246.4
Net backlog additions	**353.5**	240.2
Divided by: Contract revenue	**466.5**	246.4
Book-to-bill ratio	**0.76**	0.97

Working Capital

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

$millions	**Jun. 30, 2017**	**Dec. 31, 2016[(1)]**
Current assets	**311.5**	289.7
Current liabilities	**(270.6)**	(252.3)
Working capital	**40.9**	37.4

Note: (1) Certain comparative results have been restated as a result of a change in our intersegment eliminations accounting policy. Please refer to the section titled "Changes in Accounting Policies" in this MD&A and *Note 2* of our June 30, 2017 Condensed Consolidated Interim Financial Statements for further information.

EBT and Adjusted EBITDA

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

For 2017, management has modified its definition of adjusted EBITDA to exclude equity-settled share-based compensation expense. Management uses adjusted EBITDA as a proxy for cash operating performance, and equity-settled share-based compensation is a non-cash expense reflected in our operating results under IFRS.

We define adjusted EBITDA as net earnings/loss from continuing operations before finance costs, finance income, income taxes, capital asset depreciation and amortization, impairment charges, costs or recoveries relating to investing activities, restructuring costs, equity-settled share-based compensation expense and gains/losses on assets, liabilities and investment dispositions.

EBITDA and adjusted EBITDA are common financial measures used by investors, analysts and lenders as an indicator of cash operating performance, as well as a valuation metric and as a measure of a company's ability to incur and service debt. Our calculation of adjusted EBITDA excludes items that do not reflect our ongoing cash operations, including restructuring charges, equity-settled share-based compensation and charges related to investing decisions, and that we believe should not be reflected in a metric used for valuation and debt servicing evaluation purposes.

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

	2017 Quarter Ended:		**2016 Quarter Ended[1]:**				**2015 Quarter Ended[1]:**	
$millions	**Jun. 30**	**Mar. 31**	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30
Net earnings (loss)	**0.5**	(0.2)	(1.7)	2.3	(3.5)	0.7	3.6	5.4
Add: Income tax expense (recovery)	**0.4**	(0.1)	(0.3)	1.0	(1.2)	0.8	1.6	0.5
EBT	**0.9**	(0.3)	(2.0)	3.3	(4.7)	1.5	5.2	5.9
Add: Depreciation and amortization	**3.7**	3.7	4.0	4.1	4.1	4.3	4.7	5.1
Impairment	**nil**	nil	nil	nil	0.2	nil	1.2	4.0
Finance costs	**2.2**	2.2	2.2	2.1	2.2	2.2	2.1	2.4
Finance income	**nil**	nil	nil	nil	nil	nil	nil	nil
Recovery relating to investing activities	**nil**	nil	nil	nil	nil	nil	nil	(2.9)
Restructuring costs	**0.3**	nil	1.4	0.4	5.3	1.0	0.6	nil
Equity-settled share-based compensation	**0.2**	0.1	0.2	0.1	0.1	0.1	0.2	0.3
(Gain) loss on asset disposal	**(0.2)**	nil	nil	nil	nil	nil	(0.1)	(0.1)
Adjusted EBITDA	**7.1**	5.7	5.8	10.0	7.2	9.1	13.9	14.7

Note: (1) Certain comparative results have been restated as a result of a change in our intersegment eliminations accounting policy. Please refer to the section titled “Changes in Accounting Policies” in this MD&A and *Note 2* of our June 30, 2017 Condensed Consolidated Interim Financial Statements for further information.

	Six months ended June 30[1]	
$millions	**2017**	**2016[1]**
Net earnings (loss)	**0.3**	(2.8)
Add: Income tax expense (recovery)	**0.3**	(0.4)
EBT	**0.6**	(3.2)
Add: Depreciation and amortization	**7.4**	8.4
Impairment	**nil**	0.2
Finance costs	**4.4**	4.4
Finance income	**nil**	nil
Restructuring costs	**0.3**	6.3
Equity-settled share-based compensation	**0.3**	0.2
(Gain) loss on asset disposal	**(0.2)**	nil
Adjusted EBITDA	**12.8**	16.3

Note: (1) Certain comparative results have been restated as a result of a change in our intersegment eliminations accounting policy. Please refer to the section titled “Changes in Accounting Policies” in this MD&A and *Note 2* of our June 30, 2017 Condensed Consolidated Interim Financial Statements for further information.

Adjusted EBITDA Margin

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

Adjusted Free Cash Flow

We define adjusted free cash flow as cash generated/used in operating activities, less cash expenditures on intangible and property/equipment assets (excluding business acquisitions), adjusted to exclude the impact of changes in non-cash working capital balances. Adjusted free cash flow per share is calculated as adjusted free cash flow divided by the basic weighted average number of shares outstanding for each period.

Management uses adjusted free cash flow as a measure of our operating performance, reflecting the amount of cash flow from operations that is available, after capital expenditures, to pay dividends, repay debt, repurchase shares or reinvest in the business. Adjusted free cash flow is particularly useful to management because it isolates both non-cash working capital invested during periods of growth and working capital converted to cash during seasonal declines in activity.

The following is a reconciliation of adjusted free cash flow and per share amounts for each of the periods presented in this MD&A.

	Three months ended June 30		**Six months ended June 30**	
$millions, except per share data and number of shares	**2017**	**2016[1]**	**2017**	**2016[1]**
Net cash generated (used) in operating activities	**2.4**	(11.5)	**(5.4)**	1.8
Less: Cash additions to intangible assets	**(0.1)**	(0.2)	**(0.2)**	(0.5)
Cash additions to property and equipment	**(0.3)**	(1.9)	**(1.2)**	(2.4)
Cash (generated) used by changes in non-cash working capital balances	**(2.1)**	8.2	**10.4**	(4.4)
Adjusted free cash flow	**(0.1)**	(5.4)	**3.6**	(5.5)
Adjusted free cash flow per share	**nil**	(0.20)	**0.13**	(0.21)
Basic shares outstanding	**27,110,611**	26,710,452	**27,060,169**	26,665,708

Note: (1) Certain comparative results have been restated as a result of a change in our intersegment eliminations accounting policy. Please refer to the section titled "Changes in Accounting Policies" in this MD&A and *Note 2* of our June 30, 2017 Condensed Consolidated Interim Financial Statements for further information.

Long-term Indebtedness

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

Indebtedness to Capitalization

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

Net Long-Term Indebtedness to Adjusted EBITDA

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

Interest Coverage

Interest coverage is a Revolver covenant calculated as LTM EBITDA, as defined by the Revolver agreement, divided by LTM interest expense.

Debt to EBITDA

Debt to EBITDA is a Revolver covenant calculated as total debt, excluding convertible debentures, divided by LTM EBITDA, as defined by the Revolver agreement.

FORWARD-LOOKING INFORMATION

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

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

- Our capital expenditure program for 2017;
- Our objective to manage our capital resources so as to ensure that we have sufficient liquidity to pursue growth objectives, while maintaining a prudent amount of financial leverage;
- Our belief that we have sufficient capital resources and liquidity, and ability to generate ongoing cash flows to meet commitments, support operations, finance capital expenditures, support growth strategies and fund declared dividends;
- Our outlook on the business generally and by business group, including, without limitation, those statements in the section titled “Outlook” relating to backlog execution, project mix and timing, earnings visibility, meaningfully higher revenue in 2017 compared to 2016, slightly higher overall adjusted EBITDA and slightly lower adjusted EBITDA margins for 2017, increases in Industrial Group and Buildings Group revenue, adjusted EBITDA and adjusted EBITDA margin, slightly lower Commercial Systems Group revenue and slightly lower adjusted EBITDA and adjusted EBITDA margin in 2017 as compared to 2016;
- 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;
- Our expectation that restructuring and cost cutting initiatives will deliver permanent expense reductions going forward;
- Our expectations as to future general economic conditions and the impact those conditions may have on the company and our businesses including, without limitation, the reaction of oil sands owners to the on-going changes in oil prices;
- The recovery of the Alberta energy industry and Stuart Olson's customers from the impacts of the 2016 wildfire crisis in Alberta and the non-occurrence of similar unexpected events; and

- Our projected use of cash resources.

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

- The expected performance of the global and Canadian economies and the effects thereof on our businesses;
- The continuation of challenging market conditions in Alberta;
- An increased percentage of our Industrial Group revenue coming from lower-risk cost-reimbursable MRO projects;
- The ability of counterparties with whom we invest cash and equivalents to meet their obligations;
- 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 provided 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.

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Condensed Consolidated Interim Financial Statements

For the three and six month periods ended June 30, 2017 and 2016
(unaudited)

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Corporation is disclosing that its auditors have not reviewed the unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2017 and 2016.

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STUART OLSON INC.
Consolidated Statements of Earnings (Loss) and Comprehensive Loss
For the three and six month periods ended June 30, 2017 and 2016
(in thousands of Canadian dollars, except share and per share amounts)
(unaudited)

	Note	Three months ended June 30,		Six months ended June 30,	
		2017	2016 [1]	**2017**	2016 [1]
Contract revenue		**$ 246,430**	$ 227,080	**$ 466,546**	$ 472,611
Contract costs		**225,811**	205,569	**425,823**	425,186
Contract income		**20,619**	21,511	**40,723**	47,425
Other income		**358**	339	**765**	451
Finance income		**9**	19	**11**	46
Administrative costs		**(17,883)**	(24,352)	**(36,456)**	(46,746)
Finance costs		**(2,222)**	(2,181)	**(4,430)**	(4,353)
Earnings (loss) before tax		**881**	(4,664)	**613**	(3,177)
Income tax (expense) recovery					
Current income tax		**(410)**	(4,970)	**(265)**	(8,976)
Deferred income tax		**20**	6,110	**(35)**	9,368
		(390)	1,140	**(300)**	392
Net earnings (loss)		**491**	(3,524)	**313**	(2,785)
Other comprehensive loss					
Items that will not be reclassified to net earnings (loss)					
Defined benefit plan actuarial loss		**(1,611)**	(1,057)	**(1,887)**	(1,898)
Deferred tax recovery on other comprehensive loss		**431**	283	**505**	508
		(1,180)	(774)	**(1,382)**	(1,390)
Total comprehensive loss		**$ (689)**	$ (4,298)	**$ (1,069)**	$ (4,175)
Earnings (loss) per share:					
Basic earnings (loss) per share	5	**$ 0.02**	$ (0.13)	**$ 0.01**	$ (0.10)
Diluted earnings (loss) per share	5	**$ 0.02**	$ (0.13)	**$ 0.01**	$ (0.10)
Weighted average common shares:					
Basic	5	**27,110,611**	26,710,452	**27,060,169**	26,665,708
Diluted	5	**27,110,611**	26,710,452	**27,060,169**	26,665,708

[1] Certain comparative amounts have been restated as a result of a change in accounting policy. Refer to Note 2 for further discussion.

See accompanying notes to the condensed consolidated financial statements.

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STUART OLSON INC.
Consolidated Statements of Financial Position
As at June 30, 2017, December 31, 2016 and January 1, 2016
(in thousands of Canadian dollars)
(unaudited)

	Note	June 30, 2017	December 31, 2016 [1]	January 1, 2016 [1]
ASSETS				
Current assets				
Cash and cash equivalents [2]		**$ 21,862**	$ 31,471	$ 33,667
Trade and other receivables		**245,893**	213,882	215,937
Inventory		**1,033**	999	1,638
Prepaid expenses		**2,734**	6,526	3,263
Costs in excess of billings	6	**39,032**	34,792	58,988
Income taxes recoverable		**944**	1,975	6,264
Current portion of long-term receivable		**-**	-	30
		311,498	289,645	319,787
Restricted cash		**-**	-	4,172
Service provider deposit		**-**	6,365	6,799
Long-term receivable and prepaid expenses		**1,580**	1,730	1,944
Deferred tax asset		**18,430**	25,410	24,085
Property and equipment		**17,277**	18,934	22,281
Goodwill		**214,024**	214,024	214,024
Intangible assets		**41,577**	46,079	53,708
		$ 604,386	$ 602,187	$ 646,800
LIABILITIES				
Current liabilities				
Trade and other payables		**$ 196,263**	$ 165,997	$ 178,373
Contract advances and unearned income	6	**66,369**	74,260	67,710
Current portion of provisions	7	**6,904**	5,423	7,705
Income taxes payable		**215**	5,391	7,278
Current portion of long-term debt		**837**	1,213	2,369
		270,588	252,284	263,435
Employee benefits		**4,010**	2,735	4,680
Provisions	7	**4,021**	4,316	5,670
Long-term debt		**29,282**	32,772	46,565
Convertible debentures		**75,220**	74,270	72,529
Deferred tax liability		**12,055**	19,505	28,365
Share-based payments	8(d)	**4,947**	5,598	4,652
Other liabilities		**2,719**	2,902	1,517
		402,842	394,382	427,413
EQUITY				
Share capital	9(a)	**143,751**	142,687	140,457
Convertible debentures		**4,589**	4,589	4,589
Share-based payment reserve	8(a)	**11,035**	10,793	10,176
Contributed surplus		**12,228**	12,228	12,228
Retained earnings		**29,941**	37,508	51,937
		201,544	207,805	219,387
		$ 604,386	$ 602,187	$ 646,800

[1] Certain comparative amounts have been restated as a result of a change in accounting policy. Refer to Note 2 for further discussion.

[2] Cash and cash equivalents includes restricted cash of $1,225 (December 31, 2016 – $1,737, January 1, 2016 – $nil).

See accompanying notes to the condensed consolidated financial statements.

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STUART OLSON INC.
Consolidated Statements of Changes in Equity
For the six month periods ended June 30, 2017 and 2016
(in thousands of Canadian dollars)
(unaudited)

	Note	Share Capital	Convertible Debentures	Share-Based Payment Reserve	Contributed Surplus	Retained Earnings [1]	Total Equity
Balance as at December 31, 2016		**$ 142,687**	**$ 4,589**	**$ 10,793**	**$ 12,228**	**$ 37,508**	**$ 207,805**
Net earnings						**313**	**313**
Other comprehensive loss:							
Defined benefit plan actuarial loss, net of tax						**(1,382)**	**(1,382)**
Total comprehensive loss						**(1,069)**	**(1,069)**
Transactions recorded directly to equity							
Share-based compensation expense under stock option plan	8(a)			**242**			**242**
Dividends	9(a,b)	**1,064**				**(6,498)**	**(5,434)**
Balance as at June 30, 2017		**$ 143,751**	**$ 4,589**	**$ 11,035**	**$ 12,228**	**$ 29,941**	**$ 201,544**
Balance as at December 31, 2015		$ 140,457	$ 4,589	$ 10,176	$ 12,228	$ 51,937	$ 219,387
Net loss						(2,785)	(2,785)
Other comprehensive loss:							
Defined benefit plan actuarial loss, net of tax						(1,390)	(1,390)
Total comprehensive loss						(4,175)	(4,175)
Transactions recorded directly to equity							
Share-based compensation expense under stock option plan	8(a)			305			305
Dividends	9(a,b)	1,092				(6,403)	(5,311)
Balance as at June 30, 2016		$ 141,549	$ 4,589	$ 10,481	$ 12,228	$ 41,359	$ 210,206

[1] Certain comparative amounts have been restated as a result of a change in accounting policy. Refer to Note 2 for further discussion.

See accompanying notes to the condensed consolidated financial statements.

stuartolson
people creating progress

STUART OLSON INC.
Consolidated Statements of Cash Flow
For the six month periods ended June 30, 2017 and 2016
(in thousands of Canadian dollars)
(unaudited)

	Note	June 30, 2017	June 30, 2016 [1]
OPERATING ACTIVITIES			
Net earnings (loss)		$ 313	$ (2,785)
Gain on disposal of assets		(225)	(22)
Depreciation and amortization		7,442	8,413
Impairment loss on property and equipment		-	177
Share-based compensation expense	8(e)	1,394	2,202
Defined benefit pension plan expense		495	630
Finance costs		4,430	4,353
Income tax expense (recovery)		300	(392)
Change in long-term receivable and prepaid expenses		150	35
Change in provisions		1,186	(1,848)
Change in other long-term liabilities		(183)	1,136
Change in non-cash working capital balances	10	(10,438)	4,407
Payment of share-based payment liability		(1,507)	(2,596)
Contributions to defined benefit pension plan		(1,107)	(975)
Interest paid		(3,215)	(3,226)
Income taxes paid		(4,408)	(7,747)
Net cash (used) generated in operating activities		(5,373)	1,762
INVESTING ACTIVITIES			
Proceeds on disposal of assets		432	388
Additions to intangible assets		(247)	(482)
Additions to property and equipment		(1,244)	(2,341)
Net cash used in investing activities		(1,059)	(2,435)
FINANCING ACTIVITIES			
Change in service provider deposit		6,365	(1,046)
Proceeds of long-term debt		169,300	204,000
Repayment of long-term debt		(173,432)	(200,777)
Dividend paid	9(b)	(5,410)	(5,288)
Net cash used in financing activities		(3,177)	(3,111)
Decrease in cash and cash equivalents during the period		(9,609)	(3,784)
Cash and cash equivalents[2], beginning of the period		31,471	37,839
Cash and cash equivalents[3], end of the period		$ 21,862	$ 34,055

[1] Certain comparative amounts have been restated as a result of a change in accounting policy. Refer to Note 2 for further discussion.
[2] Cash and cash equivalents at the beginning of the period includes restricted cash of $1,737 (June 30, 2016 – $4,172).
[3] Cash and cash equivalents at the end of the period includes restricted cash of $1,225 (June 30, 2016 – $1,225).
See accompanying notes to the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements
For the three and six month periods ended June 30, 2017 and 2016
(in thousands of Canadian dollars, except share and per share amounts)
(unaudited)

1. REPORTING ENTITY

Stuart Olson Inc. was incorporated on August 31, 1981 under the Companies Act of Alberta and was continued under the Business Corporations Act (Alberta) on July 30, 1985. The principal activities of Stuart Olson Inc. and its subsidiaries (collectively, the Corporation) are to provide general contracting and electrical building systems contracting in the public and private construction markets, as well as electrical, mechanical and specialty trades, such as insulation, cladding and asbestos abatement, in the industrial construction and services market. The Corporation provides its services to a wide array of clients within Canada.

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting."

These condensed consolidated interim financial statements were approved by the Corporation's Board of Directors on August 9, 2017.

(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, 2016, with the exception of the accounting policy change described below. The disclosure contained in these condensed consolidated interim financial statements does not include all of the requirements in IAS 1, "Presentation of Financial Statements." Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2016.

(c) Changes to Significant Accounting Policies

Effective January 1, 2017, the Corporation changed its accounting policy for the elimination of intersegment revenue and expenses on consolidation. Previously, on projects where one or more of the Corporation's reporting segments worked together, the Corporation eliminated the amount of cost incurred by the prime contractor segment and the revenue recognized by the subcontractor segment, based on the prime contractor's assessment of subcontractor percentage of completion. As a result of internal differences between the prime contractor's estimated percentage of completion for the project as a whole and the subcontractor's estimated percentage of completion for its portion of the project, the previous accounting policy often resulted in temporary profit and/or loss arising on elimination, which would reverse in later periods.

The new policy provides a more precise determination of intersegment eliminations so that equivalent amounts of project revenue and costs, based on the subcontractor's estimated percentage of completion for its portion of the project, are eliminated, resulting in $nil or minimal impact on the consolidated contract income for each period. The inputs required under the new policy can be reliably measured using internal project information and this change increases the predictive value of intersegment eliminations by reducing volatility in contract income and net earnings between periods.

The change in accounting policy has been applied retrospectively and resulted in the following restatements to the Corporation's condensed consolidated interim financial statements:

(i) Consolidated statements of earnings (loss)

	Three months ended June 30, 2016	Six months ended June 30, 2016
(Decrease) increase in contract revenue	$ (110)	$ 2,460
Decrease (increase) in deferred income tax expense	30	(918)
(Decrease) increase in net earnings	$ (80)	$ 1,542
Increase in basic and diluted earnings per share	$ -	$ 0.06

(ii) Consolidated statements of financial position

	December 31, 2016	January 1, 2016
ASSETS		
Increase in accounts receivable	$ 12	$ -
LIABILITIES		
Increase in contract advances and unearned revenue	$ (4,083)	$ (8,012)
Decrease in deferred tax liability	1,102	2,417
EQUITY		
Decrease to retained earnings	$ 2,969	$ 5,595

(iii) Consolidated statements of cash flow

	Six months ended June 30, 2016
OPERATING ACTIVITIES	
Increase in net earnings	$ 1,542
Increase in income tax expense	918
Decrease in the change in non-cash working capital balances	(2,460)
Net cash generated in operating activities	$ -

3. SEGMENTS

The Corporation operates as a construction and maintenance services provider. The Corporation divides its operations into four reporting segments and reports its results under the categories of: Industrial Group, Buildings Group, Commercial Systems Group and Corporate Group. 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, 2016. Segment capital expenditures are the total costs incurred during the period to acquire property and equipment and intangible assets.

A significant customer is one that represents 10% or more of contract revenue earned during the period. For the six month period ended June 30, 2017, the Corporation did not have revenue from any significant customers (June 30, 2016 – revenue of $48,990 and $56,803 from one significant customer of the Industrial Group and Buildings Group, respectively).

Three month period ended June 30, 2017	Industrial Group	Buildings Group	Commercial Systems Group	Corporate Group	Intersegment Eliminations	Total
Contract revenue	$ 78,843	$ 136,661	$ 39,889	$ -	$ (8,963)	$ 246,430
Costs, excluding depreciation, amortization and restructuring costs	75,184	132,730	38,392	2,362	(8,962)	239,706
Depreciation and amortization	1,088	334	352	1,899	53	3,726
Restructuring costs	262	-	-	-	-	262
Other income	(145)	(124)	(43)	(46)	-	(358)
Finance income	-	(4)	-	(5)	-	(9)
Finance costs	16	-	-	2,206	-	2,222
Earnings (loss) before tax	$ 2,438	$ 3,725	$ 1,188	$ (6,416)	$ (54)	$ 881
Income tax expense						(390)
Net earnings						$ 491
Gain on sale of assets	$ (140)	$ (13)	$ (14)	$ -	$ -	$ (167)
Goodwill and intangible assets	$ 54,054	$ 119,586	$ 67,038	$ 14,923	$ -	$ 255,601
Capital and intangible expenditures	$ 287	$ 2	$ 28	$ 93	$ -	$ 410
Total assets	$ 199,075	$ 341,194	$ 127,426	$ 298,579	$ (361,888)	$ 604,386
Total liabilities	$ 48,678	$ 214,905	$ 39,017	$ 125,654	$ (25,412)	$ 402,842

Three month period ended June 30, 2016	Industrial Group	Buildings Group	Commercial Systems Group	Corporate Group	Intersegment Eliminations [1]	Total
Contract revenue	$ 73,738	$ 107,801	$ 51,310	$ -	$ (5,769)	$ 227,080
Costs, excluding depreciation, amortization and restructuring costs	71,480	103,716	48,725	2,195	(5,754)	220,362
Depreciation and amortization	1,449	445	382	1,809	54	4,139
Impairment loss on property and equipment	-	177	-	-	-	177
Restructuring costs	857	3,686	700	-	-	5,243
Other income	(126)	(129)	(55)	(29)	-	(339)
Finance income	-	(5)	-	(14)	-	(19)
Finance costs	26	-	-	2,155	-	2,181
Earnings (loss) before tax	$ 52	$ (89)	$ 1,558	$ (6,116)	$ (69)	$ (4,664)
Income tax expense						1,140
Net loss						$ (3,524)
Loss (gain) on sale of assets	$ 18	$ -	$ (14)	$ -	$ -	$ 4
Goodwill and intangible assets	$ 56,155	$ 121,423	$ 70,079	$ 15,669	$ -	$ 263,326
Capital and intangible expenditures	$ 213	$ 25	$ 1,561	$ 278	$ -	$ 2,077
Total assets	$ 199,418	$ 312,585	$ 138,909	$ 333,419	$ (353,363)	$ 630,968
Total liabilities	$ 50,228	$ 193,183	$ 51,585	$ 145,122	$ (19,356)	$ 420,762

[1] Certain comparative amounts have been restated as a result of a change in accounting policy. Refer to Note 2 for further discussion.

Notes to the Condensed Consolidated Financial Statements

For the three and six month periods ended June 30, 2017 and 2016
(in thousands of Canadian dollars, except share and per share amounts)
(unaudited)

Six month period ended June 30, 2017	Industrial Group	Buildings Group	Commercial Systems Group	Corporate Group	Intersegment Eliminations	Total
Contract revenue	**$ 141,217**	**$ 262,764**	**$ 82,236**	**$ -**	**$ (19,671)**	**$ 466,546**
Costs, excluding depreciation, amortization and restructuring costs	**135,832**	**253,828**	**79,323**	**5,262**	**(19,670)**	**454,575**
Depreciation and amortization	**2,124**	**707**	**732**	**3,773**	**106**	**7,442**
Restructuring costs	**262**	**-**	**-**	**-**	**-**	**262**
Other income	**(244)**	**(350)**	**(120)**	**(51)**	**-**	**(765)**
Finance income	**-**	**(4)**	**-**	**(7)**	**-**	**(11)**
Finance costs	**45**	**-**	**-**	**4,385**	**-**	**4,430**
Earnings (loss) before tax	**$ 3,198**	**$ 8,583**	**$ 2,301**	**$ (13,362)**	**$ (107)**	**$ 613**
Income tax expense						**(300)**
Net earnings						**$ 313**
Gain on sale of assets	**$ (148)**	**$ (46)**	**$ (31)**	**$ -**	**$ -**	**$ (225)**
Goodwill and intangible assets	**$ 54,054**	**$ 119,586**	**$ 67,038**	**$ 14,923**	**$ -**	**$ 255,601**
Capital and intangible expenditures	**$ 806**	**$ 124**	**$ 83**	**$ 478**	**$ -**	**$ 1,491**
Total assets	**$ 199,075**	**$ 341,194**	**$ 127,426**	**$ 298,579**	**$ (361,888)**	**$ 604,386**
Total liabilities	**$ 48,678**	**$ 214,905**	**$ 39,017**	**$ 125,654**	**$ (25,412)**	**$ 402,842**

Six month period ended June 30, 2016	Industrial Group	Buildings Group	Commercial Systems Group	Corporate Group	Intersegment Eliminations [1]	Total
Contract revenue	$ 166,796	$ 205,644	$ 109,335	$ -	$ (9,164)	$ 472,611
Costs, excluding depreciation, amortization and restructuring costs	160,537	197,985	101,301	6,362	(9,127)	457,058
Depreciation and amortization	2,964	980	750	3,611	108	8,413
Impairment loss on property and equipment	-	177	-	-	-	177
Restructuring costs	1,898	3,686	700	-	-	6,284
Other income	(160)	(114)	(134)	(43)	-	(451)
Finance income	(10)	(13)	-	(23)	-	(46)
Finance costs	80	-	-	4,273	-	4,353
Earnings (loss) before tax	$ 1,487	$ 2,943	$ 6,718	$ (14,180)	$ (145)	$ (3,177)
Income tax recovery						392
Net loss						$ (2,785)
(Gain) loss on sale of assets	$ (13)	$ 23	$ (32)	$ -	$ -	$ (22)
Goodwill and intangible assets	$ 56,155	$ 121,423	$ 70,079	$ 15,669	$ -	$ 263,326
Capital and intangible expenditures	$ 245	$ 90	$ 1,746	$ 758	$ -	$ 2,839
Total assets	$ 199,418	$ 312,585	$ 138,909	$ 333,419	$ (353,363)	$ 630,968
Total liabilities	$ 50,228	$ 193,183	$ 51,585	$ 145,122	$ (19,356)	$ 420,762

[1] Certain comparative amounts have been restated as a result of a change in accounting policy. Refer to Note 2 for further discussion.

4. DEPRECIATION AND AMORTIZATION

Included within contract costs is depreciation of property and equipment in the amounts of $596 and $1,229 for the three and six month periods ended June 30, 2017, respectively (June 30, 2016 – $738 and $1,769, respectively). The remaining depreciation and all amortization costs are included in administrative costs in the consolidated statements of earnings (loss).

5. EARNINGS PER SHARE

(a) Basic earnings (loss) per share

	Three months ended June 30,		Six months ended June 30,	
	2017	2016 [(1)]	**2017**	2016 [(1)]
Net earnings (loss) - basic	**$ 491**	**$ (3,524)**	**$ 313**	$ (2,785)
Issued common shares, beginning of the period	**27,028,148**	26,635,711	**26,921,371**	26,532,482
Effect of shares issued related to Dividend Reinvestment Plan (DRIP)	**82,463**	74,741	**138,798**	133,226
Weighted average number of common shares for the period - basic	**27,110,611**	26,710,452	**27,060,169**	26,665,708
Basic earnings (loss) per share	**$ 0.02**	$ (0.13)	**$ 0.01**	$ (0.10)

(1) Certain comparative amounts have been restated as a result of a change in accounting policy. Refer to Note 2 for further discussion.

(b) Diluted earnings (loss) per share

For the three and six month period ended June 30, 2017, there were no stock options included in the diluted weighted average number of common shares calculation, as their effect would have been anti-dilutive. There were no incremental shares related to convertible debentures included in the diluted weighted average number of common shares calculation, 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. As such, the diluted weighted average number of common shares and resulting diluted earnings per share are the same amounts as calculated under basic earnings per share.

For the three and six month period ended June 30, 2016, there were no stock options and no incremental shares related to convertible debentures included in the diluted weighted average number of common shares calculation, as the impact of these potential common shares are considered anti-dilutive when the Corporation is in a net loss position. As such, the diluted weighted average number of common shares and resulting diluted loss per share are the same amounts as calculated under basic loss per share.

6. CONSTRUCTION AND NON-CONSTRUCTION CONTRACTS

Contracts in progress:

		June 30, 2017		December 31, 2016 [1]
Construction costs incurred plus recognized profits less recognized losses to date	**$**	**2,496,501**	$	2,822,644
Less: progress billings		**(2,528,167)**		(2,866,241)
Net contract advances and unearned income on construction contracts		**(31,666)**		(43,597)
Non-construction costs incurred plus recognized profits less recognized losses to date	**$**	**158,690**	$	187,701
Less: progress billings		**(154,361)**		(183,572)
Net costs in excess of billings on non-construction contracts		**4,329**		4,129
Total net contract position	**$**	**(27,337)**	$	(39,468)

[1] Certain comparative amounts have been restated as a result of a change in accounting policy. Refer to Note 2 for further discussion.

Recognized and included in the consolidated statements of financial position:

		June 30, 2017		December 31, 2016 [1]
Costs in excess of billings - Construction contracts	**$**	**32,121**	$	29,039
Costs in excess of billings - Non-construction contracts		**6,911**		5,753
Total costs in excess of billings		**39,032**		34,792
Contract advances and unearned income - Construction contracts	**$**	**(63,787)**	$	(72,636)
Contract advances and unearned income - Non-construction contracts		**(2,582)**		(1,624)
Total contract advances and unearned income		**(66,369)**		(74,260)
Total net contract position	**$**	**(27,337)**	$	(39,468)

[1] Certain comparative amounts have been restated as a result of a change in accounting policy. Refer to Note 2 for further discussion.

As at June 30, 2017, holdbacks for contract work amounted to $65,696 (December 31, 2016 – $65,761).

7. 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 Contracts	Total
Balance, beginning of the period	$ 3,491	$ 308	$ 936	$ 393	$ 4,611	$ 9,739
Provisions made	4,923	-	305	854	-	6,082
Provisions used	-	(75)	(20)	(169)	(617)	(881)
Provisions reversed	(4,073)	(25)	(70)	-	-	(4,168)
Unwinding of discount	-	-	-	-	153	153
Balance, end of the period	**$ 4,341**	**$ 208**	**$ 1,151**	**$ 1,078**	**$ 4,147**	**$ 10,925**

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

	June 30, 2017	December 31, 2016
Current portion of provisions	**$ 6,904**	$ 5,423
Long-term provisions	**4,021**	4,316
Total provisions	**$ 10,925**	$ 9,739

8. SHARE-BASED PAYMENTS

(a) Stock options

Movement during the periods:

	June 30, 2017		December 31, 2016	
	Number of Stock Options	**Weighted Average Exercise Price**	Number of Stock Options	Weighted Average Exercise Price
Outstanding, beginning of the period	**1,995,134**	**$ 8.15**	1,715,118	$ 10.33
Granted	**582,721**	**5.90**	563,498	5.80
Forfeited	**-**	**-**	(61,059)	11.42
Expired	**(289,027)**	**15.48**	(222,423)	18.12
Outstanding, end of the period	**2,288,828**	**$ 6.65**	1,995,134	$ 8.15

The options outstanding for the six month period ended June 30, 2017 have an exercise price in the range of $5.77 to $9.94 (December 31, 2016 – $5.77 to $15.48) and lives of between 5 and 10 years (December 31, 2016 – 5 and 10 years).

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

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

	June 30, 2017	December 31, 2016
Balance, beginning of the period	**$ 10,793**	$ 10,176
Share-based compensation expense	**242**	617
Balance, end of the period	**$ 11,035**	$ 10,793

(b) Medium Term Incentive Plan (MTIP)

Movement of units during the period:

	Bridging Restricted Share Units (BRSUs)	Restricted Share Units (RSUs)	Performance Share Units (PSUs)
Outstanding, beginning of the period	52,085	744,599	717,292
Granted	-	440,504	306,782
Forfeited	(567)	(16,412)	-
Vested and paid	(50,633)	(180,447)	(147,595)
Outstanding, end of the period	**885**	**988,244**	**876,479**

(c) Deferred Share Units (DSUs)

Movement of units during the periods:

	June 30, 2017	December 31, 2016
Outstanding, beginning of the period	**561,804**	472,573
Granted	**81,500**	150,949
Settled	**-**	(61,718)
Outstanding, end of the period	**643,304**	561,804

(d) Share-based payment liability

		June 30, 2017		December 31, 2016
Carrying amount of liabilities for cash-settled arrangements				
Current portion	**$**	**1,775**	$	1,431
Long-term portion		**4,947**		5,598
Total carrying amount	**$**	**6,722**	$	7,029
Total intrinsic value of liability for vested benefits	**$**	**3,435**	$	3,292

Included in trade and other payables is the current portion of the MTIPs to be paid out within the next 12 months. The long-term portion of MTIPs and DSUs of $4,947 as at June 30, 2017 (December 31, 2016 – $5,598) is classified as share-based payments in the consolidated statements of financial position. The total intrinsic value reflects all of the outstanding DSUs and vested MTIPs as at June 30, 2017.

(e) Share-based compensation expense

	Three months ended June 30,				Six months ended June 30,			
		2017		2016		**2017**		2016
Share-based compensation expense on stock options	**$**	**140**	$	156	**$**	**242**	$	305
Effects of changes in fair value and accretion of MTIP grants		**462**		34		**1,047**		1,400
Effects of changes in fair value and grants for DSUs		**(149)**		(273)		**105**		497
	$	**453**	$	(83)	**$**	**1,394**	$	2,202

9. 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.

	June 30, 2017			December 31, 2016		
	Shares		**Share Capital**	Shares		Share Capital
Common Shares						
Issued, beginning of the period	**26,921,371**	**$**	**142,687**	26,532,482	$	140,457
Dividend Reinvestment Plan (DRIP)	**201,766**		**1,064**	388,889		2,230
Issued, end of the period	**27,123,137**	**$**	**143,751**	26,921,371	$	142,687

(b) Common shares and dividends

As at June 30, 2017, trade and other payables included $3,255 (December 31, 2016 – $3,231) related to the dividend payable on July 13, 2017, of which $600 (December 31, 2016 – $553) is to be reinvested in common shares under the DRIP and the remainder paid in cash.

	June 30, 2017		December 31, 2016	
	Per Share	**Total**	Per Share	Total
Dividend payable, beginning of the period	**$ 0.12**	**$ 3,231**	$ 0.12	$ 3,184
Total dividends declared during the period	**0.24**	**6,498**	0.48	12,852
Total dividends paid during the period [1]	**(0.24)**	**(6,474)**	(0.48)	(12,805)
Dividend payable, end of the period	**$ 0.12**	**$ 3,255**	$ 0.12	$ 3,231

[1] Includes DRIP non-cash payments totaling $1,064 (December 31, 2016 – $2,230) which are recorded through share capital.

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

	Six months ended June 30,	
	2017	2016 [1]
Trade and other receivables	**$ (32,011)**	$ (19,079)
Inventory	**(34)**	674
Prepaid expenses	**3,792**	245
Costs in excess of billings	**(4,240)**	20,525
Trade and other payables	**29,946**	(8,043)
Contract advances and unearned income	**(7,891)**	10,085
	$ (10,438)	$ 4,407

[1] Certain comparative amounts have been restated as a result of a change in accounting policy. Refer to Note 2 for further discussion.

11. FINANCIAL INSTRUMENTS

(a) Carrying values

		June 30, 2017		December 31, 2016 [1]
Financial assets:				
Cash and cash equivalents, including restricted cash	**$**	**21,862**	$	31,471
Trade and other receivables		**245,893**		213,882
Service provider deposit		**-**		6,365
Long-term receivable		**250**		250
Financial liabilities:				
Trade and other payables	**$**	**196,263**	$	165,997
Long-term debt, including current portion		**30,119**		33,985
Convertible debentures - debt component		**75,220**		74,270

[1] Certain comparative amounts have been restated as a result of a change in accounting policy. Refer to Note 2 for further discussion.

The Corporation has determined that the fair value of its financial assets, including cash and cash equivalents, trade and other receivables, service provider deposit and long-term receivable and financial liabilities, including trade and other payables, approximates their respective carrying amounts as at the statement of financial position dates, because of the short-term maturity of those instruments. The fair values of the Corporation's interest-bearing financial liabilities, including the revolving credit facility, finance leases and finance contracts, also approximates their respective carrying amounts due to the floating rate nature of the debt. Further, the fair value of the Corporation's convertible debentures approximates their carrying value.

(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 consolidated statements of earnings (loss) and is net of any recoveries that were provided for in a prior period.

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

		June 30, 2017		December 31, 2016
Balance, beginning of the period	$	**1,013**	$	2,558
Impairment losses recognized on receivables		**182**		723
Amounts written off during the period as uncollectible		**(624)**		(849)
Amounts recovered during the period		**(172)**		(1,419)
Balance, end of the period	$	**399**	$	1,013

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

		June 30, 2017		December 31, 2016 [(1)]
Current	$	**114,939**	$	78,030
1-60 days past due		**30,847**		42,253
61-90 days past due		**3,676**		4,608
More than 90 days past due		**27,513**		14,015
	$	**176,975**	$	138,906

[(1)] Certain comparative amounts have been restated as a result of a change in accounting policy. Refer to Note 2 for further discussion.

In determining the quality of trade receivables, the Corporation considers any change in the credit quality of the associated customer from the date credit was initially granted up to the end of the reporting period. As at June 30, 2017, the Corporation had $27,513 of trade receivables (December 31, 2016 – $14,015) which were greater than 90 days past due, with $27,114 not provided for (December 31, 2016 – $13,002). Management is not concerned about the credit quality and collectability of these accounts, as the concentration of credit risk is limited due to its large and unrelated customer base.

(ii) Interest rate risk

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

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

	June 30, 2017	December 31, 2016
Fixed rate instruments		
Financial liabilities	**$ 75,220**	$ 74,270
Variable rate instruments		
Financial assets	**$ 21,862**	$ 31,471
Financial liabilities	**$ 30,119**	$ 33,985

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

On an annualized basis as at June 30, 2017, a change of 100 basis points in interest rates would have increased or decreased equity and profit or loss by $160 related to financial assets and by $220 related to financial liabilities (December 31, 2016 – $230 and $248, respectively). The impact to profit or loss from a change in interest rates related to financial liabilities would be partially offset by the impact related to financial assets.

(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 June 30, 2017, 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	**$ 196,263**	$ 196,263	$ 196,263	$ -	$ -	$ -
Provisions, including current portion	**10,925**	13,855	7,212	2,203	1,395	3,045
Convertible debentures (debt portion)	**75,220**	92,575	4,830	87,745	-	-
Long-term debt, including current portion	**30,119**	32,352	866	93	31,393	-
Operating lease commitments	**-**	55,561	8,774	13,215	13,215	20,357
	$ 312,527	$ 390,606	$ 217,945	$ 103,256	$ 46,003	$ 23,402

12. 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 $161 (June 30, 2016 – $308), of which $97 (June 30, 2016 – $101) is to be paid in the upcoming 12 month period.

The Corporation has provided several letters of credit in the amount of $8,586 in connection with various projects and joint arrangements (December 31, 2016 – $3,136), of which $5,000 are financial letters of credit (December 31, 2016 – $nil).

13. EVENTS AFTER THE REPORTING PERIOD

On July 20, 2017, the Corporation negotiated an amendment to its revolving credit facility financial covenants to increase the debt to EBITDA financial covenant ratio by 0.25, such that it shall not exceed 3.25:1.00.

On August 9, 2017, the Corporation's Board of Directors declared a quarterly 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 October 17, 2017 to shareholders of record on September 29, 2017.

Corporate & Shareholder Information

Officers

David LeMay, MBA
President and Chief Executive Officer

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

Arthur Atkinson, PQS
Chief Operating Officer
Buildings Group

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

John Krill, P.Eng., MBA
President and Chief Operating Officer
Canem Systems Ltd.

Bob Myles, P.Eng.
Chief Operating Officer
Industrial Group

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

Richard Stone, B.Comm., LL.B.
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)

Chad Danard (1) (2)

Rod Graham, CFA, MBA (1) (4)

Wendy L. Hanrahan, CA (2) (3)

David LeMay, MBA

Carmen R. Loberg (1) (3)

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

(1) Member of the Audit Committee

(2) Member of the Human Resources & Compensation Committee

(3) Member of the Corporate Governance & Nominating Committee

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

Executive Offices

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Deloitte LLP
Calgary, Alberta

Principal Bank

The Toronto-Dominion Bank

Bonding and Insurance

Aon Reed Stenhouse Inc.
Chubb Insurance Company of Canada
Liberty Mutual Insurance Company

Registrars and Transfer Agents

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

Common Shares

AST Trust Company (Canada)
600 The Dome Tower
333 – 7th Avenue SW
Calgary, Alberta T2P 2Z1
Phone: (403) 776-3900
Fax: (403) 776-3916
Email: inquiries@canstockta.com
Website: www.canstockta.com
Answerline: 1-800-387-0825

Convertible Debentures

Valiant Trust Company
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