UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

£ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

S **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2018 Commission File Number 001-33161

NORTH AMERICAN CONSTRUCTION GROUP LTD.

(Exact name of Registrant as specified in its charter)

Canada
(Province or other jurisdiction of incorporation or organization)
1629
(Primary Standard Industrial Classification Code Number (if applicable))
N/A
(I.R.S. Employer Identification Number (if applicable))

27287 - 100 Avenue
Acheson, Alberta, T7X 6H8
(780) 960-7171
(Address and telephone number of Registrant's principal executive offices)

CT Corporation System
111 Eighth Avenue, 13th Floor
New York, New York 10011
(212) 894-8940
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares	Toronto Stock Exchange
	The New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

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

For annual reports, indicate by check mark the information filed with this Form:

S Annual information form S Audited annual financial statements

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.

27,088,816 Common Shares

Indicate by check mark whether the Registrant by filing the information required in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the file number assigned to the Registrant in connection with such Rule.

Yes £ No x

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to

submit such files).

Yes x No £

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act

Emerging growth company £

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. £

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

ANNUAL INFORMATION FORM, AUDITED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Annual Information Form

The Registrant's Annual Information Form for the fiscal year ended December 31, 2018 is attached as Exhibit 99.1 to this Annual Report on Form 40-F and is incorporated herein by reference.

Audited Annual Consolidated Financial Statements

The Registrant's audited annual consolidated financial statements for the fiscal year ended December 31, 2018, including the report of the independent registered public accounting firm with respect thereto, are attached as Exhibit 99.2 to this Annual Report on Form 40-F and are incorporated herein by reference.

Management's Discussion and Analysis

The Registrant's Management's Discussion and Analysis for the fiscal year ended December 31, 2018 is attached as Exhibit 99.3 to this Annual Report on Form 40-F and is incorporated herein by reference.

DISCLOSURES REGARDING CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Please see “Internal Systems and Processes—Evaluation of Disclosure Controls and Procedures” included in the Registrant’s Management’s Discussion and Analysis for the fiscal year ended December 31, 2018, which is attached as Exhibit 99.3 to this Annual Report on Form 40-F and is incorporated herein by reference.

Management’s Annual Report on Internal Control Over Financial Reporting

Please see “Internal Systems and Processes—Management’s Report on Internal Controls Over Financial Reporting (ICFR)” included in the Registrant’s Management’s Discussion and Analysis for the fiscal year ended December 31, 2018, which is attached as Exhibit 99.3 to this Annual Report on Form 40-F and is incorporated herein by reference.

Attestation Report of the Registered Public Accounting Firm

The attestation report of the independent registered public accounting firm on the effectiveness of the Registrant's internal control over financial reporting is included under the heading “Report of Independent Registered Public Accounting Firm” on pages 1 and 2 of Exhibit 99.2 to this Annual Report on Form 40-F, which attestation report is incorporated herein by reference.

Changes in Internal Control over Financing Reporting

Please see “Internal Systems and Processes—Material Changes to the Internal Controls over Financial Reporting” included in the Registrant’s Management’s Discussion and Analysis for the fiscal year ended December 31, 2018, which is attached as Exhibit 99.3 to this Annual Report on Form 40-F and is incorporated herein by reference.

NOTICES PURSUANT TO REGULATION BTR

None.

AUDIT COMMITTEE FINANCIAL EXPERT

The Registrant’s board of directors has determined that Mr. Bryan Pinney, a member and the chairman of the Registrant’s audit committee, is an “audit committee financial expert” (as such term is defined by the rules and regulations of the Securities and Exchange Commission) and is “independent” (as such term is defined by the New York Stock Exchange’s listing standards applicable to the Registrant).

CODE OF ETHICS

The Registrant has adopted a “code of ethics” (as such term is defined by the rules and regulations of the Securities and Exchange Commission), entitled the “Code of Conduct and Ethics Policy”, that applies to all employees the Registrant, including its Chief Executive Officer, its President, and its Vice President, Finance. The Code of Conduct and Ethics Policy is available for viewing on the Registrant’s website at www.nacg.ca under “Investor Relations—Corporate Governance”. There were not any amendments to any provision of the Code of Conduct and Ethics Policy during the fiscal year ended December 31, 2018 that applied to the Registrant’s principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. Further, there were not any waivers, including implicit waivers, granted from any provision of the Code of Conduct and Ethics Policy during the fiscal year ended December 31, 2018 that applied to the Registrant’s principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions.

PRINCIPAL ACCOUNTANT FEES AND SERVICES AND PRE-APPROVAL POLICIES AND PROCEDURES

Please see “The Board and Board Committees” included in the Registrant’s Annual Information Form for the fiscal year ended December 31, 2018, which is attached as Exhibit 99.1 to this Annual Report on Form 40-F and is incorporated herein by reference.

OFF-BALANCE SHEET ARRANGEMENTS

Please see “Off-Balance Sheet Arrangements” included in the Registrant’s Management’s Discussion and Analysis for the fiscal year ended December 31, 2018, which is attached as Exhibit 99.3 to this Annual Report on Form 40-F and is incorporated herein by reference.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

Please see “Capital Commitments—Contractual Obligations and Other Commitments” included in the Registrant’s Management’s Discussion and Analysis for the fiscal year ended December 31, 2018, which is attached as Exhibit 99.3 to this Annual Report on Form 40-F and is incorporated herein by reference.

IDENTIFICATION OF THE AUDIT COMMITTEE

Please see “The Board and Board Committees—Audit Committee” included in the Registrant’s Annual Information Form for the fiscal year ended December 31, 2018, which is attached as Exhibit 99.1 to this Annual Report on Form 40-F and is incorporated herein by reference.

NYSE CORPORATE GOVERNANCE RULES

The Registrant has reviewed the New York Stock Exchange’s corporate governance rules and confirms that the Registrant’s corporate governance practices are not significantly different from those required of domestic companies under the New York Stock Exchange’s listing standards.

MINE SAFETY DISCLOSURE

Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States, and that is subject to regulation by the Federal Mine Safety and Health Administration (“MSHA”) under the Mine Safety and Health Act of 1977 (the “Mine Act”), are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities. During the fiscal year ended December 31, 2018, the Registrant had no mines in the United States that were subject to regulation by the MSHA under the Mine Act.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

Undertaking

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

Consent to Service of Process

The Registrant previously filed with the Commission a Form F-X in connection with the class of securities in relation to which the obligation to file this report arises.

Any change to the name or address of the Registrant’s agent for service shall be communicated promptly to the Commission by an amendment to the Form F-X referencing the file number of the Registrant.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

/S/ Martin Ferron
Martin Ferron
Chief Executive Officer

Date: February 25, 2019

EXHIBIT INDEX

99.1	Annual Information Form for the fiscal year ended December 31, 2018.
99.2	Audited Annual Consolidated Financial Statements for the fiscal year ended December 31, 2018.
99.3	Management's Discussion and Analysis for the fiscal year ended December 31, 2018.
99.4	Consent of KPMG LLP.
99.5	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934.
99.6	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934.
99.7	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.8	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from North American Construction Group Ltd.'s audited Consolidated Financial Statements, formatted in XBRL (eXtensible Business Reporting Language) and furnished electronically herewith: (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations and Comprehensive (Loss) Income; (iii) the Consolidated Statements of Changes in Shareholders' Equity; (iv) the Consolidated Statements of Cash Flows; and (v) Notes to the Consolidated Financial Statements, tagged as blocks of text.

Exhibit 99.1



NORTH AMERICAN CONSTRUCTION GROUP LTD.

ANNUAL INFORMATION FORM

February 25, 2019

NOA

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Annual Information Form

February 25, 2019

A. EXPLANATORY NOTES

The information in this Annual Information Form ("AIF") is stated as at December 31, 2018*, unless otherwise indicated. For an explanation of the industry and company specific terms and expressions used in our documents, please refer to the "Glossary of Terms" at the end of this AIF. All references in this AIF to "we", "us", or the "Company", unless the context otherwise specifies, mean North American Construction Group Ltd. and its Subsidiaries (as defined below). The financial information presented in this AIF has been prepared in accordance with United States ("US") generally accepted accounting principles ("GAAP"). Except where otherwise specifically indicated, all dollar amounts are expressed in Canadian dollars. For additional information and details, readers are referred to the audited consolidated financial statements for the year ended December 31, 2018 and notes that follow, as well as the accompanying annual Management's Discussion and Analysis ("MD&A") which are available on the Canadian Securities Administrators' SEDAR System at* www.sedar.com*, the Securities and Exchange Commission's website at* www.sec.gov *and our company website at* www.nacg.ca.

Industry Data and Forecasts

This AIF includes industry data and forecasts that we have obtained from publicly available information, various industry publications, other published industry sources and our internal data and estimates. For example, information regarding exploration and deposit appraisal expenditures was obtained from the Natural Resources Canada. Information regarding historical capital expenditures in the oil sands was obtained from the Canadian Association of Petroleum Producers ("CAPP")[1].

Industry publications and other published industry sources generally indicate that the information contained therein was obtained from sources believed to be reliable but do not guarantee the accuracy and completeness of such information. Although we believe that these publications and reports are reliable, we have not independently verified the data. Our internal data, estimates and forecasts are based upon information obtained from our customers, trade and business organizations and other contacts in the markets in which we operate and our management's understanding of industry conditions. Although we believe that such information is reliable, we have not had such information verified by any independent sources. References to barrels of oil related to the oil sands in this document are quoted directly from source documents and refer to both barrels of bitumen and barrels of bitumen that have been upgraded into synthetic crude oil, which is considered synthetic because its original hydrocarbon mark has been altered in the upgrading process. We understand that there is generally shrinkage of bitumen volumes of approximately 11% through the upgrading process. We have not made any estimates or calculations with regard to these volumes and have quoted these volumes as they appeared in the related source documents.

Caution Regarding Forward-Looking Information

Our AIF is intended to enable readers to gain an understanding of our current results and financial position. To do so, we provide material information and analysis about our company and our business at a point in time, in the context of our historical and possible future development. Accordingly, certain sections of this report contain forward-looking information that is based on current plans and expectations. This forward-looking information is affected by risks, assumptions and uncertainties that could have a material impact on future prospects. Readers are cautioned that actual events and results may vary from the forward-looking information. We have denoted our forward looking statements with this symbol "s". Please refer to "Forward-Looking Information, Assumptions and Risk Factors" for further detail on what constitutes forward looking information and discussion of the risks, assumptions and uncertainties related to such information. Readers are cautioned that actual events and results may vary from the forward-looking information.

1 Canadian Association of Petroleum Producers (CAPP) is an organization that represents the upstream Canadian oil and natural gas industry.

Non-GAAP Financial Measures

A non-GAAP financial measure is generally defined by the Canadian regulatory authorities as one that purports to measure historical or future financial performance, financial position or cash flows, but excludes or includes amounts that would not be adjusted in the most comparable GAAP measures. In this document, we use non-GAAP financial measures such as "margin", "EBIT", "EBITDA", "total debt", "free cash flow", and "backlog". We provide tables in this document that reconcile non-GAAP measures used to amounts reported on the face of the consolidated financial statements.

EBIT and EBITDA

"EBIT" is defined as net income (loss) before interest expense and income taxes.

"EBITDA" is defined as net income (loss) before interest expense, income taxes, depreciation and amortization.

As EBIT and EBITDA are non-GAAP financial measures, our computations of EBIT and EBITDA may vary from others in our industry. EBIT and EBITDA should not be considered as alternatives to operating income or net income as measures of operating performance or cash flows and they have important limitations as analytical tools and should not be considered in isolation or as substitutes for analysis of our results as reported under US GAAP. For example, EBITDA does not:

- reflect our cash expenditures or requirements for capital expenditures or capital commitments or proceeds from capital disposals;
- reflect changes in our cash requirements for our working capital needs;
- reflect the interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- include tax payments or recoveries that represent a reduction or increase in cash available to us; or
- reflect any cash requirements for assets being depreciated and amortized that may have to be replaced in the future.

A reconciliation of EBIT and EBITDA to net income can be found in the "Financial Results" section of our MD&A, which section is expressly incorporated by reference into this AIF.

Margin

We will often identify a relevant financial metric as a percentage of revenue and refer to this as a margin for that financial metric. "Margin" is defined as the financial number as a percent of total reported revenue.

We believe that presenting relevant financial metrics as a percentage of revenue is a meaningful measure of our business as it provides the performance of the financial metric in the context of the performance of revenue. Management reviews margins as part of its financial metrics to assess the relative performance of its results.

Total Debt

"Total debt" is defined as the sum of the outstanding principal balance (current and long term portions) of: (i) capital leases; (ii) borrowings under our Credit Facility (excluding outstanding Letters of Credit); (iii) convertible unsecured subordinated debentures (the "Convertible Debentures"); (iv) liabilities from hedge and swap arrangements; (v) mortgage; (vi) vendor promissory notes; and (vii) equipment promissory notes. Our definition of total debt excludes deferred financing costs related to total debt. We believe total debt is a meaningful measure in understanding our complete debt obligations.

Free Cash Flow

"Free cash flow" (or "FCF") is defined as cash from operations less cash used in investing activities (excluding cash used for growth capital expenditures, cash provided by for certain equipment financing arrangements, cash used for acquisitions, cash used for the investment in affiliates and joint ventures and cash provided by business dispositions) less sustaining capital expenditures financed through capital leases. We feel free cash flow is a relevant measure of cash available to service our total debt repayment commitments, pay dividends, fund share purchases and fund both growth capital expenditures and strategic initiatives.

A reconciliation of FCF can be found in the "Resources and Systems - Free Cash Flow" section of our MD&A, which section is expressly incorporated by reference into this AIF.

Backlog

"Backlog" is a measure of the amount of secured work we have outstanding and, as such, is an indicator of a base level of future revenue potential. Backlog, while not a GAAP term, is similar in nature to the "transaction price allocated to the remaining performance obligations", defined under US GAAP and reported in "Note 19 - Revenue" in our financial statements. When the two numbers differ, a reconciliation is presented in "Financial Results - Backlog" section of our MD&A, which section is expressly incorporated by reference into this AIF.

We define backlog as work that has a high certainty of being performed as evidenced by the existence of a signed contract or work order specifying job scope, value and timing. It should be noted that our long term contracts typically allow our customers to unilaterally reduce or eliminate the scope of the contracted work without cause. These long term contracts represent higher risk due to uncertainty of total contract value and estimated costs to complete; therefore, potentially impacting revenue recognition in future periods.

Our measure of backlog does not define what we expect our future workload to be. We work with our customers using cost-plus, time-and-materials, unit-price and lump-sum contracts. This mix of contract types varies year-by-year. Our definition of backlog results in the exclusion of cost-plus and time-and-material contracts performed under master service agreements or master use contracts where scope is not clearly defined. While contracts exist for a range of services to be provided under these service agreements, the work scope and value are not clearly defined.

We have set a policy that our definition of backlog will be limited to contracts or work orders with values exceeding $1.0 million. In the event that our definition of backlog differs from the US GAAP defined "remaining performance obligations" we provide a reconciliation between the US GAAP and non-GAAP values.

B. CORPORATE STRUCTURE

North American Construction Group Ltd.

The Company was formed under the *Canada Business Corporations Act* on November 28, 2006, from an amalgamation of NACG Holdings Inc. with its wholly-owned subsidiaries, NACG Preferred Corp. and North American Energy Partners Inc. The amalgamated entity was assigned corporation number 439586-7 by Industry Canada and continued under the name "North American Energy Partners Inc.". On April 11, 2018, the Company changed its name to "North American Construction Group Ltd." ("NACG"). Under the Company's Articles of Amalgamation and Bylaws, there are no restrictions on the business the Company may carry on.

Subsidiaries

The Company's business is primarily carried out by four direct wholly-owned, Canadian incorporated subsidiaries: North American Construction Management Ltd. (formerly known as "North American Construction Group Inc."), North American Fleet Company Ltd., North American Construction Holdings Inc., NACG Properties Inc., NACG Acheson Ltd. and the following wholly-owned or partially-owned Canadian incorporated companies or partnerships, as indicated below:

North American Construction Holdings Inc. wholly-owns the following Canadian corporations:

- North American Engineering Inc.
- North American Enterprises Ltd.
- North American Mining Inc.
- North American Services Inc.
- North American Site Development Ltd.
- North American Maintenance Ltd.
- North American Tailings and Environmental Ltd.

North American Construction Management Ltd. holds various ownership interests in the following Canadian corporations and partnerships, with its ownership interest (and the percentage of votes held by it attaching to voting securities), being as indicated below:

- Nuna East Ltd. (37.25%)
- Nuna Pang Contracting Ltd. (37.25%)
- Nuna West Mining Ltd. (49%)
- Nuna Logistics Partnership (49%)

North American Construction Group Ltd., North American Construction Management Ltd., Nuna East Ltd., Nuna West Mining Ltd. and Nuna Pang Contracting Ltd. are corporations subsisting under the *Canada Business Corporations* Act. All of the other corporate Subsidiaries are corporations subsisting under the *Business Corporations Act* (Alberta).

C. OUR BUSINESS

Business Overview

We provide a wide range of mining and heavy civil construction services to customers in the resource development and industrial construction sectors, primarily within Western Canada.

Our core market is the Canadian oil sands, where we provide construction and operations support services through all stages of an oil sands project's lifecycle. We have extensive construction experience in both mining and in situ oil sands projects and we have been providing operations support services to four producers currently mining bitumen in the oil sands since the inception of their respective projects: Syncrude[2], Suncor[3], Imperial Oil[4] and Canadian Natural[5]. We focus on building long-term relationships with our customers and in the case of Syncrude and Suncor, these relationships span over 30 years. For a discussion on our revenue by source and revenue by end market refer to the "Our Business - Revenue by Source and Market" section, below.

We believe that we operate one of the largest fleet of equipment of any heavy civil construction and mining contractor in Canada. Our total fleet (owned, leased and rented) includes approximately 628 pieces of diversified heavy construction equipment supported by over 1,800 pieces of ancillary equipment. We have a specific capability operating in the harsh climate and difficult terrain of northern Canada, particularly in the Canadian oil sands.

While our services are primarily focused on the oil sands, we believe that we have demonstrated our ability to successfully leverage our oil sands knowledge and technology and put it to work in other resource development projects.

Complementing our existing knowledge and technology, our recent acquisition of a 49% ownership interest in the Nuna Group of Companies ("Nuna") expands our end user coverage into other commodity areas, such as base metals, precious metals and diamonds. In addition, the Nuna Group is an established incumbent contractor in Nunavut and the Northwest Territories and has also successfully completed major projects in Ontario, Saskatchewan and British Columbia. Formed in 1993, Nuna provides construction, logistics, contract mining and support services to the resource industry, primarily in northern Canada. Nuna has been involved in virtually every major mining project in Nunavut and the Northwest Territories. Notable projects include: Rio Tinto's Diavik diamond mine; Baffinland Iron Mine's Mary River iron ore project; and Agnico Eagle Mine's Meliadine gold project. Nuna has employed approximately one-third indigenous staff on its operations over the past several years.

We believe that this acquisition will provide mutual benefit to both ourselves and Nuna through access to broader equipment fleets, experienced field personnel and expanded services, such as our growing external maintenance services offering. This access to shared resources is expected to provide opportunities for improved utilization and efficiency, especially in a tightening marketplace.s

We believe we are positioned to respond to the needs of a wide range of other resource developers and provincial infrastructure projects across Canada. We remain committed to expanding our operations outside of the Canadian oil sands.

We believe that our excellent safety record, coupled with our significant oil sands knowledge, experience, long-term customer relationships, equipment capacity and scale of operations, differentiate us from our competition and provide significant value to our customers.

2 Syncrude Canada Ltd. (Syncrude), operator of the oil sands mining and extraction operations for the Syncrude Project, a joint venture amongst Suncor Energy Inc. (58.74%), Imperial Oil Resources (25%), Sinopec Oil Sands Partnership (9.03%), CNOOC Oil Sands Canada (7.23%).

3 Suncor Energy Inc.

4 Imperial Oil Resources Limited (Imperial Oil).

5 Canadian Natural Resources Limited (Canadian Natural), owner and operator of the Horizon Oil Sands mine site.

Operations Overview

Our services are primarily focused on supporting the construction and operation of surface mines, both in the oil sands and for other resource mines across Canada, with a focus on:

- site clearing and access road construction;
- site development and underground utility installation;
- construction of mechanically stabilized earth walls, earth dams and mine haul roads;
- construction and relocation of mine site infrastructure;
- stripping, muskeg removal and overburden removal;
- heavy equipment and labour supply;
- material hauling; and
- mine reclamation and tailings pond construction.

Complimenting these services, we provide:

- site development and support services for plants and refineries, including in situ oil sands facilities;
- civil construction services for the construction and maintenance of heavy civil earth focused infrastructure projects, including winter ice roads in remote northern Canada locations; and
- heavy equipment maintenance services.

We maintain our large diversified fleet of heavy equipment and ancillary equipment from our two significant maintenance and repair centers, one based in Fort McMurray, Alberta on a customer's mine site and our recently constructed expanded maintenance facility based near Edmonton, Alberta. In addition, we operate running repair and maintenance facilities on each of our customer's sites along with maintenance facilities for light vehicles and support equipment in the Ft McKay industrial park, Mildred Lake and Fort McMurray.

We believe our competitive strengths are as follows:

- leading market position in contract mining services;
- outstanding safety record;
- large, well-maintained equipment fleet;
- broad mining service offering across a project's lifecycle;
- long-term customer relationships;
- operational flexibility;
- strong aboriginal partnerships established across Canada; and
- strong balance sheet to weather the cyclical risks prevalent in both the oil sands and across all other resource mines in Canada.

Revenue by Source

Our revenue is generated from two main customer demand sources:

- operations support services; and
- construction services.

The flexibility of our equipment fleet and technical expertise is such that we can move people and equipment between revenue sources to support different types of customer demand, as needed.

Operations support services revenue

Operations support services revenue, also referred to as recurring revenue, is mainly generated under site services contracts, as described below. Our oil sands customers primarily utilize a large haul capacity single purpose fleet of equipment to mine the ore in their mines. We provide our customers with a smaller, lower cost and more flexible fleet of equipment to perform a variety of tasks that keep the mines operating. The operations support services

category includes our long-term agreements with customers (master service agreement and multiple use contracts) and includes a mix of committed scopes and short-term work authorizations.

Operations support services support the existing operations of our customers and are generally funded from our customers' operating budgets. As a result of the less discretionary nature of this type of spending, we tend to experience lower downside variability in the demand for these services as compared to the demand for construction services. As our customers continue to maximize their production performance through de-bottlenecking efforts, capacity expansions and the recent development of the Fort Hills mine[6], we anticipate a potential increase in demand for these recurring services.s

We provide operations support services under either time-and-materials or unit-price contracts depending on such things as the degree of complexity, the completeness of engineering and the required schedule. Generally, projects that are more complex, have engineering that is less complete, or are awarded on short notice are more likely to be contracted under a time-and-materials structure. Included in our measure of operations support services are the mine support services on the Highland Valley copper mine[7], which is based in British Columbia and our external maintenance services supported primarily from our new maintenance facility in Acheson, Alberta.

For the year ended December 31, 2018, operations support services (or recurring) revenue represented 90% of our total revenues, compared to 93% of our total revenue for the year ended December 31, 2017. The high percentage in both years reflects the limited construction service projects made available by our clients as a result of the depressed oil price and its effect on our clients growth capital budgets.

Construction services revenue

Construction services are related to mine development or expansion projects and are generally funded from our customers' capital budgets. As a result of the more discretionary nature of this type of spending, we tend to experience a higher level of variability in the demand for these services as compared to the demand for operational support services. We provide construction services under lump-sum, unit-price, and time-and-materials contracts. The contract value is typically defined if the contract is a lump-sum or unit price and in certain cases, time-and-materials contracts if the scope is defined.

For the year ended December 31, 2018, construction services revenue represented 10% of total revenues, up from 7% of total revenues for the year ended December 31, 2017. Construction services revenues were lower than anticipated for the previous year as a result of a plant fire experienced by one of our clients in March 2017 which caused the client to suspend the awarding of many of the anticipated construction services projects through the balance of the year.

Revenue by End Market

Our revenue can potentially be generated from three main end markets:

- Canadian oil sands;
- non-oil sands resource development; and
- government infrastructure.

The flexibility of our equipment fleet and technical expertise is such that we can move people and equipment between revenue sources to support different types of end markets, as needed.

6 Fort Hills Energy LP (Suncor Fort Hills), a limited partnership between Suncor Energy Inc. (54.11%), Total (24.58%) and Teck Resources Ltd. (21.31%). Through its affiliate, Suncor Energy Operating Inc. (SEOI), Suncor is the developer and operator of the Fort Hills project via an operating services contract.
7 Highland Valley Mine, owned and operated by Teck Resources Limited

Canadian oil sands market

Our core end-market is the Canadian oil sands. Oil sands are grains of sand covered by a thin layer of water and coated by heavy oil or bitumen. Bitumen, because of its structure, requires extraction techniques to separate it from the sand and other foreign matter. There are currently two main methods of extraction: (i) open pit mining, where bitumen deposits are sufficiently close to the surface to make it economically viable to recover the bitumen by treating mined sand in a surface plant; and (ii) in situ technology, where bitumen deposits are buried too deep for open pit mining to be cost effective. Operators instead inject steam into the deposit, lowering the viscosity of the bitumen so that the bitumen can be separated from the sand and pumped to the surface, leaving the sand in place. This method is more commonly referred to as Steam Assisted, Gravity Drainage ("SAGD"). The choice of extraction method is entirely based on the geographic features of the land and the two methods are not interchangeable. According to CAPP, the oil sands represent 96% of Canada's recoverable oil reserves with proven reserves of 164 billion barrels. This is the third largest proven oil reserve in the world, next to Saudi Arabia and Venezuela, and is ranked by the Oil & Gas Journal as the sixth largest global producer. It is also the world's largest reserve open to private sector investment.

Canada produced 4.2 million barrels per day of crude oil, including pentanes & condensates. With such vast resources, there is tremendous potential for the industry to grow, which would provide many economic and social benefits to Canadians. However, Canadian production continues to be tempered by lower oil prices, and new federal and provincial environmental policies that differ from the regulatory approach of other competing jurisdictions.

The oil sands resources are situated almost entirely in Alberta and are delineated by three deposits. These regions, referred to as the Athabasca, Cold Lake and Peace River deposits. The Alberta Energy Regulator ("AER")[8] estimated at year-end 2017 there are approximately 165 billion barrels of established reserves, of which 33 billion barrels, or 19 per cent is considered recoverable by mining and 132 billion barrels or 81 per cent can be recovered using in situ techniques.

CAPP’s latest oil sands forecast grows from 2.6 million barrels per day to 4.2 million barrels per day by 2035. Mining production grows from 1.14 million b/d in 2017 to reach 1.73 million b/d in 2035. In situ development is the primary driver of growth, expanding from 1.51 million b/d currently and reaching 2.46 million b/d by the end of the outlook.

CAPP's forecast for 2018 oil sands capital spending was $12.0 billion, which is approximately one third of the investment levels seen in 2014. Production from oil sands projects, which involve significant long-term financial commitments, drives future growth prospects for Canadian crude oil production. Companies have delayed spending on future projects that are not yet under construction, after the drop in oil prices experienced at the end of 2014. In addition to being in a lower price environment, investments have also been reduced due to the uncertainty around when or even whether new pipelines will be built.

We support both mine development and in situ projects by providing construction services such as clearing, site preparation and underground utilities installation during the three-to-four-year construction phase. Once the construction phase is completed, we transition into operations support services for customers operating oil sands mines. Our operations support services range from overburden removal to tailings management to site reclamation and continue through the typical lifecycle of the mine. A mine lifecycle traditionally was estimated by oil producers at upwards of 40 years, based on estimates of reserves and extraction technology, however more recently these estimates have grown to upwards of 50 years for some oil sand mines as a result of improvements in mining techniques, technology and reserve measurement capabilities.

The requirement for operations support services typically grows as mines age. Mine operators tend to construct their plants closest to the easy-to-access bitumen deposits (less overburden and/or higher quality bitumen) to maximize profitability and cash flow at the beginning of their projects. As the mines move through their lifecycle, easy-to-access, high-quality bitumen deposits are depleted and operators must go greater distances and move more material with a lower quantity of oil per cubic meter of sand to secure the required volume of oil to feed the plant at capacity. As a result, the total capacity of digging and hauling equipment must increase, together with an increase in the ancillary equipment and services needed to support these activities. In addition, as the mine extends to new areas, operators will often relocate mine infrastructure in order to reduce haul distances.

8 Alberta Energy Regulator ("AER") is an independent agency responsible for providing the safe, efficient, orderly and environmentally responsible development of Alberta’s energy resources.

This creates demand for mine construction services in the expansion area, as well as reclamation services to remediate the mined-out area. Accordingly, the demand for operations support services grows, even during periods of stable production, because the geographical footprint of existing mines expands under normal operation.
There continues to be a number of projects related to mine expansions in the advanced permitting and engineering stages across Canada and we believe this is a strong market for our construction services and operations support services. We believe we are in a position to benefit from mineral exploration spending.

Current Canadian oil sands business conditions

For the year ended December 31, 2018, 90% of our total revenues were generated from the Canadian oil sands, compared to 87% of our total revenues for the year ended December 31, 2017.

Operations support services: As a result of the significant 2014-2015 downturn in the WTI price of a barrel of oil, oil sands operators implemented reductions in their capital budget and workforce as they attempt to control costs. While these capital reductions related primarily to in situ projects, due to their higher operating cost and shorter-term nature, the oil sands operators also focused on reducing their oil sands mine cost structure for operating and maintenance capital activities.

The longer life span of oil sands mines allows oil producers to be less sensitive to shorter-term volatility in oil prices. With the majority of the capital investment in an operating oil sand mine having already occurred, we expect our oil sand customers to focus on maximizing the production from their investment while continuing to prioritize operating and capital spending discipline.s While we expect the market for operations support services to remain competitive in 2019, we do not anticipate a large slowdown in demand for our services.s We have long-term services contracts in place at four major mine sites in the oil sands through at least 2022 and we continue to actively partner with our customers to identify efficiencies that we believe can generate cost savings that both we and our customers can share in.s We believe that we have the operational flexibility and fleet capacity to quickly respond to changes in our customers' operational support requirements.s

Construction services: Capital spending on the development of long-term oil sands mining projects is not sensitive to short-term fluctuations in the price of oil. Starting and stopping long-term, capital-intensive mining projects is inefficient due to the considerable demobilization and remobilization costs that would be incurred. Despite the significant 2014-2015 drop in WTI price per barrel of oil the oil producers continued to invest in new mines and the expansion of existing mines. Suncor has started producing oil from its Fort Hills Mine Project and Canadian Natural is continuing with production expansion at the Horizon mine[9].

Anticipated 2019 oil sands capital spending activity levels in the mining area are likely to remain robust with the majority of capital spending reductions focusing on construction cost reductions rather than further project deferrals.s Investments in the oil sands mining area are likely to continue to drive demand for construction services and provide additional bidding opportunities; however, many of the projects are subject to approvals and could also be impacted by further volatility in market conditions.s In addition, not all of the construction demand will be directly related to the Company's core heavy civil construction service offering and the market for these services remains competitive.s

Non-oil sands resource development market

Canada's non-oil sands resource development sector hosts more than 200 principal producing mines and produces more than 60 minerals and metals, ranking among the top global producers of many key commodities such as potash, uranium, nickel, aluminum and cobalt.

We pursue a variety of civil construction, site development and mine support opportunities with resource developers outside of the oil sands. The resource mining industry is of special interest to us with Canada being one of the largest mining nations in the world and our significant experience providing construction and operation support services to customers with large surface mining projects.

The conventional oil and gas industry is another market for us with major industrial construction projects that create opportunities to provide construction services. We have expertise providing site development for plants and refineries. For the year ended December 31, 2018, we generated 10% of revenue from the non-oil sands resource development market, compared to 13% of our total revenues for the year ended December 31, 2017.

9 Horizon Oil Sands mine site, a wholly owned and operated Canadian Natural Resources Limited ("Canadian Natural").

Provincial infrastructure

We continue to pursue revenue diversification opportunities outside of the Canadian oil sands, leveraging infrastructure investment announcements by the Canadian Federal and Provincial governments. We expect to competitively bid on these projects, both individually and with strategic partners whose service offering compliments are own competitive strengths.s

Competitive Strengths

We believe our competitive strengths are as follows:

Leading market position in contract mining services

We believe we are the premier provider of contract mining services in the Canadian oil sands. We have operated in Western Canada for over 60 years and have participated in every significant oil sands mining project since operators first began developing this resource over 40 years ago. This has given us extensive experience operating in the challenging working conditions created by the harsh climate and difficult terrain of the oil sands and Northern Canada. We have amassed what we believe is the largest heavy civil construction and mining fleet of equipment in Canada. We believe the combination of our significant size and extensive experience makes us one of only a few companies capable of taking on long-term, large-scale mining and heavy civil construction projects, both in the oil sands and in other remote resource development locations. We also believe that this advantage supports successfully providing similar services to large-scale earthworks infrastructure and resource development projects in both Canada and the United States.

Outstanding safety record

We attribute our success to innovation, dedication and expertise of our employees. Accidents are more than a threat to productivity; they are a threat to the well being of our people. We do all that we can to minimize these incidents by promoting a safe work environment. We believe that every employee is entitled to a healthy and safe workplace while ensuring the protection of the environment. Our operations are guided by a strict safety policy which puts worker health and safety first.

Our ultimate goal is to reduce or eliminate workplace injuries and incidents by using every means possible and through the aggressive promotion of healthy and safe work practices in the work environment. We strive to ensure the optimum success of this policy through compulsory participation by all employees, management and subcontractors.

To achieve this critical objective, we believe that there must be consequences for good or bad, positive or negative behaviour as it relates to any aspect of health, safety or protection of the environment. Employees have a personal responsibility to work safely at all times. A commitment to adhere to our standards of practice for health, safety and environment is a condition of employment. That is why we put so much focus on safety.

We continued to achieve our standard of excellence in our safety culture, as reflected by our strong safety record in 2018. We exceeded our Total Recordable Injury Rate ("TRIR") target, keeping our result well under 0.5 for the fourth year in a row. In our "journey to zero", this safety result reflects our belief that outstanding safety execution and being a leader in safety is the foundation for overall operational excellence.

Large, well-maintained equipment fleet

As of December 31, 2018, we had a heavy equipment fleet of approximately 628 owned, leased and rented units, made up of shovels, excavators, trucks and dozers as well as loaders, graders, packers and barges. This fleet is supported by a fleet of over 1,800 pieces of ancillary equipment, including various types of service and maintenance vehicles. We have a modern, well-maintained fleet of equipment to service our clients' needs. We are one of only a few contractors to operate trucks larger than 240 tons in capacity which gives us a competitive advantage with respect to both skill base and equipment availability. The size and diversity of our fleet provides us with the potential to respond on short notice and provide customized fleet solutions for each specific job.

A well-maintained fleet is critical in the harsh climatic and environmental conditions we encounter. Our new, state of the art, maintenance facility located near Edmonton, Alberta can not only accommodate the same major maintenance and repair activities as our facilities in the oil sands but was also purpose-built to repair the largest 400T haul trucks in the world as well as shovels up to 550T. This facility also provides back-up maintenance and repair requirements for oil sands equipment. In addition, we operate running repair and maintenance facilities on each of our customer's sites along with maintenance facilities for light vehicles and support equipment in the Fort McKay industrial park, Mildred Lake and Fort McMurray. We believe our combination of onsite and offsite service

capabilities coupled with our industry leading maintenance management systems and expertise increases our efficiency and extends the life of our equipment. This, in turn, reduces costs and increases our equipment reliability and availability, thereby enhancing our competitive edge and profitability.

Broad service offering across a project's lifecycle

We are considered to be a "first-in, last-out" service provider in the oil sands and resource development sector because we provide services through the entire lifecycle of oil sands and non-oil sands projects. Our work typically begins with the initial consulting services provided during the planning phase, including a review of constructability, engineering and budgeting. This leads into the construction phase during which we provide an expanded range of services, including clearing, muskeg removal, site preparation, mine infrastructure construction and underground utility installation. As our mining customers move into mine production, we support the preparation of the mine by providing ongoing site maintenance and upgrading, equipment and labour supply, overburden removal and land reclamation. Given the long-term nature of oil sands and resource development projects, we believe that our extensive experience has enabled us to establish ongoing relationships with our customers through a continuous supply of services as we transition from one stage of the project to the next. We believe that we have demonstrated through past projects that the expertise that we have developed in mining and the oil sands is transferable to other resource industries and large earthworks related infrastructure projects across Canada and the United States.

Long-term customer relationships

We have established strong, long-term relationships with major oil sands producers and conventional oil and gas producers. Our largest customers mine bitumen in the oil sands and we have worked with each of these customers since they began operations in the oil sands. In the case of Syncrude and Suncor, our relationships date back over more than 40 years. The longevity of our customer relationships reflects our ability to deliver a strong award winning safety and performance record, a well-maintained, highly capable fleet and a staff of well-trained, experienced supervisors, operators and mechanics.

Operational flexibility

The combination of our onsite fleet and our existing relationships with multiple oil sands operators makes it possible for us to easily and cost-efficiently transfer equipment and other resources among projects. This keeps us highly responsive to customer needs and is essential in providing operational support services, where lead times are short and the work loads are highly variable. This also serves as a barrier to potential new competitors who may be unable to dedicate a fleet of equipment to the region without the security of a long-term contract. The fact that we work on the majority of major sites in the oil sands contributes to our flexibility, enhances the stability of our business model and enables us to continue bidding profitably on new contracts.

Our Strategy

Our primary goal is to grow our shareholder value through being an integrated service provider of choice for the developers and operators of resource-based industries in a broad and often challenging range of environments and to leverage our equipment and expertise to support the development of infrastructure projects across both Canada and the United States. We will continue to focus on this goal through the following tactics:

- **Enhance safety culture:** We are committed to elevating the standard of excellence in health, safety and environmental protection with continuous improvement along with greater accountability and compliance. Our aim is to have zero incidents.
- **Grow our core business:** We intend to continue the enhancement of our relationships with new and existing customers to win an increased share of the services outsourced in connection with their projects. We intend to expand our footprint with our existing customers, leveraging our recent fleet acquisition and new opportunities in our long-term customer agreements along with project efficiencies and cost savings that will benefit the outcome for both our customers and ourselves.
- **Grow our revenue diversity:** We intend to leverage strategic partnerships, our equipment and expertise and our recent investment in Nuna to secure heavy or light civil construction contracts for major resource or infrastructure projects across Canada.
- **Pursue service expansion:** We intend to increase our revenue growth and diversity through marketing of our industry leading expertise in heavy equipment maintenance services. We intend to continue developing partnerships with parts and component rebuild companies that complement our maintenance services strategy

and we intend to leverage our purpose designed and built, state of the art maintenance facility, which is capable of handling the largest of our customers' equipment assets to grow this service offering over the coming years.

- **Further enhance our execution excellence:** We intend to further enhance our execution excellences as the oil sands economy recovers from the effects of low oil prices. We will continue to build on our industry leading fleet maintenance strategy to maximize fleet availability, leveraging our reliability programs, management systems and expertise, while further insourcing maintenance activities. In addition, we will leverage technological improvements, innovation and project execution expertise to further improve our operating efficiency, cost structure, and optimization of the life of our equipment fleet.
- **Continue to invest in our people, expertise and leadership:** We intend to continuously build bench strength by attracting and retaining well qualified and experienced employees that build on our culture and excellence. We will continue to promote employee growth and development, leverage our performance management systems and develop leadership at all levels.
- **Grow positive free cash flow, EBIT, EBITDA, net income and earnings per share:** We intend to manage our profitability and working capital while making strategic sustaining and growth capital investments to grow the generation of positive Free Cash Flow. In addition, we intend to leverage our revenue growth and diversification, profitability enhancements and our share buy-back programs to further grow our EBIT, EBITDA, net income and earnings per share.
- **Maintain a strong balance sheet:** We intend to continue with our disciplined debt management program to increase financial capacity and flexibility, maintain a low cost of secured and unsecured debt and provide a stable base from which we can take advantage of organic growth and acquisition opportunities.

For a discussion on our 2018 accomplishments against our strategy see the "Significant Business Events - Accomplishments against our 2018 strategic priorities" section of our annual MD&A, which section is expressly incorporated by reference into this AIF.

General Development of the Business Over the Past Three Years

The following is a summary of the significant events that have influenced the general development of our business over the past three years:

2016

- On January 19, 2016, the Canadian / US exchange rate dropped to a low of $0.69.
- On February 11, 2016, the WTI price per barrel dropped to a 13-year low of $26.21 (US$/barrel).
- On May 3, 2016, a major wildfire caused the largest evacuation in Alberta's history as over 88,000 residents were forced to evacuate the town of Fort McMurray. It is estimated that the fire halted approximately one quarter of Canada's oil production, equivalent to roughly 1.5 million barrels a day of bitumen and synthetic crude oil. As reported in the Canadian Press on June 15, 2016, the total lost production is estimated to be close to 28 million barrels of oil and could cost the industry upwards of $1.5 billion.

  While we did not incur any significant losses to our equipment or facilities in Fort McMurray, our summer mine support activities in the second quarter of 2016 reflect our suspension of work across most of the oil sands for two months and then our customers' slower than expected operational re-start schedule which had a significant impact on our third quarter results.
- On October 21, 2016, we were awarded a multi-year master services agreement with a major oil sands operator for the performance of reclamation, overburden removal, mine support services and civil construction activities. The long-term agreement runs through to December 31, 2020 and covers services for both oil sands mining and steam assisted gravity drainage projects on all the oil sands operator's sites in the Alberta oil sands. We had previously performed mine support and construction services for this oil sands operator under a 5-year agreement that covered two mines that supported one base oil sands operation, whereas the new agreement incorporates a second oil sands mining operation being constructed (estimated late 2017 production) and also incorporates the customer's operating SAGD sites.

- On November 29, 2016, the Canadian federal government announced the approval for the construction of the Kinder Morgan [10] Trans Mountain pipeline expansion (twinning the existing pipeline running from Edmonton, Alberta through British Columbia to the Pacific Ocean and tripling the system capacity). In the same announcement, the Federal government:
    - Approved the Enbridge "Line 3 Replacement" project, replacing large segments of the aging 1,660-kilometer pipeline running between Hardisty, Alberta and Superior, Wisconsin, after a year of regulatory review. However, the project continues to encounter roadblocks in the approval of the US segment of the project. The project is projected to achieve initial capacity of 760,000 barrels per day when commissioned in 2019.
    - Rejected the construction of the Northern Gateway pipeline project (proposed to carry crude oil from Alberta to the Pacific Ocean across the northern region of British Columbia).
- On December 31, 2017, the WTI price per barrel of oil was $53.75 (US$/barrel) and the Canadian / US exchange rate was $0.74.

2017

- On January 1, 2017, the Alberta provincial government implemented the first phase of their new climate plan, which includes a carbon pricing regime coupled with an overall emissions limit for the oil sands. The climate plan places some certainty on the future greenhouse gas (GHG) costs, while the limit on oil sands emissions anticipates that companies will be forced to ensure only the most profitable and efficient projects are developed.
- On February 1, 2017, we announced the renewal of a 5-year master services agreement on a sole sourced, negotiated basis with a major oils sands operator for the performance of reclamation, overburden removal, mine support services and civil construction activities.
- On March 14, 2017, an explosion and fire shut down Syncrude Canada Limited's (Syncrude) Mildred Lake upgrader. The repairs, coupled with the acceleration in timing of planned fall maintenance work extended the mine's full ramp up into the third quarter of 2017.
    - As a result of this explosion and shutdown, our significant overburden removal contract with this client was cancelled.
- On March 15, 2017, we issued $40.0 million in aggregate principal amount of 5.50% convertible unsecured subordinated debentures which mature on March 31, 2024. We pay an annual interest rate of 5.50%, payable semi-annually on March 31 and September 30 of each year, commencing September 30, 2017.
- On April 1, 2017, we entered into a partnership agreement with Dene Sky Site Services Ltd. ("Dene Sky"), a private First Nations business based in Janvier, Alberta. Our subsidiary, North American Enterprises Ltd., was issued a 49% interest in the partnership while Dene Sky was issued a 51% interest. The partnership is carrying on business under the name "Dene North Site Services" and operates primarily in Northern Alberta.
- On May 9, 2017, a new British Columbia provincial government was elected. The new government ran on a platform that included challenging the construction of the TMX pipeline project along with major infrastructure projects in the province.
- On August 1, 2017, we entered into a new credit facility agreement (the "Credit Facility") with a banking syndicate led by National Bank of Canada, replacing our previous Sixth Amended and Restated Credit Agreement (the "Previous Credit Facility"). The Credit Facility provides borrowings of up to $140.0 million with an ability to increase the maximum borrowings by an additional $25.0 million, subject to certain conditions (an increase from the $70.0 million revolver and $30.0 million term loan of the Previous Credit Facility). This facility matures on August 1, 2020, with an option to extend on an annual basis. The Credit Facility also allows for a capital lease limit of $100.0 million (an increase from the $90.0 million limit under the Previous Credit Facility).
- On September 20, 2017, we announced the award of a three year-term contract, which includes a two-year extension provision to provide mine support services on Highland Valley Copper Mine in British Columbia.

10 Kinder Morgan Inc., owner of the of the Trans Mountain Pipeline System until August 31, 2018.

- On October 5, 2017, TransCanada[11] terminated their proposed Energy East pipeline (to Atlantic Canada) after it was announced that the project would be subjected to a new round of intense review by the National Energy Board as a result of new standards initiated by the federal government.
- On October 31, 2017, we announced a change in our Board of Director and Management structure.
    - Martin R. Ferron assumed the role of Chairman of the Board, in addition to his role as Chief Executive Officer, taking over from Ronald A. McIntosh who stepped down from his Chairman role.
    - Joseph C. Lambert assumed the role of President in addition to that of Chief Operating Officer, taking over from Martin R. Ferron who stepped down from his President role.
    - Bryan D. Pinney assumed the role of Lead Director of the Board.
- During 2017, we expanded our service offerings to include heavy equipment maintenance for our customers. Maintenance has become one of our real core competencies and customers are trending towards rebuilding existing equipment rather than buying new.
- On December 31, 2017, the WTI price per barrel of oil was $60.46 (US$/barrel) and the Canadian / US exchange rate was $0.80.
    - On May 4, 2017, the Canadian / US exchange rate dropped to a low of $0.73, while on June 21, 2017, the WTI price per barrel dropped to a low of $42.48 (US$/barrel).

2018

- On January 1, 2018, the Alberta provincial government implemented the second phase of their new climate plan, which includes a carbon pricing regime coupled with an overall emissions limit for the oil sands.
- On January 29, 2018, Suncor announced that they had achieved continuous operations at the Fort Hills mine for the first of three mine train from secondary extraction. The mine's production ramped up to the 194,000 barrels per day capacity by late 2018.
- On January 30, 2018, Suncor announced that it will proceed with the phased implementation of 150 autonomous haul trucks at their company-operated mines, starting with the North Steepbank mine. These autonomous haul trucks, are expected to replace approximately 33% of Suncor's current haul truck fleet over the next six years. Autonomous haul trucks are best suited for ore handling applications due to the consistency of the load and the predictability of the route, while many earthmoving activities that we perform, such as tailings pond related mature fine tailings ("MFT") hauling, are not suitable applications for automation.
- On February 12, 2018, Suncor announced the agreement to acquire Mocal Energy Limited's 5% interest of Syncrude Canada Limited. Suncor now holds a 58.74% interest in Syncrude.
- On June 4, 2018, we announced a two-year extension of a key Master Services Agreement with a major oil sands operator for the performance of reclamation, overburden removal, mine support services and civil construction activities, taking this agreement out to August 2022.
    - As part of this extension we secured a three-year term contract for overburden removal with this customer that commenced in 2019, after a previously announced 2018 term contract. In addition, we secured a three-year reclamation contract with this customer, which commenced in 2018. The combined defined scope work of these new contracts contributed approximately $275 million to our backlog.

11 TransCanada Corporation (TransCanada)

- On August 30, 2018, the Federal Court of Appeals overturned the Federal Government approval of the project, citing an incomplete review process performed by the National Energy Board ("NEB").
    - The Trans Mountain Expansion (TMX) pipeline twinning by Kinder Morgan (to Vancouver, BC) was approved in November 2016 with 190 environmental and social conditions.
    - On August 31, 2018, the pipeline was purchased by the Trans Mountain Corporation, a wholly owned subsidiary of the Canada Development Investment Corporation that is accountable to the Government of Canada. The NEB expects to complete the final review activities, cited by the Federal Court of Appeals as incomplete, by mid-2019, however the pipeline expansion project continues to face legal challenges and environmental protests.
- On September 10, 2018 Jason Veenstra was appointed to our Management team as Executive Vice President and Chief Financial Officer.
- On October 3, 2018, S&P Global Ratings ("S&P") [12] changed our company outlook from "stable" to "positive" while affirming our "B" long-term corporate credit rating. S&P changed the outlook to reflect the view that the recently announced acquisitions could result in positive rating action once these acquisitions are fully integrated and generate the estimated stronger operating cash flow and margins. S&P further confirmed that the financial risk profile could be raised to a "B+" if at least two full quarters of combined operations are in line with the enhanced estimates of operating and credit metric forecasts for 2019 and 2020.
- On October 3, 2018, the WTI price per barrel hit a high for the year of $75.60 (US$/barrel) before dropping by almost 16% to a 2018 low of $42.53 (US$/barrel) on December 24, 2018.
    - During October 2018, the Western Canada Select (WCS) discount to the WTI price per barrel of oil reached an all-time high, with the WCS price per barrel trading at a discount of more than $52.00 against the WTI price per barrel. The differential is driven by the dependence on limited pipeline capacity or the use rail cars to transport the increasing production levels of heavy crude from Alberta to major markets.
    - During the last quarter of 2018, while WTI price per barrel fell by the aforementioned 16%, WCS fell 59% during this same period as a result of increased inventories caused by limited pipeline take-away capacity.
- On November 1, 2018, we closed the acquisition of a 49% ownership interest in Nuna Logistics Limited and related companies (collectively the "Nuna Group of Companies" or "Nuna"), a civil construction and contract mining company based in Edmonton, Alberta, for $42.8 million in cash. The majority 51% ownership interest in Nuna is held by the Kitikmeot Corporation, a wholly owned business arm of the Kitikmeot Inuit Association. The acquisition of the ownership interest in Nuna is aligned with our strategic goals as it expands our end user coverage into other commodity areas, such as base metals, precious metals and diamonds. In addition, Nuna is an established incumbent contractor in Nunavut and the Northwest Territories, but has also successfully completed major projects in Ontario, Saskatchewan and British Columbia.
- On November 23, 2018, we closed the acquisition of a heavy equipment fleet for $198.0 million subject to closing adjustments defined in the purchase agreement. The purchase agreement included an initial payment of $151.2 million and the assumption of $12.6 million in capital leases and equipment related promissory notes from the vendor. The balance of the price will be paid in three installments, six, twelve and eighteen months from the closing date.
- In November 2018, we opened our newly constructed $28.0 million Acheson major equipment maintenance and rebuild facility with corporate office attached, just outside of Edmonton, Alberta. The maintenance facility was custom designed to accommodate all sizes of equipment, including the ultra-class 400-ton haul trucks used by our clients. The new maintenance facility replaces our less efficient leased facility and provides improved functionality and best-in-class technology that will help us continue driving down our maintenance costs while also helping us to grow our external maintenance offering.

12 Standard and Poor's Ratings Services ("S&P"), a division of The McGraw-Hill Companies, Inc.

- In November 2018, entered into a newly formed partnership, the Mikisew North American Limited Partnership ("Mikisew partnership") [13], to provide construction and mining services to our oil sands customers. Our partner, the Mikisew Group of Companies, is directly owned by the Mikisew Cree First Nation. The Mikisew Cree are the largest First Nation of the five Athabasca Tribal Nations and we are excited to be business partners as we build our relationship in the oil sands region.

- On November 23, 2018, we entered into an upsized Amended and Restated Credit Agreement (the "Credit Facility") with our banking syndicate led by National Bank Financial. The Credit Facility is consistent with existing terms, maintains attractive rates and provided sufficient flexibility to allow for the significant heavy construction equipment fleet acquisition transaction that closed on the same day.
    - The Credit Facility provides borrowings of up to $300.0 million with an ability to increase the maximum borrowings by an additional $50.0 million, subject to certain conditions (an increase from the $140.0 million borrowing available under the previous facility).
    - This facility matures on November 23, 2021, with an option to extend on an annual basis.
    - The Credit Facility also allows for a capital lease limit of $150.0 million (an increase from the $100.0 million limit under the previous facility) and other borrowing of $20.0 million.

- In November 2018, we entered into a 25-year mortgage with the Business Development Bank of Canada ("BDC") for $19.9 million, which was drawn to cover costs already incurred in relation to our recent acquisition of land and the related construction of the Acheson, Alberta maintenance facility and corporate office.

- On December 3, 2018, the Alberta Government announced a temporary 8.7% cut (or a decrease of 325,000 barrels per day) in the production of raw crude oil and bitumen, starting on January 1, 2019. The reduced production measure was in reaction to the significant price differential between the Western Canadian Select and West Texas Intermediate[14] oil prices, driven primarily by the more than 25 million barrels of processed oil currently in storage, waiting for inventory take-away capacity improvements that have been limited by Canadian regulatory delays.

- On December 10, 2018, we announced a three-year extension of a key Multiple Use Agreement ("MUA") with a major oil sands operator for the performance of reclamation, overburden removal, mine support services and civil construction activities. The long-term extension takes this agreement out to December 2023.
    - The MUA included a long-term right of first refusal purchase arrangement to acquire the customer's used large mining trucks and shovels.
    - In addition, as part of this extension we secured a five-year contract through 2023 for earthworks services at the customer's mine. The defined scope work contributed approximately $757 million to our backlog.
    - On December 18, 2018, we exercised our right under the MUA on an initial offering of thirty-one trucks for delivery during 2019. The arrangement includes sixteen 380-ton capacity ultra-class haul trucks, a first for us and a size for which the new Acheson maintenance facility was purposely designed.
- During 2018, we used $9.5 million in cash to purchase and subsequently cancel a total of 1,281,485 common shares at an average price of $7.44 per share. The current year NCIB reduced our net outstanding common share balance to 25,004,205 as at December 31, 2018.
    - This outstanding balance is net of the 2,084,611 common shares classified as treasury shares as at December 31, 2018 (we used an additional $5.1 million in cash for the purchase of treasury shares in 2018). As at December 31, 2018, there are no outstanding NCIB programs in effect.
- On December 31, 2018, the WTI price per barrel of oil was $45.15 (US$/barrel) and the Canadian / US exchange rate was $0.73 (an annual low, down from the 2018 peak of $0.82 achieved on February 2, 2018).

13 Mikisew Group of Companies is owned directly by the Mikisew Cree First Nation. The Mikisew Group of Companies is comprised of two main operating entities (wholly owned) and 11 limited partnerships and joint ventures (majority owned)
14 West Texas intermediate ("WTI") prices are reported by the U.S Energy Administration information.

For a complete discussion of the significant business events for each year see the “Significant Business Events” section of our respective annual MD&As. For a complete discussion of active projects, contract awards and the status of our current customer contracts see "Projects, Competition and Major Suppliers - Active Projects", below.

D. PROJECTS, COMPETITION AND MAJOR SUPPLIERS

Active Projects

Suncor: Steepbank Mine, Millennium Mine and Fort Hills Mine

Suncor's current mining operation includes the Steepbank[15], Millennium[16] and Fort Hills mines, which have a current combined average production capacity of approximately 500,000 bbl/d[17]. Suncor is focusing their expansion efforts on the Fort Hills mine development project, which achieved continuous operations on the first of three mine trains from secondary extraction in early 2018 and reached its planned production capacity of 194,000 bbl/d by late 2018[18]. Suncor owns 53.06% of the Fort Hills project (Total E&P Canada Ltd. owns 26.05% and Teck Resources Limited owns 20.89%).

In October 2016, we were awarded a five-year long-term services agreement to provide reclamation, tailings pond maintenance, overburden removal, civil construction, mine services and site services at Suncor’s Steepbank, Millennium, and Fort Hills mines in addition to Suncor's SAGD projects in the oil sands. In 2018, the Suncor long-term services agreement was renegotiated and extended from a five-year contract to an eight-year contract. The three-year extension takes the existing expiration date to December 31, 2023.

In 2018, we provided mine support, reclamation, civil construction and overburden removal service at the Millennium mine and civil construction and overburden removal services at the Fort Hills mine to support Suncor's efforts to manage their cost of operations while maximizing their mine production. The work at the Fort Hills mine was secured through our Mikisew North American Limited Partnership. Work authorizations are issued for projects under both time-and-materials and unit-price arrangements.

We were recently awarded a five-year contract through 2023 for earthworks services at Suncor's mines, which includes winter mine services work, performing overburden removal and tailings pond maintenance and reclamation activities for this customer. Oil sands tailings are the remaining water, clay, silt, sand and residual hydrocarbons left after the majority of the hydrocarbons are extracted from the ore during the water-based bitumen extraction process. Our tailings pond maintenance and reclamation work with Suncor is in support of their Tailings Reduction Operation initiative to accelerate their tailings pond performance, reducing the overall tailings pond footprint requirements of their production process.

Suncor announced in early 2018 that they would be introducing a fleet of automated haul trucks, replacing approximately 33% of their existing large capacity ore hauling truck fleet. We have provided operational support services to Suncor for over thirty years with a fleet of smaller, lower cost and more flexible trucks to perform a variety of important tasks that keeps their mines operating. We believe that Suncor's haul truck automation plans will not affect the demand for our services and may in fact benefit us as the shrinking population of well-trained Fort McMurray based equipment operators will be bolstered by those operators that come available with the introduction of automated haul trucks.

Syncrude: Mildred Lake Mine and Aurora Mine

Syncrude's current mining operations include the Mildred Lake and Aurora mines, which have a current combined production capacity of approximately 350,000 bbl/d[19]. Further expansions have been announced for a stage 3 de-bottlenecking project, which could potentially add an additional capacity of 75,000 bbl/d[20]. As discussed in "General Development of the Business Over the Past Three Years", Suncor recently bought out Canadian Oil Sand's, and their 36.74% ownership of Syncrude. In addition, Suncor bought Murphy Oil Corporation's Canadian subsidiary's 5% ownership in Syncrude and Mocal Energy Limited's 5% ownership in Syncrude. Suncor now holds a 58.74% interest in Syncrude, partnered with Imperial Oil Resources Limited, the operator (25%), Sinopec Oil Sands Partnership (9.03%), and CNOOC Oils Sands Canada (7.23%).

15 Steepbank mine, owned and operated by Suncor Energy Inc.
16 Millennium mine, owned and operated by Suncor Energy Inc.
17 As reported in the Oil Sands Magazine (www.oilsandsmagazine.com) - updated January 28, 2019.
18 Ibid.
19 Ibid.
20 Ibid.

In August 2015, Syncrude awarded us a new five-year long-term services agreement for the Mildred Lake and Aurora mines, which enables us to perform various types of civil construction projects, overburden removal, reclamation and mine support services for this customer. On June 4, 2018, the long-term services agreement was extended, taking the agreement to an August 31, 2022 expiry. Construction work authorizations are issued for projects under both time-and-materials and unit-price arrangements.

As part of this extension we secured a three-year term contract for reclamation services at the Mildred Lake mine that commenced in 2018 and a three-year term contract for overburden removal services at this same mine that commenced in 2019, after a previously announced 2018 overburden removal term contract. In addition, we were awarded three-year commitments for reclamation and overburden removal services at Syncrude's Aurora mine late in 2018.

In 2018, we executed on the overburden removal and reclamation services contracts along with performing on various civil construction projects and providing mine support services at both the Mildred Lake and Aurora mines under the agreement.

Imperial Oil: Kearl Mine

The Kearl oil sands project is jointly owned between Imperial Oil Resources Limited ("Imperial Oil"), operator (71%) and ExxonMobil Canada (29%). With the commissioning of the Phase 2 expansion in late 2015, the Kearl mine has reached 220,000 bbl/d in production capacity[21]. Future expansion and de-bottleneck phases are expected to increase total production capacity to 345,000 bbl/d[22].

On February 1, 2017, we entered into a new five-year long-term services agreement with Imperial Oil for the performance of reclamation, overburden removal, mine support services and civil construction activities at the Kearl site. The renewed agreement expires on January 31, 2022. This replaced a previous long-term agreement covering similar services for civil construction and mine support services at the Kearl site, which expired on January 2017.

On August 9, 2017, we entered into a five-year long-term agreement with Imperial Oil for surveying and survey related service at the Kearl site. The agreement expires on August 8, 2022. Our Dene North partnership is supporting us in the execution of this long-term contract.

Canadian Natural: Horizon Mine

Canadian Natural completed construction of its Horizon Oil Sands Project and achieved first oil production in early 2009. This oil sands mining project currently has total production capacity of 294,000 bbl/d, having recently completed a significant capacity expansion project[23].

In August 2015 we were awarded a five-year long-term services agreement with Canadian Natural for mine support and civil construction activities. The agreement expires on June 30, 2020. We performed various minor mine services projects under the long-term agreement in 2016 but were not active at this mine site in 2017 or 2018.

Teck Resources Limited: Highland Valley Copper Mine

Teck's Highland Valley Copper mine, located in southern British Columbia, produces copper and molybdenum concentrates with over 30 million tonnes of reserves in the current life of the mine plan. Current planned production rates are projected to be supported by reserves and resources until 2026.

In August 2017, we were awarded a contract for Tailings construction through 2019. We commenced mobilization of our fleet to site in September 2017 and began operations in October 2017. We are moving into the final construction phase of the contract and work is expected to be complete in the summer of 2019.s

External Equipment Maintenance

In the current year, we continued to leverage our expertise in equipment maintenance by growing our external maintenance service offering to external customers. In 2018, we completed the frame replacement and rebuild of large capacity heavy haul trucks and dozers along with the rebuild of multiple dozer track frames in our new state of the art maintenance facility near Edmonton, Alberta. We believe that this initiative could have a discernible impact on our results in 2019 and beyond.s

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21 Ibid.
22 Ibid.
23 As reported in the Oil Sands Magazine (www.oilsandsmagazine.com) - updated January 28, 2019.

Recently Completed Projects

Teck Resources Limited: Fording River

Teck's Fording River[24] operation, located in southeastern British Columbia, is one of five of Teck's steel-making coal operations in the Elk Valley. The current annual production capacities of the mine and preparation plant are approximately 8.5 million and 9.5 million tonnes of clean coal, respectively. Reserves at the Fording River mine are projected to support mining at planned production rates for an additional 52 years.

In June 2017, we were awarded a contract to provide mine support services at the Fording River coal mine. We mobilized our fleet in late June 2017 with operations starting in July 2017. The project was completed in the spring of 2018 at which time we demobilized our fleet.

Imperial Metals: Red Chris Copper Mine

Red Chris mine[25] is an open pit copper and gold mine located in northwest British Columbia. Red Chris Development Company Ltd. (RCDC), a subsidiary of Imperial Metals, owns and operates the Red Chris mine.

In June 2016, we were awarded a civil construction contract to build the expansion of tailings dams at the copper and gold mine in Northeastern BC, to support site open pit mining activities. In the fourth quarter of 2016, we completed a scope of work relating to the construction of two tailing pond dams. During 2017 we continued to provide equipment rentals to the operator over the winter and in the fourth quarter of 2017 we completed a second scope of tailings pond dam construction at which time we demobilized from the site.

Competition

Much of our business is secured through the formal bidding process, and remains competitive. Our competitive environment and customer behavior in the oil sands has continued to remain focused on lowering costs and getting the best value for their dollar. As the economy in the oil sands struggles with lack of new pipeline capacity and now government imposed cuts to crude output, oil sands operators continue to focus on controlling costs. Some of our customers have also taken a different approach to contracting on their sites and have embarked on contractor consolidation, signing of longer term agreements with committed volumes to ensure safe and cost-conscious execution certainty. The lack of new pipeline capacity has led to the curtailment of customer investment in SAGD development projects resulting in some competitors getting out of the space as well as stiffer competition for oil sands project tenders, with the remaining competitors. In the past year, we have seen one of our competitors exit the large earthworks market and one of our competitors expand their reliance on a joint venture partnership.

The competition outside of the oil sands remains equally competitive, while our customers continue to increase the number of competitors on the bid list, in efforts to achieve lower pricing. In some cases, we are seeing willingness from the customer to entertain alternate pricing arrangements such as “risk/reward” agreements, where the customer is willing to share in some of the risks, provided there is corresponding costs savings to warrant taking on such risks.

Our principal competitors in the larger earthworks scopes include Klemke Mining Corporation, G/K Joint Venture (Graham/Klemke Mining), Ledcor Construction Limited and Thompson Bros. (Constr) LP. In underground utilities installation, Sureway Construction Ltd., Voice Construction Ltd., Ledcor Construction Limited, KBR Inc., Aecon Group Inc., Graham Construction Ltd. and OCL are our major competitors. Competitors in the labour and equipment supply scopes include Clearstream Energy and Heavy Metal/Emeco Canada.

24 Fording River Mine, owned and operated by Teck Resources Limited

25 Red Chris Mine, owned and operated by Red Chris Development Company Ltd. (RCDC), a subsidiary of Imperial Metals.

Major Suppliers

We have long-term relationships with the following equipment suppliers:

- Finning International Inc. (over 50 years), the Caterpillar heavy equipment supplier in Alberta for the majority of our mining fleet;
- Wajax Corporation (over 25 years), the supplier of our mining and construction Hitachi excavators and shovels;
- Brandt Tractor Ltd. (over 35 years), the Alberta supplier for our construction John Deere excavators; and
- SMS Equipment Inc. (over 10 years), the Canadian supplier of a large capacity fleet of our Komatsu mining trucks.

In addition to the supply of new equipment, each of these companies is a major supplier for equipment rentals, maintenance parts and service labour.

- Brake Supply Inc. (over 10 years), our prime supplier of mining equipment hydraulic cylinders for our Caterpillar mining equipment and an alternative supplier of powertrain components for select Caterpillar equipment.
- Hydraulic Repair and Design (over 10 years), our prime supplier of hydraulic cylinders and pumps for our Hitachi mining shovels and excavators.

We continue to work with all of our suppliers to identify shared cost savings opportunities, including opportunities to extend vendor parts reliability programs, leverage their parts supply chain, improve the cost effectiveness of vendor supplied maintenance services and reduce costs for rental equipment.

We have a tire agreement and allocations with Bridgestone along with additional tire availability from Michelin and Goodyear which have allowed us to maintain tire inventories required to keep our fleet fully operational. Our tire inventory and availability from the manufacturers is such that we do not anticipate any tire shortages.s However, as the global mining and commodities markets strengthen, tire supply can be negatively affected by natural disasters, raw material shortages or unscheduled interruptions from global production facilities.

E. RESOURCES AND KEY TRENDS

Fleet and Equipment

We operate and maintain a heavy equipment fleet, including dozers, graders, loaders, mining trucks, shovels, compactors and excavators. We also maintain a fleet of ancillary vehicles including various types of service and maintenance vehicles. Overall, the equipment is in good condition, subject to normal wear and tear. Our Credit Facility is secured by liens on substantially all of our equipment. We lease some of this equipment under lease terms that include purchase options.

We acquire our equipment in two ways: capital expenditures or capital leases (for a discussion on our equipment additions see the “Resources and Systems - Capital Resources and Use of Cash”, section of our annual MD&A, which section is expressly incorporated by reference into this AIF). The following table sets forth our owned and leased heavy equipment fleet (does not include rental equipment) as at December 31, 2018:

Category	Capacity Range	Horsepower Range	Number Owned	Number Leased
Articulating trucks	30 to 40 tons	305 - 406	5	26
Mining trucks	40 to 330 tons	476 - 2,700	174	63
Shovels	18-80 cubic yards	1,300 - 3,760	9	1
Excavators	1 to 29 cubic yards	90 - 1,944	43	39
Dozers	20,741 lbs to 230,100 lbs	96 - 850	81	28
Graders	14 to 24 feet	150 - 500	24	5
Loaders	1.5 to 16 cubic yards	110 - 690	41	10
Packers	14,175 to 68,796 lbs	216 - 315	6	—
Other heavy equipment			19	2
Total			**402**	**174**

We believe our current fleet size and mix is in alignment with the current and near-term growth expectations of equipment demands from our clients. We complement our equipment fleet through the short-term (less than 12 months) rental of equipment to meet the demands of specific projects. Our equipment fleet is currently split among owned (64%), leased (28%) and rented equipment (8%). Our equipment ownership strategy allows us to meet our

customers' variable service requirements while balancing the need to maximize equipment utilization with the need to achieve the lowest ownership costs.

Facilities

Our corporate head office is located in Acheson, Alberta with our primary administrative functions being carried out from that office where we also have a major equipment maintenance facility. Additional project management and equipment maintenance functions are carried out from leased and owned regional facilities near Fort McMurray, Alberta. The following table describes our primary facilities:

Location	Function	Owned or Leased	Lease Expiration Date
Acheson, Alberta	Corporate head office, administrative office and major equipment repair facility	Owned	N/A
Fort McMurray, Alberta (Syncrude Ruth Lake site)	Regional office and large maintenance facility	Building owned, land provided	8/31/2021

Credit Facility

For a description of our credit facilities, see the “Credit Facility” section of our annual MD&A, which section is expressly incorporated by reference into this AIF.

Variability of Results

A number of factors have the potential to contribute to variations in our quarterly financial results between periods, including:

- the timing and size of capital projects undertaken by our customers on large oil sands projects;
- changes in the mix of work from earthworks, with heavy equipment, to more labour intensive, light construction projects;
- seasonal weather and ground conditions;
- certain types of work that can only be performed during cold, winter conditions when the ground is frozen;
- the timing of equipment maintenance and repairs;
- the timing of project ramp-up costs as we move between seasons or types of projects;
- the timing of resolution for claims and unsigned change-orders;
- the timing of "mark-to-market" expenses related to the effect of a change in our share price on cash related stock-based compensation plan liabilities; and
- the level of borrowing under our secured and unsecured senior debt and the number of assets secured through capital leases and the corresponding interest expense recorded against the outstanding balance of each.

For a description of our variability of results, see the “Summary of Quarterly Results” section of our annual MD&A, which section is expressly incorporated by reference into this AIF.

F. LEGAL AND LABOUR MATTERS

Laws and Regulations and Environmental Matters

Many aspects of our operations are subject to various federal, provincial and local laws and regulations, including, among others:

- permit and licensing requirements applicable to contractors in their respective trades; and
- laws and regulations relating to worker safety and protection of human health.

We believe that we have all material required permits and licenses to conduct our operations and are in substantial compliance with applicable regulatory requirements relating to our operations. Our failure to comply with the applicable regulations could result in substantial fines or revocation of our operating permits.

Our operations are subject to numerous federal, provincial and municipal environmental laws and regulations, including those governing the release of substances, the remediation of contaminated soil and groundwater, vehicle emissions and air and water emissions. Federal, provincial and municipal authorities, such as Alberta Environment,

Saskatchewan Environment, the British Columbia Ministry of Environment and other governmental agencies, administer these laws and regulations.

The nature of our operations and our ownership or operation of property exposes us to the risk of claims with respect to environmental matters and there can be no assurance that material costs or liabilities will not be incurred in relation to such claims. For example, some laws can impose strict joint and several liabilities on past and present owners or operators of facilities at, from or to which a release of hazardous substances has occurred, on parties who generated hazardous substances that were released at such facilities and on parties who arranged for the transportation of hazardous substances to such facilities. If we were found to be a responsible party under these statutes, we could be held liable for all investigative and remedial costs associated with addressing such contamination, even though the releases were caused by a prior owner or operator or third party. We are not currently named as a responsible party for any environmental liabilities on any of the properties on which we currently perform or have performed services. However, our leases typically include covenants that obligate us to comply with all applicable environmental regulations and to remediate any environmental damage caused by us to the leased premises. In addition, claims alleging personal injury or property damage may be brought against us if we cause the release of or any exposure to harmful substances.

Our construction contracts require us to comply with environmental and safety standards set by our customers. These requirements cover such areas as safety training for new hires, equipment use on site, visitor access on site and procedures for dealing with hazardous substances.

Capital expenditures relating to environmental matters during the fiscal years ended December 31, 2018 and 2017 were not material. We do not currently anticipate any material adverse effect on our business or financial position because of future compliance with applicable environmental laws and regulations. Future events, however, such as changes in existing laws and regulations or their interpretation, more vigorous enforcement policies of regulatory agencies or stricter or different interpretations of existing laws and regulations may require us to make additional expenditures which may or may not be material.

Legal Proceedings and Regulatory Actions

For a description of legal proceedings and regulatory actions, see the “Legal and Labour Matters - Legal Proceedings and Regulatory Actions” section of our annual MD&A, which section is expressly incorporated by reference into this AIF.

No Defaults

Neither the Company nor its subsidiaries are in default of any obligations related to indebtedness, nor is the Company in arrears with respect to payment of dividends.

Employees and Labour Relations

For a description of our employees and labour relations, see the “Legal and Labour Matters - Employees and Labour Matters” section of our annual MD&A, which section is expressly incorporated by reference into this AIF.

G. DESCRIPTION OF SECURITIES AND AGREEMENTS

Some of the statements contained herein are summaries of the material provisions of our articles of amalgamation relating to dividends, distribution of assets upon dissolution, liquidation or winding up. A copy of our articles of amalgamation can be found on www.sedar.com. We confirm that no material modifications have been made to the instruments defining the rights of holders of any class of registered securities.

Capital Structure

We are authorized to issue an unlimited number of voting common shares and an unlimited number of non-voting common shares.

On August 14, 2017, we commenced a Normal Course Issuer Bid ("NCIB"), which authorized us to purchase up to 2,424,333 common shares through the facilities of the Toronto Stock Exchange ("TSX") and the New York Stock Exchange ("NYSE"). As at December 31, 2018, we have used almost $9.5 million in cash to purchase and subsequently cancel a total of 1,142,762 common shares, at an average price of $7.44 per share. This NCIB expired on August 13, 2018. The NCIB reduced our net outstanding common share balance to 25,004,205 as at December 31, 2018. This outstanding balance is net of the 2,084,611 common shares classified as treasury shares as at December 31, 2018 (we used $5.1 million in cash for the purchase of treasury shares in 2018).

All purchases of shares in the United States were made in compliance with Rule 10b-18, under the US Securities Exchange Act of 1934, whereby the safe harbor conditions limited the number of shares that could be purchased per day to a maximum of 25% of the average daily trading volume for the four calendar weeks preceding the date of purchase, with certain exceptions permitted for block trading. The price per share, for all but the block trades, was based on the market price of such shares at the time of purchase, in accordance with regulatory requirements.

Purchases of shares by the company during the year ended December 31, 2018 on the New York Stock Exchange:

Period	Total number of shares purchased	Average price paid per share ($)	Total number of shares purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of share that may yet be purchased under the plans or programs
January 1 - 31	—	—	—	1,454,994
February 1 - 28	—	—	—	1,454,994
March 1 -31	2,085	6.15	804,947	1,452,909
April 1 - 30	—	—	—	1,452,909
May 1 - 31	—	—	—	1,452,909
June 1 - 30	—	—	—	1,452,909
July 1 - 31	—	—	—	1,452,909
August 1- 31	—	—	—	1,452,909
September 1 - 30	—	—	—	—
October 1 - 31	—	—	—	—
November 1 - 30	—	—	—	—
December 1 - 31	—	—	—	—

Purchases of shares by the company during the year ended December 31, 2018 on the Toronto Stock Exchange:

Period	Total number of shares purchased	Average price paid per share ($)	Total number of shares purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of share that may yet be purchased under the plans or programs
January 1 - 31	177,000	6.29	1,999,695	1,102,486
February 1 - 28	—	—	1,999,695	1,102,486
March 1 -31	165,700	6.96	2,165,395	936,786
April 1 - 30	458,600	7.11	2,623,995	478,186
May 1 - 31	150,900	8.17	2,774,895	327,286
June 1 - 30	38,300	7.96	2,813,195	288,986
July 1 - 31	206,500	7.90	3,019,695	82,486
August 1- 31	82,400	9.31	3,102,095	86
September 1 - 30	—	—	3,102,095	—
October 1 - 31	—	—	3,102,095	—
November 1 - 30	—	—	3,102,095	—
December 1 - 31	—	—	3,102,095	—

On June 12, 2014, we entered into a trust agreement under which the trustee purchases and holds common shares until such time that units issued under the equity classified Restricted Share Unit ("RSU") and Performance Share Unit ("PSU") long-term incentive plans are to be settled. Units granted under our RSU and PSU plans typically vest at the end of a three-year term.

As at February 22, 2019, there were 27,120,816 voting common shares outstanding, which included 2,087,840 common shares held by the trust and classified as treasury shares on our consolidated balance sheets (27,088,816 common shares, including 2,084,611 common shares classified as treasury shares at December 31, 2018). We had no non-voting common shares outstanding on any of the foregoing dates.

Additional information about our share capital as well as information about our Articles of Incorporation, By-Laws and the Canadian Business Corporations Act can be found in “Description of Share Capital” of our Registration Statement on Form F-1 (333-144222) filed with the SEC on June 29, 2007, which section is expressly incorporated by reference into this AIF.

Voting Common Shares

Each voting common share has an equal and ratable right to receive dividends to be paid from our assets legally available therefore when, as and if declared by our board of directors.

In the event of our dissolution, liquidation or winding up, the holders of common shares are entitled to share equally and ratably in the assets available for distribution after payments are made to our creditors. Holders of common shares have no pre-emptive rights or other rights to subscribe for our securities. Each common share entitles the holder thereof to one vote in the election of directors and all other matters submitted to a vote of shareholders, and holders of common shares have no rights to cumulate their votes in the election of directors.

Non-Voting Common Shares

Except as prescribed by Canadian law and except in limited circumstances, the non-voting common shares have no voting rights but are otherwise identical to the voting common shares in all respects. The non-voting common shares are convertible into voting common shares on a share-for-share basis at the option of the holder if the holder transfers, sells or otherwise disposes of the converted voting common shares: (i) in a public offering of our voting common shares; (ii) to a third party that, prior to such sale, controls us; (iii) to a third party that, after such sale, is a beneficial owner of not more than 2% of our outstanding voting shares; (iv) in a transaction that complies with Rule 144 under the Securities Act of 1933, as amended; or (v) in a transaction approved in advance by regulatory bodies.

Options

Other than pursuant to the exercise of options under the stock option plan, there have been no issuances of shares.

Dividends

On February 19, 2014, we announced that as part of our long term strategy to maximize shareholders' value and broaden our shareholder base, the Board of Directors approved the implementation of a new dividend policy. We intend to pay an annual aggregate dividend of eight Canadian cents ($0.08) per common share, payable on a quarterly basis.

The Company paid regular quarterly cash dividends of $0.02 per share on common shares during the year ended December 31, 2018 on each of the following dates: January 5, 2018; April 6, 2018; July 6, 2018 and October 5, 2017. At December 31, 2018, an amount of $510 was included in accrued liabilities related to the dividend declared on October 29, 2018. This amount was subsequently paid to shareholders on January 4, 2019. During the year ended December 31, 2017, we paid dividends on January 6, 2017; April 7, 2017; July 7, 2017 and October 6, 2017. During the year ended December 31, 2016, we paid dividends on January 23, 2016; April 8, 2016; July 8, 2016; and October 7, 2016.

Trading Price and Volume

Our common shares are listed on the TSX and on the NYSE. As of December 31, 2018, we had 57 registered shareholders, with 26,699,485 (98.6%) of our registered shares being held in the US and 389,331 (1.4%) of our registered shares being held in Canada. These numbers are not representative of our beneficial shareholdings, however, because 98.6% of our registered shares are held by CEDE & Co, a US organization that processes transactions on behalf of the Depository Trust Company. Accordingly, most of our Canadian beneficial shareholders ultimately hold shares through CEDE & Co.

The following tables summarize the highest trading price, lowest trading price and volume for our common shares on the TSX (in Canadian dollars) and on the NYSE (in US dollars) on a monthly basis from January 2017 to January 2018:

Toronto Stock Exchange

Date	High ($)	Low ($)	Volume
January 2019	14.55	11.77	1,066,600
December 2018	13.08	10.64	1,199,000
November 2018	15.43	11.19	2,299,000
October 2018	16.41	12.20	3,485,100
September 2018	13.21	9.61	1,482,600
August 2018	11.17	8.72	986,100
July 2018	8.80	6.62	547,800
June 2018	8.62	7.45	274,200
May 2018	8.95	7.05	609,000
April 2018	7.99	6.53	807,700
March 2018	7.48	5.82	616,900
February 2018	6.75	5.11	253,800
January 2018	6.67	5.85	494,600

New York Stock Exchange

Date	High ($)	Low ($)	Volume
January 2019	10.82	8.59	1,582,700
December 2018	9.80	7.82	2,691,100
November 2018	11.79	8.48	4,845,400
October 2018	12.68	9.27	11,337,100
September 2018	10.25	7.25	5,125,800
August 2018	8.40	6.68	2,188,700
July 2018	6.79	5.35	670,100
June 2018	6.65	5.55	569,400
May 2018	7.02	5.60	991,300
April 2018	6.35	5.00	1,181,500
March 2018	5.75	4.55	952,600
February 2018	5.30	4.20	569,600
January 2018	5.40	4.70	761,000

The table below summarizes the five year annual high and low market prices for our common shares on the TSX (in Canadian dollars) and on the NYSE (in US dollars):

	New York Stock Exchange		Toronto Stock Exchange	
For the year ended December 31,	High ($)	Low ($)	High ($)	Low ($)
2018	12.68	4.20	16.41	5.11
2017	5.70	3.70	7.48	4.52
2016	4.20	1.39	5.57	1.95
2015	3.23	1.57	3.95	2.10
2014	8.50	2.92	9.22	3.38

The table below summarizes the quarterly high and low market prices for our common shares on the TSX (in Canadian dollars) and on the NYSE (in US dollars):

	New York Stock Exchange		Toronto Stock Exchange	
For the quarter ended	High ($)	Low ($)	High ($)	Low ($)
December 31, 2018 (Q4)	12.68	7.82	16.41	10.64
September 30, 2018 (Q3)	10.25	5.35	13.21	6.62
June 30, 2018 (Q2)	7.02	5.00	8.95	6.53
March 31, 2018 (Q1)	5.75	4.20	7.48	5.11
December 31, 2017 (Q4)	5.05	3.85	6.68	4.92
September 30, 2017 (Q3)	4.55	3.70	5.99	4.52
June 30, 2017 (Q2)	5.40	4.00	7.23	5.30
March 31, 2017 (Q1)	5.70	3.85	7.48	5.17

The table below summarizes the six months high and low market prices for our common shares on the TSX (in Canadian dollars) and on the NYSE (in US dollars):

	New York Stock Exchange		Toronto Stock Exchange	
For the six months ended	High ($)	Low ($)	High ($)	Low ($)
December 2018	12.68	5.35	16.41	6.62
June 2018	7.02	4.20	8.95	5.11
December 2017	5.50	3.70	6.68	4.52
June 2017	5.70	3.85	7.48	5.17

Taxation

The following information is general and security holders are urged to seek the advice of their own tax advisors, tax counsel, or accountants with respect to the applicability or effect on their own individual circumstances of not only the matters referred to herein, but also any state or local taxes.

In Canada, income tax is imposed by the federal government and all provincial governments. The primary basis for taxation in Canada is the residence of the taxpayer. Both the federal Income Tax Act and provincial tax legislation impose tax on income from all sources and most capital gains of Canadian residents, regardless of the country in which the income is earned.

Canadian federal tax legislation generally requires that a non-resident be subject to withholding tax on most forms of passive income, including dividend payments or dividends deemed to be paid to the Company's non-resident shareholders.

A resident of Canada who makes a payment to a non-resident in respect of most forms of passive income (including dividends, management fees and royalties) is generally required to withhold tax equal to 25% of the gross amount of the payment. The resident payer (the Company) is required to deduct the tax and remit it to the Canadian tax authorities on behalf of the non-resident. Shareholders resident in the United States will generally have this rate reduced to 15% through the tax treaty between Canada and the United States. The amounts withheld will generally be creditable for United States income tax purposes.

Registration Rights Agreement

At the time of our IPO, we entered into registration rights agreements with certain shareholders. The only shareholder who is still party to such agreement is Mr. William Oehmig, one of our directors. The shareholders party to the agreement and their permitted transferees are entitled, subject to certain limitations, to include their common shares in a registration of common shares we initiate under the Securities Act of 1933 (“Securities Act 1933”), as amended. In addition, such shareholders have the right to require us to affect the registration of all or any part of such shareholders’ common shares under the Securities Act 1933, referred to as a “demand registration,” so long as the amount of common shares to be registered has an aggregate fair market value of at least US$5.0 million and, at such time, the SEC has ordered or declared effective fewer than four demand registrations initiated by us pursuant to the registration rights agreement. If the aggregate number of common shares that the shareholders party to the agreement request us to include in any registration, together, in the case of a registration we initiate, with the common shares to be included in such registration, exceeds the number which, in the opinion of the managing underwriter, can be sold in such offering without materially affecting the offering price of such shares, the number of shares of each shareholder to be included in such registration will be reduced pro rata based on the aggregate number of shares for which registration was requested. The shareholders party to the agreement have

the right to require, after four demand registrations, one registration in which their common shares will not be subject to pro rata reduction with others entitled to registration rights.

We may opt to delay the filing of a registration statement required pursuant to any demand registration for:

- up to 120 days following a request for a demand registration if:
  - we have decided to file a registration statement for an underwritten public offering of our common shares, from which we expect to receive net proceeds of at least US$20.0 million; or
  - we have initiated discussions with underwriters in preparation for a public offering of our common shares from which we expect to receive net proceeds of at least US$20.0 million and the demand registration, in the underwriters' opinion, would have a material adverse effect on the offering; or
- up to 90 days following a request for a demand registration if we are in possession of material information that we reasonably deem advisable not to disclose in a registration statement.

Our right to delay the filing of a registration statement if we possess information that we deem advisable not to disclose does not obviate any disclosure obligations which we may have under The Securities Exchange Act of 1934 or other applicable laws; it merely permits us to avoid filing a registration statement if our management believes that such a filing would require the disclosure of information which otherwise is not required to be disclosed and the disclosure of which our management believes is premature or otherwise inadvisable.

The registration rights agreement contains customary provisions whereby we and the shareholders party to the agreement covenant to indemnify and contribute to each other with regard to losses caused by the misstatement of any information or the omission of any information required to be provided in a registration statement filed under the Securities Act 1933. The registration rights agreement requires us to pay the expenses associated with any registration other than sales discounts, commissions, transfer taxes and amounts to be borne by underwriters or as otherwise required by law.

Convertible Debentures

On March 15, 2017, we issued $40.0 million in aggregate principal amount of 5.50% convertible unsecured subordinated debentures (the "Convertible Debentures") which mature on March 31, 2024.

Debt Ratings

On October 3, 2018, S&P Global Ratings ("S&P") changed our company outlook from "stable" to "positive" while affirming our "B" long-term corporate credit rating. S&P changed the outlook to reflect the view that the recently announced acquisitions could result in positive rating action once these acquisitions are fully integrated and generate the estimated stronger operating cash flow and margins. S&P further confirmed that the financial risk profile could be raised to a "B+" if at least two full quarters of combined operations are in line with the enhanced estimates of operating and credit metric forecasts for 2019 and 2020.

Counterparties to certain agreements may require additional security or other changes in business terms if our credit ratings are downgraded. Furthermore, these ratings are required for us to access the public debt markets, and they affect the pricing of such debt. Any downgrade in our credit ratings from current levels could adversely affect our long-term financing costs, which in turn could adversely affect our ability to pursue business opportunities.

A credit rating is a current opinion of the credit worthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program (including ratings on medium-term note programs and commercial paper programs). It takes into consideration the credit worthiness of guarantors, insurers, or other forms of credit enhancement on the obligation and takes into account the currency in which the obligation is denominated. The opinion evaluates the obligor's capacity and willingness to meet its financial commitments as they come due, and may assess terms, such as collateral security and subordination, which could affect ultimate payment in the event of default. A credit rating is not a statement of fact or recommendation to purchase, sell, or hold a financial obligation or make any investment decisions nor is it a comment regarding an issuer's market price or suitability for a particular investor. A credit rating speaks only as of the date it is issued and can be revised upward or downward or withdrawn at any time by the issuing rating agency if it decides circumstances warrant a revision. Definitions of the categories of each rating and the factors considered during the evaluation of each rating have been obtained from S&P's website.

Standard and Poor's

An obligation rated "B" is regarded as having speculative characteristics, but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation.

The ratings from "AA" to "CCC" may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

A Standard & Poor's rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically nine months to two years). In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. An outlook is not necessarily a precursor of a rating change or future CreditWatch action. A Stable outlook means that a rating is not likely to change. A Negative outlook means that a rating may be lowered. A Developing outlook means there is a one-in-three chance the rating could be raised or lowered during the two-year outlook horizon.

H. MATERIAL CONTRACTS

We are party to the following material contracts, which are contracts other than those entered into in the ordinary course of our business, as the same have been amended from time to time:

- Indemnity Agreement between NACG Holdings Inc., NACG Preferred Corp., North American Energy Partners Inc., North American Construction Group Inc. and their respective officers and directors. Please refer to the most recently filed Notice of Annual Meeting and Management Information Circular (the "management information circular") for details;
- Registration Rights Agreement, dated as of November 26, 2003, among NACG Holdings Inc. and the shareholders party thereto. Please refer to “Description of Securities and Agreements – Registration Rights Agreement” for details; and
- Amended and Restated 2004 Share Option Plan dated May 30, 2018. Please refer to the most recently filed management information circular for details;

I. DIRECTORS AND OFFICERS

Director and Officer Information

Each director is elected for a one-year term or until such person’s successor is duly elected or appointed, unless his office is earlier vacated. Under the Articles of Amalgamation and Bylaws of the Company: (a) a director may not vote on or sign any resolution to approve a material contract with the Company where that director is or would be party to such contract or has a material interest in any person who is or would be a party to that contract; (b) remuneration of directors is set by the board as a whole by resolution at a properly called meeting with the required quorum present; (c) the board has the power to borrow money on the credit of the Company, which power is not limited except as it may be limited by law, and which power may be delegated to a committee of the board, to one or more of the directors and officers of the Company or to any other person as may be designated by the board; and (d) there is no mandatory retirement age for directors. The Articles of Amalgamation and Bylaws of the Company do not impose shareholding requirements on directors, but rather such requirements are imposed by virtue of the Director and Officer Shareholding Guidelines adopted by the board which are explained in detail in our most recently filed management information circular.

Unless otherwise indicated below, the business address of each of our directors and executive officers is 27287 - 100 Avenue, Acheson, Alberta, T7X 6H8. As at February 22, 2019, the directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 2,718,375 common voting shares of the Company (representing approximately 10.0% of all issued and outstanding common voting shares). There is no family relationship between any of the Company’s directors or senior officers. There is no arrangement or understanding with any major shareholder, customer, supplier or other person pursuant to which any director or executive officer has been appointed to his position with the Company.

The following table sets forth information about our directors and executive officers. Ages reflected are as at February 1, 2019.

Name and Municipality of Residence	Age	Position	In Current Role Since
Martin R. Ferron Edmonton, Alberta, Canada	62	Chairman of the Board and Chief Executive Officer	October 31, 2017
Joseph C. Lambert St. Albert, Alberta, Canada	54	President and Chief Operating Officer	October 31, 2017
Barry W. Palmer Morinville, Alberta, Canada	57	Senior Vice-President, Operations	November 28, 2018
Jason W. Veenstra Edmonton, Alberta, Canada	40	Executive Vice-President and Chief Financial Officer	September 10, 2018
Robert J. Butler Sherwood Park, Alberta, Canada	58	Vice-President, Finance	April 2, 2015
Jordan A. Slator Edmonton, Alberta, Canada	48	Vice President and General Counsel; Corporate Secretary	November 28, 2018
David G. Kallay St. Albert, Alberta, Canada	47	Vice President, Health, Safety Environment and Human Resources	November 28, 2018
Bryan D. Pinney Calgary, Alberta, Canada	66	Lead Director	October 31, 2017
Ronald A. McIntosh Calgary, Alberta, Canada	77	Director	May 20, 2004
William C. Oehmig Chattanooga, Tennessee, United States	69	Director	May 20, 2004
Thomas P. Stan Calgary, Alberta, Canada	61	Director	July 14, 2016
Jay W. Thornton Calgary, Alberta, Canada	62	Director	June 7, 2012
John J. Pollesel Edmonton, Alberta, Canada	55	Director	November 23, 2017

Martin R. Ferron is presently the Chief Executive Officer of the Corporation and was appointed Chairman of the Board on October 31, 2017. He originally joined the Corporation as President and Chief Executive Officer and as a Director of the Board on June 7, 2012. Previously, Mr. Ferron was Director, President and Chief Executive Officer of Helix Energy Solutions Inc. (“Helix”), a NYSE-listed international energy services company, at which he successfully refocused the company on improved project execution, asset utilization and profit performance. He also transformed Helix through a combination of measured organic growth, acquisitions and divestitures, achieving a compound annual EBITDA growth rate of approximately 38% during his tenure with the company. Prior to joining Helix, Mr. Ferron worked in successively more senior management positions with oil services and construction companies including McDermott Marine Construction, Oceaneering International and Comex Group. He holds a B.Sc. in Civil Engineering from City University, London, a M.Sc. in Marine Technology from Strathclyde University, Glasgow and an MBA from Aberdeen University.

Joseph C. Lambert became President of the Corporation on October 31, 2017, while also retaining his role as Chief Operating Officer which role he had held since June 1, 2013. Mr. Lambert originally joined us as General Manager of Mining in April 2008 after an extensive career in the mining industry. Mr. Lambert was promoted to Vice President, Oil Sands Operations in September of 2010 and accepted the position of Vice President, Operations Support in January 2012. Prior to that, Mr. Lambert's career began in the gold industry where he spent 17 years in roles of increasing responsibility in engineering and operations both open pit and underground. Mr. Lambert's more recent contracting and oil sands experience included positions as General Manager with Ledcor and Mine

Development Manager, Oil Sands with Shell. Mr. Lambert graduated from the South Dakota School of Mines and Technology with a B.S. in Mining Engineering in 1986.

Jason W. Veenstra joined us on September 10, 2018 as Executive Vice President and Chief Financial Officer. Mr. Veenstra came from Finning International Inc. where most recently he led sales and marketing efforts for Caterpillar equipment in their Canadian mining division. Prior to Finning, Mr. Veenstra spent 10 years at the publicly traded Westmoreland Coal Company in various roles including CFO and Treasurer. Mr. Veenstra also has experience in the nickel industry with Sherritt International and the insurance industry with Forensic Investigations. Mr. Veenstra articled to become a Chartered Accountant at Ernst & Young. He holds an accounting designation from CPA Alberta and a Bachelor of Commerce degree from the University of Alberta.

Barry W. Palmer became Senior Vice President, Operations on November 28, 2018. Mr. Palmer joined us in 1982 as a Heavy Equipment Operator. Since then Mr. Palmer has advanced through the company holding positions of Operations Foreman; General Foreman; Superintendent; Project Manager; Operations Manager; General Manager; and Vice-President, Heavy Construction and Mining Operations. Over the course of his more than 35 years within the construction industry, Mr. Palmer has worked in aggregate, road building, civil and heavy construction and mining. Before joining us, Mr. Palmer worked for PCL and Steels of Canada.

Robert J. Butler became Vice President, Finance on April 2, 2015. Mr. Butler joined us as Corporate Controller in June 2008 and was promoted to General Manager, Finance on June 1, 2013. Mr. Butler's career in Finance extends over more than 30 years with roles of increasing responsibility with extensive experience leading accounting and financial reporting teams and overseeing the design and implementation of internal financial controls, processes and reporting systems. Previously, Mr. Butler served as Director, Finance for Lafarge Canada Inc., Aggregates and Concrete Division. Mr. Butler holds a Chartered Professional Accountant ("CPA,CGA") designation, a Bachelor of Arts degree in Economics from the University of British Columbia and a Diploma in Financial Management from the British Columbia Institute of Technology.

Jordan A Slator became Vice President and General Counsel on November 28, 2018. Mr. Slator originally joined the Corporation as General Counsel on August 30, 2010. He has also served as Corporate Secretary since June 2, 2011. Mr. Slator began his career in law with Miller Thomson LLP in Edmonton after being called to the Alberta bar in 1996. He practiced in the firm’s corporate commercial department, advising a wide range of clients, from owner-operated businesses to large multi-national corporations, financial institutions and governments. He has extensive experience in corporate and commercial matters including mergers and acquisitions, banking and financing, commercial real estate and leasing, intellectual property, director liability, securities regulation and construction law. Mr. Slator holds a Juris Doctorate degree from the University of Western Ontario and a Bachelor of Commerce degree from the University of Alberta.

David G. Kallay became Vice President, Health, Safety, Environment and Human Resources on November 28, 2018. Mr. Kallay originally joined the Corporation as Health and Safety Manager on December 1, 2008. He was promoted to General Manager of Health, Safety, Environment and Training on October 1, 2011 and General Manager of Human Resources July 21, 2016. Mr. Kallay brings over 20 years of progressive leadership in human resources and safety management in both the private and public sector. He has worked in other industries outside of heavy construction and mining, which include forestry, insurance, oil and gas and health care. Prior to joining the Company, Mr. Kallay was employed as an Organizational Health consultant with Sun Life Financial helping companies in various sectors align people strategy to business strategy. Mr. Kallay was a sessional instructor at the University of Alberta in the Occupational Health and Safety program from 2003 until 2014. Mr. Kallay is skilled in all aspects of human resources, occupational health, safety and training. In his current role, he leads a team in reinforcing strong company culture, creating and leading employee engagement, development programs, talent management strategies and organizational performance improvement that support the achievement of business goals and objectives. Mr. Kallay graduated in 1997 with a Bachelor degree from the University of Alberta.

Bryan D. Pinney joined the board of directors on May 13, 2015 and became the Corporation’s lead independent director on October 31, 2017. He is the principal of Bryan D. Pinney Professional Corporation, which provides financial advisory and consulting services to a range of clients. Mr. Pinney has over 30 years of experience serving many of Canada’s largest corporations, primarily in energy and resources and construction. Mr. Pinney was a partner with Deloitte between 2002 and 2015. Mr. Pinney served as Calgary Managing Partner from 2002 through 2007, as National Managing Partner of Audit & Assurance from 2007 to 2011, and as Vice Chair until June 2015. Mr. Pinney was a past member of Deloitte’s Board of Directors and chair of the Finance and Audit Committee. Prior to joining Deloitte, Mr. Pinney was a partner with Andersen LLP and served as Calgary Managing Partner from 1991 through May of 2002. Mr. Pinney is the past chair of the Board of Governors of Mount Royal University and has

previously served on a number of non-profit boards. He seves on the board of TransAlta Corporation, where he is a member of the audit committee and the human resources and compensation committee. He is also a director of a Hong Kong listed oil and gas exploration company and a large private residential construction company. He is a Fellow of the Institute of Chartered Accountants, a Chartered Business Valuator and is a graduate of the Ivey Business School at the University of Western Ontario with an honours degree in Business Administration. He is also a graduate of the Canadian Institute of Corporate Directors.

Ronald A. McIntosh served as Chairman of our Board of Directors from May 20, 2004 to October 31, 2017. From November 2009 to January 2016, Mr. McIntosh was on the board of Fortealeza Energy Inc., formerly known as Alvopetro Inc. From January 2004 until August of 2006, Mr. McIntosh was Chairman of NAV Energy Trust, a Calgary-based oil and natural gas investment fund. Between October 2002 and January 2004, he was President and Chief Executive Officer of Navigo Energy Inc. and was instrumental in the conversion of Navigo into NAV Energy Trust. He was Senior Vice President and Chief Operating Officer of Gulf Canada Resources Limited from December 2001 to July 2002 and Vice President, Exploration and International of Petro-Canada from April 1996 through November 2001. Mr. McIntosh's significant experience in the energy industry includes the former position of Chief Operating Officer of Amerada Hess Canada. Mr. McIntosh is on the Board of Directors of Advantage Oil & Gas Ltd.

William C. Oehmig is the principal of Kestrel Capital, LLC, an investment advisory firm based in Chattanooga, Tennessee. Mr. Oehmig was a partner at the Sterling Group and led the buyout of North American Construction Group from the Gouin family in 2003. When the transaction closed, Mr. Oehmig became one of our Directors on November 26, 2003. His career began at Texas Commerce Bank in Houston in 1974. Mr. Oehmig worked in banking, mergers and acquisitions, and represented foreign investors in purchasing and managing U.S. companies in the oilfield service, manufacturing, distribution, heavy equipment and real estate sectors until 1984, when he became a Partner with The Sterling Group, a private equity investment firm in Houston, Texas. Mr. Oehmig is now an Advisory Partner to the Sterling Group. Mr. Oehmig has served as Chairman of Royster Clark, Purina Mills, Exopack, Universal Fibers, and Sterling Diagnostic Imaging and on the boards of several portfolio companies while with Sterling. Mr. Oehmig serves on or has served on and chaired on numerous non-profit boards. Mr. Oehmig received his Bachelor of Business Administration (B.B.A.) in Economics from Transylvania University and his Masters of Business Administration (M.B.A.) from the Owen Graduate School of Management at Vanderbilt University.

John J. Pollesel became one of our Directors on November 23, 2017. Mr. Pollesel is currently the Chief Executive Officer of Boreal Agrominerals Inc., a private company that explores for, tests, develops and produces organic approved agromineral fertilizers and soil amendment products. Until November of 2017, Mr. Pollesel was Senior Vice President, Mining for Finning (Canada). Prior to Finning, he was CEO for the Morris Group of Companies. Mr. Pollesel has more than 28 years of experience in the mining industry. He has been a member of several executive teams responsible for operations, engineering/projects, finance/administration, strategic planning and leading organizational transformation. In his previous role as Chief Operating Officer for Vale’s North Atlantic Operations, Mr. Pollesel was responsible for one of the largest mining and metallurgical operations in Canada. Prior to Vale, he was the Chief Financial Officer for Compania Minera Antamina in Peru, one of the largest copper/zinc mining and milling operations in the world. He has chaired Finance, Audit, HSE, Compensation and Advisory Committees in addition to holding director positions at Northern Superior Resources, Calico Resources Corporation and numerous not-for-profit organizations. He presently serves on the boards and audit committees of Noront Resources Ltd., a TSX-V listed company and First Cobalt Corporation, which is listed on the TSX-V, OTC and ASX exchanges. He also serves on the governance and EHS committees of Noront and First Cobalt. He holds an Honours BA in Accounting and an MBA from the University of Waterloo and Laurentian University respectively. He is a Certified Public Accountant, Certified Management Accountant and a Fellow of CPA Ontario and the Society of Management Accountants of Ontario.

Thomas P. Stan became one of our Directors on July 14, 2016. Mr. Stan has served as a board member on a number of public and private Corporations and is currently the President and CEO of Corval Energy Ltd., a Calgary, Alberta based oil company focused on exploration and production in Manitoba and Saskatchewan. Previously, Mr. Stan has held positions as Managing Director of Investment Banking at Desjardins Capital Markets and Blackmont Capital Markets, President and CEO of Phoenix Energy Ltd. and Sound Energy Trust, and Chairman and CEO of Total Energy Services Ltd. Mr. Stan began his career at Suncor and spent 16 years at Hess Corporation as Vice President Corporate Planning. After Petro Canada acquired Hess Canada he became Vice President of Corporate Development of Petro Canada. Mr. Stan received his Bachelor of Commerce degree in Finance and Economics from the University of Saskatchewan.

Jay W. Thornton became one of our Directors on June 7, 2012. Mr. Thornton has over 30 years of oil and gas experience, most recently as a partner with Novo Investment Group, an investment firm specializing in the oil and gas industries. He spent the first part of his career in various management positions with Shell Canada Inc. Mr. Thornton joined Suncor Energy, Canada's largest integrated energy company, where he spent 12 years in various operating and corporate executive positions, including four years in Fort McMurray at Suncor's oil sands mining operations. His most recent position with Suncor was Executive Vice President of Supply, Trading and Development. Mr. Thornton has held previous board positions with the Canadian Association of Petroleum Producers, the Canadian Petroleum Products Institute, and currently sits on the board of Obsidian Energy Ltd., a publicly traded Canadian oil and gas company and Tervita Corporation, a publicly traded Canadian energy and environmental waste services company. Mr. Thornton is a graduate of McMaster University with an Honours degree in Economics. He is also a graduate of the Canadian Institute of Corporate Directors.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Ronald McIntosh was a director of Forteleza Energy Inc. ("Forteleza") formerly known as Alvopetro Inc. ("Alvopetro") from November of 2009 to January of 2016. On March 2, 2011, the Court of Queen's Bench of Alberta granted an order (the "Order") under the *Companies' Creditors Arrangement Act* (Canada) ("CCAA") staying all claims and actions against Forteleza and its assets and allowing Forteleza to prepare a plan of arrangement for its creditors if necessary. Forteleza took such steps in order to enable Forteleza to challenge a reassessment issued by the Canada Revenue Agency ("CRA"). As a result of the reassessment, if Forteleza had not taken any action, it would have been compelled to immediately remit one half of the reassessment to the CRA and Forteleza did not have the necessary liquid funds to remit, although Forteleza had assets in excess of its liabilities with sufficient liquid assets to pay all other liabilities and trade payables.

Forteleza believed that the CRA's position was not sustainable and vigorously disputed the CRA's claim. Forteleza filed a Notice of Objection to the reassessment and on October 20, 2011 announced that its Notice of Objection was successful, CRA having confirmed there were no taxes payable. As the CRA claim had been vacated and no taxes or penalties were owing Forteleza no longer required the protection of the Order under the CCAA and on October 28, 2011 the Order was removed. On March 3, 2011, the TSX suspended trading in the securities of Forteleza due to Forteleza having been granted a stay under the CCAA. In addition, the securities regulatory authorities in Alberta, Ontario and Quebec issued a cease trade order with respect to Forteleza for failure to file its annual financial statements for the year ended December 31, 2010 by March 31, 2011. The delay in filing was due to Forteleza being granted the CCAA order on March 2, 2011 and the resulting additional time required by its auditors to deliver their audit opinion. The required financial statements and other continuous disclosure documents were filed on April 29, 2011 and the cease trade order was subsequently removed. On September 1, 2010 Forteleza closed the sale of substantially all of its oil and gas assets. As a result of the sale Forteleza was delisted from the TSX on March 30, 2011 as it no longer met minimum listing requirements.

William Oehmig served as a director of Panolam Industries Inc., which voluntarily filed a petition under Chapter 11 of the U.S. Bankruptcy Code on November 4, 2009 to implement a Debt Restructuring Plan.

Jay Thornton is a director of Obsidian Energy Ltd., which was previously named Penn West Petroleum Ltd. ("Penn West"). On August 5, 2014, the Alberta Securities Commission and Ontario Securities Commission both granted Penn West, upon Penn West's application, management cease trade orders in relation to a review of Penn West's accounting practices and restatement of its financial statements. Those cease trade orders are no longer in effect as of September 23, 2014.

John Pollesel is a director of First Cobalt Corporation ("First Cobalt"). First Cobalt announced on June 21, 2017 that it had proposed a friendly merger with Cobalt One Ltd. ("Cobalt One") and CobalTech Mining Inc. ("CobalTech"). At that time, First Cobalt signed letters of intent with each of Cobalt One and CobalTech and requested the TSX Venture Exchange to temporarily halt trading of its shares. The TSX Venture Exchange approved the resumption of trading as of August 28, 2017.

Interest of Management and Others in Material Transactions

Other than as disclosed in the "Related Parties" section of our annual MD&A, which section is expressly incorporated by reference into this AIF, there are no interests of management or other officers or directors in material transactions.

J. THE BOARD AND BOARD COMMITTEES

Corporate Governance

Our board supervises the management of our business as provided by Canadian law. We have reviewed the New York Stock Exchange corporate governance rules and confirm that our corporate governance practices are not significantly different from those required of domestic companies, under the New York Stock Exchange's listing standards, which require that our board of directors be composed of a majority of independent directors. Accordingly, a majority of our board members are independent. None of our directors have service contracts with the Company providing for benefits upon termination other than Martin R. Ferron, who has an employment contract relating to his role as CEO. Please refer to our most recently filed management information circular for details of Mr. Ferron's employment contract.

We have adopted a "code of ethics" (as such term is defined by the rules and regulations of the Securities and Exchange Commission), entitled the "Code of Conduct and Ethics Policy", that applies to all employees of our Company, including our President, our Chief Executive Officer, our Chief Operating Officer, our Vice President, Finance and our Vice President Heavy Construction and Mining. The Code of Conduct and Ethics Policy is available for viewing on our website at www.nacg.ca under "Investor Relations - Corporate Governance". There were not any amendments to any provision of the Code of Conduct and Ethics Policy during the year ended December 31, 2018 that applied to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. Further, there not any waivers, including implicit waivers, granted from any provision of the Code of Conduct and Ethics Policy during the year ended December 31, 2018, that applied to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions.

For a complete discussion of our Corporate Governance, see our most recently filed "Management Information Circular - Corporate Governance", which section is expressly incorporated by reference into this AIF.

Our board has established the following committees:

Audit Committee

The Audit Committee recommends the appointment of independent public accountants to the Board of Directors, reviews the quarterly and annual financial statements and related MD&A, press releases, auditor reports and the fees paid to our auditors. The Audit Committee approves quarterly financial statements and recommends annual financial statements for approval to the Board of Directors. In accordance with Rule 10A-3 under the Securities Exchange Act of 1934, as amended, the listing requirements of the New York Stock Exchange and the requirements of the Canadian Securities regulatory authorities, our Board of Directors has affirmatively determined that our Audit Committee is composed solely of independent directors. The Board of Directors has determined that Mr. Bryan Pinney and Mr. John Pollesel are both audit committee financial experts, as defined by Item 407(d) (5) of the SEC's Regulation S-K. Our board of directors has adopted a written charter for the Audit Committee that is attached as Exhibit A to this AIF and is also available on our website at www.nacg.ca. The Audit Committee is currently composed of Messrs, Pinney, McIntosh, Pollesel and Stan, with Mr. Pinney serving as Chairman. Based on their experience (see "Directors and Officers" above), each of the members of the Audit Committee is financially literate. The members of the audit committee have significant exposure to the complexities of financial reporting associated with us and are able to provide due oversight and the necessary governance over our financial reporting.

Our auditors are KPMG LLP ("KPMG"). Our Audit Committee pre-approved the engagement of KPMG to perform the audit of our financial statements for the year ended December 31, 2018. Our Audit Committee has the sole authority to review in advance, and grant any appropriate pre-approvals of all audit and non-audit services to be provided by the independent auditors and to approve fees, in connection therewith. The Audit Committee pre-approved all audit and non-audit related services provided by KPMG LLP in 2018. The fees we have paid to KPMG for services rendered by them include:

- Audit Fees – We incurred $1,201 and $584 for audit fees from KPMG during the years ended December 31, 2018 and 2017, respectively. Audit fees were incurred for the audit of our annual financial statements, the audit of internal controls over financial reporting and the quarterly interim reviews of the consolidated financial statements. Audit fees for 2018 also include the audit of the Company's acquisition accounting and the audit of internal controls over financial reporting for the same acquisitions.
- Audit Related Fees – We incurred $25 and $22 for audit related fees from KPMG during the years ended December 31, 2018 and 2017, respectively. Audit related fees in 2018 include fees related to the adoption of the

new revenue standard while 2017 include fees related to the preparation for the adoption of new accounting pronouncements.

- Tax Fees - No income tax advisory and compliance services fees were incurred for the years ended December 31, 2018 and 2017, respectively.
- Other Fees - No other fees were incurred for the years ended December 31, 2018 and 2017, respectively.

Human Resources and Compensation Committee

The Human Resources and Compensation Committee is responsible for supervising executive compensation policies for us and our Subsidiaries, administering the employee incentive plans, reviewing officers' salaries, approving significant changes in executive employee benefits and recommending to the board such other forms of remuneration as it deems appropriate. In accordance with the listing requirements of the New York Stock Exchange applicable to domestic listed companies and applicable Canadian securities laws, our Board of Directors has affirmatively determined that our Human Resources and Compensation Committee is composed solely of independent directors. Our Board of Directors has adopted a written charter for the Human Resources and Compensation Committee that is available on our website at www.nacg.ca. The Human Resources and Compensation Committee is currently composed of Messrs, Stan, Oehmig, Pinney and Thornton, with Mr. Stan serving as Chairman. None of the members of the Human Resources and Compensation Committee is or has been one of our officers or employees, and none of our executive officers served during 2018 on a board of directors of another entity which has employed any of the members of the Human Resources and Compensation Committee.

Operations Committee

The Operations Committee is responsible for recommending to the Board of Directors proposed nominees for election to the Board of Directors by the shareholders at annual meetings, including an annual review as to the re-nominations of incumbents and proposed nominees for election by the Board of Directors to fill vacancies that occur between shareholder meetings, and making recommendations to the Board of Directors regarding corporate governance matters and practices. It is also responsible for monitoring, evaluating, advising and making recommendations on matters relating to the health and safety of our employees, the management of our health, safety and environmental risks, due diligence related to health, safety and environment matters, as well as the integration of health, safety, environment, economics and social responsibility into our business practices, overseeing all of our non-financial risks, approving our risk management policies, monitoring risk management performance, reviewing the risks and related risk mitigation plans within our strategic plan, reviewing and approving tenders and contracts greater than $50 million in expected revenue and any other matter where board guidelines require approval at a level above CEO, and reviewing and monitoring all insurance policies including directors and officer's insurance coverage.

In accordance with the listing requirements of the New York Stock Exchange applicable to domestic listed companies and applicable Canadian securities laws, the Board of Directors has affirmatively determined that the Operations Committee is composed solely of independent directors. Our Board of Directors has adopted a written charter for the Operations Committee that is available on our website at www.nacg.ca. The Operations Committee is currently composed of Messrs, Oehmig, McIntosh, Pollesel, Stan and Thornton, with Mr. Oehmig serving as Chairman.

K. FORWARD-LOOKING INFORMATION, ASSUMPTIONS AND RISK FACTORS

Forward-Looking Information

This document contains forward-looking information that is based on expectations and estimates as of the date of this document. Our forward-looking information is information that is subject to known and unknown risks, uncertainties, assumptions and other factors that may cause future actions, conditions or events to differ materially from the anticipated actions, conditions or events expressed or implied by such forward-looking information including those listed in the "Forward-Looking Information, Assumptions and Risk Factors" section of our annual MD&A, which section is expressly incorporated by reference into this AIF. Forward-looking information is information that does not relate strictly to historical or current facts and can be identified by the use of the future tense or other forward-looking words such as "believe", "expect", "anticipate", "intend", "plan", "estimate", "should", "may", "could", "would", "target", "objective", "projection", "forecast", "continue", "strategy", "intend", "position" or the negative of those terms or other variations of them or comparable terminology.

Examples of such forward-looking information in this document include, but are not limited to, statements with respect to the following, each of which is subject to significant risks and uncertainties and is based on a number of assumptions that may prove to be incorrect:

1. Our belief that the Nuna acquisition will provide access to broader equipment fleets, experienced field personnel and expanded services and that such access will provide opportunities for improved utilization and efficiency.
2. Our expectation that demand for recurring operations support services will increase as our customers continue to maximize their production performance through de-bottlenecking efforts, capacity expansions and the recent development of the Fort Hills mine.
3. The expectation that our customers will continue their focus on maximizing production while continuing to prioritize operating and capital spending discipline.
4. Our expectation that the market for operations support services will remain competitive in 2019, but that there not be a large slowdown in demand for our services.
5. The belief that we can generate cost savings that both we and our customers can share in.
6. The belief that we have the operational flexibility to quickly respond to changes in our customers' operational support requirements.
7. The anticipation that 2019 oil sands capital spending activity levels in the mining area are likely to remain robust with the majority of capital spending reductions focusing on construction cost reductions rather than further project deferrals.
8. The belief that investments in the oil sands mining area are likely to continue to drive demand for construction services and provide additional bidding opportunities, but that not all of the construction demand will be directly related to the Company's core heavy civil construction service offering and the market for these services will remain competitive.
9. Our expectation that the work we were awarded on a tailings construction project in August of 2017 will be complete in the summer of 2019.
10. Our belief that our initiative of offering equipment maintenance services to external customers could have a discernible impact on our results in 2018 and beyond.
11. The anticipation that we will not experience a tire shortage due to our inventory levels and availability from manufacturers.

While we anticipate that subsequent events and developments may cause our views to change, we do not have an intention to update this forward-looking information or the forward-looking information and related risks, assumptions or other information expressly incorporated by reference into this AIF, except as required by applicable securities laws. Such forward-looking information represents our views as of the date of this document and such information should not be relied upon as representing our views as of any date subsequent to the date of this document. We have attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimates expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. **There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.** These factors are not intended to represent a complete list of the assumptions and factors that could affect us. See “Assumptions” and “Business Risk Factors” below and risk factors highlighted in materials filed with the securities regulatory authorities filed in the United States and Canada from time to time, including, but not limited to, our most recent annual MD&A, which section is expressly incorporated by reference in this AIF.

Assumptions

In addition to those listed in the “Forward-Looking Information, Assumptions and Risk Factors” section of our annual MD&A, which section is expressly incorporated by reference into this AIF, the material factors or assumptions used to develop the above forward-looking statements include, but are not limited to:

- that oil prices remain stable and do not drop significantly in 2019;
- that the Canadian dollar does not significantly appreciate in 2019;

- that oil sands production continues to be resilient to drops in oil prices due to our customer's desire to lower their operating cost per barrel;
- continuing demand for heavy construction and earthmoving services, including in non-oil sands projects;
- continuing demand for external heavy equipment maintenance services and our ability to hire and retain sufficient qualified personnel and to have sufficient maintenance facility capacity to capitalize on that demand;
- that we are able to maintain our expenses at current levels in proportion to our revenue;
- that work will continue to be required under our master services agreements with various customers and that such master services agreements will remain intact;
- our customers' ability to pay in timely fashion;
- the oil sands continuing to be an economically viable source of energy;
- our customers and potential customers continuing to outsource activities for which we are capable of providing services;
- our ability to maintain the right size and mix of equipment in our fleet and to secure specific types of rental equipment to support project development activity enables us to meet our customers' variable service requirements while balancing the need to maximize utilization of our own equipment and that our equipment maintenance costs are similar to our historical experience;
- our ability to access sufficient funds to meet our funding requirements will not be significantly impaired;
- our success in executing our business strategy, identifying and capitalizing on opportunities, managing our business, maintaining and growing our relationships with customers, retaining new customers, competing in the bidding process to secure new projects and identifying and implementing improvements in our maintenance and fleet management practices;
- our relationships with the unions representing certain of our employees continues to be positive; and
- our success in improving profitability and continuing to strengthen our balance sheet through a focus on performance, efficiency and risk management.

Risk Factors

The risks and uncertainties that could cause actual results to differ materially from the information presented in the above forward-looking statements and assumptions include, but are not limited to the risks detailed below.

- ***Capital Investment by Our Customers***. Most of our customers are Canadian energy companies and our success is therefore highly reliant on a robust Canadian energy industry and continued capital investment. Due to the amount of capital investment required to build an oil sands project, or construct significant capital expansion to an existing project, investment decisions by oil sands operators are based upon long-term views of the economic viability of the project. Economic viability is dependent upon the anticipated revenues the capital project will produce, the anticipated amount of capital investment required and the anticipated fixed cost of operating the project. The most important consideration is the customer's view of the long-term price of oil, which is influenced by many factors, including the condition of developed and developing economies and the resulting demand for oil and gas, the level of supply of oil and gas, the actions of the Organization of Petroleum Exporting Countries ("OPEC"), government regulation, political conditions in oil producing nations, including those in the Middle East, war or the threat of war in oil producing regions and the availability of fuel from alternate sources. If our customers believe the long-term outlook for the price of oil is not favourable, or believe oil sands projects are not viable for any other reason, they may delay, reduce or cancel plans to construct new oil sands capital project or capital expansions to existing projects. Other factors may affect our customer's willingness to undertake capital expenditures, which include but are not limited to, general market volatility, global economic conditions affecting worldwide capital markets, technological advancements making alternate sources of energy more viable, challenges in obtaining environmental permits, shortage of skilled workers, cost overruns on other existing projects, lack of sufficient infrastructure to support growth, introduction of onerous "green" legislation, negative perception of the Alberta oil sands and a shortage of sufficient pipeline and railway capacity to transport production to major markets.
- ***Short-notice Reductions in Work.*** We allocate and mobilize our equipment and hire personnel based on

estimated equipment and service plans supplied by our customers. At the start of each new project, we incur significant start-up costs related to the mobilization and maintenance configuration of our heavy equipment along with personnel hiring, orientation, training and housing costs for staff ramp-ups and redeployments. We expect to recover these start-up costs over the planned volumes of the projects we are awarded. Significant reductions in our customer's required equipment and service needs, with short notice, could result in our inability to redeploy our equipment and personnel in a cost effective manner. In the past, such short-notice reductions have occurred due to changes in customer production schedules or mine planning or due to unplanned shutdowns of our customers' processing facilities due to events outside our control or the control of our customers, such as fires, mechanical breakdowns and technology failures. Our ability to maintain revenues and margins may be adversely affected to the extent these events cause reductions in the utilization of equipment and we can no longer recover our full start-up costs over the reduced volume plan of our customers.

- ***Lump-sum and Unit-price Contracts.*** Approximately 62%, 65% and 55% of our revenue for the years ended December 31, 2018, 2017 and 2016, respectively, was derived from lump-sum and unit-price contracts. Lump-sum and unit-price contracts require us to guarantee the price of the services we provide and thereby potentially expose us to losses if our estimates of project costs are lower than the actual project costs we incur and contractual relief from the increased costs is not available. The costs we actually incur may be affected by a variety of factors including those that are beyond our control, such as:
    - site conditions differing from those assumed in the original bid;
    - the availability and cost of skilled workers;
    - the availability and proximity of materials;
    - unfavourable weather conditions hindering productivity;
    - equipment availability, productivity and timing differences resulting from project construction not starting on time; and
    - the general coordination of work inherent in all large projects we undertake.

  Further, under lump-sum contracts any errors in quantity estimates or productivity losses for which contractual relief is not available, must be absorbed within the price. When we are unable to accurately estimate and adjust for the costs of lump-sum and unit-price contracts, or when we incur unrecoverable cost overruns, the related projects may result in lower margins than anticipated or may incur losses, which could adversely affect our results of operations, financial condition and cash flow.

- ***Customer Concentration.*** Most of our revenue comes from the provision of services to a small number of major oil sands mining companies. Revenue from our five largest customers represented approximately 97% and 99% of our total revenue for the years ended December 31, 2018 and 2017, respectively, and those customers are expected to continue to account for a significant percentage of our revenues in the future. If we lose or experience a significant reduction of business or profit from one or more of our significant customers, we may not be able to replace the lost work or income with work or income from other customers. Our long-term contracts typically allow our customers to unilaterally reduce or eliminate the work that we are to perform under the contract. Our contracts also generally allow the customer to terminate the contract without cause and, in many cases, with minimal or no notice to us. The loss of or significant reduction in business with one or more of our major customers could have a material adverse effect on our business and results of operations.

- ***Customer Outsourcing.*** Outsourced heavy construction and mining services constitute a large portion of the work we perform for our customers. The election by one or more of our customers to perform some or all of these services themselves, rather than outsourcing the work to us, could have a material adverse impact on our business and results of operations. Certain customers perform some of this work internally and may choose to expand on the use of internal resources to complete this work if they believe they can perform this work in a more cost effective and efficient manner using their internal resources.

- **Competition.** We compete for work with other contractors of various sizes and capabilities. New contract awards and contract margin are dependent on the level of competition and the general state of the markets in which we operate. Fluctuations in demand may also impact the degree of competition for work. Competitive position is based on a multitude of factors including pricing, ability to obtain adequate bonding, backlog, financial strength, appetite for risk, reputation for safety, quality, timeliness and experience. If we are unable to effectively respond to these competitive factors, results of operations and financial condition will be adversely impacted.

- ***Debt.*** As of December 31, 2018, we had $384.3 million of total debt outstanding. While we have achieved a significant improvement in the flexibility to borrow against our borrowing capacity and a reduction in the cost of our debt over the past three years, our current indebtedness may:
    - limit our ability to obtain additional financing to fund our working capital, capital expenditures, debt service requirements, potential growth or other purposes;
    - limit our ability to use operating cash flow in other areas of our business as such funds are instead used to service debt;
    - limit our ability to post surety bonds required by some of our customers;
    - place us at a competitive disadvantage compared to competitors with less debt;
    - increase our vulnerability to, and reduce our flexibility in planning for, adverse changes in economic, industry and competitive conditions; and
    - increase our vulnerability to increases in interest rates because borrowings under our Credit Facility and payments under our mortgage along with some of our equipment leases and promissory notes are subject to variable interest rates.

  Further, if we do not have sufficient cash flow to service our debt, we would need to refinance all or part of our existing debt, sell assets, borrow more money or sell securities, none of which we can guarantee we will be able to achieve on commercially reasonable terms, if at all.
- ***Labour Disputes.*** Substantially all of our hourly employees are subject to collective bargaining agreements to which we are a party or are otherwise subject. Any work stoppage resulting from a strike or lockout could have a material adverse effect on our business, financial condition and results of operations. In addition, our customers employ workers under collective bargaining agreements. Any work stoppage or labour disruption experienced by our key customers could significantly reduce the amount of our services that they need.
- ***Availability of Skilled Labour.*** The success of our business depends on our ability to attract and retain skilled labour. Our industry is faced with a shortage of skilled labour in certain disciplines, particularly in remote locations that require workers to live away from home for extended periods. The resulting competition for labour may limit our ability to take advantage of opportunities otherwise available or alternatively may impact the profitability of such endeavours on a going forward basis. We believe that our union status, size and industry reputation will help mitigate this risk but there can be no assurance that we will be successful in identifying, recruiting or retaining a sufficient number of skilled workers.
- ***Safety.*** We are subject to, and comply with, all health and safety legislation applicable to our operations. We have a comprehensive health and safety program designed to ensure our business is conducted in a manner that protects both our workforce and the general public. Despite our past success, there can be no guarantee that we will be able to maintain our high standards and level of health and safety performance. An inability to maintain excellent safety performance could adversely affect our business by customers reducing existing work in response and by hampering our ability to win future work.
- ***Resolution of Claims.*** Changes to the nature or quantity of the work to be completed under our contracts are often requested by clients or become necessary due to conditions and circumstances encountered while performing work. Formal written agreement to such changes, or in pricing of the same, is sometimes not finalized until the changes have been started or completed. As such, disputes regarding the compensation for changes could impact our profitability on a particular project, our ability to recover costs or, in a worst-case scenario, result in project losses. Included in our revenues is a total of $0.3 million relating to disputed claims or unapproved change orders. Although we believe that we are entitled to such revenue and that we will collect such revenue, if we are not able to resolve these claims and undertake legal action in respect of these claims, there is no guarantee that a court will rule in our favour. There is also the possibility that we could choose to accept less than the full amount of a claim as a settlement to avoid legal action. In either such case, a resolution or settlement of the claims in an amount less than the amount recognized as claims revenue could lead to a future write-down of revenue and profit.
- ***Leasing Cost and Availability.*** A portion of our equipment fleet is currently leased from third parties. Other future projects may require us to lease additional equipment. If equipment lessors are unable or unwilling to provide us with reasonable lease terms within our expectations, it will significantly increase the cost of leasing equipment or may result in more restrictive lease terms that require recognition of the lease as a capital lease.
- ***Management.*** Our continued growth and future success depends on our ability to identify, recruit, assimilate and retain key management, technical, project and business development personnel. There can be no

assurance that the Company will be successful in identifying, recruiting or retaining such personnel.

- ***Backlog.*** There can be no assurance that the revenues projected in our backlog at any given time will be realized or, if realized, that they will perform as expected with respect to margin. Project suspensions, terminations or reductions in scope do occur from time to time due to considerations beyond our control and may have a material impact on the amount of reported backlog with a corresponding impact on future revenues and profitability.
- **Heavy Equipment Demand.** As our work mix changes over time we adjust our fleet to match anticipated future requirements. This involves both purchasing and disposing of heavy equipment. If the global demand for mining, construction and earthworks services is reduced, we expect that the global demand for the type of heavy equipment used to perform those services would also be reduced. While we may be able to take advantage of reduced demand to purchase certain equipment at lower prices, we would be adversely impacted to the extent we seek to sell excess equipment. If we are unable to recover our cost base on a sale of excess heavy equipment, we would be required to record an impairment charge which would reduce net income. If it is determined that that market conditions have impaired the valuation of our heavy equipment fleet, we also may be required to record an impairment charge against net income.
- ***Integration.*** There can be no assurance that we will maximize or realize the full potential of any of our acquisitions. A failure to successfully integrate acquisitions and execute a combined business plan could materially impact our financial results.
- ***Price Escalators.*** Our ability to maintain planned project margins on longer-term contracts with contracted price escalators is dependent on the contracted price escalators accurately reflecting increases in our costs. If the contracted price escalators do not reflect actual increases in our costs, we will experience reduced project margins over the remaining life of these longer-term contracts. In strong economic times, the cost of labour, equipment, materials and sub-contractors is driven by the market demand for these project inputs. The level of increased demand for project inputs may not have been foreseen at the inception of the longer-term contracts with fixed or indexed price escalators resulting in reduced margins over the remaining life of the longer-term contracts. Certain of these price escalators could be considered derivative financial instruments (see "Significant Accounting Policies - Derivative Financial Instruments" in our audited consolidated financial statements for the year ended December 31, 2018).
- ***Foreign Exchange.*** We regularly transact in foreign currencies when purchasing equipment and spare parts as well as certain general and administrative goods and services. As such, we are exposed to the risk of fluctuations in foreign exchange rates. These exposures are generally of a short-term nature and the impact of changes in exchange rates has not been significant in the past. We may fix our exposure in either the Canadian dollar or the US dollar for these short-term transactions, if material.
- ***Internal Controls.*** Ineffective internal controls over financial reporting could result in an increased risk of material misstatements in our financial reporting and public disclosure record. Inadequate controls could also result in system downtime, give rise to litigation or regulatory investigation, fraud or the inability to continue our business as presently constituted. We have designed and implemented a system of internal controls and a variety of policies and procedures to provide reasonable assurance that material misstatements in the financial reporting and public disclosures are prevented and detected on a timely basis and that other business risks are mitigated. See the section entitled “Internal Systems and Processes” in our MD&A for further details.
- ***Cyber Security and Information Technology Systems.*** The Company utilizes information technology systems for some of the management and operation of its business and is subject to information technology and system risks, including hardware failure, cyber-attack, security breach and destruction or interruption of the Company’s information technology systems by external or internal sources. Although the Company has policies, controls and processes in place that are designed to mitigate these risks, an intentional or unintentional breach of its security measures or loss of information could occur and could lead to a number of consequences, including but not limited to: the unavailability, interruption or loss of key systems applications, unauthorized disclosure of material and confidential information and a disruption to the Company’s business activities. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties or other negative consequences. The Company attempts to prevent breaches through the implementation of various technology-based security measures, contracting consultants and expert third-parties, hiring qualified employees to manage the Company’s systems, conducting periodic audits and reviewing and updating policies, controls and procedures when appropriate. To date, the Company has not been subject to a cyber

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security breach that has resulted in a material impact on its business or operations; however, there is a possibility that the measures the Company takes to protect its information technology systems may not be effective in protecting against a specific breach in the future.

L. GENERAL MATTERS

Additional Information

Our corporate office was recently re-located to 27287 - 100 Avenue, Acheson, Alberta, T7X 6H8. Our corporate head office telephone and facsimile numbers remain unchanged and are 780-960-7171 and 780-969-5599, respectively.

Additional information, including information in respect of (i) the remuneration and indebtedness of the directors and executive officers of the Company; (ii) the principal holders of our securities; and (iii) securities authorized for issuance under equity compensation plans, is contained in our management information circular for our most recent annual meeting of holders of common shares that involved the election of our directors.

Additional information relating to us, including our audited consolidated financial statements for the year ended December 31, 2018 and notes that follow, our most recent MD&A, which is incorporated by reference in this AIF and our most recent management information circular can be found on the Canadian Securities Administrators System for Electronic Document Analysis and Retrieval ("SEDAR") database at www.sedar.com, the Securities and Exchange Commission's Electronic Data Gathering, Analysis and Retrieval ("EDGAR") system at www.sec.gov and our Company's website at www.nacg.ca.

Transfer Agent and Registrar

The transfer agent and registrar of the Company is Computershare Investor Services Inc., 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1.

The Company's agent in the United States is C T Corporation, located at 111 Eighth Avenue, 13 th Floor, New York, New York, 10011 USA.

Experts

KPMG LLP are the auditors of the Company and have confirmed that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations and also that they are independent accountants with respect to the Company under all relevant US professional and regulatory standards.

Glossary of Terms

The following are definitions of certain terms commonly used in the Company industry and this AIF.

"oil sands" means the grains of sand covered by a thin layer of water and coated by heavy oil, or bitumen.

"bitumen" means the molasses-like substance that comprises the oil in the oil sands.

"upgrading" means the conversion of heavy bitumen into a lighter crude oil by increasing the hydrogen to carbon ratio, either through the removal of carbon (coking) or the addition of hydrogen (hydro processing).

"growth capital expenditures" are the plant, equipment and intangible asset additions that are needed to increase equipment capacity to perform larger or a greater number of projects and those intangible asset additions needed to increase capacity, performance or efficiency.

"Canadian oil sands" means an area in northeastern Alberta, Canada, roughly centered on the city of Fort McMurray, where large deposits of bitumen or extremely heavy crude oil are located.

"in situ" means a mining technique of injecting water underground to dissolve bitumen and bringing the impregnated water to the surface for extraction.

"muskeg" means a swamp or bog formed by an accumulation of sphagnum moss, leaves and decayed material.

"overburden" means the layer of rocky, clay-like material that covers the oil sands.

"tailings pond" means a dam or pond that stores sand, silt, clay and water that remain following the mining and bitumen extraction process.

"Steam Assisted Gravity Drainage ("SAGD")" means a mining technique of injecting steam underground to dissolve bitumen and bringing the impregnated water to the surface for extraction.

"West Texas Intermediate ("WTI")" means a grade of crude oil used as a benchmark in oil pricing. This grade is described as light because of its relatively low density, and sweet because of its low sulfur content.

"Western Canada Select ("WCS")" means the price per barrel that Alberta oil sands producers receive compared to the benchmark WTI price per barrel.

EXHIBIT A

Audit Committee Charter

1. PURPOSE

The Board of Directors (the "Board") of North American Energy Partners Inc. (the "Company") has established the Audit Committee (the "Committee") for the purpose of assisting the Board in meeting its oversight responsibilities in relation to: (a) the integrity of the Company's accounting and financial reporting processes; (b) internal controls over financial reporting; (c) controls and procedures related to disclosure; (d) the internal audit function; (e) the qualifications, independence and performance of the Company's external auditors; (f) identification and monitoring of financial risks; (g) the processes for monitoring compliance with legal and regulatory requirements (other than those related to health, environment and safety matters); and (h) establishment and monitoring of the Company's codes of conduct and ethics.

2. AUTHORITY

The Committee has the authority to:

(a) conduct or authorize investigations into any matter within its scope of responsibility;

(b) retain and compensate independent counsel, accountants and others to advise the Committee or assist it with respect to its responsibilities;

(c) pre-approve all audit services and permitted non-audit services performed by the Company's external auditors and negotiate the compensation to be paid for such services;

(d) resolve any disagreements between management and the Company's external auditors regarding financial reporting;

(e) seek any information it requires from employees of the Company, all of whom will be directed by management to co-operate with the Committee's requests;

(f) meet and communicate directly with the Company's officers, external auditors, internal auditor, outside counsel and consultants, all as the Committee may deem necessary;

(g) direct the Company's internal auditor to carry out such activities as the Committee may require;

(h) access all documents of the Company that the Committee may deem relevant to it in carrying out its responsibilities; and

(i) undertake any other activity that may be reasonably necessary in order for the Committee to carry out its responsibilities as set out in this Charter.

3. COMPOSITION

3.1. The Board will appoint annually, from among its members, the Committee and its Chair. The Committee will consist of at least three and not more than six members.

3.2. Each member of the Committee must be "independent" as that term is defined under the requirements of applicable securities laws and the standards of any stock exchange on which the Company's securities are listed.

3.3. Each member of the Committee must be "financially literate" in that he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to that which can reasonably be expected to be raised by the Company's financial statements.

3.4. At least one member of the Committee will be an "audit committee financial expert" who will possess the attributes outlined in Appendix A.

3.5. No director currently serving on the Committee will serve on the audit committees of more than two additional public companies.

4 MEETINGS

4.1. The Committee will meet at least once each fiscal quarter, with authority to convene additional meetings as circumstances require. A meeting may be convened by the Chair, any member of the

Committee, the external auditors, the internal auditor, the chief executive officer of the Company or the chief financial officer of the Company. The Chair will determine the time, place and procedures for calling and conducting Committee meetings, subject to the requirements of the bylaws of the Company, of this Charter and of the *Canada Business Corporations Act.*

4.2. A majority of the members of the Committee will constitute a quorum. Members of the Committee may participate in a meeting through any means which permits all parties to communicate adequately with each other. Any member not physically present but participating in the meeting through such means is deemed to be present at the meeting. A quorum, once established, is maintained even if members of the Committee leave before the meeting concludes.

4.3. In the event of a tie vote on a resolution, the issue will be forwarded to the full board for a vote.

4.4. A resolution signed (including signatures communicated by fax or electronic mail) by all members of the Committee entitled to vote on that resolution is as valid as if it had been passed at a meeting of the Committee.

4.5. The Committee may invite such officers, directors and employees of the Company as it may see fit from time to time to attend at meetings and provide information pertinent to any matter being discussed. Any director of the Company is entitled to attend Committee meetings, however, only members of the Committee are eligible to vote or establish a quorum. The external auditors will be entitled to receive notice of every meeting of the Committee and to attend and be heard at the same. The Committee will periodically meet *in camera* alone and separately with each of the external auditors and management.

4.6. The Chair will ensure that meeting agendas are prepared and provided in advance to members of the Committee, along with appropriate briefing materials. The Committee will keep and approve minutes of each meeting which record the decisions reached by the Committee. Once approved, the minutes will be distributed to Committee members with copies provided to the Board, the chief executive officer of the Company, the chief financial officer of the Company and the external auditors.

5. RESPONSIBILITIES

The Committee will carry out the following responsibilities:

5.1. Financial Reporting

(a) Review with management and the external auditors any issues of concern with respect to financial reporting, including proposed changes in the selection or application of major accounting policies and the reasons for such changes, any complex or unusual transactions, any issues depending on management's judgment, proposed changes to or adoption of disclosure practices, and the effects of any recent or proposed regulatory or accounting initiatives or pronouncements, all to the extent that the foregoing may be material to financial reporting.

(b) Review with management and the external auditors their qualitative judgments about the appropriateness, not just the acceptability, of accounting principles and accounting disclosure practices used or proposed to be used, particularly the degree of aggressiveness or conservatism of the Company's accounting principles and underlying estimates.

(c) In reviewing with management and the external auditors the results of their year-end audit and quarterly reviews, and management's responses, review any problems or difficulties experienced by the external auditors in performing the audit and reviews, including any restrictions or limitations imposed by management and resolve any disagreements between management and the external auditors regarding these matters.

(d) Review with management, the external auditors and legal counsel, as necessary, any litigation, claim or other contingency, including tax assessments, that could have a material effect on the financial position or operating results of the Company, and the manner in which these matters have been disclosed or reflected in the financial statements.

(e) Review with management and the external auditors the annual audited financial statements and the related management discussion and analysis ("MD&A") and press release; make recommendations to the Board with respect to approval thereof before being released to the

public, and obtain an explanation from management of all significant variances between comparable reporting periods. Obtain confirmation from management and the external auditors that any GAAP reconciliation complies with the requirements of applicable securities laws.

(f) Approve the quarterly unaudited financial statements and the related MD&A and press release prior to their release to the public.

(g) Review with management and the external auditors any other matter required to be communicated to the Committee by the external auditors under applicable generally accepted auditing standards, applicable law and listing standards.

5.2. Internal Controls

(a) Review and consider the adequacy and effectiveness of the Company's internal controls over accounting and financial reporting, including information technology security and control, and any material non-compliance with such controls.

(b) Understand the scope of internal audits and the external auditors' review of internal control over financial reporting and obtain reports on significant findings and recommendations, together with management's responses.

(c) Review management's internal control report and the related attestation by the external auditors and discuss the same with management and external auditors.

(d) Obtain from the chief financial officer and chief executive officer confirmation that each is prepared to sign all required annual and quarterly certificates under applicable securities law in relation to internal controls over accounting and financial reporting. Review any disclosures made by the chief financial officer and chief executive officer regarding significant deficiencies or material weaknesses in the design or operation of internal controls or any fraud that involves management or other employees who have a significant role in the Company's internal controls.

(e) Consider any special audit steps to be taken in light of any material internal control deficiencies.

5.3. Disclosure Controls

(a) Review and consider the adequacy and effectiveness of the Company's disclosure controls and procedures, including any material non-compliance with such controls and procedures.

(b) Review and approve the disclosure policy of the Company and periodically assess the adequacy of such policy for completeness and accuracy.

(c) Ensure that the Company has satisfactory procedures in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements.

(d) Monitor the activities of the Company's Disclosure Committee.

(e) Review and approve, and in some instances recommend approval to the Board, material financial disclosures prior to their public release or filing with securities regulators that are contained within the following documents:

(i) any prospectus or offering document;

(ii) annual information forms;

(iii) all material financial information required by securities regulations (e.g., Forms 6-K, 40-F and F-4) including all exhibits thereto (including the certifications required of the Company's principal executive officer and principal financial officer);

(iv) any correspondence with securities regulators or government financial agencies; and

(v) news or press releases containing audited or unaudited financial information, including the type and presentation of information and in particular any pro-forma or non-GAAP information.

(f) Review and approve, and in some instances, recommend approval to the Board, material financial disclosures prior to their public release or filing with securities regulators that relate to related-party transactions or off balance sheet structures.

5.4. Internal Audit

The Company currently outsources its internal audit work. Within this framework, the Committee will:

(a) Review management's proposed appointment or replacement of the internal auditor.

(b) Review and approve the annual internal audit plan and scope of work and ensure that the internal audit plan is coordinated with the activities of the external auditors.

(c) Review all internal audit reports and management's responses.

(d) Ensure that the internal auditor has direct and open communication with the Committee in the course of internal audit work, and ensure that no unjustified restrictions or limitations are imposed on the internal auditor and that any other disagreements with management are resolved.

(e) Review the effectiveness of the internal audit function on an annual basis, including, resources, qualifications of internal audit staff, the internal auditor's working relationship with the external auditors and compliance by the internal auditor with the relevant codes and standards of The Institute of Internal Auditors. The internal auditor reports functionally to the Chair of the Audit Committee

5.5. External Audit

(a) Advise the board with respect to the selection, appointment, retention, compensation and replacement of the external auditors. In the event of a change of external auditors, review all issues and provide documentation to the Board related to the change, including the information to be included in the Notice of Change of Auditors and the planned steps for an orderly transition period.

(b) Oversee the work and evaluate the qualifications and performance of the external auditors, in the course of which evaluation the Committee will:

  (i) annually obtain and review a report by the external auditors describing: (A) the external auditors' internal quality control procedures; (B) any material issues raised by the most recent internal quality control review, or peer review, of the external auditors or by any inquiry or investigation by government or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditors and any steps taken to deal with such issues; and (C) all relationships between the external auditors and the Company (in order to assess the auditors' independence);

  (ii) annually review and evaluate senior members of the external audit team, including their expertise and qualifications and take into consideration the opinions of management and the internal auditor in that regard; and

  (iii) report all of its findings and conclusions with respect to the external auditors to the Board.

(c) Annually review and confirm with management and the external auditors the independence of the external auditors, which review will include but will not be limited to:

  (i) ensuring receipt at least annually from the external auditors of a formal written statement delineating all relationships between the external auditors and the Company, including non-audit services provided to the Company, and outlining the extent to which the compensation of the audit partners of the external auditors is based upon selling non-audit services;

  (ii) considering and discussing with the external auditors any disclosed relationships or services, including non-audit services, that may impact the objectivity and independence of the external auditors;

  (iii) enquiring into and determining the appropriate resolution of any conflict of interest in respect of the external auditors;

(iv) reviewing the timing and process for implementing the rotation of the lead audit partner, the reviewing partner and other partners providing audit services to the Company;

(v) considering whether there should be a regular rotation of the audit firm itself;

(vi) reviewing and approving the Company's hiring policies regarding the hiring of partners, employees and former partners and employees of the Company's existing and former external auditors and ensuring a "cooling off" period of at least one year before any such persons can become employees of the Company in a financial oversight role.

(d) Ensure that the external auditors report directly to the Committee and that they are ultimately accountable to the Committee and to the Board as representatives of the shareholders of the Company.

(e) Review and approve the annual audit plan prior to the annual audit of the Company's financial statements being undertaken by the external auditors, including review of the proposed scope and approach of the external auditors and the coordination of effort with internal audit.

(f) Ensure that the external auditors have direct and open communication with the Committee and that the external auditors meet regularly with the Committee without the presence of management to discuss any matters that the Committee or the external auditors believe should be discussed privately.

(g) Review and approve the basis and amount of the external auditors' fees with respect to the annual audit and the quarterly reviews.

(h) Review and pre-approve all non-audit services to be provided to the Company or its subsidiaries by the external auditors and the engagement fees in respect to such services, provided that the Chair of the Committee, on behalf of the Committee, is authorized to pre-approve any non-audit services and the related engagement fees up to an amount of $20,000 per engagement. At the next Committee meeting, the Chair will report to the Committee any such pre-approval given.

5.6. Financial Risk Management

(a) Review the Company's major financial risk exposures and approve the Company's policies to manage such financial risk.

(b) Monitor management of hedging, debt and credit, make recommendations to the Board respecting management of such risks and review the Company's compliance with the same.

(c) Monitor management's communication and implementation of the Anti-Fraud Policy and review compliance with such Policy by, among other things, receiving reports from management on:

(i) any investigations of fraudulent activity;

(ii) monitoring activities in relation to fraud risks and controls; and

(iii) assessments of fraud risk.

(d) Periodically review and approve the adequacy and appropriateness of the Anti-Fraud Policy and management's implementation of the same.

5.7. Code of Conduct and Ethics Reporting

(a) Review the policies and procedures established by management for:

(i) the receipt, retention and treatment of complaints received by the Company regarding financial reporting, accounting, internal accounting controls or auditing matters; and

(ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

(b) Monitor management's communication and implementation of the Code of Conduct and Ethics Policy and review compliance with such Policy by, among other things:

(i) reviewing on a timely basis serious violations of the Code of Conduct and Ethics Policy; and

(ii) reviewing on a summary basis at least quarterly all reported violations of the Code of Conduct and Ethics Policy.

(c) Periodically review the adequacy and appropriateness of the Code of Conduct and Ethics Policy and management's implementation of the same and make recommendations to the Board in that regard.

5.8. Legal and Regulatory Compliance

(a) Review the effectiveness of the system for monitoring compliance with laws and regulations (other than those related to health, environment and safety matters) and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance. Review the findings of any examination by regulatory authorities and any external auditors' observations relating to such matters.

(b) Obtain regular updates from management and legal counsel regarding compliance matters, including compliance with applicable financial, tax or securities regulations and the accuracy and timeliness of filings with regulators.

(c) Review any litigation, claim or other contingent liability, including any tax reassessment that could have a material effect on the financial statements.

(d) Monitor compliance by the Company with all payments and remittances required to be made in accordance with applicable law, where the failure to make such payments could render the directors of the Company personally liable.

5.9. Other Responsibilities

(a) Regularly report to the Board about Committee activities, issues and related recommendations, including such matters as the Board may from time to time refer or delegate to the Committee.

(b) Annually assess the adequacy of this Charter, submit such evaluation to the Governance Committee and recommend any proposed changes to the Governance Committee to bring forward to the Board for approval.

(c) Evaluate the performance and effectiveness of the Committee on an annual basis.

(d) Provide an open avenue of communication between the external auditors and the Board.

(e) Perform any other activities consistent with the Committee's mandate, the Company's governing laws and the regulations of relevant stock exchanges as the Committee or the Board deems necessary or appropriate.

6. GENERAL

6.1. While the Committee will have the responsibilities and powers set forth in this Charter, it will not be the responsibility of the Committee to determine whether the Company's financial statements are complete, accurate or prepared in accordance with generally accepted accounting principles, to manage financial risks or to conduct audits. These are the responsibilities of management and the external auditors in accordance with their respective roles.

6.2. The Committee will take reasonable steps to ensure that management establishes and maintains the controls, procedures and processes that comply with all appropriate laws, regulations or policies of the Company. It is not the responsibility of the Committee to conduct investigations or to ensure compliance with laws, regulations or Company policies.

Appendix A: Audit Committee Financial Expert

At least one member of the Committee will be an “audit committee financial expert” who will possess the attributes outlined below:

1. An understanding of generally accepted accounting principles and financial statements;
2. The ability to assess the general application of generally accepted accounting principles in connection with the accounting for estimates, accruals and reserves;
3. Experience in preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience in actively supervising one or more persons engaged in such activities;
4. An understanding of internal control over financial reporting; and
5. An understanding of audit committee functions.

As provided in the rules of the SEC, the designation or identification of a person as an audit committee financial expert does not (a) impose on that person any duties, obligations or liability that are greater than the duties, obligations or liability imposed on that person as a member of the Committee and the Board in the absence of such designation or identification or (b) affect the duties, obligations or liability of any other member of the Committee or the Board.

A member of the Committee may qualify as an audit committee financial expert as a result of his or her:

a) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;

b) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;

c) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or

d) other relevant experience.

Exhibit 99.2

NORTH AMERICAN CONSTRUCTION GROUP LTD.

Consolidated Financial Statements

For the years ended December 31, 2018 and 2017
(Expressed in thousands of Canadian Dollars)

KPMG LLP
2200, 10175 - 101 Street
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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of North American Construction Group Ltd.

Opinion on Internal Control Over Financial Reporting

We have audited North American Construction Group Ltd.'s (the "Company's") internal control over financial reporting as of December 31, 2018, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, the related consolidated statements of operations and comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes (collectively, the "consolidated financial statements"), and our report dated February 25, 2019 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting in the accompanying Management's Discussion and Analysis. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we

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considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

KPMG LLP

Chartered Professional Accountants

Edmonton, Canada

February 25, 2019

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of North American Construction Group Ltd.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of North American Construction Group Ltd. (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of operations and comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes (collectively, the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 25, 2019 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

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Chartered Professional Accountants

We have served as the Company's auditor since 1998.

Edmonton, Canada

February 25, 2019

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Consolidated Balance Sheets

As at December 31
(Expressed in thousands of Canadian Dollars)

	2018	2017
Assets		
Current assets		
Cash	$ 19,508	$ 8,186
Accounts receivable, net (notes 6 and 19(c))	82,399	46,806
Contract assets (note 19(c))	10,673	21,572
Inventories	13,391	4,754
Prepaid expenses and deposits (note 7)	3,736	1,898
Assets held for sale (notes 8 and 16(a))	672	5,642
	130,379	88,858
Property, plant and equipment, net of accumulated depreciation $248,885 (2017 – $220,320) (note 9)	528,157	278,648
Other assets (note 10)	10,204	5,599
Investments in affiliates and joint ventures (note 13(a))	11,788	—
Deferred tax assets (note 11)	9,272	10,539
Total Assets	$ 689,800	$ 383,644
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	$ 63,460	$ 35,191
Accrued liabilities (note 12)	19,157	12,434
Contract liabilities (note 19(c))	4,032	824
Current portion of long term debt (note 14(a))	29,996	—
Current portion of capital lease obligations (note 15)	32,250	29,136
	148,895	77,585
Long term debt (note 14(a))	265,962	70,065
Capital lease obligations (note 15)	54,318	37,833
Other long term obligations (note 17(a))	25,623	14,080
Deferred tax liabilities (note 11)	44,787	38,157
	539,585	237,720
Shareholders' Equity		
Common shares (authorized – unlimited number of voting common shares; issued and outstanding – December 31, 2018 - 27,088,816 (December 31, 2017 – 28,070,150)) (note 18(a))	221,773	231,020
Treasury shares (December 31, 2018 - 2,084,611 (December 31, 2017 - 2,617,926)) (note 18(a))	(11,702)	(12,350)
Additional paid-in capital	53,567	54,416
Deficit	(113,917)	(127,162)
Shareholders' equity attributable to common shareholders	149,721	145,924
Noncontrolling interest (note 13(a))	494	—
	150,215	145,924
Total Liabilities and Equity	$ 689,800	$ 383,644
Commitments (note 20)		
Contingencies (note 27)		

Approved on behalf of the Board

/s/ Martin R. Ferron
Martin R. Ferron, Chairman of the Board

/s/ Bryan D. Pinney
Bryan D. Pinney, Lead Director

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations and Comprehensive Income

For the years ended December 31
(Expressed in thousands of Canadian Dollars, except per share amounts)

	2018	2017
Revenue (note 19)	$ 410,061	$ 292,557
Project costs	152,943	116,346
Equipment costs	129,692	91,829
Depreciation	58,350	44,735
Gross profit	69,076	39,647
General and administrative expenses	37,110	25,299
Loss on sublease (note 17(e))	1,732	—
Loss on disposal of property, plant and equipment	111	189
Gain on disposal of assets held for sale (note 8)	(269)	(166)
Amortization of intangible assets (note 10(b))	412	918
Operating income before the undernoted	29,980	13,407
Interest expense, net (note 21)	8,584	6,943
Equity earnings in affiliates and joint ventures (note 13(a))	(60)	—
Foreign exchange loss (gain)	39	(4)
Income before income taxes	21,417	6,468
Deferred income tax expense (note 11)	6,096	1,204
Net income and comprehensive income	15,321	5,264
Net income attributable to noncontrolling interest (note 13(a))	(35)	—
Net income and comprehensive income available to shareholders	**$ 15,286**	**$ 5,264**
Per share information		
Net income - basic (note 18(b))	$ 0.61	$ 0.20
Net income - diluted (note 18(b))	$ 0.54	$ 0.18

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in thousands of Canadian Dollars)

	Common shares	Treasury shares	Additional paid-in capital	Deficit	**Shareholders' equity attributable to common shareholders**	Noncontrolling interest	**Total equity**
Balance at December 31, 2016	$ 252,633	$ (9,294)	$ 45,915	$ (130,300)	$ 158,954	$ —	$ 158,954
Net income and comprehensive income	—	—	—	5,264	5,264	—	5,264
Exercised options (note 22(b))	960	—	(385)	—	575	—	575
Stock-based compensation (note 22)	—	1,642	1,283	—	2,925	—	2,925
Dividends (note 18(d)) ($0.08 per share)	—	—		(2,126)	(2,126)	—	(2,126)
Share purchase programs (note 18(c))	(22,573)	—	7,603	—	(14,970)	—	(14,970)
Purchase of treasury shares for settlement of certain equity classified stock-based compensation (note 18(a))	—	(4,698)	—	—	(4,698)	—	(4,698)
Balance at December 31, 2017	$ 231,020	$ (12,350)	$ 54,416	$ (127,162)	$ 145,924	$ —	$ 145,924
Adoption of accounting standards (note 3(a))	—	—	—	(45)	(45)	—	(45)
Net income and comprehensive income	—	—	—	15,286	15,286	35	15,321
Exercised options (note 22(b))	1,704	—	(681)	—	1,023	—	1,023
Stock-based compensation (note 22)	—	5,720	(1,603)	—	4,117	—	4,117
Dividends (note 18(d)) ($0.08 per share)	—	—		(1,996)	(1,996)	—	(1,996)
Share purchase programs (note 18(c))	(10,975)	—	1,435	—	(9,540)	—	(9,540)
Purchase of treasury shares for settlement of certain equity classified stock-based compensation (note 18(a))	—	(5,072)	—	—	(5,072)	—	(5,072)
Conversion of Convertible Debentures (note 14(c))	24	—	—	—	24	—	24
Noncontrolling interest acquired in affiliates and joint ventures	—	—	—	—	—	459	459
Balance at December 31, 2018	$ 221,773	$ (11,702)	$ 53,567	$ (113,917)	$ 149,721	$ 494	$ 150,215

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31
(Expressed in thousands of Canadian Dollars)

	2018	2017
Cash provided by (used in):		
Operating activities:		
Net income and comprehensive income	$ 15,321	$ 5,264
Adjustments to reconcile to net cash from operating activities:		
Depreciation	58,350	44,735
Amortization of intangible assets (note 10(b))	412	918
Lease inducement received (note 17(b))	1,412	—
Amortization of deferred financing costs (notes 10(c), 14(e) and 21)	539	797
Loss on sublease (note 17(e))	1,732	—
Loss on disposal of property, plant and equipment	111	189
Gain on disposal of assets held for sale (note 8)	(269)	(166)
Stock-based compensation expense (note 22(a))	11,532	3,995
Cash settlement of stock-based compensation (note 22(e))	—	(343)
Equity earnings in affiliates and joint ventures (note 13(a))	(60)	—
Other adjustments to cash from operating activities	17	181
Deferred income tax expense (note 11)	6,096	1,204
Net changes in non-cash working capital (note 23(b))	14,178	(7,029)
	109,371	49,745
Investing activities:		
Acquisition of heavy construction fleet and related assets (note 5(b))	(151,180)	—
Investment in affiliates and joint ventures, net of cash acquired (note 5(a))	(31,911)	—
Investment in DNSS Partnership (note 13(b))	—	(1,177)
Purchase of property, plant and equipment	(81,078)	(53,813)
Additions to intangible assets (note 10(b))	(380)	(66)
Proceeds on disposal of property, plant and equipment	30,982	20,790
Proceeds on disposal of assets held for sale	5,292	1,640
Additions to other long term receivable (note 10)	(619)	—
Net repayment of (advances to) DNSS Partnership loan (notes 10(a) and 13(b))	280	(969)
	(228,614)	(33,595)
Financing activities:		
Repayment of credit facilities	(88,209)	(19,941)
Increase in credit facilities	248,000	11,732
Issuance of Convertible Debentures (note 14(c))	—	40,000
Mortgage proceeds (note 14(d))	19,900	—
Financing costs (notes 10(c) and note 14(e))	(848)	(2,982)
Repayment of capital lease obligations	(32,142)	(29,161)
Repayment of equipment promissory notes	(541)	—
Proceeds from options exercised (note 22(b))	1,023	575
Dividend payments (note 18(d))	(2,006)	(2,185)
Share purchase programs (note 18(c))	(9,540)	(14,970)
Purchase of treasury shares for settlement of certain equity classified stock-based compensation (note 18(a))	(5,072)	(4,698)
	130,565	(21,630)
Increase (decrease) in cash	**11,322**	**(5,480)**
Cash, beginning of year	8,186	13,666
Cash, end of year	**$ 19,508**	**$ 8,186**

Supplemental cash flow information (note 23(a))
See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2018 and 2017
(Expressed in thousands of Canadian Dollars, except per share amounts or unless otherwise specified)

1. Nature of operations

North American Construction Group Ltd. ("NACG" or the “Company”), which prior to a name change registration on April 11, 2018 was known as "North American Energy Partners Inc.", was formed under the Canada Business Corporations Act. The Company and its predecessors have been operating continuously since 1953 primarily in Western Canada providing a wide range of mining and heavy construction services to customers in the resource development and industrial construction sectors.

2. Significant accounting policies

a) Basis of presentation

These consolidated financial statements are prepared in accordance with United States generally accepted accounting principles ("US GAAP"). These consolidated financial statements include the accounts of the Company, its wholly-owned, Canadian incorporated subsidiaries and via certain of its subsidiaries, the Company also holds investments in other Canadian corporations, partnerships and joint ventures. All significant intercompany transactions and balances are eliminated upon consolidation.

The Company consolidates variable interest entities (“VIE”s) for which it is considered to be the primary beneficiary as well as voting interest entities in which it has a controlling financial interest. Ownership represented by other parties that do not control the entities are presented in the consolidated financial statements as activities and balances attributable to noncontrolling interests.

The consolidated financial statements include the accounts of VIEs for which the Company is the primary beneficiary. A VIE is a legal entity that does not have sufficient equity at risk to finance its activities without additional subordinated financial support or is structured such that equity investors lack the ability to make significant decisions relating to the entity’s operations through voting rights or do not substantively participate in the gains and losses of the entity. Upon inception or acquisition of a contractual agreement, the Company performs an assessment to determine whether the arrangement contains a variable interest in a legal entity and whether that legal entity is a VIE. The primary beneficiary has both the power to direct the activities of the VIE that most significantly impact the entity’s economic performance and the obligation to absorb losses or the right to receive benefits from the VIE entity that could potentially be significant to the VIE. Where it is concluded that the Company is the primary beneficiary of a VIE, the Company will consolidate the accounts of that VIE. The Company assesses all variable interests in the entity and uses its judgment when determining if it is the primary beneficiary. Other qualitative factors that are considered include decision-making responsibilities, the VIE capital structure, risk and rewards sharing, contractual agreements with the VIE, voting rights and level of involvement of other parties. The Company assesses the primary beneficiary determination for a VIE on an ongoing basis as changes occur in the facts and circumstances related to a VIE.

Investees and joint ventures over which the Company exercises significant influence are accounted for using the equity method and are included in “investments in affiliates and joint ventures” within the accompanying consolidated balance sheet. The Company has elected to apply the provision available to entities operating within the construction industry to apply proportionate consolidation to unincorporated entities that would otherwise be accounted for using the equity method.

For certain investments in the construction industry where the Company retains an undivided interest in assets and liabilities, the Company records its proportionate share of assets, liabilities, revenues and expenses. If an entity is determined to not be a VIE, the voting interest entity model will be applied.

Further discussion of the Company's investments is included in "note 13 - investments in affiliates and joint ventures".

b) Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures reported in these consolidated financial statements and accompanying notes and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates. Significant estimates and judgments made by management include:

- the assessment of the percentage of completion on time-and-materials, unit-price, lump-sum and cost-plus contracts with defined scope (including estimated total costs and provisions for estimated losses) and the recognition of claims and change orders on revenue contracts;
- the determination of whether an acquisition meets the definition of a business combination;
- the fair value of the assets acquired and liabilities assumed as part of an acquisition;
- the evaluation of whether the Company consolidates entities in which it has a controlling financial interest based on either a VIE or voting interest model;
- assumptions used in impairment testing; and
- estimates and assumptions used in the determination of the allowance for doubtful accounts, the recoverability of deferred tax assets and the useful lives of property, plant and equipment and intangible assets.

The accuracy of the Company’s revenue and profit recognition in a given period is dependent on the accuracy of its estimates of the cost to complete for each project. Cost estimates for all significant projects use a detailed “bottom up” approach and the Company believes its experience allows it to provide reasonably dependable estimates. There are a number of factors that can contribute to changes in estimates of contract cost and profitability that are recognized in the period in which such adjustments are determined. The most significant of these include:

- the completeness and accuracy of the original bid;
- costs associated with added scope changes;
- extended overhead due to owner, weather and other delays;
- subcontractor performance issues;
- changes in economic indices used for the determination of escalation or de-escalation for contractual rates on long-term contracts;
- changes in productivity expectations;
- site conditions that differ from those assumed in the original bid;
- contract incentive and penalty provisions;
- the availability and skill level of workers in the geographic location of the project; and
- a change in the availability and proximity of equipment and materials.

The foregoing factors as well as the mix of contracts at different margins may cause fluctuations in gross profit between periods. With many projects of varying levels of complexity and size in process at any given time, changes in estimates can offset each other without materially impacting the Company’s profitability. Major changes in cost estimates, particularly in larger, more complex projects, can have a significant effect on profitability.

c) Revenue recognition

The Company's revenue source falls into one of two categories: construction services or operations support.

Construction services are related to mine development or expansion projects and are generally funded from customers' capital budgets. The Company provides construction services under lump-sum, unit-price, time-and materials and cost-plus contracts. When the commercial terms are lump-sum and unit-price, the contract scope and value is typically defined. Time-and-materials and cost-plus contracts are generally undefined in scope and total price. Operations support services revenue is mainly generated under long term site-services agreements with the customers (master service agreement and multiple use contracts). Such agreements typically do not include a commitment to the volume or scope of services over the life of the contract. Work under the agreement is instead awarded through shorter-term work authorizations under the general terms of the agreement. The Company generally provides operations support services under either time-and-materials or unit-price contracts depending on factors such as the degree of complexity, the completeness of engineering and the required schedule.

Significant estimates are required in the revenue recognition process including assessment of the percentage of completion, identification of performance obligations, and estimation of variable consideration including the constraint.

The Company’s invoicing frequency and payment terms are in accordance with negotiated customer contracts. Customer invoicing can range between daily and monthly and payment terms range between net 15 and net 60 days. The Company does not typically include extended payment terms in its contracts with customers. Under these payment terms, the customer pays progress payments based on actual work or milestones completed. When payment terms do not align with revenue recognition, the variance is recorded to either contract liabilities or contract assets, as appropriate. Customer contracts do not generally include a significant financing component because the Company does not expect the period between customer payment and transfer of control to exceed one year. The Company does not adjust consideration for the effects of a significant financing component if the period of time between the transfer of control and the customer payment is less than one year.

The Company accounts for a contract when it has approval and commitments from both parties, the rights of the parties are identified, the payment terms are identified, the contract has commercial substance and the collectability of consideration is probable. Each contract is evaluated to determine if it includes more than one performance obligation. This evaluation requires significant judgement and the determination that the contract contains more than one performance obligation could change the amount of revenue and profit recorded in a given period. The majority of the Company's contracts with defined scope include a significant integration service, where the Company is responsible for ensuring the individual goods and services are incorporated into one combined output. Such contracts are accounted for as one performance obligation. When more than one distinct good or service is contracted, the contract is separated into more than one performance obligation and the total transaction price is allocated to each performance obligation based upon stand-alone selling prices. When a stand-alone selling price is not observable, it is estimated using a suitable method.

The total transaction price can be comprised of fixed consideration and variable consideration, such as profit incentives, discounts and performance bonuses or penalties. When a contract includes variable consideration, the amount included in the total transaction price is based on the expected value or the mostly likely amount, constrained to an amount that it is probable a significant reversal will not occur. Significant judgement is involved in determining if a variable consideration amount should be constrained. In applying this constraint, the Company considers both the likelihood of a revenue reversal arising from an uncertain future event and the magnitude of the revenue reversal if the uncertain event were to occur or fail to occur. The following circumstances are considered to be possible indicators of significant revenue reversals:

- The amount of consideration is highly susceptible to factors outside the Company’s influence, such as judgement of actions of third parties and weather conditions;
- The length of time between the recognition of revenue and the expected resolution;
- The Company’s experience with similar circumstances and similar customers, specifically when such items have predictive value;
- The Company’s history of resolution and whether that resolution includes price concessions or changing payment terms; and
- The range of possible consideration amounts.

The Company's performance obligations are typically satisfied by transferring control over time, for which revenue is recognized using the percentage of completion method, measured by the ratio of costs incurred to date to estimated total costs. For defined scope contracts, the cost-to-cost method faithfully depicts the Company’s performance because the transfer of the asset to the customer occurs as costs are incurred. The costs of items that do not relate to the performance obligation, particularly in the early stages of the contract, are excluded from costs incurred to date. Pre-construction activities, such as mobilization and site setup, are recognized as contract costs on the consolidated balance sheets and amortized over the life of the project. These costs are excluded from the cost-to cost calculation.

The Company has elected to apply the ‘as-invoiced’ practical expedient to recognize revenue in the amount to which the Company has a right to invoice for all contracts in which the value of the performance completed to date directly corresponds with the right to consideration. This will be applied to all contracts, where applicable, and the majority of undefined scope work is expected to use this practical expedient.

The length of the Company’s contracts varies from less than one year for typical contracts to several years for certain larger contracts. Project costs include all direct labour, material, subcontract and equipment costs and those indirect costs related to contract performance such as indirect labour and supplies. General and administrative

expenses are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

Changes in project performance, project conditions, and estimated profitability, including those arising from profit incentives, penalty provisions and final contract settlements, may result in revisions to costs and revenue that are recognized in the period in which such adjustments are determined. Once a project is underway, the Company will often experience changes in conditions, client requirements, specifications, designs, materials and work schedules. Generally, a “change order” will be negotiated with the customer to modify the original contract to approve both the scope and price of the change. Occasionally, disagreements arise regarding changes, their nature, measurement, timing and other characteristics that impact costs and revenue under the contract. When a change becomes a point of dispute between the Company and a customer, the Company will assess the legal enforceability of the change to determine if a contract modification exists. The Company considers a contract modification to exist when the modification either creates new or changes the existing enforceable rights and obligations.

Most contract modifications are for goods and services that are not distinct from the existing contract due to the significant integration service provided in the context of the contract and are accounted for as part of the existing contract. Therefore, the effect of a contract modification on the transaction price and the Company's measure of progress for the performance obligation to which it relates is recognized as an adjustment to revenue on a cumulative catch-up basis. If a contract modification is approved in scope and not price, the associated revenue is treated as variable consideration, subject to constraint. This can lead to a situation where costs are recognized in one period and revenue is recognized when customer agreement is obtained or claim resolution occurs, which can be in subsequent periods.

The Company’s long term contracts typically allow its customers to unilaterally reduce or eliminate the scope of the work as contracted without cause. These long term contracts represent higher risk due to uncertainty of total contract value and estimated costs to complete; therefore, potentially impacting revenue recognition in future periods.

Revenue is measured based on consideration specified in the customer contract, and excludes any amounts collected on behalf of third parties. Taxes assessed by a governmental authority that are both imposed on and concurrent with a specified revenue producing transaction, that are collected by the Company for a customer, are excluded from revenue.

d) Balance sheet classifications

A one-year time period is typically used as the basis for classifying current assets and liabilities. However, included in current assets and liabilities are amounts receivable and payable under construction contracts (principally holdbacks) that may extend beyond one year.

e) Cash

Cash includes cash on hand and bank balances net of outstanding cheques.

f) Accounts receivable and contract assets

Accounts receivable are recorded when the Company has an unconditional right to consideration arising from performance of contracts with customers. Accounts receivable may be comprised of amounts billed to customers and amounts that have been earned but have not yet been billed. Such unbilled but earned amounts generally arise when a billing period ends prior to the end of the reporting period. When this occurs, revenue equal to the earned and unbilled amount is accrued. Such accruals are classified as accounts receivable on the balance sheet, even though they are not yet billed, as they represent consideration for work that has been completed prior to the period end where the Company has an unconditional right to consideration.

Contract assets include unbilled amounts representing revenue recognized from work performed where the Company does not yet have an unconditional right to compensation. These balances generally relate to (i) revenue accruals on forecasted jobs where the percentage of completion method of revenue recognition requires an accrual over what has been billed and (ii) revenue recognized from variable consideration related to unpriced contract modifications.

g) Contract costs

The Company occasionally incurs costs to obtain contracts (reimbursable bid costs) and to fulfill contracts (fulfillment costs). If these costs meet certain criteria, they are capitalized as contract costs, included within other assets on the consolidated balance sheets. Capitalized costs are amortized based on the transfer of goods or services to which the assets relate and are included in project costs. Reimbursable bid costs meet the criteria for capitalization when these costs will be reimbursed by the owner regardless of the outcome of the bid. Generally, this occurs when the Company has been selected as the preferred bidder for a project. The Company recognizes reimbursable bid costs as an expense when incurred if the amortization period of the asset that the entity would have otherwise recognized is one year or less. Costs to fulfill a contract meet the criteria for capitalization if they relate directly to a specifically identifiable contract, they generate or enhance resources that will be used to satisfy future performance obligations and if the costs are expected to be recovered. The costs that meet this criterion are often mobilization and site set-up costs.

h) Remaining performance obligations

Remaining performance obligation represents the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period. The Company's long term contracts typically allow customers to unilaterally reduce or eliminate the scope of the contracted work without cause. These long term contracts represent higher risk due to uncertainty of total contract value and estimated costs to complete; therefore, potentially impacting revenue recognition in future periods. Excluded from this disclosure are amounts where the Company recognizes revenue as-invoiced (note 19(e)).

i) Contract liabilities

Contract liabilities consist of advance payments and billings in excess of costs incurred and estimated earnings on uncompleted contracts.

j) Allowance for doubtful accounts

The Company evaluates the probability of collection of accounts receivable and records an allowance for doubtful accounts, which reduces accounts receivable to the amount management reasonably believes will be collected. In determining the amount of the allowance, the following factors are considered: the length of time the receivable has been outstanding, specific knowledge of each customer’s financial condition and historical experience.

k) Inventories

Inventories are carried at the lower of cost and net realizable value, and consist primarily of spare tires, tracks, track frames, fuel and lubricants. Cost is determined using the weighted average method.

l) Property, plant and equipment

Property, plant and equipment are recorded at cost. The Company capitalizes interest incurred on debt during the construction of assets for the Company’s own use. The capitalization period covers the duration of the activities required to get the asset ready for its intended use, provided that expenditures for the asset have been made and interest cost incurred. Interest capitalization continues as long as those activities and the incurrence of interest cost continue.

Equipment under capital lease is recorded at the present value of minimum lease payments at the inception of the lease.

Major components of heavy construction equipment in use such as engines and drive trains are recorded separately. The capitalized interest is amortized at the same rate as the respective asset. Depreciation is not recorded until an asset is available for use. Depreciation is calculated based on the cost, net of the estimated residual value, over the estimated useful life of the assets on the following bases and rates:

Assets	Basis	Rate
Heavy equipment	Units of production	3,000 - 120,000 hours
Major component parts in use	Units of production	3,000 - 50,000 hours
Other equipment	Straight-line	5 - 10 years
Licensed motor vehicles	Straight-line	5 - 10 years
Office and computer equipment	Straight-line	5 years
Furnishings, fixtures and facilities	Straight-line	10 - 30 years
Buildings	Straight-line	10 - 50 years
Leasehold improvements	Straight-line	Over shorter of estimated useful life and lease term
Land	No depreciation	No depreciation

The costs for periodic repairs and maintenance are expensed to the extent the expenditures serve only to restore the assets to their normal operating condition without enhancing their service potential or extending their useful lives.

m) Intangible assets

Acquired intangible assets with finite lives are recorded at historical cost net of accumulated amortization and accumulated impairment losses, if any. The cost of intangible assets acquired in an asset acquisition are recorded at cost based upon relative fair value as at the acquisition date. Costs incurred to increase the future benefit of intangible assets are capitalized.

Intangible assets with definite lives are amortized over their estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Estimated useful lives of definite lived intangible assets and corresponding amortization method are:

Assets	Basis	Rate
Internal-use software	Straight-line	4 years
Customer contracts	Straight-line	1 - 2 years
Favourable land lease	Straight-line	27 years
Assembled workforce	Straight-line	5 years
Partnership relationship	Straight-line	5 years
Brand	Straight-line	5 years

n) Impairment of long-lived assets

Long-lived assets or asset groups held and used including property, plant and equipment and identifiable intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of an asset or group of assets is less than its carrying amount, it is considered to be impaired. The Company measures the impairment loss as the amount by which the carrying amount of the asset or group of assets exceeds its fair value, which is charged to depreciation or amortization expense. In determining whether an impairment exists, the Company makes assumptions about the future cash flows expected from the use of its long-lived assets, such as: applicable industry performance and prospects; general business and economic conditions that prevail and are expected to prevail; expected growth; maintaining its customer base; and, achieving cost reductions. There can be no assurance that expected future cash flows will be realized, or will be sufficient to recover the carrying amount of long-lived assets. Furthermore, the process of determining fair values is subjective and requires management to exercise judgment in making assumptions about future results, including revenue and cash flow projections and discount rates.

o) Assets held for sale

Long-lived assets are classified as held for sale when certain criteria are met, which include:

- management, having the authority to approve the action, commits to a plan to sell the assets;
- the assets are available for immediate sale in their present condition;
- an active program to locate buyers and other actions to sell the assets have been initiated;
- the sale of the assets is probable and their transfer is expected to qualify for recognition as a completed sale within one year;
- the assets are being actively marketed at reasonable prices in relation to their fair value; and
- it is unlikely that significant changes will be made to the plan to sell the assets or that the plan will be withdrawn.

A long-lived asset that is newly acquired and will be sold rather than held and used is classified as held for sale if the one year requirement is met and if the other requirements are expected to be met within a short period following the asset acquisition. Assets to be disposed of by sale are reported at the lower of their carrying amount or estimated fair value less costs to sell and are disclosed separately on the Consolidated Balance Sheets. These assets are not depreciated.

Equipment disposal decisions are made using an approach in which a target life is set for each type of equipment. The target life is based on the manufacturer's recommendations and the Company's past experience in the various operating environments. Once a piece of equipment reaches its target life it is evaluated to determine if disposal is warranted based on its expected operating cost and reliability in its current state. If the expected operating cost exceeds the target operating cost for the fleet or if the expected reliability is lower than the target reliability of the fleet, the unit is considered for disposal. Expected operating costs and reliability are based on the past history of the unit and experience in the various operating environments. Once the Company has determined that the equipment will be disposed, and the criteria for assets held for sale are met, the unit is recorded in assets held for sale at the lower of depreciated cost or net realizable value.

p) Asset retirement obligations

Asset retirement obligations are legal obligations associated with the retirement of property, plant and equipment that result from their acquisition, lease, construction, development or normal operations. The Company recognizes its contractual obligations for the retirement of certain tangible long-lived assets. The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value of a liability for an asset retirement obligation is the amount at which that liability could be settled in a current transaction between willing parties. In the absence of observable market transactions, the fair value of the liability is determined as the present value of expected cash flows. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and then amortized using a systematic and rational method over its estimated useful life. In subsequent reporting periods, the liability is adjusted for the passage of time through an accretion charge and any changes in the amount or timing of the underlying future cash flows are recognized as an additional asset retirement cost.

q) Foreign currency translation

The functional currency of the Company and its subsidiaries is Canadian Dollars. Transactions denominated in foreign currencies are recorded at the rate of exchange on the transaction date. Monetary assets and liabilities, denominated in foreign currencies, are translated into Canadian Dollars at the rate of exchange prevailing at the balance sheet date. Foreign exchange gains and losses are included in the determination of earnings.

r) Fair value measurement

Fair value measurements are categorized using a valuation hierarchy for disclosure of the inputs used to measure fair value, which prioritizes the inputs into three broad levels. Fair values included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Fair values included in Level 2 include valuations using inputs based on observable market data, either directly or indirectly other than the quoted prices. Level 3 valuations are based on inputs that are not based on observable market data. The classification of a fair value within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

s) Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized based on the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in income in the period of enactment. A valuation allowance is recorded against any deferred tax asset if it is more likely than not that the asset will not be realized.

The Company recognizes the effect of income tax positions only if those positions are more likely than not (greater than 50%) of being sustained. Changes in recognition or measurement are reflected in the period in which the change in judgement occurs. The Company accrues interest and penalties for uncertain tax positions in the period in which these uncertainties are identified. Interest and penalties are included in “General and administrative expenses” in the Consolidated Statements of Operations.

t) Stock-based compensation

The Company has a Share Option Plan which is described in note 22(b). The Company accounts for all stock-based compensation payments that are settled by the issuance of equity instruments at fair value. Compensation cost is measured using the Black-Scholes model at the grant date and is expensed on a straight-line basis over the award’s vesting period, with a corresponding increase to additional paid-in capital. Upon exercise of a stock option, share capital is recorded at the sum of proceeds received and the related amount of additional paid-in capital.

The Company has a Restricted Share Unit (“RSU”) Plan which is described in note 22(c). RSUs are generally granted effective July 1 of each fiscal year with respect to services to be provided in that fiscal year and the following two fiscal years. The RSUs generally vest at the end of the three-year term. The Company settles RSUs with common shares purchased on the open market through a trust arrangement. Compensation expense is calculated based on the number of vested RSUs multiplied by the fair value of each RSU as determined by the volume weighted average trading price of the Company’s common shares for the thirty trading days immediately preceding the day on which the fair market value was to be determined. The Company recognizes compensation cost over the three-year term in the Consolidated Statement of Operations, with a corresponding increase to additional paid-in capital. When dividends are paid on common shares, additional dividend equivalent RSUs are granted to all RSU holders as of the dividend payment date. The number of additional RSUs to be granted is determined by multiplying the dividend payment per common share by the number of outstanding RSUs, divided by the fair market value of the Company's common shares on the dividend payment date. Such additional RSUs are granted subject to the same service criteria as the underlying RSUs.

The Company has a Performance Restricted Share Unit ("PSU") plan which is described in note 22(d). The PSUs vest at the end of a three-year term and are subject to the performance criteria approved by the Human Resources and Compensation Committee at the date of the grant. Such performance criterion includes the passage of time and is based upon the improvement of total shareholder return ("TSR") as compared to a defined company Canadian peer group. TSR is calculated using the fair market values of voting common shares at the grant date, the fair market value of voting common shares at the vesting date and the total dividends declared and paid throughout the vesting period. The grants are measured at fair value on the grant date using the Monte Carlo model. At the maturity date, the Human Resources and Compensation Committee will assess actual performance against the performance criteria and determine the number of PSUs that have been earned. The Company intends to settle all PSUs with common shares purchased on the open market through a trust arrangement. The Company recognizes compensation cost over the three-year term of the PSU in the Consolidated Statement of Operations, with a corresponding increase to additional paid-in capital.

The Company has a Deferred Stock Unit (“DSU”) Plan which is described in note 22(e). The DSU plan enables directors and executives to receive all or a portion of their annual fee or annual executive bonus compensation in the form of DSUs and are settled in cash. Compensation expense is calculated based on the number of DSUs multiplied by the fair market value of each DSU as determined by the volume weighted average trading price of the Company’s common shares for the thirty trading days immediately preceding the day on which the fair market value is to be determined, with any changes in fair value recognized in general and administrative expenses on the Consolidated Statements of Operations. Compensation costs related to DSUs are recognized in full upon the grant date as the units vest immediately. When dividends are paid on common shares, additional dividend equivalent DSUs are granted to all DSU holders as of the dividend payment date. The number of additional DSUs to be granted is determined by multiplying the dividend payment per common share by the number of outstanding DSUs,

divided by the fair market value of the Company's common shares on the dividend payment date. Such additional DSUs are granted subject to the same service criteria as the underlying DSUs.

As stock-based compensation expense recognized in the Consolidated Statements of Earnings is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures, based on historical experience. Forfeitures are estimated at the time of grant and revised, in subsequent periods if actual forfeitures differ from those estimates.

u) Net income per share

Basic net income per share is computed by dividing net income by the weighted average number of shares outstanding during the year (see note 18(b)). Diluted net income per share is computed by dividing net income available to common shareholders by the weighted average number of shares outstanding during the year, adjusted for dilutive share amounts. The diluted per share amounts are calculated using the treasury stock method and the if-converted method. The treasury stock method increases the diluted weighted average shares outstanding to include additional shares from the assumed exercise of equity settled stock options, if dilutive. The number of additional shares determined using the treasury stock method is calculated by assuming outstanding in-the-money stock options were exercised and the proceeds from such exercises, including any unamortized stock-based compensation cost, were used to acquire shares of common stock at the average market price during the year. The if-converted method increases the diluted weighted average shares outstanding to include additional shares from the assumed conversion of convertible debentures, if dilutive. The number of additional shares is calculated by assuming the dilutive convertible shares would be outstanding for the entire period, or at the date of issuance, if later. If the convertible debentures are dilutive, the after tax interest expense related to the convertible debentures for the entire period, or from the date of issuance if later, is added back to the net income.

v) Leases

Leases entered into by the Company in which substantially all the benefits and risks of ownership are transferred to the Company are recorded as obligations under capital leases and under the corresponding category of property, plant and equipment. Obligations under capital leases reflect the present value of future lease payments, discounted at an appropriate interest rate, and are reduced by rental payments net of imputed interest. All other leases are classified as operating leases and leasing costs, including any rent holidays, leasehold incentives, and rent concessions, are amortized on a straight-line basis over the lease term.

w) Deferred financing costs

Underwriting, legal and other direct costs incurred in connection with the issuance of debt are presented as deferred financing costs. Deferred financing costs related to the issuance of the Convertible Debentures and the Previous Term Loans are included within liabilities on the Consolidated Balance Sheets and are amortized using the effective interest rate method over the term to maturity. Deferred financing costs related to the Revolver, and the Previous Revolver, are included within other assets on the Consolidated Balance Sheets and are amortized ratably over the term of the Credit Facility.

x) Equity method investments

The Company utilizes the equity method to account for its interests in affiliates and joint ventures that the Company does not control but over which it exerts significant influence. The equity method is typically used when it has an ownership interest of between 20% and 50% in an entity, provided the Company is able to exercise significant influence over the investee’s operations. Significant influence is the power to participate in the financial and operating policy decisions of the investee.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. Transaction costs that are incremental and directly attributable to the investment in affiliates and joint ventures are included in the cost. The total initial cost of the investment is attributable to the net assets in the equity investee at fair value and additional assets acquired including intangible assets.

The carrying amount of the investment is adjusted to recognize changes in the Company’s share of net assets of the associate or joint venture since the acquisition date.

The Consolidated Statement of Operations and Comprehensive Income reflects the Company’s share of the results of operations of the associate or joint venture. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Company recognizes its share of any changes, when applicable, in the statement of changes in shareholders’ equity. Unrealized gains and losses resulting from transactions between the

Company and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Company's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of operations and comprehensive income outside operating profit and represents profit or loss after tax and noncontrolling interests in the subsidiaries of the associate or joint venture.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss within 'Equity earnings in associates and joint ventures' in the consolidated statement of operations and comprehensive income. Upon loss of significant influence over the associate or joint control over the joint venture, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

3. Accounting pronouncements recently adopted

a) Revenue from contracts with customers

The Company adopted Topic 606, Revenue from Contracts with Customers, with a date of initial application of January 1, 2018. The Company used the modified cumulative effect retrospective transition method by recognizing the cumulative effect as an adjustment to the opening balance of equity at January 1, 2018. The Company applied Topic 606 to contracts that were not completed at the time of transition and elected to not separately evaluate the effects of each contract modification prior to the date of adoption. Therefore, comparative financial information has not been adjusted and continues to be reported under the prior standard.

The main impact of the application of this new standard reflected through the adjustment to the opening balance of equity at January 1, 2018 relates to the change in the treatment of mobilization costs which were previously considered a component of the contract. Mobilization costs are now considered a cost to fulfill the contract and not part of the performance obligation. This resulted in a reversal in the amount of cumulative revenue recognized, which was offset by associated amortization expense. The net impact to opening deficit as at January 1, 2018 is $45. Other adjustments include a reclassification of unconditional rights to consideration between contract assets and accounts receivable due to a change in presentation requirements for contract balances.

The following table summarizes the effects of adopting the new revenue standard on the Company's consolidated balance sheets at December 31, 2018:

(in thousands)	As Reported	Adjustments	Balances without adoption of Topic 606
Assets			
Current assets			
Accounts receivable, net (notes 6 and 19(c))	$ 82,399	$ (9,809)	$ 72,590
Contract assets (note 19(c))	10,673	(10,673)	—
Unbilled revenue	—	22,421	22,421
	130,379	1,939	132,318
Other assets (note 10)	10,204	(1,636)	8,568
Investments in affiliates and joint ventures (note 13(a))	11,788	168	11,956
	$ 689,800	**$ 471**	**$ 690,271**
Liabilities and Shareholders' Equity			
Current liabilities			
Contract liabilities	$ 4,032	$ (4,032)	$ —
Billings in excess of costs incurred and estimated earnings on uncompleted contracts	—	4,032	4,032
	148,895	—	148,895
Deferred tax liabilities (note 11)	44,787	127	44,914
	$ 539,585	**$ 127**	**$ 539,712**
Shareholders' Equity			
Deficit	(113,917)	344	(113,573)
	$ 149,721	**$ 344**	**$ 150,065**
Total Liabilities and Equity	**$ 689,800**	**$ 471**	**$ 690,271**

Amounts previously classified as unbilled revenue and billings in excess of costs incurred and estimated earnings on uncompleted contracts are now classified as contract assets and contract liabilities, respectively. For consistency, these new classifications have been applied to amounts in comparative prior periods on the consolidated balance sheets and within the notes that follow.

The following table summarizes the effects of adopting the new revenue standard on the Company's consolidated statements of operations and comprehensive income for the year ended December 31, 2018:

(in thousands)	As Reported	Adjustments	Balances without adoption of Topic 606
Revenue (note 19)	$ 410,061	$ 1,940	$ 412,001
Project costs	152,943	1,637	154,580
Gross profit	**$ 69,076**	**$ 303**	**$ 69,379**
Operating income before the undernoted	**$ 29,980**	**$ 303**	**$ 30,283**
Equity earnings in affiliates and joint ventures (note 13(a))	(60)	(168)	(228)
Income before income taxes	**$ 21,417**	**$ 471**	**$ 21,888**
Deferred income tax expense (note 11)	6,096	127	6,223
Net income and comprehensive income	**$ 15,321**	**$ 344**	**$ 15,665**

The following table summarizes the effects of adopting the new revenue standard on the Company's consolidated statements of cash flows for the year ended December 31, 2018:

(in thousands)	As Reported	Adjustments	Balances without adoption of Topic 606
Cash provided by (used in):			
Operating activities:			
Net income and comprehensive income	$ 15,321	$ 344	$ 15,665
Deferred income tax expense (note 11)	6,096	127	6,223
Net changes in non-cash working capital (note 23(b))	14,178	(471)	13,707
	109,371	—	109,371
Decrease in cash	**$ 11,322**	**$ —**	**$ 11,322**

b) Statement of cash flows

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2016-15, Statement of Cash Flows (Topic 230: Classification of Certain Cash Receipts and Cash Payments). This accounting standard eliminates the diversity in practice related to the classification of certain cash receipts and payments for debt prepayments or extinguishment costs, the maturing of a zero coupon bond, the settlement of contingent liabilities arising from a business combination, proceeds from insurance settlements, distributions from certain equity method investees and beneficial interests obtained in a financial asset securitization. This standard was adopted January 1, 2018 and the adoption did not have a material effect on the Company's consolidated financial statements.

c) Stock-based compensation

In May 2017, the FASB issued ASU No. 2017-09, Compensation - Stock Compensation (Topic 718: Scope of Modification Accounting). This accounting standard update clarifies which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. This standard was adopted January 1, 2018 and the adoption did not have a material effect on the Company's consolidated financial statements.

d) Definition of a business

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805). This accounting standard update clarifies the definition of a business and provides a screening test to determine when an integrated set of assets and activities is not considered a business and, thus, is accounted for as an asset acquisition as opposed to a business combination. The screening test requires that when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not considered a business. This standard was adopted during the year ended December 31, 2018. As discussed in note 5, the Company’s two acquisitions were both determined to be asset acquisitions.

4) Recent accounting pronouncements not yet adopted

a) Leases

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), and subsequently issued several related ASUs to supersede the current leases accounting standard (Topic 840). The main difference between the new standard and the current standard is the requirement that lessees recognize a lease liability and a right-of-use asset for leases classified as operating leases. Lessor accounting remains largely unchanged. Additionally, the standard requires that for a sale to occur in a sale-leaseback transaction, the transfer of assets must meet the requirements for a sale under the new revenue standard. The new lease standard will be effective for the Company for interim and annual reporting periods commencing January 1, 2019, with early adoption permitted.

The standard requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

The new standard will result in recognition of right-of-use assets and liabilities on the consolidated balance sheets. The Company continues to evaluate the impact of adopting the standard on its financial statements and disclosure through its change management plan which guides the adoption of the standard. The Company has compiled an inventory of all leases and has analyzed individual contracts or groups of contracts to identify any significant differences and the impact on lease transactions as a result of adopting the new standard. Through this process, the Company is quantifying the impact on transactions as well as assess the Company's policies, practices, procedures, controls, and systems for changes necessary to process and compile the information to meet the requirements of the new standard.

b) Fair value measurement

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820), Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. This accounting standard update was issued to improve the effectiveness of disclosure requirements on fair value measurement. This standard is effective January 1, 2020 with early adoption permitted. The Company is assessing the impact the adoption of this standard will have on its consolidated financial statements.

c) Internal-use software

In August 2018, the FASB issued ASU 2018-15, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40), Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. This accounting standard update was issued to clarify the accounting for implementation costs in cloud computing arrangements. This standard is effective January 1, 2020 with early adoption permitted. The Company is assessing the impact the adoption of this standard will have on its consolidated financial statements.

d) Related party guidance for variable interest entities

In October 2018, the FASB issued ASU 2018-17, Consolidation (Topic 810), Targeted Improvements to Related Party Guidance for Variable Interest Entities. This accounting standard update was issued to provide an update for determining whether a decision-making fee is a variable interest requiring reporting entities to consider indirect interests held through related parties under common control on a proportional basis rather than as the equivalent of a direct interest in its entirety. This standard is effective January 1, 2020. The Company is assessing the impact the adoption of this standard will have on its consolidated financial statements.

e) Collaborative arrangements

In November 2018, the FASB issued ASU 2018-18, Collaborative Arrangements (Topic 808), Clarifying the Interaction between Topic 808 and Topic 606. This accounting standard update was issued to clarify which transactions should be accounted for as revenue under Topic 606, and additional guidance added to Topic 808 to further align with Topic 606. This standard is effective January 1, 2020. The Company is assessing the impact the adoption of this standard will have on its consolidated financial statements.

5. Acquisitions

a) Investments in affiliates and joint ventures

On November 1, 2018, the Company acquired the outstanding shares of a privately held entity with ownership interests in a group of civil construction and mining entities based in Edmonton, Alberta (collectively referred to as “Nuna”) for cash consideration of $41.5 million plus acquisition costs of $1.3 million. Nuna includes the following interests in Canadian corporations and partnerships:

- Nuna East Ltd. (37.25%)
- Nuna Pang Contracting Ltd. (37.25%)
- Nuna West Mining Ltd. (49%)
- Nuna Logistics Partnership (49%) ("NL Partnership")

The NL Partnership also holds investments in various other joint ventures and Canadian corporations. The majority of Nuna's operations occur within NL Partnership, in which the Company acquired a 49% ownership interest. The majority 51% ownership interest in NL Partnership is held by the Kitikmeot Corporation, a wholly-owned business entity of the Kitikmeot Inuit Association.

The Company accounted for the transaction as an asset acquisition. As such, the assets acquired were recognized at cost based on their relative fair values. The Company determined the estimated fair values using Level 3 inputs after review and consideration of relevant information, including but not limited to information supplied by the vendor, discounted cash flows, quoted market prices and estimates made by management.

The Company accounted for the transaction as an asset acquisition. The purchase price at the date of acquisition is allocated to net assets acquired as follows:

Assets		
Cash	$	10,939
Accounts receivable, net		13,234
Contract assets		3,089
Inventories		3,926
Prepaid expenses and deposits		304
		31,492
Property, plant and equipment		15,962
Other assets		1,375
Investment in affiliates and joint ventures		11,728
Total Assets		**60,557**
Liabilities		
Accounts payable		10,604
Accrued liabilities		1,136
Contract liabilities		360
		12,100
Long term debt (including current portion)		3,127
Capital lease obligation (including current portion)		542
Deferred tax liabilities		1,938
Total Liabilities		**17,707**
Net assets acquired	**$**	**42,850**

b) Heavy construction fleet and related assets

On November 23, 2018, the Company acquired a heavy construction equipment fleet and related assets for $198.0 million from a vendor. The transaction involved the purchase of the vendor’s fleet of heavy earth-moving assets, together with support equipment, maintenance facilities, land and the vendor's interest in assigned contracts. The purchase was fully financed at closing through an increased and extended credit facility with the Company's existing lenders, led by National Bank Financial Inc. Under the asset purchase agreement, the final purchase price is subject to closing adjustments, including a price adjustment tied to the final net book value of the purchased assets. The purchase agreement included an initial cash payment upon closing of $150.8 million and the assumption of $12.6 million in capital leases and equipment-related promissory notes from the seller. The unpaid balance of the purchase price has been recorded at fair value within promissory notes and will be paid in three installments, six, twelve and eighteen months from the closing date. The installments will be accreted using the effective interest method. Any adjustments to the final purchase price will be undertaken in accordance with the terms of the purchase sale agreement.

The Company accounted for the transaction as an asset acquisition. As such, the assets acquired were recognized at cost based on their relative fair values. The Company determined the estimated fair values using Level 3 inputs

after review and consideration of relevant information, including but not limited to information supplied by the vendor, discounted cash flows, quoted market prices and estimates made by management.

The purchase price was primarily allocated to heavy equipment, land and building and inventory. Intangible assets were recognized with respect to favorable interest rates on the capital leases and promissory notes assumed, as well as an interest in the Mikisew North American Limited Partnership ("MNALP"). Transaction costs of $0.4 million associated with the acquisition were capitalized.

6. Accounts receivable

	December 31, 2018	December 31, 2017
Trade	$ 67,913	$ 45,158
Holdbacks	558	558
Accrued trade receivables	9,807	—
Contract receivables (note 19(c))	$ 78,278	$ 45,716
Other	4,121	1,090
	$ 82,399	$ 46,806

Holdbacks represent amounts up to 10% of the contract value under certain contracts that the customer is contractually entitled to withhold until completion of the project or until certain project milestones are achieved.

7. Prepaid expenses and deposits

	December 31, 2018	December 31, 2017
Prepaid insurance and deposits	$ 1,149	$ 844
Prepaid interest payments	826	85
Current portion of prepaid lease payments	1,761	969
	$ 3,736	$ 1,898

The long term portion of prepaid lease payments is recorded in other assets (note 10(a)).

8. Assets held for sale

At December 31, 2018, the Company classified $672 of property, plant and equipment as "Assets held for sale" on the Consolidated Balance Sheets (2017 - $5,642). During the year ended December 31, 2018, impairment of assets held for sale amounting to $1,734 has been included in depreciation expense in the Consolidated Statements of Operations (2017 – $1,621). The write-down is the amount by which the carrying value of the related assets exceeded their fair value less costs to sell.

9. Property, plant and equipment

December 31, 2018	Cost	Accumulated Depreciation	Net Book Value
Owned assets			
Heavy equipment	$ 346,071	$ 78,296	$ 267,775
Major component parts in use	143,032	66,019	77,013
Other equipment	33,824	21,711	12,113
Licensed motor vehicles	19,745	15,618	4,127
Office and computer equipment	8,972	6,450	2,522
Land	11,095	—	11,095
Buildings	31,425	6,265	25,160
Leasehold improvements	2,875	1,053	1,822
	597,039	195,412	401,627
Assets under capital lease			
Heavy equipment	110,759	35,376	75,383
Major component parts in use	64,602	16,964	47,638
Other equipment	772	17	755
Licensed motor vehicles	3,822	1,087	2,735
Office and computer equipment	23	23	—
Buildings	25	6	19
	180,003	53,473	126,530
Total property, plant and equipment	$ 777,042	$ 248,885	$ 528,157

December 31, 2017	Cost	Accumulated Depreciation	Net Book Value
Owned assets			
Heavy equipment	$ 196,045	$ 77,726	$ 118,319
Major component parts in use	72,448	45,694	26,754
Other equipment	31,923	18,400	13,523
Licensed motor vehicles	18,298	14,888	3,410
Office and computer equipment	10,157	9,468	689
Land	7,168	—	7,168
Buildings	2,547	2,482	65
	338,586	168,658	169,928
Assets under capital lease			
Heavy equipment	69,657	28,613	41,044
Major component parts in use	85,015	21,247	63,768
Other equipment	558	543	15
Licensed motor vehicles	5,129	1,242	3,887
Office and computer equipment	23	17	6
	160,382	51,662	108,720
Total property, plant and equipment	$ 498,968	$ 220,320	$ 278,648

During the year ended December 31, 2018, additions to property, plant and equipment by means of capital leases were $21,904 (2017 - $14,033). During the year ended December 31, 2018, the Company completed sale-leaseback transactions of $29,295 (2017 - $20,697). Deferred gains on sale-leaseback transactions are included in other long term obligations and are amortized over the expected life of the equipment (note 17(d)). Depreciation of equipment under capital lease of $25,995 (2017 – $19,483) was included in depreciation expense in the current year.

10. Other assets

a) Other assets are as follows:

	December 31, 2018	December 31, 2017
Long term prepaid lease payments	$ 1,853	$ 1,779
Other long term receivable	619	—
Intangible assets (note 10(b))	2,916	938
Deferred financing costs (note 10(c))	1,178	707
Deferred lease inducement asset (note 10(d))	641	784
Loan to DNSS Partnership (note 13(b))	689	969
Contract costs (note 19(f))	2,308	422
	$ 10,204	$ 5,599

b) Intangible assets

December 31, 2018	Cost	Accumulated amortization	Net book value
Internal-use software	$ 11,925	$ 11,019	$ 906
Other intangible assets	2,010	—	2,010
	$ 13,935	$ 11,019	$ 2,916

December 31, 2017	Cost	Accumulated amortization	Net book value
Internal-use software	$ 18,188	$ 17,250	$ 938

During the year ended December 31, 2018, fully amortized internal-use software with a cost of $6,643 was disposed. Amortization of intangible assets for the year ended December 31, 2018 was $412 (2017 – $918). The estimated amortization expense for future years is as follows:

For the year ending December 31,	
2019	$ 734
2020	664
2021	470
2022	439
2023 and thereafter	609
	$ 2,916

c) Deferred financing costs

	December 31, 2018	December 31, 2017
Cost	$ 1,575	$ 821
Accumulated amortization	397	114
	$ 1,178	$ 707

During the year ended December 31, 2018, financing fees of $754 (2017 - $840) were incurred in connection with the revolving facilities under the credit facilities (note 14(b)). These fees are being amortized ratably over the term of the credit facilities.

Amortization of these deferred financing costs included in interest expense for the year ended December 31, 2018 was $283 (2017 – $453) (note 21).

d) Deferred lease inducements asset

	December 31, 2018	December 31, 2017
Balance, beginning of year	$ 784	$ 927
Amortization	(143)	(143)
Balance, end of year	$ 641	$ 784

Lease inducements applicable to lease contracts are deferred and amortized as an increase in general and administrative expenses on a straight-line basis over the lease term, which includes the initial lease term and renewal periods only where renewal is determined to be reasonably assured.

11. Income taxes

Income tax provision differs from the amount that would be computed by applying the Federal and Provincial statutory income tax rates to income before income taxes. The reasons for the differences are as follows:

Year ended December 31,	2018	2017
Income before income taxes	$ 21,417	$ 6,468
Tax rate	27.00%	27.00%
Expected expense	$ 5,783	$ 1,746
(Decrease) increase related to:		
Income tax adjustments and reassessments	—	30
Non taxable portion of capital gains	(60)	(672)
Stock-based compensation	26	88
Other	347	12
Deferred income tax expense	$ 6,096	$ 1,204

The deferred tax assets and liabilities are summarized below:

	December 31, 2018	December 31, 2017
Deferred tax assets:		
Non-capital and net capital loss carryforwards	$ 24,478	$ 18,619
Deferred financing costs	—	52
Contract liabilities	572	222
Capital lease obligations	23,207	17,961
Stock-based compensation	3,545	2,985
Other	2,538	2,357
Subtotal	$ 54,340	$ 42,196
Less: valuation allowance	(1,035)	(1,035)
	$ 53,305	$ 41,161
Deferred tax liabilities:		
Contract assets	$ 3,711	$ 5,231
Assets held for sale	116	1,523
Accounts receivable – holdbacks	96	72
Property, plant and equipment	84,811	61,953
Deferred financing costs	86	—
	$ 88,820	$ 68,779
Net deferred income tax liability	$ 35,515	$ 27,618

Classified as:

	December 31, 2018	December 31, 2017
Deferred tax asset	$ 9,272	$ 10,539
Deferred tax liability	(44,787)	(38,157)
	$ (35,515)	$ (27,618)

In 2018 and 2017, the Company and its subsidiaries file income tax returns in the Canadian federal jurisdiction and one provincial jurisdiction.

At December 31, 2018, the Company has a deferred tax asset of $ 23,443 resulting from non-capital loss carryforwards of $86,826, which expire as follows:

	December 31, 2018
2025	$ 2
2026	151
2027	128
2031	605
2032	6,409
2033	5,893
2034	5,200
2036	2,207
2037	17,922
2038	48,309
	$ 86,826

At December 31, 2018, the Company has recorded a full valuation allowance against the deferred tax asset of $1,035 resulting from net capital loss carryforwards of $7,664, which have an indefinite life.

12. Accrued liabilities

	December 31, 2018	December 31, 2017
Accrued interest payable	$ 972	$ 714
Payroll liabilities	15,360	8,828
Liabilities related to equipment leases	423	219
Dividends payable (note 18(d))	500	510
Income and other taxes payable	1,749	2,007
Liabilities related to tire disposal	153	156
	$ 19,157	$ 12,434

13. Investments in affiliates and joint ventures

Information regarding the Company's investments in certain Canadian corporations and joint ventures is outlined below. For each of these investments, the Company's maximum exposure to loss is the Company's share of the investee's net assets. The Company's share of the assets and liabilities in each of these entities is not material to the Company's overall operations.

a) Nuna

The Company accounts for the NL Partnership (including its wholly-owned subsidiaries) using proportionate consolidation and accounts for Nuna East Ltd., Nuna West Mining Ltd. and Nuna Pang Contracting Ltd. using the equity method.

The NL Partnership holds investments in various affiliates and joint ventures. These entities were formed to perform heavy construction and mining services. The NL Partnership's involvement with these entities consists of the following activities: assisting in the formation and financing of the entity; providing recourse and/or liquidity support; servicing the assets; providing managerial and administrative services; and receiving fees for services provided.

Certain of these entities meet the definition of VIEs. The NL Partnership has consolidated the results of the VIEs in which it is determined to be the primary beneficiary with the recognition of noncontrolling interest, if any, representing amounts attributable to other equity-holders. When the NL Partnership is not considered to be the primary beneficiary of a VIE, it accounts for the investment using either the equity method or proportionate consolidation. When an entity does not meet the definition of a VIE, the voting interest model is applied and it is accounted for using either the equity method or proportionate consolidation.

The following table summarizes the investments of the NL Partnership, including the NL Partnership's ownership interest therein:

	NL Partnership Interest
Equity method investments:	
Kivalliq Services Ltd.[(i)]	33.33%
HRN Contracting Ltd.[(ii)]	33.33%
Proportionately consolidated investments:	
Amik Nuna Forestry Services	50.00%
Aroland Nuna	49.00%
Fond Du Lac Nuna	49.00%
Mahiikanuk Nuna	49.00%
Met Nuna	75.00%
Nuna Bauer	50.00%
EDC Nuna Contracting	70.00%
Attawapiskat Nuna	75.00%
Westarc Drilling & Blasting Joint Venture[(iii)]	30.00%
Consolidated investments:	
Deton Cho Nuna	60.00%
Nuna Deton Cho Winter Road Services	75.00%
Nuna Deton Cho Contracting	100.00%

(i) Includes investment in MTKSL Contracting Joint Venture
(ii) Includes investment in TDIC/HRN Contracting Joint Venture
(iii) Includes investment in Westarc Drilling & Blasting Services Ltd.

The following table summarizes the movement in the investments in affiliates and joint ventures balance during the year:

	December 31, 2018	December 31, 2017
Balance, beginning of the year	$ —	$ —
Additions arising on acquisition	11,728	—
Share of net income	60	—
Balance, end of the year	$ 11,788	$ —

The financial information for the investments in affiliates and joint ventures accounted for using the equity method is summarized as follows:

Balance Sheets

	December 31, 2018	December 31, 2017
Assets		
Current assets	$ 9,769	$ —
Non-current assets	2,392	—
Total assets	$ 12,161	$ —
Liabilities		
Current liabilities	$ 4,013	$ —
Non-current liabilities	3,032	—
Total liabilities	$ 7,045	$ —

Statement of Operations and Comprehensive Income

Year ended December 31,	2018	2017
Revenues	$ 1,771	$ —
Gross profit	152	—
Income before taxes	98	—
Net income and comprehensive income	$ 60	$ —

b) Dene North Site Services Partnership ("DNSS Partnership")

The Company holds a 49% interest in DNSS Partnership, which is an unincorporated partnership that was formed to perform work care, maintenance work, remedial improvements and demolition over the reclamation of a mine site. It is considered a VIE due to insufficient equity to finance activities without subordinated financial support. The Company determined that it does not meet the definition of the primary beneficiary because it does not have the

exclusive right to direct the activities that most significantly impact DNSS Partnership's economic performance. The Company accounts for its interest in DNSS Partnership using proportionate consolidation.

c) Mikisew North American Limited Partnership (“MNALP”)

The Company holds a 49% interest in the MNALP's, which is an unincorporated partnership that was formed to perform heavy construction and mining services. It is considered a VIE due to insufficient equity to finance activities without subordinated financial support. The Company determined that it does not meet the definition of the primary beneficiary because it does not have the exclusive right to direct the activities that most significantly impact the MNALP's economic performance. The Company accounts for its interest in the MNALP's using proportionate consolidation.

14. Long term debt

a) Long term debt amounts are as follows:

Current:

	December 31, 2018	December 31, 2017
Credit facilities (note 14(b))	$ 1,167	$ —
Mortgage (note 14(d))	386	—
Promissory notes	28,443	—
	$ 29,996	$ —

Long term:

	December 31, 2018	December 31, 2017
Credit facilities (note 14(b))	$ 193,751	$ 32,000
Convertible Debentures (note 14(c))	39,976	40,000
Mortgage (note 14(d))	19,514	—
Promissory notes	14,494	—
Less: deferred financing costs (note 14(e))	(1,773)	(1,935)
	$ 265,962	$ 70,065

The aggregate maturities of long-term debt for each of the five years subsequent to December 31, 2018 are: $29.2 million in 2019, $14.6 million in 2020, $0.5 million in 2021, $0.5 million in 2022 and $0.5 million in 2023.

b) Credit facilities

i) Company Credit Facility

	December 31, 2018	December 31, 2017
Current portion of Credit Facility	$ —	$ —
Long term portion of Credit Facility	192,000	32,000
	$ 192,000	$ 32,000

On August 1, 2017, the Company entered into the Credit Facility Agreement (the "Previous Credit Facility") with a banking syndicate led by National Bank Financial Inc. The Previous Credit Facility was comprised solely of a revolving loan (the “Previous Credit Facility Revolver”) which allowed borrowing of up to $140.0 million, of which letters of credit could not exceed $25.0 million with an ability to increase the maximum borrowings by an additional $25.0 million, subject to certain conditions. The Previous Credit Facility permitted additional capital lease obligation to a limit of $100.0 million.

On November 23, 2018, the Company entered into an Amended and Restated Credit Agreement (the "Credit Facility") with a banking syndicate led by National Bank Financial Inc. The Credit Facility is comprised solely of a revolving loan (the "Revolver") which allows increased borrowings of up to $300.0 million, of which letters of credit may not exceed $25.0 million with an ability to increase the maximum borrowings by an additional $50.0 million, subject to certain conditions. This facility matures on November 23, 2021, with an option to extend on an annual basis. The Credit Facility increased the permitted capital lease obligation to a limit of $150.0 million. The Credit Facility increased permitted other debt outstanding to a limit of $20.0 million.

As at December 31, 2018, there was $0.9 million (December 31, 2017 - $0.8 million) in issued letters of credit under the Credit Facility and the unused borrowing availability was $107.1 million (December 31, 2017 - $107.2 million).

The Credit Facility has two financial covenants that must be tested quarterly on a trailing four quarter basis.

- The first covenant is the senior leverage ratio ("Senior Leverage Ratio") which is Senior Debt compared to Bank EBITDA less NACG Acheson Ltd. rental revenue of $1.8 million (prorated in 2018).
    - "Senior Debt" is defined as long term debt, capital leases and outstanding letters of credit, excluding Convertible Debentures, deferred financing costs and the mortgage related to NACG Acheson Ltd. The BDC mortgage and security are structured as permitted exclusions from the security interests of the syndicate Lenders and the Senior Debt as defined in the Credit Facility.
    - "Bank EBITDA" is defined as earnings before interest, taxes, depreciation, and amortization, excluding the effects of unrealized foreign exchange gain or loss, realized and unrealized gain or loss on derivative financial instruments, cash and non-cash stock-based compensation expense, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of assets held for sale and certain other non-cash items included in the calculation of net income.

  The Senior Leverage Ratio under the Credit Facility is to be maintained at less than or equal to 4.0:1 with a step down to less than or equal to 3:50:1 at Q3 2019, and less than or equal to 3.0:1 at Q4 2019 and thereafter. In the event the Company enters into a material acquisition, the maximum allowable Senior Leverage Ratio would include a step up of 0.50x for four quarters following the acquisition once the covenant reverts to 3.0:1 at Q4 2019. Under the Previous Credit Facility, the Senior Leverage Ratio was to be maintained at less than or equal to 3.0:1.
- The second covenant is the fixed charge coverage ratio ("Fixed Charge Coverage Ratio") which is defined as Bank EBITDA less cash taxes compared to Fixed Charges.
    - "Fixed Charges" is defined as cash interest, scheduled payments on debt, unfunded cash distributions by the Company and unfunded capital expenditures.

  The Credit Facility amendment resulted in an amendment to the Fixed Charge Coverage Ratio Calculation to exclude the initial November 23, 2018 fleet purchase and associated capital expenditures until the end of Q1 2019 from the calculation of fixed charges. The Fixed Charge Coverage Ratio is to be maintained at a ratio greater than 1.15:1. Under the Previous Credit Facility, the Fixed Charge Coverage Ratio is to be maintained at a ratio greater than 1.15:1. As at December 31, 2018, the Company was in compliance with its financial covenants.

The Credit Facility bears interest at Canadian prime rate, U.S. Dollar Base Rate, Canadian bankers' acceptance rate or London interbank offered rate ("LIBOR") (all such terms as used or defined in the Credit Facility), plus applicable margins. The Company is also subject to non-refundable standby fees, 0.35% to 0.70% depending on the Company's Total Debt / Bank EBITDA Ratio. Total debt ("Total Debt") is defined in the Credit Facility as long term debt including capital leases and letters of credit, excluding Convertible Debentures, deferred financing costs, the mortgage related to NACG Acheson Ltd., and other non-recourse debt. The Credit Facility includes improved pricing and is secured by a first priority lien on all of the Company's existing and after-acquired property.

ii) Affiliate and joint venture credit facilities:

	December 31, 2018	December 31, 2017
Current portion of Nuna Credit Facility	$ 1,167	$ —
Long term portion of Nuna Credit Facility	1,751	—
	$ 2,918	$ —

On December 8, 2018, Nuna renewed a previously existing Facility and Security Agreement with ATB Financial ("the Nuna Credit Facility") with the following instruments:

- The first instrument is an operating loan facility which allows borrowings of up to $5.0 million and bears interest at Canadian prime rate, plus applicable margins. The loan is secured by a lien on all of the Nuna existing and after-acquired property. As at December 31, 2018, the unused borrowing availability was $5.0 million.
- The second instrument is a non-revolving reducing loan facility which allows borrowings of up to $3.1 million, which is used to finance equipment. The facility bears interest at Canadian prime rate, plus applicable margins. The loan is secured by a lien on all of Nuna's existing and after-acquired property.
- The third instrument is an equipment financing facility which allows borrowings of up to $5.5 million. The maximum loan amount is available in one or multiple financing schedules with a maximum financing term of 60 months. As at December 31, 2018, there was $2.9 million in loans outstanding (at a 100% basis).

The Nuna Credit Facilities have three financial covenants that must be tested. As of December 31, 2018, Nuna was in compliance with its covenants.

c) Convertible Debentures

On March 15, 2017, the Company issued $40.0 million in aggregate principal amount of 5.50% convertible unsecured subordinated debentures (the "Convertible Debentures") which mature on March 31, 2024. The Company pays interest at an annual rate of 5.50%, payable semi-annually on March 31 and September 30.

The Convertible Debentures may be converted into common shares of the Company at the option of the holder at a conversion price of $10.85 per common share, which is equivalent to approximately 92.1659 common shares per $1,000 principal amount of notes.

The Convertible Debentures are redeemable at the option of the Company, in whole or in part, at any time on or after March 31, 2020 at a redemption price equal to the principal amount, plus accrued and unpaid interest accrued to the redemption date, provided that the market price of the common shares is at least 125% of the conversion price; and on or after March 31, 2022 at a redemption price equal to the principal amount, plus accrued and unpaid interest accrued to the redemption date. The Convertible Debentures are not redeemable prior to March 31, 2020, except under certain conditions after a change in control has occurred.

If a change in control occurs, the Company is required to offer to purchase all of the Convertible Debentures at a price equal to 101% of the principal amount plus accrued and unpaid interest to the date of purchase.

d) Mortgage

In November 2018, the Company entered into a 25-year mortgage with the Business Development Bank of Canada ("BDC") for $19.9 million. The mortgage bears interest for the first five years at a fixed rate of 4.80% and has an expiration date of January 2044. The mortgage is secured by a first security interest in the Company's equipment maintenance and rebuild facility with attached head office in Acheson, Alberta.

e) Deferred financing costs

	December 31, 2018	December 31, 2017
Cost	$ 2,227	$ 2,133
Accumulated amortization	454	198
	$ 1,773	$ 1,935

During the year ended December 31, 2018, financing fees of $94 were incurred in connection with obtaining the mortgage. These fees are being amortized using the effective interest method over the term to maturity.

Amortization of these deferred financing costs included in interest expense for the year ended December 31, 2018 was $256 (2017 – $344) (note 21).

15. Capital lease obligations

The minimum lease payments due in each of the next five fiscal years are as follows:

2019	$ 33,886
2020	23,843
2021	15,115
2022	11,621
2023	6,308
Subtotal:	$ 90,773
Less: amount representing interest (at rates ranging from 2.48% to 7.51%)	(4,205)
Carrying amount of minimum lease payments	$ 86,568
Less: current portion	(32,250)
Long term portion	$ 54,318

16. Financial instruments and risk management

a) Fair value measurements

In determining the fair value of financial instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing on each reporting date. Standard market conventions and techniques, such as discounted cash flow analysis and option pricing models are used to determine the fair value of the Company's financial instruments. All methods of fair value measurement result in a general approximation of value and such value may never actually be realized.

The fair values of the Company's cash, accounts receivable, contract assets, loan to DNSS Partnership, accounts payable, accrued liabilities and contract liabilities approximate their carrying amounts due to the relatively short periods to maturity for the instruments.

Financial instruments with carrying amounts that differ from their fair values are as follows:

		December 31, 2018		December 31, 2017	
	Fair Value Hierarchy Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Capital lease obligations	Level 2	$ 86,568	$ 78,373	$ 66,969	$ 61,872
Convertible Debentures	Level 2	39,976	48,371	40,000	38,700
Credit facilities	Level 3	194,918	194,918	32,000	32,000
Mortgage	Level 2	19,900	19,900	—	—
Promissory notes	Level 2	42,937	42,937	—	—

Non-financial assets measured at estimated fair market value on a non-recurring basis as at December 31, 2018 and 2017 in the financial statements are summarized below:

	December 31, 2018		December 31, 2017	
	Change in Fair Value	Carrying Amount	Change in Fair Value	Carrying Amount
Assets held for sale	$ (1,278)	$ 672	$ (72)	$ 5,642

Assets held for sale are reported at the lower of their carrying amount or estimated fair value less cost to sell. The change in fair value includes the writedown related to the carrying amount as at December 31, 2018. The estimated fair market value less cost to sell of equipment assets held for sale (note 8) is determined internally by analyzing recent auction prices for equipment with similar specifications and hours used, the residual value of the asset and the useful life of the asset. The estimated fair market value of the equipment assets held for sale are classified under Level 3 of the fair value hierarchy.

b) Risk management

The Company is exposed to market and credit risks associated with its financial instruments. The Company will from time to time use various financial instruments to reduce market risk exposures from changes in foreign currency exchange rates and interest rates.

Overall, the Company's Board of Directors has responsibility for oversight of the Company's risk management policies. Management performs a risk assessment on a continual basis to help ensure that all significant risks related to the Company and its operations have been reviewed and assessed to reflect changes in market conditions and the Company's operating activities.

c) Market risk

Market risk is the risk that the future revenue or operating expense related cash flows, the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign currency exchange rates and interest rates. The level of market risk to which the Company is exposed at any point in time varies depending on market conditions, expectations of future price or market rate movements and composition of the Company's financial assets and liabilities held, non-trading physical assets and contract portfolios.

To manage the exposure related to changes in market risk, the Company has used various risk management techniques. Such instruments may be used to establish a fixed price for a commodity, an interest bearing obligation or a cash flow denominated in a foreign currency.

The sensitivities provided below are hypothetical and should not be considered to be predictive of future performance or indicative of earnings on these contracts.

i) Foreign exchange risk
The Company regularly transacts in foreign currencies when purchasing equipment and spare parts as well as certain general and administrative goods and services. These exposures are generally of a short-term nature and the impact of changes in exchange rates has not been significant in the past. The Company may fix its exposure in either the Canadian Dollar or the US Dollar for these short term transactions, if material.

ii) Interest rate risk
The Company is exposed to interest rate risk from the possibility that changes in interest rates will affect future cash flows or the fair values of its financial instruments. Interest expense on borrowings with floating interest rates, including the Company's Credit Facility, varies as market interest rates change. At December 31, 2018, the

Company held $194.9 million of floating rate debt pertaining to its credit facilities (December 31, 2017 – $32.0 million). As at December 31, 2018, holding all other variables constant, a 100 basis point change to interest rates on floating rate debt will result in $1.9 million corresponding change in annual interest expense. This assumes that the amount of floating rate debt remains unchanged from that which was held at December 31, 2018.

The fair value of financial instruments with fixed interest rates fluctuate with changes in market interest rates. However, these fluctuations do not affect earnings, as the Company's debt is carried at amortized cost and the carrying value does not change as interest rates change.

The Company manages its interest rate risk exposure by using a mix of fixed and variable rate debt.

d) Credit risk

Credit risk is the risk that financial loss to the Company may be incurred if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company manages the credit risk associated with its cash by holding its funds with what it believes to be reputable financial institutions. The Company is also exposed to credit risk through its accounts receivable and contract assets. Credit risk for trade and other accounts receivables and contract assets are managed through established credit monitoring activities.

The concentration risk is mitigated primarily by the customers being large investment grade organizations. The credit worthiness of new customers is subject to review by management through consideration of the type of customer and the size of the contract.

At December 31, 2018 and December 31, 2017, the following customers represented 10% or more of accounts receivable and contract assets:

	December 31, 2018	December 31, 2017
Customer 1	33%	42%
Customer 2	16%	20%
Customer 3	12%	10%
Customer 4	7%	10%
Customer 5	4%	12%

The Company reviews its accounts receivable amounts regularly and amounts are written down to their expected realizable value when outstanding amounts are determined not to be fully collectible. This generally occurs when the customer has indicated an inability to pay, the Company is unable to communicate with the customer over an extended period of time, and other methods to obtain payment have not been successful. Bad debt expense is charged to project costs in the Consolidated Statements of Operations in the period that the account is determined to be doubtful. Estimates of the allowance for doubtful accounts are determined on a customer-by-customer evaluation of collectability at each reporting date taking into consideration the following factors: the length of time the receivable has been outstanding, specific knowledge of each customer's financial condition and historical experience. The Company reviews its contract assets regularly and assesses any amounts that are not billed within the next billing cycle to confirm collectability.

The Company's maximum exposure to credit risk for accounts receivable and contract assets is as follows:

	December 31, 2018	December 31, 2017
Trade accounts receivable	$ 67,913	$ 45,158
Holdbacks	558	558
Accrued trade receivables	9,807	—
Other receivables	4,121	1,090
Total accounts receivable	$ 82,399	$ 46,806
Contract assets	10,673	21,572
Total	$ 93,072	$ 68,378

Payment terms are per the negotiated customer contracts and generally range between net 15 days and net 60 days. As at December 31, 2018 and December 31, 2017, trade receivables and holdbacks are aged as follows:

	December 31, 2018	December 31, 2017
Not past due	$ 60,326	$ 42,882
Past due 1-30 days	6,649	2,566
Past due 31-60 days	728	—
More than 61 days	768	268
Total	$ 68,471	$ 45,716

As at December 31, 2018, the Company has recorded an allowance for doubtful accounts of $nil (December 31, 2017 - $nil).

17. Other long term obligations

a) Other long term obligations are as follows:

	December 31, 2018	December 31, 2017
Deferred lease inducements liability (note 17(b))	$ 1,419	$ 10
Asset retirement obligation (note 17(c))	818	744
Directors' deferred stock unit plan (note 22(e))	13,413	5,672
Deferred gain on sale-leaseback (note 17(d))	8,438	7,654
Provision for loss on sublease (note 17(e))	1,535	—
	$ 25,623	$ 14,080

b) Deferred lease inducements liability

Lease inducements applicable to lease contracts are deferred and amortized as a reduction of general and administrative expenses on a straight-line basis over the lease term, which includes the initial lease term and renewal periods only where renewal is determined to be reasonably assured.

	December 31, 2018	December 31, 2017
Balance, beginning of year	$ 10	$ 38
Addition	1,412	—
Amortization of deferred lease inducements	(3)	(28)
Balance, end of year	$ 1,419	$ 10

c) Asset retirement obligation

The Company recorded an asset retirement obligation related to the future retirement of a facility on leased land. Accretion expense associated with this obligation is included in equipment costs in the Consolidated Statements of Operations.

The following table presents a continuity of the liability for the asset retirement obligation:

	December 31, 2018	December 31, 2017
Balance, beginning of year	$ 744	$ 678
Accretion expense	74	66
Balance, end of year	$ 818	$ 744

At December 31, 2018, estimated undiscounted cash flows required to settle the obligation were $1,084 (December 31, 2017 – $1,084). The credit adjusted risk-free rate assumed in measuring the asset retirement obligation was 9.42%. The Company expects to settle this obligation in 2021.

d) Deferred gain on sale-leaseback

At December 31, 2018, the Company recorded a gain of $2,262 (December 31, 2017 – $5,155) on the sale-leaseback of certain heavy equipment. The gain on sale has been deferred and is being amortized in the Consolidated Statements of Operations over the expected useful life of the equipment.

	December 31, 2018	December 31, 2017
Balance, beginning of year	$ 7,654	$ 3,199
Addition	2,262	5,155
Amortization of deferred gain on sale-leaseback	(1,478)	(700)
Balance, end of year	$ 8,438	$ 7,654

e) Provision for loss on sublease

In 2018, the Company recorded a provision for the loss on the sub-lease of an under-utilized office facility. The provision is being amortized within general and administrative expenses in the Consolidated Statements of Operations over the remaining term of the lease.

The following table presents a continuity of the provision for the loss on sublease:

	December 31, 2018	December 31, 2017
Balance, beginning of year	$ —	$ —
Addition	1,732	—
Amortization of loss	(197)	—
Balance, end of year	$ 1,535	$ —

18. Shares

a) Common shares

Issued and outstanding:

	Common shares	Treasury shares	Common shares outstanding, net of treasury shares
Issued and outstanding at December 31, 2016	30,518,907	(2,213,247)	28,305,660
Issued upon exercise of stock options	176,800	—	176,800
Purchase of treasury shares for settlement of certain equity classified stock-based compensation	—	(758,271)	(758,271)
Settlement of certain equity classified stock-based compensation	—	353,592	353,592
Retired through share purchase program	(2,625,557)	—	(2,625,557)
Issued and outstanding at December 31, 2017	28,070,150	(2,617,926)	25,452,224
Issued upon exercise of stock options	297,940	—	297,940
Issued upon conversion of convertible debentures	2,211	—	2,211
Purchase of treasury shares for settlement of certain equity classified stock-based compensation	—	(660,620)	(660,620)
Settlement of certain equity classified stock-based compensation	—	1,193,935	1,193,935
Retired through share purchase program	(1,281,485)	—	(1,281,485)
Issued and outstanding at December 31, 2018	27,088,816	(2,084,611)	25,004,205

Upon settlement of certain equity classified stock-based compensation during the year ended December 31, 2018, the Company repurchased 553,036 shares at $4,308 to satisfy the recipient tax withholding requirements (year ended December 31, 2017 - 161,285 shares at $987). The repurchased shares are included in the purchase of treasury shares for settlement of certain equity classified stock-based compensation.

b) Net income per share

For the year ended December 31, 2018, there were 14,247 stock options that were anti-dilutive and therefore not considered in computing diluted earnings per share (year ended December 31, 2017 – 469,819 stock options and 2,949,309 shares issuable on conversion of Convertible Debentures).

Year ended December 31,	2018	2017
Net income available to common shareholders	$ 15,286	$ 5,264
Interest from Convertible Debentures (after tax)	1,792	—
Diluted net income available to common shareholders	$ 17,078	$ 5,264
Weighted average number of common shares	24,991,517	26,697,066
Weighted average effect of dilutive securities		
Dilutive effect of treasury shares	2,394,824	2,622,957
Dilutive effect of stock options	357,026	285,703
Dilutive effect of Convertible Debentures	3,684,424	—
Weighted average number of diluted common shares	31,427,791	29,605,726
Basic net income per share	$ 0.61	$ 0.20
Diluted net income per share	$ 0.54	$ 0.18

c) Share purchase programs

On August 9, 2016, the Company commenced a normal course issuer bid ("NCIB") which was subsequently amended in 2017 to purchase a maximum of 2,733,482 shares. During the year ended December 31, 2017, the maximum number of shares to be purchased was 1,657,514 of which 1,482,795 were purchased, resulting in a reduction to common shares of $12,763 and an increase to additional paid-in capital of $3,484.

Commencing on August 14, 2017, the Company engaged in a NCIB under which a maximum number of 2,424,333 common shares were authorized to be purchased. As at December 31, 2017, 1,142,762 shares had been purchased and subsequently cancelled under this NCIB, resulting in a reduction of common shares of $9,810 and an increase to additional paid-in capital of $4,119. During the twelve months ended December 31, 2018, the Company purchased and subsequently cancelled a further 1,281,485 shares, which resulted in a reduction of common shares of $10,975 and an increase to additional paid-in capital of $1,435. This NCIB expired on August 13, 2018.

d) Dividends

The Company intends to pay an annual aggregate dividend of eight Canadian cents ($0.08) per common share, payable on a quarterly basis.

During the year ended December 31, 2018, the Company paid regular quarterly cash dividends of $0.02 per share on common shares (December 31, 2017 - $0.02). At December 31, 2018, an amount of $500 was included in accrued liabilities related to the dividend declared on October 29, 2018 (December 31, 2017 - $510).

19. Revenue

a) Disaggregation of revenue

In the following table, revenue is disaggregated by source, commercial terms and method of revenue recognition.

Year ended December 31,	2018	2017
Revenue by source		
Construction services	$ 42,481	$ 21,710
Operations support services	367,580	270,847
	$ 410,061	$ 292,557
By commercial terms		
Time-and-materials	$ 151,796	$ 97,588
Unit-price	253,277	191,041
Cost-plus	4,988	3,928
	$ 410,061	$ 292,557
Revenue recognition method		
Cost-to-cost percent complete	$ 186,741	$ 125,716
As-invoiced	223,320	166,841
	$ 410,061	$ 292,557

b) Customer revenues

The following customers accounted for 10% or more of total revenues:

Year ended December 31,	2018	2017
Customer A	43%	44%
Customer B	23%	26%
Customer C	21%	17%
Customer D	9%	11%

c) Contract balances

The following table provides information about receivables, contract assets, and contract liabilities from contracts with customers:

	December 31, 2018	December 31, 2017
Contract receivables, included in accounts receivable, net	$ 78,278	$ 45,716
Contract assets	10,673	21,572
Contract liabilities	4,032	824

The following table provides information about significant changes in the contract assets:

Year ended December 31,	2018	2017
Transferred to receivables from contract assets recognized at the beginning of the period	$ (14,701)	$ (9,129)
Increases as a result of changes to the estimate of the stage of completion, excluding amounts transferred in the period	2,043	6,183
Increases as a result of work completed, but not yet an unconditional right to consideration	409	8,554
Increases as a result of Nuna acquisition	1,350	—

The following table provides information about significant changes in the contract liabilities:

Year ended December 31,	2018	2017
Revenue recognized that was included in the contract liability balance at the beginning of the period	$ (84)	$ (347)
Increases due to cash received, excluding amounts recognized as revenue during the period	1,379	100
Increases as a result of Nuna acquisition	1,913	—

The following table provides information about revenue recognized from performance obligations that were satisfied (or partially satisfied) in previous periods:

Year ended December 31,	2018	2017
Revenue recognized	$ 2,516	$ 1,177

These amounts relate to cumulative catch-up adjustments arising from changes in estimated project costs on cost-to-cost percent complete jobs and final settlement of constrained variable consideration.

d) Unpriced contract modifications

The Company recognized revenue from variable consideration related to unpriced contract modifications for the year ended December 31, 2018 of $250 (December 31, 2017 - $1,168).

The table below represents the classification of such uncollected consideration on the balance sheet:

	December 31, 2018	December 31, 2017
Accounts receivable	$ —	$ 358
Contract assets	7,526	7,662
	$ 7,526	$ 8,020

e) Transaction price allocated to the remaining performance obligations

The estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period was $206,900 for 2019. Included is all consideration from contracts with customers, excluding amounts that are recognized using the as-invoiced method and any constrained amounts of revenue.

f) Contract costs

The following table summarizes contract costs included within other assets on the consolidated balance sheets.

	December 31, 2018	December 31, 2017
Reimbursable bid costs	$ 670	$ 422
Fulfillment costs	1,638	—
	$ 2,308	$ 422

During the year ended December 31, 2018, reimbursable bid costs of $248 were capitalized (December 31, 2017 - $422).

During the year ended December 31, 2018, fulfillment costs of $2,611 were capitalized (December 31, 2017 - $nil). Included in the amount capitalized during the year ended December 31, 2018 is $502 that was capitalized on January 1, 2018 upon adoption of the new revenue standard.

20. Commitments

The annual future minimum operating lease payments for premises for the next five years are as follows:

For the year ending December 31,	
2019	$ 6,003
2020	6,091
2021	6,091
2022	5,098
2023 and thereafter	12,382
	$ 35,665

Included in general and administrative expenses and equipment costs are operating lease expenses relating to premises of $2,277 and $2,902 for the years ended December 31, 2018 and 2017, respectively.

21. Interest expense

Year ended December 31,	2018	2017
Interest on capital lease obligations	$ 2,984	$ 3,023
Interest on credit facilities	2,729	1,507
Interest on Convertible Debentures	2,200	1,760
Interest on promissory notes	202	—
Interest on mortgage	105	—
Amortization of deferred financing costs (notes 10(c) and note 14(e))	539	797
Interest on long term debt	$ 8,759	$ 7,087
Other interest income	(175)	(144)
	$ 8,584	$ 6,943

During the year ended December 31, 2018, $634 (December 31, 2017 - $nil) of interest was capitalized to property, plant and equipment in relation to a building construction in the year.

22. Stock-based compensation

a) Stock-based compensation expenses

Stock-based compensation expenses included in general and administrative expenses are as follows:

Year ended December 31,	2018	2017
Share option plan (note 22(b))	$ 97	$ 326
Equity classified restricted share unit plan (note 22(c))	2,110	1,293
Equity performance restricted share unit plan (note 22(d))	1,910	1,306
Liability classified deferred stock unit plan (note 22(e))	7,415	1,070
	$ 11,532	$ 3,995

b) Share option plan

Under the 2004 Amended and Restated Share Option Plan, which was approved and became effective in 2006, directors, officers, employees and certain service providers to the Company are eligible to receive stock options to acquire voting common shares in the Company. Each stock option provides the right to acquire one common share in the Company and expires ten years from the grant date or on termination of employment. Options may be exercised at a price determined at the time the option is awarded, and vest as follows: no options vest on the award

date and twenty percent vest on each subsequent anniversary date. For the year ended December 31, 2018, 3,399,399 shares are reserved and authorized for issuance under the share option plan.

	Number of options	Weighted average exercise price $ per share
Outstanding at December 31, 2016	1,176,080	5.56
Exercised[(i)]	(176,800)	3.26
Forfeited or expired	(85,740)	12.36
Outstanding at December 31, 2017	913,540	5.36
Exercised[(i)]	(297,940)	3.43
Forfeited or expired	(50,000)	16.46
Outstanding at December 31, 2018	565,600	5.40

[(i)] All stock options exercised resulted in new common shares being issued (note 18(a)).

Cash received from options exercised for the year ended December 31, 2018 was $1,023 (2017 - $575). For the year ended December 31, 2018, the total intrinsic value of options exercised, calculated as the market value at the exercise date less exercise price, multiplied by the number of units exercised, was $1,351 (December 31, 2017 - $640).

The following table summarizes information about stock options outstanding at December 31, 2018:

	Options outstanding			Options exercisable		
Exercise price	Number	Weighted average remaining life	Weighted average exercise price	Number	Weighted average remaining life	Weighted average exercise price
$2.75	90,100	3.7 years	$ 2.75	90,100	3.7 years	$ 2.75
$2.79	162,000	3.5 years	$ 2.79	162,000	3.5 years	$ 2.79
$5.91	123,680	5.0 years	$ 5.91	123,680	5.0 years	$ 5.91
$6.56	54,880	2.9 years	$ 6.56	54,880	2.9 years	$ 6.56
$8.28	10,000	0.5 years	$ 8.28	10,000	0.5 years	$ 8.28
$8.58	30,000	1.7 years	$ 8.58	30,000	1.7 years	$ 8.58
$9.33	48,680	1.1 years	$ 9.33	48,680	1.1 years	$ 9.33
$10.13	46,260	2.0 years	$ 10.13	46,260	2.0 years	$ 10.13
	565,600	3.3 years	$ 5.40	565,600	3.3 years	$ 5.40

At December 31, 2018, the weighted average remaining contractual life of outstanding options was 3.3 years (December 31, 2017 – 4.0 years) and the weighted average exercise price was $5.40 (December 31, 2017 - $5.36). The fair value of options vested during the year ended December 31, 2018 was $98 (December 31, 2017 – $518). At December 31, 2018, the Company had 565,600 exercisable options (December 31, 2017 – 887,140) with a weighted average exercise price of $5.40 (December 31, 2017 – $5.35).

At December 31, 2018, there were no compensation costs related to non-vested awards not yet recognized (December 31, 2017 – $46). There were no stock options granted under this plan for the years ended December 31, 2018 and 2017, respectively.

c) Restricted share unit plan

Restricted Share Units (“RSU”) are granted each year to executives and other key employees with respect to services to be provided in that year and the following two years. The majority of RSUs vest at the end of a three-year term. The Company intends to settle all RSUs issued after February 19, 2014 with common shares purchased on the open market through a trust arrangement ("equity classified RSUs").

	Number of units	Weighted average exercise price $ per share
Outstanding at December 31, 2016	1,123,975	4.20
Granted	355,292	6.02
Vested	(259,860)	6.24
Forfeited	(29,474)	4.00
Outstanding at December 31, 2017	1,189,933	4.22
Granted	266,196	8.02
Vested	(487,376)	3.01
Forfeited	(20,660)	5.45
Outstanding at December 31, 2018	948,093	8.98

At December 31, 2018, there were approximately $2,754 of unrecognized compensation costs related to non–vested share–based payment arrangements under the equity classified RSU plan (December 31, 2017 – $2,199) and these costs are expected to be recognized over the weighted average remaining contractual life of the RSUs of 1.3 years (December 31, 2017 – 1.3 years). During the year ended December 31, 2018, 487,376 units vested, which were settled with common shares purchased on the open market through a trust arrangement (December 31, 2017 - 259,860 units).

d) Performance restricted share units

On June 11, 2014, the Company entered into an amended and restated executive employment agreement with the Chief Executive Officer (the "CEO") and granted Performance Restricted Share Units ("PSU") as a long-term incentive, which became effective July 1, 2014. Commencing with a grant on July 1, 2015, PSUs were granted to certain additional senior management employees as part of their long-term incentive compensation. The PSUs vest at the end of a three-year term and are subject to performance criteria approved by the Human Resources and Compensation Committee at the date of the grant. The Company intends to settle earned PSUs with common shares purchased on the open market through a trust arrangement.

	Number of units	Weighted average exercise price $ per share
Outstanding at December 31, 2016	739,300	4.84
Granted	248,824	5.98
Vested	(69,949)	8.57
Forfeited	(21,542)	4.05
Outstanding at December 31, 2017	896,633	4.81
Granted	197,763	8.01
Vested	(353,279)	4.27
Outstanding at December 31, 2018	741,117	5.92

At December 31, 2018, there were approximately $2,713 of total unrecognized compensation costs related to non–vested share–based payment arrangements under the PSU plan (December 31, 2017 - $2,250) and these costs are expected to be recognized over the weighted average remaining contractual life of the PSUs of 1.3 years (December 31, 2017 - 1.4 years). During the year ended December 31, 2018, 353,279 units vested and were settled through common shares from the trust arrangement at a factor of 2.00 common shares per PSU based on performance against grant date criteria (December 31, 2017 - 69,949 units at a factor of 1.34).

The Company estimated the fair value of the PSUs granted during the years ended December 31, 2018 and 2017 using a Monte Carlo simulation with the following assumptions:

	2018	2017
Risk-free interest rate	1.98%	1.17%
Expected volatility	45.04%	46.47%

e) Deferred stock unit plan

On November 27, 2007, the Company approved a Deferred Stock Unit (“DSU”) Plan, which became effective January 1, 2008. Under the DSU plan non-officer directors of the Company receive 50% of their annual fixed remuneration (which is included in general and administrative expenses) in the form of DSUs and may elect to receive all or a part of their annual fixed remuneration in excess of 50% in the form of DSUs. On February 19, 2014, the Company modified its DSU plan to permit awards to executives in addition to directors, whereby eligible

executives could elect to receive up to 50% of their annual bonus in the form of DSUs. The DSUs vest immediately upon issuance and are only redeemable upon death or retirement of the participant. DSU holders that are not US taxpayers may elect to defer the redemption date until a date no later than December 1st of the calendar year following the year in which the retirement or death occurred.

	Number of units
Outstanding at December 31, 2016	941,937
Granted	114,895
Redeemed	(65,249)
Outstanding at December 31, 2017	991,583
Granted	134,656
Outstanding at December 31, 2018	1,126,239

At December 31, 2018, the fair market value of these units was $11.91 per unit (December 31, 2017 – $5.72 per unit). At December 31, 2018, the current portion of DSU liabilities of $nil was included in accrued liabilities (December 31, 2017 - $nil) and the long term portion of DSU liabilities of $13,413 was included in other long term obligations (December 31, 2017 - $5,672) in the Consolidated Balance Sheets. During the year ended December 31, 2018, nil units were redeemed and settled in cash for $nil (December 31, 2017 - 65,249 units were redeemed and settled in cash for $343). There is no unrecognized compensation expense related to the DSUs since these awards vest immediately when issued.

23. Other information

a) Supplemental cash flow information

Year ended December 31,	2018	2017
Cash paid during the year for:		
Interest	$ 9,258	$ 5,615
Cash received during the year for:		
Interest	41	162

Year ended December 31,	2018	2017
Non-cash transactions:		
Addition of property, plant and equipment by means of capital leases	49,440	34,730
Property, plant and equipment reclassified to asset held for sale	(53)	(6,869)
Increase in capital lease obligations related to purchase of heavy equipment fleet and related assets	1,759	—
Increase in capital lease obligations related to investment in affiliates and joint ventures	542	—
Increase in capital lease obligations related to the initial investment in the partnership	—	800
Increase in equipment promissory notes related to purchase of heavy equipment fleet and related assets	10,851	—
Acquisition of property, plant and equipment related to the initial investment in the partnership	—	2,581
Increase in long term debt related to the initial investment in the partnership	—	637
Increase in long term debt related to investment in affiliates and joint ventures	3,127	—
Non-cash working capital exclusions:		
Decrease in contract assets related to adoption of accounting standards	(547)	—
Increase in inventory related to the initial partnership investment	—	29
Increase in inventory related to the purchase of heavy equipment fleet and related assets	4,268	—
Increase in prepaid expenses related to the initial investment in the partnership	—	4
Increase in other assets related to adoption of accounting standards	502	—
Increase in accrued liabilities related to the current portion of the deferred gain on sale-leaseback	—	(859)
Decrease in accrued liabilities related to conversion of bonus compensation to deferred stock units	326	—
Decrease in accrued liabilities related to dividend payable	10	59
Non-cash working capital transactions related to investments in affiliates and joint ventures:		
Increase in accounts receivable	13,234	—
Increase in contract assets	3,089	—
Increase in inventory	3,926	—
Increase in prepaid expenses	399	—
Increase in accounts payable	(10,604)	—
Increase in accrued liabilities	(1,136)	—
Increase in contract liabilities	(360)	—

b) Net change in non-cash working capital

The table below represents the cash (used in) provided by non-cash working capital:

Year ended December 31,	2018	2017
Operating activities:		
Accounts receivable	$ (22,359)	$ (7,148)
Contract assets	13,441	(5,607)
Inventories	(443)	(1,288)
Contract costs	(1,384)	—
Prepaid expenses and deposits	(1,513)	(283)
Accounts payable	17,665	5,640
Accrued liabilities	5,923	1,904
Contract liabilities	2,848	(247)
	$ 14,178	$ (7,029)

24. Employee benefit plans

The Company and certain subsidiaries contributed $991 (2017 – $877) to employee Registered Retirement Savings Plans ("RRSP"). The Company matches voluntary contributions made by employees to their RRSP to a maximum of 5% of base salary for each employee. Other subsidiaries of the Company contribute $1.00 per hour for all eligible employees.

25. Related party transactions

A director of the Company is the President and Chief Executive Officer of a business that subleases space from the Company. The sublease was entered into several years before the director's appointment.

During the year ended December 31, 2018, the Company recorded $315 of sublease proceeds (December 31, 2017 $332).

At December 31, 2018, the Company had subsidiaries that it controlled and included in its consolidated financial statements as described in "Note 2 - Significant accounting policies". Using the consolidated method of accounting, all intercompany balances are eliminated.

With the acquisition of Nuna on November 1, 2018 (note 5(a)), the Company entered into related-party transactions through a number of affiliates and joint ventures. These transactions involve providing or receiving services entered into in the normal course of business.

The following table provides the total dollar amount for income statement transactions that have been entered into with related parties during the year ended December 31, 2018:

	Revenue	Management fee revenue	Interest revenue	Distributions	Rent expense
NL Partnership	$ 41	$ (7)	$ 12	$ —	$ —
Affiliates	636	352	56	(102)	38

The Company's revenue generated from joint ventures and affiliates are related to heavy constructions and mining services. The Company receives management fees and distributions from its investment in joint ventures and affiliates pursuant management agreements in place for certain services provided. Interest revenue transactions are generated from the working capital funding provided by the Company over projects with the joint ventures and affiliates. The rent expense is related to the lease of premises from a shareholder of an affiliate. These transactions were conducted in the normal course of operations, which were established and agreed to as consideration by the related parties.

The following table provides the balance sheet balances with related parties as at December 31, 2018:

	Accounts receivable	Accounts payable and accrued liabilities
NL Partnership	$ 2,355	$ —
Affiliates	719	13

Accounts receivables and accounts payable and accrued liabilities amounts are unsecured and without fixed terms of repayment. Accounts receivable from certain joint ventures and affiliates bear interest at various rates. All other accounts receivable amounts from joint ventures and affiliates are non-interest bearing.

26. Comparative figures

Certain comparative figures have been reclassified from statements previously presented to conform to the presentation of the current year.

27. Contingencies

During the normal course of the Company's operations, various disputes, legal and tax matters are pending. In the opinion of management involving the use of significant judgement and estimates, these matters will not have a material effect on the Company's consolidated financial statements.

NORTH AMERICAN CONSTRUCTION GROUP LTD. Exhibit 99.3
Management's Discussion and Analysis
For the year ended December 31, 2018



MAINTAINING STRONG GROWTH



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NOA

Management's Discussion and Analysis

For the year ended December 31, 2018

A. EXPLANATORY NOTES

February 25, 2019

The following Management's Discussion and Analysis ("MD&A") is as of December 31, 2018 and should be read in conjunction with the attached audited consolidated financial statements for the year ended December 31, 2018 and notes that follow. These statements have been prepared in accordance with United States ("US") generally accepted accounting principles ("GAAP"). Except where otherwise specifically indicated, all dollar amounts are expressed in Canadian dollars. The audited consolidated financial statements and additional information relating to our business, including our most recent Annual Information Form ("AIF"), are available on the Canadian Securities Administrators' SEDAR System at www.sedar.com*, the Securities and Exchange Commission's website at* www.sec.gov *and our company website at* www.nacg.ca.

Caution Regarding Forward-Looking Information

Our MD&A is intended to enable readers to gain an understanding of our current results and financial position. To do so, we provide material information and analysis comparing results of operations and financial position for the current period to that of the preceding periods. We also provide analysis and commentary that we believe is necessary to assess our future prospects. Accordingly, certain sections of this report contain forward-looking information that is based on current plans and expectations. This forward-looking information is affected by risks, assumptions and uncertainties that could have a material impact on future prospects. Readers are cautioned that actual events and results may vary from the forward-looking information. We have denoted our forward-looking statements with this symbol “s”. Please refer to "Forward-Looking Information, Assumptions and Risk Factors" for a discussion of the risks, assumptions and uncertainties related to such information.

Non-GAAP Financial Measures

A non-GAAP financial measure is generally defined by the Canadian regulatory authorities as one that purports to measure historical or future financial performance, financial position or cash flows, but excludes or includes amounts that would not be adjusted in the most comparable GAAP measures. In our MD&A, we use non-GAAP financial measures such as "gross profit", "margin", "EBIT", "EBITDA" and "Adjusted EBITDA" (as defined in our current credit agreement), "total debt", "net debt", and "free cash flow". We provide tables in this document that reconcile non-GAAP measures used to amounts reported on the face of the consolidated financial statements.

Gross profit

"Gross profit" is defined as revenue less: project costs; equipment costs; and depreciation.

We believe that gross profit is a meaningful measure of our business as it portrays results before general and administrative overheads costs, amortization of intangible assets and the gain or loss on disposal of property, plant and equipment and assets held for sale. Management reviews gross profit to determine the profitability of operating activities, including equipment ownership charges and to determine whether resources, property, plant and equipment are being allocated effectively.

EBIT, EBITDA and Adjusted EBITDA

"EBIT" is defined as net income (loss) before interest expense and income taxes.

"EBITDA" is defined as net income (loss) before interest expense, income taxes, depreciation and amortization.

We define "Adjusted EBITDA" as EBITDA excluding the effects of unrealized foreign exchange gain or loss, realized and unrealized gain or loss on derivative financial instruments, cash (liability classified) and non-cash (equity classified) stock-based compensation expense, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of assets held for sale and certain other non-cash items included in the calculation of net income (loss).

We believe that EBIT and Adjusted EBITDA are meaningful measures of business performance because they exclude interest, income taxes, depreciation, amortization, the effect of certain gains and losses and certain non-cash items that are not directly related to the operating performance of our business. Management reviews EBIT and Adjusted EBITDA to determine whether property, plant and equipment are being allocated efficiently. In addition, we believe that Adjusted EBITDA is a meaningful measure as it excludes the financial statement impact of changes in the carrying value of the liability classified award plans as a result of movement of our share price.

As EBIT, EBITDA and Adjusted EBITDA are non-GAAP financial measures, our computations of EBIT, EBITDA and Adjusted EBITDA may vary from others in our industry. EBIT, EBITDA and Adjusted EBITDA should not be considered as alternatives to operating income or net income as measures of operating performance or cash flows and they have important limitations as analytical tools and should not be considered in isolation or as substitutes for analysis of our results as reported under US GAAP. For example, EBITDA and Adjusted EBITDA do not:

- reflect our cash expenditures or requirements for capital expenditures or capital commitments or proceeds from capital disposals;
- reflect changes in our cash requirements for our working capital needs;
- reflect the interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- include tax payments or recoveries that represent a reduction or increase in cash available to us; or
- reflect any cash requirements for assets being depreciated and amortized that may have to be replaced in the future.

Margin

We will often identify a relevant financial metric as a percentage of revenue and refer to this as a margin for that financial metric. "Margin" is defined as the financial number as a percent of total reported revenue. Examples where we use this reference and related calculation are in relation to "gross profit margin", "operating income margin", "net income (loss) margin", "EBIT margin" or "Adjusted EBITDA margin".

We believe that presenting relevant financial metrics as a percentage of revenue is a meaningful measure of our business as it provides the performance of the financial metric in the context of the performance of revenue. Management reviews margins as part of its financial metrics to assess the relative performance of its results.

Total Debt and Net Debt

"Total debt" is defined as the sum of the outstanding principal balance (current and long term portions) of: (i) capital leases; (ii) borrowings under our Credit Facility (excluding outstanding Letters of Credit); (iii) convertible unsecured subordinated debentures (the "Convertible Debentures"); (iv) liabilities from hedge and swap arrangements; (v) mortgage; (vi) vendor promissory notes; and (vii) equipment promissory notes. Our definition of total debt excludes deferred financing costs related to total debt. We believe total debt is a meaningful measure in understanding our complete debt obligations.

"Net debt" is defined as total debt less cash and cash equivalents recorded on the balance sheet. Net debt is used by us in assessing our debt repayment requirements after using available cash.

Free Cash Flow

"Free cash flow" (or "FCF") is defined as cash from operations less cash used in investing activities (excluding cash used for growth capital expenditures, cash provided by for certain equipment financing arrangements, cash used for acquisitions, cash used for the investment in affiliates and joint ventures and cash provided by business dispositions) less sustaining capital expenditures financed through capital leases. We feel free cash flow is a relevant measure of cash available to service our total debt repayment commitments, pay dividends, fund share purchases and fund both growth capital expenditures and strategic initiatives.

A reconciliation of FCF can be found in "Resources and Systems - Free Cash Flow" in this MD&A.

Backlog

"Backlog" is a measure of the amount of secured work we have outstanding and, as such, is an indicator of a base level of future revenue potential. Backlog, while not a GAAP term, is similar in nature to the "transaction price allocated to the remaining performance obligations", defined under US GAAP and reported in "Note 19 - Revenue" in our financial statements. When the two numbers differ, a reconciliation is presented in "Financial Results - Backlog" in this MD&A.

We define backlog as work that has a high certainty of being performed as evidenced by the existence of a signed contract or work order specifying job scope, value and timing. It should be noted that our long term contracts typically allow our customers to unilaterally reduce or eliminate the scope of the contracted work without cause. These long term contracts represent higher risk due to uncertainty of total contract value and estimated costs to complete; therefore, potentially impacting revenue recognition in future periods.

Our measure of backlog does not define what we expect our future workload to be. We work with our customers using cost-plus, time-and-materials, unit-price and lump-sum contracts. This mix of contract types varies year-by-year. Our definition of backlog results in the exclusion of cost-plus and time-and-material contracts performed under

master service agreements or master use contracts where scope is not clearly defined. While contracts exist for a range of services to be provided under these service agreements, the work scope and value are not clearly defined.

We have set a policy that our definition of backlog will be limited to contracts or work orders with values exceeding $1.0 million. In the event that our definition of backlog differs from the US GAAP defined "remaining performance obligations" we provide a reconciliation between the US GAAP and non-GAAP values.

B. SIGNIFICANT BUSINESS EVENTS

2018 Economic and Industry Highlights

During 2018 our economy, our industry and our customers continued to experience an unusually long cyclical economic downturn driven by the global oversupply of crude oil.

Entering into 2018, expectations were that responsible oil producer behavior could sustain the current projections of $60.00 - $65.00 (US/barrel) range of prices for the year. For the first half of 2018, the continued crude oil oversupply and the weakening position of the Organization of Petroleum Exporting Countries ("OPEC") in managing global oil production levels coupled with the growth of non-OPEC countries oil production capacity continued to lead to a series of small gains and subsequent losses against the price range plateau. OPEC's efforts to curtail oil production levels were continually met with the awakening of the US shale oil market bolstered by the advent of improved and more cost effective oil extraction technology that allowed them to compete with the traditional oil producer's lower production cost supply at these oil price levels. Expectations for a stable oil price were tempered in the second half of the year as the recent geopolitical turmoil from global trade wars and Britain's planned exit from the European Union caused renewed volatility in oil prices.

Below are some of the economic, political and customer highlights of 2018 that have influenced our business, many of which were not anticipated as we entered 2018:

- According to the Bank of Canada, the Canadian economy continues to experience moderate inflation with current Consumer Price Index (CPI) inflation trends remaining within its target inflation rate of close to 2%.
- The West Texas Intermediate (WTI) price per barrel of oil opened 2018 at $60.37 (US$/barrel) while the Canadian / US exchange rate opened at $0.80. On December 31, 2018, the WTI price per barrel of oil was $45.15 (US$/barrel) and the Canadian / US exchange rate was $0.73.
    - On October 3, 2018, the WTI price per barrel hit a high for the year of $75.60 (US$/barrel) before dropping by almost 16% to a 2018 low of $42.53 (US$/barrel) on December 24, 2018.
    - On December 31, 2018, the Canadian / US exchange rate dropped to an annual low of $0.73 down from the 2018 peak of $0.82 achieved on February 2, 2018.
- An expanded gap between Western Canada Select ("WCS"), the price of Alberta heavy crude, compared to WTI or Brent pricing (the "differential") driven by the dependence on limited pipeline capacity or the use rail cars to transport the increasing production levels of heavy crude from Alberta to major markets.
    - The differential reached a high in October 2018, with the WCS price per barrel trading at a discount of more than $52.00 against the WTI price per barrel. During the last quarter of 2018, while WTI price per barrel fell by the aforementioned 16%, WCS fell 59% during this same period as a result of increased inventories caused by limited pipeline take-away capacity.
- Long-term delays in obtaining regulatory approval for pipeline capacity expansion solutions for oil transportation.
    - The Trans Mountain Expansion (TMX) pipeline twinning by Kinder Morgan [1] (to Vancouver, BC) was approved in November 2016 with 190 environmental and social conditions. On August 30, 2018, the Federal Court of Appeals overturned the Federal Government approval of the project, citing an incomplete review process performed by the National Energy Board ("NEB"). On August 31, 2018, the pipeline was purchased by the Trans Mountain Corporation, a wholly owned subsidiary of the Canada Development Investment Corporation that is accountable to the Government of Canada. The NEB expects to complete the final review activities, cited by the Federal Court of Appeals as incomplete, by mid-2019, however the pipeline expansion project continues to face legal challenges and environmental protests.

1 Kinder Morgan Inc., owner of the of the Trans Mountain Pipeline System until August 31, 2018.

- The Enbridge "Line 3 Replacement" project, replacing large segments of the aging 1,660 kilometer pipeline running from Hardisty, Alberta, through Manitoba, the northeast corner of North Dakota and a large length of Minnesota before ending at the mouth of Lake Superior in Wisconsin, received Canadian federal government approval on November 29, 2016 after a year of regulatory review. The project is projected to achieve initial capacity of 760,000 barrels per day when commissioned in 2019 which will more than double the capacity of the aging pipeline it replaces.
- The TransCanada[2] XL Keystone pipeline (to the US gulf coast), which had been rejected under the previous US government after more than seven years of delays, was approved under an executive order signed by the President of the United States on January 24, 2017. The project is expected to start the two-year pipeline construction project in the first half of 2019 after passing final regulatory hurdles, with projected pipeline capacity of 830,000 barrels per day of crude oil carried from Alberta to Steele City.

- The Canadian federal government along with the Alberta and British Columbia provincial governments continue to provide a less oil friendly political climate leading to the implementation of: higher corporate taxes; increases to energy royalties; an escalating carbon tax; emission limits; and more stringent environmental regulations for both the production and transportation of oil.
  - On January 1, 2017, the Alberta provincial government implemented the first phase of their new climate plan, which includes a carbon pricing regime coupled with an overall emissions limit for the oil sands. The climate plan places some certainty on the future greenhouse gas (GHG) costs, while the limit on oil sands emissions anticipates that companies will be forced to ensure only the most profitable and efficient projects are developed. On January 1, 2018, the second phase of the carbon pricing was implemented, increasing by 50% from $20 per tonne of carbon-dioxide emissions to $30 per tonne.
  - On December 3, 2018, the Alberta Government announced a temporary 8.7% cut (or a decrease of 325,000 barrels per day) in the production of raw crude oil and bitumen, starting on January 1, 2019. The reduced production measure was in reaction to the significant price differential between the Western Canadian Select and West Texas Intermediate oil prices, driven primarily by the more than 25 million barrels of processed oil currently in storage, waiting for inventory take-away capacity improvements that have been limited by Canadian regulatory delays.

Our customers entered the year having already reacted to lower revenue from lower oil prices with investment deferrals in growth capital projects (the majority of these deferrals related to higher operating cost “in situ” extraction method projects) and the implementation of aggressive operating cost reduction plans, which included the dilution of fixed costs through maximizing production levels. The industry had also experienced a series of consolidation transactions in the past few years, as current owners who were committed to the long-term investment strategy of the oil sands took advantage of the economic downturn to remove those owners that did not have the same appetite to ride out the low points of the current economic cycle.

The synergies gained from the consolidations, coupled with the ramp up of oil production from a new mine and the completion of a production expansion project at another mine led to an overall increase in production for longer-life, lower operating cost oil sands mines during the year. The lower WCS price per barrel of oil was not a significant deterrent to our oil sand mine customers near-term production growth plans as those that operated within an integrated system of mining, upgrading, refining and distribution benefitted with the lower WCS pricing resulting in higher upstream profitability within their operations. However, the longer-term regulatory delays in increasing take-away capacity could affect future production growth investment plans of our customers.

2 TransCanada Corporation (TransCanada)

Accomplishments against our 2018 Strategic Priority

At the start of 2018, we reaffirmed our primary goal for shareholders to grow our shareholder value through being an integrated service provider of choice for the developers and operators of resource-based industries in a broad and often challenging range of environments and to leverage our equipment and expertise to support the development of provincial infrastructure projects across Canada. Our focus was on the following tactics:

- enhance our safety culture;
- grow our core business;
- grow our revenue diversity;
- pursue service expansion;
- further enhance our execution excellence;
- continue to invest in our people, expertise and leadership
- grow positive free cash flow, EBIT, Adjusted EBITDA, net income and earnings per share; and
- maintain a strong balance sheet.

Heading into 2018 we reaffirmed our 3-year plan to grow both our revenue and Adjusted EBITDA by a compound 15% per year for 2018 and 2019, despite our core oil sands market sector still being in a cyclical downturn with the timing of a recovery remaining uncertain given the economic and political challenges our industry was facing.

As detailed in the "2018 Economic and Industry Highlights" section, above, 2018 continued to present significant challenges with the abnormally long cyclical downturn in our core oil sands market and the uncertain economic recovery timelines driven by continued delays in the approval of new take-away capacity for pipelines servicing our customers in the oil sands. Adding to the economic challenges was the continued uncertainty over OPEC's ability to influence the global supply of oil and the overhanging threat of trade disputes between the United States and its key trading partners. Despite these headwinds, we maintained our focus on our strategic priority and tactics which resulted in us exceeding our growth expectations and achieving the following significant accomplishments for the year ended December 31, 2018:

- Our revenue increased by 40% to $410.1 million in 2018, compared to $292.6 million in revenue for 2017. With our continued focus on equipment management cost savings initiatives and strong project execution, we achieved:
    - 61% growth in Adjusted EBITDA to $101.8 million in 2018, compared to $63.1 million in Adjusted EBITDA recorded for 2017.
    - 123% growth in our EBIT to $30.0 million in 2018, compared to $13.4 million EBIT in 2017.
    - 190% growth in our net income in 2018 to $15.3 million, compared to $5.3 million in net income recorded in 2017.
    - 205% growth in our basic earnings per share to $0.61 per share, compared to $0.20 basic earnings per share in 2017.
- We generated $60.7 million of free cash flow for the year ended December 31, 2018, up from $19.0 million of free cash flow generated for the year ended December 31, 2017. The increase in free cash flow in the current year was a result of stronger profitability and cash contributed from a reduction in non-cash working capital compared to the previous year's cash used for an increase in non-cash working capital.
- We continued to achieve our standard of excellence in our safety culture, as reflected by our strong safety record in 2018. We exceeded our Total Recordable Injury Rate ("TRIR") target, keeping our result well under 0.5 for the second year in a row. Our result represents just five reportable injuries in over 2.7 million hours worked. In our "journey to zero", this safety result reflects our belief that outstanding safety execution is the foundation for overall operational excellence.
- We continue to develop our core business with long-term agreements with each of our major customers that extend beyond 2020, including:
    - On June 4, 2018, we announced a two-year extension of a key Master Services Agreement with a major oil sands operator for the performance of reclamation, overburden removal, mine support services and civil construction activities, taking this agreement out to August 2022.
        - As part of this extension we secured a three-year term contract for overburden removal with this customer that commenced in 2019, after a previously announced 2018 term

contract. In addition, we secured a three-year reclamation contract with this customer, which commenced in 2018. The combined defined scope work of these new contracts contributed approximately $275 million to our backlog.

- On December 10, 2018, we announced a three-year extension of a key Multiple Use Agreement ("MUA") with a major oil sands operator for the performance of reclamation, overburden removal, mine support services and civil construction activities. The long-term extension takes this agreement out to December 2023.
  - The MUA included a long-term right of first refusal purchase arrangement to acquire the customer's used large mining trucks and shovels.
  - In addition, as part of this extension we secured a five-year contract through 2023 for earthworks services at the customer's mine. The defined scope work contributed approximately $757 million to our backlog.
- The above two extensions came on the heels of the February 2017 renewal of a 5-year Master Services Agreement with a major oil sands operator for the performance of reclamation, overburden removal, mine support services and civil construction activities. The renewal takes this agreement out to January 2022.

- We continue to expand on our core business strategy, including:
  - On November 23, 2018, we closed the acquisition of a heavy equipment fleet for $198.0 million subject to closing adjustments defined in the purchase agreement. The purchase agreement included an initial payment of $150.8 million and the assumption of $12.8 million in capital leases and equipment-related promissory notes from the vendor. The balance of the price will be paid in three installments, six, twelve and eighteen months from the closing date.
  - In November 2018, entered into a newly formed partnership, the Mikisew North American Limited Partnership ("Mikisew partnership")[3], to provide construction and mining services to our oil sands customers. Our partner, the Mikisew Group of Companies, is directly owned by the Mikisew Cree First Nation. The Mikisew Cree are the largest First Nation of the five Athabasca Tribal Nations and we are excited to be business partners as we build our relationship in the oil sands region.
  - On December 18, 2018, we exercised our right, under a right of first refusal option in our newly extended MUA with a customer, on an initial offering of thirty-one trucks for delivery during 2019. The arrangement includes sixteen 380-ton capacity ultra-class haul trucks, a first for us and a size for which the new Acheson maintenance facility was purposely designed.
- We continue to work towards revenue diversity, including:
  - On November 1, 2018, we closed the acquisition of a 49% ownership interest in Nuna Logistics Limited and related companies (collectively the "Nuna Group of Companies" or "Nuna"), a civil construction and contract mining company based in Edmonton, Alberta, for $42.8 million in cash. The majority 51% ownership interest in Nuna is held by the Kitikmeot Corporation, a wholly owned business arm of the Kitikmeot Inuit Association. The acquisition of the ownership interest in Nuna is aligned with our strategic goals as it expands our end user coverage into other commodity areas, such as base metals, precious metals and diamonds. In addition, Nuna is an established incumbent contractor in Nunavut and the Northwest Territories, but has also successfully completed major projects in Ontario, Saskatchewan and British Columbia.
  - In November 2018, we opened our newly constructed $28.0 million Acheson major equipment maintenance and rebuild facility with corporate office attached, just outside of Edmonton, Alberta. The maintenance facility was custom designed to accommodate all sizes of equipment, including the ultra-class 400-ton haul trucks used by our clients. The new maintenance facility replaces our less efficient leased facility and provides improved functionality and best-in-class technology that will help us continue driving down our maintenance costs while also helping us to grow our external maintenance offering. We expect cash payback on our investment within approximately 5 years.s

3 Mikisew Group of Companies is owned directly by the Mikisew Cree First Nation. The Mikisew Group of Companies is comprised of two main operating entities (wholly owned) and 11 limited partnerships and joint ventures (majority owned)

- We continue to operate under a three-year term contract on the Highland Valley copper mine [4] in central British Columbia (awarded September 2017). The work utilizes a fleet of 40 tonne trucks, excavators and support equipment to support our customer's copper mining operations and civil construction activities.

- On November 23, 2018, we entered into an upsized Amended and Restated Credit Agreement (the "Credit Facility") with our banking syndicate led by National Bank Financial. The Credit Facility is consistent with existing terms, maintains attractive rates and provided sufficient flexibility to allow for the significant asset acquisition transaction
  - The Credit Facility provides borrowings of up to $300.0 million with an ability to increase the maximum borrowings by an additional $50.0 million, subject to certain conditions (an increase from the $140.0 million borrowing available under the previous facility).
  - This facility matures on November 23, 2021, with an option to extend on an annual basis.
  - The Credit Facility also allows for a capital lease limit of $150.0 million (an increase from the $100.0 million limit under the previous facility) and other borrowing of $20.0 million.
- In November 2018, we entered into a 25-year mortgage with the Business Development Bank of Canada ("BDC") for $19.9 million, which was drawn to cover costs already incurred in relation to our recent acquisition of land and the related construction of the Acheson, Alberta maintenance facility and corporate office.
  - The BDC mortgage and security are structured as permitted exclusions from the security interests of the Credit Facility syndicate lenders and the Senior Debt, as defined in the Credit Facility.
- At December 31, 2018, our total debt was $384.3 million compared to $139.0 million at December 31, 2017.
- During 2018, we completed a previously announced normal course issuer bid ("NCIB") program, which expired on August 13, 2018.
  - We used $9.5 million in cash to purchase and subsequently cancel a total of 1,281,485 common shares during the current year at an average price of $7.44 per share in the normal course. The current year completion of this NCIB program, along with the 1,142,762 common shares that were purchased and subsequent cancelled under this program in 2017, have reduced our net outstanding common share balance to 25,004,205 as at December 31, 2018. This outstanding balance is net of the 2,084,611 common shares classified as treasury shares as at December 31, 2018 (we used an additional $5.1 million in cash for the purchase of treasury shares in 2018).
  - As at December 31, 2018, there are no outstanding NCIB programs in effect. For a complete discussion of our NCIB programs see "Resources and Systems - Securities and Agreements" in this MD&A.
- On October 3, 2018, S&P Global Ratings ("S&P") [5] changed our company outlook from "stable" to "positive" while affirming our "B" long-term corporate credit rating. S&P changed the outlook to reflect the view that the recently announced acquisitions could result in positive rating action once these acquisitions are fully integrated and generate the estimated stronger operating cash flow and margins. S&P further confirmed that the financial risk profile could be raised to a "B+" if at least two full quarters of combined operations are in line with the enhanced estimates of operating and credit metric forecasts for 2019 and 2020.
- For a discussion of our debt ratings, see the "Resources and Systems - Debt Ratings" in this MD&A.
- On September 10, 2018 Jason Veenstra was appointed to our Management team as Executive Vice President and Chief Financial Officer.

A complete discussion on our significant business events for the past three years along with our 2019 strategic priority and tactics can be found in our most recent Annual Information Form ("AIF").

4 Highland Valley Mine, owned and operated by Teck Resources Limited
5 Standard and Poor's Ratings Services ("S&P"), a division of The McGraw-Hill Companies, Inc.

C. OUR BUSINESS

Five Year Financial Performance

The table below represents select financial data related to our business performance for the past five years:

	Year ended December 31,				
(dollars in thousands except ratios and per share amounts)	2018	2017	2016	2015	2014
Operating Data[i]					
Revenue	$ 410,061	$ 292,557	$ 213,180	$ 281,282	$ 471,777
Gross profit	69,076	39,647	32,343	31,890	51,400
Gross profit margin	16.8%	13.6%	15.2%	11.3%	10.9%
Operating income	29,980	13,407	3,923	2,837	11,599
Net income (loss) and comprehensive income (loss) from continuing operations available to shareholders	15,286	5,264	(445)	(7,470)	(697)
EBIT from continuing operations[ii]	29,966	13,411	5,290	2,296	11,035
EBIT margin[ii]	7.3%	4.6%	2.5%	0.8%	2.3%
Adjusted EBITDA from continuing operations[ii]	101,834	63,082	53,312	47,719	64,133
Adjusted EBITDA margin from continuing operations[ii]	24.8%	21.6%	25.0%	17.0%	13.6%
Net income (loss) and comprehensive income (loss) available to shareholders[iii]	15,286	5,264	(445)	(7,470)	(1,169)
Per share information from continuing operations					
Net income (loss) - basic	$ 0.61	$ 0.20	$ (0.01)	$ (0.23)	$ (0.02)
Net income (loss) - diluted	$ 0.54	$ 0.18	$ (0.01)	$ (0.23)	$ (0.02)
Per share information					
Net income (loss) - basic	$ 0.61	$ 0.20	$ (0.01)	$ (0.23)	$ (0.03)
Net income (loss) - diluted	$ 0.54	$ 0.18	$ (0.01)	$ (0.23)	$ (0.03)
Balance Sheet Data					
Total assets[iv]	$ 689,800	$ 383,644	$ 350,081	$ 360,177	$ 456,581
Debt					
Capital lease obligations (including current portion)	86,568	66,969	61,400	62,443	64,055
Credit facilities (including current portion)	194,918	32,000	39,572	28,572	5,536
Convertible Debentures/Series 1 Debentures[v]	39,976	40,000	—	19,927	58,733
Mortgage	19,900	—	—	—	—
Promissory notes[vi]	42,937	—	—	—	—
Total debt[iv][vii]	384,299	138,969	100,972	110,942	128,324
Cash	(19,508)	(8,186)	(13,666)	(32,351)	(956)
Net debt[viii]	364,791	130,783	87,306	78,591	127,368
Total shareholders' equity	149,721	145,924	158,954	171,618	189,579
Outstanding common shares, excluding treasury shares	25,004,205	25,452,224	28,305,660	31,893,478	34,334,024
Treasury shares	2,084,611	2,617,926	2,213,247	1,256,803	589,892
Total debt to shareholders' equity[ix]	2.6:1	1.0:1	0.6:1	0.6:1	0.7:1
Shareholder's equity per share[x]	$ 5.53	$ 5.20	$ 5.21	$ 5.18	$ 5.43
Cash dividend declared per share	$ 0.08	$ 0.08	$ 0.08	$ 0.08	$ 0.08

[i] The current year data includes proportionately consolidated amounts of affiliates and joint ventures.
[ii] "Adjusted EBITDA from Continuing Operations" and "Adjusted EBITDA margin from Continuing Operations" is defined as Adjusted EBITDA and Adjusted EBITDA margin excluding results from discontinued operations. For a definition of EBIT, EBIT margin, Adjusted EBITDA and Adjusted EBITDA margin, and a reconciliation to net income (loss) and comprehensive income (loss) see "Non-GAAP Financial Measures" and "Summary of Consolidated Results" in this MD&A.
[iii] Net income (loss) and comprehensive income (loss) includes results from discontinued operations for the year ended December 31, 2014. Revenue, gross profit, operating income and Adjusted EBITDA excludes results from discontinued operations.
[iv] Total assets and total debt have been adjusted to only include assets and debt associated with continuing operations for all periods presented.
[v] The Series 1 Debentures were fully redeemed on September 30, 2016. The Convertible debentures were issued on March 15, 2017.
[vi] Promissory notes consist of vendor promissory notes and equipment promissory notes.
[vii] Total debt is calculated as the sum of Convertible unsecured subordinated debentures, capital lease obligations, credit facilities, mortgage, vendor promissory notes and equipment promissory notes, excluding deferred financing fees.
[viii] Net debt is calculated as total debt less cash and cash equivalents recorded on the balance sheet, excluding deferred financing costs.
[ix] Total debt to shareholders' equity is calculated as total debt divided by shareholders' equity recorded on the balance sheet.
[x] Shareholders' equity per share is calculated as shareholders recorded on the balance sheet divided by the number of common shares outstanding.

Business Overview

We provide a wide range of mining and heavy construction services to customers in the resource development and industrial construction sectors, primarily within Western Canada.

Our core market is the Canadian oil sands, where we provide construction and operations support services through all stages of an oil sands project's lifecycle. We have extensive construction experience in both mining and in situ oil sands projects and we have been providing operations support services to four producers currently mining bitumen in the oil sands since inception of their respective projects: Syncrude[6], Suncor[7], Imperial Oil[8] and Canadian Natural[9]. We focus on building long-term relationships with our customers and in the case of Syncrude and Suncor, these relationships span over 30 years.

We believe that we operate one of the largest fleet of equipment of any contract resource services provider in the oil sands. Our total fleet (owned, leased and rented) includes approximately 628 pieces of diversified heavy construction equipment supported by over 1,800 pieces of ancillary equipment. We have a specific capability operating in the harsh climate and difficult terrain of northern Canada, particularly in the Canadian oil sands.

While our services are primarily focused on the oil sands, we believe that we have demonstrated our ability to successfully leverage our oil sands knowledge and technology and put it to work in other resource development projects. Complementing our existing knowledge and technology, our recent acquisition of a 49% interest in Nuna expands our end user coverage into other commodity areas, such as base metals, precious metals and diamonds. In addition, Nuna is an established incumbent contractor in Nunavut and the Northwest Territories, but has also successfully completed major projects in Ontario, Saskatchewan and British Columbia.

We believe we are positioned to respond to the needs of a wide range of other resource developers and provincial infrastructure projects across Canada. We remain committed to expanding our operations outside of the Canadian oil sands.

We believe that our excellent safety record, coupled with our significant oil sands knowledge, experience, long-term customer relationships, equipment capacity and scale of operations, differentiate us from our competition and provide significant value to our customers.

Operations Overview

Our services are primarily focused on supporting the construction and operation of surface mines, both in the oil sands and for other resource mines across Canada, with a focus on:

- site clearing and access road construction;
- site development and underground utility installation;
- construction of mechanically stabilized earth walls, earth dams and mine haul roads;
- construction and relocation of mine site infrastructure;
- stripping, muskeg removal and overburden removal;
- heavy equipment and labour supply;
- material hauling; and
- mine reclamation and tailings pond construction.

Complimenting these services, we provide:

- site development and support services for plants and refineries, including in situ oil sands facilities;
- civil construction services for the construction and maintenance of heavy civil earth focused infrastructure projects, including winter ice roads in remote northern Canada locations; and
- heavy equipment maintenance services.

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6 Syncrude Canada Ltd. (Syncrude), operator of the oil sands mining and extraction operations for the Syncrude Project, a joint venture amongst Suncor Energy Inc. (58.74%), Imperial Oil Resources (25%), Sinopec Oil Sands Partnership (9.03%), CNOOC Oil Sands Canada (7.23%).

7 Suncor Energy Inc.

8 Imperial Oil Resources Limited (Imperial Oil).

9 Canadian Natural Resources Limited (Canadian Natural), owner and operator of the Horizon Oil Sands mine site.

We maintain our large diversified fleet of heavy equipment and ancillary equipment from our two significant maintenance and repair centers, one based in Fort McMurray, Alberta on a customer's mine site and our recently constructed expanded maintenance facility based near Edmonton, Alberta. In addition, we operate running maintenance and repair facilities at each of our customer's oil sands mine sites.
We believe our competitive strengths are as follows:

- leading market position in contract mining services;
- outstanding safety record;
- large, well-maintained equipment fleet;
- broad mining service offering across a project's lifecycle;
- long-term customer relationships;
- operational flexibility;
- strong aboriginal partnerships established across Canada; and
- strong balance sheet to weather the cyclical risks prevalent in both the oil sands and across all other resource mines in Canada.

For a complete discussion of our competitive strengths, see the "Business Overview - Competitive Strengths" section of our AIF, which section is expressly incorporated by reference into this MD&A.

Revenue by Source and End Market

Our revenue is generated from two main customer demand sources:

- operations support services; and
- construction services.

Our revenue is generated from three main end markets:

- Canadian oil sands;
- non-oil sands resource development; and
- provincial and federal infrastructure.

The flexibility of our equipment fleet and technical expertise is such that we can move people and equipment across revenue sources and markets to support the different types of project's needs.

For a discussion on our revenue by source and end market see the "Our Business - Revenue by Source and End Market" section of our AIF, which section is expressly incorporated by reference into this MD&A.

Our Strategy

For a discussion on how we will implement our strategy see the "Our Strategy" section of our most recent AIF, which section is expressly incorporated by reference into this MD&A.

D. FINANCIAL RESULTS

Summary of Consolidated Annual Results

	Year ended December 31,		
(dollars in thousands, except per share amounts)	2018	2017	Change
Revenue	$ 410,061	$ 292,557	$ 117,504
Project costs	152,943	116,346	36,597
Equipment costs	129,692	91,829	37,863
Depreciation	58,350	44,735	13,615
Gross profit	69,076	39,647	29,429
Gross profit margin	16.8%	13.6%	3.2%
Select financial information:			
General and administrative expenses (excluding stock-based compensation)	25,578	21,304	4,274
Stock-based compensation expense	11,532	3,995	7,537
Loss on sublease	1,732	—	1,732
Operating income	**29,980**	**13,407**	**16,573**
Interest expense	8,584	6,943	1,641
Net income and comprehensive income available to shareholders	**$ 15,286**	**$ 5,264**	**$ 10,022**
Net income and comprehensive income available to shareholders margin	3.7%	1.8%	1.9%
EBIT[(i)]	**$ 29,966**	**$ 13,411**	**$ 16,555**
EBIT margin[(i)]	7.3%	4.6%	2.7%
EBITDA[(i)]	$ 88,728	$ 59,064	$ 29,664
Adjusted EBITDA[(i)]	**$ 101,834**	**$ 63,082**	**$ 38,752**
Adjusted EBITDA margin[(i)]	24.8%	21.6%	3.2%
Per share information			
Net income - Basic	$ 0.61	$ 0.20	$ 0.41
Net income - Diluted	$ 0.54	$ 0.18	$ 0.36
Cash dividends per share	$ 0.08	$ 0.08	$ —

[(i)] See "Non-GAAP Financial Measures". A reconciliation of net income and comprehensive income available to shareholders to EBIT, EBITDA and Adjusted EBITDA is as follows:

	Year Ended December 31,	
(dollars in thousands)	2018	2017
Net income and comprehensive income available to shareholders	$ 15,286	$ 5,264
Adjustments:		
Interest expense	8,584	6,943
Income tax expense	6,096	1,204
EBIT	**$ 29,966**	**$ 13,411**
Adjustments:		
Depreciation	58,350	44,735
Amortization of intangible assets	412	918
EBITDA	**$ 88,728**	**$ 59,064**
Adjustments:		
Loss on disposal of property, plant and equipment	111	189
Gain on disposal of assets held for sale	(269)	(166)
Loss on sublease	1,732	—
Equity classified stock-based compensation expense	4,117	2,925
Liability classified stock-based compensation expense	7,415	1,070
Adjusted EBITDA	**$ 101,834**	**$ 63,082**

Analysis of Consolidated Annual Results

Revenue

For the year ended December 31, 2018, revenue was $410.1 million, up from $292.6 million for the year ended December 31, 2017. The increase in revenue is a direct result of an increased demand for sub-contract services in the oil sands as new production capacity came on line during the year and our customers continue to maximize their production volumes from oil sands mines to dilute their fixed costs and further drive down their cash cost per barrel. This has led to both a growth in demand for our services and an improved consistency in the demand throughout

the year.

Starting in the first quarter of the current year, we delivered on another strong winter works program with reclamation work at the Mildred Lake mine site and both overburden removal and tailings pond support activity at the Millennium mine site. We achieved winter works volumes that were consistent with the prior year, but were also able to dedicate a portion of our equipment fleet capacity to drive increased heavy civil construction work at the Kearl mine along with incremental civil construction and mine support work at the Highland Valley copper mine in central British Columbia, under a three-year contract awarded in the third quarter of 2017, and the completion of mine support activities at the Fording River coal mine in northeast British Columbia. The expanded volumes were made possible due to our 2017 investment in growth capital, which expanded our large sized equipment fleet capacity, combined with the effective execution of the earthworks program through the ever changing weather conditions of the winter season.

Our strong second and third quarter mine support service, overburden removal and earthworks activity generated at each of the Millennium and Mildred Lake mines outpaced the previous year's second and third quarter earthworks activity as the previous periods were negatively affected by the cancellation of the significant earthworks contract as a result of a plant fire at a customer site. We were able to secure replacement work for the majority of the fleet committed to the cancelled project last year, but lost the early start-up advantage as we had to relocate the equipment to other sites. Without the unplanned interruption, the current year benefitted from the aforementioned increased demand for our earthworks capabilities during the second and third quarters which included overburden removal activity at the Mildred Lake mine, performed under a recently signed contract with the customer. Complementing the increased demand from the Millennium and Mildred Lake mines was the continued increase in heavy civil construction and mine support services at the Kearl mine and the ongoing civil construction and mine support work at the Highland Valley copper mine.

Our fourth quarter started with the carryover of increased demand for earthworks activity as previously discussed. This led to an easier transition and ramp up into our 2018-2019 winter works programs at the Mildred Lake and Millennium mines. Our winter works program also benefitted, in the last five weeks of the year, from the contribution provided by our recently acquired fleet. Adding to the strong quarter was the continuation of a heavy civil construction project at the Kearl mine which offset last year's revenue generated from mine support activities at the Fording River coal mine. New volumes this quarter included overburden removal and heavy civil construction work at the Fort Hills mine and mine services and reclamation work at the Aurora mine. Revenue from the Highland Valley copper mine improved when compared to revenue from the same site last year, as last year saw a slow ramp-up of activities during the prior period.

Revenue in the fourth quarter also included our share of the last two months of the year's revenue generated from our acquisition of Nuna. Nuna's activities were at a typical seasonal low as they had recently wrapped up work on summer civil construction and mine support contracts and were in the initial stages of the ramp-up of their winter road construction activities.

Throughout the year we saw a continued expansion of our external maintenance service offering which was bolstered by the November opening of our new state of the art maintenance facility in Acheson, Alberta. In addition, we continue to participate in mine support service activity at multiple oil sands sites through our Dene North Site Services partnership.

Gross profit

For the year ended December 31, 2018, gross profit was $69.1 million or 16.8% of revenue, up from $39.6 million or 13.6% of revenue in the previous year. The higher gross profit was primarily driven by the higher revenue in the current year while the improved gross profit margin was driven by the more consistent flow of activity throughout the year for our earthworks programs. The prior year gross profit margins were negatively affected by the aforementioned cancelled earthworks contract and a disproportionate level of drawdown of maintenance backlog during the slower second and third quarter of last year's period.

Depreciation for the year ended December 31, 2018 was $58.4 million (14.2% of revenue) up from $44.7 million (15.3% of revenue) for the year ended December 31, 2017. The current year increase in depreciation expense was a direct result of the increased volumes. The current year decrease in depreciation as a percent of revenue continues to reflect the benefits we are realizing from our program of securing quality used equipment at discounted prices from sellers looking to exit the market place, while also leveraging our strong maintenance expertise and programs to extend the expected lives of our current fleet.

Operating income

For the year ended December 31, 2018, operating income was $30.0 million, up from $13.4 million for the year ended December 31, 2017.

G&A expense (excluding stock-based compensation expense) was $25.6 million for the year ended December 31, 2018 or 6.2% of revenue, up from the $21.3 million or 7.3% of revenue recorded in the year ended December 31, 2017. The increased G&A spend was driven by increased legal and consulting costs related to the integration of our two acquisitions coupled with one-time costs related to the consolidation of our office space and higher short-term incentive costs. The lower G&A as a percent of revenue in the current year, compared to the previous period, reflects our ability to absorb higher volumes of activity with limited increases to our overheads. Stock-based compensation cost increased $7.5 million compared to the previous year primarily as a result of the upward movement in share price and its effect on the carrying value of the liability classified award plans.

We entered into a sub-lease for all of our committed space over the entire remaining term of our underutilized Edmonton office facility. This effectively eliminated all but $1.7 million of the future commitment for this facility over the next five years. Nevertheless, this negatively affected current year earnings as we recorded the entire future anticipated loss as an expense against current year operating income.

Net income

For the year ended December 31, 2018, we recorded a net income of $15.3 million (basic income per share of $0.61 and diluted income per share of $0.54), compared to a net income of $5.3 million (basic income per share of $0.20 and diluted income per share of $0.18) for the year ended December 31, 2017. The net income in the current year included the recording of $8.6 million of interest expense compared to $6.9 million of interest expense recorded in the prior year. The $6.1 million income tax expense recorded in the current year is higher than the $1.2 million income tax expense recorded last year.

Basic and diluted income per share in the current period was partially affected by the reduction in issued and outstanding common shares (27,088,816 as at December 31, 2018 compared to 28,070,150 outstanding voting common shares as at December 31, 2017). For a full discussion on our capital structure see "Resources and Systems - Securities and Agreements" in this MD&A.

Summary of Consolidated Three Month Results

	Three months ended December 31,		
(dollars in thousands, except per share amounts)	2018	2017	Change
Revenue	$ 131,001	$ 82,046	$ 48,955
Project costs	48,094	33,720	14,374
Equipment costs	46,424	24,460	21,964
Depreciation	18,179	11,854	6,325
Gross profit	18,304	12,012	6,292
Gross profit margin	14.0%	14.6%	(0.6)%
Select financial information:			
General and administrative expenses (excluding stock based compensation)	8,034	5,738	2,296
Stock-based compensation expense	2,509	1,617	892
Operating income	**7,531**	**4,538**	**2,993**
Interest expense	3,444	1,989	1,455
Net income and comprehensive income available to shareholders	**$ 2,656**	**$ 2,450**	**$ 206**
Net income and comprehensive income available to shareholders margin	2.0%	3.0%	(1.0)%
EBIT[i]	**$ 7,524**	**$ 4,510**	**$ 3,014**
EBIT margin[i]	5.7%	5.5%	0.2 %
EBITDA[i]	$ 25,755	$ 16,478	$ 9,277
Adjusted EBITDA[i]	**$ 28,442**	**$ 18,100**	**$ 10,342**
Adjusted EBITDA margin[i]	21.7%	22.1%	(0.4)%
Per share information			
Net income - Basic	$ 0.11	$ 0.10	$ 0.01
Net income - Diluted	$ 0.10	$ 0.09	$ 0.01
Cash dividends per share	$ 0.02	$ 0.02	$ 0.00

[i] See "Non-GAAP Financial Measures". A reconciliation of net income and comprehensive income available to shareholders to EBIT, EBITDA and Adjusted EBITDA is as follows:

	Three months ended December 31,	
(dollars in thousands)	2018	2017
Net income and comprehensive income available to shareholders	$ 2,656	$ 2,450
Adjustments:		
Interest expense	3,444	1,989
Income tax expense	1,424	71
EBIT	**$ 7,524**	**$ 4,510**
Adjustments:		
Depreciation	18,179	11,854
Amortization of intangible assets	52	114
EBITDA	**$ 25,755**	**$ 16,478**
Adjustments:		
Loss (gain) on disposal of property, plant and equipment	216	(54)
(Gain) loss on disposal of assets held for sale	(38)	59
Equity classified stock-based compensation expense	1,549	755
Liability classified stock-based compensation expense	960	862
Adjusted EBITDA	**$ 28,442**	**$ 18,100**

Analysis of Three Month Results

Revenue

For the three months ended December 31, 2018, revenue was $131.0 million, up from $82.0 million in the same period last year. The increase in revenue was a result of a strong ramp up of our winter work programs at the Mildred Lake and Millennium mines, which benefitted in the last five weeks of the year from the contribution from our recently acquired fleet. Adding to the strong quarter was the incremental contribution of continued reclamation work under a previously announced contract at the Mildred Lake mine and an early-works heavy civil construction project at the Kearl mine which offset last year's revenue generated from mine support activities at the Fording River coal mine in southeast British Columbia. New volumes this quarter included overburden removal and heavy civil construction work at the Fort Hills mine and mine services and reclamation work at the Aurora mine, both generated from backlog subsequent to the asset acquisition. Revenue from our three-year mine support services contract at the Highland Valley copper mine in central British Columbia improved when compared to revenue from the same site last year, as last year saw a slow ramp-up of activities during the prior period.

We continued to grow for our external maintenance service offering in the quarter as we took on more customers and grew our reputation as a quality alternative service provider. This was bolstered by the November opening of our new maintenance facility in Acheson, Alberta which allowed us to expand our capacity for external maintenance activities and take on maintenance for larger sized equipment.

Revenue in the quarter also included our share of the last two months of revenue generated from our acquisition of Nuna. Nuna's activities were at a typical seasonal low as they had recently wrapped up work on summer civil construction and mine support contracts and were in the initial stages of the ramp-up of their winter road construction activities.

Gross Profit

For the three months ended December 31, 2018, gross profit was $18.3 million or 14.0% of revenue, up from a gross profit of $12.0 million or 14.6% of revenue during the same period last year. The higher gross profit in the current period was driven by the higher volume of activity in the quarter coupled with improved productivity on our winter works programs at the Mildred Lake mine as a result of a strong transition from summer reclamation activities, coupled with improved margins on our civil construction activities at multiple mine sites compared to last year. Gross profit margins were negatively affected by an increase in equipment costs as a percent of revenue in the current quarter as a result of inspection and repair costs related to ensuring that the equipment fleet acquired from the asset acquisition was in good operating condition and ready to be integrated into our existing fleet and ongoing work. Contributing to the lower gross profit margin in the quarter was the typical seasonal low activities outside the oil sands, which included wind-down of mine support activities and the ramp-up for winter road construction activities in Northern Canada.

For the three months ended December 31, 2018, depreciation was $18.2 million (or 13.9% of revenue), up from $11.9 million (or 14.4% of revenue) in the same period last year. The current period depreciation increased due to the increased volumes while the decrease in depreciation as a percent of revenue continues to reflect the benefits we are realizing from our recent program of securing quality used equipment at discounted prices from sellers looking to exit the market place, while also leveraging our strong maintenance expertise and programs to extend the expected lives of our current fleet.

Operating income

For the three months ended December 31, 2018, operating income was $7.5 million, compared to operating income of $4.5 million during the same period last year. G&A expense (excluding stock-based compensation expense) was $8.0 million, or 6.1% of revenue for the three months ended December 31, 2018, up from $5.7 million, or 7.0% of revenue in the same period last year. The increase in G&A spend reflects the timing of accruals for short-term incentive plan costs recorded in the quarter, compared to last year, and mainly one time higher personnel and consulting costs as a result of the integration of the two acquisitions in the quarter. The lower G&A as a percent of revenue in the current period, compared to the previous period, reflects our ability to absorb higher volumes of activity with limited increases to our overheads.

Stock-based compensation expense increased $0.9 million compared to the prior year primarily as a result of the upward movement in share price in the current quarter and its effect on the carrying value of the liability classified award plans.

Net Income and Comprehensive Income available to shareholders

For the three months ended December 31, 2018, net income was $2.7 million (basic income per share of $0.11 and diluted income per share of $0.10), compared to a net income of $2.5 million (basic income per share of $0.10 and diluted income per share of $0.09) during the same period last year. Net income in the current quarter included the recording of $3.4 million in interest expense compared to $2.0 million recorded to interest expense in the previous period as a result of the increased borrowings to fund our two acquisitions. The combined income tax expense recorded in the current period of $1.4 million for the three months ended December 31, 2018 is an increase from the $0.1 million combined income tax expense recorded for the three months ended December 31, 2017.

Non-Operating Income and Expense

	Three months ended December 31,			Year ended December 31,		
(dollars in thousands)	2018	2017	Change	2018	2017	Change
Interest expense						
Long term debt						
Interest on capital lease obligations	$ 673	$ 692	$ (19)	$ 2,984	$ 3,023	$ (39)
Interest on credit facilities	1,767	381	1,386	2,729	1,507	1,222
Interest on Convertible Debentures	555	555	—	2,200	1,760	440
Interest on promissory notes	202	—	202	202	—	202
Interest on mortgage	105	—	105	105	—	105
Amortization of deferred financing costs	144	376	(232)	539	797	(258)
Interest on long term debt	$ 3,446	$ 2,004	$ 1,442	$ 8,759	$ 7,087	$ 1,672
Other interest income	(2)	(15)	13	(175)	(144)	(31)
Total interest expense	$ 3,444	$ 1,989	$ 1,455	$ 8,584	$ 6,943	$ 1,641
Foreign exchange loss (gain)	32	28	4	39	(4)	43
Income tax expense	1,424	71	1,353	6,096	1,204	4,892

Interest expense

Total interest expense was $3.4 million during the three months ended December 31, 2018 , up from $2.0 million in the same period last year. In the year ended December 31, 2018, total interest expense was $8.6 million, up from the $6.9 million the year ended December 31, 2017.

Interest on capital lease obligations of $0.7 million and $3.0 million, respectively, during the three months and year ended December 31, 2018 , was slightly lower than corresponding prior year periods. The lower expense for both current periods was primarily due to the timing of assets held under capital leases during the current year. Late in the current quarter, we entered into a series of equipment financing arrangements which increased our assets under capital lease as compared to the previous period but had a limited effect on our capital lease interest expense. In addition, we assumed $1.8 million of capital leases as part of the closing of the fleet acquisition. For a discussion on assets under capital lease see "Resources and Systems - Capital Resources and Use of Cash" in this MD&A.

Interest on our credit facilities of $1.8 million and $2.7 million, respectively, during the three months and year ended December 31, 2018 , was higher than the corresponding prior year periods. In the current quarter, we negotiated an increase in capacity under our Credit Facility to support the fleet acquisition. As at December 31, 2018, we had $194.9 million borrowed under credit facilities, compared to $32.0 million borrowed under credit facilities as at December 31, 2017. For a discussion on the increase in Credit Facility capacity and the asset acquisition see "Significant Business Events - Accomplishments against our 2018 strategic priorities" in this MD&A.

We recorded $0.6 million and $2.2 million, respectively, in interest on our Convertible Debentures during the three months and year ended December 31, 2018. The current quarter's expense was comparable to the prior period while the current year's expense was higher than the previous comparable period as a result of the March 2017 issuance of the Convertible Debentures.

Interest on vendor and equipment promissory notes of $0.2 million was incurred during the three months and year ended December 31, 2018 . We entered into vendor promissory notes and assumed heavy equipment promissory notes related to the 2018 fleet acquisition. For a discussion on the fleet acquisition see "Significant Business Events - Accomplishments against our 2018 strategic priorities" in this MD&A.

Interest on the mortgage of $0.1 million was incurred during the three months and year ended December 31, 2018 . We entered into a $19.9 million mortgage during the quarter to partially finance the completed construction of our new Acheson maintenance facility and related land acquisition.

Amortization of deferred financing costs was $0.1 million and $0.5 million, respectively, for the three months and year ended December 31, 2018 , down from $0.4 million and $0.8 million in the respective corresponding periods last year. The current year expense includes amortization of deferred costs related to the credit facilities and the Convertible Debentures. The prior year expense includes the amortization of deferred financing costs for the Credit Facility, starting in August 2017, the Convertible Debentures, starting in March 2017 and the amortization and related write-off of unamortized deferred financing costs for the Previous Credit Facility, replaced in August 2017 and the Series 1 Debentures, repurchased in the first quarter of 2017.

Foreign exchange loss (gain)

The foreign exchange gains and losses relate primarily to the effect of changes in the exchange rate of the Canadian dollar against the US dollar on purchases of equipment and equipment parts. A more detailed discussion about our foreign currency risk can be found under “Quantitative and Qualitative Disclosures about Market Risk - Foreign Exchange Risk”.

Income tax expense

For the three months ended December 31, 2018, we recorded no current income tax expense and a deferred income tax expense of $1.4 million, providing a total income tax expense of $1.4 million. This compares to a combined income tax expense of $0.1 million recorded for the same period last year.

For the year ended December 31, 2018, we recorded no current income tax expense and a deferred income tax expense of $6.1 million, providing a combined income tax expense of $6.1 million. This compares to a combined income tax expense of $1.2 million for the year ended December 31, 2017.

Income tax as a percentage of taxable income for all periods differs from the statutory rates of 27.0% primarily due to temporary differences resulting from the non-taxable portion of capital gains and permanent differences resulting from stock-based compensation.

Backlog

With the adoption of the new US GAAP revenue standard requiring us to disclose "transaction price allocated to the remaining performance obligations" and the recent award of two contracts with significant performance obligations, we believe that a discussion of anticipated backlog has become relevant starting in 2018.

Backlog is a non-GAAP measure and is defined in "Explanatory Notes - Non-GAAP Financial Measures" in this MD&A. Our definition of Backlog includes committed volumes with undefined scope excluded from the US GAAP definition of "transaction price allocated to the remaining performance obligations", as disclosed in "Note 19 - Revenue" in our most recent financial statements and notes that follow.

The following summarizes our non-GAAP reconciliation of anticipated backlog as at December 31, 2018, September 30, 2018, June 30, 2018 and March 31, 2018 and the revenue generated from backlog during the respective three month periods:

(dollars in thousands)	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	March 31, 2018
Performance obligations per financial statements	$ 206,900	$ 129,911	$ 149,290	$ 82,672
Add: undefined committed volumes	1,021,430	209,644	200,107	29,362
Anticipated backlog	$ 1,228,330	$ 339,555	$ 349,397	$ 112,034
Revenue generated from backlog during the three month period	$ 70,872	$ 40,859	$ 43,894	$ 45,686

As at December 31, 2018, we expect that $313 million of our anticipated backlog reported above will be performed over the balance of 2019. s

Our anticipated backlog increased during the year ended December 31, 2018 as a result of awards with defined scope under our master services agreements and multiple use contracts.

- We secured a five-year contract through 2023 for earthworks services at a customer's mine. The anticipated volumes contributed approximately $757 million to our backlog.
- We secured a three-year term contract for overburden removal with a customer that will commence in 2019, after a previously announced 2018 term contract. In addition, we secured a three-year reclamation contract with this customer, which commenced in 2018. The combined defined scope work of these new contracts contributed approximately $275 million to our backlog.
- We added additional contracts in the fourth quarter of 2018 with a combined backlog estimated at approximately $176 million.

For a complete discussion of the 2018 contract awards see "Significant Business Events - Accomplishments against our 2018 strategic priorities" in this MD&A.

Our measure of backlog does not define what we expect our future workload to be. We work with our customers using cost-plus, time-and-materials, unit-price and lump-sum contracts. The mix amongst these contract types varies year-by-year. Our definition of backlog results in the exclusion of a range of services to be provided under cost-plus and time-and-materials contracts performed under master services agreements and multiple use contracts where scope is not clearly defined.

Summary of Consolidated Quarterly Results

A number of factors have the potential to contribute to variations in our quarterly financial results between periods, including:

- the timing and size of capital projects undertaken by our customers on large oil sands projects;
- changes in the mix of work from earthworks, with heavy equipment, to more labour intensive, light construction projects;
- seasonal weather and ground conditions;
- certain types of work that can only be performed during cold, winter conditions when the ground is frozen;
- the timing of equipment maintenance and repairs;
- the timing of project ramp-up costs as we move between seasons or types of projects;
- the timing of resolution for claims and unsigned change-orders;
- the timing of "mark-to-market" expenses related to the effect of a change in our share price on cash related stock-based compensation plan liabilities; and
- the level of borrowing under our Convertible Debentures, Credit Facility and capital leases and the corresponding interest expense recorded against the outstanding balance of each.

The table, below, summarizes our consolidated results for the eight preceding quarters:

	Three Months Ended							
(dollars in millions, except per share amounts)	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017
Revenue	**$ 131.0**	**$ 84.9**	**$ 79.5**	**$ 114.7**	**$ 82.0**	**$ 70.0**	**$ 47.6**	**$ 92.8**
Gross profit (loss)[i]	18.3	14.3	9.7	26.8	12.0	5.8	(1.2)	23.0
Operating income (loss)	7.5	3.7	1.7	17.1	4.5	1.0	(6.6)	14.4
EBIT[i]	7.5	3.7	1.7	17.1	4.5	1.1	(6.6)	14.5
Adjusted EBITDA[i]	28.4	19.1	15.2	39.1	18.1	11.5	2.0	31.6
Net income (loss) and comprehensive income (loss) available to shareholders	**2.7**	**1.5**	**0.0**	**11.1**	**2.5**	**(0.6)**	**(6.2)**	**9.6**
Net income (loss) per share - basic[ii]	$ 0.11	$ 0.06	$ 0.00	$ 0.44	$ 0.1	$ (0.02)	$ (0.23)	$ 0.34
Net income (loss) per share - diluted[ii]	$ 0.10	$ 0.05	$ 0.00	$ 0.36	$ 0.09	$ (0.02)	$ (0.23)	$ 0.31
Cash dividend per share [iii]	$ 0.02	$ 0.02	$ 0.02	$ 0.02	$ 0.02	$ 0.02	$ 0.02	$ 0.02

[i] See "Non-GAAP Financial Measures".
[ii] Net income (loss) per share for each quarter has been computed based on the weighted average number of shares issued and outstanding during the respective quarter; therefore, quarterly amounts may not add to the annual total. Per share calculations are based on full dollar and share amounts.
[iii] The timing of payment of the cash dividend per share may differ from the dividend declaration date.

We generally experience a reduction in winter road construction revenue and a decline in our oil sands mine site support revenue such as reclamation and muskeg removal services during the three months ended June 30 of each year due to seasonality, as weather conditions make performance of this heavy equipment intensive work in the oil sands difficult during this period. The oil sands mine support activity levels decline when frost leaves the ground and access to excavation and dumping areas, as well as associated roads, are rendered temporarily incapable of supporting the weight of heavy equipment. The duration of this period, which can vary considerably from year to year, is referred to as "spring breakup" and has a direct impact on our mine support activity levels.

All other events being equal, oil sands mine support revenue and winter road construction during the December to March time period of each year is traditionally highest as ground conditions are most favorable for work requiring frozen ground access. Delays in the start of the winter freeze required to perform this type of work or an abnormal thaw period during the winter months will reduce overall revenues or have an adverse effect on project performance in the winter period. It should be noted that extreme weather conditions during this period, where temperatures dip below minus 30 degrees Celsius, can have an adverse effect on revenue due to lower equipment performance and

reliability. In each of the past two years we have experienced either a late winter freeze or an abnormal winter thaw causing results to deviate from the typical winter pattern.

Mine support activities for resource mines outside the oil sands typically are at their peak during the May to October time period, contrary to the seasonality of an oil sands mine that relies on the cold winter season for effective material movement.

Our civil construction revenue, which usually includes a higher percent of low margin materials revenue, generally ramps up after the "spring breakup", once ground conditions stabilize. We typically use lower capacity equipment to support civil construction activities during this period resulting in a lower rate of revenue per equipment hour. Civil construction activity continues until the winter freeze at which time we typically demobilize this lower capacity equipment from the sites. The margin and schedule for this type of work is negatively affected by low productivity if weather delays extend beyond seasonal averages for the construction season. These additional delays can push the project completion into the more costly winter season or require us to re-mobilize to the site after the winter season to complete the project.

Overall, full-year results are not likely to be a direct multiple or combination of any one quarter or quarters. In addition to revenue variability, gross margins can be negatively impacted in less active periods because we are likely to incur higher maintenance and repair costs due to our equipment being available for servicing.

Profitability also varies from quarter-to-quarter as a result of the resolution of claims and unsigned change-orders. While claims and change-orders are a normal aspect of the contracting business, they can cause variability in profit margin due to delayed recognition of revenues.

Our profitability can also be affected by significant changes to our share price and the effect this change has on the "mark-to-market" valuation of our liability based stock-based compensation plan.

Variations in quarterly results can also be caused by changes in our operating leverage. During periods of higher activity, we have experienced improvements in operating margin. This reflects the impact of relatively fixed costs, such as G&A, being spread over higher revenue levels. If activity decreases, these same fixed costs are spread over lower revenue levels. Both net income and income per share are also subject to financial leverage as provided by fixed interest expense. Events in the past two years, which include the reduction of our overhead support costs and the overall restructuring of our debt, have changed the impact of these fixed costs as compared to previous years.

Unpriced Contract Modifications

Due to the complexity of the projects we undertake, changes often occur after work has commenced. These changes include but are not limited to:

- changes in client requirements, specifications and design;
- changes in materials and work schedules; and
- changes in ground and weather conditions.

Contract change management processes require that we obtain change orders from our clients approving scope and/or price adjustments to the contracts. Generally, a “change order” will be negotiated with the customer to modify the original contract to approve both the scope and price of the change. Occasionally, disagreements arise regarding changes, their nature, measurement, timing and other characteristics that impact costs and revenue under the contract. When a change becomes a point of dispute with a customer, we assess the legal enforceability of the change to determine if a contract modification exists. We consider a contract modification to exist when the modification either creates new or changes existing enforceable rights and obligations.

If a contract modification is approved in scope and not price, the associated revenue is treated as variable consideration, subject to constraint. This can lead to a situation where costs are recognized in one period and revenue is recognized when customer agreement is obtained or claim resolution occurs, which can be in subsequent periods.

We have constrained the variable consideration related to unpriced contract modifications, which is not unusual for this type of variable consideration. Significant judgement is involved in determining if a variable consideration amount should be constrained. The constrained variable consideration is limited to the amount that would not result in a risk of significant reversal of revenue (i.e. it is highly probable that a significant revenue reversal will not occur). In applying this constraint, we consider both the likelihood of a revenue reversal arising from an uncertain future event, and the magnitude of the revenue reversal if the uncertain event were to occur or fail to occur. The following circumstances are considered to be possible indicators of significant revenue reversals:

- The amount of consideration is highly susceptible to factors outside our influence, such as judgement of actions of third parties, and weather conditions;
- The length of time between the recognition of revenue and the expected resolution;
- Our experience with similar circumstances and similar customers, specifically when such items have predictive value;
- Our history of resolution and whether that resolution includes price concessions or changing payment terms; and
- The range of possible consideration amounts.

During the year ended December 31, 2018, we recognized revenue from variable consideration related to unpriced contract modifications of $0.3 million (December 31, 2017 - $1.2 million).

As at December 31, 2018, we had $7.5 million of unresolved unpriced contract modifications on our balance sheet. This compares to $8.0 million of unresolved unpriced contract modifications recorded as at December 31, 2017. We are working with our customers in accordance with the terms of our contracts to come to agreement on additional amounts, if any, to be paid to us with respect to these variable consideration amounts.

Contingent Consideration

Under the terms of the purchase agreements for our two acquisitions the agreed upon purchase price was subject to normal closing adjustments. At this time, we continue to work through the reconciliation process on the purchase adjustments for the equipment fleet acquisition.

E. OUTLOOK

We have just completed the second year of a three-year growth plan that targeted a minimum 15% compound increase in revenue and Adjusted EBITDA over that period.s Our strategy to achieve the growth, organically and via acquisitions, is to:

1. Build production related recurring services volumes in our core oil sands market, together with the addition of value creating services.
2. Expand our market coverage to include other resource mines (e.g. coal, copper, gold, diamonds etc.) and infrastructure related projects that involve major earthworks.

Following on from 37% and 18% growth in revenue and Adjusted EBITDA respectively in 2017, we achieved a further 40% and 61% growth in the same two measures for 2018, as well as a meaningful improvement in profitability. We have also recently closed two important acquisitions that had only a marginal contribution to 2018 results but have the potential to provide a leap change in our financial results for 2019 and beyond.s We currently anticipate the 2019 improvement to be around 70% for revenue and 60% for Adjusted EBITDA which could propel our basic EPS to over $1.60.s

Due to the magnitude of this improvement, we believe it is important to assist readers with an estimate of Adjusted EBITDA outcome proportionality by quarter during the year, which we presently assess as approximately 30%, 20%, 22% and 28%, respectively.s The main variables impacting this assessment, for the first half of the year, are the timing of spring break up and the pace that we can schedule maintenance and repairs for some of the acquired mine support assets. Also, the busiest quarters for the work linked to our stake in Nuna are typically in the second and third quarters and so this is completely counter-seasonal to oil sands operations. Additionally, for this assessment it is important to note that the term contracts we have in hand allow more even scheduling of work throughout the year for cost optimization purposes.

Our confidence in this positive outlook is underpinned by the fact that over 75% of the revenue will be derived from work linked to oil sands production, which has proved to be very resilient to oil price falls in recent years.s In addition, our backlog via term contracts now stands at over $1.2 billion, compared to less than $0.1 billion at this time last year.

Given the senior debt financing of over $250.0 million in 2018 for strategic growth acquisitions, our management will be focused on de-leveraging in the mid-term. Free cash flow ("FCF") in 2018 of $60.7 million was generated from our highly utilized fleet while prudently maintaining it for the long-term. The 2019 FCF is expected to benefit from the projected uplifts in revenue and Adjusted EBITDA but we anticipate a one-time impact of onboarding of the newly acquired fleet to NACG standards.s We expect to reduce total debt by $150.0 million in 2019 to 2021 while maintaining our forward-looking posture of looking for strategic M&A opportunities as well as continuing to assess junior debt as an alternative to existing senior debt instruments.s

F. LEGAL AND LABOUR MATTERS

Laws and Regulations and Environmental Matters

Many aspects of our operations are subject to various federal, provincial and local laws and regulations, including, among others:

- permit and licensing requirements applicable to contractors in their respective trades;
- building and similar codes and zoning ordinances; and
- laws and regulations relating to worker safety and protection of human health.

We believe that we have all material required permits and licenses to conduct our operations and are in substantial compliance with applicable regulatory requirements relating to our operations. Our failure to comply with the applicable regulations could result in substantial fines or revocation of our operating permits.

For a complete discussion of our laws and regulations and environmental matters, see the "Legal and Labour Matters - Laws and Regulations and Environmental Matters" section of our AIF, which section is expressly incorporated by reference into this MD&A.

Legal Proceedings and Regulatory Actions

From time to time, we are a party to litigation and legal proceedings that we consider to be a part of the ordinary course of business. While no assurance can be given, we believe that, taking into account reserves and insurance coverage, none of the litigation or legal proceedings in which we are currently involved or know to be contemplated could reasonably be or could likely be considered important to a reasonable investor in making an investment decision, expected to have a material adverse effect on our business, financial condition or results of operations. We may, however, become involved in material legal proceedings in the future that could have such a material adverse effect.

Employees and Labour Relations

As at December 31, 2018, we had 160 salaried employees (2017 - 132 salaried employees) and approximately 1,570 hourly employees (2017 - 1,040 hourly employees) in our Western Canadian operations (excluding employees employed by the Nuna Group). Of the hourly employees, approximately 84% of the employees are union members and work under collective bargaining agreements (December 31, 2017 - 84% of the employees). Our hourly workforce fluctuates according to the seasonality of our business and the staging and timing of projects by our customers. The hourly workforce for our ongoing operations normally ranges in size from 700 employees to approximately 1,800 employees, depending on the time of year, types of work and duration of awarded projects. We also utilize the services of subcontractors in our business. Subcontractors typically perform an estimated 7.0% to 10.0% of the work we undertake.

The majority of our work is carried out by employees governed by our mining ‘overburden’ collective bargaining agreement with the International Union of Operating Engineers ("IUOE") Local 955, which ensures labour stability through to 2021.s

Other collective agreements include the provincial collective agreement between the Operating Engineers and the Alberta ‘Roadbuilders and Heavy Construction’ Association ("ARBHCA"), which has expired. The parties have agreed to extend the term of the current agreement while negotiations continue and have also agreed to a project-specific term, with a no-strike/no-lockout clause for long-term work. A collective agreement, specific to work performed in our Acheson maintenance shop between the Operating Engineers and North American Maintenance Ltd., was ratified on April 11, 2018 and is in place until 2023.

We also have a collective agreement in place with the Construction and Allied Workers Union ("CLAC"), Local 68 for work carried out at the Highland Valley Copper Mine project located near Logan Lake, British Columbia, expiring in April 2020.

Our relationship with all our employees, both union and non-union, is strong. We have not experienced a strike or lockout, nor do we expect to. s

G. RESOURCES AND SYSTEMS

CAPITAL STRATEGY

Our capital strategy continues to focus on increasing shareholder value and reducing our cost of debt. Our capital strategy activities for the past few years have included significantly restructuring our total debt, lowering our

average cost of debt, purchasing and subsequently canceling more than 31% of our voting common shares (since the start of our NCIB programs), funding growth opportunities through the issuing of Convertible Debentures and increasing the borrowing flexibility and capacity of our Credit Facility. Building on these prior year successes, we took the following actions in 2018:

- To support our strategic priority and provide us sufficient flexibility to allow for the asset acquisition transaction on November 23, 2018, we entered into an upsized Credit Facility with our banking syndicate led by National Bank Financial. The Credit Facility is consistent with existing terms and maintains attractive rates.
    - The Credit Facility provides borrowings of up to $300.0 million with an ability to increase the maximum borrowings by an additional $50.0 million, subject to certain conditions (an increase from the $140.0 million borrowing available under the previous facility).
    - This facility matures on November 23, 2021, with an option to extend on an annual basis.
    - The Credit Facility also allows for a capital lease limit of $150.0 million (an increase from the $100.0 million limit under the previous facility) and other borrowing of $20.0 million (an increase from the $5.0 million limit under the previous facility).
- We continued to drive down our cost of debt by leveraging the leasing capacity and competitive pricing provided by our equipment leasing partners to finance $49.4 million of new and used equipment through capital leases (including equipment financed through sale/leasebacks).
- In November, 2018, we entered into a 25-year mortgage with the Business Development Bank of Canada ("BDC") for $19.9 million, which was drawn on to cover costs already incurred in relation to our recent acquisition of land and the related construction of our new Acheson, Alberta maintenance facility and corporate office.
    - The BDC mortgage and security are structured as permitted exclusions from the security interests of the Credit Facility syndicate lenders and the Senior Debt, as defined in the Credit Facility.
- As we strive to increase shareholder value per share, we completed normal course purchases and subsequent cancellations of almost 1.3 million voting common shares in the current year at an average price of $7.44 per share.
- Continued to maintain voting common shares in the trust established for the future settlement of units issued under certain of our stock-based compensation plans (which shares are classified as treasury shares on our balance sheet). Our treasury shares, purchased well in advance of our stock-based compensation settlement dates, have a positive impact on shareholder dilution and future cash costs.
    - Our treasury share balance decreased by almost 0.5 million voting common shares to just over 2.1 million as at December 31, 2018.
- Continued with our dividend policy, declaring $0.08 in dividends per share for the year.

In 2018, we were able to leverage our debt structure to support the growth of our business through the acquisition of an interest in Nuna growth capital investments and the significant fleet acquisition. This was completed while continuing to drive benefits to shareholders through the continuation of our NCIB programs. We continue to take advantage of our Credit Facility to deal with working capital demands from the start-up of new projects and build on our flexibility to be more competitive with our pricing in the oil sands and to succeed despite uncertain times in oil price driven marketplaces. As a result of the financing of the fleet acquisition through our Credit Facility and the financing of the majority of our new maintenance facility through the BDC mortgage, our total debt is $384.3 million at December 31, 2018, compared to $139.0 million at December 31, 2017.

- Our current year total debt borrowings consist of $192.0 million borrowed against our Credit Facility, $2.9 million borrowed against credit facilities related to investments in affiliates and joint ventures ($32.0 million on our Previous Credit Facility in 2017), $40.0 million in Convertible Debentures borrowings ($40.0 million in 2017), $19.9 million borrowings on our BDC mortgage and $86.6 million of capital lease borrowing ($67.0 million in 2017).
- We ended the current year with $19.9 million in cash ($8.2 million at December 31, 2017).

For a complete discussion on these activities see "Credit Facility" and "Securities and Agreements" in this section of the MD&A.

SUMMARY OF CONSOLIDATED CASH FLOWS

Consolidated cash flows are summarized in the table below:

	Three months ended December 31,		Year ended December 31,	
(dollars in thousands)	2018	2017	2018	2017
Cash provided by operating activities	36,911	5,336	109,371	49,745
Cash used by investing activities	(173,766)	(10,051)	(228,614)	(33,595)
Cash provided (used) by financing activities	156,133	2,190	130,565	(21,630)
Net decrease in cash	**19,278**	**(2,525)**	**11,322**	**(5,480)**

Operating activities

Cash (used) provided by the net change in non-cash working capital specific to operating activities are summarized in the table below:

	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
Net change in non-cash working capital				
Accounts receivable	(11,585)	(3,111)	(22,359)	(7,148)
Contract assets	239	(6,163)	13,441	(5,607)
Inventories	1,284	(2,039)	(443)	(1,288)
Contract costs	(1,316)	—	(1,384)	—
Prepaid expenses and deposits	(842)	945	(1,513)	(283)
Accounts payable	15,586	(2,665)	17,665	5,640
Accrued liabilities	5,624	1,912	5,923	1,904
Contract liabilities	1,346	260	2,848	(247)
	$ 10,336	$ (10,861)	$ 14,178	$ (7,029)

During the three months ended December 31, 2018, cash provided by operating activities was $36.9 million, up from $5.3 million provided during the three months ended December 31, 2017. The increase in cash flow in the current period is primarily due to increased profitability complemented by $10.3 million in cash provided by a reduction in cash required to fund non-cash working capital during the quarter ($10.9 million used to fund a growth in non-cash working capital in the prior period). The earlier ramp of activity in the current quarter drove a typical increase in accounts receivable and unbilled revenue in the period while the growth in accounts payable and accrued liabilities in the period was driven by a higher volume of maintenance activities with settlement terms that extended beyond the end of the period.

During the year ended December 31, 2018, cash provided by operating activities was $109.4 million, up from $49.7 million provided during the year ended December 31, 2017. The increased cash from operations in the current period is a result of increased profitability complemented by $14.2 million in cash provided by a reduction in cash required to fund non-cash working capital during the year ($7.0 million in cash used to fund non-cash working capital growth in the prior year). The more consistent volumes of work through the year reduced the ramp up of activity in the fourth quarter of the current year resulting in a more consistent level of billing and collections from accounts receivable and contract assets in the period. The prior period ramp up of fourth quarter activity was more pronounced due to the lower third quarter activity resulting in a higher amount of cash used to fund the change in accounts receivable and contract assets, combined. The growth in accounts payable and accrued liabilities in the current period was driven by a higher volume of maintenance activities with settlement terms that extended beyond the end of the period.

There are currently no legal or economic restrictions on our subsidiaries that could impair the ability for us to pay dividends.

Investing activities

During the three months ended December 31, 2018, cash used for investing activities was $173.8 million, compared to $10.1 million in cash used for investing activities in the three months ended December 31, 2017. Investing activities for the three months ended December 31, 2018 included $151.2 million used for the asset acquisition, $31.9 million used for the investment in an interest in the Nuna group of companies, $20.6 million for the purchase of property, plant, equipment and intangible assets along with $0.1 million provided to the Dene North partnership as a long-term loan. This is partially offset by $29.8 million in proceeds from the disposal of plant and equipment and assets held for sale. Prior year investing activities included $21.2 million for the purchase of property, plant, equipment and intangible assets, offset by $11.4 million cash received on the disposal of property,

plant and equipment and assets held for sale. Current quarter proceeds included $11.2 million received from a financing arrangement for some of our heavy equipment fleet ($9.2 million included in proceeds for a similar arrangement in the prior period).

During the year ended December 31, 2018, cash used for investing activities was $228.6 million, compared to $33.6 million used by investing activities during the year ended December 31, 2017. Investing activities for the year ended December 31, 2018 included $151.2 million used for the acquisition of the fleet assets, $31.9 million used for the investment in an interest in Nuna, $81.5 million of cash used for property, plant, equipment and intangible asset purchases (including our new maintenance facility), $0.3 million provided to the Dene North partnership as a long-term loan. This was offset by cash inflows of $36.3 million from the disposal of property, plant and equipment and assets held for sale. Investing activities during the year ended December 31, 2017 included $53.9 million of property, plant, equipment and intangible asset purchases, offset by $22.4 million in proceeds for the disposal of property, plant and equipment and assets held for sale.

Current year proceeds included $20.3 million received from a financing arrangement for some of our heavy equipment fleet ($13.9 million included in proceeds for a similar arrangement in the prior period).

Financing activities

Cash provided in financing activities during the three months ended December 31, 2018, was $156.1 million driven by $202.4 million of net credit facility borrowing and $19.9 million borrowed under the BDC mortgage to partially finance the completed Acheson maintenance facility, partially offset by $8.1 million in capital lease obligation repayments. Cash provided in financing activities for the three months ended December 31, 2017 was $2.2 million, driven by $10.0 million in net repayments on the Previous Credit Facility and $7.3 million in capital lease obligation repayments.

For the year ended December 31, 2018, cash provided in financing activities was $130.6 million, which included $159.8 million of net credit facility borrowing, $19.9 million borrowed under the BDC mortgage to partially finance the completed Acheson maintenance facility, $32.1 million in capital lease obligation repayments, $9.5 million used for the purchase and subsequent cancellation of common shares, $5.1 million of treasury share purchases and $0.8 million in financing costs incurred from the amended Credit Facility. Cash used in financing activities during the year ended December 31, 2017 was $21.6 million, driven by $19.9 million of Credit Facility repayments, $29.2 million in capital lease obligation repayments, $15.0 million for the purchase and subsequent cancellation of common shares, $4.7 million of treasury share purchases and $3.0 million in financing costs incurred from the new Credit Facility and the Convertible Debentures.

LIQUIDITY

As at December 31, 2018, we had $8.7 million in cash and $107.1 million of unused borrowing availability on the Credit Facility, excluding our interest in partnership cash and credit facility capacity, for a total liquidity of $115.8 million (defined as cash, excluding interest in partnership cash plus available and unused Credit Facility borrowings, excluding interest in partnership credit facility capacity). This compared to our total liquidity of $115.4 million at December 31, 2017 ($8.2 million cash and $107.2 million available and unused Previous Credit Facility Revolver borrowing).

Our liquidity is complemented by available borrowings through our equipment leasing partners. Under the terms of our Credit Facility, our capital lease borrowing is limited to $150.0 million and our other borrowing is limited to $20.0 million compared to the capital lease borrowing limit of $100.0 million and other borrowing limit of $5.0 million under the terms of the Previous Credit Facility. As at December 31, 2018, we had $63.4 million in unused capital lease borrowing availability and $9.7 million in unused other borrowing availability under the terms of our Credit Facility compared to $33.0 million in unused capital lease borrowing availability at December 31, 2017 under the terms of our Previous Credit Facility. There are no restrictions within the terms of our Credit Facility relating to the use of operating leases.

Summary of Consolidated Financial Position

(dollars in thousands)	December 31, 2018	December 31, 2017
Cash[(i)]	$ 19,508	$ 8,186
Current working capital assets[(i)]		
Accounts receivable	$ 82,399	$ 46,806
Contract assets	10,673	21,572
Inventories	13,391	4,754
Contract costs	2,308	422
Prepaid expenses and deposits	3,736	1,898
Assets held for sale	672	5,642
Current working capital liabilities[(i)]		
Accounts payable	(63,460)	(35,191)
Accrued liabilities	(19,157)	(12,434)
Contract liabilities	(4,032)	(824)
Total net current working capital (excluding cash)	$ 26,530	$ 32,645
Intangible assets	2,916	938
Property, plant and equipment	528,157	278,648
Total assets	689,800	383,644
Total long-term financial liabilities[(ii)(iii)]	365,462	115,505
Capital lease obligations (including current portion)	86,568	66,969
Credit facilities (including current portion)[(ii)]	194,918	32,000
Convertible Debentures[(ii)]	39,976	40,000
Mortgage[(ii)]	19,900	—
Promissory notes[(iv)]	42,937	—
Total debt[(i)(v)]	384,299	138,969
Cash	(19,508)	(8,186)
Net debt[(i)(v)]	364,791	130,783

[(i)] The current year data includes proportionately consolidated amounts of affiliates and joint ventures.
[(ii)] Excludes deferred financing costs.
[(iii)] Total long-term financial liabilities exclude the current portions of capital lease obligations, long-term lease inducements, asset retirement obligations and both current and non-current deferred income tax balances.
[(iv)] Promissory notes consist of vendor promissory notes and equipment promissory notes.
[(v)] For a definition of total debt and net debt, see "Non-GAAP Financial Measures".

The following table provides reconciling items for the year ended December 31, 2018 between the movement of working capital accounts in the Summary of Consolidated Financial Position table, above and the amounts shown in the "Net change in non-cash working capital" table in "Summary of Consolidated Cash Flow" in this MD&A:

(dollars in thousands)	
Non-cash working capital exclusions:	
Decrease in contract assets related to adoption of accounting standards	$ (547)
Increase in inventory related to the purchase of heavy equipment fleet and related assets	4,268
Increase in other assets related to adoption of accounting standards	502
Decrease in accrued liabilities related to conversion of bonus compensation to deferred stock units	326
Decrease in accrued liabilities related to dividend payable	10
Non-cash working capital transactions related to investments in affiliates and joint ventures:	
Increase in accounts receivable	13,234
Increase in contract assets	3,089
Increase in inventory	3,926
Increase in prepaid expenses	399
Increase in accounts payable	(10,604)
Increase in accrued liabilities	(1,136)
Increase in contract liabilities	(360)

Current working capital fluctuations effect on liquidity

As at December 31, 2018, we had $1.5 million in trade receivables that were more than 30 days past due, up from $0.3 million as at December 31, 2017. We did not require an allowance for doubtful accounts related to our trade receivables, for the current or prior year. We continue to monitor the credit worthiness of our customers.

Contract change management processes often lead to a timing difference between project disbursements and our ability to invoice our customers

for executed change orders. Until the time of invoice, revenue related to unexecuted

change orders are recorded as unbilled revenue only to the extent of costs incurred. As of December 31, 2018, we had $7.5 million of unresolved claims and change orders recorded on our balance sheet. This compares to $8.0 million for the year ended December 31, 2017. For a more detailed discussion on claims revenue refer to “Unpriced Contract Modifications”.

The variability of our business through the year due to the timing of construction project awards or the execution of work that can only be performed during winter months can result in an increase in our working capital requirements from higher accounts receivable and unbilled revenue balances at the start of such projects.

Our current working capital is also significantly affected by the timing of the completion of projects and the contractual terms of the project. In some cases, our customers are permitted to withhold payment of a percentage of the amount owing to us for a stipulated period of time (such percentage and time period is usually defined by the contract and in some cases provincial legislation). This amount acts as a form of security for our customers and is referred to as a "holdback". Typically, we are only entitled to collect payment on holdbacks if substantial completion of the contract has been performed, there are no outstanding claims by subcontractors or others related to work performed by us and we have met the period specified by the contract (usually 45 days after completion of the work). However, in some cases, we are able to negotiate the progressive release of holdbacks as the job reaches various stages of completion.

As at December 31, 2018, holdbacks totaled $0.6 million, similar to the $0.6 million balance as at December 31, 2017. Holdbacks represent 0.7% of our total accounts receivable as at December 31, 2018 (1.2% as at December 31, 2017).

CAPITAL RESOURCES AND USE OF CASH

Our capital resources consist primarily of cash flow provided by operating activities, cash and cash equivalents, borrowings under our Credit Facility and financing through our operating and capital equipment lease facilities.

Our primary uses of cash are for capital expenditures, to fulfill debt repayment and interest payment obligations, to fund operating and capital lease obligations, to finance working capital requirements and to pay dividends. When prudent, we have also used cash to repurchase our common shares.

We anticipate that we will likely have enough cash from operations to fund our annual expenses, planned capital spending program and meet current and future working capital, debt servicing and dividend payment requirements in 2019 from existing cash balances, cash provided by operating activities and borrowings under our Credit Facility.s

Property, Plant, Equipment and Intangible Asset Purchases

Our capital spending program is primarily focused on acquiring equipment to replace disposed assets and/or support our growth as we take on new projects. This includes the addition of revenue producing fleet and site infrastructure assets to support the maintenance activities of the fleet.

We maintain a significant equipment and vehicle fleet comprised of units with remaining useful lives covering a variety of time spans. Having an effective maintenance program is important to support our large revenue producing fleet in order to avoid equipment downtime, which can affect our revenue stream and our project profits.

As part of our maintenance program for our larger sized equipment, it is often cost effective to replace major components of the equipment, such as engines, drive trains and under carriages to extend the useful life of the equipment. The cost of these major equipment overhauls are recorded as capital expenditures and depreciated over the life of the replacement component. We refer to this type of equipment as "multi-life component" equipment. Once it is no longer cost effective to replace a major component to extend the useful life of a multi-life component piece of equipment, the equipment is disposed of and replacement capital requirements are determined based on historical utilization and anticipated future demand.

For the balance of our heavy and light equipment fleet, it is not cost effective to replace individual components, thus once these units reach the end of their useful lives, they are disposed of and replacement capital decisions are likewise assessed based on historical utilization and anticipated future demand. We refer to this type of equipment as "single-life component" equipment.

With the increase to our fleet size, we anticipate that we will require between $45.0 million to $60.0 million, annually, for capitalized maintenance that extends the useful life of our existing equipment fleet and an additional $15.0 million to $25.0 million (net of proceeds from disposals) to replace equipment that has reached the end of its useful life. Our fleet replacement is primarily focused on our smaller, civil construction equipment and reflects the current and anticipated continued high demand and utilization of these fleets.

In order to maintain a balance of owned and leased equipment, we have financed a portion of our heavy construction fleet through capital and operating leases and we continue to lease our motor vehicle fleet through our capital lease facilities. In addition, we develop or acquire our intangible assets through capital expenditures. Our equipment ownership strategy allows us to meet our customers' variable service requirements while balancing the need to maximize equipment utilization with the need to achieve the lowest ownership costs.s Our equipment fleet value is currently split among owned (64%), capital leased (28%) and rented equipment (8%).

Cash used for net capital expenditures (expenditures, net of proceeds) for the year ended December 31, 2018 was $45.2 million (December 31, 2017 - $31.4 million). The net cash used for capital expenditures for the period included $30.6 million in proceeds from finance arrangements with our leasing facility providers (December 31, 2017 - $20.3 million). We recorded an equivalent amount as a capital lease liability from these equipment financing transactions.

We used $31.9 million in cash ($42.8 million, net of cash acquired) for the acquisition of an interest in Nuna and $151.2 million in cash for the fleet acquisition. As part of the fleet acquisition we assumed $12.6 million in capital leases and promissory notes related to heavy equipment and entered into vendor promissory notes for the $32.6 million balance of the purchase price. We funded the cash used for both these acquisitions through our expanded and amended Credit Facility.

In order to maintain a balance of owned and leased equipment, we finance a portion of our heavy construction fleet capital investment requirements through capital leases and we continue to lease our motor vehicle fleet through our capital lease facilities. During the year ended December 31, 2018, excluding capital lease additions arising related to the purchase of the heavy equipment fleet, we acquired $20.1 million of equipment through capital leases (December 31, 2017 - $14.0 million).

Our combined capital investment (excluding acquisitions) for the year ended December 31, 2018, both funded by cash or financed through capital leases, included $39.7 million in growth capital investments with the balance supporting our sustaining capital investment requirements (December 31, 2017 - $25.9 million in growth capital investments). The growth capital investment in the current year primarily reflects our investment in the construction of our new maintenance and office facility just outside Edmonton, Alberta coupled with the continued strategic acquisition of used equipment. Included as an offset in the net growth capital expenditures is the benefit from $3.7 million received as proceeds for the final settlement of a land sale related to the 2017 original land purchase for the construction of our new maintenance facility.

We continue to assess and adjust the size and mix of our fleet to reflect our current and anticipated future demand with a focus on continued increases of utilization and reduction of maintenance costs, which in turn produces the highest return on these capital assets. In 2019, we intend to limit our annual sustaining capital expenditures to approximately $75.0 million to $85.0 million, net of normal equipment disposals, primarily related to essential capital maintenance and equipment replacement requirements, but also factoring in the one-time cost of upgrading the acquired fleet. We believe that our annual growth capital expenditures could range from $15.0 million to $25.0 million, to support our anticipated growth in revenue. We believe our cash flow from operations, net proceeds from the sale of under-utilized equipment and our leasing capacity will be sufficient to meet our sustaining and growth equipment investment requirements.t

Free Cash Flow

Free cash flow is a non-GAAP measure (see "Explanatory Notes - Non-GAAP Financial Measures" in this MD&A). Below is our reconciliation from the Consolidated Statement of Cash Flows ("Cash provided by operating activities" and "Cash used in investing activities") to our definition of free cash flow.

	Year ended, December 31,	
(dollars in thousands)	2018	2017
Cash provided by operating activities	$ 109,371	$ 49,745
Cash used in investing activities	(228,614)	(33,595)
Capital additions financed by leases	(20,145)	(14,033)
Add back:		
Growth capital additions (cash)	39,666	25,946
Growth capital additions (financed by leases)	6,612	11,609
Fleet acquisition	151,180	—
Investment in affiliates and joint ventures, net of cash acquired	31,911	—
Subtract:		
Proceeds from equipment sale / leasebacks	(29,295)	(20,697)
Free cash flow[i]	**$ 60,686**	**$ 18,975**

[i] See "Non-GAAP Financial Measures".

Contractual Obligations and Other Commitments

Our principal contractual obligations relate to our long-term debt; capital and operating leases; capital for property, plant and equipment; and supplier contracts. The following table summarizes our future contractual obligations, excluding interest payments as early repayment is possible resulting in lower interest payments (Credit Facility, Convertible Debentures and mortgage) or interest is not defined in the contract (equipment and building operating leases and supplier contracts), unless otherwise noted, as of December 31, 2018:

		Payments due by fiscal year				
(dollars in thousands)	**Total**	2019	2020	2021	2022	2023 and thereafter
Credit Facility[i]	192,000	—	—	192,000	—	—
Nuna Credit Facility	2,918	1,167	1,113	638	—	—
Capital leases (including interest)	90,773	33,886	23,843	15,115	11,621	6,308
Convertible Debentures[ii]	39,976	—	—	—	—	39,976
Mortgage[iii]	19,900	386	441	463	486	18,124
Promissory notes[iv] (including interest)	45,146	30,092	15,054	—	—	—
Building and land operating leases[v]	12,981	1,022	1,132	1,158	1,132	8,537
Supplier contracts	16,912	16,912	—	—	—	—
Total contractual obligations	**$ 420,606**	**$ 83,465**	**$ 41,583**	**$ 209,374**	**$ 13,239**	**$ 72,945**

[i] The Credit Facility bears interest at Canadian prime rate, U.S. Dollar Base Rate, Canadian bankers' acceptance or London interbank offered rate (LIBOR) (all such terms are used or defined in the Credit Facility), plus applicable margins payable monthly.

[ii] The Convertible Debentures bear interest of 5.5% and mature on March 31, 2024. Interest is payable in equal installments semi-annually in arrears on March 31 and September 30 of each year, commencing September 30, 2017.

[iii] The mortgage bears interest for the first five years at a fixed rate of 4.80% and is secured by a first security interest in the Company's maintenance facility and head office complex in Acheson, Alberta.

[iv] Promissory notes include vendor promissory notes and equipment promissory notes.

[v] Building and land operating leases are net of receivables on subleases of $18,961 (2019 - $4,494; 2020 - $4,553; 2021 - $4,573; 2022 - $3,610; 2023 and thereafter - $1,731).

Our total contractual obligations of $420.6 million as at December 31, 2018 have increased from $180.9 million as at December 31, 2017 primarily as a result of a $160.0 million increase in borrowing in our credit facilities, the

mortgage $19.9 million, the addition of promissory notes for $45.1 million and the increase in supplier contract commitments due to increased fleet counts.

For a discussion on the Credit Facility see "Credit Facility" below and for a more detailed discussion of our Convertible Debentures, see "Description of Securities and Agreements - Convertible Debentures" in our most recent AIF, which section is expressly incorporated by reference into this MD&A.

Off-Balance Sheet Arrangements

We currently do not have any off-balance sheet arrangements.

New Credit Facility

On November 23, 2018, we entered into an Amended and Restated Credit Agreement (the "Credit Facility") with a syndicate led by National Bank Financial Inc. The Credit Facility is comprised solely of a revolving loan (the "Revolver") which allows increased borrowings of up to $300.0 million, of which letters of credit may not exceed $25.0 million with an ability to increase the maximum borrowings by an additional $50.0 million, subject to certain conditions. This facility matures on November 23, 2021, with an option to extend on an annual basis. The Credit Facility increased the permitted capital lease debt to a limit of $150.0 million. The Credit Facility increased permitted other debt outstanding to a limit of $20.0 million.

Under the terms of the new agreement, the Senior Leverage Ratio is to be maintained at less than or equal to 4.0:1 with a step down to less than or equal to 3:50:1 at Q3 2019, and less than or equal to 3.0:1 at Q4 2019 and thereafter. In the event the Company enters into a material acquisition, the maximum allowable Senior Leverage Ratio would include a step up of 0.50x for four quarters following the acquisition once the covenant reverts to 3.0:1 at Q4 2019. The Fixed Charge Coverage Ratio is to be maintained at a ratio greater than 1.15:1.

- The Senior Leverage Ratio is re-defined as Senior Debt to our trailing 12-month Bank EBITDA less NACG Acheson Ltd. rental revenue; and
- The Fixed Charge Coverage Ratio is re-defined as trailing 12-month Bank EBITDA less cash taxes to Fixed Charges.

Financial Covenants are to be tested quarterly on a trailing four quarter basis. As at December 31, 2018, we were in compliance with the Credit Facility covenants.

"Bank EBITDA" is defined as earnings before interest, taxes, depreciation, and amortization, excluding the effects of unrealized foreign exchange gain or loss, realized and unrealized gain or loss on derivative financial instruments, cash and non-cash stock-based compensation expense, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of assets held for sale and certain other non-cash items included in the calculation of net income. Bank EBITDA is reduced dollar-for-dollar by the fair market rent paid to the wholly-owned subsidiary that owns our new maintenance facility, NACG Acheson Ltd.

"Senior Debt" is defined under the Credit Facility as debt, capital leases and outstanding letters of credit, excluding Convertible Debentures, deferred financing costs and the mortgage related to NACG Acheson Ltd. This is used in the Senior Debt to trailing 12-month Bank EBITDA ratio and the pricing grid to determine the pricing level for borrowing and standby fees under the facility.

"Fixed Charges", is defined under the Credit Facility as cash interest, scheduled payments on debt, unfunded cash distributions and unfinanced net capital expenditures. Our Credit Facility excludes Previous Credit Facility repayments from the determination of Fixed Charges.

- The term "unfunded" is defined as requiring borrowings from the Credit Facility or the issuance of shares to support cash distributions such as dividends payments or the redemption of any class of our shares.
- The term "unfinanced" is defined as expenditures.

Borrowing activity under the Credit Facility

As at December 31, 2018, there was $192.0 million borrowed against the Credit Facility along with $0.9 million in issued letters of credit under the Credit Facility (December 31, 2017 - $32.0 million and $0.8 million, respectively) and the unused borrowing availability was $107.1 million (December 31, 2017 - $107.2 million).

Securities and Agreements

Capital structure

We are authorized to issue an unlimited number of voting common shares and an unlimited number of non-voting common shares.

On August 14, 2017, we commenced a Normal Course Issuer Bid ("NCIB"), which authorized us to purchase up to 2,424,333 common shares through the facilities of the Toronto Stock Exchange ("TSX") and the New York Stock Exchange ("NYSE"). As at December 31, 2018, we have used almost $9.5 million in cash to purchase and subsequently cancel a total of 1,142,762 common shares during 2018, at an average price of $7.44 per share. This NCIB expired on August 13, 2018. The NCIB reduced our net outstanding common share balance to 25,004,205 as at December 31, 2018. This outstanding balance is net of the 2,084,611 common shares classified as treasury shares as at December 31, 2018 (we used $5.1 million in cash for the purchase of treasury shares in 2018).

On June 12, 2014, we entered into a trust agreement whereby the trustee may purchase and hold common shares, classified as treasury shares on our consolidated balance sheets, until such time that units issued under the equity classified long-term incentive plans are to be settled. Units granted under such plans typically vest at the end of a three-year term.

As at February 22, 2019, there were 27,120,816 voting common shares outstanding, which included 2,087,840 common shares held by the trust and classified as treasury shares on our consolidated balance sheets (27,088,816 common shares, including 2,084,611 common shares classified as treasury shares at December 31, 2018). We did not have non-voting common shares outstanding on any of the foregoing dates. Additionally, as at December 31, 2018, there were an aggregate of 565,600 vested and unvested options outstanding under our Amended and Restated 2004 Share Option Plan which, in the event of full vesting and exercise, would result in the issuance of 565,600 common voting shares.

For a more detailed discussion of our share data, see "Description of Securities and Agreements - Capital Structure" in our most recent AIF, which section is expressly incorporated by reference into this MD&A.

Convertible Debentures

On March 15, 2017, we issued $40.0 million in aggregate principal amount of 5.50% convertible unsecured subordinated debentures which mature on March 31, 2024. We pay interest an annual rate of 5.50%, payable semi-annually on March 31 and September 30 of each year, commencing September 30, 2017.

The Convertible Debentures may be converted into common shares at the option of the holder at a conversion price of $10.85 per common share, which is equivalent to approximately 92.1659 common shares per $1,000 principal amount of notes.

For the three months and year ended December 31, 2018, 2,211 common shares were issued for the conversion of Convertible Debentures as a result of the share price exceeding the $10.85 per common share conversion price.

The Convertible Debentures are not redeemable prior to March 31, 2020, except under certain conditions after a change in control has occurred. We have the option to redeem the Convertible Debentures at any time on or after March 31, 2020 at a redemption price equal to the principal amount provided that the market price of the common shares is at least 125% of the conversion price; and on or after March 31, 2022 at a redemption price equal to the principal amount, plus accrued and unpaid interest accrued to the redemption date. In each case, we are required to pay accrued and unpaid interest on the debentures redeemed to the applicable redemption date.

If a change in control occurs, we are required to offer to purchase all of the Convertible Debentures at a price equal to 101% of the principal amount plus accrued and unpaid interest to the date of purchase.

Debt Ratings

On October 3, 2018, S&P Global Ratings ("S&P") changed our company outlook from "stable" to "positive" while affirming our "B" long-term corporate credit rating. S&P changed the outlook to reflect the view that the recently announced acquisitions could result in positive rating action once these acquisitions are fully integrated and generate the estimated stronger operating cash flow and margins. S&P further confirmed that the financial risk profile could be raised to a "B+" if at least two full quarters of combined operations are in line with the enhanced estimates of operating and credit metric forecasts for 2019 and 2020.

Related Parties

On July 14, 2016, we appointed a new member to the Board of Directors. The director is currently the President and Chief Executive Officer of a business that subleases space from the Company. The sublease was entered into several years before the director's appointment.

For the three months and year ended December 31, 2018 , we received $79 and $315, respectively, in this related party transaction since the director's appointment.

Nuna:

Since the acquisition of Nuna on November 1, 2018, we entered into related-party transactions through a number of affiliates and joint ventures as described in "Note 5(a) - Investment in affiliates and joint ventures" of our audited financial statements and notes that follow for the year ended December 31, 2018. These transactions involve providing or receiving services entered into in the normal course of business.

The following table provides the total dollar amount for income statement transactions that have been entered into with related parties during the year ended December 31, 2018:

	Revenue	Management fee revenue	Interest revenue	Distributions	Rent expense
NL Partnership	41	(7)	12	—	—
Affiliates	636	352	56	(102)	38

Revenue generated from the joint ventures and affiliates are related to the heavy constructions and mining services. We receive management fees and distributions from our investment in joint ventures and affiliates pursuant management agreements in place for certain services provided. Interest revenue transactions are generated from the working capital funding provided by us over projects with the joint ventures and affiliates. The rent expense is related to the lease of premises from a shareholder of an affiliate.These transactions were conducted in the normal course of operations, which were established and agreed to as consideration by the related parties.

The following table provides the balance sheet balances with related parties as at December 31, 2018:

	Accounts receivable	Accounts payable and accrued liabilities
NL Partnership	2,355	—
Affiliates	719	13

Accounts receivables and accounts payable and accrued liabilities amounts are unsecured and without fixed terms of repayment. Accounts receivable from Met/Nuna Joint Venture, Nuna East Ltd. and Nuna Pang Contracting Ltd. bear interest at various rates. All other accounts receivable amounts from joint ventures and affiliates are non-interest bearing.

Internal Systems and Processes

Evaluation of disclosure controls and procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that information we are required to disclose is recorded, processed, summarized and reported within the time periods specified under Canadian and US securities laws. They include controls and procedures designed to ensure that information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer to allow timely decisions regarding required disclosures.

An evaluation was carried out under the supervision of and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer of the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) under the US Securities Exchange Act of 1934, as amended, and in National Instrument 52-109 under the Canadian Securities Administrators Rules and Policies. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2018 such disclosure controls and procedures were effective.

Management's report on internal control over financial reporting

Internal control over financial reporting is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP. Management, including the Chief Executive Officer and the Executive Vice President and Chief Financial Officer are responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR"), as such term is defined in Rule 13a -15(f) under the US Securities Exchange Act of 1934, as amended; and in National Instrument 52-109 under the Canadian Securities Administrators Rules and Policies. A material weakness in ICFR exists if a deficiency, or a combination of deficiencies, is such that there is reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

Because of its inherent limitations, ICFR may not prevent or detect misstatements. Also, projections or any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As of December 31, 2018, we applied the criteria set forth in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") to assess the effectiveness of our ICFR. Based on this assessment, management has concluded that, as of December 31, 2018, our internal control over financial reporting is effective. Our independent auditor, KPMG LLP, has issued an audit report stating that we, maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Material changes to internal controls over financial reporting

There have been no material changes to internal controls over financial reporting during the year ended December 31, 2018.

Accounting Pronouncements

Accounting pronouncements recently adopted

- Revenue from Contracts with Customers
    - In May 2014, the Financial Accounting Standards Board ("FASB") issued ASC Topic 606, Revenue from Contracts with Customers, and subsequently issued several related ASUs which provide guidance that requires an entity to recognize revenue in accordance with a five step model. We adopted Topic 606 Revenue from Contracts with Customers with a date of initial application of January 1, 2018 using the modified cumulative effect retrospective method - i.e. by recognizing the cumulative effect of initially applying Topic 606 as an adjustment to the opening balance of equity at January 1, 2018. Therefore, the comparative information has not been adjusted and continues to be reported under the previous revenue standard.
    - We applied Topic 606 to contracts that were not completed at the time of transition. We also elected to use the contract modification practical expedient to not separately evaluate the effects of each contract modification before the period of adoption of Topic 606.
- Statement of Cash Flows
    - In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230: Classification of Certain Cash Receipts and Cash Payments). This standard was adopted January 1, 2018 and the adoption did not have a material effect on our consolidated financial statements.
- Stock-Based Compensation
    - In May 2017, the FASB issued ASU No. 2017-09, Compensation - Stock Compensation (Topic 718: Scope of Modification Accounting). This accounting standard update clarifies which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. This standard was adopted January 1, 2018 and the adoption did not have a material effect on our consolidated financial statements.
- Definition of a business
    - In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805). This accounting standard update clarifies the definition of a business and provides a screening test to determine when and integrated set of assets and activities is not considered a business and, thus, is accounted for an asset acquisition as opposed to a business combination. This standard was adopted during the year ended December 31, 2018. Our two acquisitions within the current year were determined to be asset acquisitions.

Issued accounting pronouncements not yet adopted

- Leases
    - In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This ASU will be effective commencing January 1, 2019, with early adoption permitted. We are assessing the effect that the adoption of this standard will have on our consolidated financial statements.

- Fair Value Measurement
    - In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820), Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. This ASU will be effective January 1, 2020 with early adoption permitted. We are assessing the effect that the adoption of this standard will have on our consolidated financial statements.
- Internal Use Software
    - In August 2018, the FASB issued ASU No. 2018-15, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40), Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. This ASU will be effective January 1, 2020 with early adoption permitted. We are assessing the effect that the adoption of this standard will have on our consolidated financial statements.
- Related Party Guidance for Variable Interest Entities
    - In October 2018, the FASB issued ASU 2018-17, Consolidation (Topic 810), Targeted Improvements to Related Party Guidance for Variable Interest Entities. This ASU will be effective January 1, 2020. We are assessing the effect that the adoption of this standard will have on our consolidated financial statements.
- Collaborative Arrangements
    - In November 2018, the FASB issued ASU 2018-18, Collaborative Arrangements (Topic 808), Clarifying the Interaction between Topic 808 and Topic 606. This ASU will be effective January 1, 2020. We are assessing the effect that the adoption of this standard will have on our consolidated financial statements.

For a complete discussion of accounting pronouncements, see the "Recent accounting pronouncements" section of our Consolidated Financial Statements for the year ended December 31, 2018 and notes that follow, which sections are expressly incorporated by reference into this MD&A.

Critical Accounting Estimates

The preparation of our consolidated financial statements in conformity with US GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from these estimates.

Significant estimates and judgments made by us include:

- assessment of the percentage of completion on time-and-materials, unit-price and lump-sum contracts (including estimated total costs and provisions for estimated losses) and the recognition of claims and change orders on revenue contracts;
- determination of whether an acquisition meets the definition of a business combination;
- fair value of the assets acquired and liabilities assumed as part of an acquisition;
- evaluation of whether we consolidate entities in which we have a controlling financial interest based on either a VIE or voting interest model;
- assumptions used in periodic impairment testing; and
- estimates and assumptions used in the determination of the recoverability of deferred tax assets, the useful lives of property, plant, equipment and intangible assets and potentially the allowance for doubtful accounts.

Actual results could differ materially from those estimates.

The accuracy of our revenue and profit recognition in a given period is dependent, in part, on the accuracy of our estimates of the cost to complete each time-and-materials, unit-price, and lump-sum project. Major changes in cost estimates can have a significant effect on profitability.

The complex judgments and estimates most critical to an investor's understanding of our financial results and condition are contained within our significant accounting policies. Below is a listing of our significant accounting policies in which we define how we apply these critical accounting estimates:

- Revenue recognition

- Definition of a business
- Equity method investments
- Acquisitions
- Impairment of long-lived assets
- Property, plant and equipment
- Intangible assets
- Allowance for doubtful accounts receivable
- Income taxes
- Financial instruments

For a complete discussion of how we apply these critical accounting estimates in our significant accounting policies adopted, see the "Significant accounting policies" section of our Consolidated Financial Statements for year ended December 31, 2018 and notes that follow, which sections are expressly incorporated by reference into this MD&A.

H. FORWARD-LOOKING INFORMATION, ASSUMPTIONS AND RISK FACTORS

Forward-Looking Information

This document contains forward-looking information that is based on expectations and estimates as of the date of this document. Our forward-looking information is information that is subject to known and unknown risks and other factors that may cause future actions, conditions or events to differ materially from the anticipated actions, conditions or events expressed or implied by such forward-looking information. Forward-looking information is information that does not relate strictly to historical or current facts and can be identified by the use of the future tense or other forward-looking words such as "anticipate", “believe”, "continue", "could", "estimate", “expect”, “forecast”, “intend”, "may", "objective" “plan”, “position”, "projection", “should”, "strategy", "target", “would” or the negative of those terms or other variations of them or comparable terminology.

Examples of such forward-looking information in this document include, but are not limited to, statements with respect to the following, each of which is subject to significant risks and uncertainties and is based on a number of assumptions which may prove to be incorrect:

- Our expectation that our new maintenance facility will generate cash payback on the investment within approximately 5 years.
- Our expectation that $313.5 million of our anticipated backlog will be performed over the balance of 2019.
- Our expectation that we will be able to achieve our objective of a minimum 15% compound growth in revenue and Adjusted EBITDA over the period of our three-year organic growth plan.
- Our belief that the recent equipment fleet and Nuna acquisitions have the potential to provide a leap change in our financial results for 2019 and beyond.
- Our anticipation of an improved in 2019 of around 70% of revenue and 60% for Adjusted EBITDA and the belief that such improvements could propel our basic EPS to over $1.60.
- Our anticipation that revenue and Adjusted EBITDA improvements in 2019 will be approximately 30% in Q1, 20% in Q2, 22% in Q3 and 28% in Q4.
- Our expectation that over 75% of our 2019 revenue will derived from work linked to oil sands production.
- Our expectation that free cash flow will benefit from projected uplifts in revenue and Adjusted EBITDA.
- Our anticipation that we will incur a one-time impact of onboarding of the newly acquired fleet to NACG standards.
- Our expectation that we will be able to reduce total debt by $150.0 million in 2019 to 2021.
- Our belief that our mining "overburden" collective bargaining agreement with the International Union of Operating Engineers ("IUOE") Local 955 will ensure labour stability through to 2021, being the term of the agreement.
- Our expectation that we will not experience a strike or lockout.

- Our anticipation that we will likely have enough cash from operations to fund our annual expenses, planned capital spending program and meet current and future working capital, debt servicing and dividend payment requirements in 2019 from existing cash balances, cash provided by operating activities and borrowings under our Credit Facility.
- Our belief that our equipment ownership strategy will continue to allow us to meet our customers' variable service requirements while balancing the need to maximize equipment utilization with the need to achieve the lowest ownership costs.

While we anticipate that subsequent events and developments may cause our views to change, we do not have an intention to update this forward-looking information, except as required by applicable securities laws. This forward-looking information represents our views as of the date of this document and such information should not be relied upon as representing our views as of any date subsequent to the date of this document. We have attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimates expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. **There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.** These factors are not intended to represent a complete list of the factors that could affect us. See "Assumptions", "Risk Factors" and "Quantitative and Qualitative Disclosure about Market Risk", below and risk factors highlighted in materials filed with the securities regulatory authorities filed in the United States and Canada from time to time, including, but not limited to, risk factors that appear in the "Forward-Looking Information, Assumptions and Risk Factors" section of our most recent AIF, which section is expressly incorporated by reference in this MD&A.

Assumptions

The material factors or assumptions used to develop the above forward-looking statements include, but are not limited to:

- that oil prices remain stable and do not drop significantly in 2019;
- that the Canadian dollar does not significantly appreciate in 2019;
- that oil sands production continues to be resilient to drops in oil prices due to our customer's desire to lower their operating cost per barrel;
- continuing demand for heavy construction and earthmoving services, including in non-oil sands projects;
- continuing demand for external heavy equipment maintenance services and our ability to hire and retain sufficient qualified personnel and to have sufficient maintenance facility capacity to capitalize on that demand;
- that we are able to maintain our expenses at current levels in proportion to our revenue;
- that work will continue to be required under our master services agreements with various customers and that such master services agreements will remain intact;
- our customers' ability to pay in timely fashion;
- the oil sands continuing to be an economically viable source of energy;
- our customers and potential customers continuing to outsource activities for which we are capable of providing services;
- our ability to maintain the right size and mix of equipment in our fleet and to secure specific types of rental equipment to support project development activity enables us to meet our customers' variable service requirements while balancing the need to maximize utilization of our own equipment and that our equipment maintenance costs are similar to our historical experience;
- our ability to access sufficient funds to meet our funding requirements will not be significantly impaired;
- our success in executing our business strategy, identifying and capitalizing on opportunities, managing our business, maintaining and growing our relationships with customers, retaining new customers, competing in the bidding process to secure new projects and identifying and implementing improvements in our maintenance and fleet management practices;
- our relationships with the unions representing certain of our employees continues to be positive; and
- that the newly acquired equipment fleet will require expenditures to bring it up to NACG standards;

- our success in improving profitability and continuing to strengthen our balance sheet through a focus on performance, efficiency and risk management.

Risk Factors

The risks and uncertainties that could cause actual results to differ materially from the information presented in the above forward-looking statements and assumptions include, but are not limited to the risks detailed below.

Business Risk Factors

- Our success is highly reliant on a robust Canadian energy industry and continued capital investment If our customers believe the long-term outlook for the price of oil is not favourable, or believe oil sands projects are not viable for any other reason, they may delay, reduce or cancel plans to construct new oil sands capital project or capital expansions to existing projects. Other factors may affect our customer's willingness to undertake capital expenditures, which include but are not limited to, general market volatility, global economic conditions affecting worldwide capital markets, technological advancements making alternate sources of energy more viable, challenges in obtaining environmental permits, shortage of skilled workers, cost overruns on other existing projects, lack of sufficient infrastructure to support growth, introduction of onerous "green" legislation, negative perception of the Alberta oil sands and a shortage of sufficient pipeline or railway capacity to transport production to major markets.
- Significant reductions in our customer's required equipment and service needs, with short notice, could result in our inability to redeploy our equipment and personnel in a cost effective manner. Our ability to maintain revenues and margins may be adversely affected to the extent these events cause reductions in the utilization of equipment and we can no longer recover our full start-up costs over the reduced volume plan of our customers.
- Certain of our revenues are derived from lump-sum and unit-price contracts. Lump-sum and unit-price contracts require us to guarantee the price of the services we provide and thereby potentially expose us to losses if our estimates of project costs are lower than the actual project costs we incur and contractual relief from the increased costs is not available. Further, under lump-sum contracts any errors in quantity estimates or productivity losses for which contractual relief is not available, must be absorbed within the price. When we are unable to accurately estimate and adjust for the costs of lump-sum and unit-price contracts, or when we incur unrecoverable cost overruns, the related projects may result in lower margins than anticipated or may incur losses, which could adversely affect our results of operations, financial condition and cash flow.
- Most of our revenue comes from the provision of services to a small number of major oil sands mining companies. If we lose or experience a significant reduction of business or profit from one or more of our significant customers, we may not be able to replace the lost work or income with work or income from other customers.
- Outsourced heavy construction and mining services constitute a large portion of the work we perform for our customers. The election by one or more of our customers to perform some or all of these services themselves, rather than outsourcing the work to us, could have a material adverse impact on our business and results of operations.
- We compete for work with other contractors of various sizes and capabilities. New contract awards and contract margin are dependent on the level of competition and the general state of the markets in which we operate. Fluctuations in demand may also impact the degree of competition for work. Competitive position is based on a multitude of factors including pricing, ability to obtain adequate bonding, backlog, financial strength, appetite for risk, reputation for safety, quality, timeliness and experience. If we are unable to effectively respond to these competitive factors, results of operations and financial condition will be adversely impacted.
- While we have achieved a significant improvement in the flexibility to borrow against our borrowing capacity and a reduction in the cost of our debt over the past three years, our current indebtedness may limit our ability to obtain additional financing to fund our working capital, capital expenditures, debt service requirements, potential growth or other purposes; limit our ability to use operating cash flow in other areas of our business as such funds are instead used to service debt; limit our ability to post surety bonds required by some of our customers; place us at a competitive disadvantage compared to competitors with less debt; increase our vulnerability to, and reduce our flexibility in planning for, adverse changes in economic, industry and competitive conditions; and increase our vulnerability to increases in interest rates because borrowings under our Credit Facility and payments under our mortgage along with some of our equipment leases and promissory notes are subject to variable interest rates.

- Substantially all of our hourly employees are subject to collective bargaining agreements to which we are a party or are otherwise subject. Any work stoppage resulting from a strike or lockout could have a material adverse effect on our business, financial condition and results of operations.
- The success of our business depends on our ability to attract and retain skilled labour. There can be no assurance that we will be successful in identifying, recruiting or retaining a sufficient number of skilled workers.
- There can be no guarantee that we will be able to maintain our high standards and level of health and safety performance. An inability to maintain excellent safety performance could adversely affect our business by customers reducing existing work in response and by hampering our ability to win future work.
- Changes to the nature or quantity of the work to be completed under our contracts are often requested by clients or become necessary due to conditions and circumstances encountered while performing work. Formal written agreement to such changes, or in pricing of the same, is sometimes not finalized until the changes have been started or completed. As such, disputes regarding the compensation for changes could impact our profitability on a particular project, our ability to recover costs or, in a worst case scenario, result in project losses.
- A portion of our equipment fleet is currently leased from third parties. Other future projects may require us to lease additional equipment. If equipment lessors are unable or unwilling to provide us with reasonable lease terms within our expectations, it will significantly increase the cost of leasing equipment or may result in more restrictive lease terms that require recognition of the lease as a capital lease.
- Our continued growth and future success depends on our ability to identify, recruit, assimilate and retain key management, technical, project and business development personnel. There can be no assurance that the Company will be successful in identifying, recruiting or retaining such personnel.
- There can be no assurance that the revenues projected in our backlog at any given time will be realized or, if realized, that they will perform as expected with respect to margin.
- If the global demand for mining, construction and earthworks services is reduced, we expect that the global demand for the type of heavy equipment used to perform those services would also be reduced. While we may be able to take advantage of reduced demand to purchase certain equipment at lower prices, we would be adversely impacted to the extent we seek to sell excess equipment.
- There can be no assurance that we will maximize or realize the full potential of any of our acquisitions. A failure to successfully integrate acquisitions and execute a combined business plan could materially impact our financial results.
- Our ability to maintain planned project margins on longer-term contracts with contracted price escalators is dependent on the contracted price escalators accurately reflecting increases in our costs. If the contracted price escalators do not reflect actual increases in our costs, we will experience reduced project margins over the remaining life of these longer-term contracts.
- We regularly transact in foreign currencies when purchasing equipment and spare parts as well as certain general and administrative goods and services. As such, we are exposed to the risk of fluctuations in foreign exchange rates.
- Ineffective internal controls over financial reporting could result in an increased risk of material misstatements in our financial reporting and public disclosure record. See above under “Internal Systems and Processes” for further details.
- The Company utilizes information technology systems for some of the management and operation of its business and is subject to information technology and system risks, including hardware failure, cyber-attack, security breach and destruction or interruption of the Company’s information technology systems by external or internal sources. Although the Company has policies, controls and processes in place that are designed to mitigate these risks, an intentional or unintentional breach of its security measures or loss of information could occur and could lead to a number of consequences, including but not limited to: the unavailability, interruption or loss of key systems applications, unauthorized disclosure of material and confidential information and a disruption to the Company’s business activities.

For further information on the above risks, please refer to the "Forward-Looking Information, Assumptions and Risk Factors - Risk Factors" section of our most recent AIF, which section is expressly incorporated by reference into this MD&A.

I. GENERAL MATTERS

Additional Information

Our corporate office was recently re-located to 27287 - 100 Avenue, Acheson, Alberta, T7X 6H8. Our corporate head office telephone and facsimile numbers remain unchanged and are 780-960-7171 and 780-969-5599, respectively.

For the definition of terms commonly used in our industry but not otherwise defined in this MD&A, please see "Glossary of Terms" in our most recent AIF.

Additional information relating to us, including our AIF dated February 25, 2019, can be found on the Canadian Securities Administrators System for Electronic Document Analysis and Retrieval ("SEDAR") database at www.sedar.com, the Securities and Exchange Commission's website at www.sec.gov and our company website at www.nacg.ca.

Exhibit 99.4

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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors of North American Construction Group Ltd.

We consent to the use of our reports, each dated February 25, 2019, with respect to the consolidated financial statements and the effectiveness of internal control over financial reporting included in this annual report on Form 40-F.

KPMG LLP

Chartered Professional Accountants

Edmonton, Canada
February 25, 2019

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP

Exhibit 99.5

CERTIFICATION OF FORM 40-F
REQUIRED BY RULE 13a-14(a)
OR RULE 15d-14(a), PURSUANT TO SECTION 302
OF THE SARBANES–OXLEY ACT OF 2002

I, Martin Ferron, the Chief Executive Officer of North American Construction Group Ltd., certify that:

1. I have reviewed this annual report on Form 40-F for the fiscal year ended December 31, 2018 of North American Construction Group Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 25, 2019

/s/ Martin Ferron

Name: Martin Ferron

Title: Chief Executive Officer

Exhibit 99.6

CERTIFICATION OF FORM 40-F
REQUIRED BY RULE 13a-14(a)
OR RULE 15d-14(a), PURSUANT TO SECTION 302
OF THE SARBANES–OXLEY ACT OF 2002

I, Jason Veenstra, the Chief Financial Officer of North American Construction Group Ltd., certify that:

1. I have reviewed this annual report on Form 40-F for the fiscal year ended December 31, 2018 of North American Construction Group Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 25, 2019

/s/ Jason Veenstra

Name: Jason Veenstra

Title: Chief Financial Officer

Exhibit 99.7

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ENACTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 40-F for the fiscal year ended December 31, 2018 (the "Report") of North American Construction Group Ltd. (the "Company"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 25, 2019

/s/ Martin Ferron

Name: Martin Ferron

Title: Chief Executive Officer

Exhibit 99.8

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ENACTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 40-F for the fiscal year ended December 31, 2018 (the "Report") of North American Construction Group Ltd. (the "Company"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 25, 2019

/s/ Jason Veenstra

Name: Jason Veenstra

Title: Chief Financial Officer