UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 20-F

[ ] REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934.

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the fiscal year ended December 31, 1997

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934

For the transition period from ______________ to ______________

Commission file number 1-7161

BFC CONSTRUCTION CORPORATION
(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant's name into English)

Canada
(Jurisdiction of incorporation or organization)

3660 Midland Avenue, Scarborough, Ontario, Canada M1V 4V3
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.
None

Securities registered or to be registered pursuant to Section 12(g) of the Act.
Common shares without nominal or par value
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.
None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 8,446,725 Common Shares.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ____X____ No ________

Indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 ____X____ Item 18 ________

BFC CONSTRUCTION CORPORATION
DECEMBER 31, 1997 FORM 20-F ANNUAL REPORT
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*Pursuant to General Instruction G(c) of Form 20-F, the registrant has elected to provide the financial statements and related information specified in Item 17.

PRELIMINARY NOTES

Exhibit A: Attached hereto as Exhibit A is the registrant's 1997 Annual Report, containing information incorporated by reference in answer or partial answer to certain items of this Form 20-F.

Exhibit B: Attached hereto as Exhibit B is the Notice of Annual Meeting of Shareholders and Management Proxy Circular, as of April 2, 1998 used in connection with the Annual Meeting of Shareholders to be held on May 20, 1998, containing information incorporated by reference in answer or partial answer to certain items of this Form 20-F.

Exhibit C: Attached hereto as Exhibit C is the Auditors' Report on the registrant's 1997 consolidated financial statements, containing information incorporated by reference in answer or partial answer to certain items of this Form 20-F.

Currencies: Monetary amounts in this Form 20-F (and in Exhibits A and B) are stated in Canadian Dollars ("CDN$"), except where specifically stated otherwise. Tabulated below is a history of exchange rates of Canadian dollars into United States dollars ("US$") reported by the Federal Reserve Bank of New York for each of the five years ended December 31, 1993, 1994, 1995, 1996 and 1997, reflecting the equivalent rate of exchange in US$ for $1 Cdn; set forth are the high, low, average and closing rates. The rate of exchange means the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York, as reported by the Board of Governors of the Federal Reserve System. The average rate means the average of the exchange rates on the last day of each month during a year.

	1997	1996	1995	1994	1993
Exchange rates (U.S. Dollar equivalent of $1 Canadian) End of year rate	$.6999	$.7301	$.7323	$.7128	$.7553
Average rate for year	$.7221	$.7332	$.7286	$.7319	$.7745
High rate for year	$.7487	$.7513	$.7527	$.7632	$.8002
Low rate for year	$.6945	$.7235	$.7023	$.7103	$.7482

PART I

Item 1. Description of Business

BFC Construction Corporation (the "Corporation"), originally incorporated under the laws of Alberta, Canada, was continued as a federal corporation under the Canada Business Corporations Act in January, 1978, and was amalgamated with certain wholly-owned subsidiaries under the latter Act on March 31, 1980, on August 31, 1982 and on January 1, 1991. On June 4, 1990, the Board of Directors changed the name of the Corporation from Banister Continental Ltd. to Banister Inc., on June 1, 1994 the Corporation's name was changed to Banister Foundation Inc., and on June 1, 1997 the name was changed again to BFC Construction Corporation. Effective on January 1, 1997 The Foundation Company Inc., The Jackson-Lewis Company Ltd. and Cliffside Utility Contractors were amalgamated with BFC Construction Group Inc. ("BFCGI"), a subsidiary of the Corporation. These companies will now operate as divisions of BFCGI. Effective on December 1, 1996, Banister Majestic Inc. was amalgamated with The Foundation Company of Canada Limited and will now operate as a division of that company. The term "Corporation" as used herein refers to BFC Construction Corporation and, except where otherwise required by the context, includes all divisions and subsidiaries.

The Corporation operates in two industry segments: Civil/Building/Industrial and Utility/Pipeline/Engineering.

Civil/Building/Industrial, which is performed in Canada, the United States, and certain foreign countries, includes: construction of large-scale energy developments, complex building structures, subways, bridges, dams, tunnels, highways and airports through BFC Civil; commercial, retail and industrial building construction including mid and high rise residential condominium buildings through BFC Buildings and BFC Frontier; industrial, mechanical and electrical work through BFC Industrial – Nicholls Radtke Ltd. and BFC Industrial – Driver Ltd., and the manufacture of once through steam generators through BFC Industrial – Nicholls Radtke Ltd., and its Innovative Steam Technologies division. Nuclear project work which includes construction management, procurement and commissioning of nuclear power projects is carried out by BFC Nuclear Managers which is owned by a subsidiary of the Corporation.

Utility/Pipeline/Engineering which include the installation of underground utilities of all types including gas distribution systems, sewer and water lines and telephone, television and fibre-optics cables and installation of traffic signal systems, highway lighting and freeway traffic management systems is performed throughout Ontario by BFC Utilities and BFC Traffic Technology; and the construction, upgrading and testing of pipelines, gathering systems and distribution systems for the oil and gas industry is performed by BFC Pipelines. The Corporation has carried out pipeline construction in Canada, the United States and the Middle East, but has not worked outside of Canada since 1981. Engineering, procurement, construction and project management ("EPCM") for the petroleum sector is carried out through the Corporation's 25% interest in Bantrel Inc.

Financial information by business segment and geographic data is contained in Note 16 on pages 36 and 37 of Exhibit A, which is incorporated herein by reference.

CIVIL/BUILDING/INDUSTRIAL SEGMENT

General

The Corporation engages in civil, building and industrial construction across Canada, the United States and internationally through a division specializing in heavy civil engineering construction, two divisions active in commercial, retail and industrial building construction which includes mid and high rise residential condominium buildings, and two subsidiaries active in industrial construction.

With relatively minor exceptions, civil, building and industrial construction projects are owner-designed. Most civil and industrial construction contracts are awarded on a fixed-price basis, with compensation based on the units of work performed. Building construction contracts are usually awarded on a negotiated cost-plus-fixed-fee or guaranteed-maximum-price basis.

The divisions engaged in the civil, building and industrial segment act as general contractors and supply the personnel and equipment required for the projects they construct, and may, on occasion, subcontract portions of a project. Unlike pipeline construction, operations for this segment require the supply of materials and therefore, reported revenues from civil, building and industrial construction include charges for such materials.

BFC Civil ("Civil") performs civil engineering construction in Canada, the United States and internationally. Civil specializes in the construction of large-scale energy developments, complex building structures, subways, bridges, highways, dams, tunnels and airports.

Where desirable, due to location or size of project, Civil sometimes enters into joint ventures with other companies, either as the sponsor and manager, or as a participant.

Commercial, retail and industrial building construction including mid and high rise residential condominium buildings is carried out in Canada by BFC Buildings. One of the Corporation's subsidiaries, BFC Frontier ("Frontier"), is active in commercial, retail, institutional, and industrial building construction primarily in Washington State. Frontier also performs a complete design, value analysis, development and construction service for its clients through Group West Associates Inc. (50% owned by Frontier), its design-build unit.

Industrial construction in Canada is performed primarily by BFC Industrial - Nicholls Radtke Ltd. ("Industrial") and BFC Industrial - Driver Ltd. ("Driver") mechanical and electrical construction contractors headquartered in Cambridge, Ontario and Edmonton, Alberta, respectively. Driver was purchased in 1997 to expand industrial construction activities in Western Canada. Industrial & Driver operate either individually or by joint venture in renovations, additions and new construction of industrial facilities including automotive plants, pulp and paper mills, industrial waste treatment facilities, oil and gas, petrochemical and mining facilities and construction of non-utility electric generation power plants. Innovative Steam Technologies ("IST"), a division of Industrial, designs and builds once through steam generators that are used primarily for power generation and cogeneration.

BFC Nuclear Managers is active in the supply of construction management, procurement of equipment, commissioning and related services for overseas nuclear power projects, which are currently in South Korea and the People's Republic of China.

At December 31, 1997, the Civil/Building/Industrial segment had a backlog of contracts amounting to $693.0 million compared to a backlog of $342.9 million at December 31, 1996 and $588.1 million at December 31, 1995. Approximately 50% of the current backlog is expected to be completed in 1998.

Civil, building and industrial construction is seasonal to the extent that severe weather conditions may inhibit some construction procedures.

Equipment

The Corporation owns, leases and operates construction equipment for its civil, building and industrial activities. This equipment is located from time to time at various construction sites and at principal repair shops and storage facilities located in Halifax, Nova Scotia; Toronto and Cambridge, Ontario; Edmonton, Alberta; and Duncan, British Columbia.

Competition

Competition in civil, building and industrial construction is based on price and on the experience and reliability of the contractor and equipment availability. The number and financial strength of competitors varies from region to region throughout Canada and internationally and include large international firms. Competition on all civil, building and industrial construction projects is intense.

Employees

Civil, building and industrial construction head office, supervisory and key field personnel are employed on a permanent basis, while its other field personnel are engaged on a project basis and paid on an hourly basis.

The number of individuals employed by the civil, building and industrial division varies as a result of the seasonal nature of work. At year-end there were 257 full-time and over 3280 field employees located at various projects.

The civil, building and industrial construction division has operating agreements with unions which bargain collectively on behalf of all hourly-paid field personnel.

UTILITY/PIPELINE/ENGINEERING SEGMENT

General

Through BFC Utilities ("Utilities"), the Corporation engages in underground utilities work, including the installation of natural gas distribution lines, hydro (electrical), telephone and television conduits, watermains, storm drains, and sewers throughout Ontario, with the largest volume of work performed in the Toronto area.

Most underground utilities construction work is awarded on a fixed-price basis, with compensation based on the units of work performed. Utilities acts as a general contractor and supplies the personnel and equipment required for the projects it constructs. In addition, it also supplies a significant portion of the required materials, and reported revenues from underground utilities construction include charges for such materials. Utilities has not had, nor does it anticipate, any difficulty in obtaining these materials. Although underground utilities construction is seasonal to the extent that severely inclement weather inhibits some construction procedures, the Corporation does perform underground utilities installation work throughout the year.

In 1995, Utilities' participation as a subcontractor on the Highway 407 project led to the establishment of a new wholly owned business, BFC Traffic Technology. This entity pursues work in the construction and installation of traffic signal systems, highway lighting and freeway traffic management systems.

Through BFC Pipelines, the Corporation operates in all phases of oil and gas pipeline construction, including the installation of pipelines and pipeline river crossings, the testing and upgrading of existing pipelines, and the installation of gathering and distribution systems.

The Corporation's activities as a pipeline contractor consist of supplying the necessary equipment and personnel and performing the operations specified by the contracts awarded. Except to a minor extent, the Corporation does not supply any material used in its pipeline construction business, and its reported revenues do not include the costs of such materials.

Most of the Corporation's pipeline construction has been performed under contracts which provide for a fixed price per linear unit of pipe laid, and which typically have been awarded on the basis of competitive bidding. This type of contract, which has been the prevalent type in the industry, places a premium on the contractor's ability to estimate accurately the cost of the work and to perform the work efficiently and expeditiously and, although it involves considerable risk, may potentially result in income margins which are higher than those produced by other divisions of the Corporation.

To some extent the Corporation's pipeline construction business is seasonal. Weather and soil conditions, and government regulations such as those restricting the loads which may be carried by trucks on various roads, reduce the volume of construction work which may be performed during early spring in many parts of Canada.

The Corporation owns a 25% interest in Bantrel Inc., a corporation jointly owned with Bechtel Canada Engineers Limited and Trimac Corporation, which pursues EPCM opportunities in the petroleum sector in Canada, the United States and overseas.

At December 31, 1997, the Utility/Pipeline/Engineering segment had a backlog of contracts of $58.6 million compared with $82.5 million at December 31, 1996 and $58.6 million of backlog at December 31, 1995.

Underground utilities and pipeline construction projects are comparatively short-term and it is expected that most of the current backlog will be completed before the end of 1998.

Equipment

The Corporation in its utility and pipeline construction activities owns, leases and operates approximately 3,000 pieces of equipment and licensed motor vehicles. Some equipment is used exclusively in the pipeline construction business, such as sideboom tractors and ditching, pipehandling, coating and wrapping machines. The Corporation has designed and holds patents on specialized machinery used in pipeline construction. Equipment is moved from project to project and at times is located at project repair shops and storage facilities located in Toronto and Barrie, Ontario and Edmonton, Alberta. From time to time the Corporation leases or sells its surplus equipment to others.

Competition

Competition in the utility and pipeline construction industry is based on the price of the construction services, the reputation of the contractor for quality and reliability and on equipment availability. The exact number of competitors cannot be reasonably estimated, as that number varies according to geographical area and, depending on the value of the work to be bid, on the financial strength and reputation of such individual competitors. The Corporation recognizes that it must balance the need to avoid significant risks with the necessity of maintaining its competitive position. Competition in this segment is intense.

Employees

Supervisory and key field personnel for the Corporation's utility and pipeline operations are employed on a permanent basis, while other field personnel are employed as required for various jobs.

Utilities has operating agreements with unions which bargain collectively on behalf of all of its hourly-paid field personnel. Union contracts for a number of crafts were re-negotiated successfully by Utilities during 1996 and are now in place until 1998.

Pipelines is party to national agreements with four craft unions having jurisdiction over pipeline construction personnel. Agreements were renegotiated in 1997 for a further three year period.

There have been few work stoppages or slowdowns in the past; therefore, the risks of bidding utility and pipeline construction work on a fixed price basis is reduced.

The number of individuals employed by the utility and pipeline construction and engineering segment varies throughout the year. At year-end there were 314 permanent full-time employees. During the months when divisions have a full complement of field staff the number of employees could exceed 1,600.

Item 2. Description of Property

The Corporation's head office and the offices of civil, building and utilities construction operations are located in a 66,000 sq. ft. office building on a 13.3 acre site owned by the Corporation in Toronto, Ontario. Operations of BFC Pipelines and western Canadian operations of BFC Civil and BFC Industrial - Driver Ltd. are conducted from a 30,000 sq. ft. facility owned by the Corporation situated on a 28.6 acre site at Ellerslie, located near Edmonton, Alberta.

BFC Industrial operates from an 18 acre site in Cambridge, Ontario which includes 10,000 sq. ft. of existing office space, a 100,000 sq. ft. fabrication shop, and an additional 32,000 sq. ft. of fully leased office space. An additional 21 acre site with 10,000 sq. ft. of office and 198,000 sq. ft. of manufacturing space and a 2.1 acre site with 34,800 sq. ft. of fully leased office and shop space is located in Cambridge. IST operates out of this facility. The building has been sold and is scheduled to close on March 24, 1998. IST has agreed to lease-back approximately 60,000 sq. ft. for its operations.

Additional facilities owned by the Corporation include 1.8 acres in Halifax, Nova Scotia. In Ontario, owned sites consist of 5.2 acres (including 900 linear feet of harbour frontage for docking of floating plant and equipment) in Toronto which has been sold and is scheduled to close on May 15, 1998; 3.0 acres in Mississauga which has been sold and is scheduled to close on May 29, 1998; 3.5 acres in the Newmarket area; 4.8 acres in Burlington; 2.8 acres in Brampton; 2.6 acres in Gormley; 19.9 acres in Huntsville which is currently under negotiation for sale to the Province of Ontario; 2.1 acres in Breslau; and 10 acres in Barrie. Frontier leases 12,960 sq. ft. of office space in Lynwood, Washington and Civil leases 1,873 sq. ft. of office space in Laval, Quebec, a suburb of Montreal.

Utilities leases three office-yard facilities in Ontario. In Oshawa there is a 2,300 sq. ft office and 49,000 sq. ft. yard, in Concord there is a 2,000 sq. ft. office and in Weston there is a 600 sq. ft. office, 3,000 sq. ft. inside storage and 57,900 sq. ft. outside storage.

Temporary office, repair shop and storage yard facilities are established at each construction site, usually on land made available by the client. These are dismantled and removed following completion of the contract.

A description of the Corporation's construction equipment is contained in "Item 1. Description of Business."

Item 3. Legal Proceedings

There are no material pending legal proceedings other than claims and litigation primarily arising in the normal course of business primarily for the reimbursement of costs of additional work and additional costs incurred because of changed conditions.

Item 4. Control of Registrant

The information set forth under the caption "Voting securities and principal holders" and "Nominees for election of Directors" on pages 1 and 2 of Exhibit B is incorporated herein by reference.

The registrant is not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Corporation.

Item 5. Nature of Trading Market

The common shares of BFC Construction Corporation are traded on the American Stock Exchange in the United States and the Toronto, Montreal and Alberta Stock Exchanges in Canada. Following is a schedule of high and low share prices, by quarter, for the years ended December 31, 1997 and 1996 on the Toronto Stock Exchange ("TSE") and the American Stock Exchange ("ASE").

a) TSE (in CDN. $)

	Fiscal Year Ended			
	December 31, 1997		December 31, 1996	
	High	Low	High	Low
Quarter ended:				
March 31	17.15	12.00	10.00	7.50
June 30	17.40	15.00	11.35	8.00
September 30	15.50	12.75	11.00	9.85
December 31	16.00	11.00	13.45	9.10

b) ASE (in U.S. $)

	Fiscal Year Ended			
	December 31, 1997		December 31, 1996	
	High	Low	High	Low
Quarter ended:				
March 31	12½	9⅛	7½	5¾
June 30	12⅜	10⅝	8½	6
September 30	10¾	9¼	8 1/16	7⅛
December 31	11½	7½	10	7

As of December 31, 1997, there were 784 holders of record of the Corporation's shares, as shown on the records maintained by the Corporation's Registrar and Transfer Agent. Included in the holders of record are 655 shareholders in the United States, and investment dealers and other nominees domiciled in Canada and the United States which hold shares of the Corporation on behalf of additional beneficial owners.

No dividends were declared during the years ended December 31, 1997, 1996, or 1995.

Item 6. Exchange Controls and Other Limitations Affecting Security Holders

Canada has no system of exchange controls. There are no Canadian restrictions on the repatriation of capital or earnings of a Canadian public company to non-resident investors. There are no laws of Canada or exchange restrictions affecting the remittance of dividends, income, interest, royalties and other payments to non-resident holders of the registrant's securities, except as discussed in Item 7, below.

There are no limitations under the laws of Canada or in the governing instruments of the Corporation on the right of foreigners to hold or vote securities of the registrant, except that the Investment Canada Act may require review and approval by the agency operated thereunder of acquisition of "control" of the registrant's securities by a "non-Canadian". "Control" for such purpose is defined as one-third or more of the issued voting securities. "Non-Canadian" generally means a person not ordinarily resident in Canada, or a corporation, partnership, trust or joint venture that is not Canadian controlled.

Item 7. Taxation

A brief description of certain provisions of the tax convention between Canada and the United States is included below, together with a brief outline of certain taxes, including withholding provisions, to which United States security holders are subject under existing laws and regulations of Canada and the United States; the consequences, if any, of federal alternative minimum taxes or state or province or local taxes are not considered. The information below is general and security holders should seek the advice of their own tax advisors, tax counsel or accountants with respect to the applicability or effect of the matters discussed to their own individual circumstances and also with respect to federal alternative minimum taxes or any state or local taxes.

Under the tax convention between Canada and the United States, with limited exceptions, United States security holders (other than United States corporations holding 10% or more of the voting securities of the registrant) are subject to a 15% withholding tax on any dividends paid by the registrant. The non-resident tax withheld is non-refundable. The tax withheld will not reduce the amount of dividends reportable for United States income tax purposes, but security holders will have the election to either: (a) deduct the tax withheld from adjusted gross income, if they itemize deductions; or (b) offset the tax withheld as a credit against United States federal income tax liability, subject to the applicable limitations on the use of the foreign tax credit.

A United States corporate security holder may avail itself of the 70% dividends received deduction only if it owns 10% or more by vote and value of the stock of the registrant. Further, the 70% dividends received deduction applies only to that portion of the registrant's earnings which is either: (a) effectively connected with a trade or business within the United States and subject to United States income tax; or (b) from dividends of a United States corporation whose stock is 80% owned by the registrant. These conditions have not been satisfied in the past and likely will not be satisfied in the future.

Under the tax convention between Canada and the United States, with limited exceptions, United States corporations owning 10% or more of the voting securities of the registrant are subject to a non-refundable 5% Canadian withholding tax on any dividends paid by the registrant. If such corporations elect to claim the United States foreign tax credit, they are deemed to have paid the Canadian (or other non-United States) income taxes paid by the registrant attributable to a dividend under a formula that takes into account the dividend and both the registrant's undistributed earnings, and the Canadian (or other non-United States) income taxes paid by the registrant with respect to such earnings.

Item 8. Selected Financial Data

The information set forth on page 39 in Exhibit A is incorporated herein by reference. In addition, reference should be made to the "Preliminary Notes", and to Items 6, 7, 9 and 17 herein, and to Note 17 to the Corporation's consolidated financial statements regarding differences between Canadian and United States generally accepted accounting principles.

Item 9. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information set forth on pages 23 to 25 of Exhibit A is incorporated herein by reference.

Reconciliation to United States Generally Accepted Accounting Principles.

The consolidated financial statements incorporated by reference in this Form 20-F have been prepared in accordance with accounting principles generally accepted in Canada, which differ in certain respects from those in the United States. See Note 17 to the Consolidated Financial Statements in Exhibit A for certain reconciliations to accounting principles generally accepted in the United States.

Item 10. Directors and Officers of Registrant

The following table shows the executive officers of the Corporation as of December 31, 1997, their respective ages, the positions held by them in the Corporation, and their business experience in the last five years.

Name, Office Held & Age	Year First Elected or Appointed to Present Office and Business Experience in Last 5 Years
N.A. Harrison President and Chief Executive Officer 56	Appointed President on May 23, 1996 and Chief Executive Officer on February 17, 1997; served as Executive Vice President since April 1, 1993; formerly President and Chief Executive Officer of Majestic Contractors Limited.
G. Kozicz Vice President Corporate Development 36	Served in his present capacity since February 8, 1994; formerly Vice President – Special Projects, Matthews Group Limited from January 1993 to February 1994. From June 1990 to January 1993 served as Chief of Staff and Executive Assistant to a Cabinet Minister of the Canadian Government. Previously he was Senior Advisor at the Department of External Affairs, Canada.
M. Miller Vice President Finance, Chief Financial Officer and Secretary 50	Served in his present capacity since August 2, 1994; Appointed Secretary effective November 1, 1997. Formerly, Senior Vice President Finance and Administration, Residential Group, Bramalea Inc., from March 1, 1992 to January 31, 1994. From December 6, 1971 to February 28, 1992 served in various positions at Coscan Development Corporation, the last one being Senior Vice-President and Treasurer.

The registrant's officers are elected and appointed at the Board of Directors' meeting immediately following the annual shareholders' meeting, to hold such offices until the Board of Directors' meeting following the next annual meeting of shareholders, or until their respective successors have been duly elected or appointed, or until their tenure has been terminated by the Board of Directors, or otherwise. The information set forth on pages 2 and 3 of Exhibit B is incorporated herein by reference.

Item 11. Compensation of Directors and Officers
The information set forth under "Compensation of Directors" and "Compensation of Executive Officers" on pages 6 to 10 of Exhibit B is incorporated herein by reference.

Item 12. Options to Purchase Securities from Registrant or Subsidiaries
The information is set forth under "Compensation of Executive Officers" on pages 6 to 10 of Exhibit B. See Note 12 of Exhibit A for information on outstanding options.

Item 13. Interest of Management in Certain Transactions
Management had no material interest in any transactions of the Corporation, except as disclosed under "Compensation of Executive Officers" on pages 6 to 10 of Exhibit B incorporated herein by reference.

See Note 14 of Exhibit A for information regarding related party transactions. The Corporation believes that the terms of the related party transactions are fair to the Corporation and as favourable to the Corporation as could be negotiated with an unaffiliated party.

PART II

Item 14. Description of Securities to be Registered
None

PART III

Item 15. Defaults Upon Senior Securities
None

Item 16. Changes in Securities and Changes in Security for Registered Securities
None

PART IV

Item 17. Consolidated Financial Statements
The following auditors' report and consolidated financial statements set forth in Exhibit A or Exhibit C, respectively, are incorporated herein by reference.

Item 18. Consolidated Financial Statements and Exhibits
(a) *Consolidated Financial Statements.* See Item 17 for a list of consolidated financial statements incorporated by reference from Exhibit A.
(b) *Exhibits and Exhibit Index.* The following exhibits are filed as part of this annual report and incorporated herein by reference to the extent applicable.

Exhibit	Description	Sequential Page Number
A	1997 Annual Report	1–40
B	Notice of Annual Meeting of Shareholders and Management Proxy Circular dated April 2, 1998	1–11
C	Auditors' Report	1
3	Articles of Incorporation and By-laws	
	1.– Articles and certificate of amalgamation dated January 1, 1991	*
	2.– Articles and certificate of amendment dated June 1, 1994	**
	3.– By-laws	*
10	Material Contracts	
	1.– Employee incentive stock option plan – 1994	**
23	Consent of Independent Chartered Accountants	1

*Incorporated herein by reference to Exhibit 3 to the Corporation's Form 20-F Annual Report for the fiscal year ended December 31, 1992.

**Incorporated herein by reference to Exhibit B to the Corporation's Form 20-F Annual Report for the fiscal year ended December 31, 1993.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this Annual Report to be signed on its behalf by the undersigned thereunto duly authorized.

BFC CONSTRUCTION CORPORATION

(Registrant)

N.A. Harrison(signed)
President and Chief Executive Officer

M. Miller(signed)
Vice President Finance
Chief Financial Officer and Secretary

Date: April 2nd, 1998.

Annual Report 1997

One Vision

One Source

BFC Construction
CORPORATION

BFC Construction Corporation is Canada's largest publicly traded construction company. For nearly a century the Corporation has been delivering the highest standards in construction innovation and integrated project solutions, enabling our customers to achieve their goals. BFC's areas of specialty include civil, building, nuclear, industrial, utilities and pipeline construction, engineering, procurement and construction management.

OUR MISSION

To be the best and most respected single source of project development, construction and maintenance services. In delivering these services, we strive to exceed customer expectations, to create value for our customers' business and to earn an attractive return for our shareholders. We are committed to the following core values:

- **Our foremost priority is safety and concern for the environment**
- **Our greatest strength is our people**
- **Our commitment to quality is unparalleled**
- **Our most valuable asset is our reputation**

Contents

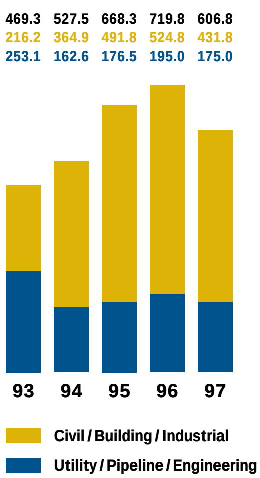
Annual Meeting

The annual meeting of shareholders of BFC Construction Corporation will be held at the Design Exchange, Trading Floor, 234 Bay Street, Toronto, Ontario, Canada at 11:00 a.m. on Wednesday May 20, 1998.

Financial review

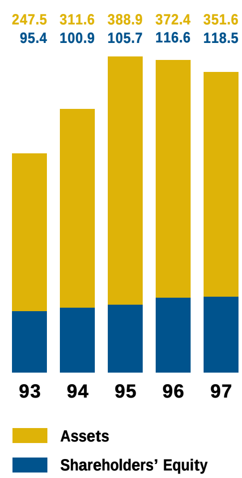
($000 except share information)	Year ended December 31, 1997	Year ended December 31, 1996
Revenue	**$606,823**	$719,780
Net Income	**1,010**	9,088
Assets	**351,569**	372,426
Shareholders' Equity	**118,542**	116,589
Backlog	**751,619**	425,376
Per Common Share:		
Earnings – Basic	**$0.12**	$1.11
– Fully Diluted	**$0.12**	$1.07
Shareholders' Equity	**$14.03**	$13.98
Return on Average Shareholders' Equity	**0.9%**	8.2%
Common Shares Outstanding	**8,446,725**	8,337,085

Revenue
(in millions)

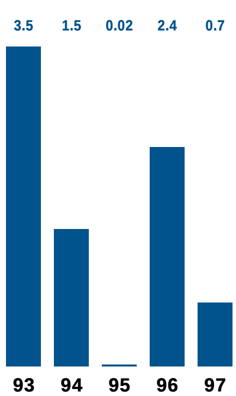


Net Income
(in millions)

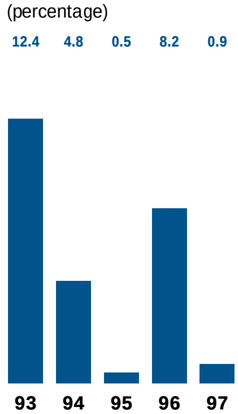
Assets and Shareholders' Equity
(in millions)



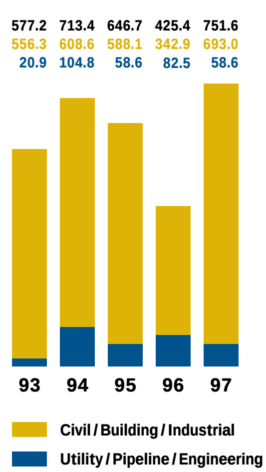
Return on Revenue
(pre tax percentage)



Return on Average Shareholders' Equity
(percentage)



Backlog
(in millions)



BFC at a glance

Civil / Building / Industrial Construction

BFC Civil

Construction and project management of large scale energy developments, subways, bridges, dams, tunnels, highways and airports.

BFC Buildings

General contracting, construction management and design-build services for commercial, retail, institutional, industrial and high-rise residential buildings.

BFC Industrial

Industrial construction and fabrication for mechanical and electrical installations including cogeneration plants and industrial waste treatment facilities.

Utility / Pipeline / Engineering

BFC Utilities

Installation of underground distribution systems for natural gas, electricity, telephone, cable television, fibre-optics, water and sewer lines and construction and installation of traffic signal systems, highway lighting and freeway traffic management systems.

BFC Pipelines

Installation of pipelines, pipeline river crossings, gathering and distribution systems and testing and upgrading of existing pipelines.

BFC Nuclear Managers

Project construction management, procurement and commissioning of nuclear power projects.

BFC Frontier

Construction, general contracting and design-build services for retail, mixed use, institutional, recreational and residential projects.

Innovative Steam Technologies

Manufacture and installation of "Once Through Steam Generators" for power generation and cogeneration plants.

BANTREL Inc.

Engineering, procurement, construction and project management for the petroleum sector.

Shareholder review

In 1997, we were unable to generate the return to our shareholders we had anticipated and planned as part of our 1997 goals. Revenue for the year was $606.8 million, a decrease of 15.7% from 1996 revenue of $719.8 million, resulting in net income of $1.0 million or twelve cents per share as compared to net income achieved in 1996 of $9.1 million or $1.11 per share. This translated to a 0.9% return on shareholders' equity which was significantly below our targets. We have taken the necessary actions required to ensure that our financial results in 1998 and beyond will meet or exceed our expectations.

Increased backlog, a critical element in generating future earnings, was a major objective in 1997. We achieved this objective. We ended the year with a backlog of $751.6 million, an increase of 76.7% from the $425.4 million backlog at December 31, 1996.

In 1997, we achieved one of our primary objectives, increasing backlog by 77% to $752 million.

We did not achieve our earnings objective. Reasons for the decline in 1997's earnings include:

- Reduced volume of work obtained by our Pipeline group
- Major projects substantially completed in 1996 were not replaced until late in 1997
- Substantial bidding costs for major infrastructure proposals
- Incurred a loss in our Industrial group

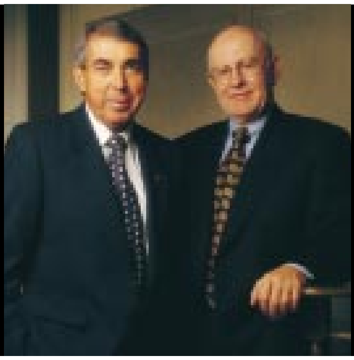
The volume of pipeline work obtained in 1997 declined from 1996. BFC Pipelines was awarded one major project during the year. This reduction significantly decreased Pipelines' contribution to 1997 earnings. Additional contractors entered an already competitive pipeline market increasing competition and further reducing margins. However, expansion in the oil and gas sector across Canada bodes well for BFC Pipelines. Over the next two to three years, several major pipeline projects are planned and we are well positioned to participate in this market.

By the end of 1996, major projects such as Highway 407 north of Toronto, Highway 104 in Nova Scotia and BFC Buildings' work for Nortel in Brampton were more than 80% complete. New projects to replace this work were awarded during the year. BFC's current major project portfolio includes the Canadian Embassy in Seoul, Korea; the China nuclear power project; Sheppard Avenue Subway Tunnels in Toronto; Ferihegy Airport in Budapest, Hungary; and the Windsor Justice Facility in Windsor, Ontario.

During the year, two major toll highway proposals were submitted by Canadian Highways International Corporation ("CHIC"). The Derech Eretz Consortium ("DEC"), in which CHIC has a 30% interest, was successful. DEC submitted a proposal to the Government of Israel for a $1.1 billion toll highway and was recently chosen as the successful proponent to construct the 86 km electronic toll highway east of Tel Aviv. Negotiations are proceeding toward contract execution in the summer. Construction should commence shortly thereafter.

Intense competition, loss of some key staff and fewer major projects contributed to the loss incurred at BFC Industrial. Margins tightened and the need for additional qualified staff increased costs inhibiting profit growth. Modifications were made to procedures and project controls and new staff were hired and trained. These changes, coupled with the growing marketplace in western Canada and southern Ontario provide excellent opportunities for a return to positive results for the Industrial division in 1998.

As part of the Strategic Planning process in 1996, BFC established goals and measurement targets for 1997. Throughout the year we reported regularly to our Board of Directors on our progress and will continue to do so in 1998. We also committed to review these goals annually as part of our planning process to ensure we respond to the needs of the marketplace and economic conditions. On pages 8 and 9 of this Annual Report, we present a review of our 1997 Goals, Successes and Challenges and our new Goals for 1998.



John R. McCaig (l)
Chairman
Norman A. Harrison
President and
Chief Executive Officer

In addition to increasing our backlog, another major objective for 1997 was to establish a more consistent identity. Our name change to BFC Construction Corporation, approved by the shareholders at the Annual Meeting, has been a great success. The new BFC brand is now recognized by customers, employees and other external stakeholders as a single source of construction excellence.

BFC also identified the need to establish a broader geographic presence and to evaluate the Corporation's structure in order to address the rapidly changing market.

In Quebec, an office to service and represent all BFC divisions was opened late in 1996. It will serve to help meet the province's need for renewed and expanded infrastructure facilities. The division was awarded two projects earlier in the year, one of which is already complete. The second, with a value of approximately $5 million, will be completed in 1998. Toward the end of 1997, Construction BFC Foundation Ltée was awarded a $50 million contract for construction of the Ste. Marguerite Powerhouse for Hydro Quebec.

As well as opening an office in Quebec, we expanded industrial operations in western Canada and were awarded significant projects during the year. We also purchased a 75% interest in Tanknology Canada Inc. ("Tanknology").

The JV Driver Group of Companies, now headquartered in Edmonton, was acquired in October and we renamed the holding company BFC Industrial-Driver

Ltd. ("Driver"). Driver is a multi-trade industrial contractor with expertise in pulp and paper, petrochemical, oil and gas, mining and cogeneration. There is expansion planned in western Canada and Driver has had broad experience in that marketplace. By the end of 1997, Driver had been awarded new work in excess of $17 million for Foothills Pipelines (Sask.) Ltd. and Dow Chemical Canada Inc.

Tanknology has patented technologies for testing for leaks in underground storage tanks and lines. "Leaking underground storage tanks are one of Canada's most potentially damaging, yet relatively unknown, environmental problems."[1] Legislation is being enacted across Canada to ensure regular testing of underground storage tanks. Tanknology will service a large portion of that market.

Consistent with our objective to provide the services required to successfully acquire new project development opportunities, BFC's divisions collaborated on several major proposals. We achieved success through partnering with clients and other BFC divisions. This allowed us to meet our customers' need for integrated project proposals.

As we reported last year, Atomic Energy of Canada Limited ("AECL"), executed a contract with the People's Republic of China for two 700-megawatt CANDU reactors. Nuclear Project Managers, in which BFC Nuclear Managers ("Nuclear") has a 31% interest, is a primary supplier of procurement and project construction management services to AECL. Early in 1997, Nuclear finalized its contract with AECL which added over $200 million to BFC's backlog. The project is now under construction.

Consistent with our objective to provide the services required to successfully acquire new project development opportunities, BFC's divisions collaborated on several major proposals.

Engineers Jeff Myhal (l), BFC Industrial; Lynne McArthur, BFC Corporate and Sherman Ladner, BFC Civil; reviewing a project proposal.

Construction of the 1500-megawatt Nathpa Jhakri Hydro-Electric project in northern India continues to be a challenge. BFC Civil, the managing partner with a 45% interest in the Joint Venture, is responsible for construction of 16 km of tunnel and the dam, located 26 km from the powerhouse. The project suffered a setback in August when flash floods hit the area. Fortunately, no Joint Venture personnel were injured but there was significant loss of equipment resulting in production delays. Production resumed close to a month after the floods receded. Also, due to the floods, the supply of aggregate has been cut off from the main access road. Alternate supplies are currently being sourced but concrete production for the dam will not reach the levels originally scheduled for 1998. The Joint Venture partners are planning an aggressive schedule in 1999 to move the project back on target.

As a result of changed geological conditions, the Joint Venture received an interim extension of time to complete the project. Due to these changed conditions significant claims have been submitted to the owner for additional costs incurred. Claims are currently being processed but no significant claim settlements were made in 1997. As well, no income was recorded on this project during the year.

Bantrel Inc. ("Bantrel"), in which the Corporation has a 25% interest, had a very successful year. As a result of the increased amount of work in the petroleum sector

[1] Environment Canada

of western Canada, revenues and earnings were up significantly from 1996 and staff levels are approaching 800 persons, almost a 25% increase from the previous year. Bantrel has sufficient backlog to operate at these levels well into 1999.

At BFC we pride ourselves on the fact that safety and concern for the environment has always been an important objective. To this end, we have made it our number one goal for 1998. Our divisions' safety records have always surpassed the industry averages. In order to promote BFC's continued commitment to this objective each division has a mandate to achieve a safety record at least 25% better than the industry average.

In 1997, BFC Industrial-Nicholls Radtke Ltd. completed one million man-hours without a lost time injury. This is a tremendous accomplishment and exemplifies BFC's commitment to safety and the environment.

After seven years of service Mr. Claes Bjork resigned from the Board. His new responsibilities as President and Chief Executive Officer of Skanska AB preclude him from remaining on our Board. Mr. Stanley Kwok will not be standing for re-election to the Board. Two long-term senior executives retired during the year, as well. Frank A.M. Tremayne after almost 25 years of dedicated service retired as Vice President, Secretary and General Counsel and Bob Marriott retired as President of BFC Pipelines. To these gentlemen and to our current Board of Directors we express our thanks for their many years of service and wise counsel.

At BFC we pride ourselves on the fact that safety and concern for the environment has always been an important objective. To this end, we have made it our number one goal for 1998.

Doug Steels (l), BFC Civil; Mahmoud Hirji and Rob Ennis, BFC Buildings; reviewing a Sheppard Avenue Subway Station proposal.

BFC employees are our most valuable asset and they continued their exemplary performance in 1997. Our backlog increased significantly and without their efforts we would not have met that challenge.

We believe BFC is well positioned to meet the challenge of the new marketplace. Opportunities in 1998 and onward are exciting. We have a comprehensive strategy to capitalize on the many new opportunities which is reflected in our 1998 Strategic Plan. Our challenge will be to capture these opportunities so that we grow profitably and provide a fair return to our shareholders.

N.A. Harrison
President and Chief Executive Officer

J.R. McCaig
Chairman of the Board

Corporate objectives

1997 Goals	Achievements
Enhance work acquisition capability by establishing a broader geographic presence and a more consistent identity.	Corporate identity initiative creating the BFC brand completed. Multi-disciplinary offices opened in Quebec and Alberta. Both offices were awarded work in 1997. BFC Civil & BFC Industrial increased marketing resources in the Maritimes and in western Canada. Civil and Bantrel were awarded the Hibernia Transshipment Terminal alliance contract. International business development focused on work for Canadian clients. BFC Civil awarded contract to expand international airport in Budapest, Hungary and construct Canadian Embassy in Seoul, Korea. BFC Nuclear Managers awarded contracts for China nuclear power project.
Improve the quality, cost and efficiency of selected administrative and support services used jointly by all business units.	Accounting and administrative services for BFC Construction Corporation, BFC Civil and BFC Buildings were combined. Information Technology services were rationalized and reorganized. Committees to improve effectiveness of Business Development, Safety, Major Purchases, Risk Management and Information Technology were formed and all divisions are represented on each. A more comprehensive procedure for reviewing and administering contract and commercial risk was developed.

1998 Goals

Promote BFC's safety culture and concern for the environment. Achieve safety records in each division at least 25% better than their respective industry averages.

Enhance Shareholder Value by managing corporate and divisions to ensure return on equity exceeds our cost of capital.

Improve financial performance of all business units.

Backlog increased to $752 million at December 31, 1997 from $425 million at December 31, 1996.

Lower than expected earnings occurred at BFC Pipelines and BFC Industrial – Nicholls Radtke incurred a loss.

Ensure that the Corporation is appropriately organized with the capabilities necessary in the business units to achieve the Corporate mission.

The purchase of a 75% interest in Tanknology Canada Ltd. and the purchase of The JV Driver Group of Companies were completed in the year to take advantage of new opportunities.

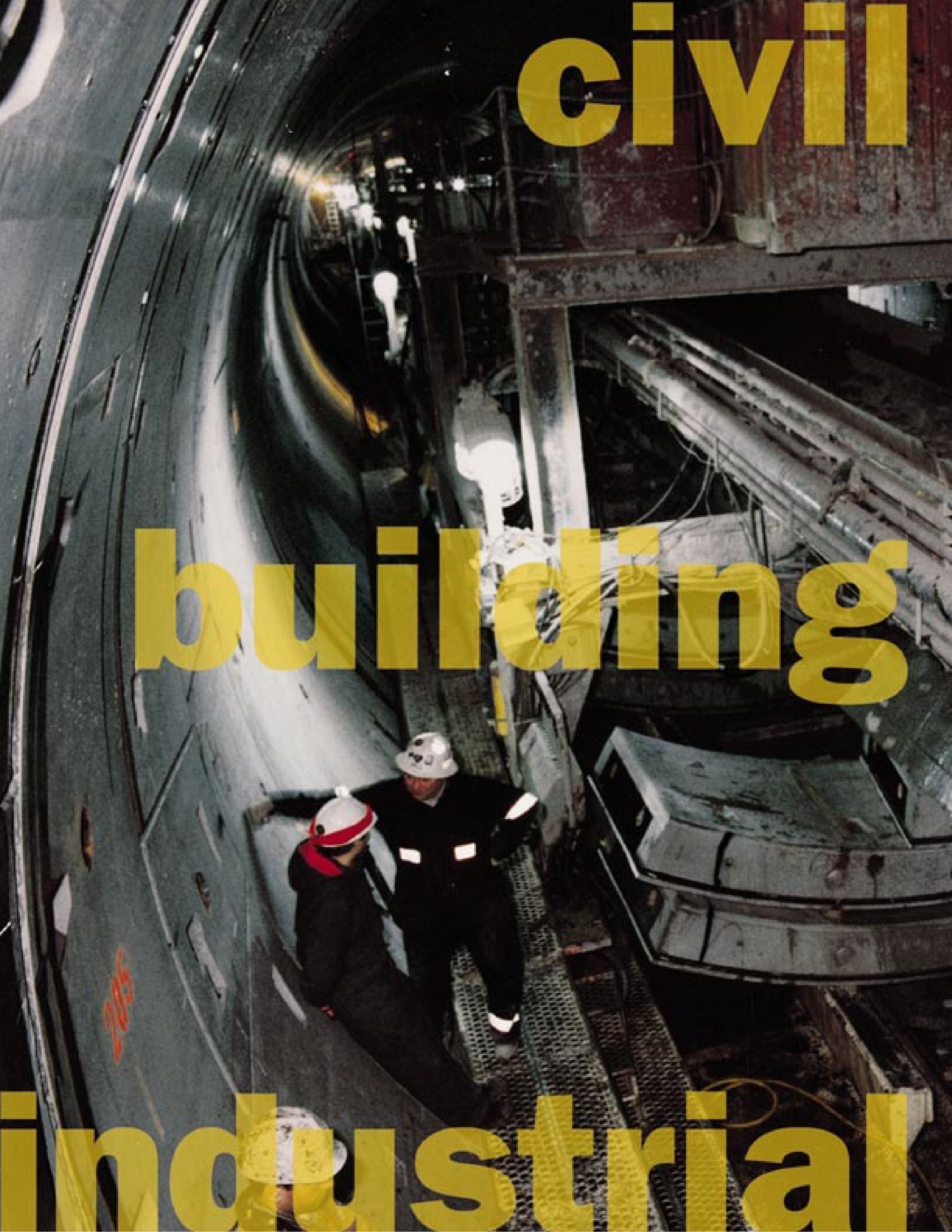
Recognizing the changing marketplace and the need to bring new skill sets to leadership positions, senior staff changes occurred in the year at BFC Buildings, BFC Frontier, BFC Industrial – Nicholls Radtke Ltd., BFC Pipelines and at the corporate office.

Increase capabilities to identify and assess new project development opportunities and to provide the services necessary to achieve project success.

BFC divisions formed several multi-divisional project teams to pursue projects. Successes were achieved including the award of a major project for Hydro Quebec.

Capture increased market share while maintaining profitable backlog of at least one times revenue.

In each division achieve a gross margin in excess of the industry average while maintaining overhead in the bottom quartile of standard industry measures.


civil
building
industrial


Backlog
(in millions)
556.3
608.6
588.1
342.9
693.0
93
94
95
96
97

Operations review

Civil / Building / Industrial Construction

BFC Civil made great strides in 1997 to expand its area of operations.

International risks and objectives were redefined with the commitment to pursue and obtain work only with Canadian clients, financing or sponsors.

This focus successfully led to the award of the Canadian Embassy in Seoul, Korea and Ferihegy Airport in Budapest, Hungary. The embassy is in the early stages while the airport expansion project is proceeding well with over 30% of the project completed at year end.

This year also saw the realization of our goal to re-establish a firm presence in Quebec.

1 Nathpa Jhakri power project in India. Cableway machine house construction at right bank of dam.
2 Construction of extension at Ferihegy Airport, Budapest, Hungary.

A regional office was established in the Montreal area and a concerted effort made to penetrate the growing marketplace. Two contracts valued at $6 million were awarded to construct a sewage outfall in Laval and a water treatment plant in Gaspé. The first contract was completed in October, on time and under budget. In late December, a contract valued at approximately $50 million was awarded by Hydro Quebec for construction of the Ste. Marguerite underground powerhouse.

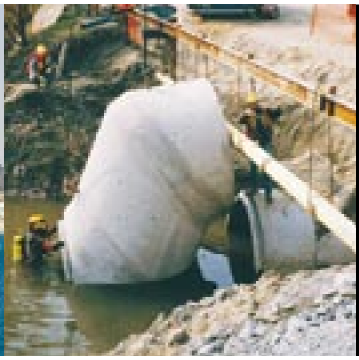
We continue to reinforce and enhance our marketing efforts in the Maritimes from our Halifax office. The Sable Island gas project now has the go ahead and we have already been awarded a $3 million material handling wharf for this project to be constructed near Halifax, Nova Scotia.

In Newfoundland, an alliance was formed with Newfoundland Transshipment Terminals to construct the Hibernia Oil Transshipment Terminal facilities. The work is proceeding on budget and on schedule with an exemplary safety record. This project complements the overall safety performance of other BFC Civil projects, which averaged less than 50% of industry injury frequency rates in 1997.

The Highway 407 toll project in Ontario and Highway 104 in Nova Scotia both achieved excellent progress in 1997. Highway 407, Phase One was opened on schedule in the summer, and a major portion of the Phase Two section was opened for traffic in December, one year ahead of schedule. Highway 104 was completed and also opened to traffic ahead of schedule in November.

The Derech Eretz Consortium in which Canadian Highways International Corporation has a 30% interest was recently selected by the Government of Israel as the successful bidder to build the Cross Israel highway. The $1.1 billion, 86 km toll road traverses a north-south route east of Tel Aviv. Negotiations are proceeding toward a final contract, which could take four to five months to complete. Construction will begin shortly thereafter and will be completed in approximately four years.

On the Nathpa Jhakri project in India, the owner has acknowledged delays and granted time extension to both contracts being executed by the Joint Venture in



1 Wolsong nuclear power project units 1-4, South Korea. 2 Sewage outfall construction in Laval, Quebec by Construction BFC Foundation Ltée.

which BFC Civil has a 45% interest. Claims for additional costs incurred as a result of delays, changed conditions and changes to the contract are being reviewed by the owner in a more favourable light following numerous meetings with both the local Power authority and the World Bank who is financing a portion of the project.

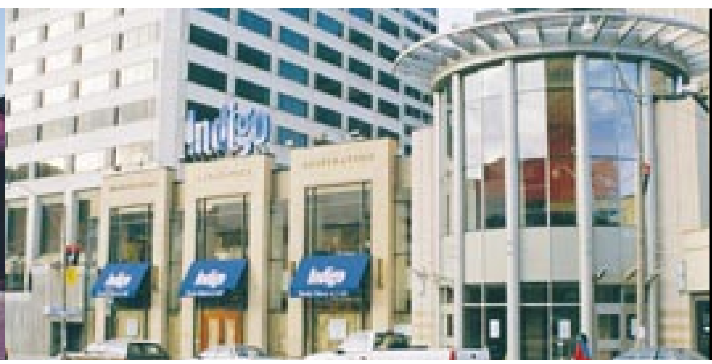
Improvements to project delivery systems, more training and growth of market share will advance us toward our goal of being 'the Contractor, Partner and Employer of Choice.'

BFC Civil working with other BFC divisions foresees tremendous opportunities to strategically position ourselves in the pursuit of projects requiring the combined expertise of our sister companies. We are confident that our focused cross marketing efforts in 1998 will result in increased work volumes in Ontario, Quebec, the Maritimes and in western Canada.

BFC Nuclear Managers maintained its successful ongoing project and construction management activities in Canada and overseas through its 31% interest in NPM Nuclear Project Managers Canada Inc. ("NPM").

In 1997, NPM signed subcontracts with Atomic Energy of Canada Limited ("AECL") to supply equipment and provide site project, construction and commission management for two 700-megawatt CANDU nuclear power plants in Qinshan, China, approximately 125 km southwest of Shanghai. The total value of these contracts to BFC Nuclear Managers is approximately $229 million. The project is now under construction with Units 1 and 2 scheduled to be in service in 2003. NPM will provide on-site project, construction and commissioning management for the nuclear and non-nuclear portions of the plant, including liaison and support for the Chinese construction contractors. As well, it will be responsible for procurement of equipment and materials and the administration of AECL's subcontracts with equipment suppliers for the nuclear portion of the plant.

NPM continued its procurement and on-site owner support services for Wolsong Units 2, 3 and 4, three 700-megawatt CANDU nuclear power plants being built in South Korea. Wolsong 2 started commercial operation on schedule in 1997, a



1 Harvard Market in Seattle, Wa. constructed by BFC Frontier.
2 Indigo Bookstore interior and exterior construction, part of Yonge Eglinton Centre retrofit completed by BFC Buildings.

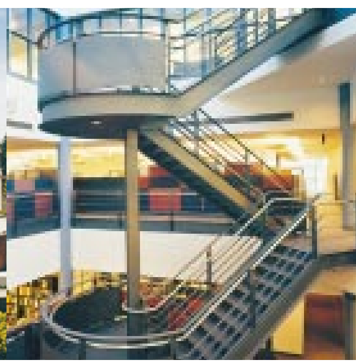
record 57 months from first concrete to in-service for a CANDU 6. Wolsong 3 and 4 are proceeding on schedule with targeted completion dates in 1998 and 1999, respectively.

BFC Buildings The year was one of change for the Buildings Division. Our name transition went according to plan and has been received positively both internally and externally. Larger projects from both public and private sectors did not proceed as planned and most have shifted into 1998 and 1999 construction execution windows. However, there were many smaller projects available and though volume was less than in 1996, activity was hectic and results were positive.

The goals of securing two thirds of volume through negotiated undertaking and the other one third through the competitive tender process were both achieved. Our internal reorganization to further enhance BFC Buildings' 'Customer Focused' operations has met most expectations included in our 1997 Strategic Plan. Our 1998 Strategic Plan targets further efforts in emphasizing the need to serve both internal and external customers along with significant improvements to our project delivery systems, more staff training and growth of market share. These changes will advance us toward our goal of being 'the Contractor, Partner and Employer of Choice'.

Our pursuit of the Design/Build market came to fruition this year with fully one quarter of our volume being delivered by this method. Work included an eleven cinema state-of-the-art complex in Scarborough for Cineplex Odeon, renovation and conversion of The Toronto Stock Exchange trading floor to offices, renovation of the Don Mills Shopping Centre, renovation and alterations to a 130,000 sf complex in Mississauga for NORTEL's Customer Service Operation Relocation, plus several smaller projects.

A province-wide Maintenance and Facility Alteration Alliance was contracted with the Workers' Compensation Board of Ontario which covers all office renovation services and may be expanded to cover construction modifications to disabled workers' homes. Its duration extends for three years and should provide experience that will allow expansion in this sector to other customers. Synergies



1 University of British Columbia's Walter Koerner Library. 2 Interior of Steltech Limited addition. 3 Joseph L. Rotman Building, Faculty of Management, University of Toronto.

developed through other BFC divisions have allowed us to participate in other alliance opportunities.

BFC Buildings achieved a zero lost time accident record for 1997. Safety remains an utmost priority on all projects. The Teamwork Award from NORTEL World Real Estate Group was presented to the Brampton Consolidation Team for which BFC Buildings shared recognition for partnered efforts in meeting the challenges required to have NORTEL's headquarters occupied in late 1996.

We are confident that our focused cross marketing efforts in 1998 will result in increased work volumes in Ontario, Quebec, the Maritimes and in western Canada.

The backlog entering1998 is more than double the starting point in 1997. The construction market appears to be robust but resources could become strained should all planned work proceed. Retail construction, entertainment venues, airport redevelopment, commercial offices and public sector work should all be available in significant volumes. The outlook for our business through 2000 should be viewed with guarded optimism. BFC Buildings is positioned to seize the opportunities.

BFC Frontier Inc. Project timelines were a moving target in 1997, with several projects put on hold, causing start dates to slide six months or more. Frontier's reputation in the retail sector helped fill in work when other projects were delayed.

Frontier's retail presence in Washington State is undiminished with projects in Seattle, Bellevue, Kingston and Spanaway; all for repeat clients and a new shopping center near Camano Island for a new client. In addition to the retail projects in 1997, successes were achieved in markets that capitalize on demographic changes being experienced in the Pacific Northwest. These projects include two Latter Day Saint Churches, a multi-family residential development in Seattle and a home for the aged in Central Oregon. Frontier's reputation for trust and commitment has contributed to its continued success in the Native American community with projects in different phases in Washington, Idaho and California.

1 Piping installation of compression station in northern Ontario. 2 Pipe fabrication completed at BFC Industrial's shop facilities in Cambridge, Ontario.

BFC Frontier is continually searching for the best way to deliver value, including an award winning safety program with no lost time injuries in 1997, active recruiting and training in the Native American community, and a BFC Frontier warranty team dedicated to immediate response and issue resolution.

BFC Frontier enters 1998 with backlog under contract in excess of 75% of the total year's forecast and the infrastructure in place to successfully execute the work.

BFC Industrial is a multi-trade construction group based in Cambridge, Ontario and Edmonton, Alberta. The group has fabrication, modularization and construction expertise in the industrial, cogeneration, automotive, pulp and paper, forest products, petrochemical, oil and gas, and mining industries.

BFC Industrial-Nicholls Radtke continues to be very active in the industrial and automotive markets. Activities are currently focused in Ontario and on selected projects in the United States, the latter prompted by the encouragement of established Canadian-based customers. BFC Industrial-Nicholls Radtke also continues to build on its widely acknowledged expertise as an EPC contractor and constructor of gas-fired power projects.

The acquisition of The JV Driver Group of Companies in 1997 significantly strengthens and expands BFC's capabilities in the four western provinces. Recent bookings include important contracts for mechanical and electrical work associated with petrochemical and compressor station installations. In addition to these industries, BFC Industrial-Driver has extensive expertise in the forest products, and pulp and paper industries, and has strong capabilities in the materials handling and mining sectors.

Safety will continue to be a priority for BFC Industrial. The group will strive to build on the extraordinary performance levels achieved in 1997, which included achieving 1,000,000 hours of work with no lost time injuries and a lost time injury frequency 89% below the industry average.

1 BFC Industrial supplied and installed a 13.8-240 kv step-up transformer station at a Whitby, Ontario Cogeneration plant.

2 Innovative Steam Technologies erecting the 40 mw Southdown Cogeneration Plant in Southdown, New Zealand.

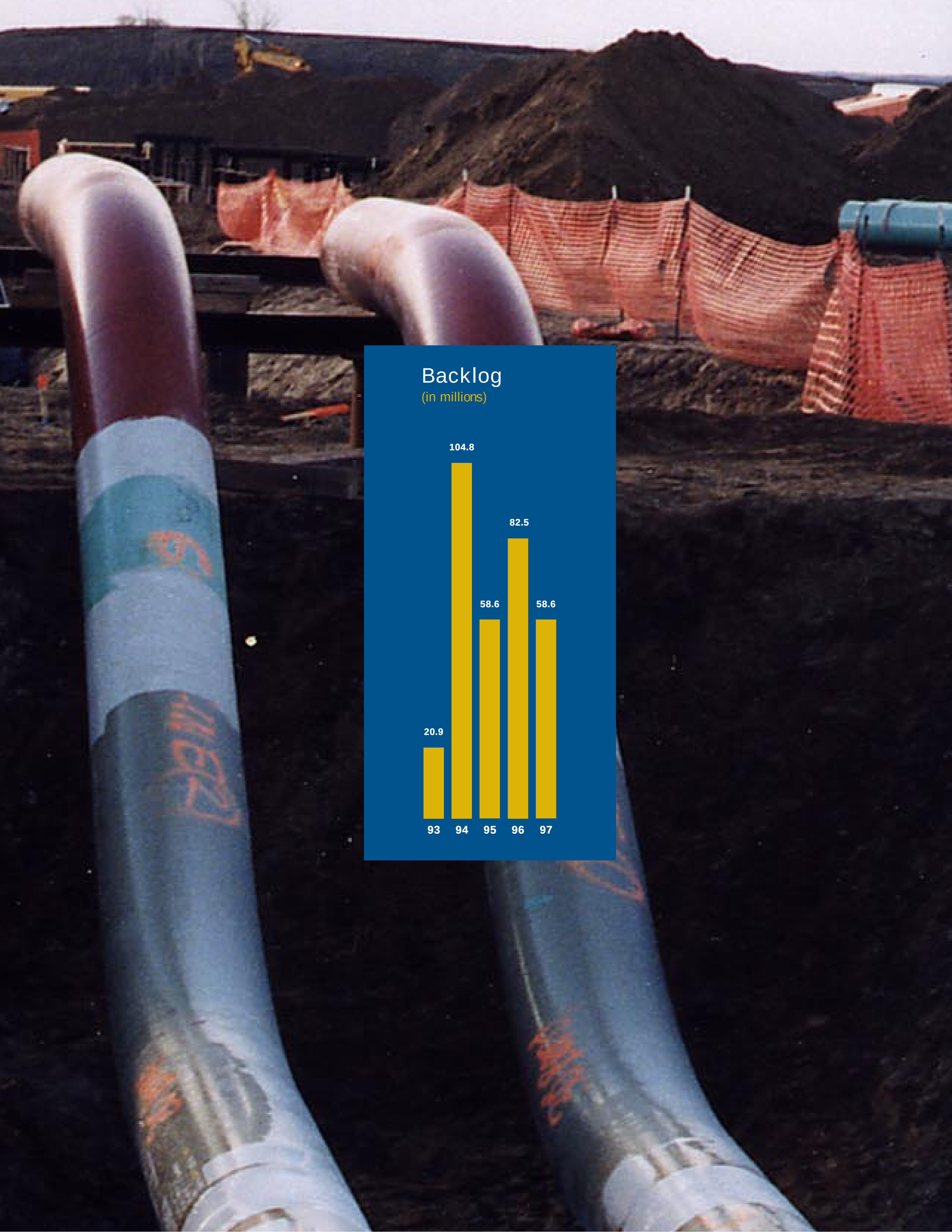
The number of business opportunities available to the Company is expected to increase considerably in 1998. BFC Industrial will capitalize on this by enhancing the service we provide to our key customers and by selectively pursuing attractive projects in the traditional industry sectors.

In 1997, BFC Industrial achieved 1,000,000 manhours of work with no lost time injuries.

Innovative Steam Technologies ("IST"), a division of BFC Industrial – Nicholls Radtke, designs and builds steam generators that offer considerable advantages over traditional drum type boilers in power and cogeneration applications.

The earlier plan to sell IST has been rescinded, a decision prompted by the encouraging outlook for the cogeneration market and the growing recognition in the marketplace of this product's unique design and operating benefits. This decision has been received positively by both our employees and our customers, as evidenced by two recent bookings from TransCanada Power for a project in Ontario and Ishikawajim-Harima Heavy Industries (IHI) for a project in Taiwan.


utility
pipeline
engineering


Backlog
(in millions)
20.9
104.8
58.6
82.5
58.6
93
94
95
96
97

Operations
review

Utility / Pipeline / Engineering

BFC Utilities 1997 was a year of transition for BFC Utilities. The division completed the major portion of its contract to install high mast lighting and sign and tolling equipment gantries for Highway 407 one year ahead of schedule. As well, a thirteen kilometre, small diameter gas pipeline was constructed for a client based in southern Ontario. In Toronto, BFC Utilities negotiated a contract with Metronet to install fibre optic cable in abandoned water lines for a private network in the downtown area.

BFC Traffic Technology, which began operations as part of the Highway 407 work execution, expanded operations. Several new customers awarded work to the division, more than tripling its revenue from the previous year. More emphasis was

1 BFC Utilities crew installing concrete encased conduit for Toronto Hydro. 2 Light standards installed on Highway 407, Ontario's first all electronic toll highway. 3 Directional drilling equipment in use in a Toronto suburb. Directional drilling reduces rectification work in residential areas.

put on quality and a QA/QC program was implemented which helped differentiate Traffic Technology from its competitors.

Early in 1997, a 75% interest was purchased in Tanknology Canada Inc. ("Tanknology"). Tanknology has patents for non-destructive testing and monitoring of underground liquid storage tanks. New regulations requiring mandatory testing of these underground tanks are imminent and Tanknology has the necessary skill sets and equipment to service the market across Canada.

The changing marketplace for utility distribution and maintenance has necessitated changes at BFC Utilities. Owners are demanding more service at lower costs and, therefore, margins have tightened. As in other BFC divisions, the customer is our primary focus. New systems are currently being designed and tested to allow customers direct inquiry into the Utilities' division operating system to review job progress. These and other innovations in field operating systems keep BFC Utilities as the premier provider of underground utilities construction and services in Canada.

BFC Pipelines In 1997, the pipeline construction industry in Canada continued to operate significantly below capacity. This fact combined with an extremely competitive bidding environment, resulted in lower than anticipated work volume for the division.

1997 marked the successful completion of two major projects – TransCanada PipeLines mainline looping at Kenora, Ontario and Falcon Lake, Manitoba as well as fabrication and retesting at their Nipigon, Ontario site. Current projections are for an increased level of activity over the next two to three years. Projects are planned in Atlantic Canada, northern Alberta (Fort McMurray and Cold Lake to Edmonton and Hardisty), southern British Columbia and across the Prairies.

In tendering a number of major projects in the last half of the year several new strategies were being employed by pipeline owners to secure pipeline construction services for large projects anticipated to be constructed in 1998 and 1999. These strategies include tendering as much as one year in advance of actual construction as well as moving toward Target Pricing and Partnering. BFC Pipelines is currently involved in the tendering process for a number of projects in Canada which

1 Pipeline construction for TransCanada Pipelines in northern Ontario. 2 Welding huts on a major pipeline project constructed by BFC Pipelines.

include the formation of strategic alliances early in the project's evolution. With increasing levels of activity in pipeline construction, we anticipate more work to be secured in this manner in the future. Because we have the ability to draw on the experience and resources of other BFC divisions, BFC Pipelines is well positioned in the industry to take advantage of the trend toward new methods of project delivery.

New systems are currently being designed and tested to allow customers direct inquiry into the Utilities' division operating systems to review job progress.

1998 marks the 50th anniversary of BFC Pipelines. In the past 50 years the division has constructed more than 100,000 km of pipelines in Canada and internationally. We have built pipelines in such diverse locations as Canada's Arctic as well as in the deserts of Saudi Arabia, challenged by river crossings, mountainsides and muskeg. It takes the dedication and perseverance of our employees to meet these challenges and we thank them for their continued support. With their help we hope to continue our success for many years to come.

Bantrel 1997 was by far Bantrel's best ever year of operation. Growth, profitability and new work booked were significantly over business plan targets. The company grew from 500 to 800 employees and is very well positioned for the high level of activity projected in the petroleum/petrochemical sector through 2001. Four major construction sites peaked in 1997 and currently Bantrel has construction management responsibility for over $1.3 billion worth of Canadian projects.

The Edmonton office had a very successful year in 1997 growing to over 120 people. Early in 1997 an office was opened in Fort McMurray which has been well received by clients.

New clients were added to the customer base, and in 1997 services were provided to a total of twenty-six companies. Major awards included petrochemical projects for NOVA and Union Carbide in the Red Deer Alberta area, Project Management for Shell's $1.8 billion Lease 13 Downstream Oilsands development, and the lead engineering/procurement contractor on Suncor's $2 billion Millennium Project

1 BFC Pipelines overcomes major obstacles such as mountainous terrain and river crossings in executing its work. 2 Welding large diameter pipe. 3 Syncrude Coker Stretch Project, design engineering by Bantrel Inc.

expansion. Repeat business from long term clients such as Imperial Oil, Texaco and Suncor, as well as successful development of new relationships with TransCanada Pipelines and Nova Chemicals, played a key role in our success.

During 1997 the formation of the Bantrel Group was finalized. The Bantrel Group utilizes the combined resources of Bantrel, BFC Construction Corporation and Bechtel Construction to pursue large Engineer, Procure and Construct ("EPC") assignments. This concept has been introduced to many of our key clients with a very favourable response.

Bantrel will be celebrating its 15th year of operation in 1998. The Company enters the year with the highest backlog ever and a 42% increase over 1996's year-end backlog. Management and staff look forward to the 1998 project execution challenges with a sense of pride in what has been accomplished and keen anticipation of what lies ahead.

Management's
discussion and analysis

Results of Operations

The following table provides selected revenue and expense items from the Corporation's consolidated statements of income stated as a percentage of construction and services revenue for the three most recent fiscal years. This table together with business segment information provided in Note 16 to the Corporation's consolidated financial statements will be referred to in the discussions that follow.

	1997	1996	1995
Construction and services revenue	**100%**	100%	100%
Operating expense	**92.2**	92.5	95.4
Project gross margin	**7.8**	**7.5**	**4.6**
Other revenue	**0.3**	0.6	1.0
General and administrative expense	**5.3**	3.9	3.6
Income tax expense	**0.5**	1.1	0.1
Net income	**0.2**	**1.3**	**0.1**

Construction and services revenue for 1997 decreased 15.4% to $605 million from $716 million in the prior year. Net income for 1997 decreased 88.9% to $1.0 million compared to $9.1 million for 1996.

Of the Corporation's two segments, the Civil/Building/Industrial segment experienced the greatest reduction in revenue to $432 million in 1997 from $525 million in 1996. Several factors account for this decrease.

First, this segment commenced 1997 with a low backlog of work of $343 million due to the substantial completion of major projects during 1996. Projects such as the first phase of the Highway 407 toll road in Ontario, the Highway 104 toll road in Nova Scotia, the Whitby, Ontario cogeneration plant, and several major building projects were substantially completed in the prior year with revenue decreasing from these major projects in 1997.

Second, although significant replacement work was obtained during the year improving the backlog of work to $693 million by the end of 1997, these new projects were awarded late in the year preventing the accomplishment of sufficient progress and significant income recognition for 1997. New projects such as the Ferihegy Airport terminal in Budapest, Hungary; the Canadian Embassy in the Republic of South Korea; the CANDU nuclear power plants in Qinshan, China; and the Windsor Courthouse in Windsor, Ontario were started in the latter part of 1997 and will not have a significant revenue impact until 1998 and future periods.

In addition, revenue from commercial and institutional building construction decreased due to the final closure in early 1997 of Foundation Building West operations in British Columbia. Much of this activity has been refocused toward Ontario, Alberta and the U.S. Pacific Northwest, where provincial and state economies are expected to expand more rapidly.

The Utility/Pipeline/Engineering segment experienced a 10% decline in revenue to $175 million in 1997, compared to $195 million in 1996. During 1997, growth in engineering and project management within the petroleum sector in western and eastern Canada experienced by Bantrel Inc. partially offset the decline in pipeline revenue. Pipeline activity during 1997 resulted from the substantial completion of several projects awarded in 1996 by TransCanada Pipelines in Saskatchewan, Manitoba and northern Ontario. Although several major pipeline proposals have been announced for western and eastern Canada, new pipeline work is not expected to be obtained until after the spring of 1998.

Corresponding to the decline in construction and services revenue, consolidated operating expense declined 15.7% to $558 million in 1997 compared to $662 million for 1996. For 1997, both construction segments experienced a reduction in operating expense in proportion to the reduction in construction and service revenue.

As a result, the overall project gross margin percent reported in the table above remained relatively unchanged at 7.8% for 1997 compared to 7.5% for 1996. However, in 1997, this margin calculated as construction and services revenue less operating expense, decreased $6.7 million to $47.0 million from $53.7 million in the previous year, providing a lesser contribution to the recovery of fixed costs and overheads than for 1996.

At the Nathpa Jhakri Hydro-Electric project in northern India, in which BFC Civil has a 45% interest in two construction contracts, changed conditions continued to delay construction. During 1997, flash floods resulted in work stoppages and equipment losses; however, construction activity resumed after the waters receded. Significant claims have been submitted to the owner for costs incurred due to changed conditions and for extensions of time. Although negotiations on these issues have not yet resulted in a firm agreement, interim extensions of time have been granted. To date, income has not been recorded on the project and at this time it cannot be determined if income will be recorded in 1998.

Other revenue decreased $2.5 million to $1.7 million for 1997 compared to $4.2 million for 1996, primarily due to a reduction in interest income and a reduction in gain on sale of fixed assets. Compared to 1996, interest income for 1997 decreased 37% or $1 million to $1.8 million, primarily due to a 42% reduction in cash and short-term deposits referred to below. During 1997, losses on sale of property and a write-down on the reclassification of a property to assets held for resale by BFC Industrial substantially offset gains on sale of redundant construction equipment by BFC Pipelines. For 1996, all divisions experienced gains on disposal of equipment.

For 1997, general and administrative expense increased $4.4 million or 15.9% to $32.0 million compared to 1996. Much of this increase was attributable to the Civil/Building/Industrial segment's share of proposal costs for New Brunswick and Israel toll highways together with Industrial's fabrication and bid costs which were higher than expected. Subsequent to 1997, Derech Eretz Ltd., the consortium for the Cross Israel Highway in which BFC Civil has approximately a 7.5% interest, was selected as the preferred bidder to design, build, finance and operate an 86 km toll highway east of Tel Aviv. Costs were also incurred to take advantage of strong regional growth by expanding geographically. The Corporation opened a new office in Laval, Quebec and expanded offices in Edmonton, Alberta and Halifax, Nova Scotia. Also included in general and administrative expense is BFC Utilities' $0.9 million of expenses resulting from the February 1997 acquisition of Tanknology Canada Inc., a company specializing in leak detection and ancillary services to operators of fuel storage facilities.

Income tax expense in 1997 of $3.2 million represents an effective tax rate of 77.3%. This compares to tax expense of $7.8 million with an effective tax rate of 45.4% for 1996. Tax expense as a percent of income before tax for 1997 was disproportionately high because income before tax includes expenses not deductible for tax purposes, such as goodwill. Income tax also includes additional taxes based on capital of the Corporation and its operating entities. As well, income tax in 1997 is calculated on a lower earnings base than in 1996. 1996 tax expense included similar adjustments, but also had other offsetting adjustments, either not available or not required for 1997, such as losses carried forward not previously recognized, deduction of Canadian development expenses and prior year's tax reassessments.

Financial Condition

Working capital, the difference between current assets and current liabilities, decreased $8.9 million to $92.3 million at December 31, 1997 from $101.2 at the end of the previous year. The working capital ratio, the ratio of current assets to current liabilities, remained at 1.50 to 1 for 1997 the same as it was at year-end 1996. A ratio of 1.25 to 1 is considered reasonable for our business. Some of the main changes to working capital items resulting in the current year's working capital decrease are described below.

Cash and short-term deposits decreased from $99.7 million at the end of 1996 to $57.8 million at December 31, 1997. Cash was used during 1997 primarily to purchase $16 million of construction equipment, repay $22.4 million of BFC Industrial bank debt and to finance the increase in operating activities toward the latter part of 1997. Surplus cash is invested in either government guaranteed or bank guaranteed securities.

New work, which commenced toward the latter part of 1997, has resulted in increases in accounts receivable and deferred contract costs and unbilled revenue exceeding the net decrease in accounts payable and unearned revenue and contract advances.

Other current assets increased $6.3 million to $8.8 million at December 31, 1997 due to the reclassification of a BFC Industrial property to assets held for resale. An agreement of sale was executed in December 1997 for this property with the closing of the sale to take place during the first quarter of 1998.

The lower construction activity throughout most of 1997 compared to 1996 has reduced the requirement for equipment overhaul and spring cleanup provisions. This is the primary reason accrued liabilities decreased $7.3 million to $14.6 million at December 31, 1997.

In June 1997, banking arrangements for the Corporation and BFC Industrial were combined, increasing the Corporation's revolving term credit facility from $75 million to $100 million. At that time the BFC Industrial current and term debt was repaid resulting in a $7.3 million decrease in long-term debt to $42.6 million at December 31, 1997.

Liquidity and Capital Resources

The Corporation's major sources of capital are secured debt, unsecured debt and equity. At December 31, 1997, there was $57.8 million of cash available plus an additional $47.2 million of unused lines of credit. Both the revolving term credit facility and senior unsecured note facility have financial covenants which have been met throughout 1997.

As well as financing the Corporation's day-to-day operating needs, the revolving term credit facility provides letters of credit which may be required to secure advance payments or performance guarantees, usually for international projects where surety bonds are a less acceptable business practice. As well, banks in foreign jurisdictions may require guarantees in the form of letters of credit to guarantee working capital which they have provided to the Corporation. As at December 31, 1997, there were $43.4 million of letters of credit outstanding, the majority of which were for the Nathpa Jhakri Hydro-Electric project to guarantee advance payments, performance and working capital. Of this amount $15.5 million (1996 – $21.7 million) is included in current liabilities in the Corporation's consolidated financial statements.

Contingencies

Depending on the availability of cash resources, prevailing interest rates, availability of equipment and other factors, the Corporation may lease equipment, usually by way of operating leases. At December 31, 1997, there were commitments under these types of leases totalling $17.1 million compared to $26.5 million outstanding at December 31, 1996.

Additional contingent liabilities include letters of credit as discussed above.

In the normal course of its business the Corporation may be required to provide clients/owners with bonds which guarantee contract performance or guarantee the payment of certain labour and material. During its long history, the Corporation has never had a bond called.

During 1997, the Corporation initiated a review of its state of readiness for the Year 2000 issue which, if not corrected, may result in the failure of computer applications or create erroneous results by or at the year 2000. This review of operating and information systems and equipment used is ongoing and is expected to be complete before the end of 1998. Preliminary results of the review to date indicate that since the Corporation's main application systems use a four digit year code, the Corporation does not expect the Year 2000 issue to have a material effect on its future financial results or cause its reported financial information not to be indicative of future operating results or future financial condition. The Corporation has not incurred significant costs to date on this matter and does not expect to incur significant costs in the future. The Corporation has expensed all such costs related to the Year 2000 issue.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of BFC Construction Corporation and all the information in this Annual Report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and considered to be the most appropriate in the circumstances. The consolidated financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the Annual Report and has ensured that it is consistent with that in the consolidated financial statements.

BFC Construction Corporation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Corporation's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board and its members are independent directors. The Audit Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues to satisfy itself that each party is properly discharging its responsibilities, and to review the Annual Report, the consolidated financial statements and the external auditors' report. The Audit Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders.

The Audit Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited by Ernst & Young, the external auditors, in accordance with generally accepted auditing standards on behalf of the shareholders. Ernst & Young has full and free access to the Audit Committee.

N.A. Harrison
President and Chief Executive Officer

M. Miller
Vice President Finance, Chief Financial Officer and Secretary

Toronto, Canada,
February 16, 1998.

AUDITORS' REPORT

To the Shareholders of BFC Construction Corporation:

We have audited the consolidated balance sheets of BFC Construction Corporation as at December 31, 1997 and 1996 and the consolidated statements of income, retained earnings and changes in cash resources for each of the years in the three-year period ended December 31, 1997. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1997 and 1996 and the results of its operations and the changes in its financial position for each of the years in the three-year period ended December 31, 1997 in accordance with accounting principles generally accepted in Canada.

Ernst & Young
Chartered Accountants

Toronto, Canada,
February 16, 1998.

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31 (Cdn. $000)	Notes	**1997**	1996	1995
Revenue:				
Construction and services		**605,105**	715,568	661,796
Other	15	**1,718**	4,212	6,508
		606,823	719,780	668,304
Expenses:				
Operating		**558,118**	661,890	631,596
Depreciation		**7,396**	7,238	8,362
Interest	9	**4,614**	5,260	4,045
Goodwill amortization		**496**	514	401
General and administrative		**32,045**	27,643	23,739
		602,669	702,545	668,143
Income before income tax and minority interest	8	**4,154**	17,235	161
Income tax expense	8	**3,211**	7,820	471
Net income (loss) before minority interest		**943**	9,415	(310)
Minority interest		**67**	(327)	839
Net income		**1,010**	9,088	529
Earnings per share – basic	11	**$0.12**	$1.11	$0.07
– fully diluted	11	**$0.12**	$1.07	$0.07

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the years ended December 31 (Cdn. $000)	**1997**	1996	1995
Retained earnings, beginning of year	**39,506**	30,418	29,889
Net income	**1,010**	9,088	529
Retained earnings, end of year	**40,516**	39,506	30,418

(See accompanying notes)

CONSOLIDATED BALANCE SHEETS

As at December 31 (Cdn. $000)	Notes	**1997**	1996
Assets			
Current assets:			
Cash and short-term deposits		**57,809**	99,680
Receivables	3,7	**139,678**	136,291
Deferred contract costs and unbilled revenue		**63,746**	51,886
Inventories of raw materials and supplies		**5,731**	7,003
Recoverable income taxes		**1,124**	329
Other		**8,794**	2,490
Total current assets		**276,882**	297,679
Fixed assets, net of accumulated depreciation	4,7,9	**62,193**	62,408
Other assets, at cost, less accumulated amortization of $3,224, (1996 – $2,323)	5	**5,121**	4,469
Excess of cost over net identifiable assets at acquisition	6	**7,373**	7,870
		351,569	372,426
Liabilities and Shareholders' Equity			
Current liabilities:			
Bank loans	7	**9,454**	18,841
Accounts payable		**70,123**	61,282
Accrued liabilities		**14,634**	21,895
Income taxes payable		**599**	105
Deferred income taxes		**11,598**	6,944
Unearned revenue and contract advances		**75,560**	86,034
Current portion of long-term debt	9	**2,618**	1,400
Total current liabilities		**184,586**	196,501
Long-term debt	9	**40,009**	48,440
Deferred income taxes		**8,396**	10,896
Minority interest		**36**	—
Commitments, contingencies and claim settlements	10		
Shareholders' equity	11	**118,542**	116,589
		351,569	372,426

(See accompanying notes)

On behalf of the Board:

N.A. Harrison
Director

J.R. McCaig
Director

CONSOLIDATED STATEMENTS OF CHANGES IN CASH RESOURCES

For the years ended December 31 (Cdn. $000)	Notes	**1997**	1996	1995
Operating Activities:				
Net income		**1,010**	9,088	529
Non-cash charges (credits)				
Depreciation		**7,396**	7,238	8,362
Deferred income taxes		**2,029**	5,762	663
Gain on sale of fixed assets		**(65)**	(1,261)	(2,781)
Goodwill amortization		**496**	514	401
Other		**656**	2,066	783
Net change in non-cash working capital items		**(23,779)**	(20,544)	27,068
Other		**(247)**	11	(57)
Cash provided by (used for) operating activities		**(12,504)**	2,874	34,968
Financing Activities:				
Proceeds from long-term debt		**—**	7,000	40,000
Reduction in long-term debt		**(7,251)**	(12,308)	(16,973)
Common shares issued pursuant to stock option plan		**943**	1,128	217
Common shares issued for the purchase of additional interest in an associated company	6(b)	**—**	—	4,117
Common shares issued for the purchase of minority interest in a subsidiary company	6(b)	**—**	633	—
Short-term bank loans – net of repayments		**(9,387)**	351	(11,290)
Cash provided by (used for) financing activities		**(15,695)**	(3,196)	16,071
Investing Activities:				
Proceeds from sale of fixed assets		**4,471**	6,096	10,998
Additions to fixed assets		**(16,086)**	(4,115)	(3,216)
Investment in other long-term assets		**(1,469)**	—	—
Investment in subsidiary company	6(a)	**(915)**	—	(4,117)
Investment in preferred shares of subsidiary company		**(150)**	—	—
Cash (bank indebtedness) acquired (assumed) on acquisitions	6(a)	**(151)**	—	1,436
Purchase of minority interest in subsidiary company	6(b)	**—**	(3,272)	—
Cash provided by (used for) investing activities		**(14,300)**	(1,291)	5,101
Effect of currency translation gain (loss) on cash		**628**	52	(273)
Net increase (decrease) in cash and short-term deposits		**(41,871)**	(1,561)	55,867
Cash and short-term deposits, beginning of year		**99,680**	101,241	45,374
Cash and short-term deposits, end of year		**57,809**	99,680	101,241
Net change in non-cash working capital items related to operations is comprised of the following:				
Receivables		**(1,643)**	555	7,574
Deferred contract costs and unbilled revenue		**(11,155)**	401	(1,500)
Inventories of raw materials and supplies		**1,696**	1,099	(1,521)
Recoverable income taxes		**(170)**	1,598	1,126
Other current assets		**(773)**	1,310	(1,829)
Accounts payable		**5,508**	(23,759)	(365)
Accrued liabilities		**(7,262)**	7,131	275
Income taxes payable		**494**	(1,079)	(4,194)
Unearned revenue and contract advances		**(10,474)**	(7,800)	27,502
		(23,779)	(20,544)	27,068

Supplemental disclosures of cash flow information:

For the years ended December 31 (Cdn. $000)	**1997**	1996	1995
Cash paid for:			
Interest	**4,910**	6,148	4,144
Income taxes	**1,139**	2,475	3,232

(See accompanying notes)

NOTE 1.

Summary of Significant Accounting Policies (Cdn. $000)

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada, which, in the case of the Corporation, are not materially different from those generally accepted in the United States except as described in Note 17. Since a precise determination of many assets and liabilities depends on future events, the preparation of financial statements for a period necessarily involves the use of estimates and approximations and, accordingly, actual results may differ from such estimates and approximations. The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries and its pro rata share of assets, liabilities, revenue and expenses of joint ventures.

Note 2 to the consolidated financial statements summarizes the effect of the joint ventures on the consolidated financial statements.

Short-Term Deposits

Short-term deposits have original maturities of three months or less.

Inventories

Inventories are valued at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis.

Translation of Foreign Currencies

The accounts of the Corporation, its foreign subsidiaries and joint ventures stated in foreign currencies have been translated into Canadian dollars using:

- the fiscal year-end exchange rates for monetary items which include cash, amounts receivable and payable, and long-term debt;
- exchange rates in effect at the time of the transaction for non-monetary assets, liabilities and deferred credits; and
- exchange rates prevailing during the year for revenue and expenses, except for depreciation which has been translated at rates pertaining to the related assets.

Significant unrealized foreign exchange gains or losses relating to long-term monetary items are deferred and amortized over the remaining life of the monetary item. All other foreign exchange gains or losses are included in the consolidated statements of income.

Excess of Cost Over Net Identifiable Assets at Acquisition

The excess of cost over net identifiable assets is amortized on a straight-line basis over the estimated life of such amounts, not to exceed twenty years. Accumulated amortization at December 31, 1997, 1996 and 1995 amounted to $10,960, $10,464, and $9,950, respectively. On an ongoing basis, the amount of goodwill is reviewed for possible impairment whenever events or circumstances occur that suggest the carrying value of this asset may not be fully recoverable. If the estimated future undiscounted net cash flows are less than the carrying value of goodwill, then a write down is recognized to reflect the impairment.

Income Taxes

The Corporation follows the deferral method of income tax allocation. Deferred income taxes result from timing differences between financial statement and income tax reporting principally relating to the recognition of construction revenue and accelerated depreciation. The portion of deferred income taxes which relates to amounts included in current assets and liabilities is shown as a current asset or current liability.

Accounting for Contracts

Revenue and income from long-term construction contracts, including contracts in which the Corporation participates through joint ventures, are determined on the percentage of completion method, based on the ratio of costs incurred to date over forecasted final costs, except that income is not recognized on fixed price contracts until progress reaches a stage of completion sufficient to reasonably determine the probable results. Provision is made for all anticipated losses as soon as they become evident. Claims for additional contract compensation are not recognized until resolved.

Deferred contract costs and unbilled revenue represent costs incurred and revenue earned in excess of amounts billed on uncompleted contracts. Unearned revenue and contract advances represent the excess of amounts billed over costs incurred and revenue earned on uncompleted contracts, and advance payments received from clients to purchase project specific equipment and for mobilization of project staff and services. Provisions for anticipated losses on uncompleted contracts are deducted from related deferred contract costs with any excess being included in unearned revenue.

Provision for estimated major overhaul costs for equipment is charged to contract costs as equipment is utilized.

Fixed Assets

Fixed assets are recorded at cost and are depreciated using the straight-line method, after recognition of salvage values over the useful lives of the assets, which are estimated to be 20 to 40 years for buildings and 4 to 15 years for construction equipment.

When joint ventures are established to perform single contracts and equipment is acquired for use during the contract and disposed of upon completion of the contract, the cost of such equipment, net of estimated salvage value, is treated as a contract cost and is not included in fixed assets.

Pension Costs and Obligations

Current service costs are charged to operations as they accrue based on services rendered by employees during the year. Pension benefit obligations are determined by independent actuaries using management's best estimate assumptions with accrued benefits pro rated on service. Adjustments arising from plan amendments, changes in assumptions, experience gains and losses, and the difference between the actuarial present value of accrued benefits and the value of pension fund assets at January 1, 1987 are amortized over the expected average remaining service life of the employee group.

NOTE 2.

Joint Ventures (Cdn. $000)

The Corporation has investments in and advances to joint ventures and has participated in these joint ventures in an effort to spread business risks and to make available to the Corporation increased capital and technological resources. The Corporation's pro rata share of the joint ventures' operations included in the consolidated financial statements is summarized below.

Consolidated Statements of Income

For the years ended December 31	1997	1996	1995
Construction and services revenue	**181,830**	193,359	177,767
Other	**58**	(713)	136
	181,888	192,646	177,903
Operating expenses	**168,605**	179,447	165,841
Depreciation	**24**	22	27
General and administrative	**652**	713	773
	169,281	180,182	166,641
Income before income tax	**12,607**	12,464	11,262
Income tax expense	**859**	1,166	385
Net income	**11,748**	11,298	10,877

Consolidated Balance Sheets

As at December 31	1997	1996
Assets:		
Current	**128,156**	114,436
Fixed	**74**	63
Other	**—**	4
	128,230	114,503
Liabilities and Shareholders' equity:		
Current liabilities	**106,998**	93,924
Shareholders' equity	**21,232**	20,579
	128,230	114,503

Consolidated Statements of Changes in Cash Resources

For the years ended December 31	1997	1996	1995
Operating Activities:			
Net income	**11,748**	11,298	10,877
Non-cash charges (credits)			
Depreciation	**24**	22	27
Other	**14**	10	(14)
Net change in non-cash working capital items	**(2,474)**	(20,837)	19,209
Cash provided by (used for) operating activities	**9,312**	(9,507)	30,099
Financing Activities:			
Short-term bank loans – net of repayments	**2,159**	7,241	—
Cash provided by financing activities	**2,159**	7,241	—
Investing Activities:			
Proceeds from sale of fixed assets	**1**	1	—
Additions to fixed assets	**(36)**	(6)	(107)
Cash used for investing activities	**(35)**	(5)	(107)
Net increase (decrease) in cash and short-term deposits	**11,436**	(2,271)	29,992

NOTE 3.

Receivables (Cdn. $000)

Receivables include holdbacks receivable amounting to $34,091 at December 31, 1997 and $55,862 at December 31, 1996.

Holdbacks receivable represent amounts billed but not paid by customers pursuant to retainage provisions in construction contracts and will be due upon completion and acceptance of the contract. Based on the Corporation's experience with similar contracts in recent years, the full balance at December 31, 1997 is expected to be collected in the following year.

Allowance for doubtful accounts applied to reduce accounts receivable amounted to $1,232 at December 31, 1997, $1,300 at December 31, 1996 and $1,724 at December 31, 1995. Additions to, and deductions for uncollectible amounts written off (net of recoveries) from, the allowance for doubtful accounts for the years ended December 31, 1997, 1996 and 1995 were, additions of $88, $242, and $668, and deductions of $156, $666 and $328, respectively.

NOTE 4.

Fixed Assets (Cdn. $000)

The cost and net book value of fixed assets is as follows:

	Cost		Net Book Value	
	1997	1996	1997	1996
Land	**6,849**	7,734	**6,849**	7,734
Buildings	**17,812**	25,460	**12,556**	19,517
Construction equipment	**85,217**	77,960	**39,535**	32,387
Other	**9,217**	7,300	**3,253**	2,770
	119,095	118,454	**62,193**	62,408

NOTE 5.

Retirement Plans (Cdn. $000)

The Corporation has defined benefit pension plans covering substantially all employees, other than union employees who are covered by multi-employer pension plans administered by the unions. The Corporation also has a supplementary executive retirement plan. Benefits under Corporate plans generally are based on the employee's years of service and level of compensation.

The components of pension expense are as follows:

	1997	1996	1995
Service cost-benefits earned during the year	(1,013)	(941)	(1,106)
Interest cost on projected benefit obligations	(1,438)	(1,309)	(903)
Return on assets			
– actual	3,350	2,802	2,498
– excess of actual interest return over expected return	(1,873)	(1,484)	(1,348)
Amortization of unrecognized net asset at transition net of amortization of acquired pension asset (1)	632	876	629
Amortization of net experience gain (loss)	28	(264)	(94)
Net pension expense	(314)	(320)	(324)

Plan assets are comprised of equities, government and corporate bonds, short-term deposits and treasury bills.

The funded status of the Corporation's defined benefit pension plan at December 31, 1997 and 1996 is as follows:

	1997	1996
Market value of plan assets	21,310	18,746
Actuarial present value of benefit obligations:		
Vested benefits	(15,531)	(15,339)
Non-vested benefits	(86)	(469)
Effect of projected future salary increases	(3,126)	(1,472)
Projected benefit obligations	(18,743)	(17,280)
Plan assets in excess of projected benefit obligations	2,567	1,466
Unrecognized experience gain	(1,705)	(74)
Unrecognized net transition asset (1)	(911)	(1,225)
Unrecognized net transition liability	1,010	1,113
Prepaid pension cost	961	1,280
Prepaid pension cost included in:		
Other long-term assets	2,094	2,099
Accrued liabilities	(1,133)	(819)
	961	1,280

The computational assumptions used are:		
Discount rates for plan obligations	8.00%	8.00%
Rates of increase in compensation levels	5.00%	5.00%
Long-term rate of return on assets	8.00%	8.00%

(1) As there are restrictions on the ability of the Corporation to access certain pension surplus balances, there was no amortization of the unrecognized net transition asset in 1997, 1996 and 1995.

The last actuarial valuation of the Corporation's pension plan was undertaken on December 31, 1997.

NOTE 6.

Acquisitions (Cdn. $000)

(a) Effective February 19, 1997, the Corporation acquired a 75% interest in Tanknology Canada Inc., which provides leak detection testing and compliance assurance services to owners and operators of fuel storage facilities throughout Canada. On October 22, 1997, the Corporation acquired the J.V. Driver Group of Companies, which specialize in industrial and mechanical construction in western Canada. Both acquisitions have been accounted for by the purchase method from their respective dates of acquisition. The details of the net identifiable assets assigned values are as follows:

Purchase price, being cash	915
Working capital, net (including bank indebtedness of $151)	125
Fixed assets	849
Long-term notes payable	(109)
Deferred income taxes	(125)
Minority interest	(103)
Other	278
Net identifiable assets acquired	915

(b) NICHOLLS RADTKE GROUP INC.

(i) Effective August 1, 1995 and November 1, 1995, the Corporation acquired an additional 25% and 6% interest, respectively, in Nicholls Radtke Group Inc. ("Nicholls Radtke"), an industrial construction company, thereby raising its interest in Nicholls Radtke to 81%. These acquisitions have been accounted for by the purchase method from the respective dates of acquisition. Prior to these acquisitions, the Corporation proportionately consolidated its investment in Nicholls Radtke. The details of the net identifiable assets acquired during 1995 at assigned values are as follows:

Purchase price, being 350,824 common shares of the Corporation	4,117
Working capital, net (including cash of $1,436)	213
Fixed assets	6,715
Long-term debt	(3,565)
Deferred income taxes	(830)
Other	876
	3,409
Excess of cost over net identifiable assets at acquisition	708

Set out below is certain unaudited pro forma financial information for the year ended December 31, 1995, which gives effect to the acquisition assuming the transaction occurred on January 1, 1995.

	Pro Forma 1995
Revenue – construction and services	707,090
Net income	258
Earnings per share	0.03

(ii) On July 12, 1996 the Corporation acquired the remaining 19% minority interest in Nicholls Radtke. This acquisition has been accounted for by the purchase method effective June 30, 1996. The details of the net identifiable assets acquired during 1996 at assigned values are as follows:

Purchase price:	
Cash	2,639
56,680 common shares of the Corporation	633
Total purchase price	3,272
Working capital, net	117
Fixed assets	4,578
Long-term debt	(2,017)
Deferred income taxes	(323)
Other	571
	2,926
Excess of cost over net identifiable assets at acquisition	346

Set out below is certain unaudited pro forma financial information for the years ended December 31, 1996 and 1995, which gives effect to the acquisition assuming the transaction occurred on January 1, 1996 and 1995, respectively.

	Pro Forma	
	1996	1995
Net income (loss)	9,388	(437)
Earnings (loss) per share	1.14	(0.06)

NOTE 7.

Bank Loans (Cdn. $000)

At December 31, 1997, the Corporation had operating lines of credit of $100,000 of which $47,172 were unused. Used operating lines of credit, amounting to $52,828, include bank loans of $9,400 bearing interest at the Reserve Bank of India's prime rate, secured by a letter of credit for $9,400, tender loans of $54 bearing interest at 3% per annum and other letters of credit amounting to $43,374 for which fees vary up to 1% per annum. Of this amount, $15,534 is included in liabilities in the Corporation's consolidated financial statements.

In 1996, used operating lines of credit of $60,953 included bank loans of $11,400 bearing interest at a Canadian bank's prime rate of interest ("prime") plus 0.5% to 1.25% and $7,241 at the Reserve Bank of India's prime rate plus 1.75% per annum, tender loans of $200 bearing interest at 3% per annum and other letters of credit amounting to $42,112 for which fees vary up to 1% per annum. Of this amount, $21,683 is included in liabilities in the Corporation's consolidated financial statements.

The Corporation and its subsidiaries have given assignments of accounts receivable and have issued debentures providing a fixed and specific charge on equipment and a fixed and floating charge on other assets as collateral security.

The weighted average interest rate at December 31, 1997 was 5.21% (1996 – 5.21%; 1995 – 8.05%) and for the year ended December 31, 1997 was 3.00% (1996 – 6.59%; 1995 – 9.06%).

NOTE 8.

Income Taxes (Cdn. $000)

The Canadian and foreign components of the income before income tax and minority interest are as follows:

	1997	1996	1995
Canadian	**3,260**	16,712	(1,015)
Foreign	**894**	523	1,176
	4,154	17,235	161

Canadian income includes income earned by certain foreign joint ventures which are not taxable in the foreign jurisdictions but are taxable in Canada.

The current and deferred components of the income tax expense are as follows:

	1997	1996	1995
Current:			
Canadian – Federal	**947**	1,372	(699)
– Provincial	**283**	509	(404)
Foreign	**(48)**	177	911
	1,182	2,058	(192)
Deferred:			
Canadian – Federal	**1,259**	3,794	675
– Provincial	**717**	1,968	345
Foreign	**53**	—	(357)
	2,029	5,762	663
Income tax expense	**3,211**	7,820	471

The following is a reconciliation between the Canadian federal statutory income tax rate before abatement and the consolidated effective income tax rate:

	1997	1996	1995
Canadian federal statutory income tax rate before abatement	**39.1%**	39.1%	39.1%
Expense not included for income tax purposes	**34.2**	8.9	829.9
Operating losses for which no tax recoveries are currently available	**6.3**	1.8	197.1
Tax-exempt portion of capital gain	**(0.1)**	(0.4)	(74.4)
Rate differentials	**7.6**	4.7	(12.6)
Taxes based on capital	**9.2**	2.3	196.9
Utilization of losses carried forward not previously recognized for financial statement purposes	**(2.6)**	(1.7)	(18.9)
Utilization of Canadian development expenses net of acquisition costs	**(16.4)**	(5.0)	(762.2)
Prior years' tax reassessments	**—**	(4.3)	(101.9)
Consolidated effective income tax rate	**77.3%**	45.4%	293.0%

Deferred income tax expense results from timing differences in the recognition of revenue and expenses for tax and financial statement purposes. The source of these differences and the income tax effect of each is as follows:

	1997	1996	1995
Depreciation:			
Differences between tax and book depreciation	**4,245**	(4,267)	(1,237)
Long-term contracts including joint ventures:			
Use of percentage of completion for financial statement purposes and use of billings less costs excluding contractual holdbacks for income tax purposes	**(1,677)**	4,887	3,257
Amounts charged to expense for financial statement purposes but not deductible until paid	**6**	(76)	(185)
Reserve for equipment overhauls:			
Charged to expense for financial statement purposes but not deductible until paid	**198**	35	22
Losses carried forward:			
(Increase) decrease in losses for income tax purposes which were previously recognized for financial statement purposes	**(1,681)**	6,016	(1,747)
Benefits recognized for financial statement purposes but not for income tax purposes	**—**	(606)	—
Tax losses for which no benefit has been recognized	**—**	—	301
Canadian development expenses	**359**	456	660
Other:			
Expenses accrued or deferred for financial statement purposes, deducted for income tax purposes as paid	**579**	(683)	(408)
Deferred income tax expense	**2,029**	5,762	663

At December 31, 1997, losses for which no potential tax benefit has been reflected in the consolidated financial statements amounted to approximately $1,177 (1996 – $807). As a result of timing differences in claiming deductions for income tax purposes and recognizing construction revenue, losses for income tax purposes exceed these amounts. At December 31, 1997, losses for income tax purposes amounted to approximately $36,526 (1996 – $30,768), which may be carried forward and applied against future years' taxable income when earned. These losses expire from 1998 to 2004. The Corporation also has available for carry-forward $5,340 of unclaimed Canadian development expense that was renounced to it in 1993. The related unamortized acquisition costs carried forward amount to $994. The future tax savings resulting from claiming Canadian development expenses less the amortization of the acquisition costs will be reflected as a reduction of the tax provision when utilized.

NOTE 9.

Long-Term Debt (Cdn. $000)

Long-term debt is comprised of the following:

	1997	1996
Term bank loans	**—**	5,984
Provincial Government agency loan	**2,606**	3,856
Senior note	**40,000**	40,000
Conditional sales contracts and rental purchase agreements	**21**	—
	42,627	49,840
Less current portion	**(2,618)**	(1,400)
	40,009	48,440

Principal repayments required are as follows:

1998	2,618
1999	10,009
2000	10,000
2001	10,000
2002	10,000
	42,627

Term bank loans:

In 1996 the term bank loans were at rates of interest of 30-day bankers' acceptances plus 1.75% fixed via an interest rate swap for 5 years, or published fixed rate at the time of conversion, or prime plus 1%, and 30-day bankers' acceptances plus 2%, or published fixed rate at the time of conversion, or prime plus 1.25% and were repayable in quarterly installments of $100. The security pledged as collateral for these loans included specific land, buildings and equipment.

Provincial Government agency loan:

The Provincial Government agency loan has a five-year interest-free period to June 30, 1998 at which time the entire amount is due. Interest starting on July 1, 1998 is fixed at a rate of 10% for 3 years if the principal is not paid. The security pledged as collateral for this loan includes specific equipment.

Senior note:

The unsecured senior note bears interest at 9.37% which is payable semi-annually on the 30th of April and October. Principal repayments of $10,000 are due on the 30th of October 1999 through 2002.

Conditional sales contracts and rental purchase agreements:

Conditional sales contracts and rental purchase agreements, bearing interest rates ranging from 9.45% to 10.5%, are collateralized by specific equipment and are payable in blended monthly instalments of principal and interest.

At December 31, 1997, the Corporation has complied with all of its debt covenants.

At December 31, 1997, the prime rate was 6.0% (1996 – 4.75%).

Interest on long-term debt in 1997 was $3,805 (1996 – $4,381; 1995 – $1,898).

NOTE 10.

Commitments, Contingencies and Claim Settlements (Cdn. $000)

(a) The Corporation is involved in claims and litigation primarily arising from the normal course of business for the reimbursement of costs of additional work and of additional costs incurred because of changed conditions. Any settlements or awards will be reflected in the consolidated statements of income as the matters are resolved.

(b) The Corporation is contingently liable for the usual contractor's obligations relating to performance and completion of construction contracts and for the obligations of its associates in unincorporated joint ventures, the assets of which are available to settle any claims that may arise in the joint ventures.

(c) The Corporation has future operating lease commitments for construction equipment as follows:

1998	5,532
1999	4,594
2000	3,748
2001	2,267
2002	1,008
	17,149

NOTE 11.

Shareholders' Equity (Cdn. $000)

	1997	1996	1995
Shareholders' equity is comprised of the following:			
Capital stock			
Authorized 20,000,000 common shares without nominal or par value			
Issued 8,446,725 common shares (1996 – 8,337,085; 1995 – 8,130,305)	**74,503**	73,560	71,799
Contributed surplus	**3,523**	3,523	3,523
Retained earnings	**40,516**	39,506	30,418
	118,542	116,589	105,740

Weighted average number of common shares outstanding:

– basic	**8,429,166**	8,223,062	7,917,503
– fully diluted	**8,600,353**	8,500,769	8,139,703

During 1997, there were 109,640 common shares issued pursuant to the Corporation's stock option plans (1996 – 150,100; 1995 – 28,600). In 1996, there were 56,680 common shares issued (1995 – 350,824) to acquire an additional interest in Nicholls Radtke (note 6 (b)).

NOTE 12.

Stock Options (Cdn. $000)

The Corporation's stock option plan provides for the granting of options to officers, key employees and directors. Options must be granted at fair market value, are exercisable in instalments and terminate no later than five years from the date of the grant. Options that are granted and subsequently cancelled are available for future option grants.

The Corporation has reserved for issuance 487,247 common shares for options that are outstanding and 666,920 common shares for future option grants.

	Number of Shares	Weighted Average Exercise Price Per Share	Number of Shares Exercisable
Outstanding at December 31, 1994	304,407	9.037	91,927
Granted	126,900	15.000	
Exercised	(28,600)	7.566	
Cancelled	—	—	
Outstanding at December 31, 1995	402,707	11.021	201,887
Granted	185,100	9.648	
Exercised	(150,100)	7.518	
Cancelled	(27,940)	15.659	
Outstanding at December 31, 1996	409,767	11.368	197,367
Granted	**226,600**	**12.475**	
Exercised	**(109,640)**	**8.566**	
Cancelled	**(39,480)**	**14.454**	
Outstanding at December 31, 1997	**487,247**	**12.263**	**177,787**

The following table summarizes the Corporation's stock options outstanding at December 31, 1997:

	Options Outstanding			Options Exercisable	
	Number Outstanding at December 31, 1997	Weighted-Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at December 31, 1997	Weighted Average Exercise Price
$9.25 to $12.50	380,087	3.71 years	11.312	110,067	11.001
$15.00 to $19.375	107,160	2.14 years	15.600	67,720	15.800
$9.25 to $19.375	487,247	3.36 years	12.255	177,787	12.829

NOTE 13.

Financial Instruments (Cdn. $000)

The Corporation has available to it foreign currency hedges should they become necessary. No such hedges were outstanding at December 31, 1997 and 1996. In addition, the Corporation mitigates its foreign exchange risk by being satisfied that a foreign project is adequately financed and that payments are negotiated in various currencies as required.

The Corporation's exposure to interest rate risk at December 31, 1997 relates to its short-term investments of $27,950 (1996 – $88,532) and bank loans of $9,454 (1996 – $18,841). The Corporation's short-term investments have a fixed weighted average interest rate of 4.58% (1996 – 3.24%), which expire on January 19, 1998. Bank loans are subject to interest at prime. In addition, the Corporation has available interest rate swaps should they become necessary. No such swaps were outstanding at December 31, 1997 and 1996.

The Corporation has a foreign concentration of credit risk arising from its exposure to the Nathpa Jhakri Hydro-Electric project in India, which at December 31, 1997 amounted to $11,229 in accounts receivable, $2,770 in deferred contract costs and unbilled revenue, and $43,181 in outstanding letters of credit of which $15,534 appears as liabilities on the consolidated balance sheets (1996 – $11,532, $2,770, $43,264 and $21,683, respectively).

The fair values of the Corporation's financial assets and liabilities included in current and non-current assets and liabilities approximate their carrying values as at December 31, 1997 and 1996.

NOTE 14.

Related Party Transactions

From time to time, in the ordinary course of business, the Corporation may enter into certain business transactions with its associated companies or shareholders on normal commercial terms. During the three year period ended December 31, 1997, there were no such material transactions.

NOTE 15.

Other Revenue (Cdn. $000)

Other revenue consists of:

	1997	1996	1995
Interest	**1,768**	2,812	2,798
Gain on sale of fixed assets	**65**	1,261	2,781
Foreign exchange gain (loss)	**628**	52	(273)
Cash discounts	**351**	488	451
Earnings from affiliates	**—**	74	383
Other	**(1,094)**	(475)	368
	1,718	4,212	6,508

NOTE 16.

Business Segments (Cdn. $000)

The Corporation conducts its business in two industry segments, being civil, building and industrial construction and utility and pipeline construction and engineering.

The Corporation engages in civil, building and industrial construction primarily through divisions of a subsidiary, BFC Construction Group Inc. BFC Civil ("Civil") specializes in the construction of large scale energy developments, subways, bridges, dams, tunnels, highways and airports. Commercial building construction in Canada and in the United States is carried out through BFC Buildings ("Buildings") and BFC Frontier, respectively. Electrical and mechanical construction is carried out through BFC Industrial-Nicholls Radtke and BFC Industrial-Driver, ("Industrial"). Construction in Canada is carried out by Civil, Buildings and Industrial either individually or by joint venture. Industrial also manufactures and installs a unique heat recovery steam generator system through a division, Innovative Steam Technologies. Civil engineering construction and electrical and mechanical work has been carried out in Canada, the United States and internationally.

Utility and pipeline construction and engineering operations are conducted by BFC Utilities ("Utilities") and BFC Pipelines ("Pipelines"), divisions of a subsidiary of the Corporation, and Bantrel Inc. ("Bantrel") (25% owned). Utilities' work consists of the construction of all types of public utility systems in Ontario, including gas, electrical, telephone, cable television, water and sewer lines and installation of traffic signal systems, highway lighting and freeway traffic management systems. Pipelines' operations include the construction, upgrading and testing of pipelines, gathering systems and distribution for the oil and gas industry, which take place principally in Canada. Bantrel provides engineering, procurement, construction and project management services to the petroleum sector.

In 1997, the civil, building and industrial construction segment did not receive more than 10% of its revenue from any one customer (1996 – $101,226).

Industry Segments

For the years ended December 31	**1997**	1996	1995
Revenue			
Civil, building and industrial construction	**431,762**	524,754	491,763
Utility and pipeline construction and engineering	**175,061**	195,026	176,541
Consolidated revenue	**606,823**	719,780	668,304
Operating income (loss)			
Civil, building and industrial construction	**3,022**	14,152	4,640
Utility & pipeline construction and engineering	**5,746**	8,343	(434)
Consolidated operating income	**8,768**	22,495	4,206
Interest expense	**(4,614)**	(5,260)	(4,045)
Income tax expense	**(3,211)**	(7,820)	(471)
Minority interest	**67**	(327)	839
Consolidated net income	**1,010**	9,088	529
Identifiable assets			
Civil, building and industrial construction	**222,080**	256,064	268,609
Utility & pipeline construction and engineering	**129,489**	116,362	120,269
Consolidated identifiable assets	**351,569**	372,426	388,878
Capital expenditures			
Civil, building and industrial construction	**2,049**	2,086	2,091
Utility & pipeline construction and engineering	**14,037**	2,029	1,125
Consolidated capital expenditures	**16,086**	4,115	3,216
Depreciation			
Civil, building and industrial construction	**2,435**	2,578	1,685
Utility & pipeline construction and engineering	**4,961**	4,660	6,677
Consolidated depreciation	**7,396**	7,238	8,362

Geographical Segments

For the years ended December 31	**1997**	1996	1995
Revenue from construction and services and other			
Canada	**504,056**	598,318	554,197
United States	**37,233**	44,915	52,906
Foreign	**65,534**	76,547	61,201
Consolidated revenue from construction and services and other	**606,823**	719,780	668,304
Operating income (loss)			
Canada	**5,951**	18,698	(3,907)
United States	**243**	1,367	2,556
Foreign	**2,574**	2,430	5,557
Consolidated operating income	**8,768**	22,495	4,206
Identifiable assets			
Canada	**275,110**	296,780	318,944
United States	**11,635**	12,367	16,887
Foreign	**64,824**	63,279	53,047
Consolidated identifiable assets	**351,569**	372,426	388,878

NOTE 17.

Differences Between Canadian and United States Generally Accepted Accounting Principles (Cdn. $000)

There are differences between Canadian and United States generally accepted accounting principles. The significant effects of such differences are described below:

	1997	1996	1995
Consolidated Statements of Income:			
Net income as reported-Canadian basis	**$1,010**	$9,088	$529
Adjustments, including taxes:			
Net of tax for amortization of net transition asset (1)	**133**	133	133
Net of tax development expenses (2)	**433**	430	430
Liability method of accounting for income taxes (3)	**353**	627	(833)
Cumulative catch-up adjustment (6)	**—**	(6,973)	—
Net income – U.S. basis (4)	**$1,929**	$3,305	$259
Earnings per share – U.S. basis – Basic (5)	**$0.23**	$0.40	$0.03
Weighted average number of shares outstanding – Basic (5)	**8,429**	8,223	7,918
Balance Sheets:			
Fixed assets (7)	**66,806**	67,560	76,081
Deferred income taxes – non-current (3) and (7)	**12,656**	15,419	6,548
Common shares (8)	**73,934**	72,991	71,230
Retained earnings (1), (2), (3) (4), (6) and (8)	**43,101**	41,172	37,867

(1) Canadian and United States accounting principles differ in the recognition of pension plan surpluses and adjustments, which affect the determination of the difference between the actuarial present value of accrued employee pension benefits and the value of pension fund assets at January 1, 1987 (the "net transition asset"), which is being amortized over the remaining service life of the employee group.

(2) Development expenses, which are capitalized under Canadian accounting principles, are expensed under U.S. accounting principles.

(3) In the United States, Financial Accounting Standards Board ("FASB") Statement No. 109 requires a change from the deferral method to the liability method of accounting for income taxes. Under the liability method, deferred tax assets and liabilities are recognized for temporary differences between the financial statement carrying amounts and the tax basis amounts of the respective assets and liabilities at the enacted tax rates. Such differences arise from the differences in the timing of income and expense recognition.

As at December 31, the Corporation's deferred tax assets and liabilities under the requirements of FASB Statement No. 109 are as follows:

	1997		1996	
	Assets	**Liabilities**	Assets	Liabilities
Current:				
Use of percentage of completion for financial statement purposes and use of billings less costs excluding contractual holdbacks for income tax purposes	**1,572**	**33,853**	3,225	29,980
Reserve for equipment overhauls charged to expense for financial statement purposes but not deductible until paid	**643**		731	
Expenses accrued or deferred for financial statement purposes deducted for income tax purposes as paid	**4,223**	**1,376**	4,433	9,564
Acquisition of Canadian development expenses	**461**		1,028	
Difference between tax and book depreciation		**3,784**	4,940	
Net losses carried forward	**20,516**		18,243	
Total current	**27,415**	**39,013**	32,600	39,544
Net current deferred tax liability		**11,598**		6,944
Non-Current:				
Difference between tax and book depreciation (7)		**12,595**	3	16,527
Net loss carry-forwards	**685**		1,534	
Acquisition of Canadian development expenses	**338**		297	
Other	**345**	**1,177**	889	1,267
Valuation allowance	**(252)**		(348)	
Total non-current	**1,116**	**13,772**	2,375	17,794
Net non-current deferred tax liability		**12,656**		15,419

At January 1, 1997, the valuation allowance was $348, (1996 – $301). During 1997, the valuation allowance decreased by $96, (1996 – increased by $47) primarily as a result of a net decrease in losses in 1997 for which no tax benefit was recorded.

(4) The Corporation accounts for its stock-based Plans under Accounting Principles Board Opinion 25 "Accounting for Stock Issued to Employees", which results in the recording of no compensation expense in the Corporation's circumstances. However, FASB123 requires the disclosure of pro forma information regarding net income and earnings per share using option valuation models that calculate the fair value of employee stock options granted.

The Corporation estimated the fair value of options using The Black-Scholes Option-Pricing Model and the following weighted-average assumptions:

	1997	1996	1995
Risk-free interest rate	**5.40%**	6.81%	8.36%
Expected life of the options	**4.24 years**	4.38 years	3.25 years
Expected volatility of the market price	**31.6%**	32.3%	27.7%
Expected dividend yield	**0%**	0%	0%

The estimated fair value of the options is amortized to expense over the options' vesting period resulting in the following pro forma results:

	1997	1996	1995
Pro forma income (loss)	**1,318**	2,835	(109)
Pro forma earnings (loss) per share	**0.16**	0.34	(0.01)
Weighted average grant date fair value	**4.46**	3.34	5.19

The Black-Scholes Option-Pricing Model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. As the Corporation's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions, such as expected stock market price volatility, can materially affect the fair value estimate, in management's opinion, the existing pricing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

(5) The United States FASB has issued new standards for calculating and disclosing earnings per share under Statement No. 128, which is effective for periods beginning on or after December 15, 1997. The Corporation has retroactively applied these new standards.

(6) Effective January 1, 1996, under Canadian accounting principles, the Corporation retroactively changed its accounting policy to amortize the pre-1974 Banister Pipeline's excess of cost over net identifiable assets at acquisition over its useful life of twenty years. Retroactive changes in accounting policy are recorded as a cumulative catch-up adjustment in the year of adoption under United States accounting principles, which resulted in a reduction of $0.84 in earnings per share in 1996.

(7) During 1993, the Corporation acquired Majestic Contractors Limited. Under FASB Statement No. 109, fixed assets and deferred income taxes-non-current would be increased by $4,613 at December 31, 1997 (1996 – $5,150).

(8) The 1993 common share issue costs of $569, which are charged to retained earnings under Canadian accounting principles, are recorded against common shares under U.S. accounting principles.

(9) United States accounting principles require that certain non-cash items be excluded from financing and investing activities, which for 1996 and 1995 related to the Corporation's acquisition of Nicholls Radtke described in Note 6(b). As such, under United States accounting principles, cash provided by (used for) financing activities is $(3,829) (1995 – $11,954) and cash provided by (used for) investing activities is $(658) (1995 – $9,218).

(10) Operating lease expense for the year ended December 31, 1997 was $6,340 (1996 – $5,578; 1995 – $3,881).

(11) The United States FASB has issued new standards for reporting comprehensive income under Statement No. 130, and disclosures about segments and related information under Statement No. 131, both of which are effective for periods beginning on or after December 15, 1997. Statement No. 130 establishes standards for reporting and display of comprehensive income and its components in a full set of general purpose consolidated financial statements. All items that are required to be recognized under these new standards as components of comprehensive income will be displayed as part of the Corporation's reconciliation to United States generally accepted accounting principles. Statement No. 131 establishes revised segment disclosure based on the structure adopted by management of the Corporation for its own internal monitoring activities. The Corporation will be reviewing the recommendations contained in this new standard and it is unable to determine the impact upon its U.S. reporting basis financial information at this time.

SELECTED SIX-YEAR FINANCIAL DATA

(Cdn. $000, except per share amounts)

Consolidated statements of income	1997	1996	1995	1994	1993	1992
Revenue						
Construction and services	**605,105**	715,568	661,796	522,071	465,423	346,425
Other	**1,718**	4,212	6,508	5,382	3,909	1,589
	606,823	719,780	668,304	527,453	469,332	348,014
Expenses						
Operating	**558,118**	661,890	631,596	485,032	417,442	312,879
Depreciation	**7,396**	7,238	8,362	8,875	9,145	6,496
Interest	**4,614**	5,260	4,045	3,667	2,605	1,900
Goodwill amortization	**496**	514	401	401	882	490
General and administrative	**32,045**	27,643	23,739	21,604	22,929	15,934
	602,669	702,545	668,143	519,579	453,003	337,699
Income before income tax and minority interest	**4,154**	17,235	161	7,874	16,329	10,315
Income tax expense	**3,211**	7,820	471	3,183	6,538	3,490
Income (loss) before minority interest	**943**	9,415	(310)	4,691	9,791	6,825
Minority interest	**67**	(327)	839	—	—	—
Net income	**1,010**	9,088	529	4,691	9,791	6,825
Net income – U.S. GAAP	**1,929**	3,305	259	4,298	11,031	7,395
Consolidated balance sheets						
Current assets	**276,882**	297,679	304,203	227,752	156,604	86,800
Other assets	**67,314**	66,877	76,637	76,163	82,810	66,206
Excess of cost over net identifiable assets at acquisition	**7,373**	7,870	8,038	7,648	8,049	1,140
	351,569	372,426	388,878	311,563	247,463	154,146
Current liabilities	**184,586**	196,501	227,463	192,818	121,642	64,876
Long-term debt	**40,009**	48,440	53,076	16,576	24,239	19,438
Deferred income taxes	**8,396**	10,896	—	1,292	6,156	7,051
Minority interest	**36**	—	2,599	—	—	—
Shareholders' equity	**118,542**	116,589	105,740	100,877	95,426	62,781
	351,569	372,426	388,878	311,563	247,463	154,146
Shareholders' equity – U.S. GAAP	**120,558**	117,686	112,620	108,027	102,969	69,084
Working capital	**92,296**	101,178	76,740	34,934	34,962	21,924
Backlog	**751,620**	425,376	646,712	713,431	577,164	230,928
Per common share:						
Earnings	**$0.12**	$1.11	$0.07	$0.61	$1.57	$1.15
Fully diluted earnings	**$0.12**	$1.07	$0.07	$0.60	$1.53	$1.15
Earnings – U.S. GAAP	**$0.23**	$0.40	$0.03	$0.55	$1.72	$1.24
Shareholders' equity	**$14.03**	$13.98	$13.01	$13.01	$12.47	$10.55
Return on:						
Average shareholders' equity	**0.86%**	8.18%	0.51%	4.78%	12.38%	11.50%
Revenue – before tax	**0.68%**	2.39%	0.02%	1.49%	3.48%	2.96%
– after tax	**0.17%**	1.26%	0.08%	0.89%	2.09%	1.96%
Ratios:						
Current	**1.50**	1.51	1.34	1.18	1.29	1.34
Long-term debt to equity	**0.34**	0.42	0.50	0.16	0.25	0.31
Interest bearing debt to equity	**0.58**	0.59	0.70	0.45	0.62	0.35
Interest coverage	**1.90**	4.28	1.04	3.15	7.27	6.43
Common shares outstanding	**8,447**	8,337	8,130	7,751	7,653	5,953
Weighted average number of common shares	**8,429**	8,223	7,918	7,728	6,233	5,953
Fully diluted weighted average number of shares	**8,600**	8,501	8,140	7,999	6,717	5,953

Reference should be made to notes 6 and 11 to the Corporation's consolidated financial statements regarding items affecting the comparability of the selected financial data.

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS	Age	Years of Service	Committees
G. Arnell *Chairman and Chief Executive Officer* Brookfield Properties Corporation Limited	61	initial year	Corporate Governance
N. Fraser *Financial Consultant*	56	24	Executive Human Resources & Compensation
N.A. Harrison *President and Chief Executive Officer* BFC Construction Corporation	56	4	Executive
L.D. Hyndman Q.C. *Partner* Field Atkinson Perraton	62	10	Audit (1)
S. Kwok *President* Stanley Kwok Consultants Inc.	71	5	Audit
J.R. McCaig (2) *Chairman* Trimac Corporation	68	16	Executive (1) Corporate Governance
D.S. Macdonald P.C. *Counsel* McCarthy Tétrault	66	4	Audit Corporate Governance (1)
H.A. Magee *Chairman and Chief Executive Officer* GWIL Industries	64	8	Human Resources & Compensation
S.W.C. Mulherin *Partner* Polar Capital Corporation	41	5	Executive Human Resources & Compensation (1)

1. Chairman of the Committee
2. Chairman of the Board of Directors

OFFICERS	Age	Years of Service
J.R. McCaig *Chairman of the Board*	68	16
N.A. Harrison *President and Chief Executive Officer*	56	36
G. Kozicz *Vice President, Corporate Development*	36	4
M. Miller *Vice President Finance,* *Chief Financial Officer and Secretary*	50	4

CORPORATE INFORMATION

CORPORATE OFFICES

BFC Construction Corporation
3660 Midland Avenue
Scarborough, Ontario M1V 4V3
Phone: (416)754-8735
Fax: (416)754-8736
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E-mail corp@bfc.ca

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3660 Midland Avenue
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Fax: (416) 754-3387

P.O. Box 4947, RR #1, Hwy. 2 South
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Fax: (403) 955-7160

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C. Washer, *President, Eastern Region*
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Fax: (902) 465-4986

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98036 U.S.A.
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Fax: (206) 771-8094

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Fax: (519) 624-0363

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Fax: (403) 955-5009

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Fax: (905) 823-3616

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BFC Utilities
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Innovative Steam Technologies
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Fax: (519) 740-8666

ASSOCIATED COMPANY

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700-6th Avenue S.W.
Calgary, Alberta T2P 0T8
P. Lovell, *President*
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Fax: (403) 290-5050

REGISTRAR AND TRANSFER AGENTS

Montreal Trust
151 Front Street West
Toronto, Ontario M5J 2N1
Phone: 1-800-663-9097

United Missouri Trust Company of New York
One Battery Park Plaza
New York, N.Y. 10004
U.S.A.
Phone: 1-800-848-4357

BANKERS

Canadian Imperial Bank of Commerce
ABN AMRO Bank Canada
Dresdner Bank Canada
Toronto Dominion Bank

SURETIES

The Guarantee Company of North America
Northern Indemnity, Inc.

AUDITORS

Ernst & Young

COMMON STOCK LISTED ON:

Alberta Stock Exchange	**(BFC)**
Montreal Stock Exchange	**(BFC)**
Toronto Stock Exchange	**(BFC)**
American Stock Exchange	**(BNC)**

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BFC Construction
CORPORATION

BFC Construction Corporation

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 20, 1998

April 2, 1998

To the Shareholders of BFC Construction Corporation:

Take notice that the Annual Meeting of Shareholders of BFC Construction Corporation will be held on May 20, 1998 at 11:00 o'clock in the forenoon at the Design Exchange, Trading Floor, 234 Bay Street, Toronto, Ontario, Canada for the following purposes:

(1) To elect directors;

(2) To receive the report of the directors and the consolidated financial statements of the Corporation for the year ended December 31, 1997, together with the auditors' report thereon;

(3) To appoint auditors for the fiscal year ending December 31, 1998 and to authorize the directors to fix their remuneration;

(4) To transact such other business as may properly come before the meeting or any adjournment thereof.

Subject to Section 138(2) of the Canada Business Corporations Act, only shareholders of record at the close of business on March 31, 1998 are entitled to receive notice of and vote at the meeting.

PLEASE COMPLETE, DATE, AND SIGN THE ENCLOSED PROXY AND MAIL IT PROMPTLY, IN THE ENCLOSED POSTAGE-PAID ENVELOPE, IN ORDER THAT YOUR SHARES MAY BE REPRESENTED AT THE MEETING.

Dated at Scarborough, Ontario, this 2nd day of April, 1998.

By order of the Board of Directors

M. Miller
Vice President Finance, Chief Financial Officer and Secretary

BFC Construction Corporation

CORPORATE OFFICE:
3660 Midland Avenue
Scarborough, Ontario, Canada M1V 4V3

MANAGEMENT PROXY CIRCULAR

The Annual Meeting of Shareholders of BFC Construction Corporation (the "Corporation") will be held on May 20, 1998 at the time and place and for the purposes set forth in the foregoing notice. **THE ACCOMPANYING FORM OF PROXY IS SOLICITED BY THE MANAGEMENT OF THE CORPORATION** and may be revoked prior to its exercise pursuant to Section 148(4) of the Canada Business Corporations Act, by instrument in writing deposited either at the office of the Corporation at any time up to and including the last business day preceding the day of the meeting at which the proxy is to be used, or any adjournment thereof, or with the chairman of such meeting on the day of the meeting, or any adjournment thereof.

Proxies in the accompanying form which are properly executed by shareholders and duly returned to the Corporation and not revoked will be voted: (a) with respect to directors, in the manner indicated below under "Election of Directors"; and (b) with respect to the appointment of auditors, in accordance with the designation, if any, made by the shareholder, and if no designation is made, for the appointment of Ernst & Young. The form of proxy confers discretionary authority with respect to amendments to or variations of matters set forth in the notice of meeting and other matters which may properly come before the meeting.

A SHAREHOLDER WHO SUBMITS A PROXY HAS THE RIGHT TO APPOINT A PERSON TO REPRESENT HIM AT THE MEETING, OTHER THAN THE PERSONS NAMED IN THE FORM OF PROXY FURNISHED BY THE CORPORATION, BY INSERTING THE NAME OF THE APPOINTED REPRESENTATIVE IN THE BLANK SPACE PROVIDED ON THE FORM OF PROXY.

The Corporation anticipates that this Management Proxy Circular and form of proxy for use at the meeting will be mailed to shareholders on or about April 2, 1998.

VOTING SECURITIES AND PRINCIPAL HOLDERS

As of the close of business on March 31, 1998, the record date for the Annual and Special Meeting, the Corporation had outstanding 8,446,725 common shares, each of which carries the right to one vote at the meeting.

The following table sets forth the name of each person who, to the knowledge of the Corporation, as of March 31, 1998, beneficially owned or exercised control or direction, over more than ten percent of the common shares of the Corporation (its only class of outstanding securities), as well as the number of shares so owned, controlled, or directed by each such person and the percentage of shares of the Corporation represented by the number of shares so owned, controlled, or directed.

Name	Address	Number of Shares	Percentage of Shares
Trimac Corporation	800 – 5th Ave. S.W. Box 3500 Calgary, Alberta T2P 2P9	1,865,104	22.08
Altamira Management Ltd.(1)	250 Bloor Street East Toronto, Ontario M4W 1E6	944,800(1)	11.19

(1) These securities are owned by various mutual funds, pension funds and other clients of Altamira Management Ltd. For purposes of the reporting requirements of the (United States) Securities Exchange Act of 1934, Altamira Management Ltd. is deemed to be a beneficial owner of such securities; however, Altamira Management Ltd. expressly disclaims that it maintains beneficial ownership over these shares and further claims that no single person or entity covered by its beneficial ownership is holding in excess of 5% of the Corporation's common shares.

ELECTION OF DIRECTORS

The Corporation's Board of Directors may consist of a minimum of five and a maximum of twelve members. The nominees listed in the following table have been nominated for election at this meeting and if elected will hold office until the next Annual Meeting in 1999. All such nominees are directors of the Corporation. It is the intention of the persons whose names are printed in the enclosed proxy form to vote such proxy for the election of these nominees unless specifically instructed on the proxy form to withhold such vote.

If, prior to this meeting, any of the listed nominees should become unavailable to serve, the persons designated in the proxy form will have the right to use their discretion in voting for a properly qualified substitute. The Corporation has no reason to expect that any of the nominees will become unavailable as a candidate at the meeting and therefore is not, at this time, considering a substitute for any nominee.

The following information with respect to the persons nominated has been furnished to the Corporation by the individuals named and is given as of March 6, 1998.

NOMINEES FOR ELECTION AS DIRECTORS

(to serve until Annual Meeting of Shareholders in 1999)

Name	Age	Principal Occupation	First Elected Director	Number of Shares Owned Beneficially
G. Arnell(5)	56	Chairman and Chief Executive Officer, Brookfield Properties Corporation, commercial real estate	1997	—
N. Fraser (2) (4)	56	Financial Consultant	1995(6)	1,000
N.A. Harrison(2)	56	President and Chief Executive Officer of the Corporation	1994	28,007
L.D. Hyndman(3)	62	Partner, Field Atkinson Perraton Barristers & Solicitors	1988	100
The Hon. D.S. Macdonald, P.C., C.C. (3) (5)	66	Counsel, McCarthy Tétrault Barristers & Solicitors	1994	1,000
H.A. Magee(4)	64	Chairman and Chief Executive Officer, GWIL Industries Inc., equipment rental and servicing, and manufacturing of plastic resins	1990	100
J.R. McCaig (1) (2) (5)	68	Chairman Trimac Corporation, transportation services	1982	5,000
S.W.C. Mulherin(2) (4)	41	Partner, Polar Capital Corporation, fund management and merchant banking	1993(7)	1,000

(1) Chairman of the Board of Directors.
(2) Member of the Executive Committee.
(3) Member of the Audit Committee.
(4) Member of the Human Resources and Compensation Committee.
(5) Member of the Corporate Governance Committee.
(6) Mr. Fraser was previously a director of the Corporation from 1973 to 1994.
(7) From 1990 to February 1997, Mr. Mulherin was Vice President Corporate Development & Affiliates of Trimac Corporation. From November 1996 he was also acting Chief Financial Officer of Trimac Corporation.

As of March 6, 1998, directors individually owned less than 1⁄10 of 1% of the outstanding common shares except N.A. Harrison who owned 0.3% of the outstanding common shares. All directors and officers as a group owned beneficially 44,107 common shares (less than 0.5% of the outstanding common shares).

BOARD OF DIRECTORS

The management of the business affairs of the Corporation is the responsibility of the Chief Executive Officer and other senior personnel and the Board of Directors (the "Board") is responsible for supervision of that management. To effectively carry out this process, the Board has established committees (as set out below) and has delegated certain responsibilities to such committees. The overall supervisory authority, to the extent not specifically delegated to the committees, resides with the Board. The directors are kept informed of the Corporation's operations at meetings of the Board and its committees and through circulation of reports and discussions with management from time to time between meetings.

During the year, the Board holds four regularly scheduled meetings and other meetings as required. During the fiscal year ended December 31, 1997, it met four times.

COMMITTEES OF THE BOARD

The Board has established four standing committees to which it has delegated certain responsibilities. Each committee has a clearly defined mandate which is approved by the Board. The committees are as follows:

Executive Committee

The Executive Committee is responsible for ensuring that important matters which arise between Board meetings receive timely attention and, from time to time, it considers and acts on specific items which are referred to it by the Board for action. The Board has delegated to it responsibility for overseeing the Corporation's Strategic Plan which is updated regularly by management. It is also available for direction or advice as management may request.

Audit Committee

The Audit Committee is responsible for overseeing the Corporation's financial management and internal financial controls, including receiving and reviewing regular reports on the state of readiness of the Corporation on the Year 2000 issue, reviewing the scope of the audit and the annual financial statements with the external auditors and management representatives, and recommending approval of the financial statements to the Board. It also recommends to the Board the firm which will be appointed independent external auditors for the Corporation. The Committee has unrestricted access to the Corporation's personnel and documents, to the external auditors, and to any correspondence from or comment by the external auditors regarding financial reporting and internal controls. The Committee receives and reviews regular reports on the health & safety and environmental policy and operations of the Corporation and the operating divisions.

Corporate Governance Committee

The Corporate Governance Committee assists the Board in fulfilling its corporate governance responsibilities. Its mandate includes reviewing and responding to The Toronto Stock Exchange ("TSE") "Guidelines for Improved Corporate Governance In Canada" and reporting to the Board on the Corporation's approach to governance with reference to those guidelines. It makes recommendations to the Board on corporate governance matters generally and monitors the effectiveness of the Board with a view to recommending changes to its structure and processes which could improve performance of the Board and its committees. The Committee performs the Nominating Committee function including searching for and recommending persons who might be suitable nominees for election to the Board. It also has a mandate to develop and administer an ongoing process to assess the effectiveness of the Board, its committees and individual Directors and the relationship of the Board to management of the Corporation.

Human Resources and Compensation Committee

The Human Resources and Compensation Committee is responsible for formulating and administering the Corporation's compensation policies for executive officers and other senior personnel. The Committee's mandate includes such matters as recruitment policy, management development and succession planning. The Committee also considers Directors' compensation and makes recommendations on it to the Board from time to time.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The TSE Committee on Corporate Governance in Canada has developed guidelines for effective corporate governance (the "Guidelines") and has recommended that "... every company incorporated in Canada or a province of Canada whose shares are traded publicly in Canada be required to disclose on an annual basis its approach to corporate governance." The recommended disclosure is "... a description of the Corporation's system of corporate governance with reference to the Guidelines ..." and it is now mandatory for TSE listed corporations.

The following is the Corporation's disclosure response to the Guidelines:

TSE Committee Guidelines	Disclosure Response
1. The Board of Directors ("Board") of every corporation should explicitly assume responsibility for the stewardship of the Corporation, including the following matters:	
(i) adoption of a strategic planning process;	In 1996 the Corporation completed a major strategic planning initiative under the direction of an ad hoc committee of the Board and the President. Management reviewed and updated the strategic plan during 1997 and reports regularly to the Board on its progress relative to that Plan.
(ii) identification of principal business risks and implementation of appropriate risk management systems;	Principal business risks, primarily related to undertaking very major commitments for large construction projects, are approved by the Board. The Audit Committee regularly reviews risk management procedures with management and the external auditors.
(iii) succession planning and monitoring senior management;	The Human Resources and Compensation Committee assesses senior management performance annually and is responsible for reviewing the current succession plan.
(iv) communications policy;	Corporate communication and timely disclosure procedures are the responsibility of the Chief Financial Officer and Secretary under the direction of the Corporate Governance Committee.
(v) integrity of internal control and management information systems.	The Audit Committee regularly reviews with the external auditors the adequacy and integrity of policies, procedures and systems.
2. Majority of Directors should be "unrelated" (independent of management and free from any business or interest which could materially interfere with their ability to act in the best interests of the Corporation, other than shareholding interests).	The Board is currently composed of nine directors, one of whom is an Officer of the Corporation and the remaining eight are unrelated. The Board to be elected in 1998 will be composed of eight directors, one being an Officer and seven unrelated directors.
3. Indicate whether or not each Director is related or unrelated and the basis for such conclusion.	Of the Directors nominated for election, Mr. N.A. Harrison, President and Chief Executive Officer of the Corporation, is related. The other directors, namely Messrs. G. Arnell, N. Fraser, L.D. Hyndman*, D.S. Macdonald*, H.A. Magee, J.R. McCaig and S.W.C. Mulherin, are unrelated. They are not employed by the Corporation or its subsidiaries and do not have any interest which could materially interfere with their ability to act in the best interests of the Corporation, other than shareholding interests. They receive no compensation from the Corporation other than Directors' fees. *Messrs. Hyndman and Macdonald are associated with law firms which the Corporation retains for various matters from time to time. Any interest of an individual director in any such retainer is not considered material.
4. Appoint a committee of non-management directors responsible for nominating and assessing directors.	The Corporate Governance Committee also fulfills the nominating committee function and has a mandate to seek out and assess suitable nominees for the Board.

5. Implement a process for assessing the effectiveness of the Board as a whole, its committees and individual Directors.	The Corporate Governance Committee is responsible for monitoring and assessing the effectiveness and contribution of Directors. This is done through regular informal contacts and discussions, supplemented by a written Directors' Questionnaire.
6. Provide an orientation and an education program for new Directors.	New Directors receive comprehensive background material on the Corporation and its various operating divisions. Opportunities are created each year for all Directors to meet senior operating division personnel formally and informally and to visit field operations.
7. Examine the size of the Board and determine the impact of that size on its effectiveness.	The Corporation's Board may consist of a minimum of five and a maximum of twelve Directors. Eight Directors will be elected at the 1998 Annual Meeting. The Board considers that from eight to twelve directors is an efficient and effective size. It provides a variety of experience and knowledge with enough depth to properly do the work of the Board and its Committees.
8. Review adequacy and form of Directors' Compensation.	The Human Resources and Compensation Committee reviews Directors' compensation and makes recommendations to the Board.
9. Committees of the Board should generally be composed of non-management Directors. Some committees (e.g. Executive Committee) may include management Directors.	All committees of the Board, except for the Executive Committee, are composed of non-management Directors. Mr. N.A. Harrison is a member of the Executive Committee.
10. Appoint a committee responsible for developing the Corporation's approach to corporate governance issues.	The Corporate Governance Committee is responsible, through senior management, for directing the Corporation's response to corporate governance matters including the Guidelines.
11. The Board should:	
(i) With the Chief Executive Officer, develop position descriptions for the Board and the Chief Executive Officer, defining the limits of management's responsibilities.	The Board has authority and responsibility to the extent not delegated to committees of the Board or management. The Chief Executive Officer is responsible for the management of the business affairs of the Corporation subject to overall Board supervision and to Board approval with respect to matters having a potential financial exposure in excess of a pre-determined amount.
(ii) Approve the corporate objectives of the Chief Executive Officer.	The Human Resources and Compensation Committee reviews annually the Chief Executive Officer's shareholder value enhancement objectives.
12. Establish appropriate structures and procedures to ensure that the Board can function independently of management.	The offices of the Chief Executive Officer and Chairman are separate. The Chairman is an unrelated Director and the Board and its committees can meet at any time independently of management. The responsibility for administering the Board's relationship to management has been assigned to the Corporate Governance Committee.
13. Establish an Audit Committee of non-management Directors with a defined mandate.	The Audit Committee is composed entirely of non-management Directors. It meets regularly with management and the external auditors to ensure that appropriate financial responsibility and control procedures and systems are in place. The Audit Committee mandate is referred to in the section "Committees of the Board" above.
14. Implement a system to enable an individual Director to engage an outside advisor at the Corporation's expense.	The Board or a Committee of the Board or an individual director may retain outside advisors from time to time, subject to approval of the Corporate Governance Committee.

COMPENSATION OF DIRECTORS

(All dollar amounts in this Management Proxy Circular refer to Canadian dollars, unless otherwise stated.)

The Corporation's directors (other than directors who are employees of the Corporation or its subsidiaries) are entitled to receive fees for their services. In 1997, these consisted of an annual fee of $10,000, with an additional $2,000 for committee chairmen, and $1,000 for each Board of Directors or Committee meeting attended. The Chairman of the Board receives an annual fee of $100,000 without additional fees for meetings attended or committees chaired.

Directors may also receive stock options to purchase shares of the Corporation. The Human Resources & Compensation Committee makes recommendations to the Board of Directors as to the number of stock option grants to be made to each director. During 1997, 1,000 options were granted to each director and committee chairmen were granted 1,000 additional options.

The total compensation paid or payable by the Corporation and its subsidiaries to all persons who, at any time during the fiscal year ended December 31, 1997, were directors of the Corporation entitled to the fees referred to above was $219,500 in respect of nine such persons.

The Corporation maintains a $10,000,000 directors' and officers' liability insurance policy (which covers the directors and officers of the Corporation and its wholly-owned subsidiaries) for which an annual premium of $25,600 was paid in 1997. The policy, as renewed for 1998, provides for as deductible of $50,000 per loss for the Corporation and no deductible for officers and directors.

COMPENSATION OF EXECUTIVE OFFICERS
SUMMARY COMPENSATION TABLE

The following table summarizes the compensation received by the four Named Executive Officers of the Corporation:

		ANNUAL COMPENSATION			
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compensation ($)(1)	Securities Under Options Granted (Nos.)
N.A. HARRISON President and Chief Executive Officer	1997 1996 1995	243,875 225,504 219,125	— 170,000 —	3,810(3) 7,062(3) 8,592(3)	33,000 45,000 12,100
G. KOZICZ Vice President Corporate Development	1997 1996 1995	117,825 111,300 102,750	— 52,000 —	— — —	4,500 10,000 3,500
M. MILLER Vice President Finance, Chief Financial Officer and Secretary	1997 1996 1995	160,900 157,600 152,850	— 60,000 —	— — —	7,600 10,000 6,200
F.A.M. TREMAYNE Vice President, Secretary and General Counsel	1997(2) 1996 1995	106,775 126,100 122,250	— — —	— — —	5,000 5,000 4,100

(1) Executive Officers receive the use of an automobile leased by the Corporation. The value of this perquisite is, in all cases, significantly less than (i) 10% of salary plus bonus; or (ii) $50,000.
(2) To October 31, 1997.
(3) These amounts represent imputed interest on a housing loan.

OPTION GRANTS DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR

Name	Securities Under Options Granted (Nos.)	% of Total Options Granted to Employees in Financial Year	Exercise Price ($/Security)	Market Value of Securities Underlying Options on the Date of Grant ($/Security)	Expiration Date
N.A. HARRISON	33,000	15	12.50	12.50	Feb. 17, 2002
G. KOZICZ	4,500	2	12.50	12.50	Feb. 17, 2002
M. MILLER	7,600	3	12.50	12.50	Feb. 17, 2002
F.A.M. TREMAYNE	5,000	2	12.50	12.50	Nov. 1, 1998

AGGREGATED OPTION EXERCISES DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR AND FINANCIAL YEAR-END OPTION VALUES

Name	Securities Acquired on Exercise (Nos.)	Aggregate Value Realized ($)	Unexercised Options at Year-End (Nos.) Exercisable / Unexercisable	Value of Unexercised in-the-Money Options at Year-End ($) Exercisable / Unexercisable
N.A. HARRISON	9,900	54,000	49,747 / 60,060	17,100 / 51,300
G. KOZICZ	4,000	26,680	5,000 / 11,500	— / 11,400
M. MILLER	—	—	9,240 / 14,560	7,600 / 11,400
F.A.M. TREMAYNE	—	—	17,200 / —	9,500 / —

EXECUTIVE RETIREMENT ARRANGEMENTS

Named Executive Officers participate in the BFC Construction Corporation registered pension plan ("RPP") in the same manner as all other eligible employees. No contributions to the RPP were required in 1997. Subject to the Revenue Canada maximum (currently $86,111) the RPP provides a benefit of 2% of the average of the best consecutive five years of salary plus bonus, multiplied by years of pensionable service. The amount of pension payable under the RPP at normal retirement to all eligible employees, including Named Executive Officers, is therefore limited to $1,722.22 per year of pensionable service.

In addition to the RPP, Named Executive Officers participate in a non-contributory supplementary executive retirement plan ("SERP") which provides a further benefit of 2% of the best consecutive twelve months salary (excluding bonus) which is in excess of the Revenue Canada maximum, multiplied by years of pensionable service.

The following table indicates the combined RPP/SERP pension benefit payable to Named Executive Officers for pensionable remuneration levels and years of service.

Remuneration	Years of Service				
($)	15	20	25	30	35
125,000	37,500	50,000	62,500	75,000	87,500
150,000	45,000	60,000	75,000	90,000	105,000
175,000	52,500	70,000	87,500	105,000	122,500
200,000	60,000	80,000	100,000	120,000	140,000
225,000	67,500	90,000	112,500	135,000	157,500
250,000	75,000	100,000	125,000	150,000	175,000
300,000	90,000	120,000	150,000	180,000	210,000
400,000	120,000	160,000	200,000	240,000	280,000
500,000	150,000	200,000	250,000	300,000	350,000

At December 31, 1997 the years of credited pensionable service of Named Executive Officers under the terms of the RRP and SERP were:

N.A. Harrison	36 years 8 months	M. Miller	3 years 5 months
G. Kozicz	3 years 11 months		

Benefits available from the Canada/Quebec Pension Plan or Old Age Security are received in addition to retirement income provided by the RPP and the SERP. Retired employees without a spouse receive a pension payable for life, guaranteed for five years; those with a spouse receive an actuarially reduced pension payable for life, with the benefit reducing to 60% and continuing to be payable to the spouse. Benefits may be taken in various other forms, subject to actuarial reduction.

EMPLOYMENT CONTRACTS

The Corporation has entered into employment contracts with the Named Executive Officers, excluding F.A.M. Tremayne who retired on October 31, 1997. The contracts include participation in an executive bonus plan based on achievement of financial returns for the Corporation, as well as participation in the Corporation's Stock Option Plan and SERP. The contracts provide that, in the event of termination without cause prior to retirement, each Named Executive Officer may choose to receive one (1) month of current remuneration for each year of service up to a maximum of 24 months' remuneration, in lieu of taking the benefit provided by the SERP.

COMPOSITION OF HUMAN RESOURCES AND COMPENSATION COMMITTEE

The Human Resources and Compensation Committee (the "Committee") is composed of three members of the Board of Directors, N. Fraser, H.A. Magee and S.W.C. Mulherin, none of whom are employees or former employees of the Corporation. The Committee makes recommendations to the Board of Directors on all aspects of compensation payable to the Chief Executive Officer and other Named Executive Officers and is responsible for ensuring that such compensation is consistent with the strategic objectives of the Corporation. The Committee invites the Chief Executive Officer to attend meetings to provide advice and consultation as required, except when matters pertaining to his own compensation are being discussed.

REPORT OF HUMAN RESOURCES AND COMPENSATION COMMITTEE

Executive Compensation Strategy

Executive compensation at the Corporation has four principal components: salary, annual incentives, long-term incentives and benefits and perquisites. In combination, the four components comprise an integrated compensation strategy designed to accomplish the following objectives:

- attract and retain outstanding executives able to bring superior management skills to the Corporation;
- encourage the production of satisfactory financial returns for shareholders; and
- integrate the longer term interests of each executive with the investment objectives of the shareholders.

The emphasis of annual incentive compensation is achievement of agreed return on shareholders' equity objectives. The incentive balance between achievement of short and longer term results is maintained through the provision of annual awards of stock options and subsidized loans to purchase shares of the Corporation. The Committee believes that this preserves a close relationship between executive compensation and financial results and diminishes the overall cost of executive compensation to the Corporation. Retirement benefits also provide improved retirement income security. The Committee seeks to position the value of the remuneration package received by Named Executive Officers between the median and seventy-fifth percentile of competitive practice.

Salary

Base salary is generally maintained at the median paid by a broad spectrum of Canadian industrial organizations to executives occupying positions with similar levels of responsibility to those at the Corporation. The Committee reviews the salary of each executive annually and makes adjustments after considering the recommendations of the Chief Executive Officer.

Annual Incentives

The annual incentive plan for Named Executive Officers of the Corporation is based upon achievement of a targeted return on shareholders' equity. The intent is to ensure that a bonus is only paid when shareholders receive a fair return upon their investment in the Corporation. The target is determined annually based upon prevailing long term interest rates. The plan provides a minimum, or threshold, level of return on shareholders' equity, below which no bonus is paid to any of the Named Executive Officers. Bonuses awarded to Named Executive Officers reporting to the Chief Executive Officer may reach maxima of 35% to 60% of salary, varying from officer to officer.

Long-Term Incentives

The Corporation has a long-term incentive plan under which stock options are granted to senior officers, including Named Executive Officers. These arrangements are intended to encourage executives and managers to take actions that enhance shareholder value. In addition to linking the interests of participants to those of the shareholders, the plan also serves to bind the interests of executives to one another, thereby rewarding team work and cooperation.

Stock options are granted annually to each Named Executive Officer based upon a percentage of salary divided by the closing price of the Corporation's common shares on the most recent day upon which such shares were traded preceding the date of the grant. The percentage used for Named Executive Officers reporting to the Chief Executive Officer varies from 50% to 60% of salary.

Management Share Ownership Plan

The Board of Directors has approved a Management Share Ownership Plan ("MSOP") for Named Executive Officers and other senior managers of the Corporation and its divisions and subsidiaries. The MSOP is designed to encourage participants to purchase and retain ownership of the Corporation's shares so that the long-term interests of the participants are congruent with the interests of the Corporation's shareholders. The MSOP is comprised of an interest subsidy by the Corporation for loans undertaken by the participants and a guarantee by the Corporation provided to the participants' lenders.

The number of shares which may be purchased by each participant is a function of his/her salary. A minimum of 20% of the purchase price is required to be provided by each participant. The balance, to a maximum of 80% of the purchase price, is in the form of a loan, the payment of which is guaranteed by the Corporation. No interest payments by the participants are required for the first five years of the loan term. During the last five years, interest is payable at a rate which is related to the prime rate of a Canadian chartered bank. At the end of the ten year term all outstanding interest and principal is due and payable upon demand.

During the loan term any cash dividends paid and 25% of each participant's annual bonus payment will be paid to the lender to be applied against any loan amount outstanding.

The maximum loan guarantee provided by the Corporation is a function of the participant's position ranging from approximately one times salary for a manager to three times salary for the President and Chief Executive Officer.

Chief Executive Officer's Compensation

The compensation arrangement applicable to the Chief Executive Officer uses the same objectives and principles as are applied to other executive officers.

The Committee seeks to position the Chief Executive Officer's salary at the median of a broad spectrum of Canadian industry. The Committee makes judgments regarding adjustments to base salary using the same criteria as are applied to other executive officers and is supplied with external competitive compensation data as a reference. The return on shareholders' equity achieved by the Corporation must reach a threshold level of performance before the Chief Executive Officer receives a bonus. The bonus award may be up to 100% of salary, depending on the results achieved.

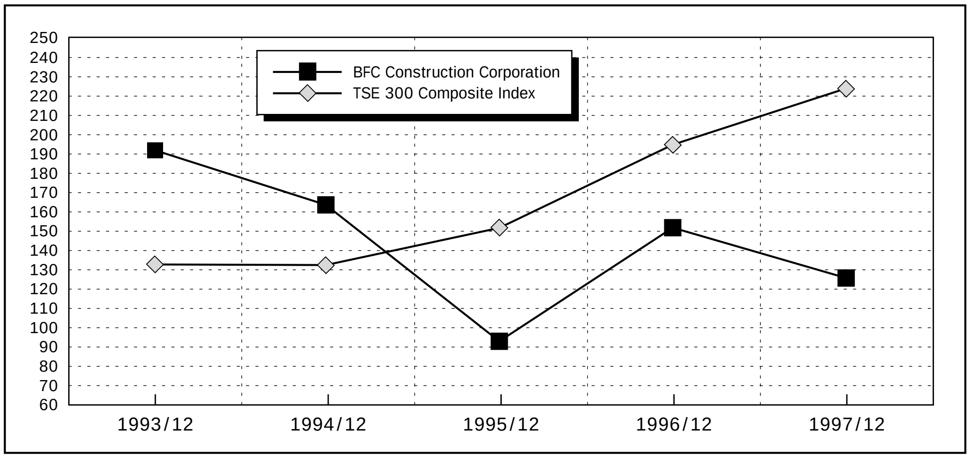
The Chief Executive Officer also participates in the same long-term incentive arrangements applicable to other senior officers. Stock options are granted annually based on current annual salary divided by the closing price of the Corporation's shares on the most recent day upon which such shares were traded preceding the date of the grant. The Chief Executive Officer also participates in the MSOP.

S.W.C. Mulherin, N. Fraser, H.A. Magee

PERFORMANCE GRAPH

The following graph and table compare the total cumulative shareholder return (assuming a $100 initial investment) in the Corporation's Common Shares with the cumulative return of the TSE 300 Stock Index for the five year period ending December 31, 1997.

Total Return Index Values



	1993/12	1994/12	1995/12	1996/12	1997/12
	$	$	$	$	$
BFC Construction Corporation	191.60	163.40	92.90	151.60	125.60
TSE 300 Composite Index	132.60	132.30	151.50	194.50	223.60

Assuming an investment of $100 and the reinvestment of dividends

APPOINTMENT OF AUDITORS

The Board of Directors recommends that the shareholders appoint the firm Ernst & Young as independent auditors of the Corporation for the fiscal year ending December 31, 1998. Ernst & Young (including its predecessor firm) has served as independent auditors of the Corporation for the past 27 fiscal years. Representatives of Ernst & Young are expected to attend the Annual Meeting of Shareholders and to present to the meeting their report on the consolidated financial statements of the Corporation for the fiscal year ended December 31, 1997; they will also be available to respond to appropriate questions from shareholders.

MISCELLANEOUS

The Board of Directors does not know of any other matters to be presented at the meeting for action by the shareholders. If other matters requiring a vote of the shareholders arise at the meeting or any adjournment thereof, it is intended that votes will be cast pursuant to the proxies with respect to such matters in accordance with the best judgement of the persons acting under the proxies.

Shareholders' proposals submitted for inclusion in the Corporation's proxy circular for the Annual Meeting of Shareholders to be held in 1999 must be received by the Secretary of the Corporation prior to February 21, 1999.

The Corporation will pay the cost of soliciting proxies in the accompanying form. In addition to solicitation by use of the mails, certain officers and regular employees of the Corporation and of its transfer agent may solicit the return of the proxies by telephone, telecopier, or by personal interview and may request brokerage houses and custodians, nominees, and fiduciaries to forward soliciting matter to their principals, and the Corporation will reimburse them for their reasonable out-of-pocket expenses.

ANNUAL REPORT

The annual report (which is not a part of the proxy soliciting material) of the Corporation for the fiscal year ended December 31, 1997, is enclosed herewith. **A COPY OF THE CORPORATION'S FORM 20-F ANNUAL REPORT INCLUDING THE CONSOLIDATED FINANCIAL STATEMENTS FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, WILL BE PROVIDED WITHOUT CHARGE TO EACH SHAREHOLDER WHO SENDS A WRITTEN REQUEST TO THE SECRETARY OF THE CORPORATION AT THE CORPORATE OFFICE OF THE CORPORATION.**

The contents and the sending of this Management Proxy Circular have been approved by the Board of Directors of the Corporation.

Dated: April 2, 1998.

By order of the Board of Directors
M. Miller
Vice President Finance, Chief Financial Officer and Secretary

BFC Construction Corporation

PROXY SOLICITED BY MANAGEMENT

The undersigned shareholder hereby appoints N.A. Harrison or M. Miller or either of them, with power of substitution, or in their place,

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as proxy of the undersigned to vote at **THE ANNUAL MEETING OF SHAREHOLDERS OF BFC CONSTRUCTION CORPORATION TO BE HELD ON MAY 20, 1998 AT 11:00 A.M. AT THE DESIGN EXCHANGE, TRADING FLOOR, 234 BAY STREET, TORONTO, ONTARIO, CANADA,** and at any adjournments thereof, according to the number of votes the undersigned might cast with respect to the matters described in the enclosed Management Proxy Circular dated April 2, 1998, and with all powers the undersigned would possess if personally present.

THE UNDERSIGNED MAY APPOINT A PERSON TO REPRESENT HIM/HER AT THE MEETING OTHER THAN THE PERSONS NAMED ABOVE BY INSERTING THE NAME OF THE REPRESENTATIVE SO APPOINTED IN THE BLANK SPACE PROVIDED ABOVE.

IF ANY AMENDMENTS TO OR VARIATIONS OF THE MATTERS SET FORTH IN THE MANAGEMENT PROXY CIRCULAR OR NOTICE OF ANNUAL MEETING ARE PROPOSED AT THE MEETING, OR IF ANY OTHER MATTERS PROPERLY COME BEFORE THE MEETING, DISCRETIONARY AUTHORITY IS HEREBY CONFERRED WITH RESPECT THERETO.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DESIGNATED HEREIN BY THE UNDERSIGNED SHAREHOLDER.

UNLESS AUTHORITY TO VOTE FOR DIRECTORS IS WITHHELD AS TO ALL OR ANY OF THE NOMINEES, THIS PROXY WILL BE VOTED FOR SUCH NOMINEES. IF NO DESIGNATION IS MADE WITH RESPECT TO ITEM 2 THE PROXY WILL BE VOTED FOR THAT ITEM.

ITEMS TO BE VOTED ON BY SHAREHOLDERS

1. **ELECTION OF DIRECTORS**
   - ☐ **FOR** all nominees listed below (except as marked to the contrary below).
   - ☐ **WITHHOLD AUTHORITY** to vote for all nominees listed below.

Nominees: G.E. Arnell, N. Fraser, N.A. Harrison, L.D. Hyndman, D.S. Macdonald, H.A. Magee, J.R. McCaig, S.W.C. Mulherin.

INSTRUCTION: To withhold authority to vote for any individual nominee, write that nominee's name in the space provided here: ____________________________
(Name of withheld nominee, if any)

2. **APPOINTMENT OF AUDITORS**
   - ☐ **FOR** appointment of Ernst & Young as auditors for the fiscal year ending December 31, 1998 and authorizing the directors to fix their remuneration.
   - ☐ **WITHHOLD AUTHORITY** to appoint Ernst & Young as auditors.

Please date and sign exactly as your name(s) appears on this proxy. When signing as an attorney, executor, administrator, trustee or guardian, please give your full title as such. If shares are held jointly, both owners should sign. If the shareholder is a corporation, this proxy must be executed under its corporate seal or by an officer or attorney thereof duly authorized. If not dated, this proxy shall be deemed to be dated on the date it was mailed to the undersigned shareholder.

Dated: ____________________________, 1998.

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Signature of Shareholder(s)

EXHIBIT C

Auditors' Report

To the Shareholders of BFC Construction Corporation:

We have audited the consolidated balance sheets of BFC Construction Corporation as at December 31, 1997 and 1996 and the consolidated statements of income, retained earnings and changes in cash resources for each of the years in the three year period ended December 31, 1997. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1997 and 1996 and the results of its operations and the changes in its financial position for each of the years in the three year period ended December 31, 1997 in accordance with accounting principles generally accepted in Canada.

Ernst & Young

Toronto, Canada,
February 16, 1998.

Ernst & Young (signed), Chartered Accountants

COMMENTS BY AUDITORS FOR U.S. READERS OF CANADIAN/U.S. REPORTING CONFLICT

In the United States, reporting standards require the addition of an explanatory paragraph (following the opinion paragraph) when there are changes in accounting principles that have a material effect on the comparability of a company's financial statements, such as the change described in Note 17(6) of the consolidated financial statements. Our report to the shareholders dated February 16, 1998 is expressed in accordance with Canadian reporting standards which do not require a reference to such a change in accounting principles in the auditors' report as the change was properly accounted for and adequately disclosed in the 1996 consolidated financial statements.

Ernst & Young

Toronto, Canada,
February 16, 1998.

Ernst & Young (signed) Chartered Accountants

Consumer and Corporate Affairs Canada

Consommation et Corporations Canada

Certificate of Amalgamation

Certificat de fusion

Canada Business Corporations Act

Loi régissant les sociétés par actions de régime fédéral

BANISTER INC.

267417-3

Name of Corporation - Dénomination de la société

Number - Numéro

I hereby certify that the above-mentioned Corporation resulted from the amalgamation of the following Corporations under Section 185 of the Canada Business Corporations Act, as set out in the attached articles of Amalgamation.

Je certifie par les présentes que la société mentionnée ci-haut résulte de la fusion des sociétés ci-dessous, en vertu de l'article 185 de la Loi régissant les sociétés par actions de régime fédéral, tel qu'indiqué dans les statuts de fusion ci-joints.

Le directeur

Director

January 1, 1991/le 1 janvier 1991

Date of Amalgamation - Date de fusion

Canada

Canada Business Corporations Act — Loi régissant les sociétés par actions de régime fédéral

FORM 9 ARTICLES OF AMALGAMATION (SECTION 185)

FORMULE 9 STATUTS DE FUSION (ARTICLE 185)

1 — Name of Amalgamated Corporation — Dénomination de la société issue de la fusion

BANISTER INC.

2 — The place within Canada where the registered office is to be situated — Lieu au Canada où doit être situé le siège social

Edmonton, Alberta

3 — The classes and any maximum number of shares that the corporation is authorized to issue — Catégories et tout nombre maximal d'actions que la société est autorisée à emettre

20,000,000 common shares of no par value

4 — Restrictions if any on share transfers — Restrictions sur le transfert des actions, s'il y a lieu

None

5 — Number (or minimum and maximum number) of directors — Nombre (ou nombre minimum et maximum) d'administrateurs

Minimum number of 5 and maximum number of 12

6 — Restrictions if any on business the corporation may carry on — Limites imposées quant aux activités que la société peut exploiter, s'il y a lieu

None

7 — Other provisions if any — Autres dispositions s'il y a lieu

The annexed Schedule 1 is incorporated in this form.

8 – The amalgamation agreement has been approved by special resolutions of shareholders of each of the amalgamating corporations listed in item 10 below in accordance with Section 183 of the Canada Business Corporations Act.

☐ La convention de fusion a été approuvée par résolutions spéciales des actionnaires de chacune des sociétés fusionnantes énumérées à la rubrique 10 ci-dessous, en conformité de l'article 183 de la Loi régissant les sociétés par actions de régime fédéral.

The amalgamation has been approved by a resolution of the directors of each of the amalgamating corporations listed in item 10 below in accordance with Section 184 of the Canada Business Corporations Act. These articles of amalgamation are the same as the articles of incorporation of (name the designated amalgamating corporation).

BANISTER INC.

☒ La fusion a été approuvée par résolution des administrateurs de chacune des sociétés fusionnantes énumérées à la rubrique 10 ci-dessous en conformité de l'article 184 de la Loi régissant les sociétés par actions de régime fédéral. Les présents statuts de fusion sont les mêmes que les statuts constitutifs de (nommer la société fusionnante désignée).

9 – Name of the amalgamating Corporation the by-laws of which are to be the by-laws of the amalgamated corporation — Dénomination de la société fusionnante dont les règlements administratifs seront ceux de la société issue de la fusion

BANISTER INC.

10 – Name of Amalgamating Corporations / Dénomination des sociétés fusionnantes	Corporation No. / N° de la société	Signature	Date	Description of Office / Description du poste
BANISTER INC.	1347047	[signature]	17/DEC 1990	Secretary
BANISTER EQUIPMENT INC.	2558696	[signature]	17/DEC 1990	Secretary

FOR DEPARTMENTAL USE ONLY — À L'USAGE DU MINISTÈRE SEULEMENT

Corporation No. — N° de la société 247417-3

Filed — Déposée Dec. 21/1990

SCHEDULE 1

1. The number of directors constituting the Board shall be a minimum of 5 and a maximum of 12. The total number of directors shall be fixed by resolution of the directors and shall not at any time exceed the maximum number nor fall below the minimum number. If a director is elected to fill a vacancy created by an increase in the number of directors, he shall hold office until the next annual meeting of shareholders.

2. Notwithstanding that directors of the Corporation have in the past been elected for three year terms, the terms of all directors of the Corporation holding office on June 4, 1990 shall end at the close of the annual meeting of shareholders in 1991 and directors elected after June 4, 1990 shall hold office from the date they are elected until the close of the first annual meeting of shareholders following the date of such election.

3. The presence in person or by proxy of the holders of 40% of the outstanding shares entitled to vote shall constitute a quorum for the transaction of business at any meeting of shareholders.

Car a Business Co. ations Act | Loi régissant les sociétés par actions de régime fédéral

FORM 3
NOTICE OF REGISTERED OFFICE OR NOTICE OF CHANGE OF REGISTERED OFFICE

FORMULE 3
AVIS DU LIEU DU SIÈGE SOCIAL OU AVIS DE CHANGEMENT DU LIEU DU SIÈGE SOCIAL

1 — Name of Corporation — Dénomination de la société

BANISTER INC.

2 — Corporation No. N° de la société

3 — Address of the registered office — Adresse du siège social

9910 39 Avenue
Edmonton, Alberta
T6E 5H8

4 — Effective date of change — Date effective du changement

5 — Previous address of the registered office — Adresse précédente du siège social

FILED
DÉPOSÉ

Date	Signature	Description of Office — Description du poste
DECEMBER 17, 1990	Frank Tremayne	Secretary

CCA 1386 (02-89) 46

Filed — Déposée

C[illegible] Business Corporations Act

Loi régissant les sociétés par actions de régime fédéral

FORM 6 NOTICE OF DIRECTORS OR NOTICE OF CHANGE OF DIRECTORS

FORMULE 6 AVIS DES ADMINISTRATEURS OU AVIS DE CHANGEMENT DES ADMINISTRATEURS

1 — Name of Corporation — Dénomination de la société

BANISTER INC.

2 — Corporation No. N° de la société

3 — The following persons became directors of this corporation Effective Date — Date d'entrée en vigueur

Les personnes suivantes sont devenues administrateurs de la présente société:

Name — Nom	Residential Address — Adresse résidentielle	Occupation	Citizenship – Citoyenneté

4 — The following persons ceased to be directors of this corporation Effective Date — Date d'entrée en vigueur

Les personnes suivantes ont cessé d'être administrateurs de la présente société:

Nom — Name	Residential Address — Adresse résidentielle

FILED DÉPOSÉ

5 — The directors of this corporation now are:

Les administrateurs de la présente société sont maintenant:

Name — Nom	Residential Address — Adresse résidentielle	Occupation	Citizenship – Citoyenneté
Norman Fraser	269 Glen Manor Drive, Toronto, Ontario, M4E 2Y3	Executive	Canadian
Louis D. Hyndman	10416 Connaught Drive, Edmonton, Alberta, T5N 3J4	Lawyer	Canadian
Hugh A. Magee	7139 Granville St., Vancouver, B.C., V6P 4X6	Executive	Canadian
John R. McCaig	5909 Elbow Cr., Calgary, Alberta, T2V 1H7	Executive	Canadian
Gus A. Van Wielingen	RR 8 Site 14, Calgary, Alberta, T2J 2T9	Executive	Canadian
Antonie Vanden Brink	59 Bel-Air Place S.W., Calgary, Alberta, T2V 2C3	Executive	Canadian
Claes G. Bjork	2 Shady Lane, Stamford, Connecticut, U.S.A. 06903	Executive	Swedish
Lars-Ove Hakansson	Stranduagen 23 S-182 62 Djursholm, Sweden	Executive	Swedish

Date	Signature	Description of Office — Description du poste
DEC. 17, 1990	Frank Tremayne	Secretary

CCA-1388 (02-89) 46

DYE & DURHAM CO. LIMITED

Industry Canada Industrie Canada

Certificate of Amendment

Canada Business Corporations Act

Certificat de modification

Loi régissant les sociétés par actions de régime fédéral

BANISTER FOUNDATION INC.

Name of corporation-Dénomination de la société

267417-3

Corporation number-Numéro de la société

I hereby certify that the articles of the above-named corporation were amended

(a) under section 13 of the *Canada Business Corporations Act* in accordance with the attached notice; ☐

(b) under section 27 of the *Canada Business Corporations Act* as set out in the attached articles of amendment designating a series of shares; ☐

(c) under section 179 of the *Canada Business Corporations Act* as set out in the attached articles of amendment; ☒

(d) under section 191 of the *Canada Business Corporations Act* as set out in the attached articles of reorganization; ☐

(e) under section 192 of the *Canada Business Corporations Act* as set out in the attached articles of arrangement. ☐

Je certifie que les statuts de la société susmentionnée ont été modifiés :

a) en vertu de l'article 13 de la *Loi régissant les sociétés par actions de régime fédéral*, conformément à l'avis ci-joint;

b) en vertu de l'article 27 de la *Loi régissant les sociétés par actions de régime fédéral*, tel qu'il est indiqué dans les clauses modificatrices ci-jointes désignant une série d'actions;

c) en vertu de l'article 179 de la *Loi régissant les sociétés par actions de régime fédéral*, tel qu'il est indiqué dans les clauses modificatrices ci-jointes;

d) en vertu de l'article 191 de la *Loi régissant les sociétés par actions de régime fédéral*, tel qu'il est indiqué dans les clauses de réorganisation ci-jointes;

e) en vertu de l'article 192 de la *Loi régissant les sociétés par actions de régime fédéral*, tel qu'il est indiqué dans les clauses d'arrangement ci-jointes.

Director - Directeur

June 1, 1994/le 1 juin 1994

Date of Amendment - Date de modification

Canada

Canada Business Corporations Act — Loi régissant les sociétés par actions de régime fédéral

FORM 4
ARTICLES OF AMENDMENT
(SECTION 27 OR 177)

FORMULE 4
CLAUSES MODIFICATRICES
(ARTICLES 27 OU 177)

1 — Name of corporation — Dénomination de la société	2 — Corporation No. — Nº de la société
BANISTER INC.	267417-3

3 — The articles of the above-named corporation are amended as follows: Les statuts de la société mentionnée ci-dessus sont modifiés de la façon suivante :

(1) to change the name of the Corporation to BANISTER FOUNDATION INC., and

(2) to change the place within Canada where the registered office is to be situated to The Municipality of Metropolitan Toronto in the Province of Ontario.

Date	Signature	Title — Titre
May 26, 1994	Signed: F.A.M. Tremayne	Vice-President, Secretary and General Counsel

7530-21-936-1387 (01-93) 46

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Filed – Déposée JUN – 3 1994 JUIN

BY-LAWS OF BFC CONSTRUCTION CORPORATION

CONTINUED BY ARTICLES OF AMALGAMATION - JANUARY 1, 1991

(Original name - Banister Continental Ltd.
Subsequent name changes:
- June 4, 1990 to Banister Inc.
- June 1, 1994 to Banister Foundation Inc.
- June 1, 1997 to BFC Construction Corporation)

BY-LAW NO. 1

GENERAL RULES AND REGULATIONS

Notice of Meetings of Shareholders

1. The accidental omission to give notice of a meeting of shareholders to any shareholder, shall not invalidate the proceedings at that meeting.

2. The non-receipt of notice of a meeting of shareholders by any shareholder shall not invalidate the proceedings at that meeting.

Proceedings at General Meetings

3. The Chairman of the Board of the Company shall preside as Chairman at every meeting of shareholders of the Company and in his absence the President and in his absence a Vice-President or the Secretary, and if none of these be present, or if at any meeting they be not present within fifteen (15) minutes after the time appointed for holding the meeting, the shareholders present and entitled to vote thereat shall choose one of the directors present to be chairman, or if no director shall be present and willing to take the chair the Shareholders present and entitled to vote thereat shall choose one of their number to be chairman.

4. The Chairman of a meeting of shareholders, if so directed by a resolution passed at that meeting (there being a quorum present) shall adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting of shareholders from which the adjournment took place.

Voting Meetings of Shareholders

5. Unless a poll is demanded, a declaration by the Chairman that on a show of hands a resolution has been carried or carried unanimously or by a particular majority or lost, and an entry to that effect in the minute book of the Company, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against that resolution.

BY-LAWS OF BANISTER INC.

CONTINUED BY ARTICLES OF AMALGAMATION, JANUARY 1, 1991

BY-LAW NO. 1

GENERAL RULES AND REGULATIONS

Notice of Meetings of Shareholders

1. The accidental omission to give notice of a meeting of shareholders to any shareholder, shall not invalidate the proceedings at that meeting.

2. The non-receipt of notice of a meeting of shareholders by any shareholder shall not invalidate the proceedings at that meeting.

Proceedings at General Meetings

3. The Chairman of the Board of the Company shall preside as Chairman at every meeting of shareholders of the Company and in his absence the President and in his absence a Vice-President or the Secretary, and if none of these be present, or if at any meeting they be not present within fifteen (15) minutes after the time appointed for holding the meeting, the shareholders present and entitled to vote thereat shall choose one of the directors present to be chairman, or if no director shall be present and willing to take the chair the Shareholders present and entitled to vote thereat shall choose one of their number to be chairman.

4. The Chairman of a meeting of shareholders, if so directed by a resolution passed at that meeting (there being a quorum present) shall adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting of shareholders from which the adjournment took place.

Voting Meetings of Shareholders

5. Unless a poll is demanded, a declaration by the Chairman that on a show of hands a resolution has been carried or carried unanimously or by a particular majority or lost, and an entry to that effect in the minute book of the Company, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against that resolution.

6. If a poll is duly demanded it shall be taken in such manner as the Chairman of the meeting directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded, except in the case of a poll demanded on the election of a chairman or on a question of adjournment in which case the poll shall be taken forthwith without adjournment and before proceeding to any further business.

7. Subject to any restrictions imposed on any particular class of shares whether by the Articles, By-Laws, or by a special resolution, at every meeting of shareholders:

(a) upon a show of hands every shareholder present in person or by proxy and entitled to vote and every shareholder being a company present by a representative duly authorized shall have one (1) vote only;

(b) upon a poll, every shareholder present in person or by proxy and entitled to vote, and every shareholder being a company present by a representative duly authorized and entitled to vote shall have one (1) vote for every share of which he is the registered owner.

(c) upon a poll, in the case of joint holders of shares

(i) the vote of the senior who tenders a vote in person or by proxy, shall be accepted to the exclusion of the vote or votes of the other joint holders, and

(ii) seniority shall be determined by the order in which the names of the joint holders appear in the register of shareholders.

8. A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death of the principal, or revocation of the proxy, or transfer of the shares in respect of which the vote is given, provided no intimation in writing of the death, revocation or transfer shall have been received at the registered office or by the Secretary at or before the time fixed for the holding of the meeting of the shareholders.

9. The decision of the Chairman of any meeting of shareholders as to the validity of any instrument of proxy or revocation shall be final and conclusive.

Services to the Company by Directors

10. A director may hold any other office or employment with the Company in conjunction with his office as director, and on such terms as to remuneration or otherwise as the Board may

arrange, and any director may act for himself or his firm in a professional capacity for the Company and he or his firm shall be entitled to remuneration for professional services as if he were not a director.

Prior Acts of the Board

11. No restriction or regulations made by the Company in meetings of shareholders as aforesaid shall invalidate any prior act of the Board which would have been valid if such restrictions or regulations had not been made.

Proceedings of the Board

12. The Board may meet together for the dispatch of business, may adjourn and may otherwise regulate its meetings as it shall think fit, and may determine the quorum necessary for the transaction of business, provided however that until the Board shall otherwise determine, a quorum for a meeting of the Board shall be one-half of the Board. Until such regulations are made, meetings of the Board may be held at any time without formal notice if all the directors are present or those absent have signified their consent in writing to the meeting being held in their absence; and notice of any meeting where notice has not been dispensed with, delivered or mailed or telegraphed or telexed to each director at his ordinary address two (2) days prior to such meeting, shall be sufficient notice of any meeting of the directors. In computing such period of two (2) days the day on which such notice is delivered, mailed or telegraphed or telexed shall be included, and the day for which notice is given shall be excluded. Notice of any meeting, or irregularity in any meeting or in the notice thereof, may be waived by any director. The directors may by resolution appoint a (regular) time and place for one or more future meetings, and no further or other notice of such time and place than the entry of such resolution in the minutes of the meeting at which it was passed shall be necessary. Immediately upon the conclusion of the meeting of shareholders a meeting of the directors shall be held and no notice of such meeting shall be necessary.

13. Questions arising at any meeting of the Board shall be decided by a majority of votes of those present.

14. The Chairman of a meeting of the Board shall have a vote, but in the case of an equality of votes he shall not be entitled to a second or casting vote.

15. A director may at any time, and the Secretary of the Company shall upon the request of a director, summon a meeting of the Board.

Indemnity to Directors and Others

16. Every director or officer of the Company and his heirs, executors and administrators, respectively, shall from time to time and at all times be indemnified and saved harmless out of the funds of the Company from and against:

(a) any liability incurred by the director or officer for, in respect of or relating to any act, deed, matter or thing whatsoever made, done or permitted by him in or about the execution of the duties of his office or while acting on behalf of the Company;

(b) all costs, losses, fees and expenses whatsoever which such director or officer sustains or incurs in or about any action, suit or proceedings which is brought, commenced or prosecuted against him for, in respect of or relating to any act, deed, matter or thing whatsoever made, done or permitted by him in or about the execution of the duties of his office; and

(c) all other costs, losses and expenses which he sustains or incurs in or about or in relation to any act, deed, matter or thing whatsoever made, done or permitted by him in or about the execution of the duties of his office;

except such costs, charges and expenses as are occasioned by his own wilful neglect, default or dishonesty.

Committees of Directors

17. A committee appointed by the Board shall in the exercise of its duties and powers conform to any regulations which may from time to time be imposed upon it by the Board, and in the absence of such regulations the proceedings of any such committee shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Board so far as the same may be applicable. Twenty-four (24) hours notice of the meeting of any committee appointed by the Board shall be given to all members of the committee; such notice may be given either orally or in writing, or may be dispensed with if the members of the committee waive the requirement for notice. A reference to such waiver of notice in the minutes of the meeting shall be conclusive evidence thereof.

18. A committee shall keep minutes of its proceedings and report the same to the Board or the committee members from time to time.

Officers

19. The Board from time to time may elect from among the directors a Chairman of the Board who shall preside at all meetings of the Board and all meetings of shareholders and shall have such powers and duties as the Board assigns to him. The Board may designate the Chairman of the Board as the chief executive officer of the Company who shall be responsible for the general management of the business and affairs of the Company and shall have general supervisory powers over all the other officers of the Company.

20. The Board from time to time may elect from among the directors a President who shall have such powers and duties as the Board assigns to him. The Board may designate the President as the Chief Executive Officer of the Company who shall be responsible for the general management of the business and affairs of the Company and shall have general supervisory powers over all other officers of the Company.

21. The Board from time to time may appoint one or more Vice-Presidents (including a Senior Vice-President and an Executive Vice-President if the Board so determines) who may or may not be directors. Each Vice-President shall have such designations, powers and duties as the Board or the chief executive officer of the Company assigns to him.

22. The Board from time to time may appoint a Secretary who may or may not be a director, and who shall:

(a) attend meetings of the Board and meetings of shareholders, and record the proceedings thereof;

(b) prepare and keep minutes of all such meetings and record all votes and the minutes of all proceedings in a minute book or books to be kept for that purpose;

(c) perform like duties for any committee of directors when required;

(d) give or cause to be given notice of all meetings of shareholders and of all meetings of the Board; and

(e) keep the Seal and, when authorized as herein provided, apply it to any instrument requiring it;

except as otherwise provided in these By-Laws or by resolution of the Board.

23. The Board from time to time may appoint a Treasurer who may or may not be a director, and unless a Vice-President Finance has been appointed, in which case he shall be the chief financial officer of the Company and shall be in charge of the Company's books and accounts, the Treasurer shall have that responsibility.

Subject to the control of the Board, he shall have such other powers and duties as the Board or the Chief Executive Officer of the Company assigns to him.

24. Any two or more offices may be held by the same person except that one person may not hold the office of President or Chairman of the Board or Chief Executive Officer and the office of Vice-President or Secretary.

25. The Board may elect or appoint such other officers as the Board may from time to time determine.

26. No officer shall have any powers or be subject to any obligations by virtue of his office except as otherwise provided in these By-Laws or by resolution of the Board.

27. Each officer shall report to the Board from time to time on all matters within his knowledge which have been placed under the jurisdiction of his office.

28. The Board may at any time and from time to time remove from office any officer, and may elect or appoint a successor.

29. Each officer shall hold office until he resigns, or is removed, or until his successor is elected or appointed, or until he dies, as the case may be.

Divisions and Departments

30. The Board may cause the business and operations of the Company to be divided into divisions based upon character or type of operations, geographical territories, manufactured products, method of distribution, type of product or products manufactured or distributed or upon such other basis of division as the Board may from time to time determine to be advisable and may cause the business and operations of any such division to be further divided into subdivisions or departments if deemed advisable by the Board and upon such basis and under such names as the Board may determine. The Company may transact business and execute contracts under its own corporate name, or, if authorized by the Board, under one or more trade names approved for such purpose in such manner as may be authorized by the Board; and, likewise, any division, region, department or subdivision into which any of the business or operations of the Company may have been divided may likewise transact business and execute contracts and other legal documents and sign cheques and do all other acts and things necessary or appropriate for and on behalf of the Company under one or more trade names if approved by the Board and in such manner as may be authorized by the Board.

31. The Board may by resolution designate and appoint officers assigned to a particular division, region, department or subdivision, as may be designated by the Board, into which any of

the activities of the Company may be divided, with such official titles as the Board may from time to time determine. Such appointed officers shall not be general officers of the Company except upon election to such additional corporate office. The appointed officers shall serve in such respective capacities during the pleasure of the Board.

32. The duties, responsibilities and limitations of the officers of divisions, regions, departments or subdivisions of the Company shall be such as the Board may from time to time deem proper and the authority of such officers shall be limited to acts and transactions pertaining to the business which such division, region, department or subdivision is authorized to transact and perform, provided, however, that if the same individual is elected to a general office of the Company, the foregoing shall not limit his acts under the general powers and duties of such general corporate office.

Seal

33. If the Company's operations so require as determined by the officers or the Board, it may have for use in any other province, state or country an official Seal which shall be a facsimile of its Seal with the addition on its face of the name of the province, state or country where it is to be used.

Dividends

34. The Board may from time to time declare dividends, subject to the rights of the holders of any shares entitled to any priority, preference or special privileges, and pay the same out of the funds of the Company available for that purpose.

35. A resolution of the Board declaring a dividend may direct that such dividend be paid wholly or in part by the distribution of specific assets and, in particular, of paid up shares, debentures or debenture stock of the Company, or paid up shares, debentures or debenture stock of any other company, or in any one or more of such ways.

36. Where any difficulty arises in regards to the distribution of specific assets by way of dividend the Board may settle the same as it thinks fit and in particular it may:

(a) issue fractional certificates;

(b) fix the value for distribution of such specific assets or any part thereof;

(c) determine that cash payment shall be made to any shareholder upon the basis of the value so fixed in order to adjust the rights of all parties;

(d) vest such specific assets in a trustee or trustees upon such trusts, for the persons entitled to the dividends, as may seem expedient to the Board.

37. The Company may transmit any dividend or bonus payable in respect of any share by cheque or warrant through the ordinary post to the registered address of the holder of such share (unless he shall have given written instructions to the contrary) and shall not be responsible for any loss arising therefrom.

38. No dividends shall bear interest as against the Company.

39. All dividends unclaimed for one (1) year after having been declared may be vested in or otherwise made use of by the Board for the benefit of the Company.

Winding Up

40. Subject to any rights which may exist in favour of any particular class of shares, if the Company shall be wound up, the assets available for distribution among the Shareholders shall be distributed to the Shareholders in proportion to the number of shares held by each.

41. Subject to any rights which may exist in favour of any particular class of shares, any part of the assets of the Company may, with the sanction of a special resolution of the shareholders entitled to vote, be divided between the shareholders of the Company in specie or may be vested in a trustee or trustees for the benefit of such shareholders, and the liquidation of the Company may be closed and the Company dissolved, provided always that no shareholders shall be compelled to accept any shares in another company or other companies whereon there is any liability.

Notices

42. As regards a shareholder who has no registered place of address, a notice deposited and held available for inspection in the registered office shall be deemed to have been served upon him at the expiration of twenty-four (24) hours after such deposit.

43. Any notice sent by post shall be deemed to be served on the day following that upon which the envelope containing the same is posted, and in proving such service it shall be sufficient to prove that the envelope containing the notice was properly addressed and put into the post office.

44. The signature to any notice to be given by the Company may be lithographed, written, printed, typewritten or otherwise reproduced.

45. The period of any notice given under these By-Laws shall be exclusive of the day on which notice is served or deemed to be served, but inclusive of the day upon which such notice expires.

Adopted by the Board of Directors this 15th day of February, 1978.

WITNESS the corporate seal of the Company.

President

Secretary

BY-LAW NO. 2

AUTHORIZING BORROWING AND PLEDGING

1. The directors of the Company may from time to time:

(a) borrow money upon the credit of the Company by obtaining loans or advances or by way of overdraft or otherwise;

(b) issue, sell or pledge securities of the Company including bonds, debentures, debenture stock, for such sums on such terms and at such prices as they may deem expedient;

(c) assign, transfer, convey, hypothecate, mortgage, pledge, charge or give security in any manner upon all or any of the real or personal, movable or immovable property, rights, powers, choses in action, or other assets, present or future, of the Company to secure any such securities or other securities of the Company or any money borrowed or to be borrowed or any obligations or liabilities as aforesaid or otherwise of the Company heretofore, now or hereafter made or incurred directly or indirectly or otherwise; and

(d) without in any way limiting the powers herein conferred upon the directors, give security or promises to give security, agreements, documents and instruments in any manner or form under the Bank Act or otherwise to secure any money borrowed or to be borrowed or any obligations or liabilities as aforesaid or otherwise of the Company heretofore, now or hereafter made or incurred directly or indirectly or otherwise.

2. That any or all of the foregoing powers may from time to time be delegated by the directors to any one or more of the directors or officers of the Company.

3. That this By-law shall remain in force and be binding upon the Company as regards any person acting on the faith thereof until such person has received written notification from the Company that this Bylaw has been repealed or replaced.

Adopted by the Board of Directors this 15th day of February, 1978.

WITNESS the corporate seal of the Company.

President

Secretary

BY-LAW NO. 3

BANKING POWERS

1. The Board may open one or more accounts for the Company, designate signing officers, and generally execute all documents or agreements and do all things incidental to or in connection with the transaction of the Company's business with its bank, trust company, Treasury Branch or other depository:

2. The Board from time to time in its discretion may delegate to other persons the banking powers conferred by this Bylaw, and may authorize officers, employees or other persons to sign cheques, execute agreements and documents and transact the Company's business with its bank, trust company, Treasury Branch or other depository.

Adopted by the Board of Directors this 15th day of February, 1978.

WITNESS the corporate seal of the Company.

President

Secretary

BY-LAW NO. 4

QUORUM AT MEETINGS OF SHAREHOLDERS

1. The presence in person or by proxy of the holders of forty percent (40%) of the outstanding shares entitled to vote shall constitute a quorum for the transaction of business at any meeting of shareholders.

Adopted by the Board of Directors this 15th day of February, 1978.

WITNESS the corporate seal of the Company.

President

Secretary

By-Law number 5, as enacted by the Directors of the Corporation on May 17, 1995:

By-Law Number 5

A By-Law respecting the borrowing of money, the issuing of securities and the securing of liabilities by

Banister Foundation Inc. (the "Company").

Be it enacted as a By-Law of the Company as follows:

The directors of the Company may from time to time

a) borrow money or otherwise obtain credit upon the credit of the Company in such amounts and upon such terms as may be considered advisable;

b) issue, reissue, sell or pledge debt obligations of the Company, including without limitation, bonds, debentures, debenture stock, notes or other securities or obligations of the Company, whether secured or unsecured for such sums, upon such terms, covenants and conditions and at such prices as may be deemed expedient;

c) charge, mortgage, hypothecate, pledge, assign, transfer or otherwise create a security interest in all or any currently owned or subsequently acquired real or personal, movable or immovable property of the Company, including without limitation, book debts and unpaid calls, rights, powers, franchises and undertaking, to secure any money borrowed or any other debt or liability of the Company;

d) delegate to such one or more of the officers and directors of the Company as may be designated by the directors all or any of the powers conferred by the foregoing clauses of this By-Law to such extent and in such manner as the directors shall determine at the time of each delegation.

FRANK A.M. TREMAYNE
VICE PRESIDENT, SECRETARY
AND GENERAL COUNSEL

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BFC CONSTRUCTION CORPORATION
(the "Company")

STOCK OPTION PLAN

1. <u>Purposes of the Plan</u>

The Company Stock Option Plan (the "Plan") has been created for the purpose of:

(a) granting awards to those officers and key employees ("Employees") of the Company and its subsidiaries who are in a position to contribute to the long-term success and growth of the Company;

(b) assisting the Company to retain and attract Employees with requisite experience and ability; and

(c) associating the interests of Employees more closely with those of the Company's shareholders.

For the purposes of the Plan, Employees will be deemed to include Directors of the Company.

2. <u>Administration</u>

The Plan will be administered by such committee (the "Committee") of the Board of Directors of the Company (the "Board") as the Board may from time-to-time determine.

The Committee will have full and complete authority in its discretion, but subject to the express provisions of the Plan:

(a) to select the Employees to whom awards will be granted under the Plan;

(b) to determine the size and the form of the award to be granted to any Employee;

(c) to determine the time or times such awards will be granted;

(d) to establish any terms and conditions of such awards and to alter, modify or cancel the same; and

(e) to adopt such rules and regulations and make all other determinations deemed necessary or desirable for the administration of the Plan.

3. <u>Eligibility and Participation</u>

Employees eligible for awards under the Plan will be selected by the Committee from those Employees who, in the opinion of the Committee, are in positions which enable them to make significant contributions to the success, long term performance and growth of the Company. An Employee may be granted more than one award under the Plan.

4. <u>Awards</u>

The Committee will have authority to grant to selected Employees, awards consisting of stock options ("Stock Options") being rights to purchase common shares without par value of the capital stock of the Company ("Shares") at a fixed price per share (the "Option Price"). Subject to the restrictions set out in paragraph 6(f) below, the Committee will determine the number of Shares to be covered by each Stock Option and the period (not exceeding five years from the date of grant) during which it may be exercised.

Stock Options will be granted under and subject to such other terms and conditions as the Committee may establish which are consistent with the purposes and intent of the Plan, including, without limiting the generality of the foregoing, the following:

(a) The Option Price for Shares covered by a Stock Option will be not less than 100% of the Fair Market Value of the Shares as of the date on which the Committee grants the Stock Option. For the purposes of the Plan, Fair Market Value of the Shares as of a date will be deemed to be the closing price of the Shares on the Toronto Stock Exchange on the last day the Shares were traded before such date or, if the Shares are not listed on the Toronto Stock Exchange, such reasonable price as the Committee may determine.

(b) Each Stock Option by its terms will be exercisable by the recipient ("Optionee") at such time and in such instalments as may be determined by the Committee at the time of grant, but in no event after five years from the date of grant. The right to exercise a Stock Option will be cumulative; to the extent that it is not exercised when it becomes initially exercisable with respect to any Shares, subject to the provisions of paragraph (c), (d) and (e) of this Article 4, it will be exercisable with respect to such Shares at any time after it becomes initially exercisable, until the expiration of the Stock Option (the "Termination Date").

(c) In the event of termination of employment of an Optionee for cause (as determined by the Committee in its sole discretion), a Stock Option granted to such Optionee and all rights granted with it will thereupon terminate to the extent not previously exercised and, in such case, the Termination Date for such Stock Option will be deemed to be the day prior to the date of such termination for cause.

(d) In the event of death, retirement or permanent disability of an Optionee, such Optionee's estate or such Optionee, as the case may be, may, within one year after the date of such event (but not after the Termination Date), exercise the Stock Option with respect to all or any part of the Shares subject to the Stock Option which were exercisable and not previously exercised on or prior to the date of such event. The Committee will determine, in its sole discretion for the purposes of this paragraph (d), the date on which an Optionee is deemed to have retired or become permanently disabled.

(e) In the event of termination of employment of an Optionee for any reason other than for cause (as determined by the Committee in its sole discretion), death, retirement or permanent disability, such Optionee may, within 90 days after the date of such termination, (but not after the Termination Date), exercise the Stock Option with respect to all or any part of the Shares subject to the Stock Option which were exercisable and not previously exercised on or prior to the date of such termination.

(f) The Option Price of Shares purchased upon exercise of any Stock Option will be paid in full (i) in cash, or (ii) by such other consideration as the Committee, in its sole discretion, may determine.

(g) The Committee may, in its sole discretion and in lieu of delivering Shares upon exercise of a Stock Option, pay the Optionee an amount which represents the difference between the Fair Market Value of the Shares as of the date of such exercise and the Option Price.

(h) Shares subject to a Stock Option, which has either expired unexercised (by reason of effluxion of time or upon the death, retirement, permanent disability or termination of employment of an Optionne) or in respect of which an Optionee has received cash in lieu of Shares pursuant to paragraph (g) above, will again be available for awards under the Plan.

5. Dilution and Other Adjustments

In the event of any change in the description of the capital stock of the Company or in the total number of outstanding Shares by reason of any stock dividend or split, recapitalization, merger, consolidation, combination or share exchange or other similar corporate change, an equitable adjustment will be made as reasonably required to the number, description and Option Price of Shares subject to outstanding Stock Options. Such adjustment will be made by the Committee and will be conclusive and binding for all purposes of the Plan.

6. Miscellaneous Provisions

(a) An Optionee will have no rights as a shareholder of the Company unless and until certificates for Shares are issued.

(b) No Stock Option, or any rights or interests therein of an Optionee will be assignable or transferable by such Optionee except by will or the laws of succession. During the lifetime of the Optionee, a Stock Option may be exercisable only by the Optionee.

(c) No Shares will be issued or transferred upon the exercise of any Stock Option unless and until all legal requirements applicable to the issuance or transfer of such Shares have been complied with to the satisfaction of the Committee. The Committee will have the right to require that any issuance of Shares to an Optionee pursuant to a Stock Option will be conditional on the Optionee undertaking in writing to comply with such restrictions on the subsequent disposition of such Shares as the Committee or the Company deem necessary or advisable as a result of any applicable law, regulation, or administrative direction or order, and certificates representing such Shares may be legended to reflect any such restrictions.

(d) The Company will have the right to deduct from any payment contemplated by the Plan, any taxes required by any lawful authority to be withheld with respect to such payment. In the case of delivery of Shares hereunder, an Optionee or other person receiving such Shares may be required, as a condition of such delivery, to pay to the Company at the time of delivery, the amount of any such taxes which the Company may be required to withhold with respect to such delivery of Shares.

(e) No Employee or other person will have any claim or right to be granted an award under the Plan. Neither the Plan nor the granting of any Stock Option nor any other action taken hereunder will be construed as giving any Employee or any other person any right to be employed by, or retained in the employ of, the Company or any of its subsidiaries.

(f) Pursuant to the policy of The Toronto Stock Exchange ("TSE Policy"), no Stock Option will be granted:

(i) If the number of Shares reserved for issuance pursuant to Stock Options granted to insiders exceeds 10% of the total number of outstanding Shares of the Company;

(ii) If the number of Shares which could be issued to insiders (as defined in the TSE Policy) within a one year period exceeds 10% of the total number of outstanding Shares of the Company; or

(iii) If Shares could be issued to any one insider and such insider's associates, within a one year period, which exceed 5% of the total number of outstanding Shares of the Company.

7. Stock Option Agreements

All Stock Options granted under the Plan will be evidenced by agreements in such form and containing such terms and conditions (not inconsistent with the Plan) as the Committee may approve.

8. Amendment and Termination

The Board may at any time and from time to time amend, suspend or terminate the Plan in whole or in part; provided, however, that (i) the Board may not, without further approval of the shareholders (given by a majority of the votes cast at a meeting duly called to consider the matter) materially increase the benefits available under the Plan (except as provided for in Article 5.), reduce the Option price below 100% of Fair Market Value of the Shares as of the date of the grant or materially modify the requirements as to eligibility for participation in the Plan, and (ii) that no changes shall be made to the Plan without the approval of The Toronto Stock Exchange. No amendment, suspension or termination of the Plan may, without the consent of Optionees to whom Stock Options had theretofore been granted, adversely affect the rights of such Optionees.

9. Shares Available for the Plan

The maximum number of Shares available for the Plan that may be reserved for issuance upon the exercise of Stock Options under the Plan shall be 1,150,000.

10. Outstanding Options

The Plan will replace and supersede any prior stock option plans of the Company. All currently outstanding options under any such prior stock option plans will be governed by the terms of the Plan.

11. Effective Date

The Plan will become effective and Stock Options may be granted upon its enactment by the Board; provided however:

(a) Until the Plan has been approved by the shareholders of the Company representing a majority of the Shares present in person or by proxy and voting at a meeting of shareholders duly called and held to consider the Plan, none of such Stock Options may be exercised and no Shares may be issued pursuant thereto and if within twelve months of such enactment the Plan is not so approved, the Plan and any Stock Option granted under it will be a nullity; and

(b) Such approval will be required to be given by the shareholders in like manner from time to time with respect to any further Shares, in addition to the above referred to maximum number of Shares available for the Plan, which the Board may deem desirable to be made available for the Plan.

Dated and enacted by the Board of Directors:	March 9, 1994
Approved by the Shareholders:	May 19, 1994
Amended by the Board of Directors:	February 17, 1997
Amendments approved by the Shareholders:	May 22, 1997

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EXHIBIT 23

Consent of Independent Chartered Accountants

We consent to the incorporation by reference in this Annual Report (Form 20-F) of BFC Construction Corporation and the Registration Statements Form S-8, No. 33-60960 (with Form F-3 Prospectus included) and Post-effective amendment No. 1 to Form S-8, No. 33-8288 (with Form F-3 Prospectus included), of BFC Construction Corporation pertaining to the BFC Construction Corporation Stock Option Plan and in the related Prospectuses of our report dated February 16, 1998 in Exhibit C with respect to the consolidated financial statements of BFC Construction Corporation included in the 1997 Annual Report to Shareholders of BFC Construction Corporation.

Ernst & Young

Toronto, Canada,
February 16, 1998.

Ernst & Young (signed), Chartered Accountants